SCENARIO PLANNING
FINANCIAL PLANNING IN UNCERTAIN TIMES

Presented By:

Danosky & Associates
Consulting for Nonprofit and Business

The Community Foundation for Greater New Haven

Valley Community Foundation
Introductions

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Program Officer
About Today’s Seminar

• Housekeeping:
  • Everyone’s devices are muted to diminish background noise
  • You will find a bar where you can ask a question or respond to a poll
  • There are several polls we will be asking you, look for them as we go.
  • We will also be asking you a few questions during the session. Answer them using the Q&A box on the bar
  • We will be recording this and will make it available through the Foundation.
Poll
How many ZOOM conference calls or webinars have you been on so far this week?

Q&A
What’s your favorite non-work ZOOM activity?
Who is participating in this webinar?

• Question 1:
  • How many of you are on the front lines of providing some type of human service support during this crisis – food, transportation, health, childcare, animal shelters – anything that might challenge your existing resources?
  • How many of you are organizations that are not providing direct service – but are helping people cope, such as libraries, cultural organizations, museums, historical organizations, etc.

• Question 2:
  • How many hold financial positions?
  • How many are Executive Directors?
  • Any Board members?
  • Other?
Stressful times!

When dealing with COVID – 19
....Take care of yourself!

• 1. Eat well
• 2. Get exercise
• 3. Talk to family and friends
• 4. Take breaks
• 5. Use healthy coping mechanisms
• 6. Get your information from reliable sources
• 7. Stay calm
• 8. Don’t let your nonprofit’s financials get the best of you.

We will get through this!
Where do you begin in all of this

- Where are you now? – Understand your current financial situation.
  - What are your Liquid unrestricted assets?
  - What are your current revenue and expenses?
  - What is your burn rate in terms of months?
  - What does your current cash flow look like?
  - Is staying the normal course an option – Not really!
Liquid Unrestricted Net Assets

- LUNA is the portion of unrestricted net assets that could be converted to cash relatively easily (may or may not include board designated funds, based on accessibility).

- It also refers to the funds available for purposes such as supplying working capital, guarding against downturns, and pursuing new opportunities.

- Unrestricted – unavailable net worth = operating reserve
  - Operating reserve / average monthly operating exp = Months of Luna
Total Net Assets

- Restricted Net Assets
- Property, land and equipment
- Debt secured by property or equipment
- Any other long-term assets

LUNA
Prioritize your programs

- What is essential to fulfill your mission?
- What are services that could be put on hold?
- What are services that could be delivered differently?
- What are programs that could be referred to another organization whose primary mission it is?
Cash Flow Analysis

- Short term
- Weekly
- Monthly
- Quarterly – to end of 2020

1. Start with what you know
2. Estimate your revenue
3. Estimate your expenses
4. Don’t forget the extraordinary expenses
# Cash Flow Projection: Charity Organization

**Current Month**: January  
**Current Cash Balance**: $2,175

<table>
<thead>
<tr>
<th>Annual Operating Expenses</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual contributions</strong></td>
<td>600</td>
<td>250</td>
<td>450</td>
<td>375</td>
<td>800</td>
<td>$2,475</td>
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<tr>
<td><strong>Government Contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,500</td>
</tr>
<tr>
<td>Federal</td>
<td>2,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$17,300</td>
</tr>
<tr>
<td>Program service fees</td>
<td>4,000</td>
<td>4,150</td>
<td>5,000</td>
<td>2,000</td>
<td>2,150</td>
<td>$17,300</td>
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<tr>
<td><strong>Total Cash Receipts</strong></td>
<td>$4,600</td>
<td>$4,400</td>
<td>$7,950</td>
<td>$2,375</td>
<td>$2,950</td>
<td>$22,275</td>
</tr>
</tbody>
</table>

## CASH DISBURSEMENTS

| Monthly operating expense estimate | 3,175 | 3,000 | 4,115 | 3,100 | 3,985 | $17,375 |
| Adjustments (+ / -) | $3,175 | $3,000 | $4,115 | $3,100 | $3,985 | $17,375 |
| **Total Cash Disbursements** | $3,175 | $3,000 | $4,115 | $3,100 | $3,985 | $17,375 |

| Excess (Shortfall) from operations | $1,425 | $1,400 | $3,835 | ($725) | ($1,035) | $4,900 |

## CAPITAL AND FINANCING

| Cash Receipts | $ | $ |
| Cash received from loans/financing | $ | $ |
| **Cash Disbursements** | 100 | 100 | 100 | 100 | 100 | $500 |
| Repayment of loan principal | $1,325 | $1,300 | $3,735 | ($825) | ($1,135) | $4,400 |
| **NET CASH EXCESS (SHORTFALL)** | $3,500 | $4,800 | $8,535 | $7,710 | $6,575 |
| **ROLLING CASH BALANCE** | $3,500 | $4,800 | $8,535 | $7,710 | $6,575 |
## Cash Flow Projection:

### Charity Organization

#### Current Month: May

| Current Cash Balance | $2,133 |

<table>
<thead>
<tr>
<th>Week 1</th>
<th>Week 2</th>
<th>Week 3</th>
<th>Week 4</th>
<th>Week 5</th>
<th>Week 6</th>
<th>Week 7</th>
<th>Week 8</th>
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</thead>
<tbody>
<tr>
<td><strong>Anticipated Cash Inflows</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Contributions</td>
<td>500</td>
<td>75</td>
<td>300</td>
<td>215</td>
<td>150</td>
<td></td>
<td></td>
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<td>2,500</td>
<td>2,200</td>
<td>2,000</td>
<td>2,100</td>
<td>3,000</td>
<td>1,800</td>
<td>2,000</td>
</tr>
<tr>
<td>Government Contracts</td>
<td>1,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td>2,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>Event Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash Receipts</strong></td>
<td>4,500</td>
<td>4,700</td>
<td>2,075</td>
<td>3,400</td>
<td>3,215</td>
<td>16,800</td>
<td>2,150</td>
</tr>
</tbody>
</table>

| **Anticipated Cash Outflow** |        |        |        |        |        |        |        |
| Salaries | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |       |       |
| Benefits |        | 450 | 450 | 450 | 450 |       | 450 |
| Program Costs | 500 | 440 | 400 | 420 | 600 | 360 | 400 | 380 |
| Rent expense | 2,000 |       |       |       |       | 2,000 |       |
| Credit Card Payments |       | 2,500 |       |       |       |       | 2,500 |
| Adjustments (+ / -) |       |       |       |       |       |       |       |
| **Total Cash Disbursements** | 5,500 | 890 | 3,400 | 3,370 | 5,600 | 810 | 3,400 | 3,330 |

### Excess (Shortfall) from operations

|               | (1,000) | 3,810 | (1,325) | 30 | (2,385) | 15,990 | (1,250) | (1,430) |

### CAPITAL AND FINANCING

**Cash Receipts**
- Cash received from loans/financing

**Cash Disbursements**
- Repayment of loan principal

|               | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

**NET CASH EXCESS (SHORTFALL)**

|               | (1,100) | 3,710 | (1,425) | 70 | (2,485) | 15,890 | (1,350) | (1,530) |

**ROLLING CASH BALANCE**

|               | 1,033 | 4,743 | 3,318 | 3,248 | 763 | 16,653 | 15,303 | 13,773 |
Revenue

- Government funding
- Grants
- Service/Fee based income
- Donations – corporate and individual
- Events income
- Endowments
- In-kind
- Other
- Understand the impact to each of them
Evaluate – Revenue

1. Evaluate each revenue stream and adjust
2. Will this funding be guaranteed?
3. Will it rebound in a few months?
4. Will the funding be lost for the rest of the year?
5. How dependent am I on each revenue stream?

Thoughtful discussions around all of these questions.
**Financing**

*See links to resources at end*

- Paycheck Protection Program
- EIDL loans
- Funds for the PPP and EIDL are currently exhausted but a new wave of funding is here.....will it last?
- Other local support
- Line of Credit
Question - Where is your organization right now?

• On the front line – full throttle!
• Experimental
• Steady
• Hibernation
• Redirecting
• Possibly shutting down
• Don’t really know?
Why scenario planning

1. Stories about how the future might unfold.
2. Prepares nonprofits for downturns and opportunities.
3. Allows organizations to respond quickly.
4. Doesn’t matter the size of your organization.

When not to use it --

- If you have faulty, misleading or sloppy data.
- No perfect scenario – endlessly trying new combinations.
- Wait and see scenario – doing something is usually better than doing nothing.
Poll
How many of you are currently doing scenario planning?

How many of you want to do scenario planning now?
What if –
The Art of Scenario Planning for Nonprofits

Most common application of scenario thinking

1. Setting strategic direction
2. Catalyzing Bold Action
3. Accelerating collaborative learning
4. Alignment and Vision

(Not mutually exclusive)
Scenario Planning

- Best Case Scenario
- Moderate Case Scenario
- Worst Case Scenario – think through disruptions

Do not create endless scenarios

Be thought provoking
Teamwork

• I’ll create the scenarios then bring it to the board – NO!
• Set up task force
• Board involvement
• Management involvement
• Not a one person exercise
Drivers?

1. Identify key factor
2. Determine possible outcomes – try to assign estimates and rough probabilities
3. What are the risks?
4. How will your organization be affected?
5. Analyze and identify the best path – pros and cons
6. What programs should be protected and prioritized
7. What programs should be postponed, reduced or eliminated
# Revenue Analysis Worksheet

<table>
<thead>
<tr>
<th>Program/Department/Function</th>
<th>Funding Source</th>
<th>Total Possible Revenues (Current Year Portion only)</th>
<th>Likelihood of Receipt (%)</th>
<th>Revenue Scenarios</th>
<th>Surplus /Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Best Case</td>
<td>Moderate Case</td>
</tr>
<tr>
<td>Program 1</td>
<td>Grant XYZ</td>
<td>$5,000</td>
<td>75%</td>
<td>5,000</td>
<td>5,000</td>
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<tr>
<td></td>
<td>Corporate donation</td>
<td>$2,000</td>
<td>100%</td>
<td>2,000</td>
<td>2,000</td>
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<tr>
<td></td>
<td>VARIABLE: Donations</td>
<td>$500</td>
<td>n/a</td>
<td>500</td>
<td>375</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Revenue Subtotal</td>
<td>$7,500</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Expense Budget</td>
<td>$3,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Surplus /Deficit</td>
<td>$4,500</td>
</tr>
<tr>
<td></td>
<td>for Program 1</td>
<td>$3,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program 2</td>
<td>Service fee</td>
<td>$5,000</td>
<td>75%</td>
<td>5,000</td>
<td>5,000</td>
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<tr>
<td></td>
<td>Event</td>
<td>$2,500</td>
<td>50%</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td></td>
<td>VARIABLE: Donations</td>
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<td>n/a</td>
<td>1,000</td>
<td>750</td>
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<td>Revenue Subtotal</td>
<td>$8,500</td>
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<td></td>
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<td></td>
<td>Expense Budget</td>
<td>$2,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Surplus /Deficit</td>
<td>$6,500</td>
</tr>
<tr>
<td></td>
<td>for Program 2</td>
<td>$2,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What circumstances will cause the trigger?

• Example - If revenue falls 10% we will do x
• Example - If revenue falls 25% we will do x y and z
• Build these decisions into model
• Monitor
Expenses

• Labor –
  • Employees - at least 70% of budget
  • Layoff or furlough
  • Part-time employee
  • Consolidate positions
• Rent /utilities
• Other
Types of Expenses

• Fixed Expenses – building rent, insurance or executive director salary

• Variable – utilities or cost of program materials that change with sales.

• Semi variable – wages
Expenses

• Besides labor restructuring what else can I do?
• How can I conserve cash?
• Can I repurpose a facility?
• Our services are needed – how do we accommodate the demand?
• How do I deal with the financial increase in technology because everyone is now working from home!
Financial Levers

• Expense
• Revenue
• Cash and Reserves
• Cash Flow
• Capital expenditures
Charity ABC
Cash flow - worst case scenario

### Key Assumptions

| Starting operating Cash | $38,500.00 | $39,305.00 | $18,610.00 | $16,915.00 | $11,220.00 | $6,025.00 |

#### Use reserve $28K, LOC 25K

| Total Available credit | $25,000.00 | $25,000.00 | $25,000.00 |

#### Revenues

<table>
<thead>
<tr>
<th>Amount Rec. - Scenario</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>$6,500.00</td>
<td>$3,000.00</td>
<td>$1,000.00</td>
<td>$500.00</td>
<td>$2,000.00</td>
<td></td>
</tr>
<tr>
<td>Program fee</td>
<td>$120,000.00</td>
<td>$15,000.00</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
<td>$15,000.00</td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td>$7,500.00</td>
<td>$1,500.00</td>
<td>$2,000.00</td>
<td>$1,000.00</td>
<td>$500.00</td>
<td>$500.00</td>
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<td><strong>Total Revenue to be received</strong></td>
<td>$134,000.00</td>
<td>$4,500.00</td>
<td>$3,000.00</td>
<td>$16,000.00</td>
<td>$20,500.00</td>
<td>$21,000.00</td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th>Amount paid - scenario</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$180,000.00</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Benefits</td>
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<td>$1,800.00</td>
<td>$1,800.00</td>
<td>$1,800.00</td>
<td>$1,800.00</td>
<td>$1,800.00</td>
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<tr>
<td>Payroll taxes</td>
<td>$15,480.00</td>
<td>$1,720.00</td>
<td>$1,720.00</td>
<td>$1,720.00</td>
<td>$1,720.00</td>
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<td>Program supplies</td>
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</tr>
<tr>
<td>Insurance</td>
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<td>$100.00</td>
<td>$100.00</td>
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</tr>
<tr>
<td>Telephone and internet</td>
<td>$675.00</td>
<td>$75.00</td>
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<td>$75.00</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>$228,755.00</td>
<td>$23,695.00</td>
<td>$23,695.00</td>
<td>$25,695.00</td>
<td>$26,195.00</td>
<td>$26,195.00</td>
</tr>
</tbody>
</table>

#### Surplus/Deficit from operations

| $ (94,755.00) | $ (19,195.00) | $ (20,695.00) | $ (9,695.00) | $ (5,695.00) | $ (5,195.00) | $ (8,695.00) |

#### Ending cash balance prior to use of reserve

| $19,305.00 | $18,610.00 | $8,915.00 | $11,220.00 | $6,025.00 |

#### Reserve fund opening balance

| $28,000.00 | $8,000.00 | $8,000.00 | $- | $- |

#### Reserve Funds drawdown

| $20,000.00 | $0 | $8,000.00 |

#### Ending Reserve fund balance

| $8,000.00 | $8,000.00 | $- | $- | $- | $- |

#### Ending operating account balance

| $39,305.00 | $18,610.00 | $16,915.00 | $11,220.00 | $6,025.00 | $2,670.00 |

Is cash balance within available credit? yes yes yes yes yes yes

By how much $39,305.00 $18,610.00 $16,915.00 $36,220.00 $31,025.00 $22,330.00
Charity ABC – worst case scenario

<table>
<thead>
<tr>
<th>Charity ABC</th>
<th>Sept. 2020</th>
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<tbody>
<tr>
<td>Beginning Balance 4/1</td>
<td>$ 38,500.00</td>
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<tr>
<td>Reserve Funds</td>
<td>$ 28,000.00</td>
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<tr>
<td>Revenue</td>
<td>$ 82,500.00</td>
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<td>Expenses</td>
<td>$(151,670.00)</td>
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<td>Ending Balance 9/30</td>
<td>$(2,670.00)</td>
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<tr>
<td>Line of Credit</td>
<td>$ 25,000.00</td>
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<tr>
<td>Balance Used</td>
<td>$(2,670.00)</td>
</tr>
<tr>
<td>Amount available on LOC</td>
<td>$ 22,330.00</td>
</tr>
</tbody>
</table>
Who do I approach?

1. Approach donors
2. Approach Foundations - Can you escalate a grant?
3. Approach vendors – revise payment terms
4. Approach landlord – negotiate!
5. Approach bank – build on established relationship for funding
6. Approach board – Can we change board designated funds
7. Approach management – freeze discretionary spending
SURVIVE

• Have enough cash
• Keep staff and volunteers
• Keep current clients and customers
• Preserve donors and funders
• Maintain status

THRIVE

• Increase self reliance and long-term resources
• Strengthen staff and volunteers
• Build loyalty with clients
• Strengthen donors/funders
• Improve your standard
Nonprofits’ Response

Communicate your plan
Express your financial needs
Understand the timeline
Stick to the plan but be flexible

PLAN AHEAD
How will we emerge stronger

• Management and boards need to work hand in hand
• Financial scenario planning is a tool for understanding uncertainty
• It creates new sources of hope
• Your organization will emerge stronger by using it
Financial Controls - Working from home

• Still maintain strong approval processes for expenses
• Be timely with reporting / responses
• Good communication
• Embrace the cloud
• Segregation of duties
Closing Thoughts

It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change ......

Charles Darwin
References

• Paycheck Protection Plan –
  • https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program

• EIDL Loan
Danosky & Associates helps non-profit organizations build the capacity to move their strategic vision forward with a solid foundation and an army of support behind them.

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CT Woman Owned Small/Minority Business Enterprise