

SCENARIO PLANNING WHEN YOU DON'T KNOW THE SCENARIO

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Nonprofit Financial Managers
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Sandi McKinley, Founder
SectorWind

Leading teams through COVID-era
financial planning and budgeting

ABOUT ME



sandi@sandimckinley.com
617.407.0277
www.sectorwind.com

Sandi McKinley, Founder SectorWind

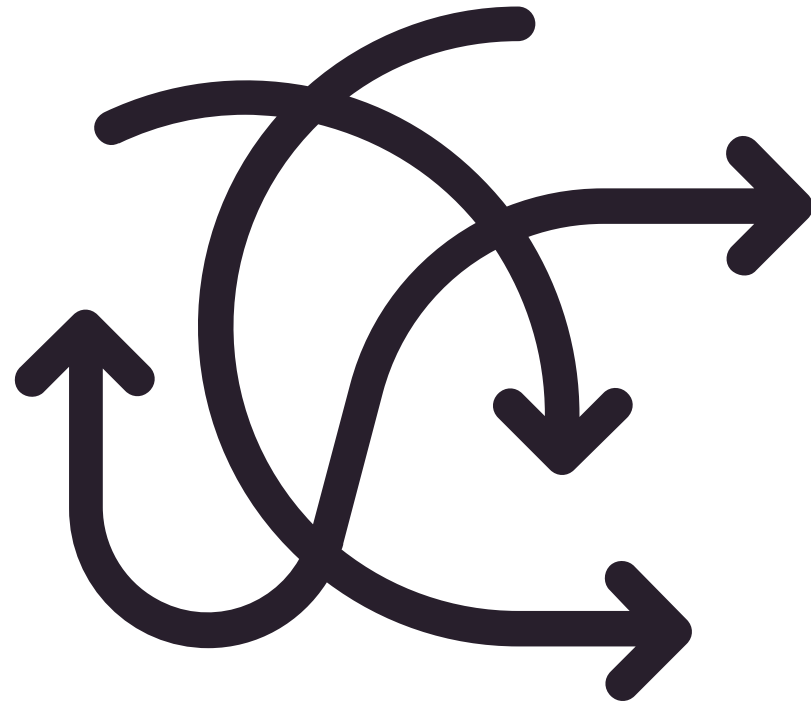
Two decades in the nonprofit sector; 15 years as a consultant to nonprofits and funders. Including:

- VP, Advisory Services, for Nonprofit Finance Fund and was responsible for managing the national consulting team and the content and services provided to nonprofit clients and funders
- Direct experience with over 1,000 clients from all sectors, all sizes and at all stages of organizational life cycles

SectorWind works with nonprofit leaders to harness the richness of their organization's resources to build financial strength and strategic resilience.

Serves as a financial strategy consultant, trusted advisor, and guide to help leaders and teams through periods of change, opportunity, and challenge.

Offers a continuum of services for organizations, grantmakers and the sector.



WHAT HAPPENS NEXT? WHAT ABOUT OUR STRATEGIC PLAN? WE'RE GOING TO RUN OUT OF MONEY IF WE CAN'T DELIVER OUR PROGRAMS. WHEN IS THE OTHER SHOE GOING TO DROP? WHAT COULD POSSIBLY GO WRONG NEXT? WE DON'T KNOW WHERE TO START. OUR WORLD IS CHANGING AND WE CAN'T KEEP UP! HOW DO WE MAKE THOSE TOUGH DECISIONS THAT MAY IMPACT PEOPLE'S LIVES AND LIVELIHOOD? OUR STAFF & BOARD HAVE DIFFERENT PERSPECTIVES ON WHAT WE SHOULD NEXT. PERHAPS IT'S TIME TO CLOSE...OR MERGE...OR PARTNER WITH ANOTHER ORGANIZATION

SCENARIO PLANNING DURING TIMES OF CHANGE AND UNCERTAINTY



FOCUS



PRIORITIZE



SET CONTEXT



BUILD SCENARIOS



PLAN & MONITOR

PRIORITIZATION, SCENARIOS, BUDGETS & STRATEGIC FINANCIAL PLANS

Useful definitions

Prioritization: A process that helps leaders refine clarity of purpose, most often conducted at an inflection point. Typically not a financial exercise.

Scenarios: Identifies potential programmatic and financial pathways forward for the next 1-18 months. Presented as a narrative with 'rough' financials.

Scenario budgeting/ planning: Mapping the existing and future resources for each scenario for the near-term. A dynamic financial model with narrative.

Strategic Financial Plan: 2-3-year (sometimes 5-year) plan to strengthen and align business model and balance sheet to the programs and activity of the organization. Sets a pathway to finance strategic goals, enact change or recover from challenge. Includes both revenue and expense; frequently incorporates systems/ operations and staff structure. A dynamic financial model and comprehensive narrative/ report.



FOCUS IN TIMES OF CHANGE AND UNCERTAINTY

Begin to build focus with a guiding question(s) i.e. “What will it take to...?”

In building the guiding question(s) screen through two topics:

- Mission
- What your community values (or needs) at this moment

Mission

- What was the organization founded/ created to do?
- Why does the organization exist?

Community Value

- What does your community value, need, want right now?
- What do they think you do well?
- How do you know?
- How is your community involved in decision making now and going forward?



SAMPLE FOCUSING/ GUIDING QUESTIONS

Organizations may have one or more focusing/ guiding questions. Regardless, management and leadership must ultimately agree on what they are!

What will it take to make sure that our students have the crucial academic supports in the new school year?

What will it take to ensure that our community has access to high-quality mental-health services during and after the crisis?

What will it take to ensure that the those who aspire to find work can access our workforce development programs?

How do we continue our mission-critical fellowship program when our summer programs (which provide subsidy) are cancelled?

FOCUS...THEN PRIORITIZE



1. Current & legacy activities

2. Emerging or existing activities, but
newly prioritized

3. Pause and resume later (6-18 months)

4. Questionable/ unknown (we don't have
enough data to decide)

5. Honor and Release (no longer going to happen)

*Kudos to the talented team at Center for Community Investment for their inspired leadership and from whom this grid is adapted.

SETTING CONTEXT FOR SCENARIOS



Two contextual factors – taken together - can aid in informing scenarios

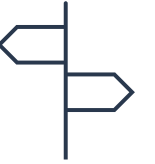
OPERATIONAL TIMELINE:
Is the timeframe to return to (new) normal operations near or long term?

IMPACT ON ACCESS TO RESOURCES (\$):
Is there an impact on our ability to access necessary resources?
(Includes client/ audience confidence)

MAJOR \$ IMPACT MINOR	<p>Near-term (0-6 mo.) return Moderate or major impact on access to funder/ donor/ client resources</p> <ul style="list-style-type: none"> • Time is NOT the primary factor • Public health constraints, client confidence or guidelines are limiting access to \$ 	<p>Mid-to long-term (6-18 mo.) return Moderate or major impact on access to funder/ donors/ client resources</p> <ul style="list-style-type: none"> • Both time to return and the impact on the organization's ability to access \$ are constrained
	<p>Near-term (0-6 mo.) return Minor impact on access to funder/ donors/ client resources</p> <ul style="list-style-type: none"> • The ability to return to (new) normal operations is now or near-term and with little to no impact on access to \$ • These may be new or legacy programs, but are currently operating (perhaps in a changed capacity) 	<p>Mid-to long-term (6-18 mo.) return Relatively minor impact on access to funder/ donors/ client resources</p> <ul style="list-style-type: none"> • The ability to return to (new) normal operations is <i>dependent upon time</i> • Also dependent on org's ability to access \$ while waiting

Near-----TIME-----Long

BUILDING SCENARIOS



<p>HOW DO OUR PRIORITIES PLAY OUT WHEN? →</p> <p>WHAT IS THE IMPACT ON? ↓</p>	<p>ANTICIPATED NEAR-TERM RETURN TO OPERATIONS WITH MODERATE TO SEVERE IMPACT ON RESOURCES (BASE)</p>	<p>ANTICIPATED NEAR TERM RETURN TO OPERATIONS WITH MILD IMPACT ON RESOURCES (BASE +)</p>	<p>UNANTICIPATED LONGER-TERM RETURN TO OPERATIONS WITH MODERATE TO SEVERE IMPACT ON RESOURCES (BASE-)</p>
Revenue: Individual donors	Board member giving increases (110% of last year's); most core donors remain (60% of last year's revenue)	Board member giving increases (110% of last year's); core donors remain (80% of last year's revenue)	Board member giving increases (110% of last year's); some donors remain (30% of last year's revenue)
Revenue: Philanthropy	A, B, C foundations have committed support for the next 6 months	A, B, C foundations have committed support for the next 6 months	Unsure if A,B,C Foundations will continue support
Revenue: Fee-for-service/ contracts	Contract revenue will restart; however, only able to serve 50% of client load for next 1-6 months	Contract revenue will restart; however, only able to serve 75% of client load for next 1-6 months	Unsure; no client services, no revenue
Revenue: Non-operating/ one-time?	Access to emergency relief grant to help set up health and safety	Access to emergency relief grant to help set up health and safety	Unknown if emergency relieve grant will be available if we don't open in 6 months.
Expenses: Personnel	PPP Loan received; on track to meet forgiveness criteria	PPP Loan received; on track to meet forgiveness criteria	PPP Loan received, anticipating layoffs, forgiveness perhaps in jeopardy.
Expenses: Occupancy/ Utilities	Rent deferred but due in 60 days	Rent deferred but due in 60 days	Rent deferred but due in 60 days
Expenses: Supplies			
Expenses: Other	Health and safety equipment	Health and safety equipment	Health and safety equipment

PLAN & MONITOR



Ongoing

Cash flow:

Timing of money in and out

Prioritization:

Programs and activities based on mission and need

Scenarios:

Identifying & quantifying contingencies

Budgets:

3, 6, 9-12-month planning & monitoring

Now/ Next

Recovery budget & capital needs:

Assessing what it will take to engage in operations in the 'new normal' and acknowledging that recovery will require change and the resources to enact change

SCENARIO PLANNING DURING TIMES OF CHANGE AND UNCERTAINTY



FOCUS

Build guiding questions using mission and community value



PRIORITIZE

By what matters most now



SET CONTEXT

Using time to resume operations and availability to access \$



BUILD SCENARIOS

Screened through context



PLAN & MONITOR

Clear, accurate and timely data

THANK YOU

SANDI MCKINLEY

📞 617.407.0277

✉️ sandi@sandimckinley.com

🌐 www.sectorwind.com