

# FOOD FOR THOUGHT: CRISIS MANAGEMENT

*On-line Discussions with Nonprofit Board & Executive Staff Members*

## 5/12/20 Topic: Fiscal Security



### Thought Leaders:

**Kathy Wileczek, CPA, Umbreit Wileczek + Board Member, Community Foundation**

**Bob Ferguson, Executive VP, Business Affairs, Community Foundation**

# BOARD DUTIES

1-Ensure Legal & Ethical Integrity

2-Build a Competent Board

3-Determine Mission & Purpose

4-Ensure Effective Planning

5-Monitor & Strengthen Programs & Services



6-Protect Assets & Provide Financial Oversight

7-Ensure Adequate Financial Resources

8-Enhance the Organization's Public Standing

9-Select, Support & Evaluate the Chief Executive



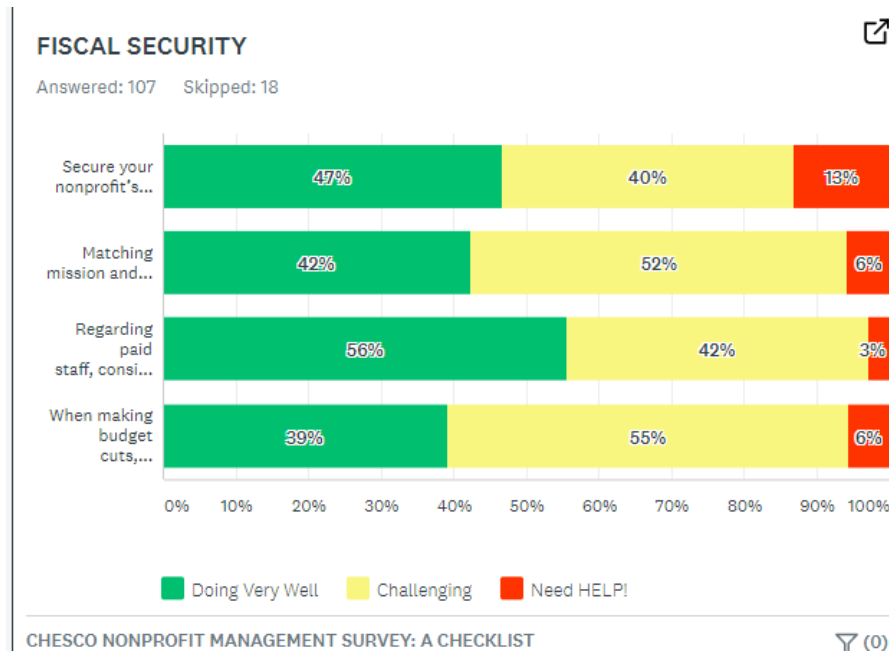
*(Board Source, Washington DC)*

# CHESCO NPO CRISIS MANAGEMENT CHECKLIST

## SURVEY RESPONSES

SURVEY=<https://www.surveymonkey.com/r/CCCF-nonprofitchecklist>

RESPONSE SUMMARY = <https://www.surveymonkey.com/stories/SM-83VLV3B9/>



**From Nonprofit Crisis Management Checklist: Fiscal Security** ☐ Doing Very Well ☐ Challenging ☐ Need Help

1. Secure your nonprofit's financial position. Attempt to improve cash flow, obtain a line of credit from a bank, borrow money, reduce or delay purchasing, renegotiate leases or other obligations, and tap operating reserves. Note you need not USE the line of credit; it is an emergency reserve to be used when needed.
2. Matching mission and money in this period is especially difficult. Contain costs; review every item in your budget to consider what can be cut or reduced.
3. Regarding paid staff, consider short-term job sharing, reduced compensation, furloughs, layoffs, early-retirement plans, staff attrition, and hiring freezes. If your nonprofit furloughs staff members, remember they can collect unemployment.
4. When making budget cuts, consider making reductions in specific areas rather than across the board. Then use some of this money to support the remainder of the nonprofit. Try to get to a relatively stable new normal.

# CHESCO NPO CRISIS MANAGEMENT CHECKLIST CON'T

SURVEY=<https://www.surveymonkey.com/r/CCCF-nonprofitchecklist>

RESPONSE SUMMARY = <https://www.surveymonkey.com/stories/SM-83VLV3B9/>

## **Program and Service Delivery**

- Trim programs that are not essential to the organization's mission, have not been effective, or lack sufficient demand at this time.

## **Raising Revenues**

- Diversify revenue streams by seeking new sources of funding that will be available because of the pandemic. Keep an eye out for rapid-response funding efforts by foundations, United Ways, and others during this crisis, and apply as appropriate.
- Step up fundraising to respond to this crisis (recognizing that economic and market decline and uncertainty will concern most donors/members/subscribers). Listen to donors; let their feedback guide you as to when to restart the solicitation of both big and small gifts.
- Advocate before public officials to restore aid, provide new types of funding, or both.

# DISCUSSION QUESTIONS

- 1. As you have aimed to secure your nonprofit's financial position, what successes and challenges have you had in:**
  - Improving cash flow
  - Obtaining bank line of credit; borrowing money
  - Reducing or delaying purchasing; renegotiating leases and obligations
  - Tapping operating reserves
- 2. What major budget items/categories have you had to cut? Increase?**
- 3. What staffing options have you explored? Who did you involve?  
What was the process?**
  - No changes; stay the course/tough it out
  - Short-term job sharing
  - Reduced compensation
  - Layoffs & furloughs
  - Early retirement
  - Staff attrition
  - Hiring freezes**Have you hired additional/new personnel?**

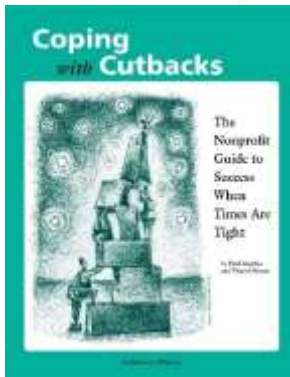
# FISCAL SECURITY: STRATEGIES

- National Council of Nonprofits recommends SeaChange's **Tough Times Call for Tough Actions**:
  - Refocus on the mission
  - Determine type of organization: Hibernator, Responder, Hybrid
  - Conserve cash: reduce expenses, delay payments, accelerate revenue/cash
  - Shorten decision making time horizons
  - Explore restructuring, merger/acquisition, dignified dissolution
- Steve Zimmerman of Spectrum Nonprofit Services looks at the dual bottom line: finances and impact
  - Understand your cash position
    - Liquid Reserves Ratio (liquid funds to monthly expenses)
    - Rolling Forecast (income & cash)
  - Assess damage to revenue streams
  - Look at the dual bottom line
    - Impact & financial
    - Fund highest impact programs 1st
  - Restrict expense reductions, including staff, to lower impact programs rather than across the organization
    - Matrix map (profitability vs impact)
  - Include everyone in the discussion
  - Communicate consistently



- Curtis Klotz CPA of CliftonLarsonAllen looks at **Financial Leadership in the Face of Impossible Choices** [blogs.claconnect.com](http://blogs.claconnect.com)
  - Focus on the future, in tight timeframes; 1 month; quarterly; 6 months. Rebudget often as situation changes.
  - Extraordinary humans are the heart of the nonprofit business model.  
Do everything possible before cutting staff. If salaries need to be cut, be compassionate & creative
    - Rolling furloughs
    - Universal part-time hours
    - Salary leveling

# COPING WITH CUTBACKS: STRATEGIES



<https://www.amazon.com/Coping-Cutbacks-Nonprofit-Guide-Success/dp/0940069091>

## Financial Strategies A: Cut or Control Costs

### Analyze purchasing

- ☐ Improve purchasing procedures
- ☐ Seek in-kind contributions
- ☐ Network to get better prices on supplies
- ☐ Seek new competitive bids and new suppliers
- ☐ Analyze purchases to see if they are necessary
- ☐ Simplify paperwork and forms; use electronic files
- ☐ Refurbish and reuse supplies

### Adjust payables

- ☐ Consolidate or restructure debt
- ☐ Negotiate delayed or reduced payments
- ☐ Barter for needed services

### Evaluate facilities and infrastructure

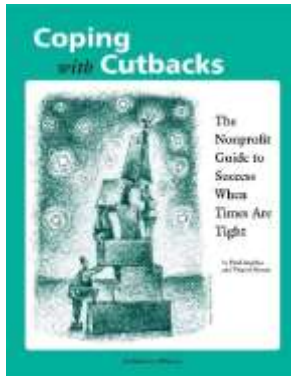
- ☐ Share space or maintenance costs
- ☐ Delay maintenance
- ☐ Save space by moving, reducing size, using home offices, or using split shifts
- ☐ Negotiate a decreased rent with your landlord
- ☐ Find a cheaper phone system; eliminate toll-free lines
- ☐ Eliminate or consolidate newsletters and brochures
- ☐ Eliminate vehicles or shift to less costly vehicles
- ☐ Save energy

### Modify staffing and related costs

- ☐ Reduce hours or workweek
- ☐ Cut, freeze, or delay wages;
- ☐ Lay off staff; offer voluntary separation; offer unpaid leave; remove poor performers
- ☐ Freeze hiring
- ☐ Share jobs, consolidate staff, increase workload
- ☐ Use volunteers and graduate interns
- ☐ Hire temporary staff or consultants
- ☐ Remove management layers; don't funnel high performers into management merely to reward them
- ☐ Reduce benefits, staff training, and staff development
- ☐ Limit or eliminate travel
- ☐ Cancel subscriptions; use the Internet and libraries
- ☐ Cancel professional association memberships
- ☐ Switch to a direct reimbursement status for unemployment compensation
- ☐ Ask board not to submit expenses for reimbursement
- ☐ Convert some paid staff to volunteers
- ☐ Share staff with other organizations



# COPING WITH CUTBACKS: STRATEGIES



## Reduce services

- ☐ Analyze your programs and services against your mission and financial goals
- ☐ Reduce or eliminate noncore programs
- ☐ Limit eligibility for programs; reduce the number of clients served
- ☐ Reduce or eliminate core programs
- ☐ Temporarily shut down some or all services
- ☐ Plan to go out of business humanely

## Financial Strategies B: Increase Revenues

### Manage money differently

- ☐ Speed the inflow of cash by invoicing promptly or offering incentives
- ☐ Try to get grants in the door earlier than the promised date
- ☐ Change management of cash reserves to improve unearned income
- ☐ Sell assets
- ☐ Spend down reserves
- ☐ Borrow money
- ☐ Diversify your sources of income

### Increase fees

- ☐ Analyze all the costs of providing a service
- ☐ Change fee structure to result in increased income

### Initiate or accelerate fund-raising

- ☐ Research the larger community and current donors to improve response
- ☐ Hire development director or staff
- ☐ Add special events, fund drives, charitable gambling
- ☐ Increase board involvement in fund-raising
- ☐ Increase planned giving
- ☐ Build an endowment
- ☐ Find new donors and diversify funding base
- ☐ Reach out to under-served populations
- ☐ Collaborate on fund drives; join a federated fund drive
- ☐ Mobilize everyone in the search for new resources
- ☐ Link with a business or credit card company to receive a percentage of sales
- ☐ Seek in-kind contributions that can be converted to cash
- ☐ Increase the search for foundation and government grants

## Expand or add services

- ☐ Boost enrollment in or expand offerings of successful services
- ☐ Sell staff expertise and time
- ☐ Add income-generating product or service that fulfills mission
- ☐ Rent office space or equipment to others
- ☐ Sell valuable information that others need
- ☐ Seek related niche markets
- ☐ Charge others for a service you also use (for example, maintenance)
- ☐ Develop a catalog of products used by your organization and other nonprofits
- ☐ Charge a fee to serve as the fiscal agent for other organizations

## Increase productivity

- ☐ Provide incentives for productive staff
- ☐ Simplify production or service without loss of quality
- ☐ Invest in an educated staff; provide training as needed
- ☐ Research and implement "best practice" in all functions
- ☐ Upgrade staff while cutting back
- ☐ Invest in technology that improves productivity

## Structural Strategies

### Modify the mission

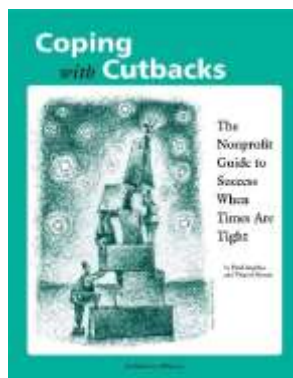
- ☐ Reexamine the mission and realign the organization accordingly
- ☐ Modify the mission to build clients' capacity to solve their own problems
- ☐ Change the mission to enable the organization to respond to rapidly changing conditions
- ☐ Move out of direct support services and into prevention services
- ☐ Be a pilot site for some foundation, academic, or government program

### Modify the organization's structure

- ☐ Eliminate programs that are redundant with those of other organizations or combine them to improve services
- ☐ Position yourself higher in the "food chain" when intense competition accompanies a changing environment
- ☐ Respond to a changing environment by changing programs
- ☐ Spin off a struggling or "orphan" program to another organization where it has a better chance to thrive



# COPING WITH CUTBACKS: STRATEGIES



- ☐ Merge with or acquire a competitor's or an ally's program
- ☐ Relocate with a group of related organizations to form a one-stop shop
- ☐ Become a for-profit; add a for-profit subsidiary; be acquired by a for-profit

## Modify the organization's culture

- ☐ Enlist the support of potential funders as you modify your programs, and then request funds to support changes
- ☐ Share resources and expenses with other organizations that have similar needs
- ☐ Make your services more culturally sensitive
- ☐ Educate the board of directors to make them more effective
- ☐ Mobilize everyone in the organization to help market its mission, message, services, and needs
- ☐ Tear down bureaucracies that interfere with the creative flow of ideas
- ☐ Replicate rather than reinvent
- ☐ Link with a complementary but different organization to bring resources into the organization
- ☐ Take a more entrepreneurial approach to accomplishing your mission

## Engagement Strategies

### Engage other nonprofits

- ☐ Work with state and national nonprofit associations
- ☐ Form associations to negotiate with contracting agencies as a block
- ☐ Establish cooperative programs with other nonprofits to increase the number of stakeholders in each other's organization
- ☐ Collaborate with like-minded nonprofits; seek funding to support collaboration
- ☐ Develop a bartering resource system among nonprofits
- ☐ Create a nonprofit organization to insure nonprofits; return surplus income to policyholders
- ☐ Pool funds with other nonprofits to get a better return on the investment of capital
- ☐ Acquire or merge with another nonprofit whose services complement yours
- ☐ Establish national goals and standards for nonprofits to increase sector quality, public awareness, and public support
- ☐ Form a consortium with other nonprofits to take advantage of federal block grants
- ☐ Facilitate networks and collaboration by making your space available for such activities

- ☐ Find ways to work with local providers of educational services at all levels

### Engage the community

- ☐ Seek funding to help those constituents least able to represent themselves have a voice
- ☐ Involve all members of the community in teaching children the value of community involvement and philanthropy
- ☐ Connect with local media to inform the community about issues related to your mission
- ☐ Show the community that your crisis is a community crisis
- ☐ Hold community issues forums; discuss community goals

### Engage the business community

- ☐ Form partnerships with businesses; find a host that will provide space, staff, funds, resources, or technical assistance
- ☐ Advocate for your organization's values and goals while seeking business involvement
- ☐ Know the people, values, and goals of the businesses you are engaging
- ☐ Share your vision of the future with businesses so they can see how they and their community will benefit
- ☐ Link with businesses that will benefit from the positive public relations your organization's cause will generate
- ☐ Network with small and midsize businesses with a personal stake in the local community
- ☐ Show businesses how to get involved in community issues that affect them
- ☐ Collaborate with businesses and other nonprofits to create "incubators" for new, innovative organizations
- ☐ Form nonprofit/for-profit partnerships to advocate for common interests

### Engage the public/government sector

- ☐ Advocate for tax incentives that encourage businesses to be involved in community efforts
- ☐ Use the public schools to teach philanthropy; set up student-operated philanthropies at schools and universities
- ☐ Seek ways to work with educational institutions at all grade levels, public and private, nonprofit and for-profit
- ☐ Advocate for a nonprofit contribution checkoff on tax forms
- ☐ Advocate for making charitable giving a tax credit rather than a deduction
- ☐ Use publicly owned facilities as a site for delivering nonprofit community services

# CASH FLOW FORECAST TEMPLATE

Organization Name									
Cashflow Forecast									
	Total Budget	6 Month Budget Projection	April	May	June	July	August	September	Check
Opening Cash Balance			-	10,000	10,000	10,000	10,000	10,000	
Receivables Collected			10,000						
Contributed Support									
Federal Gov't Grants	-	-	-						-
State Gov't Grants	-	-	-						-
Local Gov't Grants	-	-	-						-
Individuals - Individual Gifts	-	-	-						-
Individuals - Major Gifts	-	-	-						-
Individuals - Planned Giving	-	-	-						-
Corporate Contributions	-	-	-						-
Corporate Sponsorships	-	-	-						-
Foundation Contributions	-	-	-						-
Spectral Events - Tickets	-	-	-						-
Special Events - Sponsorships	-	-	-						-
Special Events - Donations	-	-	-						-
Earned Revenue									
Fee-for-Service	-	-	-						-
Federal Gov't Contracts	-	-	-						-
State Gov't Contracts	-	-	-						-
Local Gov't Contracts	-	-	-						-
Interest and dividends	-	-	-						-
Other Income	-	-	-						-
Total Inflows	-	-	10,000	-	-	-	-	-	
Personnel	-	-	-	-	-	-	-	-	-
Operating	-	-	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-	-	-
Total Outflows	-	-	-	-	-	-	-	-	-
Cash Available	-	-	10,000	10,000	10,000	10,000	10,000	10,000	
From (To) Line of Credit*			-	-	-	-	-	-	-
Closing Cash Balance			10,000	10,000	10,000	10,000	10,000	10,000	

**A Few Notes on Using this Template**

-->To utilize this spreadsheet, enter the budget for your current fiscal year in Column B and the budget for the next 6 months into Column C. Then project which month you expect to **receive** cash and receivables or which month you expect to **spend** cash for personnel, other operating expenses or capital purchases (computers, autos, furniture, etc.).

-->Expenses have been grouped into Personnel, Operating and Capital categories for ease sake. If easier, you may add rows for each budget line and project those costs out by month.

-->If you run into trouble or have further questions, don't hesitate to reach out to Steve Zimmerman (stevez@spectrumnonprofit.com).

[www.chescocf.org](http://www.chescocf.org) 610.696.8211

\* If applicable

# ROLLING FORECAST TEMPLATE

## ROLLING FORECAST FOR FY 2020

As Of June 30, 2020

	<u>YTD</u> Actual Thru 3-31-20	FORECAST Apr-20	FORECAST May-20	FORECAST Jun-20	FORECAST TOTAL FY 2020	BUDGET FY 2020	Variance
<b>REVENUE:</b>							
Contributions-Donors							
Grants-Foundations							
Sponsors-Corporate							
Contracts-Gov't							
Fees for Services							
Transfers from Endowment							
<b>TOTAL REVENUE</b>							
<b>EXPENSES:</b>							
<b>Personnel</b>							
Salaries							
Payroll Taxes							
Insurance							
Retirement Plan Contribution							
Insurance Workers Compensation							
<b>Personnel</b>							
<b>All Other Expenses</b>							
IT/Web/Computer/Telephone							
Professional Fees							
Equipment Purchase & Rental							
Insurance							
Marketing & Advertising							
Office Supplies							
<b>Administration</b>							
<b>TOTAL EXPENSES</b>							
<b>NET INCOME</b>							

## Segregation of Duties – Two people

### Accountant or other professional staff\*

- Mail checks
- Write checks
- Reconcile bank statement
- Record credit/debits
- Approve payroll
- Disburse petty cash
- Authorize purchase orders
- Authorize check requests
- Authorize invoices for payment



### Executive Director

- Receive and open bank statements
- Sign checks
- Make deposits
- Perform interbank transfers
- Distribute pay checks
- Review petty cash
- Review bank reconciliations
- Approve vendor invoices
- Perform analytical procedures
- Sign important contracts
- Make compensation adjustments
- Discuss matters with board or audit committee
- Review wire/ACH transactions
- Review account activity

*\*Non accounting personnel such as a receptionist, administrative personnel etc can be trained to perform some of the less technical duties.*

# ASSISTANCE: CARES ACT

## PPP PAYCHECK PROTECTION PROGRAM

<https://chescof.org/covid-19-questions/>

[CARES Act Benefits for Small Businesses and Tax-Exempt Organizations](#)

[Coronavirus Emergency Loans Guide and Checklist](#)

[https://www.uschamberfoundation.org/sites/default/files/C3\\_COVID\\_EmergencyLoanGuide.pdf](https://www.uschamberfoundation.org/sites/default/files/C3_COVID_EmergencyLoanGuide.pdf)

## CARES ACT

Coronavirus Aid, Relief, and Economic Security Act

Nonprofit organizations  
under section 501(c)(3) are  
eligible to apply  
(500 employees or less)

- \$350 billion allocated for the Paycheck Protection Program
- 100% federally guaranteed loans from 2/15/2020 - 5/30/2020
- Loans may be forgiven if payrolls maintained during the crisis or restored afterward

### 3 How much can I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed **\$10 million**.

#### How do I calculate my average monthly PAYROLL COSTS?



sum of  
**INCLUDED**  
payroll costs

sum of  
**EXCLUDED**  
payroll costs

= **PAYROLL COSTS**

#### **INCLUDED** Payroll Cost:

- For Employers:** The sum of payments of any compensation with respect to employees that is a:
  - salary, wage, commission, or similar compensation;
  - payment of cash tip or equivalent;
  - payment for vacation, parental, family, medical, or sick leave;
  - allowance for dismissal or separation;
  - payment required for the provisions of group health care benefits, including insurance premiums;
  - payment of any retirement benefit;
  - payment of state or local tax assessed on the compensation of the employee.
- For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

#### **EXCLUDED** Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020.
2. Payroll taxes, railroad retirement taxes, and income taxes.
3. Any compensation of an employee whose principal place of residence is outside of the United States.
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-51); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act.

Prepared by the U.S. CHAMBER OF COMMERCE



#### NON SEASONAL EMPLOYERS:

**Maximum loan =**  
 $2.5 \times$  Average total monthly payroll costs incurred during the year prior to the loan date  
**For businesses not operational in 2019:**  
 $2.5 \times$  Average total monthly payroll costs incurred for January and February 2020

#### SEASONAL EMPLOYERS:

**Maximum loan =**  
 $2.5 \times$  Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019



# ASSISTANCE: CARES ACT SBA DISASTER ASSISTANCE

<https://chescof.org/covid-19-questions/>

[Request Disaster Assistance \(SBA Loans\)](#)

<https://www.sba.gov/funding-programs/disaster-assistance>

A graphic with a dark blue header and a light blue body, overlaid with a large, semi-transparent red diamond. The header contains the text 'SBA DISASTER ASSISTANCE' in white and 'US Small Business Administration Economic Injury Disaster Loan' in a smaller font. The body is divided into two columns. The left column contains the text 'Nonprofit organizations under section 501(c)(3) are eligible to apply (500 employees or less)'. The right column contains a bulleted list of loan details.

**SBA DISASTER ASSISTANCE**  
US Small Business Administration Economic Injury Disaster Loan

Nonprofit organizations under section 501(c)(3) are eligible to apply (500 employees or less)

- Advance of up to \$10,000
- Working capital loans of up to \$2 million
- Provides vital economic support to help overcome the temporary loss of revenue
- Funds available within 3 days of a successful application
- Loan advance will not have to be repaid

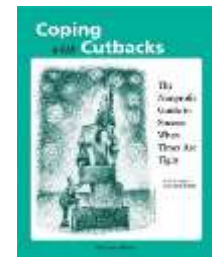
4/26 online: Notice: Lapse in Appropriations

5/11 online: Notice: ***At this time, only agricultural business applications will be accepted due to limitations in funding availability and the unprecedented submission of applications already received.*** Applicants who have already submitted their applications will continue to be processed on a first-come, first-served basis. For agricultural businesses that submitted an EIDL application through the streamlined application portal prior to the legislative change, SBA will process these applications without the need for re-applying.



# ADDITIONAL RESOURCES

- The *Chronicle of Philanthropy* is providing free access to breaking-news updates on COVID's impact on the nonprofit world. [UPDATED DAILY: HELP FOR NONPROFITS DURING THE CORONAVIRUS AND UNCERTAIN ECONOMIC TIMES](#)
- Coronavirus Impacting Your Nonprofit? Here's What to Do (Network for Good) <https://www.networkforgood.com/nonprofitblog/coronavirus-impacting-your-nonprofit-heres-what-to-do/>
- [What Nonprofit Board Members Should Be Doing Right Now to Address the COVID-19 Situation](#) (BoardSource) <https://blog.boardsource.org/blog/what-nonprofit-board-members-should-be-doing-right-now-to-address-the-covid-19-situation>
- **Coping With Cutbacks: The Nonprofit Guide to Success When Times Are Tight**  
by Emil Angelica & Vincent Hyman of the Amherst H. Wilder Foundation, available at amazon.com



## Resources

CCCF Managing Your Nonprofit During COVID-19: Best Practices

<https://mailchi.mp/chescocf.org/manage-covid-19>

Managing Your Business Through a Crisis (Kreischer Miller)

Leading Your Nonprofit In a Time of Pandemic (GMM Nonprofit Consulting)

Your Financial Readiness for COVID-19 (GMM Nonprofit Consulting)

Not-for-Profit Management in the Time of Coronavirus (SunTrust Bank)

Hard Times, Hard Decisions: 7 Things Small and Midsize Charities Should Do When a Recession Looms (The Chronicle of Philanthropy)

Council on Foundations: <https://www.cof.org/news/external-resources-responding-covid-19>

# Food For Thought Online Video Discussion of Nonprofit Crisis Management Topics



Best Practices in Tough Times  
Designed for Nonprofit Senior Staff  
& Board Members

Grab your computer & a drink  
Log on from home  
Weekly on Tuesdays  
Starting 4/28 from 1:15-2:00 PM  
Free



**HOPE TO SEE YOU NEXT TIME!  
PLEASE INVITE  
BOARD & SENIOR STAFF COLLEAGUES**

**REGISTER AT**

<https://chescof.org/explore/food-for-thought/>

Topics	Thought Leader
4/28 Crisis Management: Survey Results Crisis Communication	Karen Simmons Beth Krallis & Jamison Ludgate
5/5 Strategy, Program & Service Modification	Karen Simmons & Mike DeHaven CPA
5/12 Managing Fiscal Stress	Bob Ferguson & Kathy Wileczek CPA
5/19 Raising Revenues: Events & Virtual Fundraising	Beth Krallis & Jamison Ludgate
5/26 Raising Revenues: Gifts & Grants	Connie Carter CFRE, Krys Sipple CFRE & Corrine Sylvia CFRE
6/2 Raising Revenues: Stewardship	Beth Harper Briglia, CPA, CAP