



# Nonprofit Financial Management

## STRATEGIC BUDGETING AND SCENARIO PLANNING

Name: \_\_\_\_\_

Organization: \_\_\_\_\_

# Nonprofit Financial Management

## Strategic Budgeting and Scenario Planning

To effectively plan for the future, nonprofit leaders must imagine possible scenarios and determine how their organizations would respond. This webinar will show you how to incorporate scenario planning into your budget, allowing your team and your board to understand budget implications for various “what-ifs” and create plans of action. NFF will help you quantify the unknown, develop budget scenarios for possible future crises, identify key drivers of change, assess revenue and expense variability, and prepare for both best- and worst-case scenarios.

### Learning Goals

- Learn how to use your budget strategically to identify and prepare for risks and opportunities
- Enhance visibility to enable nimble decision-making across stakeholders
- Navigate through scenario planning

### Key Concept: Revenue Probability

Calculating revenue is a key part of building a budget. But how can nonprofits do this accurately when much of their revenue isn’t 100% predictable?

Fortunately, nonprofits can use probability to calculate a fairly reliable revenue forecast. Use the following three steps:

- **Make a list** of confirmed and potential revenue sources
- **Assess the likelihood** of funding from each source and how much they might fund
- **Make a data-informed projection** of your overall revenue

The diagram on the right shows how this *could* look, but it’s just an example. Feel free to adjust to percentages that make sense for your organization!

| Grade                                        |   | Probability                  |
|----------------------------------------------|---|------------------------------|
| A<br>committed                               | → | 100%<br>secure               |
| B<br>proposal submitted,<br>high probability | → | 90%<br>historically reliable |
| C<br>proposal submitted,<br>Somewhat likely  | → | 60%<br>moderate              |
| D<br>in discussions,<br>moderate             | → | 25%<br>in design phase       |
| E<br>new or no<br>relationship               | → | 10%<br>speculative           |

## Activity: Decision Matrix

As a nonprofit leader, you frequently have to make complex decisions. The activity below can help you identify upcoming **decision points** – key opportunities that require you to make a decision – and predict possible impacts across various parts of your organization.

| Planning Considerations |               |               |               |
|-------------------------|---------------|---------------|---------------|
|                         | Opportunity 1 | Opportunity 2 | Opportunity 3 |
| Mission Impact          |               |               |               |
| Staffing Impact         |               |               |               |
| Time Horizon            |               |               |               |
| Risk                    |               |               |               |
| Financial Impact        |               |               |               |

## Reflection Questions

- What are some confirmed revenue sources for your organization? What are some potential sources of revenue that aren't 100% secured?
- How would you describe your organization's relationship with your donors? Do most donations to your organization come in the form of foundation grants, individual donations, corporate donors, or something else?
- What are some direct and indirect costs your organization incurs? Are all these expenses reflected in your budgets?

## Key Takeaways

- Decision matrix – how do we plan against our financial, staffing, mission-driven priorities when making organizational decisions?
- Scenario planning discounting methods – identifying which method works best for you/your organization
- **Additional resources:** [Strategic Budgeting](#), [Scenario Planning Tool](#), [Nonprofit Budgeting Basics](#)

## Notes