

Financial Decision-Making and Communication in a Time of Crisis

An Overview for Nonprofit Organizations

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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

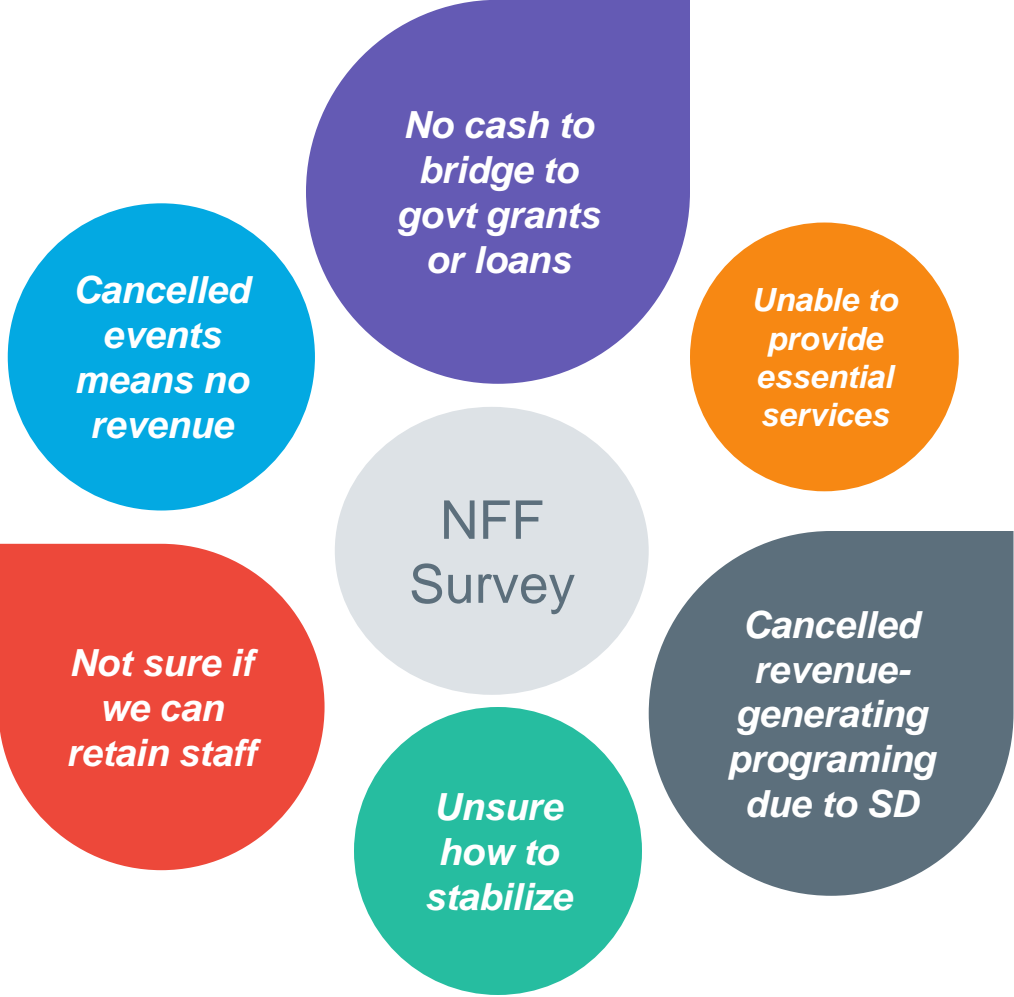
- **Tailored investments**
- **Strategic advice**
- **Accessible insights**

Guided by our Core Values



Nonprofit Survey: How has the COVID-19 pandemic affected your organization?

What we heard:



Nonprofits will need response, recovery and resilience

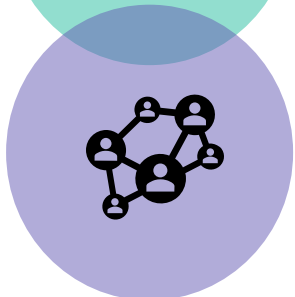
As the sector seeks to react to the current pandemic, nonprofits will have three ***overlapping*** needs:



Response: Immediate reactions to the crisis to ensure continued operations and provision of needed community services.



Recovery: Bringing the business model back to steady state, correcting for lost revenue (canceled events, shows, classes, programming), delayed revenue (delays in contract payment, postponed fundraising events) and increased expenses (spiking demand for services).



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

Response: 3 Steps Nonprofits Can Take Now

1. Understand Your Financial Situation

- Know your cashflow

2. Determine and Monitor your options

- Figure out how you are affected by the changed situation
- Explore your options

3. Communicate early and often about your needs

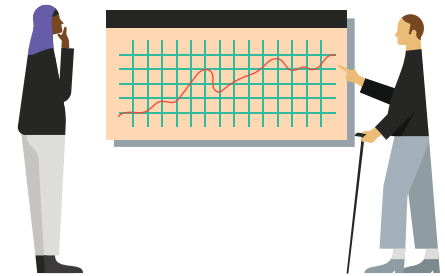
- What do your staff, board, funders, and community need to know right now to best support the organization?



Understand your financial situation: map out your cash flow for the next 13 weeks, 6 months, 9 months

Cash flow projections give you an estimate of how much cash will be available over the course of a given time period

- How much cash do you have today? (Cash + cash equivalents, not accounts receivables)
 - Understand how your cash is restricted. Some funders have relaxed grant requirements and converted funding to GOS.
- What expenses do you need to pay and by when?
 - Can any costs be put off? Consider the needs of your vendors and who could you ask to delay your payments?
- When do you expect new cash to come in? (When will accounts receivables convert to cash?)
 - Are there any sources that you can ask for early payment (e.g. asking funders to expedite checks, ask for pre-payments on goods/services)?



Tool: NFF's cash flow template [here](#)

Is debt the right option during crisis?

When assessing whether debt is a good option for your organization during a crisis, consider:

1. What is driving your need for capital?

- Cash flow issues – a temporary lack of cash due to timing of receipts
- Cash issues – a loss of funding that produces a cash shortage with no predictable end date

2. What is the feasibility of repayment?

- It may be tempting to take out a loan to weather this storm, but it's vital to understand the terms of the loan (interest rate, when do you need to re-pay, any pre-payment penalties, etc.) and have a feasible repayment plan to avoid creating new and deeper financial issues.

3. Will the cash come soon enough?

- Consider how quickly you will get the cash from any debt sources and how you will pay for expenses until then.



Determine and monitor your options

Scenario projections:

- Quantify and define the potential financial impacts of risks and opportunities and give leadership a chance to be thoughtful about the implications of big decisions
- Provide decision makers a chance to be thoughtful about the implications of big decisions

What do operations and programs look like in this **current situation**, in the **best-case scenario** or the **worst-case scenario**?

- Given the scenarios, which programs and operational activities can continue as is (more or less), which need to be reduced, and which need to pause altogether?
- What are the revenue and expense implications of the changed situation for the fiscal year?

Tool: NFF's
Budget Scenario Planning Template [here](#)

Response: communicate early and often about your needs

Talk to your funders:

- Can they remove restrictions from your current funding?
- Are there emergency funds available?
- Stress the importance of supporting reserves and unrestricted operating grants.

Talk to your board:

- Outline organizational priorities
- Discuss how you might use reserves or debt to support short- and long-term needs.

Talk to your staff:

- Discuss personal and professional impact
- Keep everyone up to date on response and recovery efforts.



Tool: NFF's Guide for
Telling Your Financial Story [here](#)

Upcoming Webinars and COVID-19 Insights & Resources

<https://nff.org/covid-19-tools-and-resources-nonprofits>

- NFF's hub of tips, blogs, and other resources for nonprofits.
- Upcoming webinars on COVID-19 Financing Options and Understanding Debt will be scheduled soon and recorded
- Site includes templates and instructions for the tools we discussed today and guidance on messaging to philanthropy

Thank You!

- **nff.org**
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Resources



Resources in the current crisis

■ CARES Act

- Paycheck Protection Program
- Economic Injury and Disaster Loan
- Review Monday's SBDC webinar and Tuesday's LINC webinar ([link here](#))
- Find more resources to learn more about the CARES Act [here](#)

■ Who do I contact to apply for a loan program?

- PPP: Apply to SBA-approved lenders (call your bank, your creditor, local community banks)
- EIDL: Apply directly to SBA here: <https://covid19relief.sba.gov/#/>
- Do your diligence

■ How do I calculate the amount I can request for PPP or the amount I need for a working capital loan?

- FMA Paycheck Protection Program Toolbox ([link here](#)) includes calculators for estimating the avg monthly payroll for your application, script for talking to lenders about your application
- NFF Resources ([link here](#)) have draft board resolution language for seeking a loan and 13-week and 12-month cash flow projection tools to project working capital needs.