



Webinar

**“Navigating Uncharted Waters
During a Period of Hyper-Change”**

Impact on Financial Health and Continuity

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Impact of Hyper-Change on Financial Health and Continuity

We are faced with the Challenge of Responding to
“Hyper-Change”

Impact of Hyper-Change on Financial Health and Continuity

This webinar will provide

Fiscal and Financial Framework and Communication Strategies

and

Guidance for Financial Professionals and Senior Management
and their Nonprofit Organizations

During this Time of Uncertainty

Impact of Hyper-Change on Financial Health and Continuity

LEARNING OBJECTIVES

- ▶ Discuss how hyper-change impacts planning and decision making
- ▶ Explore the key aspects of evaluating if your organization is well positioned, financially healthy, and strategically ready for a sustained period of stress and uncertainty
- ▶ Discuss how hyper-change impacts:
 - ▶ Vulnerability of your funding sources
 - ▶ Demand volatility pressure - increased and/or decreased programs/services

Impact of Hyper-Change on Financial Health and Continuity

LEARNING OBJECTIVES

continued

- ▶ Discuss strategies for nonprofit organizations that are financially in a strong position vs. a weak position
- ▶ Explore effective ways to message and communicate with your board important actions and decisions that effect the financial health and continuity of the organization

Impact of Hyper-Change on Financial Health and Continuity

Five Phase Action Plan

- 1. Finding a Starting Point**
- 2. Three Key Critical Factors to Consider and Plan Around**
- 3. Timing and Implementation**
- 4. A Word About Operating Reserves and Financially Strong vs. Financially Weak Organizations**
- 5. Establishing a Framework**

1. Finding a Starting Point

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8

During extraordinary times of hyper change, we are confronted with so many changing elements that making effective management decisions seems overwhelming and finding a starting point feels impossible.

1. Finding a Starting Point

9

- **During Uncertainty**
- **Make Protecting Financial Position**
- **“Number One Priority”**

1. Finding a Starting Point

Until we can get our arms around:

- **Timing/Pace of Change**
 - **Scope of Change**
 - **Impact of Change**

We Have to Adopt a Conservative Approach and Favor/Over-Weight The Impact of Management Decisions Have on Protecting Financial Assets

2. Three Key Financial Critical Factors to Consider and Plan Around

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Assessing an Organization's Current Financial Position and Impact on Continuity

- Step #1 – Financial Health and Assessing Strengths and Weaknesses
 - Step #2 – Vulnerability of Your Funding Sources
 - Step #3 – Demand Volatility Pressure for Increased and/or Decreased Services

Step #1 – Financial Health Assessing Strengths and Weaknesses

Assessing an Organization's Current Financial Position and Impact on Continuity

* Reference the Attached Template for: (Phase 4)

➤ Financial Health Assessment and
implementation Framework

Step #1 – Financial Health Assessing Strengths and Weaknesses

The Health of a Nonprofit Organization Only Shows Up on the Balance Sheet

- Short List Balance Sheet – Strengths
- Short List Balance Sheet – Weaknesses
 - Special Emphasis on Operating Reserves

Step #1 – Financial Health

Assessing Strengths and Weaknesses

- **Special Emphasis on Operating Reserves**
 - **Formal**
 - **Operating Reserve Policy**
 - **Informal**
 - **Establish a Temporary Operating Reserve Goal**

More Insights on Operating Reserves Later (see Phase 4)

Step #2 – Assessing the Vulnerability of Funding Sources

A Very Difficult Discussion

(Most Important Assessment)

Best Method:

**Separate Into 3 Categories
by Retention Sensitivity**

Step #2 – Assessing the Vulnerability of Funding Sources

Retention Sensitivity

Give Each Category a “Theme” (Name)

- 1. Rock Solid:**
 - (80% to 100% Retention)
- 2. Vulnerable:**
 - (50% to 80% Retention)
- 3. Shaky:**
 - (0% to 50% Retention)

Step #3 – Demand Volatility Pressure on Services, Events, Programs, Activities

Demand Pressure Sensitivity

Most Impacted by Hyper-Change

- 1. List Top Five (in order of change magnitude)**
 - **Services, Events, Programs, Activities**
 - (specific to your organization)
- 2. Separate Into Two Categories**
 - **Controllable**
 - List First
 - **Uncontrollable**
 - List Second

3. Timing and Implementation

3. Timing and Implementation

20

I Find Adopting the Strategy of “Super-Short-Term” vs. Short-Term Very Useful:

- **Provides:**
 - **Sense of Purpose**
 - **Sense of Action**
 - **Sense of Calmness**

A Thoughtful Action Path Forward

3. Timing and Implementation

“Super-Short-Term” vs. Short-Term Helps to Bifurcate Action Plans Into Two Phases

- Phase I
 - Super-Short-Term
 - Immediate Action
 - Start Now through Next 30 Days
- Phase II
 - Short-Term
 - Short-Delay Action
 - Start in Next 30 Days to 60 Days

3. Timing and Implementation

22

“Super-Short-Term” vs. Short-Term

Provides Both a Sense of Purpose through Immediate Action Steps and a Sense of Calmness that We Will Continue to Read and React to Changing Situations All Around Us

4. A Word About Operating Reserves and Financially Strong vs. Financially Weak Organizations

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It Could Be an Over-Simplification

(I Firmly Believe in this Concept)

The Key to Assessing a Position of Financial Strength vs. a Position of Financial Weakness

Operating Reserves

4. A Word About Operating Reserves and Financially Strong vs. Financially Weak Organizations

Using Operating Reserves as a Benchmark

4. A Word About Operating Reserves and Financially Strong vs. Financially Weak Organizations

Organizations that Have Substantial Operating Reserves Have a Whole Different Set of Options and Tactics to Consider than Organizations that are “Under-Water” with Little to No Operating Reserves

4. A Word About Operating Reserves and Financially Strong vs. Financially Weak Organizations

Financial Strength vs. Financial Weakness

- Organizations with Operating Reserves
 - Understanding Operating Reserve Goal
 - When and How to “Meter-Out” Use Operating Reserves
 - Expense Containment Strategies
- Organizations Without Operating Reserves
 - Expense Containment Strategies

4. A Word About Operating Reserves and Financially Strong vs. Financially Weak Organizations

Financial Strength

- **Organizations with Operating Reserves**
 - **In a Good Position with Options to Consider**
 - **However**
 - **In the Most Difficult Position**
 - **How to Use a Limited Resource During a Time of Great Unknown with Rapidly Changing Conditions and Timing**

4. A Word About Operating Reserves and Financially Strong vs. Financially Weak Organizations

Financial Weakness

- Organizations with Little to No Operating Reserves
 - Must Move Quickly to Expense Containment
 - However
 - Do Not Have to Worry About Burning Through Assets they do Not Have
 - Straight Path to Downsizing Operations to Lower Funding Realities for the Foreseeable Future

5. Establishing a Framework

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31

Financial Health Assessment and Implementation Framework Worksheet

- **Step One**
 - **Financial Health Assessment**
- **Step Two**
 - **Operating Reserve Position**
- **Step Three**
 - **Financial Health Driven Actions**

5. Establishing a Framework

32

Financial Health Assessment and Implementation Framework Worksheet

- **Step One**
 - **Financial Health Assessment**
 - **Assessing Balance Sheet**
 - **Vulnerability of Funding Sources**
 - **Demand Volatility Pressure**
 - **Services, Events, Programs, Activities**

5. Establishing a Framework

33

Financial Health Assessment and Implementation Framework Worksheet

- **Step Two**
 - **Operating Reserve Position** (set the scale to your organization)
 - **Weak**
 - **Less than 3 Months**
 - **Neutral**
 - **3 Months to 6 Months**
 - **Strong**
 - **Over 6 Months**

5. Establishing a Framework

34

Financial Health Assessment and Implementation Framework Worksheet

➤ Step Three

➤ Financial Health Driven Actions (set the scale to your organization)

➤ Super-Short-Term – Actions

➤ Now to 30 Days

➤ Short-Term – Actions

➤ 30 Days to 60 Days

5. Establishing a Framework

35

Financial Health Assessment and Implementation Framework Worksheet

Walk Through the Framework – Worksheet

Conclusion

36

This assessment will give the board of directors confidence that the senior management team has taken a thoughtful and objective approach to quantify near-term decision making with a conservative bias of protecting the organization's financial position during a time of hyper-change.