

Scenario Planning and Cash Projections Planning a Path through the Pandemic

Kelsey Vatsaas, CPA

Principal

Kelsey.Vatsaas@CLAconnect.com

Heidi Grinde, CPA

Principal, Outsourcing

Heidi.Grinde@CLAconnect.com

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

What We're Covering?

Scenario Planning and Cash Projections

- Nonprofits are facing unprecedented challenges due to the pandemic
- To survive financially, nonprofits must know the truth about their finances
- We will discuss
 1. Budget Scenarios
 - Uncertain times call for multiple budget scenarios
 2. Cash Projections
 - Uncertain times call for strong cash management

Disclaimers

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting, or tax advice or opinion provided by CliftonLarsonAllen LLP to the user. The user also is cautioned that this material may not be applicable to, or suitable for, the user's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The user should contact his or her CliftonLarsonAllen LLP or other tax professional prior to taking any action based upon this information. CliftonLarsonAllen LLP assumes no obligation to inform the user of any changes in tax laws or other factors that could affect the information contained herein.



COVID-19 Crisis and Nonprofits

National disruptions are seen in 4 main areas

1. Demand for services – up 50%
2. Ability to provide Services – down 37%
3. Staffing levels – down 24%
4. Expenses – 29% no change

	Arts (60)	Education (53)	Human Services (287)	Health (44)	Public Society Benefit (63)
No disruption	-	2%	1%	-	2%
Minimal disruption	-	-	0%	-	-
Some disruption, but manageable	27%	43%	45%	30%	43%
Significant disruption, but expect to bounce back quickly after things settle	67%	36%	34%	48%	35%
Significant disruption, expect recovery to be difficult	7%	17%	19%	23%	19%
Unknown	-	2%	1%	-	2%

Our Current Context

Financial leadership in midst of crisis

- The entire economy is disrupted
- Program stoppages and closures
- Sudden drop off in funding
- Uncertain timeframe



© 2020 CliftonLarsonAllen LLP

Budgeting and Cash Projections

- **Unflinching analysis** of your current fiscal state
- Willingness to **seek and share solutions** across your whole organization
- Let **commitment to your mission** guide thoughtful and effective choices
- Consider all the options – **adapt, create, innovate**



Budgeting

Scenarios and Decisions

Why have budget scenarios?

- Be Prepared
 - Scenario planning allows you to model multiple options
- Manage Risks
 - Think of this as “what-if” planning
- Identify Key Business Drivers
 - Understand what pieces of your organization impact you the most

Identify your organizational goals

Where you land becomes
Where you launch

- Determine the current baseline
- Determine the likely outcomes without any intervention
- Decide what you want the future to look like for your organization
- Decide the scale of the interventions necessary to get you there
- Develop strategies appropriate to the scale of the needed interventions



How to Build Your Budget Scenarios

- Start with what you know
 - Build your budget based on current known conditions and anticipated conditions
- Include others
 - Program staff, management, board members
- Document assumptions



Buildout Budget Scenarios

1. Identify what you can and can't manipulate
2. Determine a few “what if” scenarios
3. Manipulate your original budget to include the various scenarios



Buildout Budget Scenarios

- Identify what you can and can't manipulate
 - Key grants or contracts
 - Key social enterprise activities
 - Key events or fundraising activities
 - Known commitments
 - Known discretionary expenses



Buildout Budget Scenarios

- Determine a few “what if” scenarios
 - Best and worst case
 - % based increase/decrease
 - ◇ Predominately used for revenue generated from fee for service or memberships
 - Triggers you will monitor as signs to shift between budget scenarios
 - ◇ If this ... then this (accelerate, reduce efforts, pause xyz activities)



Buildout Budget Scenarios

- Manipulate your original budget to include the various scenarios
 - Assumptions are key
 - ◇ Document what assumptions are being incorporated
 - Minimize manual work
 - ◇ Utilize a software or a tool like excel to minimize the amount of manual work to build out the scenarios
 - Include your team
 - ◇ Program leads, management, board



**Don't be afraid
to revise your
budget once
your year has
began**





Cash Management

Projection

How and why you must do a cash projection or forecast

Your financial truth may require drastic action

- Every budget assumption must be questioned

Cash is different than accrual

- A promise is one thing, cash in the bank is another

In a crisis, collections and payables are all about relationships

- You need to know who to ask for what and when
- We're all in this together



Cash Management is all about the details

Receipts

- Fundraising disruption
- Stimulus provisions
- Emergency funding opportunities

Expenditures

- Payroll
- Program materials
- Immediate needs
- Occupancy
- Technology
- Effect of cancellations
- Increases in demand



Focus on cash without donor restrictions

XYZ Nonprofit Organization

Cash Flow Projection - Rolling Twelve Months

	March	April
Beginning Cash Without Restriction	157,963	137,801

Donor restrictions still apply until you meet the purpose restriction, the timeframe of a restriction passes, or donor waives restrictions.

Don't assume a change until you have negotiated a change, but do reach out to funders. Many are waiving restrictions at the moment

Receipts on a cash basis

XYZ Nonprofit Organization Cash Flow Projection - Rolling Twelve Months

	March	April	May	June	July
Beginning Cash Without Restriction	157,963	137,801	103,734	33,540	706

Contributed Support

Grants - confirmed	15,000	0	0	10,000	0
Grants - pledged and expected	0	0	5,000	0	0
Individual contributions (no restrictions)	2,365	2,100	2,000	1,900	1,800
Special events (include expenses below)	0	0	0	0	0
Amounts released from restriction	26,500	25,000	16,000	17,000	13,000

Earned Revenue

Fees for service	16,640	17,500	18,000	18,000	18,000
Accounts receivable collected	5,000	3,500	1,000		
Other earned income	50	0	0	25	0

Cash Received from Other Sources

Loan/Line of credit proceeds	0	0	0	0	0
Other	0	0	250	0	0

Total Cash Basis Support & Revenue	65,555	48,100	42,250	46,925	32,800
---	---------------	---------------	---------------	---------------	---------------

Contributed Support

- Foundations
- Individuals
- Corporations
- Released from restriction

Earned Revenue

- Fees for service
- Tuition
- Membership
- Contracts
- Investment earnings

Other Sources

- Loan payments
- Principal payments received

Expenditures on a cash basis

XYZ Nonprofit Organization Cash Flow Projection - Rolling Twelve Months

	March	April	May	June	July
Beginning Cash Without Restriction	157,963	137,801	103,734	33,540	706

Cash Expenditures for Operations

Salaries and Wages	50,385	50,385	75,577	50,385	50,385
Payroll Taxes and Benefits	13,085	13,085	17,028	13,085	13,085
Other Staff Expenses	2,000	1,000	2,500	200	200
Contracted Services	8,500	8,500	6,000	6,000	6,000
Equipment & Technology	1,500	1,500	2,000	1,500	1,500
Occupancy	700	850	1,700	700	850
Travel	3,700	1,200	1,000	1,000	1,000
Office Operations	3,458	3,258	4,250	4,500	3,258

Other Cash Expenditures

Mortgage Payments (principal and interest)	1,789	1,789	1,789	1,789	1,789
Other Loan Payments	600	600	600	600	600
Total Cash Expenditures	85,717	82,167	112,444	79,759	78,667

Operations

- Usual budgeted expenses
- Cash basis only
- No divide-by-twelve math
- Concentrate on largest items
- When the money leaves you

Other Cash Outlays

- Capital expenditures
- Installment payments
- Principal payments

The gaps become your goals

Identify shortages

- Timing matters

Solve for the immediate

- Buy yourself time

Smaller interventions

- What can be done quickly

XYZ Nonprofit Organization

Cash Flow Projection - Rolling Twelve Months

	March	April	May	June	July
Beginning Cash Without Restriction	157,963	137,801	103,734	33,540	706

Total Cash Basis Support & Revenue	65,555	48,100	42,250	46,925	32,800
------------------------------------	--------	--------	--------	--------	--------

Total Cash Expenditures	85,717	82,167	112,444	79,759	78,667
-------------------------	--------	--------	---------	--------	--------

Net change in cash for period	(20,162)	(34,067)	(70,194)	(32,834)	(45,867)
-------------------------------	----------	----------	----------	----------	----------

Ending Cash Without Restriction	137,801	103,734	33,540	706	(45,161)
---------------------------------	---------	---------	--------	-----	----------

The gaps become your goals

XYZ Nonprofit Organization

Cash Flow Projection - Rolling Twelve Months

	March	April	May	June	July	August	September	October	November	December	January	February	TOTAL
Beginning Cash Without Restriction	157,963	#	#	#	#	#	#	#	#	#	(293,731)	(328,398)	157,963

Total Cash Basis Support & Revenue	65,555	#	#	#	#	#	#	#	#	#	54,000	19,000	483,630
------------------------------------	--------	---	---	---	---	---	---	---	---	---	--------	--------	---------

Total Cash Expenditures	85,717	#	#	#	#	#	#	#	#	#	88,667	78,517	1,029,508
-------------------------	--------	---	---	---	---	---	---	---	---	---	--------	--------	-----------

Net change in cash for period	(20,162)	#	#	#	#	#	#	#	#	#	(34,667)	(59,517)	(545,878)
-------------------------------	----------	---	---	---	---	---	---	---	---	---	----------	----------	-----------

Ending Cash Without Restriction	137,801	#	#	#	#	#	#	#	#	#	(328,398)	(387,915)	(387,915)
---------------------------------	---------	---	---	---	---	---	---	---	---	---	-----------	-----------	-----------

Long range planning

- Requires larger solutions

Add to find the gap

- $\$157K + \$387K = \$544K$

Use all the levers

- Receipts and expenditures

Levers for changing timing and amount of receipts

- Stimulus measures
 - SBA PPP/EIDL loans and loan forgiveness
 - Families First Corona-virus Relief Act (FFCRA)
 - Disaster Relief / Emergency Relief Grant Pools
- Negotiations with current funders
 - Ask funders to waive restrictions on grants
 - Ask for early payment of multi-year grant installments
 - Ask for increase on a current grant agreement
- New fundraising initiatives
 - A special appeal to your most loyal contributors
 - If your mission warrants it, appeal to new donors because of program relevancy



Levers for changing timing and amount of expenditures

- Don't do things
 - Suspend discretionary spending
 - Curtail program activities with less mission impact
- Accounts payable management
 - Negotiate terms and delay payments
 - Communicate with your vendors
- Mind your core
 - Keep a strong core – you need good finance, fundraising, HR, IT, and governance
- Personnel strategies may be required
 - Staying consistent with your mission and values is crucial
 - Your employees are the key to your organization's resiliency after the crisis

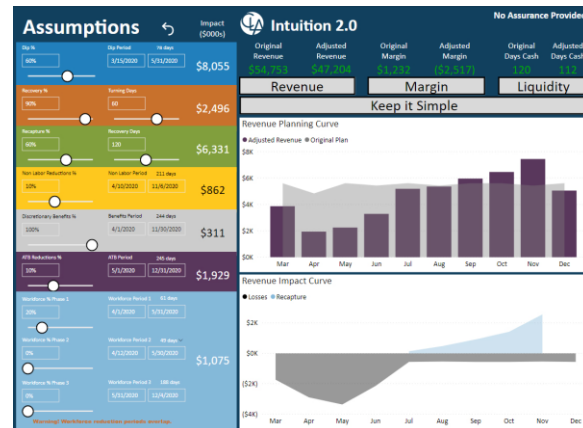
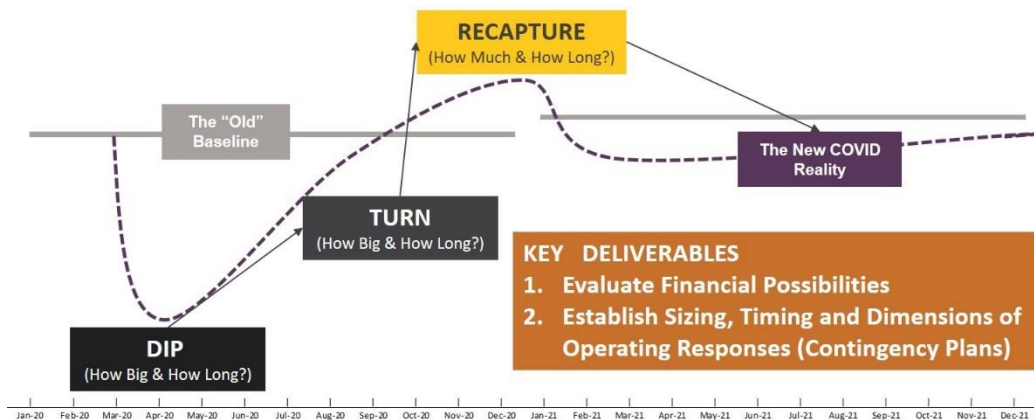
Personnel Strategies – Three Options



- Maintain All Staff
 - No Salary Reductions
- Maintain All Staff
 - With Salary Reductions
- Reduce Staff

The importance of a good modeling tool

- Helps you create a path from your current situation to your future
- Identifying your desired endpoint focuses your choices
- Allows you to determine the necessary scale of interventions
- You can test various strategies against your assumptions



Financial strategies based on your mission and values

There are many paths to get you to your goal

- What are your revenue generating strategies?
- Are there non-labor cost savings measures at the necessary scale?
- If personnel strategies are necessary, how do you uphold your values?
- Does your path provide for mission integrity and program effectiveness?

Take a courageous, clear-eyed
look at your current fiscal state.

Where drastic measures are
indicated, you have the
opportunity to stay true to your
mission while acting prudently
and compassionately where it
concerns your finances.



Add sponsor logo here
(use directions to the right of this page)



Stay Connected with CLA!

Subscribe to our *Innovation in Nonprofit Finance* blog!

CLAconnect.com/Npblog

Follow us on **LinkedIn**: CLA (CliftonLarsonAllen)

Like us on **Facebook**: CLA (CliftonLarsonAllen)

Follow us on **Twitter**: CLA_Nonprofit

Subscribe to our **emails** and get insights delivered right to your inbox.

CLAconnect.com/subscribe

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Thank You!

Kelsey Vatsaas, CPA

Principal

Kelsey.Vatsaas@CLAconnect.com

Heidi Grinde, CPA

Principal, Outsourcing

Heidi.Grinde@CLAconnect.com