

## Nonprofit Essentials for Preparing for the COVID-19 Pandemic

### Topic 2: Short-Term Financial Planning (Revised 3/24/20)

The Greater New Orleans Foundation wants to help the nonprofits in our region effectively respond to the coronavirus disruptions. In partnership with [CoronavirusREADY](#), GNOF has created the resource series **Nonprofit Essentials for Preparing for the COVID-19 Pandemic**. In it, we are sharing topical resources to help nonprofits in our region better respond to public health threats and any associated operational disruptions. We are also hosting Virtual Town Hall meetings with topical experts in the field.

[This series](#) covers such topics Supporting Your Staff, Communications Practices, Short-term Financial Planning, and Continuity of Operations. Please find below a checklist of actions and associated resources to support your **Short-Term Financial Planning**.

#### General

The aim of the actions below is to increase your organization's financial resilience during this very uncertain time. Given that no one yet knows how long the current situation will last, financial instability is one of the biggest risks to most organizations. Here is an overall outline of some first steps to take. Each of these steps is elaborated more fully in the rest of the document:

- [Step 1: Understand Your Current Position and Look Ahead](#)
  - [Revenue analysis](#)
  - [Costs analysis](#)
  - [Cash flow projection](#)
- [Step 2: Work with Your Board](#)
- [Step 3: Adapt as Needed](#)
  - [Protecting the Core and Sustaining the Organization Over the Long Run](#)
  - [Protecting Funding Relationships](#)
  - [Options Analysis](#)
    - [Rescheduling upcoming payments](#)
    - [Use a strategic lens](#)
    - [Cost cutting](#)
    - [Sharing expenses](#)
    - [Staffing reduction or reallocation](#)
    - [Events](#)
    - [Emergency Revenues and Support](#)
  - [Medium term fundraising](#)
- [Step 4: Communicate](#)
- [Step 5: Budgeting for Next Year and Long Term Scenario Planning](#)

Financial Planning Resources	Description
<a href="#">COVID-19: What Nonprofits Should Do Right Now</a>	This article by the Nonprofit Finance Fund provides a high level approach to immediately assessing your finances.
<a href="#">From Sustainability to Survivability: How Nonprofits Can Manage Uncertainty Amid Crisis</a>	This article includes a Cashflow Projection Template and provide very concrete steps for managing your financial situation.
<a href="#">Eight Steps for Managing Through Tough Times</a>	This blog by Bridgespan lays out a strategy for leaning into these challenging times in a way that should ultimately strengthen your organization.
<a href="#">Coronavirus Advice for Nonprofit Leaders</a>	This blog by Sara Gibson also provides good advice for approaching this crisis from a perspective of how to use it to strengthen your financial sustainability in the long run.

### Step 1: Understand Your Current Position and Look Ahead

First assess your financial situation for the short and medium term - the next 30 days, 90 days, and even sixth months if you are able to.

#### Revenue analysis

- What are your **reserves and investments** - and has the value of your investments changed in the recent market volatility?
- What are your **public funding** streams and when will they be coming in?
  - Check as needed to confirm that these streams will continue as scheduled.
  - Are any of your funding streams restricted? Do you have any **contractual requirements** for these funding streams that will be challenging to meet given the current situation and for which you will need to request waivers or modifications? Or, do you need to adjust your revenue estimates?
- What revenues did you anticipate from **earned revenue** streams?
  - Will any of your **earned revenue streams** be impacted or delayed? If so, work with your team and with any relevant partners to come up with conservative revised estimates for these revenue streams.
- What are your commitments from **philanthropic sources** and when will they be coming in?
  - Check as needed to confirm that these streams will continue as scheduled. Will any of your anticipated philanthropic sources be impacted by the current situation such that they will modify any previous commitments?

- Do you have any restricted funds or any **contractual requirements** for these funding streams that will be challenging to meet given the current situation and for which you will need to request waivers or modifications? Or, do you need to adjust your revenue estimates?
- If you participate in [GiveNOLA Day](#), we anticipate this will still be happening this year, but be on the lookout for any updates.
- Assess your **liquidity**.
  - What are your **current assets** in terms of cash, both restricted and unrestricted, and in terms of accounts receivable? For accounts receivable, analyze where you are in terms of receiving these and how long it might take you to collect these. These include contracts for deliverables.
  - What are your current **liabilities**? What checks do you have out that have not been cashed? What invoices do you have that have not been paid yet? What anticipated short term liabilities do you have? Do you have any accrued PTO due to staff? If do end up downsizing, any accrued leave due to staff should be factored into your liabilities as it will be due at the time of termination.
- Drawing upon your analysis above, anticipate any **implications of the coronavirus crisis on projected revenues**.
  - Do you have any budgeted revenues that you anticipate will be negatively impacted by the current situation? Pressure test any projections for each of the following:
    - Events:** Have you adjusted your revenue estimates for any cancellation or postponement of events?
    - Government grants**
    - Philanthropic grants**
    - In-kind donations**
    - Individual donations**
    - Earned revenue**
  - To bring together your overall analysis of the revenue streams above, you may want to use a [Financial Revenue Scenario Planning Tool](#) to forecast different revenue scenarios.
- Costs analysis**
  - Do a **line item cost analysis** and adjust any cost lines based on increased and/or reduced costs for particular cost adjustments that you have already made or will be making. (Note: options analysis for potential cost-cutting measures will be discussed in more detail in the [Step 3: Adapt as Needed](#) section below.) This initial line item cost analysis is just for your initial cost adjustments, such as decreased utilities costs or certain contracted services that won't be needed in the short/medium term until your operations return to somewhat normal.
  - Since the new federal legislation in response to the COVID-19 crisis requires paid sick leave and paid PTO to full and part-time workers, be sure to estimate your potential costs if you did not already offer paid sick leave. Details of the new legislation are available [here](#). Note, employers may receive tax credit or be reimbursed for some of these costs but you will need the cash flow to cover them.

**Cash flow projection**

- After you have done your revenue and costs analyses, what is your revised cash flow projection for the next 30 days, 60 days, 6 months? Can you meet each payroll and any other large financial obligations? Are there any particular periods where cash flow may get to critical levels?
- Here is an article with more detail on analyzing your cash flow and understanding your overall financial situation; it includes a Cash Flow Projection Template: [From Sustainability to Survivability](#).

Step 2: Work with Your Board

- Work closely with your board, particularly your board chair and the chair of your finance committee, throughout your financial analysis and planning process.
  - Schedule finance committee calls to provide updates. Having a finance committee call scheduled creates a good target date for completing your initial assessment of your financial situation.
  - Once you and the finance committee and other key board members agree that you have an accurate revised picture of your financial situation, you can lay out your timeline and strategy for determining how you will respond as an organization. This also creates a good target date for completing your options analysis (see below).
  - Collaborate with appropriate board members and those with helpful expertise to develop your options analysis. As noted in the Bridgespan blog [Eight Steps for Managing Through Tough Times](#):
    - “In times of financial hardship, everyone expects to step up to the plate. As the organization’s fiduciary trustees, your board members are very much part of the ‘everyone.’ Board members can make important contributions in multiple ways: by providing experience and expertise from other domains and sectors; by helping to pressure test your assumptions and plans; and by playing an especially active role in the organization’s fundraising efforts.”*
- Keep your board updated at every stage of this process and seek their counsel as needed. The more you invest your board in understanding the challenges you face and the most important associated variables, the more they will be invested in helping you meet these challenges.
- Meet with your board virtually as needed, particularly if you get to significant decisions around organizational strategic options going forward (see “Options Analysis” section below).

Step 3: Adapt as Needed

This phase of the process is where you figure out the best ways to adjust to the new reality of the current phase of the COVID-19 crisis and to anticipate strategic options for your organization in the medium and long-term.

**Protecting the Core and Sustaining the Organization Over the Long Run**

- As you develop organizational options, you and your team should ask yourselves some key questions about the core of your organization:
  - “Which of our activities are most important to achieving our mission?”

- “Are there less critical activities we can cut back on or discontinue?” “Are there possible phases of cutting back or discontinuing less essential services if resource constraints continue or worsen in the future?”
- You can also look at your activities through the lens of a [Program Contribution Analysis](#) to see which programs are covering their costs (through restricted grants, contracts or earned revenue) and which programs are relying on discretionary funding that could be used elsewhere, particularly if these programs are less closely aligned with your organization’s mission or have lower impact.
- For a more detailed set of activities for protecting the core of your organization, see step 2 in the Bridgespan blog [Eight Steps for Managing Through Tough Times](#).
- Think about how you can work through this crisis in a way that creates greater sustainability for the organization long-term. This blog by Sara Gibson is helpful in thinking through decisions from a perspective of sustainability: [Coronavirus Advice for Nonprofit Leaders](#).
- Protecting Funding Relationships**
  - Proactively reach out to funders to let them know your situation, what you see coming down the road for your organization, and the choices you’re considering. Ask them to be equally transparent with you about any potential issues with payments.
  - Also, if needed, engage in discussions regarding guidelines or targets for existing restricted grants.
  - Funders who know you well make great thought partners; if needed, you may also ask funders to talk with their peers on your behalf.
- Options Analysis**

After analyzing different revenue scenarios, projecting your cash flow, and consulting with your board, you may need to develop an options analysis in order to respond to any cash flow crunches or sustained interruptions or service or revenues. You have a range of possible actions to consider when developing your options analysis:

  - Rescheduling upcoming payments:** Do you have any upcoming payments that can be postponed? This will probably require conversations with individual vendors.
  - Use a strategic lens:** When addressing all of the issues below, use a strategic lens, drawing upon the “Protecting the Core” section above to ensure that you remain focused on your mission, impact, and sustainability.
  - Approach funders** for potential acceleration of grant payments.
  - Cost cutting:** What are potential costs (outside of staffing) you can cut, particularly given any suspension of operations? When weighing cost-cutting options, be sure to think about the questions posed in the “Protecting the Core” section above. This will probably involve a line-by-line analysis of your budget.
  - Modifying services or deliverables:** Following up on the “Revenue Analysis” and “Protecting Funding Relationships” sections above, are there some services or deliverables you can modify or renegotiate to lower your expenses and still meet requirements of grants and contracts?

- Sharing expenses:** Are there particular expenses you have that could be shared with another organization? For example, could you share certain back office positions with another non-profit with which you are already working?
- Staffing reduction or reallocation:** After answering the questions in [Protecting the Core and Sustaining the Organization Over the Long Run](#) above, you may want to consider the following as you evaluate whether or not you need to implement staffing reductions:
  - Are there resources or talent we should shift to our most essential activities?
  - Are there staff who might be willing to work part-time? If you need to cut staff, is furloughing an option rather than laying people off? Note, that there are strict rules that prohibit employees from doing any work while on furloughs.<sup>1</sup> Employees on furloughs should file for unemployment compensation on the first day of the furlough period to receive maximum compensation.
  - Can you reshape or consolidate any positions?
  - If you have the resources and some staff are not needed in the short term for activities that require close contact, are there other responsibilities that add organizational value to which these employees can be reassigned? Example projects include surveys and needs assessments that can be done virtually or over the phone, cleaning up files or databases, doing virtual training, and doing planning and preparation for the summer and the coming year.
  - If you lay people off, the new federal Emergency Unemployment Insurance Stabilization and Access Act which we expect to be implemented shortly requires employers to provide notification of unemployment compensation at the time of separation.
  - Does your organization have a Reduction in Force Policy, and, if so, does your plan for staffing reductions adhere to that policy?
  - Continually evaluate your options through a diversity and equity lens to understand how your different strategy and personnel decisions will impact your most vulnerable clients and your staff of color.
- Merging with another organization.**

A merger is an option if you believe the long-term sustainability of the organization is at risk. If this is an option, then the most important question is who are potential partners? Do an options analysis of the pro's and con's of each potential partner. Ideally the partnership is with an organization in a stronger financial position, as the merger of two financially strained organizations does not make a financially sustainable organization. Also, if you are considering this option, you may want to engage a consultant or an organization that has expertise in non-profit mergers – check with one of your foundation partners for recommendations. Here is a study of [success factors in non-profit mergers](#).

---

<sup>1</sup> Furloughed employees are absolutely banned from doing any work on behalf of their employer whatsoever. This is a zero-tolerance rule. A furloughed employee can't so much as take a phone call or answer emails. Even five minutes breaks the No Work Rule. If a salaried employee does any work while on furlough the employer must pay them the equivalent of their salary for the entire day. If an hourly employee works while on furlough the employer must pay them for the time worked. As a result, furloughed employees typically have their access to work accounts and devices revoked. This is to prevent well-meaning employees from breaking the law and triggering a payment obligation. (The Street: <https://www.thestreet.com/politics/what-is-a-furlough-14832476>)

**Events**

- Many local nonprofits have already canceled or postponed upcoming events. If your event is still on the calendar, would it be feasible to postpone rather than cancel? (See the [CDC's guidance from 3/15/20](#)). Also, you may want to ask folks who have already purchased tickets or sponsorships to events whether they would like to turn these into a donation or whether they would like a refund.
- Helpful resources for virtual fundraising strategies can be found here:
  - [Coronavirus Impacting Your Nonprofit? Here's What to Do](#) includes suggestions for virtual events, virtual auctions, flash fundraisers, and appreciation of your supporters.
  - [Resilient Fundraising Strategies and Alternatives to Meeting in Person](#) has helpful links for digital fundraising and platforms to use

**Emergency Revenues and Support**

- Are there certain donors who might be willing to prepay pledges or multi-year commitments?
- Are you in a position with board members and funders to do **emergency fundraising** to keep staff paid at full or partial rates? If you go this route, consider making a “resilience gift,” modeling for donors and board members, if you are able.

**Financing**

Note: as you and your board consider financing options, remember that you should only consider them to cover delayed cash payments or cash flow crunches and are not intended to cover structural operating deficits. They will need to be repaid and they may accrue interest.

- The Small Business Administration is making [COVID-19 Disaster Loan assistance](#) available to businesses and nonprofit organizations in designated areas. On March 17, Governor Edwards requested these loans be available to Orleans and Jefferson Parishes, so we anticipate that these will become available shortly. If available, these loans may be used to pay fixed debts, payroll, accounts payable, and other bills that can't be paid because of the disaster's impact. The interest rate for nonprofits is 2.75%.
- Is your bank willing to grant you a **line of credit**?
- Are you able to obtain **bridge loans** from any of your philanthropic partners?
- You may be able to obtain low interest loans from **CDFI's** (Community Development Finance Institutions)

- Medium term fundraising:** if you can weather the short term, what are some creative and responsive fundraising strategies you can put in place? Below are some good articles about fundraising during a time of crisis.

Financial Planning - Fundraising	Purpose
<a href="#">8 Steps for Successful Fundraising During the Coronavirus Crisis</a>	Blog article from a fundraising consultant on how to continue fundraising during this uncertain time
<a href="#">Coronavirus and Fundraising: What to Expect and How to Prepare</a>	Advice on how to deepen relationships with major donors during COVID-19

#### Step 4: Communicate

Communicate throughout your analysis and decision-making process with key stakeholders as needed. Work closely with your board if you think you may need to make any significant changes in your service delivery and staffing. See more detailed communications recommendations and GNOF’s Virtual Town Hall on Communications at [Nonprofit Essentials for Preparing for the COVID-19 Pandemic](#). Key stakeholders include staff, board, funders, clients, partner organizations and government agencies, vendors, and the media and general public.

- When doing your options analysis, be sure to consult as appropriate with staff, clients, board, and funders.
- Once your leadership team and board have decided on a specific option(s), determine the best communication strategy to inform the different stakeholder groups.
- As you are going through your options analysis and decision-making process, keep various stakeholder groups involved to the degree possible, particularly board, clients, and staff.
- Narrate your financial situation throughout the process to the degree possible. The Nonprofit Finance Fund has a good resource for [narrating your financial situation](#). This is important so that when you make decisions, key stakeholders understand all of the considerations informing those decisions.
- Develop case scenarios of the best, medium, and worst case scenarios. Communicate these to your board and to funders so they know what you are preparing for and that you have a realistic picture of all of the potential ramifications of the current situation.

#### Step 5: Budgeting for Next Year and Long Term Scenario Planning

The COVID-19 pandemic will likely impact our local and national economy for some time, even after the immediate health risk has passed. After you have stabilized your short term financial situation, you and your board may want to begin planning for next year and the years ahead by engaging in long-term scenario planning. This can inform your budgeting for next year. As you did with the short term financial planning, it is important to approach this with a methodical process:

- Look ahead
  - Analyzing revenue sources
  - Analyzing costs
  - Projecting cash flow
- Work with your board
- Adapt as needed

Here is a helpful article for [Using Scenario Planning](#). It was written for museums but is applicable to non-profits in general.

*The information provided above and through the links does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available in this document are for general informational purposes only. Information in this document may not constitute the most up-to-date legal or other information. This document contains links to other third-party websites. Such links are only for the convenience of the reader. Readers should contact their attorney to obtain advice with respect to any particular legal matter. No reader should act or refrain from acting on the basis of information given below without first seeking legal advice from counsel. Only your individual attorney can provide assurances that the information contained – and your interpretation of it – is applicable or appropriate to your particular situation.*