

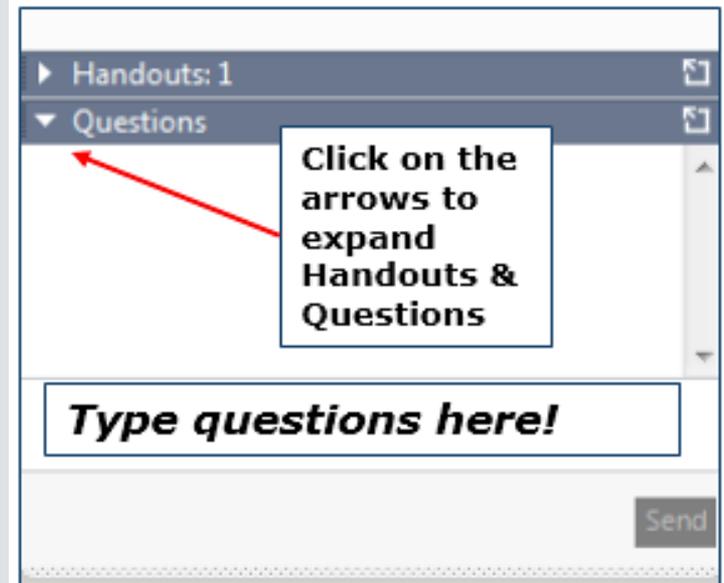
Welcome to the Webinar! Before we Begin...

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.



Managing Through Uncertainty: Immediate and Continued Financial Response to COVID-19

Presented By:

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Advisory Services

April 16, 2020

Part One



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



Managing Through Uncertainty Parts 1 & 2

Agenda & Goals

We're all steering through uncharted waters

This unprecedented crisis is not business as usual.

Thu. 16 Apr., 1:00 PM EST

Part 1:

- Framework for COVID Response, Recovery, and Resilience
- Cash Flow Planning
- Understanding Budget Realities

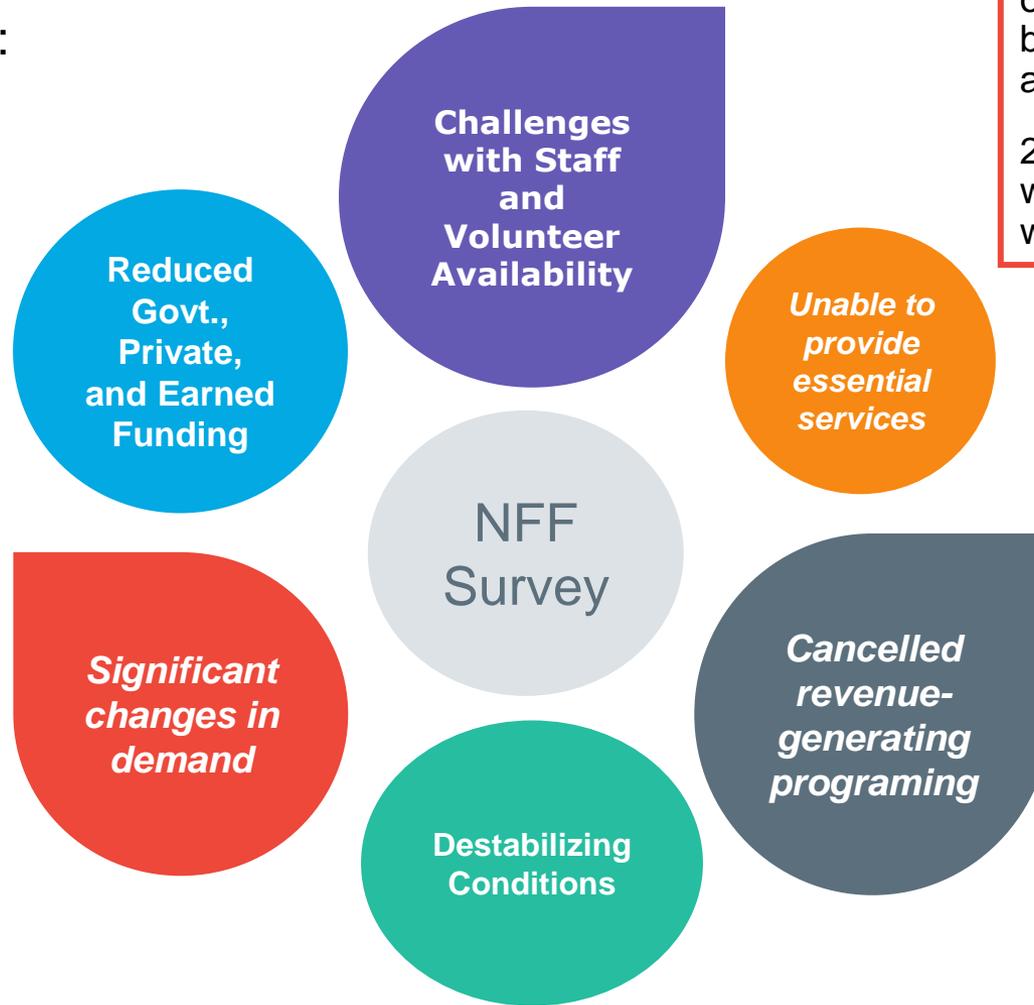
Part 2:

- Planning the Response with an Eye Toward Recovery
- Scenario Budgeting

Fri. 17 Apr., 1:00 PM EST

How has the COVID-19 pandemic affected your organization?

What we heard:



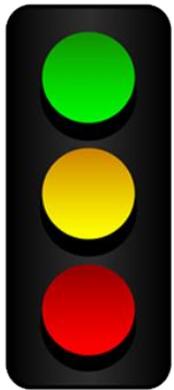
1/3 NPOs had less than one (1) month of cash before the crisis and we're already a month into this

2/3 of NPOs indicated they were facing crisis just weeks into this

For more information visit: <https://nff.org/covid-19-survey-results>

Who's on Today's Webinar?

How has your organization been impacted by social distancing?



Operational

- Continuing to deliver programs/services through social distancing

**Limited/
Reduced**

- Reduced programs/services to accommodate some clients

Paused

- Unable to deliver programs/services through social distancing

Iterative Phases of Responding and Recovering



Immediate Response

- How are we impacted?
- How much cash do we have to sustain operations?
- Can we deliver programs remotely?
- Where can we look to aid or support?

Operating Within COVID

- What can we realistically deliver and sustain?
- What revenue are we losing; what new expenses are we incurring?
- What are we not able to do, what new opportunities are there?

Planning for Recovery

- How will recovery unfold for us, given our programs and operations.
- What people, money, things will we need to have in place for recovery, and do we have them?

Recovery

- How does our business model and balance sheet look during recovery, and what support can we get?
- Where can we start planning for longer-term resilience?

Resilience

- How can we prepare for future crises?
- Where can we push for full cost coverage?
- What are our unique needs for building financial strength?

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



Understand your Strengths and Establish Priorities



- 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?

"Sometimes I am two people. Johnny is the nice one. Cash causes all the trouble."

- Johnny Cash



Review the Near-term Cash Position

Short term cash and liquidity is important in a crisis. Weekly forecasts facilitate greater visibility, especially if cash is tight

Week Beginning	Week 1 13-Apr Proj.	Week 2 20-Apr Proj.	Week 3 27-Apr Proj.	Week 4 4-May Proj.	Week 5 11-May Proj.	Week 6 18-May Proj.	Week 7 25-May Proj.	Week 8 1-Jun Proj.	Week 9 8-Jun Proj.	Week 10 15-Jun Proj.	Week 11 22-Jun Proj.	Week 12 29-Jun Proj.	Week 13 6-Jul Proj.
Beginning Cash Balance, <i>in thousands</i>	120	113	92	73	48	29	8	(12)	(30)	(50)	(74)	(94)	(114)
Operating Cash Receipts													
Receipts													
Fees and Admissions	-	-	-	-	-	-	-	-	-	-	-	-	-
Foundation Grants	2	-	-	2	-	-	-	10	-	-	-	-	-
Individual Donors	1	1	1	1	1	1	-	-	-	-	-	-	-
Net assets released from rest	10	-	-	-	-	-	-	-	-	-	-	-	-
Total Op. Cash Receipts	13	1	1	3	1	1	-	10	-	-	-	-	-
Operating Cash Out													
Payroll	20	20	20	20	20	20	20	20	20	20	20	20	20
Consultants (1099s)	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	8	-	-	-	8	-	-	-	-	8
Utilities	-	2	-	-	-	2	-	-	-	4	-	-	-
Interest on debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Op. Cash Spent	20	22	20	28	20	22	20	28	20	24	20	20	28
Net Cash from Operations	(7)	(21)	(19)	(25)	(19)	(21)	(20)	(18)	(20)	(24)	(20)	(20)	(28)
Non-Operating Cash													
Non-Operating Cash In													
Net Non-Op. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash	113	92	73	48	29	8	(12)	(30)	(50)	(74)	(94)	(114)	(142)

Strategies for Managing Cash Flow

Options available to nonprofits

Have cash

- Internal cash reserves built from unrestricted operating surpluses
- Approach funders to ease restrictions on existing revenue

Do not spend cash

- Negotiate favorable payment plans with vendors
- Minimize non-essential expenses

Receive cash

- Approach funders for accelerated/advanced payments
- Change the timing of particular events or annual appeals

Borrow cash

- Draw on an external line of credit or bridge loan

Thinking Through Your Options

How long can you operate with the current cash you have on hand?

Payroll

- Can you cover your next upcoming payroll draw in full? Would a different payment schedule ease cash flow? How much notice can you provide your staff if your ability to cover salaries changes?

Payables

- Which vendors will be more forgiving in this current environment? Can you be late in rent if you're waiting for cash from other sources? Are there some expenses more essential to preserve than others?

Expenses

- Are there expenses that you will not incur? Immediate one-time purchases(subscriptions) or general cost that are higher?

Q&A Break



How does a Cash Flow Projection Differ from a Budget?

Budget ≠ Cash Flow Projection

- **Cash flow projection** shows whether there will be enough cash on hand week-by-week to actually pay bills at various points over the year.
 - “Cash in” is not always the same as revenue
 - “Cash out” is not always the same as expense
- **Budget** shows whether revenue will be greater than expenses at the end of the year
 - Budget = Cumulative revenues & expenses for the year
 - Some Revenue & Expense ≠ Cash (ex. grants awarded but not paid; vendor bills received but not paid, cash in bank from multi-year grant usable for this year)

Focus on your Budget

	FY 20 Budget	Year to Date Actuals	Reforecasted Budget
Revenue			
<i>Earned Income</i>			
Admissions	\$20,000	\$5,000	
Tuition and workshop fees	\$30,000	\$25,000	
<i>Contributed Income</i>			
Foundations	\$175,000	\$100,000	
Total Income:	\$225,000	\$130,000	
Expenses			
Personnel	\$100,000	\$70,000	
Consultant fees	\$30,000		
Travel	\$7,000	\$4,000	
Occupancy	\$40,000	\$30,000	
Total Expenses	\$177,000	\$104,000	
Surplus (Deficit)	\$48,000	\$26,000	

Guiding Questions: How do year-to-date actuals compare to budget assumptions? How might you reforecast your budget?

Consider:

- Revenue Losses & Expense Cost Savings
- Emergency funding and revenue released from restrictions
- Increased expenses directly related to COVID19 mitigation efforts (protective gear, increased tech software and hardware cost)

What can we Reasonably Predict about our Revenue and Expenses?

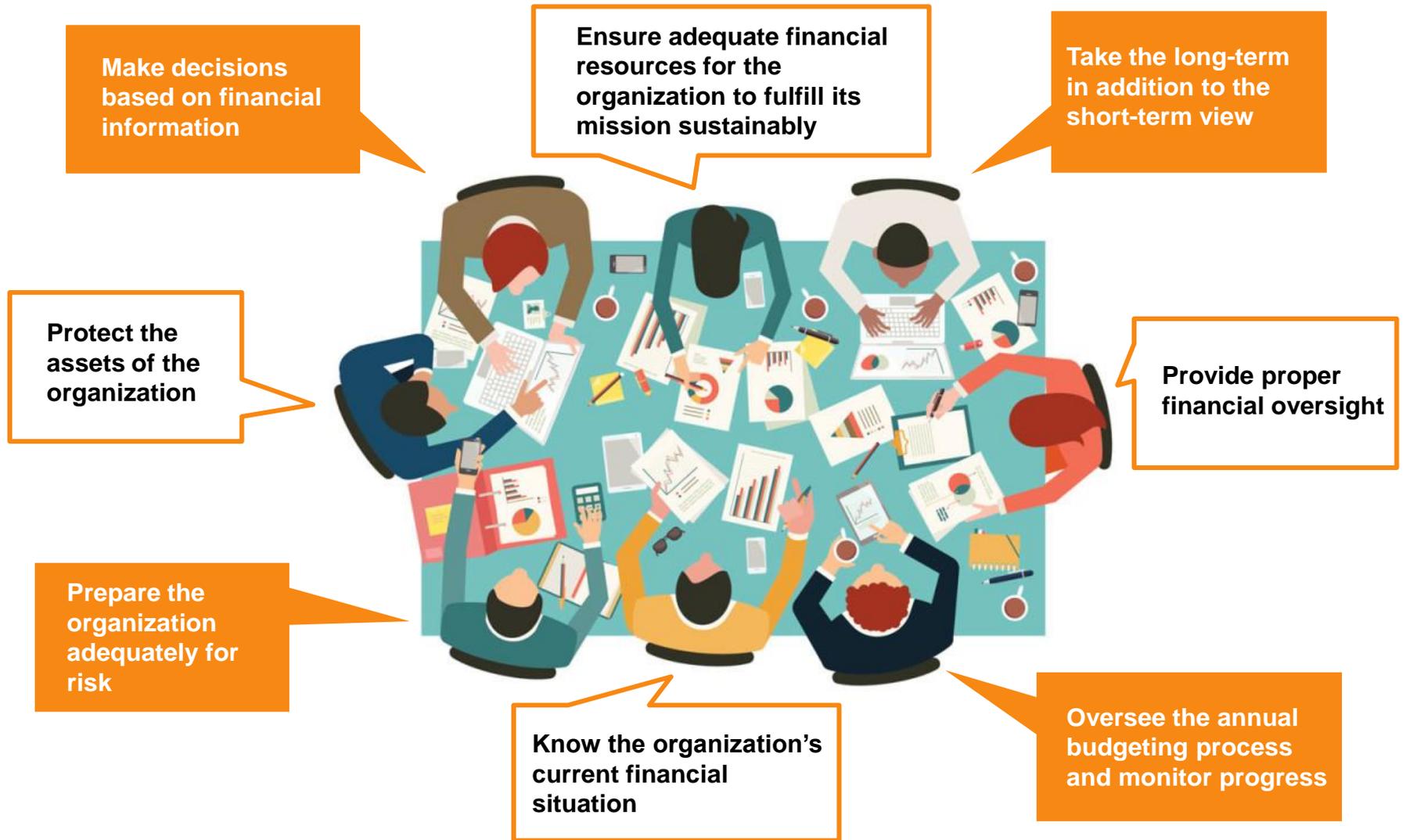
Type	Revenue	Expenses
Foundation Grants	<ul style="list-style-type: none"> • Emergency revenue • Release of time or purpose restrictions 	<ul style="list-style-type: none"> • Probably no cost savings
Individuals	<ul style="list-style-type: none"> • Varied, likely dependent on personal financial situation of donor and size of donation request 	<ul style="list-style-type: none"> • Probably no cost savings
Special Events/ Fundraisers	<ul style="list-style-type: none"> • If scheduled from March – July, likely canceled already, lost revenue 	<ul style="list-style-type: none"> • Maybe some cost savings, but may have sunk costs in staff time and other non-refundable expenses
Program Fees	<ul style="list-style-type: none"> • May have at least some disruption of program fees unless able to seamless deliver online 	<ul style="list-style-type: none"> • Cost savings if program doesn't operate?
Investment Income	<ul style="list-style-type: none"> • Stock market declines reduce investment income and asset value 	<ul style="list-style-type: none"> • Probably no cost savings
Earned Income	<ul style="list-style-type: none"> • Experiencing declines, especially if reliant on others' disposable income or wealth 	<ul style="list-style-type: none"> • Some cost savings from cost of income generating activity

Short on time?

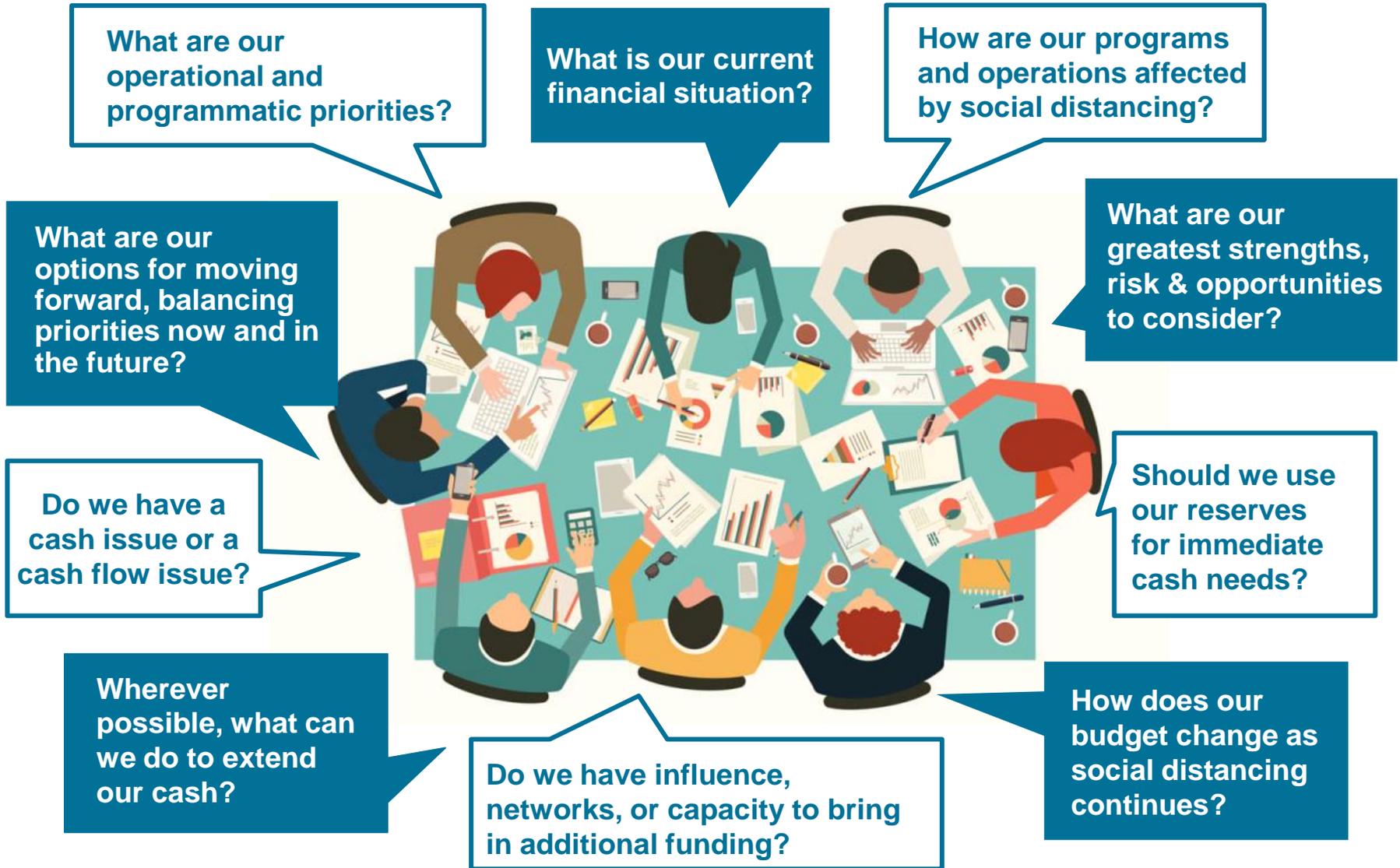
Projecting your budget for the next 3, 6, 9-months may provide helpful visibility into your situation and timeline

	FY 20 Budget	Year to Date Actuals	3-months	6-months	9-months
Revenue			<p>In addition to what you can reasonably predict about your revenue and expenses,</p> <ul style="list-style-type: none"> • How might your fiscal year end impact the decision you need to make? What must happen? How can you support it given this new reality? • How might the next fiscal year be impacted? Is there multi-year revenue available? Will you be able to reschedule FY20 events/fundraisers? <p>Planning your budget in 3-month increments can also help you adjust as things change</p>		
<i>Earned Income</i>					
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Fiduciary Responsibilities of Boards: Oversight, Decision-making, and Planning



Fiduciary Responsibilities of Boards During COVID-19



Wrap Up Part One:

Understand Your Situation & Timeline

- Short term cash and liquidity are important for crisis management
- Though cash is key, understanding the impact on your budget will be helpful for planning your continued response
- Unique nature of this crisis will necessitate revisiting your cash and budget assumptions as the situation evolves
- Decisions about cash and budgets need to be guided by organizational priorities and goals established by leadership

Managing Through Uncertainty Parts 1 & 2

Agenda & Goals

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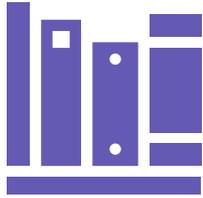
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COVID-19 Resources



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>
- 'Ask NFF' email service
- Individual coaching sessions*

*to inquire about these services please contact consulting@nff.org

Thank You!

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