Nonprofit Financial Responsiveness: COVID-19

Flexible Financial Planning Tools for Rapid Response

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Zoom Meeting Features

MICROPHONE and VIDEO

- Mute when not speaking
- Consider using Video

CHAT

- Ask questions and offer comments throughout
- Can send private or public message

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What is “right in front of you” today around finances?

How can we think about planning for the future during this time of crisis while addressing all those items?

Financial Resilience
What is Financial Planning?
A process to define how an organization’s strategy will be funded

Ideally, this process is:
• Ongoing
• Team-based
• Focused on the future but responsive to the present
• Structured to allow for recalibration and course correction

Practices: Financial Planning

Short-term Financial Responsiveness

Understand Current Position
Identify Implications and Scenarios
Manage Cash Flow

Understand Balance Sheet and Liquidity

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Understand Balance Sheet

**Balance Sheet:**

- **Cumulative result** of an organization’s financial activity from its inception
- Source of **key financial health indicators** such as liquidity, debt, and reserves
- Shows how much **financial flexibility** an organization has

Understand Balance Sheet: Liquidity

**Key Questions**

- **Cash** – how much is restricted?
- **Receivables** – any collection issues? Delays?
- **Payables** – any options for delaying payment?
- **Lines of credit** – how much available?
- **PTO due** – is calculation up to date?
Understand Balance Sheet

Key Questions

- **Net Assets – Board Designated**
  - What is its purpose?
  - Willing to make available?

- **Net Assets – Donor Time or Purpose Restricted**
  - Can we meet the donor requirements?
  - Would funder consider releasing requirements or extending timeline?

- **Liquid Unrestricted Net Assets (LUNA)**
  - How much are our liquid reserves?
  - How many months of operations can they cover?

- **Endowments – market value?**

Short-term Financial Responsiveness

- **Understand Current Position**
- **Identify Implications and Scenarios**
- **Manage Cash Flow**
- **Brainstorm revenue and expense drivers**
- **Identify broad options and time horizon**
- **Narrow the focus-gather data/ask questions**
- **Develop scenarios**
- **Act, Engage & Comm.**
Major categories of expense (BY NATURE):

• Workforce related
• Facilities / occupancy
• Other

Let’s explore workforce related

DISCLAIMER: The following information is not intended to be legal advice. Please consult with local employment or labor law counsel for the most updated guidance on applicable regulations and how they apply to you.
Implications: Workforce Impact

Expense Drivers – Brainstorming

➢ Workforce Expenses:
  • Salaries
  • Healthcare Premiums
  • Paid Time Off (PTO)
    – Emergency Family Medical Leave Expansion Act
    – Federally mandated emergency sick leave
  • Anything else?

Scenarios: Workforce Impact

Identify Broad Scenarios and Time Horizon

➢ Potential Scenarios:
  • Need MORE capacity
  • NO CHANGE in capacity**
  • Need LESS capacity

➢ Time Horizon - when do these changes need to take effect and for how long with they last?
➢ Immediate? Temporary? Permanent? Unknown?

Try and narrow our focus using data

** NOTE – some staff may become ill or need to take time off to care for children and/or other family members. Will you need to replace capacity or no? “NO CHANGE” may still be a change.
**Scenarios: Workforce Impact**

**Possible actions:**

**Adding**
- Temporary?
- Volunteers?
- Part time?

**No Change**
- Hiring freeze?
- Reshape/ revise job duties?

**Reducing**
- Temporary?
- Furlough or Layoff?
- Termination?

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**Scenarios: Workforce Impact**

**Data Driven **VALUE**

- **Identify Broad Scenario (more, less or no change)**
  - Within that broad scenario develop
    - Best, medium and worse case situations

- **ANSWER QUESTIONS and GATHER DATA**
  - All scenarios started with $$ BASELINE - Where am I now?$$
  - Scan for possible actions within each scenario

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Define Three Scenarios

Best  Moderate  Worst

• We will not run our summer program this year, but expect to resume full program next summer.
• We expect individual contributions to decline by 20% this year, and 15% next year.

Short-term Financial Responsiveness

Understand Current Position  Identify Implications and Scenarios  Manage Cash Flow

Brainstorm revenue and expense drivers  Identify broad options and time horizon  Narrow the focus-gather data/ask questions  Develop scenarios  Act, Engage & Comm.
Engage and Communicate

Streamline leadership; engage in planning and decision making

- Staff – Leadership Team
- Board Finance Committee/Overall board
- External HR expert and/or legal counsel

Apply an equity lens to workforce decisions

Consider policies and procedures

Think strategically in retaining capacity for post crisis

Communicate, communicate, communicate

Resources


COVID-19 Response Resources

A MESSAGE TO NONPROFITS AND FUNDERS

This page gathers FMA’s latest thinking and tools to support you in managing your nonprofit’s finances (or supporting your grantees as they do) amidst the rapid changes and uncertainty we are all facing in 2020.

HiLo Balance’s recent letter offered a framework for nonprofits organizing a response to the COVID-19 crisis. This frequently-updated page will compile resources to support you in carrying out your response within that framework, with resources vetted and recommended by FMA.

Most recent update 4.2.2020 2:05PM ET

Paycheck Protection Program TOOLBOX
Please email

FMACARES@fmaonline.net

One of our experts will assist you with your questions as soon as possible

Resources

StrongNonprofits.org

In collaboration with the Wallace Foundation, FMA has created a library of tools and resources to help organizations become “fiscally fit”

Four Topic Areas: Planning | Monitoring | Operations | Governance

Planning Resources for Nonprofit Financial Management

Good planning finds the most effective ways to deploy your organization’s resources – and meet your overall objectives. Materials here include help with budgeting, cost calculations and cash projections.

Strengthening the Budget Development Process
Cash Flow Planning Tool

Cash Flow Projection Template

<table>
<thead>
<tr>
<th>Current Vs</th>
<th>Budgeted</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cash Receipts</td>
<td>$2,802,568</td>
<td>$368,422</td>
<td>$367,791</td>
<td>$279,383</td>
<td>$162,432</td>
<td>$80,963</td>
<td>$206,909</td>
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<tr>
<td>Total Cash Disbursements</td>
<td>$2,848,563</td>
<td>$334,361</td>
<td>$333,402</td>
<td>$214,824</td>
<td>$124,306</td>
<td>$238,583</td>
<td>$214,624</td>
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<tr>
<td>Excess (Shortfall) from operations</td>
<td>$122,111</td>
<td>$193,209</td>
<td>$11,462</td>
<td>$(25,927)</td>
<td>$(34,485)</td>
<td>$(28,438)</td>
<td>$(8,726)</td>
</tr>
</tbody>
</table>

**CAPITAL AND FINANCING**

- Cash Receipts
  - Cash received from loans/financing
  - Transfers from savings/investments
- Cash Disbursements
  - Capital purchases
  - Repayment of loan principal
  - Transfers to savings/investments

<table>
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<th></th>
<th>3,442</th>
<th>2,083</th>
<th>2,903</th>
<th>3,002</th>
<th>3,012</th>
<th>3,022</th>
<th>3,032</th>
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<tbody>
<tr>
<td>NET CASH EXCESS (SHORTFALL)</td>
<td>$119,188</td>
<td>$190,216</td>
<td>$8,560</td>
<td>$(28,939)</td>
<td>$25,428</td>
<td>$(12,057)</td>
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<tr>
<td>ROLLING CASH BALANCE</td>
<td>$374,883</td>
<td>$565,098</td>
<td>$573,658</td>
<td>$544,719</td>
<td>$570,347</td>
<td>$557,290</td>
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</tr>
</tbody>
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Resources


- [https://fmaonline.net/2020/03/13/leading-your-organization-through-a-crisis-fiscal-and-operational-strength-for-facing-covid-19/](https://fmaonline.net/2020/03/13/leading-your-organization-through-a-crisis-fiscal-and-operational-strength-for-facing-covid-19/)

**Leading your organization through a crisis:**
Fiscal and operational strength for facing COVID-19

*RED XIII LTPS, 2020*

Dear FMA community,

Like you, we are concerned about the impact that the Coronavirus has had and will continue to have on the nonprofit sector. As we put our own continuity measures in place and provide uninterrupted service to our clients, we want to touch base with you, our broader community, to share some thoughts (and where possible, some tools) for how you might approach the uncertain period. Whether you’re a startup organization, or a long-established nonprofit, consider this framework for organizing your response to this crisis:

- Care for your community - Your people come first. Your staff will need to make difficult decisions in their personal lives about how to respond to this crisis. This can be exhausting and stressful. You can...
Questions?

FMA

- Established in 1999 to serve not-for-profit organizations around the country
- Provides customized financial management, accounting, software, organizational development, and other consulting services
- Works directly with organizations or through funder-supported management and technical assistance programs

FMA exists to build a community of individuals with the confidence and skills to lead organizations that change the world

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