Welcome to the Webinar! Before we Begin...

If you can’t get the audio through your speakers or by VOIP, try dialing in using your phone.

All attendees are muted to ensure the best audio quality.

To ask a question, type it into the Questions box (pictured to the right) at any time.

This webinar is being recorded. The slides and full recording will be provided to attendees via email after the session.

Part Two

Presented By:
Jina Paik
Dominique Hugg
Advisory Services

April 17, 2020
Nonprofit Finance Fund: Linking Money to Mission for 40 Years

NFF envisions a world where capital and expertise come together to create a more just and vibrant society.

We promote the success of mission-driven organizations by offering:

- Tailored investments
- Strategic advice
- Accessible insights

Guided by our Core Values:

- Equity in Action
- Rigor Without Attitude
- Responsiveness
- Generosity of Spirit
- Leading By Doing
Managing Through Uncertainty Parts 1 & 2

Agenda & Goals

**Thu. 16 Apr., 1:00 PM EST**

**Part 1:**
- Framework for COVID Response, Recovery, and Resilience
- Cash Flow Planning
- Understanding Budget Realities

**Fri. 17 Apr., 1:00 PM EST**

**Part 2:**
- Planning the Response with an Eye Toward Recovery
- Scenario Budgeting
## Iterative Phases of Responding and Recovering

<table>
<thead>
<tr>
<th>Immediate Response</th>
<th>Operating Within COVID</th>
<th>Planning for Recovery</th>
<th>Recovery</th>
<th>Resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ How are we impacted?</td>
<td>▪ What can we realistically deliver and sustain?</td>
<td>▪ How will recovery unfold for us, given our programs and operations.</td>
<td>▪ How does our business model and balance sheet look during recovery, and what support can we get?</td>
<td>▪ How can we prepare for future crises?</td>
</tr>
<tr>
<td>▪ How much cash do we have to sustain operations?</td>
<td>▪ What revenue are we losing; what new expenses are we incurring?</td>
<td>▪ What people, money, things will we need to have in place for recovery, and do we have them?</td>
<td>▪ Where can we push for full cost coverage?</td>
<td>▪ What are our unique needs for building financial strength?</td>
</tr>
<tr>
<td>▪ Can we deliver programs remotely?</td>
<td>▪ What are we not able to do, what new opportunities are there?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Where can we look to aid or support?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Getting Your Arms Around the Response

Guided by Priorities & Goals

Understand your situation & timeframe
• Project your cash position for the months ahead, adjusting for decisions already made about expenses
• Adjust your budget

Develop and monitor your options
• Think through different budget scenarios, perhaps with quarterly view
• Plan your response based on your management and financial levers
Planning Your Response with an Eye Toward Recovery

What will you be prioritizing?

- Do you have mandates or services that have to be prioritized?

- What can’t you do right now because they are impossible to deliver or not mission critical?

- What is your ultimate goal? Are you looking to preserve staff salaries, preserve the organization for the long-term, or ensuring programs or assets whether it’s within your organization or not?
Do we have a cash issue or a cash flow issue?

What are our greatest strengths, risk & opportunities to consider?

What are operational and programmatic priorities?

What is our current financial situation?

How are our programs and operations affected by social distancing?

Wherever possible, what can we do to extend our cash?

Do we have influence, networks, or capacity to bring in additional funding?

Should we use our reserves for immediate cash needs?

How does our budget change as social distancing continues?
Scenario Planning Tests Your Options to See the Effect
What’s within your control?
Limitations of Planning for the Future

Limitation

- We can’t know the future
- We don’t have perfect information
- Focus on the significant factors
- Practical for decision-making, but no need to be exhaustive

Response

- Use a tool and estimate based on the best information available at the time
- Don’t let the perfect be the enemy of the good
How to Enter Into Scenario Planning

YES!

Not yet!

Scenario Planning requires us to do three things:

1) Take in existing data about programs, operations, finances, people, etc.
2) Imagine those things reconfigured under different sets of ‘what ifs’ and
3) Project the ‘what if’ outcomes in written plan.

We are best served by beginning this exercise in discussion with trusted colleagues, board members and partners.
**Building Scenario’s in Times of Uncertainty**

What unknowns are we trying to plan around? What decisions do we have to make?

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Social distancing ends June 30; slow program demand</th>
<th>Social distancing ends Sept 30, slow program demand; loss of funders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individuals</strong></td>
<td>Most donors remain</td>
<td>Lose some core donors (5% of budget)</td>
</tr>
<tr>
<td><strong>Foundations</strong></td>
<td>Largest funders (65% of budget) committed as long as we remain viable.</td>
<td>With viability in question, may lose a few key funders (35% of budget)</td>
</tr>
<tr>
<td><strong>Earned Income</strong></td>
<td>Holiday shows and activities; low summer space rental</td>
<td>High restart cost; need to start in 2021</td>
</tr>
<tr>
<td><strong>Classes</strong></td>
<td>Switched to low-cost online classes for engagement</td>
<td>Can we continue classes through summer with smaller staff?</td>
</tr>
</tbody>
</table>
# Putting Numbers to Assumptions, Hopes and/or Fears

Best guesses for revenue from your scenarios

**Sample**

**Budget SCENARIO:**

COVID-19 (Jan-Dec 2020)

**Numbers in thousands**

## OPERATING BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2020 Budget</th>
<th>Social distancing ends June 30, slow program demand</th>
<th>2020 Reforecasted Budget</th>
<th>Social distancing ends Sept 30, slow program demand, loss of funders</th>
<th>2020 Reforecasted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership Dues</td>
<td>10</td>
<td>member due refunds</td>
<td>5</td>
<td>still expecting some member due refunds</td>
<td>4</td>
</tr>
<tr>
<td>Ticket Sales</td>
<td>15</td>
<td>April show canceled &amp; Dec perf?</td>
<td>12</td>
<td>Restart cost may need to start in 2021</td>
<td>-</td>
</tr>
<tr>
<td>Facility Rental Income</td>
<td>30</td>
<td>rentals restart in Sept (75%)</td>
<td>8</td>
<td>Jan and Dec</td>
<td>3</td>
</tr>
<tr>
<td>Program Fees</td>
<td>26</td>
<td>switch to online classes &amp; back online</td>
<td>13</td>
<td>75% reduction</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total earned income</td>
<td>81</td>
<td></td>
<td>38</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Foundation Grants</td>
<td>100</td>
<td>donor committed; other rev secured</td>
<td>100</td>
<td>may lose a few key funders; 35% reduction</td>
<td>65</td>
</tr>
<tr>
<td>Special Events</td>
<td>55</td>
<td>annual event scheduled for Dec ; 25% cut</td>
<td>41</td>
<td>may be canceled</td>
<td>-</td>
</tr>
<tr>
<td>Individual Contribution</td>
<td>15</td>
<td>online appeal</td>
<td>15</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Revenue Released From Restrictions</td>
<td>25</td>
<td>35k for 2nd yr of fdn grant released from restrictions</td>
<td>60</td>
<td></td>
<td>60</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Contributed Revenue</td>
<td>195</td>
<td></td>
<td>216</td>
<td></td>
<td>140</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>276</td>
<td></td>
<td>254</td>
<td></td>
<td>154</td>
</tr>
<tr>
<td>Change from Budget Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td>-8%</td>
<td></td>
<td>-44%</td>
</tr>
</tbody>
</table>
Financial Levers:
What’s Within Our Control to Use? What’s Easier or Harder to Change?

- **Expenses**: What’s easier or harder to change? What can we still maintain programmatically? What is most necessary to restart operations in the future?

- **Revenue**: Does the crisis present any opportunities? Are there funders who can release restrictions? Advance funding earlier? Special fundraising?

- **Cash & Reserves: (if available)** Under what circumstances should you access reserves? Are they Board Designated?

- **Profitability**: What is our goal? Can we absorb a deficit? How much can we absorb?

- **Capital Expenditures**: Can you delay any facility projects, if necessary?
### Sample Budget SCENARIO: COVID-19 (Jan-Dec 2020)

Numbers in thousands

#### OPERATING BUDGET

<table>
<thead>
<tr>
<th>Date</th>
<th>2020 Budget</th>
<th>Social distancing ends June 30, slow program demand</th>
<th>Scenario 1 FY20 Budget</th>
<th>Social distancing ends Sept 30, slow program demand, loss of funders</th>
<th>Scenario 2 FY20 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>276</td>
<td>254</td>
<td>154</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change from Budget Revenue</td>
<td>(22)</td>
<td>(123)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>-8%</td>
<td>-44%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff salary &amp; benefit</td>
<td>193</td>
<td>193</td>
<td>staffing cuts? (~40%)</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Consultant/contractor</td>
<td>28</td>
<td>7k actuals; dec season projected</td>
<td>17</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td>32</td>
<td>delayed rent in cashflow noted but rent balance may be due; no cost savings</td>
<td>32</td>
<td>will we continue to rent office space?</td>
<td>20</td>
</tr>
<tr>
<td>Other Expense</td>
<td>9</td>
<td>9</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>262</td>
<td>251</td>
<td>153</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change from Budget Revenue</td>
<td>(11)</td>
<td>(109)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>-4%</td>
<td>-42%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS / DEFICIT</strong></td>
<td>14</td>
<td>3</td>
<td>9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### COVID Related Revenues/Expenses

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Scenario 1 FY20 Budget</th>
<th>Scenario 2 FY20 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved PPP forgivable loan</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>ABC Foundation Emergency Fund</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total COVID Related Revenue</strong></td>
<td>-</td>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Scenario 1 FY20 Budget</th>
<th>Scenario 2 FY20 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software and Licenses</td>
<td>remote tools</td>
<td>5</td>
</tr>
<tr>
<td>Equipment</td>
<td>Webcams for remote online classes; hardware</td>
<td>7</td>
</tr>
<tr>
<td>Contingency</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total COVID related expenditures</strong></td>
<td>-</td>
<td>22</td>
</tr>
</tbody>
</table>

Overall Surplus/Deficit

<table>
<thead>
<tr>
<th>2020 Budget</th>
<th>Social distancing ends June 30, slow program demand</th>
<th>Scenario 1 FY20 Budget</th>
<th>Social distancing ends Sept 30, slow program demand, loss of funders</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>14</strong></td>
<td>6</td>
<td>9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Operationalizing Your Plan

Develop:

• An action plan that outlines what you will do if a scenario becomes reality. What are the key steps, timelines, benchmarks, objectives and teams for implementation.
• Monitoring mechanism that enables you to look out for the triggers that signal a shift from your current budget to the scenario.

Articulate:

• The main scenario situation.
• Priorities used during decision-making.
• Areas of risk, variability, or constants.
• The assumptions you are making within any scenario.
• The triggers that will prompt action.

Scenario Plan A: Plan of Action

• Timeline
• Benchmarks/milestones
• Concrete steps/actions
• Staff or team responsible
• Communications strategy
Tool: Scenario Planning
Test the effect of different choices or events

Types of Scenario Plans

• **Back of Envelope/High Level Analysis:**
  For low-stakes decisions or to gauge general financial impact; easier to do but may be inaccurate

• **Go/No-Go Analysis:** Cost-benefit of a strategic decision

• **Best/Worst Case Budgets:** “What if’s” of one budget year

• **Detailed Multi-Year Scenario Plan:**
  Quantifies the effects of choices/events over time and reveals important inflection points, trends, or financial drivers
Q&A Break
Yesterday’s Audience
Over half have at least reduced their program delivery

How has your organization been impacted by social distancing?

- Operational; we are delivering our programs (41%)
- Limited; we are delivering reduced programs (45%)
- Paused; we have had to stop all programs (14%)
## Considerations for Operating, Reduced or Paused Organizations

<table>
<thead>
<tr>
<th>Operational</th>
<th>Limited/ Reduced Service</th>
<th>Paused</th>
</tr>
</thead>
<tbody>
<tr>
<td>How long can you sustain services in this state?</td>
<td>To what extent do you need to reduce services and operations?</td>
<td>What will you need to restart the organization? Is there a plan for getting those resources?</td>
</tr>
<tr>
<td>What will be the key challenges operating in this way, and how can you address them?</td>
<td>How long can you continue in this state before making more changes? What will trigger this change?</td>
<td>Do you need to preserve or transfer assets or programs?</td>
</tr>
<tr>
<td>Where are the biggest risks?</td>
<td>Do you have a plan for rebuilding, and what will the new normal look like?</td>
<td>What will trigger restarting or closing?</td>
</tr>
<tr>
<td>What are the essential functions and services that must be delivered?</td>
<td>What are essential functions that must keep going?</td>
<td>While paused, what are essential functions that must keep going, as defined by the executive team and board?</td>
</tr>
</tbody>
</table>

Guided by Priorities & Goals
What is the plan for reemergence? How will our mission continue in a changed environment?

**People & Skills:** Can we re-hire furloughed or laid-off staff or do we need to hire and train new people?

**Know-How:** How has our community changed around us? Will our programs continue to work? Will we need to change?

**Relationships & Reputation:** Do we need to rebuild connections to partners, peers, and funders? How can we reach out to our networks and communities during this time?

**Financial:** Do we have money to pay for new staff, new programs and time to build relationships? Will there be initial upfront costs?
Getting Your Arms Around the Response

Guided by Priorities & Goals

**Understand your situation & timeframe**
- Project your cash position for the months ahead, adjusting for decisions already made about expenses
- Adjust your budget

**Develop and monitor your options**
- Think through different budget scenarios, perhaps with quarterly view
- Plan your response based on your management and financial levers
Communicate & Advocate

• Communicate early and often!

• Maintain a dialogue with staff, board, partners and constituents about what’s known, unknown and options

• Stay in front of funders — don’t pull back

• Share your experience and insights with the network and stakeholders

• Advocate for a more equitable and effective system and supporting policies

Tool: Financial Storytelling Guide
COVID-19 Resources

Self-guided resources
- Website-based
- Blog and downloadable tools

Group programs
- Webinars
- Small-group coaching sessions
- Cohort / custom group programs* (arts, health, etc.)

Individualized help
- FAQ bank [https://nff.org/ask-nff](https://nff.org/ask-nff)
- ‘Ask NFF’ email service
- Individual coaching sessions*

*to inquire about these services please contact [consulting@nff.org](mailto:consulting@nff.org)
Thank You!

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