

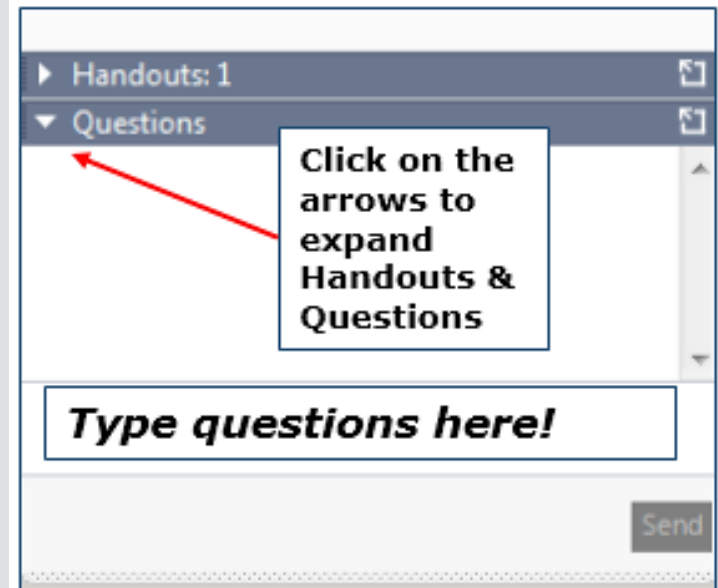
Welcome to the Webinar! Before we Begin...

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 17, 2020

Part Two



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


 **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**

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

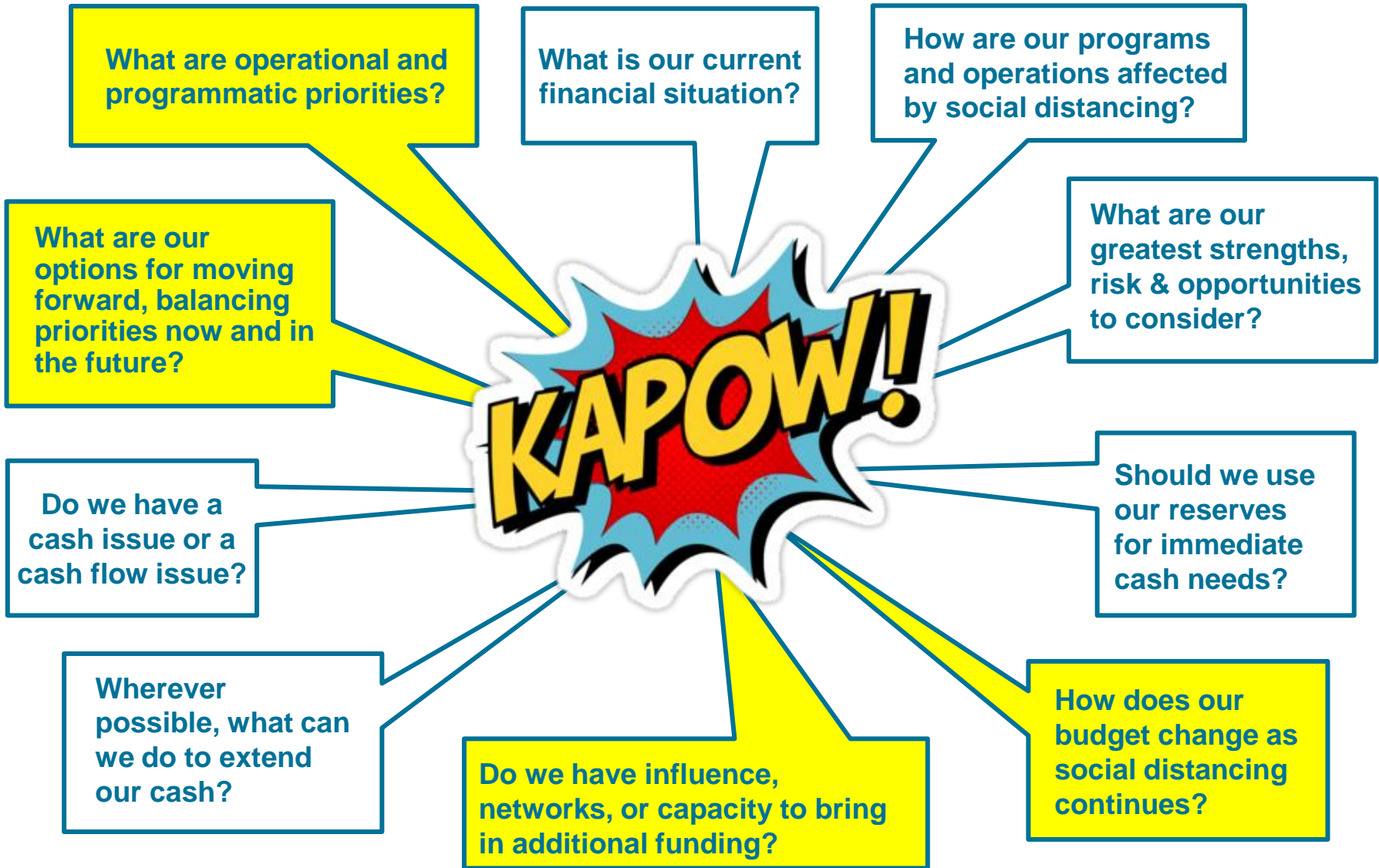


Planning Your Response with an Eye Toward Recovery

What will you be prioritizing?

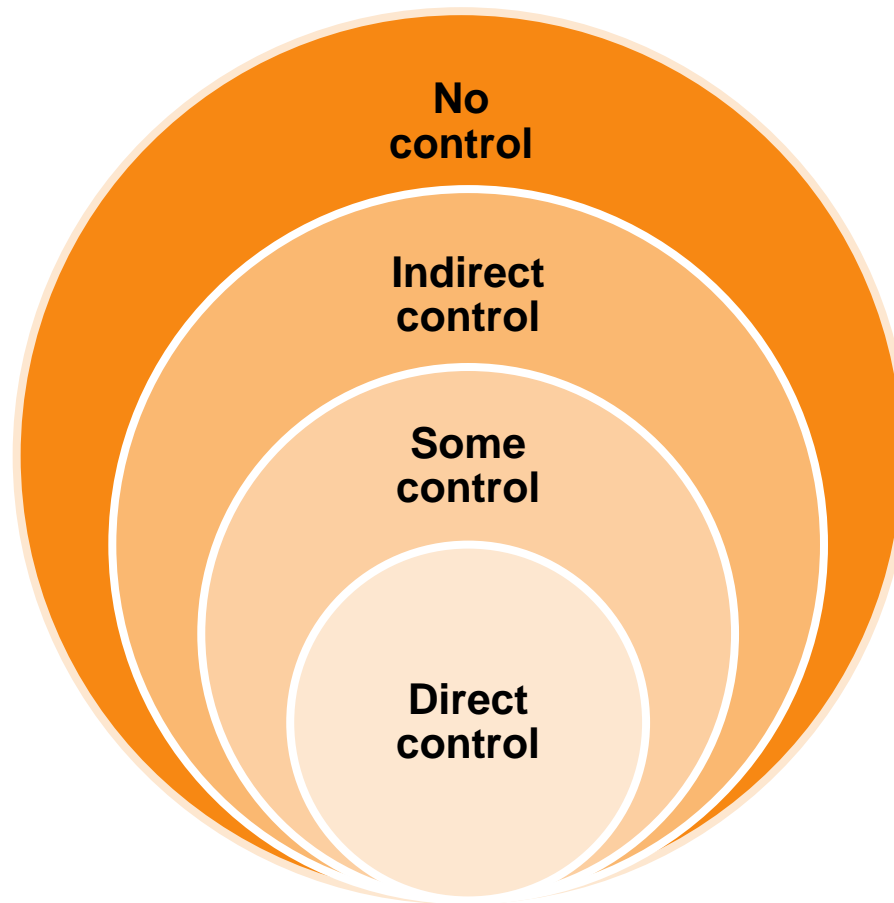
- Do you have mandates or services that have to be prioritized?
- What can't you do right now because they are impossible to deliver or not mission critical?
- What is your ultimate goal? Are you looking to preserve staff salaries, preserve the organization for the long-term, or ensuring programs or assets whether it's within your organization or not?

Strategic Questions We Should Be Discussing



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?



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

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

Membership Dues	10
Ticket Sales	15
Facility Rental Income	30
Program Fees	26
Total earned income	81
Foundation Grants	100
Special Events	55
Individual Contribution	15
Revenue Released From Restrictions	25
Total Contributed Revenue	195
Total Operating Revenue	276
Change from Budget Revenue	
%	

2020 Budget	Social distancing ends June 30, slow program demand	2020 Reforecasted Budget	Social distancing ends Sept 30, slow program demand, loss of funders	2020 Reforecasted Budget
Date				
10	member due refunds	5	still expecting some member du	4
15	April show canceled & Dec perf?	12	Restart cost may need to start i	-
30	rentals restart in Sept (75%)	8	Jan and Dec	3
26	switch to online classes & back online	13	75% reduction	7
81		38		14
100	donor comitted; other rev secured	100	may lose a few key funders; 35%	65
55	annual event scheduled for dec ; 25% cu	41	may be canceled	-
15	online appeal	15		15
25	35k for 2nd yr of fdn grant relesed from re	60		60
195		216		140
276		254		154
		-8%		-44%

Financial Levers:

What's Within Our Control to Use? What's Easier or Harder to Change?

More
Immediate

- **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?

Takes
longer

Scenarios Budgets for Multiple Changes and Options

Putting it all together and seeing the financial result.

Sample

Budget SCENARIO:
COVID-19 (Jan-Dec 2020)

Numbers in thousands

OPERATING BUDGET

REVENUE

	2020 Budget	Social distancing ends June 30, slow program demand	Scenario 1 FY20 Budget	Social distancing ends Sept 30, slow program demand, loss of funders	Scenario 2 FY20 Budget
Date					
Total Operating Revenue	276		254		154
<i>Change from Budget Revenue</i>			(22)		(123)
%			-8%		-44%
EXPENSES					
Staff salary & benefit	193		193	staffing cuts? (~40%)	120
Consultant/contractor	28	7k actuals; dec season projected	17		7
Occupancy	32	delayed rent in cashflow noted but rent b	32	will we continue to rent office sp	20
Other Expense	9		9		6
Total Operating Expenses	262		251		153
<i>Change from Budget Revenue</i>			(11)		(109)
%			-4%		-42%
OPERATING SURPLUS / DEFICIT	14		3		1

COVID Related Revenues/Expenses

<u>Revenue</u>					
Approved PPP forgivable loan	-		20		20
ABC Foundation Fmergency Fund			5		5
Total COVID Related Revenue	-		25		25
<u>Expenses</u>					
Software and Licenses	-	remote tools	5		5
Equipment	-	Web cams for remote online classes; co	7		7
Continegency	-		10		5
Total COVID related expenditures	-		22		17
COVID Revenue less COVID Expenses	-		3		8
Overall Surplus/Deficit	14		6		9

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



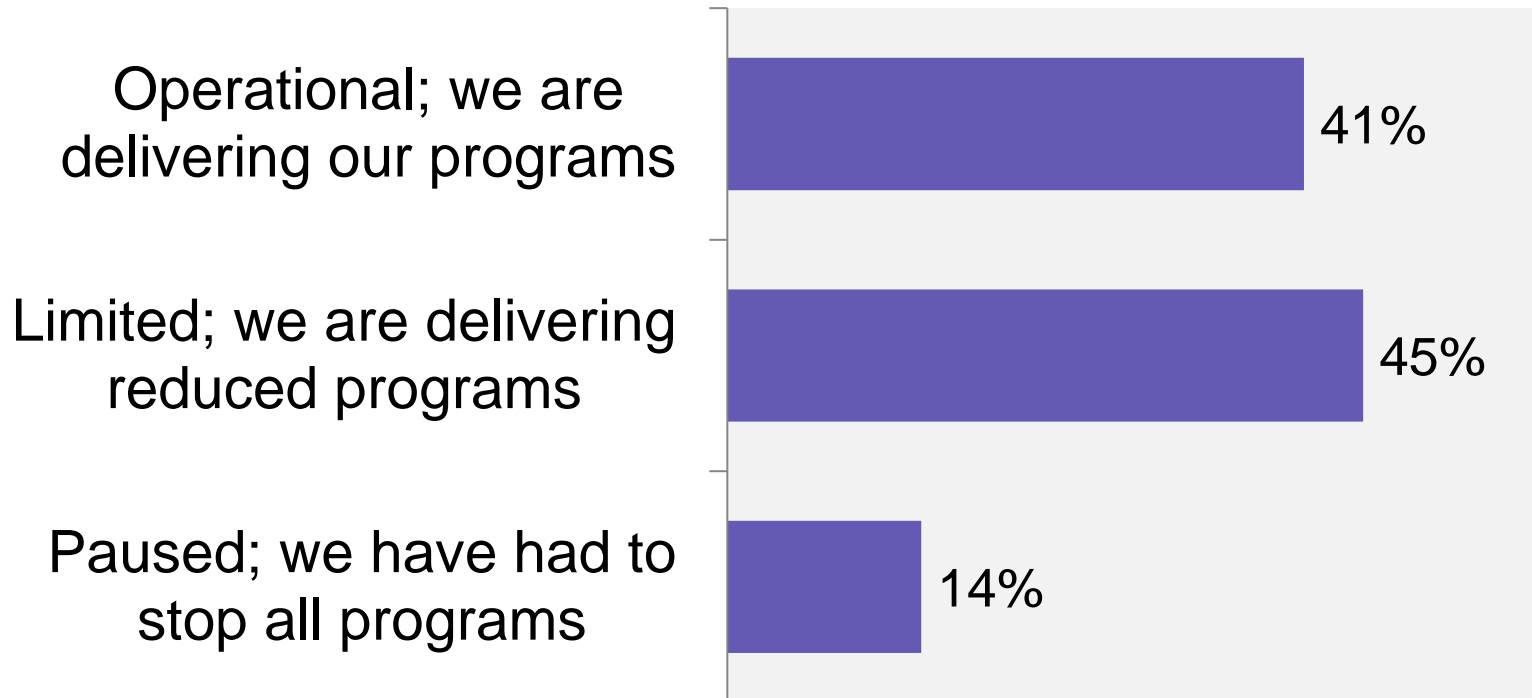
Q&A Break



Yesterday's Audience

Over half have at least reduced their program delivery

How has your organization been impacted by social distancing?



Considerations for Operating, Reduced or Paused Organizations



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

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

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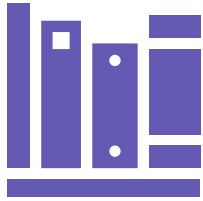
Communicate & Advocate

- **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



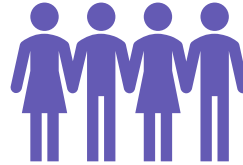
Tool: [Financial Storytelling Guide](#)

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

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

Thank You!

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