

# Nonprofit Financial Responsiveness: COVID-19

## *Flexible Financial Planning Tools for Rapid Response*

Gina McDonald, CPA

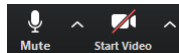
Lead Consultant

April 14, 2020



## Zoom Meeting Features

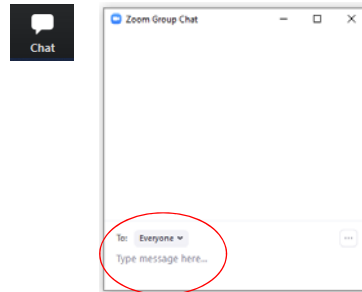
### MICROPHONE and VIDEO



- Mute when not speaking
- Consider using Video

### CHAT

- Ask questions and offer comments throughout



- Can send private or public message



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



## Practices: Financial Planning

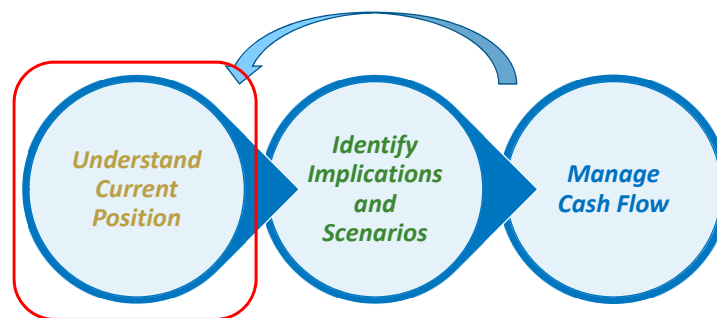
### What is Financial Planning?

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*

## Short-term Financial Responsiveness



**Understand Balance Sheet  
and Liquidity**

## 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

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## 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?**

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# Short-term Financial Responsiveness

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## Implications to Consider

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## Implications: Expenses

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.*

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## 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

\*\* 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.

- **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*

## 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

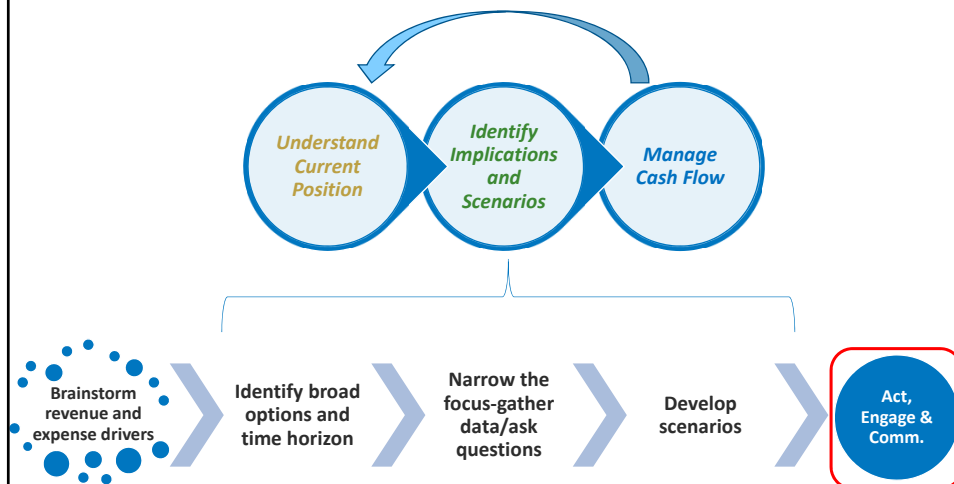
Best

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



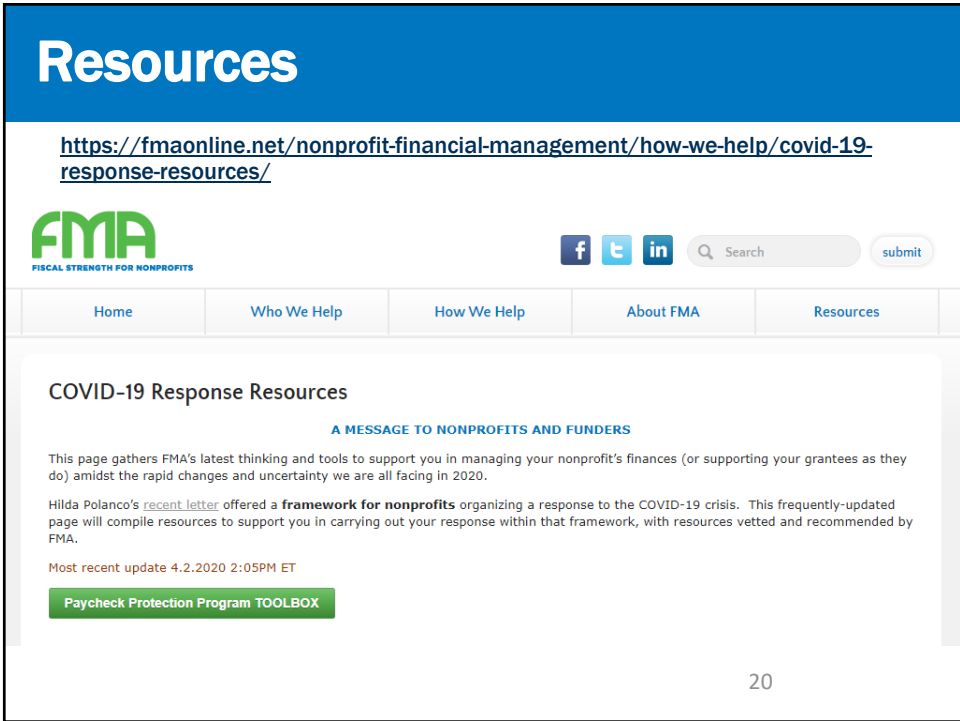
# Engage and Communicate

- 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

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# Resources

<https://fmaonline.net/nonprofit-financial-management/how-we-help/covid-19-response-resources/>



The screenshot shows the FMA website's 'Resources' page. At the top is the FMA logo with the tagline 'FISCAL STRENGTH FOR NONPROFITS'. To the right are social media icons for Facebook, Twitter, and LinkedIn, followed by a search bar with a 'submit' button. Below this is a navigation menu with links for 'Home', 'Who We Help', 'How We Help', 'About FMA', and 'Resources'. The main content area is titled 'COVID-19 Response Resources' and includes a sub-header 'A MESSAGE TO NONPROFITS AND FUNDERS'. The text explains that the page provides the latest thinking and tools for managing nonprofit finances during the COVID-19 crisis. It mentions Hilda Polanco's 'recent letter' as a framework for organizing a response. A date stamp indicates the most recent update was on 4.2.2020 at 2:05PM ET. A green button labeled 'Paycheck Protection Program TOOLBOX' is visible at the bottom of the content area.


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# Resources

Please email

**[FMACARES@fmaonline.net](mailto:FMACARES@fmaonline.net)**

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

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# Resources

**[StrongNonprofits.org](http://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](#)



The Wallace Foundation / Knowledge Center / Resources for Nonprofit Financial Management Share | Print | Email

## Resources for Nonprofit Financial Management

Search Financial Management Resources

Overview | **Planning** | Monitoring | Operations | Governance | All Resources

**SHOW:**

- General Resources
- Tools and Templates
- Case Studies

**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

[www.strongnonprofits.org](http://www.strongnonprofits.org)

	Current Yr Budgeted	July	Aug	Sep	Oct	Nov	Dec
<b>Total Cash Receipts</b>	\$2,892,560	\$356,422	\$426,701	\$230,383	\$188,433	\$258,953	\$204,699
<b>Total Cash Disbursements</b>	\$2,816,563	\$234,251	\$233,492	\$218,821	\$214,360	\$230,503	\$214,524
<b>Excess (Shortfall) from operations</b>		\$122,171	\$193,209	\$11,562	(\$25,927)	\$28,450	(\$9,825)
<b>CAPITAL AND FINANCING</b>							
<i>Cash Receipts</i>							
Cash received from loans/financing							
Transfers from savings/investments							
<i>Cash Disbursements</i>							
Capital purchases							
Repayment of loan principal	36,442	2,983	2,993	3,002	3,012	3,022	3,032
Transfers to savings/investments							
<b>NET CASH EXCESS (SHORTFALL)</b>		\$119,188	\$190,216	\$8,560	(\$28,939)	\$25,428	(\$12,857)
<b>ROLLING CASH BALANCE</b>		\$374,883	\$565,098	\$573,658	\$544,719	\$570,147	\$557,290



# Resources

- **Cash Flow in the Nonprofit Business Model: A Question of Whats and Whens**, Hilda Polanco and John Summers, February 2020: <https://nonprofitquarterly.org/cash-flow-nonprofit-business-model-question-whats-whens/>

- <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

FRIDAY, MARCH 13TH, 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 into place and provide uninterrupted service to our clients, we wanted to touch base with you, our broader community, to share some thoughts (and where possible, some tools) for how you might approach this uncertain period. Whether you're a start-up organization, or a multi-national 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?



- ❖ 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*

**Gina McDonald, CPA**

Lead Consultant

gmcDonald@fmaonline.net



@FMA4Nonprofits



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