Welcome!
A few housekeeping items

This webinar is being recorded.

Can’t hear us?
Try joining by phone. Hit the ^ next to the microphone icon in the bottom left corner and select Switch to Phone Audio for dial-in.

How do I ask questions during the session?
Type your questions in the chat box anytime. Or, ask your question aloud when we pause for questions. Questions will be addressed thought out the webinar.

Can I get the slides?
Yes! The slides and full recording will be emailed to everyone after the session.
Budgeting & Scenario Planning
An interactive webinar
Land Acknowledgement

How am I / are we in relationship with the indigenous people on whose land I / we reside?

How can we be in stronger relationship?
Agenda

Opening

Budgeting through uncertainty
How do you create a budget when you don't know where the money will come from?

Scenario planning
How can we be prepared for many possible futures?

Closing
Nonprofit Finance Fund
Where Money Meets Mission

NFF envisions a world where money and knowledge come together to support just and vibrant communities

Advancing missions and social progress through

- Financing
- Consulting and partnerships
- Knowledge sharing

Guided by our Core Values

- Equity in Action
- Rigor Without Attitude
- Responsiveness
- Generosity of Spirit
- Leading By Doing
- Core Values

Nonprofit Finance Fund
Where Money Meets Mission

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Planning Beyond Covid-19 Webinar Series
Join any or all. Catch-up with the recordings and resources later.

The Current State and Immediate Needs
July 13, 2021
Know your financial position and cash flow
Determine your priorities

Budgeting and Scenario Planning
July 20, 2021
Identify risks and opportunities
Bolster budget visibility to enable nimble decision-making
Add scenarios to navigate the uncertain

Financial Storytelling and Communication
July 27, 2021
What do your staff, board, funders, and community need to know to best support the organization?
Connection Time
Tell a story about a time you felt lost (figuratively or literally) and how you found your way

- Groups of three or four
- Introduce yourselves
- 2-3m each to share
How Has COVID-19 Impacted Your Budget?
Data from the registration survey for this webinar series (June-July 2021)

Almost all (85 of 88) secured Emergency Funding

66% of orgs have less revenue this year

Change in Revenue from 2019 to 2021

Growth
About steady
Contraction

As % of 2020 budget, emergency funding was significant for most

- Average: 35%
- Median: 29%
- Maximum: 276%
How Do You Feel About Your Budget?

[Images of characters representing emotions: Sadness, Joy, Fear, Disgust, Anger, and a question mark labeled "OTHER"]
How We Hope You Will Feel!
How to Approach Budgeting During Time of Extreme Uncertainty

1. Apply a disciplined approach to which revenue to include (i.e., revenue discounting)
2. Revisit budgeting more frequently (i.e., reforecasting)
3. Use scenario planning
1. How to Budget When Revenue Sources are Uncertain

Use grades to rank or probability to discount

### Grading Method

- **A – Revenue secured or committed**
- **B – Revenue high probability**
- **C – Revenue in discussions, moderate probability**
- **D – Revenue speculative**

Rank revenue as “A” to “D” based on likelihood, but only include certain levels in the budget. Example: A and B revenue only in the budget.

### Probability Method

- **100% - 90% secured, verbally committed**
- **75% historically reliable**
- **50% in design, speculative**
- **35% - 10% new relationship, no relationship**

Discount revenue by % probability. Example: $20,000 @ 75% = $15,000 in the budget.
## Example of Revenue Discounting

<table>
<thead>
<tr>
<th>Request</th>
<th>Grade</th>
<th>Budget</th>
<th>Request</th>
<th>Probability</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Community Fnd</td>
<td>85,000</td>
<td>A</td>
<td>85,000</td>
<td>100%</td>
<td>85,000</td>
</tr>
<tr>
<td>Sunshine Fnd</td>
<td>25,000</td>
<td>B</td>
<td>25,000</td>
<td>90%</td>
<td>22,500</td>
</tr>
<tr>
<td>Oil Baron Fund</td>
<td>15,000</td>
<td>C</td>
<td>-</td>
<td>50%</td>
<td>7,500</td>
</tr>
<tr>
<td>XYZ Foundation</td>
<td>20,000</td>
<td>B</td>
<td>20,000</td>
<td>75%</td>
<td>15,000</td>
</tr>
<tr>
<td>Car Maker Fnd</td>
<td>185,000</td>
<td>C</td>
<td>-</td>
<td>50%</td>
<td>92,500</td>
</tr>
<tr>
<td>Wealthy Family Fnd</td>
<td>15,000</td>
<td>D</td>
<td>-</td>
<td>5%</td>
<td>750</td>
</tr>
<tr>
<td><strong>Total foundations</strong></td>
<td><strong>345,000</strong></td>
<td></td>
<td><strong>130,000</strong></td>
<td></td>
<td><strong>223,250</strong></td>
</tr>
</tbody>
</table>
2. Update Your Budget and Reforecast Frequently
Clarifies performance; highlights areas requiring action and attention

Reforecasting helps us capture the latest information in a quickly changing world

• Budget data supports ‘real time’ decision making and change
  • Given what we now know, how can we adjust today? What can we do to adjust tomorrow?
• Shows variance between actuals and projected numbers
  • Tracks year-to-date performance
  • Clearly shows what restricted revenue is available this year and for future years
  • Includes notes and states assumptions
## Example Budget Reforecasting

<table>
<thead>
<tr>
<th></th>
<th>FY 21 BUDGET</th>
<th>Q1 21 ACTUALS</th>
<th>Q2 21 ACTUALS</th>
<th>Q3 21 REFORECAST</th>
<th>Q4 21 REFORECAST</th>
<th>FY 21 REFORECAST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>20,000</td>
<td>500</td>
<td>-</td>
<td>4,500</td>
<td>5,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Tuition and workshop fees</td>
<td>30,000</td>
<td>3,000</td>
<td>4,500</td>
<td>6,000</td>
<td>6,500</td>
<td>20,000</td>
</tr>
<tr>
<td>Foundations</td>
<td>175,000</td>
<td>25,000</td>
<td>75,000</td>
<td>50,000</td>
<td>35,000</td>
<td>185,000</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>225,000</td>
<td>28,500</td>
<td>79,500</td>
<td>60,500</td>
<td>46,500</td>
<td>215,000</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>100,000</td>
<td>20,000</td>
<td>25,000</td>
<td>32,000</td>
<td>32,000</td>
<td>109,000</td>
</tr>
<tr>
<td>Consultant fees</td>
<td>30,000</td>
<td>-</td>
<td>-</td>
<td>7,500</td>
<td>15,000</td>
<td>22,500</td>
</tr>
<tr>
<td>Travel</td>
<td>7,000</td>
<td>2,000</td>
<td>1,500</td>
<td>-</td>
<td>-</td>
<td>3,500</td>
</tr>
<tr>
<td>Occupancy</td>
<td>40,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>177,000</td>
<td>32,000</td>
<td>36,500</td>
<td>49,500</td>
<td>57,000</td>
<td>175,000</td>
</tr>
<tr>
<td>Surplus (Deficit)</td>
<td>48,000</td>
<td>(3,500)</td>
<td>43,000</td>
<td>11,000</td>
<td>(10,500)</td>
<td>40,000</td>
</tr>
</tbody>
</table>
A Sample Budget Template and Instructional Webinar is Available
https://nff.org/webinar-budgeting-basics

Additional Information on Budgeting
• Strategic budgeting webinar: https://nff.org/webinar-strategic-budgeting
• Seven-part blog: https://nff.org/blog/making-your-budget-backbone-your-nonprofit
From the Virtual Room: Fairytales and Horror Stories of Scenario Planning

_scenario planning_ examines the financial implications of more than one scenario
The Scenario Projections Process

1) Define Scenarios

2) Articulate Key Assumptions

✓ Scenario A
✓ Scenario B
✓ Scenario C

3) Quantify Financial Impact

4) Document and Inform
Using a 2x2 Grid to Define Scenarios
Considerations when timeframes and circumstances are uncertain

<table>
<thead>
<tr>
<th>Reopening Timeframe</th>
<th>Long-term (6 months+)</th>
<th>Short-term (3 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical distancing lasts 6 months+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audience and donors are <strong>mildly</strong> impacted by the economic downturn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical distancing lasts 3 months or less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audience and donors are <strong>mildly</strong> impacted by the economic downturn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical distancing lasts 3 months or less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audience and donors are <strong>severely</strong> impacted by the economic downturn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical distancing lasts 6+ months</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audience and donors are <strong>severely</strong> impacted by the economic downturn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Create budget scenarios for the two or more of these potential realities.
Crafting Your Scenario
Consider the variables creating greatest uncertainty for decisions

**Timing of Reopening**
- Impact of COVID-19 on communities
- Physical distancing
- Safety protocols

**Funding Security**
- Historical funding
- COVID-19 funding

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**Example**

**Scenario A**
Reopening earlier with less revenue secured

**Scenario B**
Reopening later with more revenue secured
Using Scenarios Defined by Others
Example: Institute for the Future’s 4 Post-COVID Futures

https://www.iftf.org/whathappensnext/

Pre-made scenarios help you get into the conversation faster, think more expansively. Pre-made scenarios may feel irrelevant or overwhelming when facing immediate crisis.
Sample Scenario Budgets
Considering multiple potential operating results

### Baseline Budget
- Programs fully re-open by September; eliminate virtual programs

<table>
<thead>
<tr>
<th>FY 2022 Budget 7/1/21 - 6/30/22</th>
<th>FY 22 BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>Notes</strong></td>
</tr>
<tr>
<td>Ticket Sales</td>
<td>500 700 Higher fees for in-person sales</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>700 600 Short-term drop from closed virtual</td>
</tr>
<tr>
<td>Individual Donations</td>
<td>750 750</td>
</tr>
<tr>
<td>Foundation Grants</td>
<td>585 585</td>
</tr>
<tr>
<td>Net Assets Released</td>
<td>1,503 1,503</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>4,038 4,138</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Expenses</strong></th>
<th><strong>Notes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>2,694 2,755 Increased for re-opening</td>
</tr>
<tr>
<td>Supplies</td>
<td>149 250 Increased for PPE</td>
</tr>
<tr>
<td>Artist Fees</td>
<td>460 500 Small increase for re-opening</td>
</tr>
<tr>
<td>Occupancy</td>
<td>350 754 Venue rentals</td>
</tr>
<tr>
<td>Volunteer Expenses</td>
<td>94 94 For in-person efforts</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>3,653 4,353</strong></td>
</tr>
<tr>
<td><strong>Surplus (Deficit)</strong></td>
<td><strong>385 (215)</strong></td>
</tr>
</tbody>
</table>

### Scenario A
- Programs fully re-open by September; eliminate virtual programs

### Scenario B
- Keep virtual programming; limited in-person programs starting in December

<table>
<thead>
<tr>
<th><strong>Budget</strong></th>
<th><strong>Notes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticket Sales</td>
<td>550 Small increase from adding in-person</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>800 Small increase from adding in-person</td>
</tr>
<tr>
<td>Individual Donations</td>
<td>750</td>
</tr>
<tr>
<td>Foundation Grants</td>
<td>585</td>
</tr>
<tr>
<td>Net Assets Released</td>
<td>1,503</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>4,188</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Budget</strong></th>
<th><strong>Notes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>2,850 Both in-person and virtual work</td>
</tr>
<tr>
<td>Supplies</td>
<td>175 Increased for PPE</td>
</tr>
<tr>
<td>Artist Fees</td>
<td>480 Minor increase for Dec in-person</td>
</tr>
<tr>
<td>Occupancy</td>
<td>400 Limited venue rental</td>
</tr>
<tr>
<td>Volunteer Expenses</td>
<td>15 Limited volunteer needs</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>3,920</strong></td>
</tr>
<tr>
<td><strong>Surplus (Deficit)</strong></td>
<td><strong>268</strong></td>
</tr>
</tbody>
</table>
Scenario: Planning for Changes This Year
Questions to consider to support flexible budgeting

• How will programming look? What will be the balance of virtual and in-person programming?
• Are there costs associated with programs that have been paused versus reduced/adjusted?
• What kind of upfront costs will we need to consider (versus our ongoing costs of operating the re-opened programs)?
• What factors might result in re-closing?
Operationalizing Your Planning

Develop:
• An action plan that outlines what you will do if a scenario becomes reality. It describes the key steps, timelines, benchmarks, objectives and teams for implementation.
• Monitoring mechanism that enables you to look out for the triggers that signal a shift from your current budget to the scenario.

Articulate:
• The main scenario situation.
• Priorities driving decision-making.
• Areas of risk, variability, or constants.
• The assumptions you are making.
• The triggers that will prompt action.

Scenario A: Action Plan
- Timeline
- Benchmarks/ milestones
- Concrete steps/actions
- Staff or team responsible
- Communications strategy
A Sample Scenario Budget Tool with Step-by-Step Instructions is Available
https://nff.org/covid-19-tools-and-resources-nonprofits#tools
Questions
Confirmed or Changed

**Confirmed**

What did this workshop confirm or affirm for you? Where are you feeling more strongly grounded in your perspective?

**Changed**

What did this workshop change for you? What new insights or approaches were opened?
Thank You!

Discover more resources

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

Keep in touch

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