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)
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.
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:
  o Refocus on the mission
  o Determine type of organization: Hibernator, Responder, Hybrid
  o Conserve cash: reduce expenses, delay payments, accelerate revenue/cash
  o Shorten decision making time horizons
  o Explore restructuring, merger/acquisition, dignified dissolution

• Steve Zimmerman of Spectrum Nonprofit Services looks at the dual bottom line: finances and impact
  o Understand your cash position
    • Liquid Reserves Ratio (liquid funds to monthly expenses)
    • Rolling Forecast (income & cash)
  o Assess damage to revenue streams
  o Look at the dual bottom line
    • Impact & financial
    • Fund highest impact programs 1st
  o Restrict expense reductions, including staff,
    to lower impact programs rather than across the organization
    • Matrix map (profitability vs impact)
  o Include everyone in the discussion
  o Communicate consistently

• Curtis Klotz CPA of CliftonLarsonAllen looks at Financial Leadership in the Face of Impossible Choices blogs.claconnect.com
  o Focus on the future, in tight timeframes; 1 month; quarterly; 6 months. Rebudget often as situation changes.
  o 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

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 underasked 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

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

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

### Opening Cash Balance

<table>
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<tr>
<th></th>
<th>Total Budget</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>Check</th>
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### Receivables Collected

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<tr>
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<th>10,000</th>
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### Contributed Support

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### Earned Revenue

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<td>Federal Gov't Contracts</td>
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</tbody>
</table>

### 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   | 10,000   |

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### 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).

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*If applicable*
# ROLLING FORECAST TEMPLATE

## ROLLING FORECAST FOR FY 2020

<table>
<thead>
<tr>
<th>As Of June 30, 2020</th>
<th>YTD Actual Thru 3-31-20</th>
<th>FORECAST Apr-20</th>
<th>FORECAST May-20</th>
<th>FORECAST Jun-20</th>
<th>TOTAL FY 2020</th>
<th>BUDGET FY 2020</th>
<th>Variance</th>
</tr>
</thead>
</table>

### REVENUE:
- Contributions-Donors
- Grants-Foundations
- Sponsors-Corporate
- Contracts-Gov't
- Fees for Services
- Transfers from Endowment

### TOTAL REVENUE

### EXPENSES:
- Personnel
  - Salaries
  - Payroll Taxes
  - Insurance
  - Retirement Plan Contribution
  - Insurance Workers Compensation

### TOTAL EXPENSES

### NET INCOME

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

CARES Act Benefits for Small Businesses and Tax-Exempt Organizations

Coronavirus Emergency Loans Guide and Checklist

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

https://chescocf.org/covid-19-questions/
ASSISTANCE: CARES ACT  SBA DISASTER ASSISTANCE

https://chesco cf.org/covid-19-questions/

Request Disaster Assistance (SBA Loans)
https://www.sba.gov/funding-programs/disaster-assistance

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)  

• **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)

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

REGISTER AT
https://chescocf.org/explore/food-for-thought/

www.chescocf.org  610.696.8211