Welcome to the NFF Workshop!
Below are a few housekeeping items to review before we get started:

Please try dialing in using your phone if you’re having trouble connecting to audio on your computer.

*Find the microphone icon in your Zoom panel → click the ‘up’ arrow → select ‘switch to phone audio’ → dial in on your phone using the number and meeting ID → link your phone and video by dialing #participant ID#*

**Dial In:** (408) 638-0968  
**Meeting ID:** 817-5437-3897

If you are able, please share your video by pressing ‘Start Video’ in your Zoom panel *(shown above)*

You are currently muted to ensure the best possible sound quality. As questions/comments arise, please unmute yourself using the microphone icon in your zoom panel *(shown above)* or by pressing *6 on your phone. You may also reach out using the question box at any time.

We will answer your questions as you ask them, so please do ask! *If you have a questions, it’s likely someone else is wondering the same thing, too.*

We are recording the main sessions, not the breakout groups
We are offering Spanish interpretation in this webinar series.

If you would prefer to listen to today’s session in Spanish, you can enable this interpretation by selecting the Interpretation in your bottom bar on your screen, and then select Spanish.

You will be able to move between the Spanish and English audio channels at your convenience, and please note that you will still be able to unmute to ask questions and send messages in the chat at any time.
Webinar
Telling Your Financial Story

Facilitated by
Nonprofit Finance Fund

Annie Chang, Director, Advisory Services

July 1, 2021
“Land acknowledgments are a stepping stone to honouring broken treaty relationships.”

• We invite you to share in the chat the Indigenous Territory you are joining us from:

[https://native-land.ca/](https://native-land.ca/)
Nonprofit Finance Fund

We are on a mission to support community-centered organizations led by and serving people of color, helping them access the investment capital and financial knowledge they need to realize their aspirations.
The Rising Together Initiative
NFF is partnering with…

Goal: Position community organizations to sustain and adapt

- Better understand financial dynamics of the current operations as well as growth and change
- Identify, prioritize, and quantify financial needs
- Build capacity for strengthened financial management, resilience and data informed decision making

The Rising Together Initiative is funded by Morgan Stanley
Meeting Agreements

Contribute to a meaningful learning experience

- Every experience is valid; we are here as peers to learn from each other
- Invitation to share freely and candidly, and ask questions
- Take care of your needs first
What’s This Session All About?

There are many ways this year could go. How do I plan?

I’m not sure what the impact will be if we don’t bring in as much with our virtual fundraiser.

At what point should I think about increasing staff to meet demand?

Other questions? What questions are you thinking about coming into this session?
Today's Learning Goals

- Use your budget strategically to identify & prepare for risks and opportunities
- Enhance visibility to enable nimble decision-making across stakeholders
- Navigate the through scenario planning
Poll:

On a scale of 1 – 5, how comfortable are you working with your organization’s budget?

1 = beginner level
5 = advanced/proficient
## Key Considerations in Strategic Budgeting

<table>
<thead>
<tr>
<th>Build A Budget That...</th>
<th>Account for Uncertainty</th>
<th>Know Your Options</th>
<th>Iterate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reflects your strategic goals</td>
<td>Discount revenue based on reliability and predictability</td>
<td>Identify your fixed vs. variable expenses</td>
<td>Compare budget to actuals regularly</td>
</tr>
<tr>
<td>Sets realistic expectations</td>
<td>Know what it takes to reach your goals</td>
<td>Be clear about the trade-offs when considering scenarios</td>
<td>Update projections when new information comes in</td>
</tr>
<tr>
<td>Accounts for revenue restrictions</td>
<td></td>
<td></td>
<td>Make decisions, when necessary, in response to change</td>
</tr>
<tr>
<td>Includes surpluses to support longer-term needs</td>
<td></td>
<td></td>
<td>Communicate to your team and stakeholders about decisions</td>
</tr>
</tbody>
</table>
What Informs My Budget?

- Prior year’s outcomes
- Strategic goals
- Funding & expenses already committed
- Program and management staff input
- Strategic goals
## Identifying Risk and Opportunity in Budgets

### Budget

#### Revenue
- Earned
- Contributed
  - Private Sources
  - Government

#### Expenses
- Personnel
- Professional Fees
- Occupancy
- Program Costs
- Support
- Other

#### Surplus / Deficit

1. **Articulate your assumptions**
2. **Identify your key risks or potential swings**
3. **Identify what you do and do not have control over**
How can we account for the uncertainty of different revenue sources as we plan out our budget?

- Make a list of all of the confirmed and potential sources of revenue
- For potential sources of revenue, assess the likelihood of receiving funding from them and how much they might fund
- Use this information to make a data-informed projection of potential revenue

Assessing Your Revenue Potential from a Funder

- How aligned are we with what this funder funds?
  - E.g. issue area, geography, target demographics served, etc.

- What types of things have they funded in the past?

- What do we know about the amounts they have granted to others in the past?

- What is our relationship with them?
  - E.g. did they reach out to us? How many times have we met with them? Are we responding to an open RFP?
Incorporating Revenue Probabilities into Budget
Budgeting for unpredictable revenue

Start by ranking revenue according to probability. BELOW IS AN EXAMPLE (you can use your own percentages based on your confidence)

**Grade**

- **A** committed
- **B** proposal submitted, high probability
- **C** proposal submitted, Somewhat likely
- **D** in discussions, moderate
- **E** new or no relationship

**Probability**

- **100% secure**
- **90% historically reliable**
- **60% moderate**
- **25% in design phase**
- **10% speculative**
### Discounting Revenue: Discount Method

Example: ABC Organization

<table>
<thead>
<tr>
<th>Source</th>
<th>Status</th>
<th>Probability</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Agency</td>
<td>Contract signed, will be paid via reimbursement</td>
<td>100%</td>
<td>$25,000</td>
</tr>
<tr>
<td>Reliable Foundation</td>
<td>Strong alignment, has been reliable in the past, no major concerns</td>
<td>90%</td>
<td>$20,000</td>
</tr>
<tr>
<td>Sometimes Major Donor</td>
<td>Strong alignment, has supported on and off, interested in renewing, hasn’t given a timeline</td>
<td>60%</td>
<td>$1,000</td>
</tr>
<tr>
<td>New Corporation</td>
<td>Engaged, in the learning process, final scope TBD</td>
<td>25%</td>
<td>$5,000</td>
</tr>
<tr>
<td>Prospects</td>
<td>Researching and contacting potential donors</td>
<td>10%</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>$56,000</strong></td>
</tr>
</tbody>
</table>
## Discounting Revenue: Cutoff Method

**Example: ABC Organization**

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<th>Source</th>
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<th>Amount</th>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td>$56,000</td>
</tr>
</tbody>
</table>
Check-in on Chat:

Do you think you can use this methodology in your revenue projections? Why? Why not?
Forecasting Expenses: Direct vs. Indirect, Variable vs. Fixed

Operating expenses are often more directly within our control than revenue. When building a budget, keep these types of expenses in mind:

- **Direct**: directly tied to program (e.g. program advertising costs)
- **Indirect**: organization-wide expenses (e.g. utility bill)
- **Fixed**: do not change when we do more or less (e.g. mortgage or rent on year-round facility)
- **Variable**: increase or decrease based on activity level (e.g. office supplies)

Important to understand how changing your expenses will impact your mission delivery.
A Strategic Budget Quantifies Risk & Aids in Decision Making

Illustrates ‘What happened?’ and ‘Why?’

• Shows variance between Actuals and Projected numbers
• Tracks year-to-date performance
• Includes notes and states assumptions
• Clearly shows what restricted revenue is available this year and for future years

Budget Data Supports ‘Real Time’ Decision Making

• In light of performance short falls, or unexpected events, what can leadership do?
• Given what we know, how can we adjust today? What can we do to adjust tomorrow?
Poll: How are you planning for this year?

1. Planning to stay mostly remote for most of 2021

2. Planning to re-open programs in person on a set date and have decided on what it will likely look like

3. Planning to re-open programs in person, but don’t know when or what it will look like

4. Already operating programs primarily in-person
Defining the Scenarios to Explore (ABC Organization Example)
Permission to Make Your Best Guess

<table>
<thead>
<tr>
<th>Low Financial Impact (Client Demand, Funder Support)</th>
<th>Fast-Paced Re-Opening</th>
<th>Slow-Paced Re-Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Financial Impact (Client Demand, Funder Support)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pick the scenario(s) that will help you plan your way forward.
Sample Scenario Budgets
Considering multiple potential operating results

<table>
<thead>
<tr>
<th>FY 2021 Budget</th>
<th>FY 21 BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/21 - 12/31/21</td>
<td>$ in thousands</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Earned Income</td>
<td></td>
</tr>
<tr>
<td>County Contracts</td>
<td>500</td>
</tr>
<tr>
<td>State Contracts</td>
<td>700</td>
</tr>
<tr>
<td>Contributed Income</td>
<td></td>
</tr>
<tr>
<td>Individual Donations</td>
<td>750</td>
</tr>
<tr>
<td>Foundation Grants</td>
<td>585</td>
</tr>
<tr>
<td>Net Assets Released</td>
<td>1,503</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>4,038</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>2,694</td>
</tr>
<tr>
<td>Contract Services</td>
<td>149</td>
</tr>
<tr>
<td>Support &amp; Supplies</td>
<td>460</td>
</tr>
<tr>
<td>Occupancy</td>
<td>679</td>
</tr>
<tr>
<td>Volunteer Expenses</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>4,076</td>
</tr>
<tr>
<td><strong>Surplus (Deficit)</strong></td>
<td>(38)</td>
</tr>
</tbody>
</table>

Baseline budget – reflects current operations with limited re-opening

FY 21 BUDGET
Programs fully re-open by September; growing service demand
Programs go fully remote; moderate/declining service demand

SCENARIO A SCENARIO B

Baseline budget – reflects current operations with limited re-opening

FY 2021 Budget
1/1/21 - 12/31/21
$ in thousands

Revenue
Earned Income
County Contracts 500
State Contracts 700
Contributed Income
Individual Donations 750
Foundation Grants 585
Net Assets Released 1,503
Total Revenue 4,038
Expenses
Personnel 2,694
Contract Services 149
Support & Supplies 460
Occupancy 679
Volunteer Expenses 94
Total Expenses 4,076
Surplus (Deficit) (38)
Implications of the Scenario Plan

- Engage staff, board, and funders in data-driven strategic conversations
- Understand the implications of the decisions you make as to the best path forward

Strategic Implications

- Developing explicit contingency plans
- It is difficult when you are forced to take drastic action without a thoughtful plan

Identify Options

- Determine the triggers that lead to Scenario B, Scenario C, etc.
- For example: if X% of revenue doesn't arrive by Y, we will cut Z% of expenses

Articulate Triggers
A Sample Scenario Planning Tool with Step-by-Step Instructions is Available at: https://nff.org/covid-19-tools-and-resources-nonprofits#tools
Check-Out

Please share via chat your response to any of all of the following questions:

**Head**

What did you **learn** from today’s session?

**Heart**

How did today’s session make you **feel**?

**Feet**

What **actions** will you take to bring this back to your organization and community?
Upcoming Sessions

Op in Changing World
Parts 1 + 2

April 15

April 29

May 13

June 3

June 10

June 24

July 1

July 22

Aug 5

Aug 19

Sept 2

Sept 16

Financial Planning

Cash Flow Planning

Telling Your Financial Story

Understanding Your Mission & Money Mix

Understanding Full Cost

Financial Leadership for Boards

Managing Risk & Opportunities

Economics of Partnerships & Collaboration

Strategic Budgeting & Scenario Planning

Telling Your Financial Story
Up Next

Understanding Your Mission/Money Mix

July 22, 2021 1 – 2 pm EST

To make informed decisions, nonprofit leaders must understand how their programs contribute to both financial and mission objectives. You will use NFF’s Program Economics Analysis to see how your mission can inform financial decisions, explore where well-placed subsidy can maximize your organization’s impact, and determine how to adapt your programs in response to the current moment.
Thank You!

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