

BUILDING FINANCIAL RESILIENCE THROUGH A CRISIS

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OVERVIEW

- Assess current financial challenges
- Understand your organization's cash position
- Manage short-term cash shortage
- Build long-term sustainability
- Q&A

RESOURCES

- **Nonprofit Finance Fund. COVID-19 Tools and Resources for Nonprofits.**
<https://nff.org/covid-19-tools-and-resources-nonprofits>
- **Propel Nonprofits. COVID-19 Resources for Nonprofits.**
<https://www.propelnonprofits.org/covid-19-resources-for-nonprofits/>
- **Wallace Foundation. Planning Resources for Nonprofit Financial Management.** <https://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/pages/planning.aspx>

GOOD READS

- Nonprofit Finance Fund. March 13, 2020. [COVID-19 and Nonprofits: Start With These Self Assessment Steps.](#)
- Steve Zimmerman. March 19, 2020 . [Sustainability to Survivability: 5 Nonprofit Finance Must-Do's in the Time of COVID.](#) *The Nonprofit Quarterly.*
- Jennifer Gill. March 25, 2020. [Managing Nonprofit Finances During the Coronavirus Crisis.](#) Wallace Foundation.
- Terri Sorensen. May 11, 2020. [How One National Nonprofit Is Adapting to COVID-19.](#) *Stanford Social Innovation Review.*

WHAT ARE THE IMMEDIATE FINANCIAL CHALLENGES FACING NONPROFITS?



WHAT ARE THE IMMEDIATE FINANCIAL CHALLENGES FACING NONPROFITS?

- Significant disruptions to revenue streams
 - Cancelled fundraising or revenue-generating events
 - Delayed fee for service reimbursement
 - Reduced individual donations
- Unanticipated operational costs
 - Tech costs of transitioning to remote work
 - PPE for on-site employees
 - Cleaning services for facilities
 - Temporary replacement workers
- Increasing demand for services for some organizations

HOW LONG CAN YOUR ORGANIZATION LAST WITHOUT ADDITIONAL INCOME?

Understand your organization's liquidity position

UNDERSTAND YOUR ORGANIZATION'S LIQUIDITY POSITION

- 1. The current ratio measures an organization's ability to pay off its current liabilities with its current assets such as unrestricted cash/cash equivalents and accounts receivable.

$$\text{Current Ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

- You want to have a current ratio of at least 1, and preferably greater. The higher the ratio, the better the organization's liquidity position.

UNDERSTAND YOUR ORGANIZATION'S LIQUIDITY POSITION

- 2. The quick ratio measures an organization's ability to meet its short-term obligations with its most liquid assets

$$\text{Quick Ratio} = \frac{\text{current assets} - \text{inventory} - \text{prepaid expenses}}{\text{current liabilities}}$$

- Your organization's quick ratio should not be less than 1

UNDERSTAND YOUR ORGANIZATION'S LIQUIDITY POSITION

- Alternatively, the following measures how many months of savings your organization has if it operates at its current rate and receives no additional income

$$\text{Quick Ratio} = \frac{\text{current assets} - \text{inventory} - \text{prepaid expenses}}{\text{total monthly expenses}}$$

UNDERSTAND YOUR ORGANIZATION'S LIQUIDITY POSITION

3. Does your organization have rainy day funds (operating reserves)? If so, how long will it last?

- Less than 25% percent of the nonprofits had more than 6 months of cash in reserve.
- The majority of the nonprofits had less than 3 months of operating reserves.
- About 10% had less than 30 days of cash on hand. This may be the reality for many nonprofits, but that does not mean that it is optimal.

Source: Nonprofit Finance Fund. 2018 The State of the Nonprofit Sector Survey.



CASH FLOW PROJECTION

- An accurate projection shows if and when the organization will face cash shortages
- Map expected revenue and expenses at the beginning of each month
- Separate unrestricted from temporarily restricted funds
- A template

WHAT TO DO IF EXPECTING A CASH SHORTAGE?

Breakout session

MANAGING CASH SHORTAGE

In the short term, ask if there is an opportunity to:

- Use operating reserves
- Accelerate collection of receivables
- Work with funders to offer flexibility in meeting grant requirements, expediting payments, and/or converting restricted to unrestricted funds
- Work with vendors to delay payments
- Work with lenders to provide temporary loan relief
- Cut down non-mission-essential expenses

MANAGING CASH SHORTAGE

- *Financing options
 - COVID-specific loans via CARES Act
 - Paycheck Protection Program (PPP), qualifying expenses may be forgiven (e.g. payroll expenses, interest on debt, utilities)
 - Economic Injury and Disaster Loan (EIDL), covering a broader range of expense but loans must be repaid
 - Lines of credit, working capital loans from commercial banks
 - Low-interest loans (e.g. PRIs, MRIs) from foundations or CDFIs

MANAGING CASH SHORTAGE

In the mid term, see if there is an opportunity to:

- Convert in-person fundraising events to online campaigns
- Apply for COVID-19 relief funds
- Look for corporations to donate digital devices for recipients or staff
- Deliver a traditional program online
- Reach out to board members, community supporters, major donors, and institutional funders

WHAT WOULD YOUR ORGANIZATION DO DIFFERENTLY TO BE MORE PREPARED?

From short-term survival to long term sustainability



Nonprofits & NGOs

How One National Nonprofit Is Adapting to COVID-19

Lessons learned at Friends of the Children about maintaining stability in service during this crisis and the next one.

By [Terri Sorensen](#) | May 11, 2020



Terri Sorensen ([@terri_sorensen](#)) is the chief executive officer of [Friends of the Children](#), a national organization that is impacting generational change by empowering youth who face the greatest obstacles through relationships with professional mentors.

- Prioritizing stability & working to ensure employee well-being.
- Aggressively tracking and applying for dozens of national and local funds created to support nonprofits through this crisis.
- Leaning on funders:
 - several funders are offering more flexibility in meeting grant requirements
 - requesting expedited delivery from funders for payments that were already in process or due in the near future.
 - maintaining relationships with current funders by making personal phone calls to share stories of hope and challenges.
- New fundraising: launching aggressive digital fundraising campaigns
- Looking for tech companies to donate digital devices for our youth
- **Preparation begins before the crisis**, by raising enough capital, diversifying funding streams, ensuring strong community support



FROM SHORT-TERM SURVIVAL TO LONG TERM SUSTAINABILITY

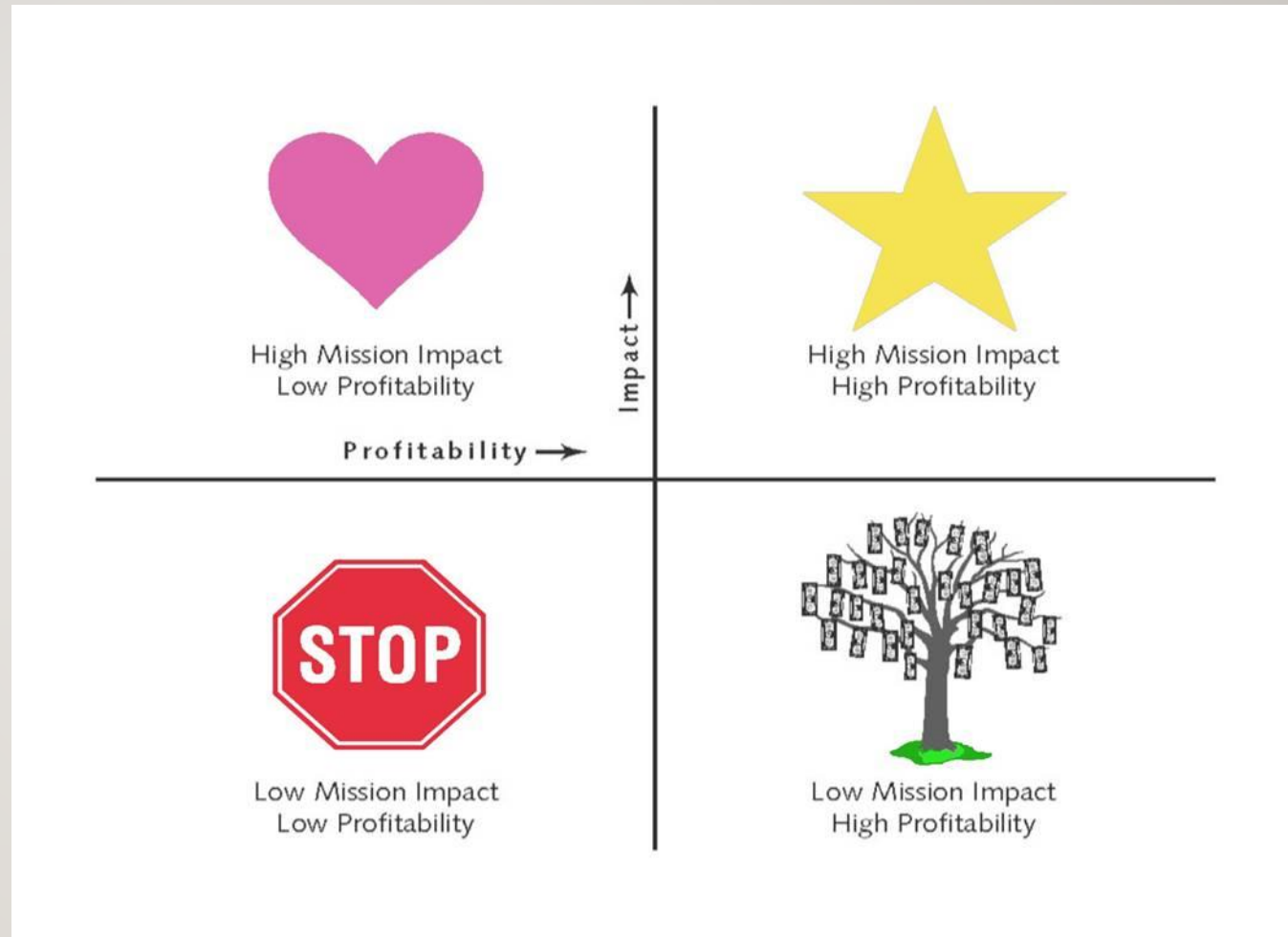
SHORT-TERM SURVIVAL

- Use operating reserves
- Accelerate collection of receivables
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- Work with vendors to delay payments
- Work with lenders to provide temporary loan relief
- Cut down non-mission-essential expenses
- Financing

LONG-TERM SUSTAINABILITY

- Build adequate rainy-day funds
- Monitor and maintain a liquidity target
- Develop a cash budget to project and monitor cash flows regularly
- Diversify revenue sources
- Diversify fundraising
- Strengthen community support
- Build a business model that makes sense financially and socially

ASSESS YOUR BUSINESS MODEL



LET'S CHAT!

Questions or comments?

SCENARIO BUDGET PLANNING

- Use scenario planning to help the management respond to unpredictable situations
- Base, best, worst scenario
- A template