



# Financial Strategy Primer in a Time of Crisis

Scott Schaffer · Oregon Land Trusts and Watershed Councils · May 29, 2020



**Public Interest Management Group** is a consulting firm that delivers **strategic and business planning** services to nonprofits.

Our analytic methods help nonprofit leaders make **well-informed decisions** and position their organizations for **impact, operational efficiency** and **financial sustainability**.

# Our Collective Challenge

This is an **unprecedented crisis** in our lifetimes.  
We do not have an established playbook to draw from.

How can we use **existing best practices** to survive the crisis and ensure our organizations' **sustainability** beyond it?

# Session Overview

- 1 Unlocking the Power of Data
- 2 Sources of Fiscal Stress
- 3 Financial Planning Process Overview
- 4 Short-Term Financial Planning
- 5 Alternate Scenarios

# Key Elements of Financial Strategy

**systematic process**

**data-based decision making**

**flexibility and agility for course corrections**

**Financial leadership** is about **getting out in front** of the challenge, being **proactive** and building **alignment**.

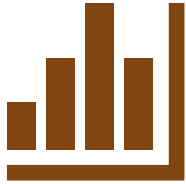
# 1

## Unlocking the Power of Data

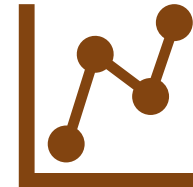
The purpose of data is to **tell a story.**

All numbers are not created equal, and **less is often more.**

# Telling Your Financial Story

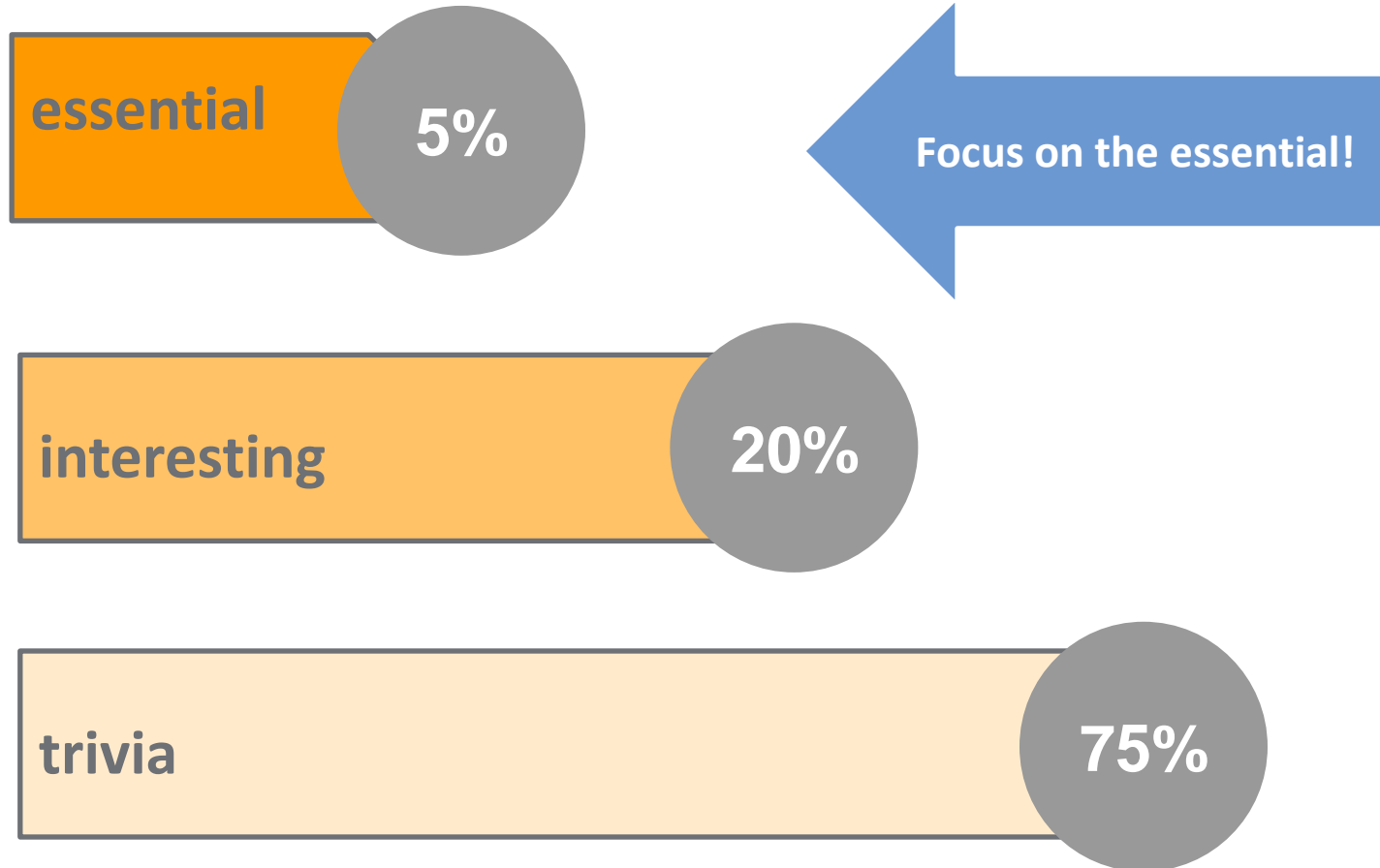


Use the **right data**  
and **use it well.**





# Three Types of Data



# Standards for Financial Health

consistent **2-5% surpluses**  
over multi-years

consistent **6-month minimum**  
unrestricted cash in the bank\*

# Five Key Metrics for Land Trusts

months of unrestricted cash

structural budget surplus

current ratio

income risk indicator

stewardship fund indicator



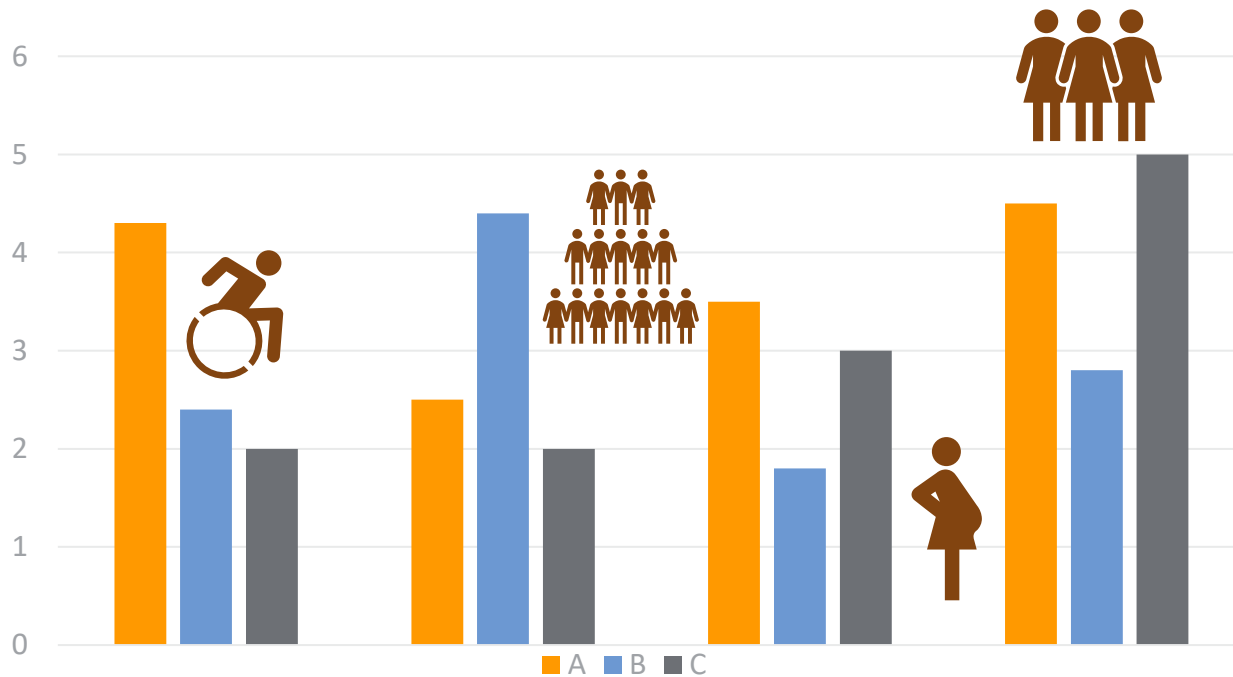
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Which metric would help you make better decisions?

Know where you  
want to be.

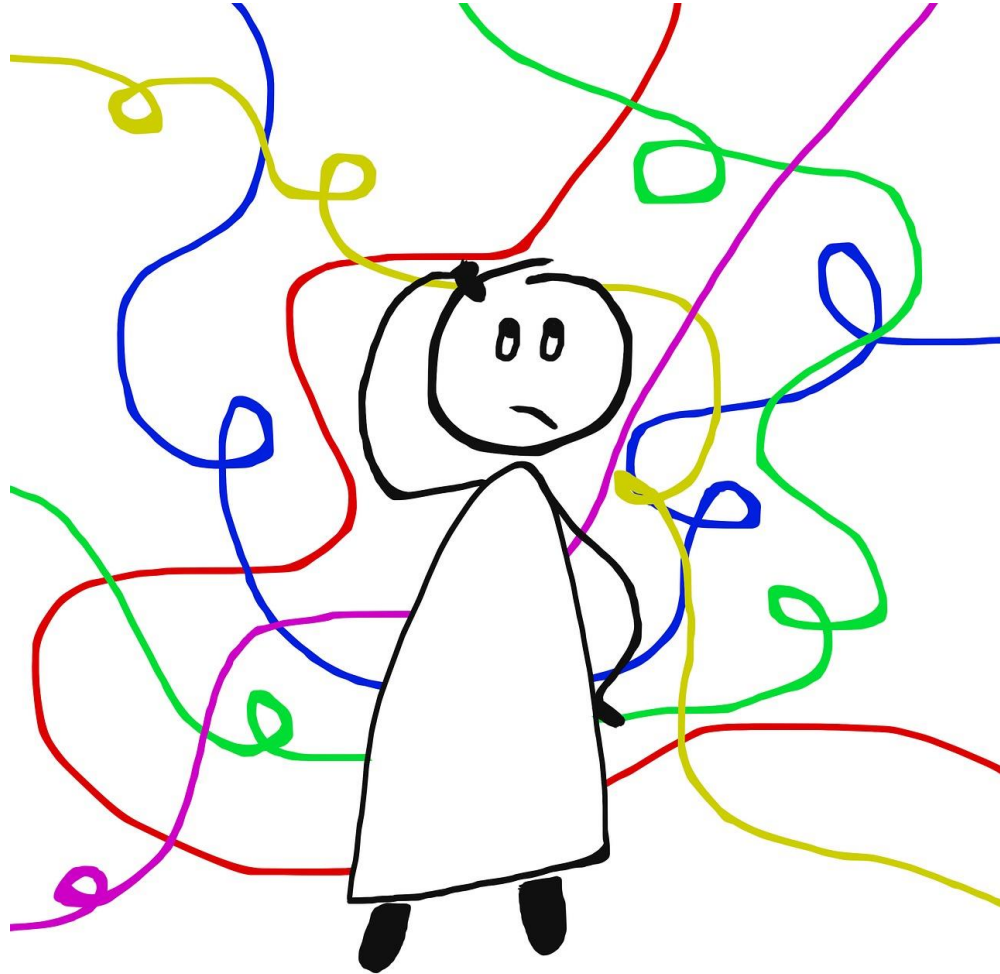
Use **standards and metrics**  
to define your goals on the  
other side of this crisis.

# Numbers Can Tell a Story



# 2

## Underlying Sources of Financial Stress



# Common Symptoms of Business Model Challenges

- stressed administrative capacity
- inefficient/inadequate infrastructure
- cashflow problems
- high workforce turnover
- trouble meeting budgeted revenue
- unintentional downsizing
- unmet growth potential



# Sources of Financial Stress

- 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



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Which of these sources of financial stress impacts your organization the most?

# 3

## Planning Process Overview

# Two-Phased Financial Strategy

**Phase 1** is short-term action for **this year**, addressing immediate needs and landing at a send-off point.



**Phase 2** covers organizational development over the next **2-4 years**.

These should be linked!

# Applying Risk Lens to Scenarios

**Baseline**

**Bad**

**Worse**

**Different!**

# Process for Financial Strategy

1. identify and implement short-term tactics
2. analyze data, clarify the fundamentals
3. visualize possible destinations, test scenarios
4. build alignment around a data-informed strategy
5. implement a plan, monitor, revisit, adjust course

# Integrated Organizational Strategy



# 4

## Short-Term Planning

Take immediate stock of **known budget impacts**.

Consider **indirect impacts** and **opportunity costs**.



# Short-Term Planning Questions

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

# Cost Cutting

staffing is typically **~70%** of nonprofits' expenses

non-staffing expenses may be **fixed or variable**

some cuts may have **negative cost-benefit ratios**

categorize as **green-yellow-red** (untouchable)

# Short-Term Cost Cutting Options

1. extended vacancies
2. furloughs
3. layoffs
4. hours reductions
5. salary or benefits cuts

- position-specific / across-the board
- temporary / 'permanent'

# Income Generation

start with **core supporters**

incorporate into a **communication plan**

**know the context** before reaching out

categorize as **green-yellow-red** (lowest priority)

# Short-Term Income-Generating Options

1. alternate means of donor engagement
2. virtual events
3. alternate means of service delivery
4. negotiation for release of funding restrictions
5. crisis response efforts as call to action



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What other cost-cutting or income-generation options have you considered?

# 5

## Alternate Scenarios

A scenario is a **conceptual path** of organizational development brought to life with enough details to paint a picture of the org's **health and impact**.

# What scenarios should we consider?

**bad**

**worse**

**different**



Example:

Ultra Lake Conservancy

# ULC's Statement of Operating Activities

<b>Year-End</b>	<b>2018</b>	<b>2019</b>	<b>Budget 2020</b>
<b>Revenue</b>			
Individuals	422,000	395,500	462,500
Foundations	206,500	245,500	283,000
Corporations	87,500	95,000	110,000
Government	43,500	93,500	25,000
Special Events	222,000	265,000	265,000
Other Income	11,400	8,000	8,500
<b>Total</b>	<b>992,900</b>	<b>1,102,500</b>	<b>1,154,000</b>
<b>Expense</b>			
Personnel	605,000	691,000	723,017
Occupancy	83,000	85,490	88,055
Professional Fees	195,000	207,000	220,000
Other Operating	111,500	117,075	122,929
<b>Total</b>	<b>994,500</b>	<b>1,100,565</b>	<b>1,154,000</b>
<b>Net Revenue</b>	<b>(1,600)</b>	<b>1,935</b>	<b>(0)</b>

# ULC's Statement of Financial Position

<b>Year-End</b>	<b>2018</b>	<b>2019</b>	<b>Projected 2020</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Equivalents	345,000	276,000	181,000
Receivables	116,500	119,000	120,000
Subtotal - Current	461,500	395,000	301,000
Property and Equipment	1,335,000	1,402,000	1,492,300
<b>Total</b>	<b>1,796,500</b>	<b>1,797,000</b>	<b>1,793,300</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>	178,000	246,000	284,000
<b>Long-term Liabilities</b>	-	-	-
Subtotal - Liabilities	178,000	246,000	284,000
<b>Net Assets</b>			
Unrestricted	420,000	292,000	175,000
Temporarily Restricted	26,500	20,000	16,000
Permanently Restricted	1,172,000	1,239,000	1,318,300
Subtotal - Net Assets	1,618,500	1,551,000	1,509,300
<b>Total</b>	<b>1,796,500</b>	<b>1,797,000</b>	<b>1,793,300</b>

# SCENARIO A RECESSION WITH QUICK RECOVERY

Year-End	Projected			
	2020	2021	2022	2023
Revenue				
Individuals	375,000	386,250	409,425	433,991
Foundations	283,000	225,000	238,500	252,810
Corporations	28,500	29,355	30,236	31,143
Government	225,000	25,000	25,750	26,523
Special Events	115,000	225,000	231,750	238,703
Other Income	8,500	8,000	8,240	8,487
Total	1,035,000	898,605	943,901	991,655
Expense				
Personnel	614,564	596,128	619,973	644,772
Occupancy	88,055	83,652	86,162	88,746
Professional Fees	220,000	150,000	154,500	159,135
Other Operating	122,929	110,636	113,955	117,374
Total	1,045,548	940,415	974,589	1,010,026
Net Revenue	(10,548)	(41,810)	(30,688)	(18,371)

# SCENARIO B

## DEEP RECESSION AND DEEP CUTS

Year-End	Projected			
	2020	2021	2022	2023
Revenue				
Individuals	375,000	318,750	328,313	361,144
Foundations	283,000	226,400	233,192	240,188
Corporations	28,500	25,000	25,750	32,188
Government	225,000	25,000	25,750	26,523
Special Events	115,000	126,500	139,150	153,065
Other Income	8,500	8,000	8,240	8,487
Total	1,035,000	729,650	760,395	821,594
Expense				
Personnel	614,564	522,380	543,275	565,006
Occupancy	88,055	66,041	68,022	70,063
Professional Fees	220,000	95,000	97,850	100,786
Other Operating	122,929	92,197	94,962	97,811
Total	1,045,548	775,617	804,110	833,666
Net Revenue	(10,548)	(45,967)	(43,715)	(12,072)

# SCENARIO C RECONSIDERED **LEAN ORGANIZATION**



Year-End	Projected			
	2020	2021	2022	2023
Revenue				
Individuals	375,000	318,750	328,313	361,144
Foundations	283,000	169,800	174,894	180,141
Corporations	28,500	25,000	25,750	32,188
Government	225,000	-	-	-
Special Events	115,000	126,500	139,150	153,065
Other Income	8,500	8,000	8,240	8,487
<b>Total</b>	<b>1,035,000</b>	<b>648,050</b>	<b>676,347</b>	<b>735,024</b>
Expense				
Personnel	650,715	435,979	453,418	471,555
Occupancy	88,055	52,833	54,418	56,050
Professional Fees	220,000	75,000	77,250	79,568
Other Operating	122,929	86,050	88,632	91,291
<b>Total</b>	<b>1,081,699</b>	<b>649,862</b>	<b>673,718</b>	<b>698,464</b>
<b>Net Revenue</b>	<b>(46,699)</b>	<b>(1,812)</b>	<b>2,629</b>	<b>36,561</b>



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Is there an outside-the-box scenario you may consider exploring with your organization?

Questions?

Q & A



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THANK YOU!