

# From Financial Response to Recovery: How Nonprofits Can Navigate the COVID-19 Crisis

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**Nonprofit Finance Fund**

# 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

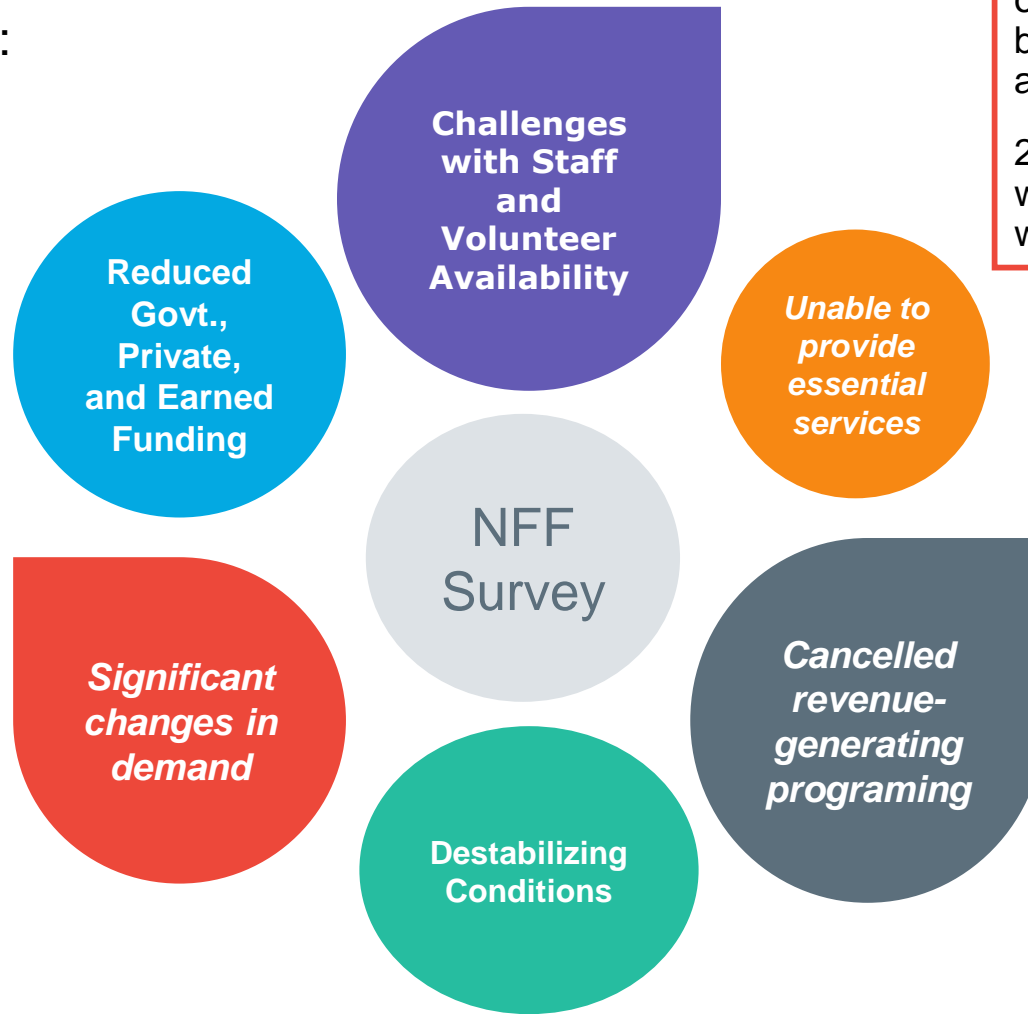
- **Tailored investments**
- **Strategic advice**
- **Accessible insights**

**Guided by our Core Values**



# 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>

# Nonprofit Leaders are Carrying the Weight

**Many of us may be managing the stress of . . .**

- Uncertainty about the availability of funding for the immediate response and beyond
- Lost income and expanded costs
- Shrinking cash
- Evolving personal needs of our teams
- Lack of access and services for our communities
- Staff reductions

**Today's goal is to help nonprofit leaders inform their approach to planning and managing through the current uncertainty.**

# Agenda



Response,  
Recovery,  
Resilience

Cash  
Management  
Strategies

Budgeting  
and Scenario  
Planning

Communicate  
with  
Stakeholders

# Iterative Phases of Responding and Recovering



Response

Recovery

Resilience

## 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 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?

# Fiduciary Responsibilities of Boards During COVID-19



# Getting Your Arms Around the Response & Recovery

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



...with regular input  
from stakeholders



# Understand Strengths and Establish Priorities



- Do you have mandates or services that must be prioritized?
- What can't you do right now because the service is impossible to deliver or not mission critical?
- What are the aspects of the mission that you deliver to your community that you want to preserve at the other side of this crisis?

# Agenda



# Understand Your Timeframe: Cash is Your Most Important Response & Recovery Tool

**How long can you operate with existing cash without cutting back on expenses? How long is the runway?**

- Planning should start and end with cash
  - What cash do you have on hand and what ability do you have to get a hold of cash?
  - What are your assets, specifically your net assets without donor-imposed restrictions?
  - How much cash is coming in and when? How reliable are the sources?
- Using 13-week cash flow projections to plan for the next 30-60-90 days
- Plan for realistic financial actions – avoid magical thinking



Download [Cash Flow Planning](#) Resources at [NFF.org](#)

# 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

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### Have cash

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

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### Receive cash

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

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### Do not spend cash

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

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### Borrow cash

- Draw on an external line of **credit** or bridge loan

# Agenda



# 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	
<b>Total Income:</b>	<b>\$225,000</b>	<b>\$130,000</b>	
Expenses			
Personnel	\$100,000	\$70,000	
Consultant fees	\$30,000		
Travel	\$7,000	\$4,000	
Occupancy	\$40,000	\$30,000	
<b>Total Expenses</b>	<b>\$177,000</b>	<b>\$104,000</b>	
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)

# Quarterly Budgeting for Near-Term Visibility

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"> <li>• <b>How might your fiscal year end impact the decision you need to make?</b> What must happen? How can you support it given this new reality?</li> <li>• <b>How might the next fiscal year be impacted?</b> Is there multi-year revenue available? Will you be able to reschedule FY20 events/fundraisers?</li> </ul> <p><b>Planning your budget in 3-month increments can also help you adjust as things change</b></p>		
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# Developing Budget Scenarios for Future “What If’s”

## Identify:

- Your main questions, issues, or opportunities;
- Your priorities to know what is important; and
- Areas of risk, variability, or lack of viability.

## Know:

- The drivers and levers of change and adaptation.
- The range of change that may occur and map a range of outcomes.

## Articulate:

- The assumptions you are making within any scenario.
- For example: drivers-based, if-then, and/or case-based: base, best, worst.

## Create:

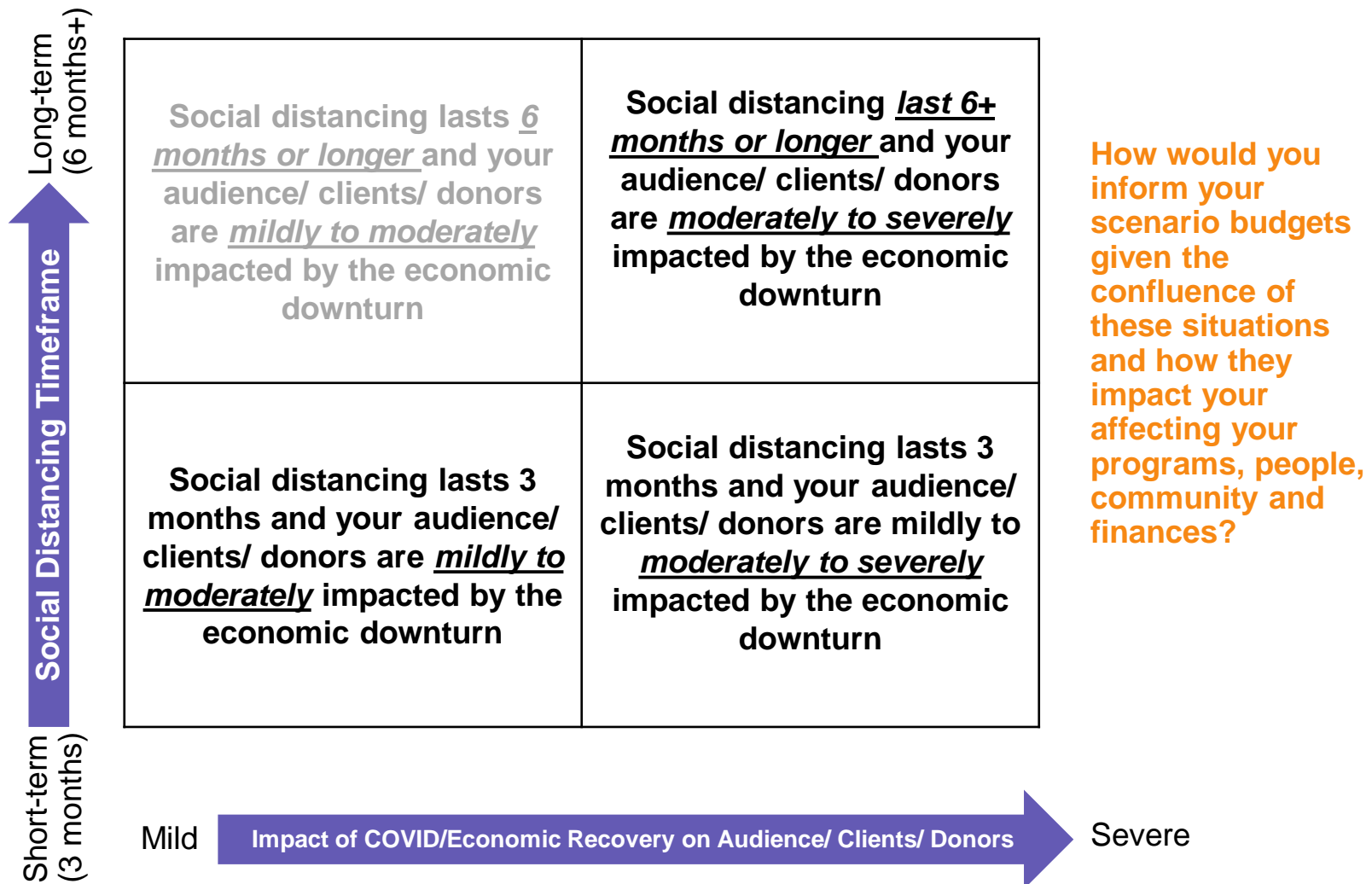
- An actionable plan, with timeline, benchmarks and clear objectives/priorities.
- Contingency plans with clear triggers.



Download [Scenario Planning](#) Resources at [NFF.org](#)

# Scenario Planning in the Age of COVID-19

Considerations when timeframes and circumstances are uncertain



# Building Scenarios in Times of Uncertainty

What unknowns are we trying to plan around? What decisions do we have to make?

	<b>Social distancing ends June 30; slow program demand</b>	<b>Social distancing ends Sept 30, slow program demand; loss of funders</b>
<b>Individuals</b>	Most donors remain	Lose some core donors (5% of budget)
<b>Foundations</b>	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)
<b>Earned Income</b>	Holiday shows and activities; low summer space rental	High restart cost; need to start in 2021
<b>Classes</b>	Switched to low-cost online classes for engagement	Can we continue classes through summer with smaller staff?

# Financial Actions:

## What's Within Our Control to Change?

More  
Immediate



Takes  
longer

- **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?

# 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
<b>Total earned income</b>	<b>81</b>
Foundation Grants	100
Special Events	55
Individual Contribution	15
Revenue Released From Restrictions	25
<b>Total Contributed Revenue</b>	<b>195</b>
<b>Total Operating Revenue</b>	<b>276</b>
<b>Change from Budget Revenue</b>	
%	

2020 Budget	Social distancing ends June 30, slow program demand	2020 Scenario A	Social distancing ends Sept 30, slow program demand, loss of funders	2020 Scenario B
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 in	-
30	rentals restart in Sept (75%)	8	Jan and Dec	3
26	switch to online classes & back online	13	75% reduction	7
<b>81</b>		<b>38</b>		<b>14</b>
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 relese	60		60
<b>195</b>		<b>216</b>		<b>140</b>
<b>276</b>		<b>254</b>		<b>154</b>
		<b>-8%</b>		<b>-44%</b>

# 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	2020 Scenario A	Social distancing ends Sept 30, slow program demand, loss of funders	2020 Scenario B
<b>Total Operating Revenue</b>	276		254		154
<b>Change from Budget Revenue</b>			(22)		(123)
<b>%</b>			-8%		-44%
<b>EXPENSES</b>					
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 re	32	will we continue to rent office	20
Other Expense	9		9		6
<b>Total Operating Expenses</b>	262		251		153
<b>Change from Budget Revenue</b>			(11)		(109)
<b>%</b>			-4%		-42%
<b>OPERATING SURPLUS / DEFICIT</b>	14		3		1

### COVID Related Revenues/Expenses

<u>Revenue</u>					
Approved PPP forgivable loan	-		20		20
ABC Foundation Fmergency Fund			5		5
<b>Total COVID Related Revenue</b>	-		25		25
<u>Expenses</u>					
Software and Licenses	-	remote tools	5		5
Equipment	-	webcams for remote online classes	7		7
Contingency	-		10		5
<b>Total COVID related expenditures</b>	-		22		17
<b>COVID Revenue less COVID Expenses</b>	-		3		8
<b>Overall Surplus/Deficit</b>	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

# Agenda



Response,  
Recovery,  
Resilience

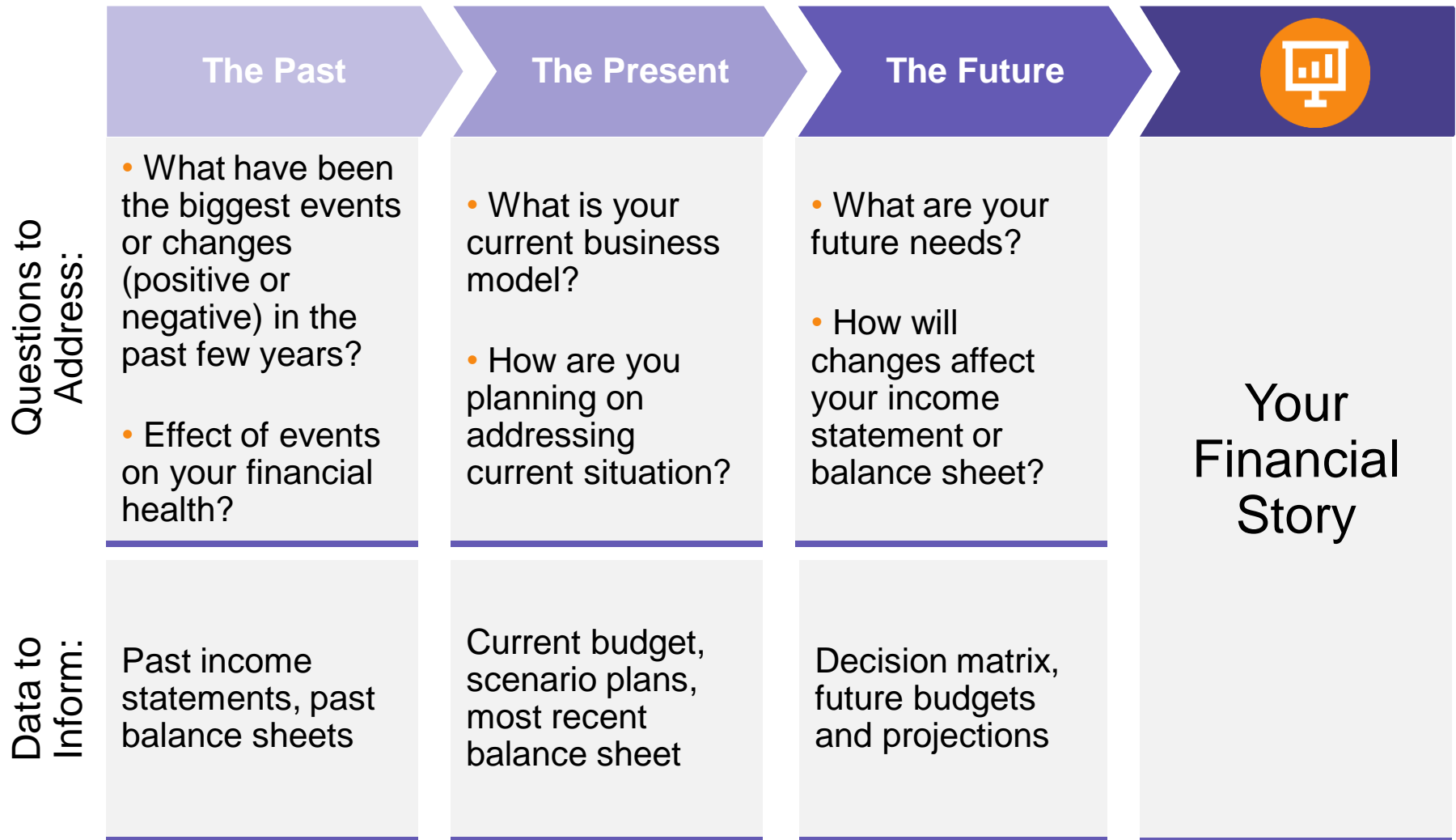
Cash  
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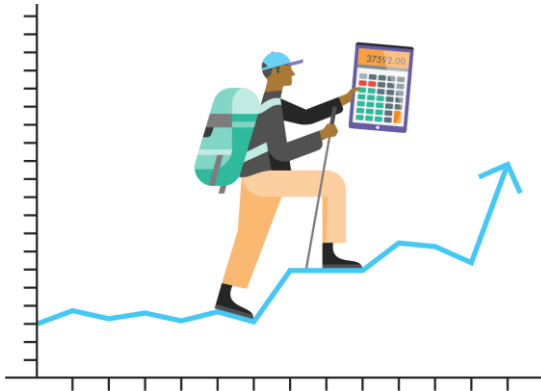
Communicate  
with  
Stakeholders



# Communicating Your Financial Situation, Priorities, and Need



# Who Needs to Hear Your Financial Story? Why?



## Internal Audiences: Board, Staff

- Focuses everyone on the priorities
- Transforms culture and practice
- Increases confidence in management



## External Audiences: Funders, Partners

- Demonstrates need and context
- Supports reporting and compliance
- Increases confidence in management

# 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



Download [Financial Storytelling](#) Resources at NFF.org

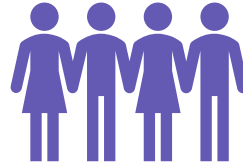
# COVID-19 Resources

<https://nff.org/covid-19-tools-and-resources-nonprofits>



## 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

- 'Ask NFF' email service and FAQs  
<https://nff.org/ask-nff>
- Individual coaching sessions\*

\*to inquire about these services please contact [consulting@nff.org](mailto:consulting@nff.org)

# Thank You!

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