Nonprofit Finance Fund: Where Money Meets Mission

NFF envisions a world where capital and expertise come together to create a more just and vibrant society

We unlock the potential of mission-driven organizations through

- Tailored investments
- Strategic advice
- Accessible insights

Guided by our Core Values

- Equity in Action
- Rigor Without Attitude
- Responsiveness
- Generosity of Spirit
- Leading By Doing
Understand your Situation and Establish Priorities
What’s within your control?

- Direct control
- Some control
- Indirect control
- No control
Understand your Situation and Establish Priorities
Impact on Organizational Strengths?
As the sector seeks to react to the current pandemic, nonprofits will have three *concurrent* needs

**COVID-19 CRISIS**

**Response**
- What is necessary to address the CRISIS as it manifests for our organization?
- How is this different given the situations orgs find themselves in?

**Recovery**
- What will it mean for our organization to operate immediately after the crisis in the new reality?
- what changes do we need to make in order to operate in the new reality and return to a ‘set point’?

**Resilience**
- Preparing for the next time a crisis inevitably hits, working with funding partners to develop long-term financial resilience strategies.

**ECONOMIC RECOVERY**
# COVID-19 Response
Assessing impact upon organizations

<table>
<thead>
<tr>
<th>Description</th>
<th>Operational</th>
<th>Limited/Reduced Service</th>
<th>Paused</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organizations that can continue operations. Typically orgs that keep us alive.</td>
<td>Organizations that can continue SOME operations or modify operations to accommodate SOME clients.</td>
<td>Organizations that must shut down because they are unable to deliver services</td>
</tr>
</tbody>
</table>

## Initial Questions
- Is there an increase in demand?
- Are there emergency resources or reserves available?
- Have staff taken on additional personal and organizational obligations?
- Is the organization providing services? Are you getting paid for them?
- Is there enough cash on hand?
- Has staff been furloughed?
- What impact will this have on staff?
- What is health of the organization's balance sheet?

## Considerations
- Length of crisis and impact on demand.
- Restart costs? Viability?
- Restart costs? Viability?

Most arts and cultural organizations have paused operations and are facing a financial crisis.
### Considerations during times of uncertainty

Special Considerations in the age of COVID-19

<table>
<thead>
<tr>
<th>Social Distancing Timeframe</th>
<th>Impact of COVID/Economic Recovery on Audience/ Clients/ Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term (3 months)</td>
<td>Mild</td>
</tr>
<tr>
<td>Social distancing lasts 3 months and your audience/ clients/ donors are <em>mildly to moderately</em> impacted by the economic downturn</td>
<td></td>
</tr>
<tr>
<td>Long-term (6 months+)</td>
<td>Severe</td>
</tr>
<tr>
<td>Social distancing lasts 6 months or longer and your audience/ clients/ donors are <em>mildly to moderately</em> impacted by the economic downturn</td>
<td></td>
</tr>
<tr>
<td>Social distancing <em>last 6 months or longer</em> and your audience/ clients/ donors are <em>moderately to severely</em> impacted by the economic downturn</td>
<td></td>
</tr>
</tbody>
</table>

How would you inform your scenario budgets given the confluence of these situations and how they impact your affecting your programs, people, community and finances?
An organization’s ability to **adapt and mitigate** risk is influenced by the resources it has on hand.

### The Ability to Absorb Risk Will Be Different for Each Organization

- What is the availability of unrestricted cash and receivables?
- Is our line of credit fully available?
- Do we have reserves (even if designated for specific org goals)?
- What is our wear and tear of fixed assets? Can any additions/replacements be deferred?
- Are we eligible for any new COVID19 related loan opportunities? How will this impact our balance sheet.

The Ability to Absorb Risk Will Be Different for Each Organization
Informing your decisions

Now:

**Cash flow:** Timing of money in and out

**Scenarios:** Quantifying contingencies

**Budgets:** 3, 6, 9-month planning & monitoring

Next:

**Recovery budget & capital needs:**
Assessing what it will take to reengage in operations after the crisis subsides and acknowledging that recovery will require change
Near-Term Goal for Paused Organizations: Safe Harbor

The concept that organizations need a way to ‘anchor’ until it is feasible to reengage in operations.

It will look different for each organization, but at minimum stewarding:

- baseline operations
- essential functions (relationship management, facilities, human resources, artistic/creative, communications)
- the ‘back-office’
Reality for Some Organizations: Soft Landing

Some organizations are recognizing that returning to normal operations is not a viable option and asking how to begin the process of ‘softly landing’ or closing permanently.

- Making the decision
- Calculating the cost
- Communicating the news
- Stewarding the legacy
Prioritizing Opportunities: Where to Focus

### Prioritization will inevitably involve:

**Trade-offs:** No scenario or opportunity can be on top for all of these considerations, so trade-offs happen when you prioritize high mission impact over easily met capacity requirements for one option, or when you take a chance on a strategy that provides high financial impact over low risk.

**Iteration:** When you get new information or begin selecting some opportunities over others, you may need to revise certain considerations.

<table>
<thead>
<tr>
<th>Planning Considerations</th>
<th>Focus first on these opportunities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Impact</td>
<td>High</td>
</tr>
<tr>
<td>Degree of Control</td>
<td>Direct control</td>
</tr>
<tr>
<td>Capacity Requirements</td>
<td>Easily met</td>
</tr>
<tr>
<td>Time Horizon</td>
<td>Immediate/Urgent</td>
</tr>
<tr>
<td>Risks</td>
<td>Low</td>
</tr>
<tr>
<td>Financial Impact</td>
<td>High</td>
</tr>
</tbody>
</table>
## Prioritizing Risks and Options

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Degree of Control</th>
<th>Financial Impact</th>
<th>Mission Impact (E.g., # of People)</th>
<th>Time Horizon Affected</th>
<th>Likelihood to Occur</th>
</tr>
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<tbody>
<tr>
<td>Focus first on these...</td>
<td>Direct</td>
<td>High</td>
<td>High</td>
<td>Immediate</td>
<td>Definite</td>
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Remember, with limited resources focusing on one priority means focusing less on another; trade offs are inevitable.
## Articulating Opportunities for Change and Mitigating Risk

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<th>Mission Impact (E.g., # of People)</th>
<th>Time Horizon Affected</th>
<th>Likelihood to Occur</th>
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</thead>
<tbody>
<tr>
<td>Converting restricted grants to operating $</td>
<td>Some</td>
<td>Medium</td>
<td>High</td>
<td>Immediate</td>
<td>Maybe</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(10% of Total Org Revenue,)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New online program for students</td>
<td>Direct</td>
<td>Low/none - $5000 in startup costs + teacher salaries</td>
<td>High (connect with students)</td>
<td>Soon 1month</td>
<td>High (Funder Interested)</td>
</tr>
</tbody>
</table>
### Blank Template

<table>
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</table>
Safe Harbor/ Soft Landing Thought Tree

Does your organization have enough cash – or access to cash - to manage to a point of reopening?

Given assumptions about post-COVID operating environment, does your current/ modified business/ programmatic model work in a post-COVID world?

Can you raise/ do you have the working and change capital to establish a new business/ program model?

Safe Harbor? How can we position ourselves now so that we can successfully re-engage when we are able to open?

Is it possible to access cash from outside sources? Will the amount be enough to carry your core operations to a point of reopening and initial re-engagement of operations?

Do you need to explore more drastic changes to your business and/or programmatic model?

Are there peer organizations that may be interested in shepherding your programs? (Merger)

Soft landing? What would it mean for our organization to responsibly cease operations?

Do you have strong community and donor support for your current work?

Can you raise/ do you have the working and change capital to establish a new business/ program model?
Decision Making in Times of Crisis
When the stakes are high, so are emotions

1. Acknowledge the emotion and everyone’s interest in the situation
2. Clearly articulate everyone’s role (board, management, staff)
3. Agree on the goal
4. If you can’t agree on the goal, agree on the guiderails
5. Sleep on it
Board Member Responsibility

- Make decisions based on objective information
- Protect and steward the assets of the organization
- Prepare the organization adequately for risk
- Ensure adequate financial resources for the organization to fulfill its mission in the long term
- Know the organization’s current financial situation
- Take the long-term view in addition to the short-term view
- Provide proper oversight
- Act in the best interest of the organization
Board’s Role in a Crisis
Key questions:

• Do I know how we got to these scenarios?
• Do I understand the numbers?
• Do our scenarios align with our mission, strategy?
• Are projections reasonable and attainable?
• Where are the risks to the organization? Are there risks to long term viability?
• How are we monitoring? What are our triggers?
What is a Financial Story?

A Financial Story uses your numbers to explain where you are today, how you got there, and where you want to go.

It connects the numbers to mission, context, actions, and needs.

When stakeholders understand your financial story, they can make better decisions to support your organization.
Communicating Financial Situation, Priorities, and Need

**The Past**
- What have been the biggest events or changes (positive or negative) in the past 1-2 years?
- Effect of events on your financial health?

**The Present**
- What is your typical/ current business model?
- How are you addressing COVID-19? what has been the impact of social distancing on your organization?

**The Future (3, 6, 9 months)**
- What are your future needs?
- How will changes affect your income statement or balance sheet?

**Questions to Address:**

**Data to Inform:**

- Past income statements, past balance sheets
- Current budget, revised budget, cash flow projection most recent balance sheet
- Scenarios and contingencies
- Decision matrix, budgets

_Your Crisis Financial Story_
### Conveying Your Safe Harbor Story

1) **Lead with mission**

   Wonderland Community Arts Center provides high quality performances and classes to the towns of Aville, Bville and Cville. Our stellar staff is made up of part time teachers, actors and artists, we have 2 professional administrators and a small facilities team that cares for our accessible, welcoming space.

2) **What happened?**

   COVID-19 brought our operations to a standstill – we aren’t able to conduct classes or hold performances. Our revenue has dried up and 60% of our clients have asked for refunds. Our facility is closed.

3) **How did you respond?**

   While we have a modest facilities and operating reserve, in order to meet cash flow needs our board made the tough decision to furlough or lay off most of the staff, except for one administrator, one facilities person and one back office staff. Meanwhile, we applied for the PPP and have planned contingency budgets to get us through the next 3, 6, and 9 months. At 9 months, though, we are completely out of funds, fully tapping our line of credit. The board is monitoring this closely and meeting weekly.

4) **Effect on mission?**

   We are concerned that we will not be able to reopen or attract back our audiences once we do because of fears of social distancing. Our community may be incredibly impacted by a looming recession because of our high population of new Americans and immigrants.

5) **What do you need?**

   We are looking for two things: operating dollars to keep us going while we are closed and funds to help us pivot so we can think through how we might pivot programming so that when are able to open we can meet the clients at place that is comfortable and safe.
## Conveying Your Soft Landing Story

1) **Lead with mission**

Wonderland Regional Dance is a 30-year old school and regional traveling dance troop that provides accessible instruction to children and adults and, in the summer months, brings dance to unconventional spaces and places throughout the tri-state region.

2) **What happened?**

COVID-19 brought our operations to a standstill – we aren’t able to conduct our spring classes, our entire summer schedule was cancelled. We are an organization that relies almost entirely on earned revenue and our summer touring subsidizes our school scholarships.

3) **How did you respond?**

Wonderland Regional Dance has a beneficial agreement with our landlord who has agreed to release us from our lease and we have notified our families that we are no longer able to offer instruction this year and are taking a pause. Our board is considering our options. Our founder, Mr. Glick, is nearing retirement age and is believes that it may be time for the organization to retire as well. The board is considering its options for placing its assets such as dance and music equipment, as well as videos and memorabilia.

4) **Effect on mission?**

The board recognizes that the absence of our organization means that many children and adults may not be able to receive dance instruction. We are working with the local cultural council and community foundation to meet with other dance groups to see if they would be interested in hearing about our programmatic model and the success we’ve had, with hope that they could steward our approach.

5) **What do you need?**

While we could close our doors tomorrow and walk away, we want to close responsibly. We are seeking $15,000 to ensure that we close responsibly, file all the necessary paperwork, and steward our assets and legacy.
Communicate Early and Often

Engage *staff* in conversations about options

Bring alternatives to the *board* for decision-making

Stay in front of *funders* — don’t pull back
Questions? What else do you need?
Thank You!

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