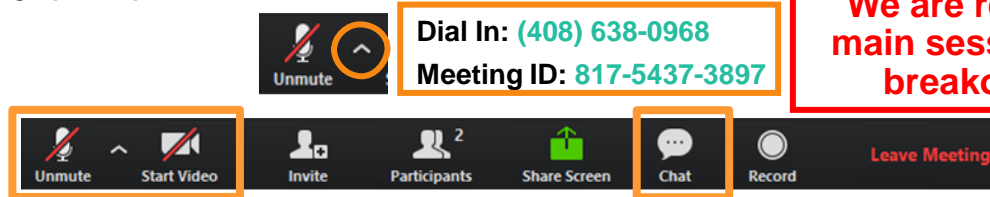


Welcome to the NFF Workshop!

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.

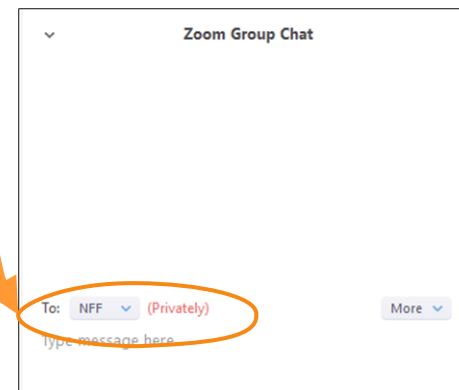
Find the microphone icon in your Zoom panel → click the 'up' arrow → select 'switch to phone audio' → dial in on your phone using the number and meeting ID → link your phone and video by dialing #participant ID#



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.**

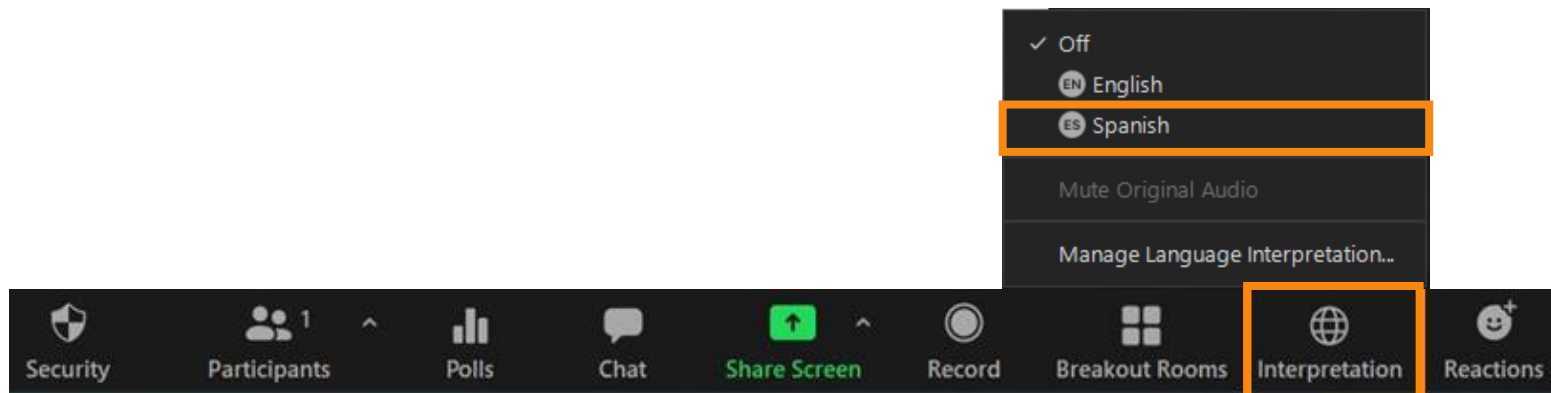


Interpretation and Breakout Instructions

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

Managing Risk




Facilitated by

Johnny Lambour, Senior Associate
Nonprofit Finance Fund

August 5, 2021
1 pm ET



Acknowledgment of Indigenous Territories



*“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/>

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...



Our Goal: Position community organizations to sustain and adapt

- Better understand financial dynamics of 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

Learning Goals



Develop awareness of different types of organizational financial risks



Build skills to manage risks with an aim towards long-term financial health



Strengthen ways to communicate your long-term needs to stakeholders

Leveraging All Your Strengths For Long-term Health

- **Relationships & Reputation** – our partnerships, networks and reputation, and access to community resources
- **People & Skills** – the skills, expertise, experiences of staff, board and volunteers
- **Data & Know How** – how we know what we do works, how we understand our mission impact
- **Financial** – the alignment of financial resources to pay for what we do - delivering and supporting the mission in the immediate and longer term



What is Risk?

RISK: “The possibility of an event occurring that will have an impact on the achievement of objectives.”

-Institute of Internal Auditors



What is Risk?

OPERATING

- Ongoing in nature
- Part of day-to-day business

VS.

STRATEGIC

- Planned choices

INTERNAL

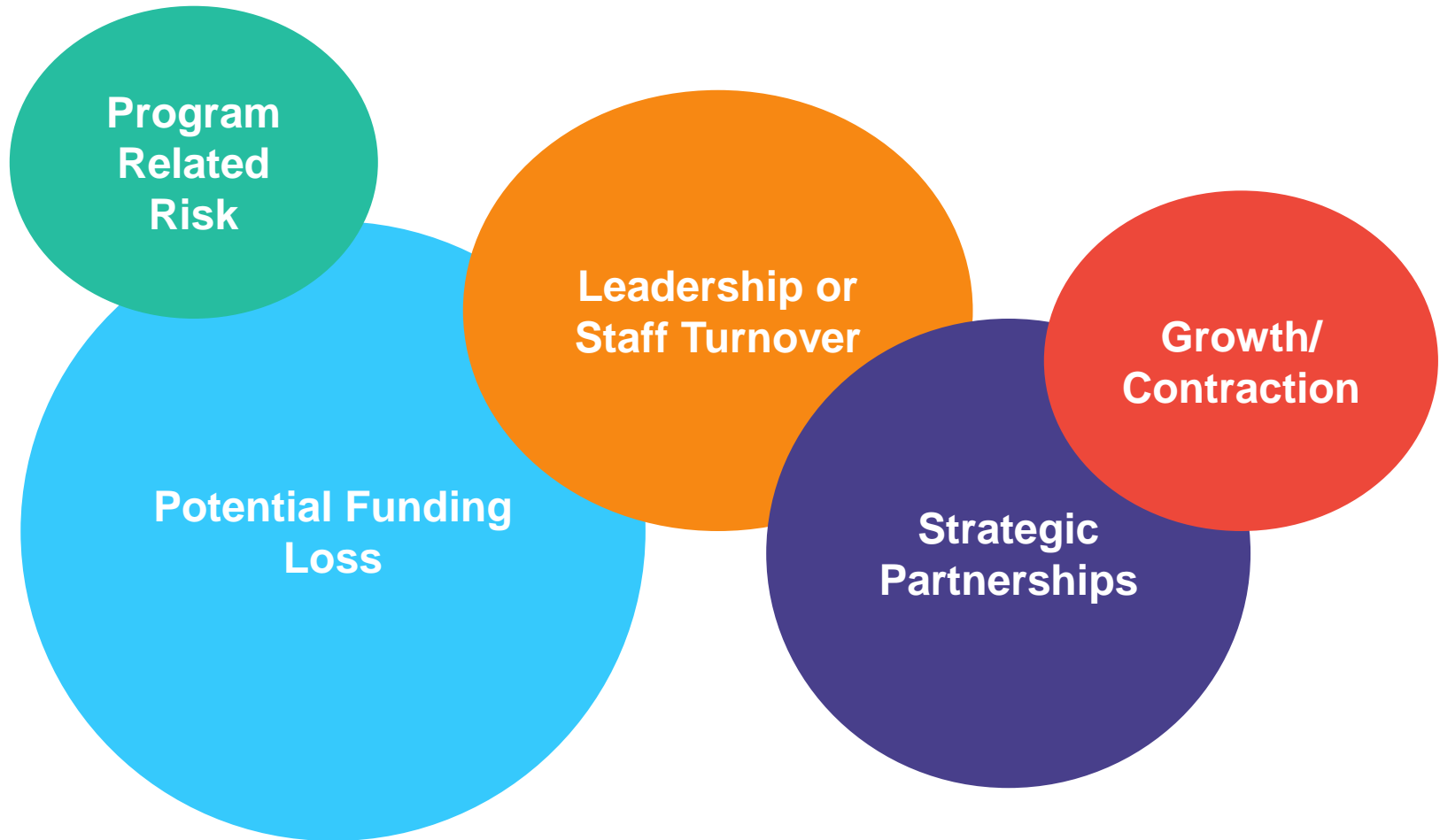
- Existing organizational structure and operations
- Easier to control

VS.

EXTERNAL

- Outside decision-making
- Market forces
- Disaster
- Harder to control

What Risks or Opportunities Do You Face?



manage
How do we ~~mitigate~~



Source: <https://thornleyfallis.ca/wp-content/uploads/2013/10/risk.jpg>

The Now and the Future

Sustainable

Having enough resources to accomplish our mission now and in the future.

- Can we make it through this year & the next?
- Are we meeting the needs we set out to meet?



Adaptable

Having enough resources to meet changing needs now and in the future.

- Can we adjust to new conditions if and when we need to?
- Do we know what to say “No” to?
- Are our services still the right services for our community?



Building Long-Term Financial Health: Hierarchy of Need

Appropriate capitalization can support:

- **Liquidity**

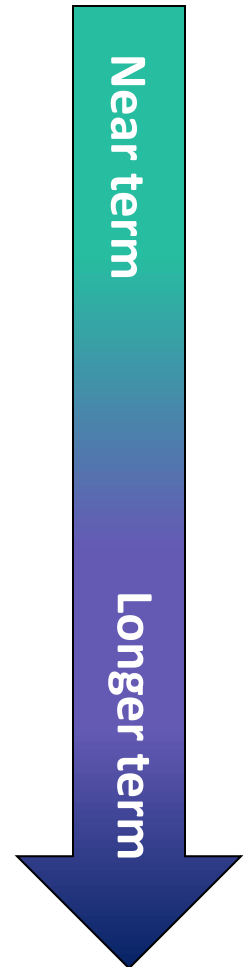
Does the organization have adequate cash to meet its month-to-month operating needs?

- **Adaptability**

Does the organization have flexible funds that allow for mitigating risks, growth, or change?

- **Durability**

Does the organization have access to funds to address a variety of future needs to deliver mission over the long-term?



About Liquidity

- What does liquidity look like?
 - Cash easily available to management to pay bills on time, even during periods of negative cash flow
- How do I measure liquidity?
 - Months of cash
- How many months of cash do I need?
 - The answer is specific to your organization
 - Cash for liquidity should be determined based on cash flow projections

About Adaptability

- What does adaptability look like?
 - Reserves, for risk or opportunity
- How to measure adaptability
 - Months of Available Net Assets (ANA)
- How many months of ANA do I need?
 - The answer is specific to your organization
 - Resources for adaptability should be determined through a risks and opportunities assessment.

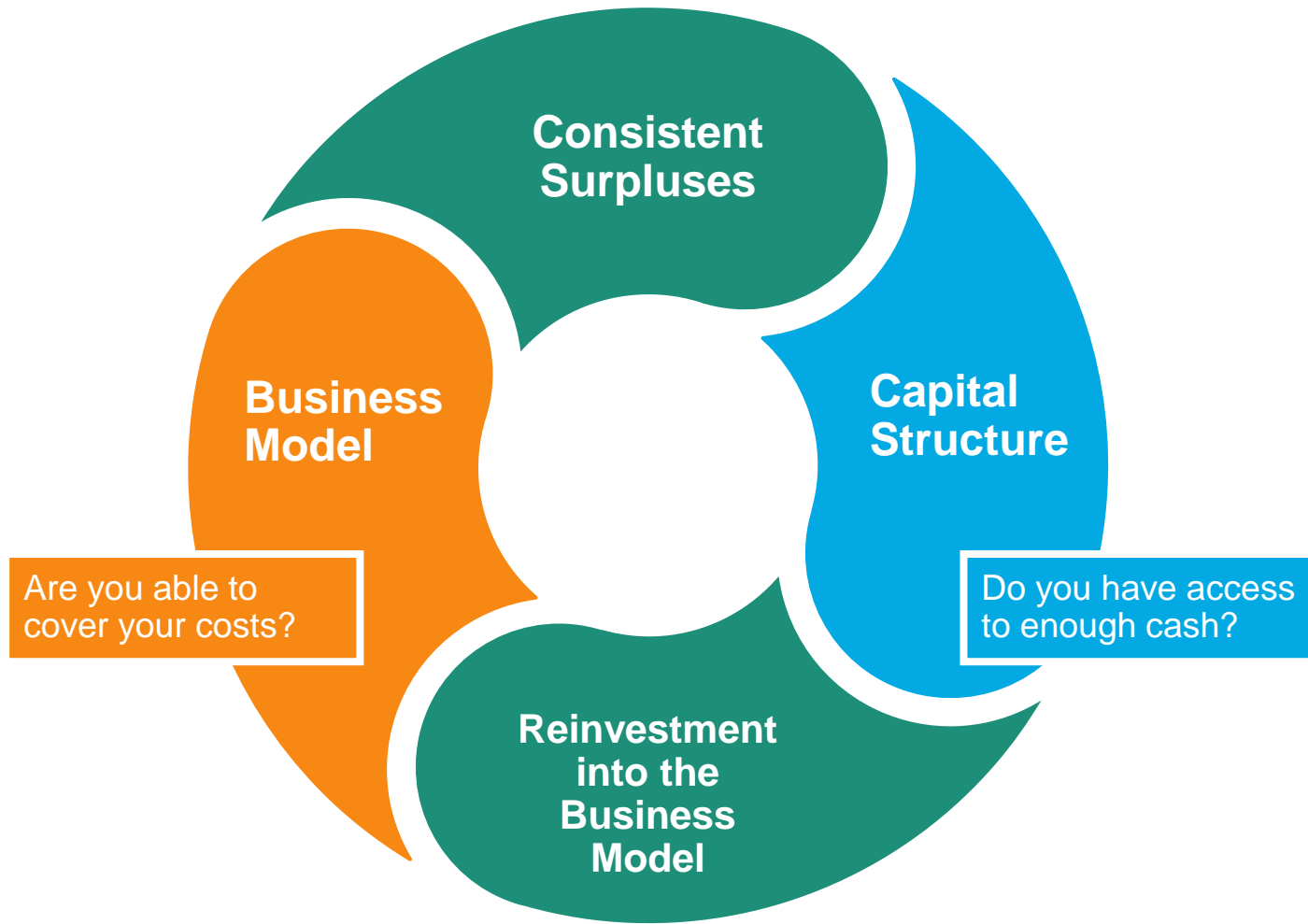
About Durability

- What does durability look like?
 - Fixed assets like facilities and equipment
 - Very long-term pledges
 - Endowments
- How much durability do I need?
 - The answer is specific to your organization
 - Depends on mission-delivery strategy
 - Many need very little durability

Setting Long Term Planning Goals Requires Knowing Where to Focus

	"Handles Risk"	"Making It Work"	"Vulnerable to Shocks"	"Need to Take Action Now"
1. Operating Surplus/ Deficit	<u>Consistent surpluses</u>	<u>Smaller surpluses</u>	<u>Variable operating results</u>	<u>Regular and/or sizable deficits</u>
2. Months of Cash	<u>6+ months</u>	<u>2-5 months</u>	<u>1-2 months</u>	<u><1 month</u>
3. Months of Available Net Assets	<u>6+ months</u>	<u>2-5 months</u>	<u>1-2 months</u>	<u><1 month</u>
Focus on	<i>Adaptability, Durability</i>	<i>Liquidity, Adaptability</i>	<i>Liquidity</i>	<i>Liquidity</i>

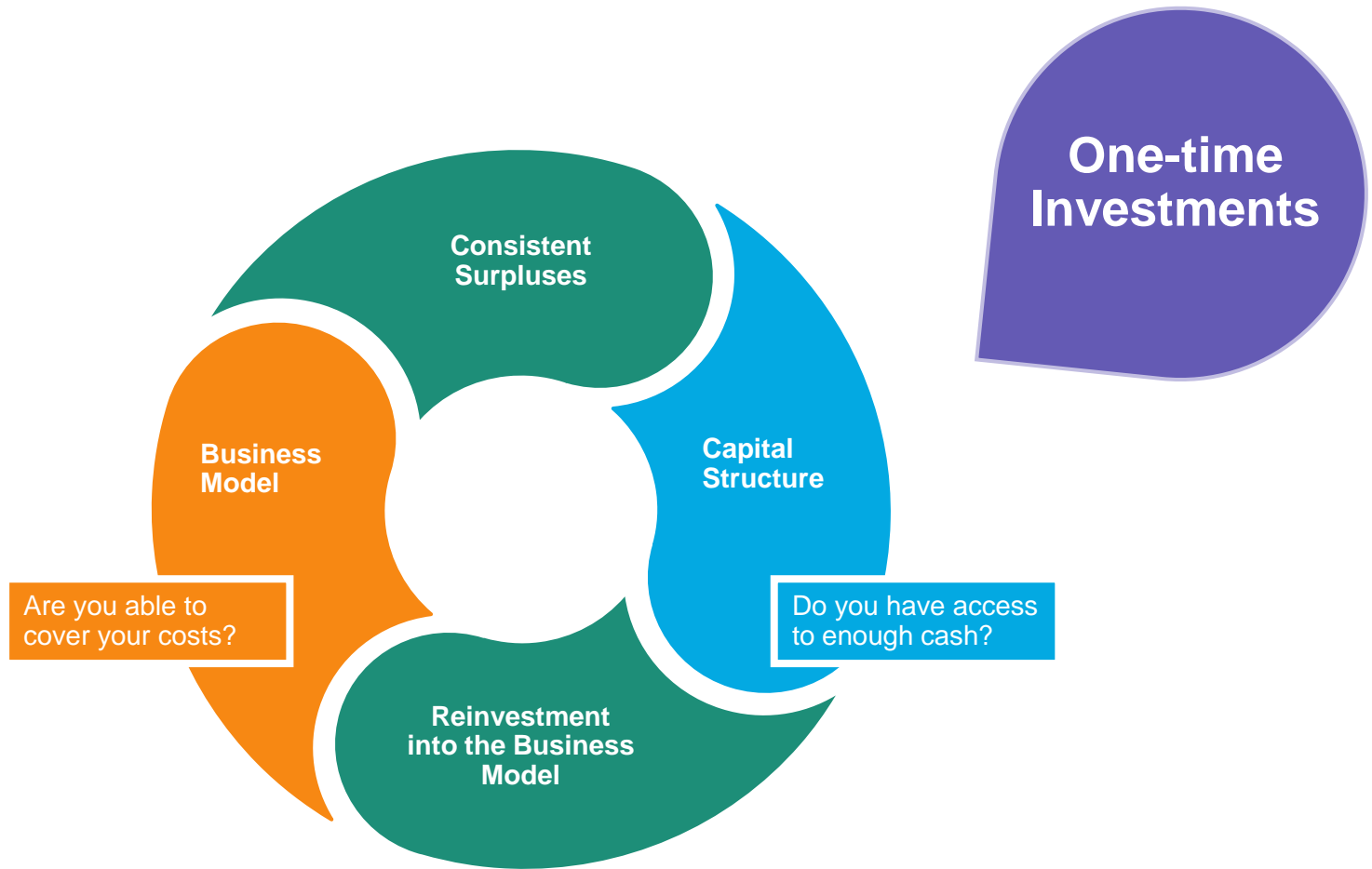
Consistent surpluses build liquidity, adaptability, and durability



Challenge: Communicating Use of Surplus

- Some (funders, board members) demand a “\$0 Bottom Line”
- **Explain why:** Budgeting to break-even will not cover all of the organizations costs and undermines ability to deliver on mission in the long-run
- **Show it in your reports:** Indicate plans for use of surplus “below the line” to demonstrate good management and satisfy the request for a “balanced budget”

Building Healthy Capital Structure: Supported by Surpluses *and* Periodic Investments



Building Long Term Financial Health

Local



Express



Main Takeaway: Budget to a Surplus

Financial health is a journey, not a destination

- Adopt the practice of budgeting to a surplus
- Make progress on your goals over time

Remember the hierarchy of need

- Liquidity comes first!
- Determine the metrics that are right for your organization

Help the sector do better

- Talk with other funders and nonprofits about the importance of surplus
- Open the conversation with your grantors/grantees

Learning Goals



Develop understanding of different types of organizational financial risks



Begin to build skills to manage risks with an aim towards long-term financial health



Understand ways to communicate your long-term needs to stakeholders

Check-Out

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



- My favorite part of this workshop was....

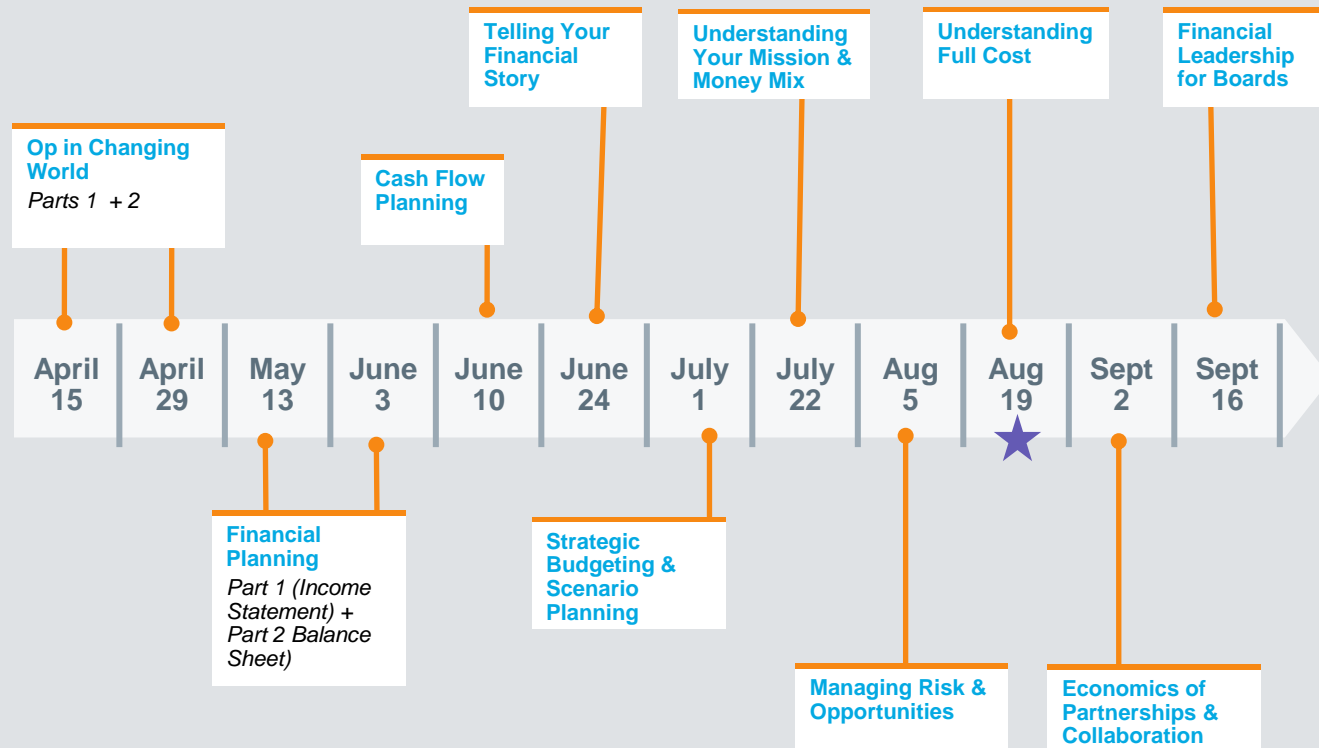


- The hardest part of this workshop was....



- Something I look forward to is....

Upcoming Sessions



Up Next

Understanding Full Costs

August 19, 2021, 1 – 2 pm EST

Full cost refers to the true cost of doing business for nonprofits, including total expenses, working capital, and reserves. In this webinar, NFF will walk you through the full cost of operating your organization and communicating that cost to funders. We'll define the components of full cost, provide language that names and claims nonprofits' full cost needs, offer guidance for prioritizing your organization's hidden costs, and share tips for discussing full cost with key stakeholders.

Outcomes: At the end of this session, participants will be able to understand the full cost of operating their organizations and how to communicate them.



Thank You!

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