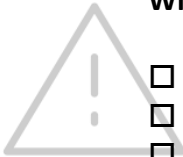


This workbook is a resource that supports the lessons and activities in “Nonprofit Financial Strategy in Response to Crisis.” For additional tools, visit www.pimgconsulting.com.

What is your organization’s biggest financial challenge?
What story do you currently tell about your organization’s finances?



What stressors most impact your organization?

- Dependence on restricted grants
- Overdependence on program grants
- Income source fluctuation/risk
- Under-resourced revenue generation functions
- Underpriced contracts and grants
- Minimal financial goal-setting
- Structural operating deficit
- Inadequate operating reserves



What has your organization done to prepare for risks?

- Name sources of risk
- Consider risk in decision-making
- Mitigate risks
- Other

ACTION PLAN

After Session 1	After Session 2
Identify 1 thing you can do to move forward a short-term approach. Consider: <ul style="list-style-type: none"> <input type="checkbox"/> Income <input type="checkbox"/> Expenses 	Name 1 action you will take in the next two weeks to move forward a lesson from this course. <ul style="list-style-type: none"> <input type="checkbox"/> Who will be involved? <input type="checkbox"/> When will you stop and reflect?

Financial Strategy



Financial strategy checklist

- Your financial strategy is tied to your organizational strategy.
- You have engaged key stakeholders inside the organization and possibly outside your organization.
- You use data to make decisions.
- You have considered a range of scenarios and options.
- You have considered risk and opportunities in tangible ways.
- You have mainstreamed the process, not kept conversation in a subcommittee.

Notes:

Process for building a financial strategy

- Identify and implement short-term tactics.
- Analyze essential data.
- Visualize possible destinations and scenarios. Explore best scenarios.
- Build alignment around a data informed strategy.
- Implement a plan, monitor, revisit, and adjust course.

Notes:

Short-term planning questions

- What income streams are directly affected?
- What are likely or potential effects on others?
- What new funding sources may be available?
- What are the best uses of leadership and development resources over the next eight months?
- What is our financial position now?
- What's our worst case for six months from now? What red flags exist?

Notes:

Data



Think about the data you currently collect and track. How would you categorize it?

Essential data	Interesting data	Trivial data
Data key to decision-making. Data that reveals important trends.	Data that is thought-provoking but not critical to decision-making.	Data that is neither broadly interesting or important in decision-making
Think into the future. What do you want to see MORE or LESS of?		
Essential	Interesting	Trivial



Five key metrics

Use this chart to keep track of key metrics over time. Write down today's date and dates into the future. Make this tool a regular part of your board meeting. Use board time to make sure every board member understands the concepts and why they matter.

Metric Date→	This month	In 2 months	In 4 months	In 6 months	In 8 months	In 1 year
Months of unrestricted cash <i>Total cash divided by monthly expenses</i>						
Structural budget surplus <i>How much revenue exceeds expenditure over time</i>						
Current ratio <i>Current assets divided by current liabilities</i>						
Program/activity profitability <i>Consider one program. Calculate all income and expenses tied to that program.</i>						
Income risk indicator <i>% chance income will be received. Consider for each major income stream</i>						

Business Model Discussion Guide



Use this guide to summarize and assessing the five elements of your organization's business model. Engage your board and staff around these questions.

1. Theory of Change

- In one sentence, what is the need (or problem) your organization seeks to meet (or solve)?
- In 1-2 sentences, describe a desirable future state of the community you serve, with regard to the problem or need you identified above.
- What actions must happen in order to achieve the future state above, starting from point? List 1-5 bullet points. (Note that these points can include actions your organization may take, as well as those to be performed by others.)
- Is there evidence that this set of actions is likely to succeed? If not, what is the basis for your hypothesis that these actions *can* succeed?)

2. Programmatic Approach

- What activities is your organization actively involved in?
- For each activity, broadly summarize your methodology in one sentence.
- Are your methods evaluated, either by staff, clients or third parties? If not, how could you evaluate their effectiveness?

3. Operational Framework

- Look at your staff organizational chart.
 1. Briefly summarize the *minimum* staffing level you'd need to achieve tangible success in your major program activity.
 2. Briefly summarize the *optimal* staffing level you'd like to have to succeed in your major program activity, if funding were available.
- What infrastructure (facilities, equipment, technology, data) do you need to efficiently deliver your programs, secure funding and manage your organization?
- What key roles do (or can) volunteers play in programs or leadership?
- Now, look at your current expense budget.
 1. What is the *minimum* budget you'd need to make progress toward meeting your mission?

2. What would your *optimal* budget be, if funding were available?

4. Value Propositions

1. List one or more categories of beneficiaries of your programs (e.g. single parents, children with disabilities, etc.). For each category, summarize the value you promise to deliver, in one sentence.
2. List one or more categories of third-party funders of your organization (e.g. foundations, individuals, a government agency, etc.). For each category, summarize the value you promise to deliver, in one sentence.
3. In one sentence, summarize how will the community at large be better off as a result of your work.
4. Have you tested value propositions with representatives of the groups stated above? If not, how could you test them?
5. How may your value propositions—or the ways you communicate them—evolve, in light of current needs and economic conditions?

5. Revenue Structure

1. List your organization's major funding streams (e.g. user fees, government contracts, foundation grants, individual gifts, etc.).
2. What percentage of your total annual operating income does each stream currently provide?
3. What percentage of your total annual operating income do you estimate each stream *may* provide in the next two years?
4. Do your estimates provide enough income to fund your budget, and at what level of operation?

Reflecting on Your Business Model

1. What do you see as the strengths of your organization's business model?
2. What do you see as the weaknesses?
3. What actions can you take in the next 1-3 months to address any weaknesses?

Scenarios

Organizational information



Financial position (Balance Sheet)

Year-End	2018	2019	Projected 2020
Assets			
Current Assets			
Cash and Equivalents	345,000	276,000	181,000
Receivables	512,000	581,000	460,000
Subtotal - Current	857,000	857,000	641,000
Property and Equipment	12,500	11,400	11,000
Total	869,500	868,400	652,000
Liabilities and Net Assets			
Current Liabilities	178,000	246,000	284,000
Long-term Liabilities	-	-	-
Subtotal - Liabilities	178,000	246,000	284,000
Net Assets			
Unrestricted	420,000	292,000	175,000
Temporarily Restricted	271,500	330,400	193,000
Permanently Restricted	-	-	-
Subtotal - Net Assets	691,500	622,400	368,000
Total	869,500	868,400	652,000

Statement of Operating Activities (Profit & Loss)

Year-End	2018	2019	Projected 2020
Revenue			
Government Grants	1,396,000	1,401,000	1,375,000
Private Grants	674,000	660,000	662,000
Individuals	43,500	42,000	44,000
Special Events	355,500	357,000	351,000
Other Income	11,400	8,000	8,500
Total	2,480,400	2,468,000	2,440,500
Expense			
Personnel	1,829,000	1,875,000	1,910,000
Occupancy	143,000	147,000	152,000
Professional Fees	195,000	207,000	182,000
Other Operating	331,000	298,000	295,000
Total	2,498,000	2,527,000	2,539,000
Net Revenue	(17,600)	(59,000)	(98,500)

Scenario A

Year-End	Projected			
	2020	2021	2022	2023
Revenue				
Government Grants	1,375,000	1,416,250	1,458,738	1,502,500
Private Grants	662,000	550,000	566,500	583,495
Individuals	105,000	220,500	264,600	301,644
Special Events	65,000	75,000	77,250	79,568
Other Income	8,500	8,000	8,240	8,487
Total	2,215,500	2,269,750	2,375,328	2,475,693
Expense				
Personnel	1,719,000	1,825,000	1,898,000	1,973,920
Occupancy	152,000	100,000	103,000	106,090
Professional Fees	182,000	150,000	154,500	159,135
Other Operating	295,000	215,973	222,452	229,126
Total	2,348,000	2,290,973	2,377,952	2,468,271
Net Revenue	(132,500)	(21,223)	(2,625)	7,422

Scenario B

Year-End	Projected			
	2020	2021	2022	2023
Revenue				
Government Grants	1,375,000	1,025,000	1,055,750	1,087,423
Private Grants	662,000	425,000	437,750	450,883
Individuals	105,000	220,500	264,600	301,644
Special Events	60,000	75,000	77,250	79,568
Other Income	8,500	8,000	8,240	8,487
Total	2,210,500	1,753,500	1,843,590	1,928,004
Expense				
Personnel	1,719,000	1,385,000	1,440,400	1,498,016
Occupancy	152,000	80,000	82,400	84,872
Professional Fees	182,000	125,000	128,750	132,613
Other Operating	295,000	161,980	166,839	171,844
Total	2,348,000	1,751,980	1,818,389	1,887,345
Net Revenue	(137,500)	1,520	25,201	40,659

Scenario C

Year-End	Projected			
	2020	2021	2022	2023
Revenue				
Government Grants	1,375,000	450,000	463,500	477,405
Private Grants	662,000	230,000	236,900	244,007
Individuals	105,000	168,000	218,400	251,160
Special Events	60,000	75,000	77,250	79,568
Other Income	8,500	8,000	8,240	8,487
Total	2,210,500	931,000	1,004,290	1,060,627
Expense				
Personnel	1,719,000	644,625	709,088	737,451
Occupancy	152,000	60,000	61,800	63,654
Professional Fees	182,000	52,000	53,560	55,167
Other Operating	295,000	110,625	113,944	117,362
Total	2,348,000	867,250	938,391	973,634
Net Revenue	(137,500)	63,750	65,899	86,993

Summarizing Your Financial Basics

We have provided an excel file to help you explore your organization’s finances. Visit www.pimgconsulting.com/webinar to download it. Here is a sample of tools provided there.

Table 1: Operating Revenue and Expense Summary		
A. Revenues	Current Year Budget	Revised Budget
Fundraising		
Individual Giving		
Foundation Grants		
Government Grants		
Corporate Contributions		
Other Donors		
Subtotal - Fundraising	-	-
Fees for Services		
Client Fees		
Government Contracts		
Rental Income		
Member Dues		
Other Fees for Service		
Subtotal - Fees	-	-
Other Income		
Sales of Goods		
Endowment Earnings		
Other Interest		
Anything Else		
Subtotal Other	-	-
Total Revenues	-	-
B. Expenses		
Staffing		
Occupancy		
[Add a Category]		
[Add a Category]		
[Add a Category]		
Other Operating Expense		
Total Expenses	-	-
Net Income	-	-

Table 4: Scenario Planning

A. Revenues	Current Year Revised Budget	Projections		
		Year 1	Year 2	Year 3
Fundraising				
Individual Giving				
Foundation Grants				
Government Grants				
Corporate Contributions				
Other Donors				
Subtotal - Fundraising	-	-	-	-
Fees for Services				
Client Fees				
Government Contracts				
Rental Income				
Member Dues				
Other Fees for Service				
Subtotal - Fees	-	-	-	-
Other Income				
Sales of Goods				
Endowment Earnings				
Other Interest				
Anything Else				
Subtotal Other	-	-	-	-
Total Revenues	-	-	-	-
B. Expenses				
Staffing				
Occupancy				
[Add a Category]				
[Add a Category]				
[Add a Category]				
Other Operating Expense				
Total Expenses	-	-	-	-
Net Income	-	-	-	-

How to do this:

- Engage your board in conversations about realistic options that your organization could consider. Choose 2- 4 to explore more deeply, bringing in data, interviews with people outside the organization, and board discussions as appropriate.
- Research trends within the nonprofit sector or your field of service. Look at what other nonprofits doing similar work are doing and experiencing.
- Tell stories using the numbers. By turning numbers into stories, you engage more people.