

About Nonprofit Finance Fund

Through capital, consulting, and advocacy, NFF boosts the collective success and power of nonprofits to advance community wealth and well-being.

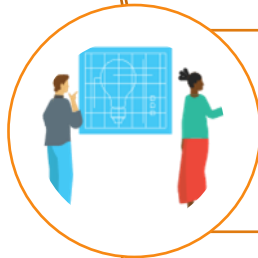
We envision a world of equitable prosperity, where communities have the capital, community assets, knowledge, and agency to thrive.



Today's Learning Goals



Gain common language about what scenario planning is and isn't, and how it connects to budget process



Identify approaches for mitigating risk in the budget process



Walk through steps of developing scenario plan

This moment is new



Recent policy changes pose existential threats for many nonprofits

- 2025 Executive Orders
- Pause or deeper delays in some federal funding
- Federal investigations into DEI activities, immigrant-serving organizations

Common questions from nonprofit leaders:

- How do we protect our work and communities?
- How do we take care of our staff?
- What will happen if we lose our government funding?
- How should we manage through the next few years of uncertainty?



Organizations are Navigating Three Colliding Crises in 2025

These aren't isolated problems, but feed into each other to create a cycle of strain, rippling across nonprofits, their staff, and communities.



Rising Costs

86% of respondents reported high costs due to inflation is affecting their organizations and clients.



Gov't Funding Cuts and Delays

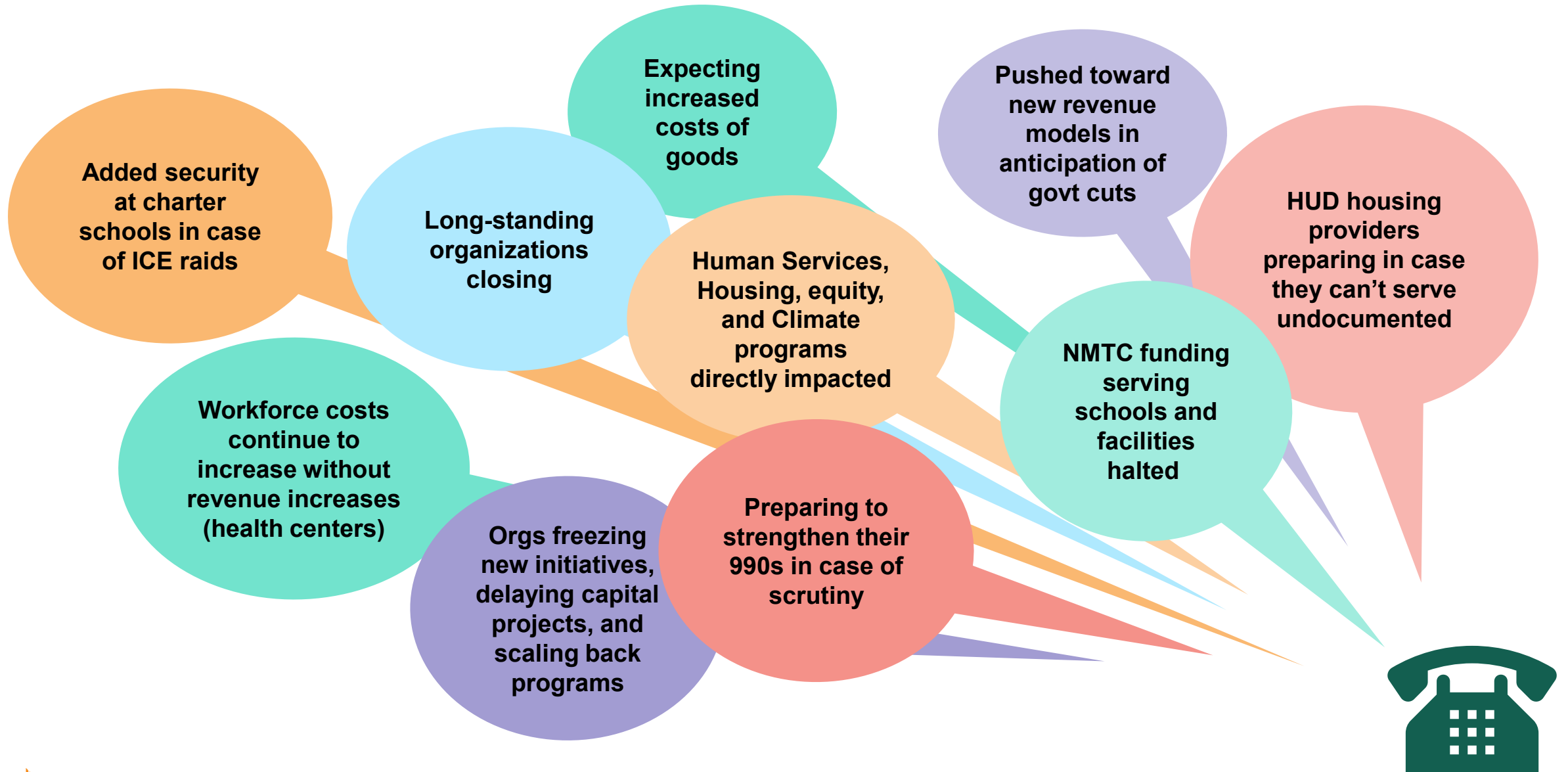
84% of respondents with government funding expect cuts in 2025. 65% expect cuts greater than 10%.



Growing Demand

85% of respondents expect demand for services to increase in 2025. Less than half expect to meet demand.

What we are hearing from our clients:



Getting Through, and Building What's Next: What We Can Do to Emerge Stronger as a Sector



“With much uncertainty and rapidly changing information, it is important for us to take a measured, objective approach and not operate from a place of fear. Our role at the intersection of government, nonprofits, businesses, and community allows us to serve as a trusted resource. We will continue to listen to local needs, share information, and stay focused on our mission.”

-Community development respondent, VT

Be Adaptive, Creative, and Brave to Meet the Moment

Now is the time for courageous and intentional decision-making that protects communities and opens the door to new ways of working.

Funders

- **Go beyond "business-as-usual"**
 - **Increase your payout percentage**
 - **Flex your standard processes**
- **Listen to your grantees**, and pivot based on what you hear

Nonprofits

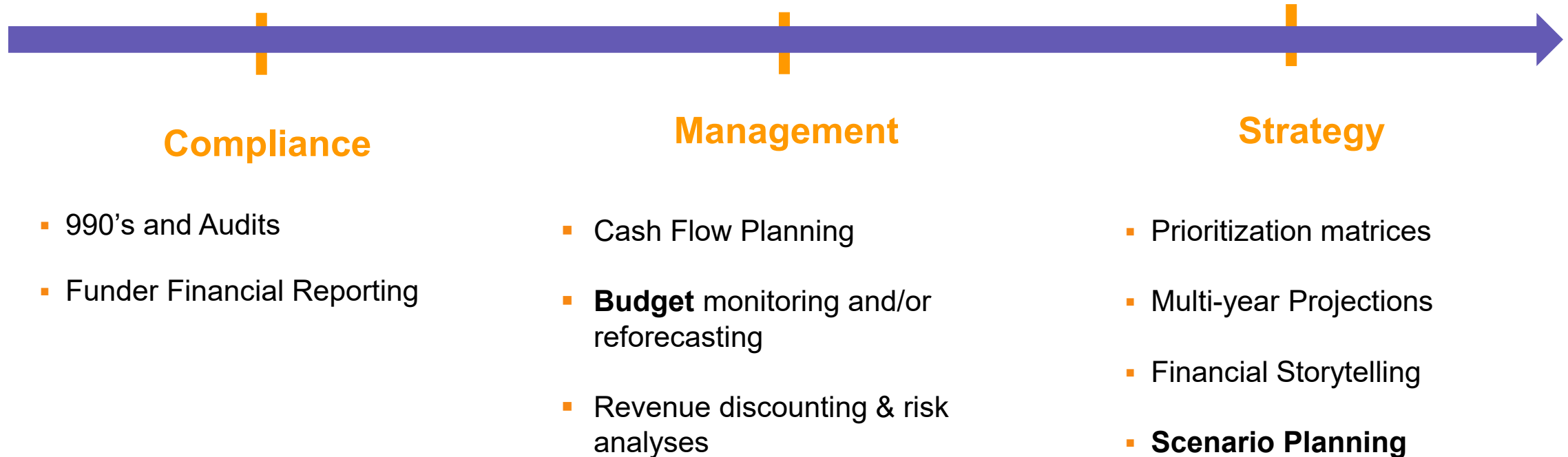
- **Flex your planning muscles**
 - Assess your current cash situation
 - Develop different budget scenarios
 - Prepare and share your financial story
- **Vocalize your needs, early and honestly**

Financial Planning Tools: Strategic Budgeting & Scenario Planning



Financial Planning Tools

Many tools can help you manage and plan through uncertainty



Different Planning Tools Answer Different Questions

- Different analyses/tactics help you make different kinds of decisions:

Your Question?	This Analysis Helps
<i>Do we have access to available cash on an ongoing basis? How can we prepare for the ebbs and flows of cash over the next 6 months? 12 months?</i>	Cash Flow Projection: A view of cash inflows and outflows over time to better predict and manage low points
<i>Are we able to adjust expenses to revenue changes (if needed)?</i>	Budget Projections and Re-Forecasting: Adjusting revenue and expense expectations to actuals
<i>How can we keep an eye on what's important?</i>	Management Dashboard: Tool to track and express progress toward stated goals
<i>How can we decide when faced with a fork in the road?</i>	Scenario Planning / Go/No-Go Analysis: Helps decisions by projecting alternate financial results
<i>Are our operations sustainable in the long-term?</i>	Business Model Analysis and Planning: Long-term changes to how we raise or use money to operate.

* For detail on these analyses, visit www.nff.org to learn about our webinars.

Budget: Helps Identify Risk and Opportunity

Budget

Revenue

Earned
Contributed
 Private Sources
 Government

Revenue Dynamics

- How does your organization's generate or make money?
- What feels reliable or at risk? How does seasonality play a factor?

Expenses

Personnel
Professional Fees
Occupancy
Program Costs
Support
Other

Expense Dynamics

- How did the organization spend its money?
- What is predictable?
- How responsive can we be to changes? How prepared are we to make hard decisions?

Surplus / Deficit

Profitability & Savings

- How were costs covered?
- What surplus was available?

Budget: Helps Identify Risk and Opportunity

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Revenue

- Earned
- Contributed
 - Private Sources
 - Government

Expenses

- Personnel
- Professional Fees
- Occupancy
- Program Costs
- Support
- Other

Surplus / Deficit

The Strategic Budget:

1. Articulates your assumptions
2. Identifies your key risks or potential swings
3. Clarifies what you do and do not have control over

A Strategic Budget: Helps to Manage Risk

Use Conservative Assumptions

- For expense projections, this means “more than planned”
 - Include contingencies
 - Numbers should reflect internal and external realities
 - Considers full cost needs that reflect strategic priorities
- For revenue projections, this means “less than planned”
 - **Discount your revenue projections appropriately**
 - Evaluate stability of donor relationships
 - Be clear about your revenue shortfalls
 - Have a plan of action for “To Be Raised” numbers

Discounting Revenue: Discount Method

Example: ABC Organization

Source	Status	Probability	Amount	Discount
Government Agency	Contract signed, will be paid via reimbursement	100%	\$25,000	\$25,000
Reliable Foundation	Strong alignment, has been reliable in the past, no major concerns	90%	\$20,000	\$18,000
Sometimes Major Donor	Strong alignment, has supported on and off, interested in renewing, hasn't given a timeline	60%	\$1,000	\$600
New Corporation	Engaged, in the learning process, final scope TBD	25%	\$5,000	\$1,250
Prospects	Researching and contacting potential donors	10%	\$5,000	\$500
TOTAL			\$56,000	\$45,350

A Strategic Budget: Supports Adaptive Leadership and Decision Making

Clarifies performance & Highlights Areas that Require Attention/Action

Illustrates ‘What happened?’ and ‘Why?’

- Shows variance between actual performance against projected budget numbers
 - Tracks year-to-date performance
 - Excludes restricted portions of revenue (grants restricted for future purpose or future years, e.g. multi-year grants)
 - Includes notes and states assumptions
- Budget data supports ‘real time’ decision making and change
 - In light of performance wind falls, short falls, or unexpected events, what can leadership do?
 - Given what we know, how can we adjust today? What can we do to adjust tomorrow?

Budget Reforecasting to Track and Manage Changes

	FY 22 BUDGET	FY 22 Q3 YTD ACTUALS	FY 22 RE- FORECASTED BUDGET	Notes
Revenue				
<i>Earned</i>				
Admissions	20,000	5,000	10,000	
Tuition and workshop fees	30,000	25,000	35,000	
<i>Contributed</i>				
Foundations	175,000	100,000	125,000	\$200k grant: \$100k in '21, \$100k in '22
Total Revenue	225,000	130,000	170,000	-
Expenses				
Personnel	100,000	70,000	105,000	
Consultant fees	30,000	-	30,000	
Travel	7,000	4,000	4,000	
Occupancy	40,000	30,000	40,000	
Total Expenses	177,000	104,000	179,000	-
Surplus (Deficit)	48,000	26,000	(9,000)	-

A Sample Budget Template is Available at:

<https://nff.org/sites/default/files/paragraphs/file/download/NFF%20Basic%20Budgeting%20Tool.xls>

Organization name									Last updated:
FY 2018									
Fiscal year end: Dec 31	Actual	Forecast or Actual	Reforecast	Budget Without Restrictions	Budget With Restrictions	Budget Total	Variance Total	Variance Without Restrictions	
	FY 2016	FY 2017	FY2018	FY 2018	FY 2018	FY 2018			Notes
Revenue									
Total earned revenue	-	-	-	-	-	-	-	-	
Total contributed revenue	-	-	-	-	-	-	-	-	
Total Revenue	-	-	-	-	-	-	-	-	
Expenses									
Subtotal salaries	-	-	-	-	-	-	-	-	
Subtotal benefits	-	-	-	-	-	-	-	-	
Total personnel	-	-	-	-	-	-	-	-	

Additional Information on Budgeting:

Pre-Recorded Webinars:

<https://nff.org/webinar-budgeting-basics>

<https://nff.org/webinar-strategic-budgeting>

Seven-Part Blog Series:

<https://nff.org/blog/making-your-budget-backbone-your-nonprofit>

What is Scenario Planning?

Playing out the “what if” of different choices or events so you can prepare for them.

Scenario planning is the process of visualizing & analyzing:

1. What **future** conditions are probable (the “what if’s”)
2. What the **impact** would be
3. How to prepare & **respond** to them

Scenario planning is appropriate for anyone in the organization



When Should You Do Scenario Planning?



If you don't have clearly defined scenarios, scenario planning becomes more difficult

- You're faced with a "fork in the road"
- You need more data to make an informed decision about a "what if"
- A "what if" has a significant impact and/or likelihood to occur
- You are faced with multiple disparate possibilities that you need to prepare for and/or make a choice between these possibilities

How to Enter Into Scenario Planning

YES!



Not yet!

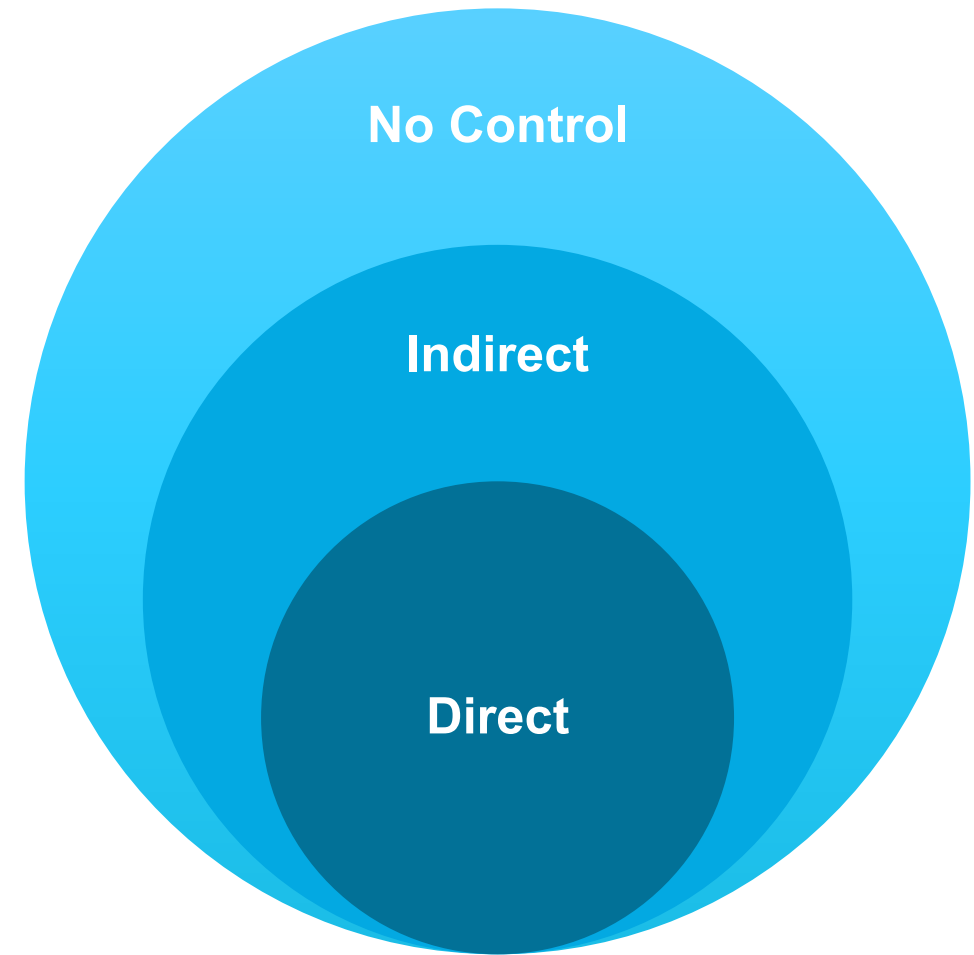


Scenario planning can be more art than science: translating abstract possibilities into concrete decision-making

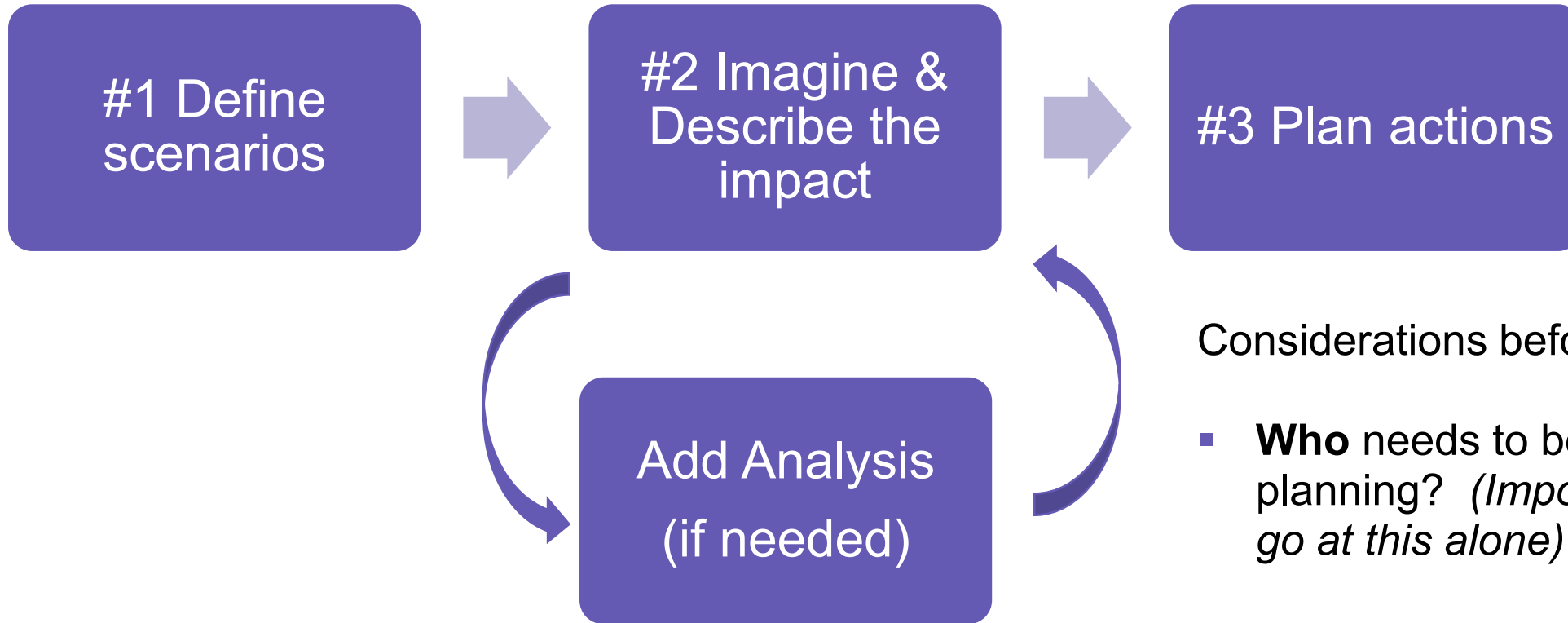
What to Prioritize for Scenario Planning

Focusing Amidst *Multiple* Uncertainties

- Where do we have some degree of control?
- What is driving our need to make decisions?



How: Scenario Planning Process



Considerations before starting:

- **Who** needs to be part of this planning? (*Important: don't go at this alone*)
- What is the **end goal**?
 - Do you need to make a decision, or get prepared for possible action, or something else?

Step 1: Define Your Scenarios

What key questions are emerging? What decisions are presenting? What do you need to prepare for?

Go/No-Go: A single strategic decision

“The contract that funds one of our key programs was canceled. What should we do - cancel or keep our program?”

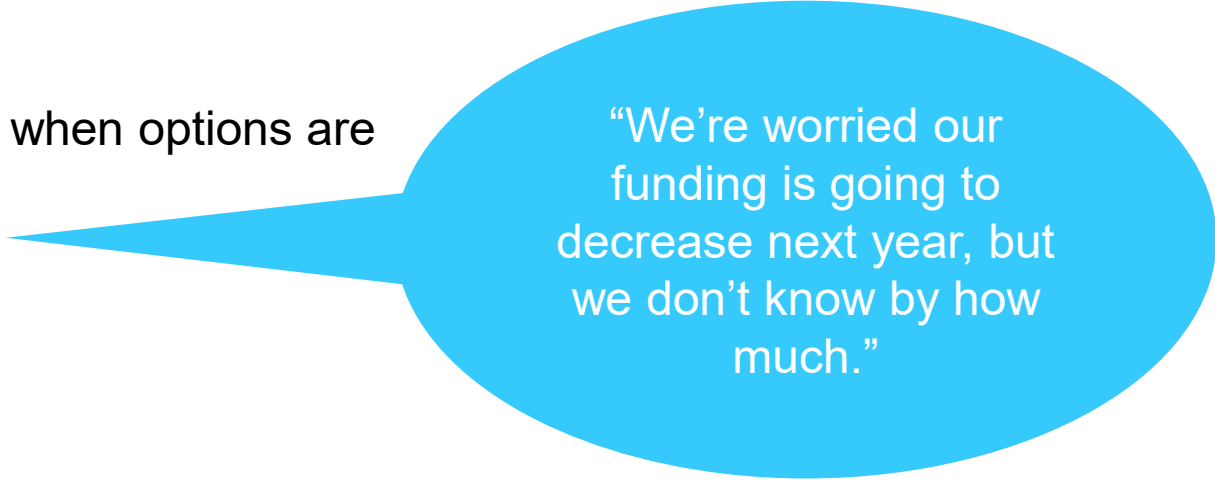
“We need to hire an assistant or another teacher or contract out. Contracting out might be cheapest, but an in-house teacher is more flexible, and an assistant would free up my time to teach.”

A vs B vs C: Multiple strategic choices

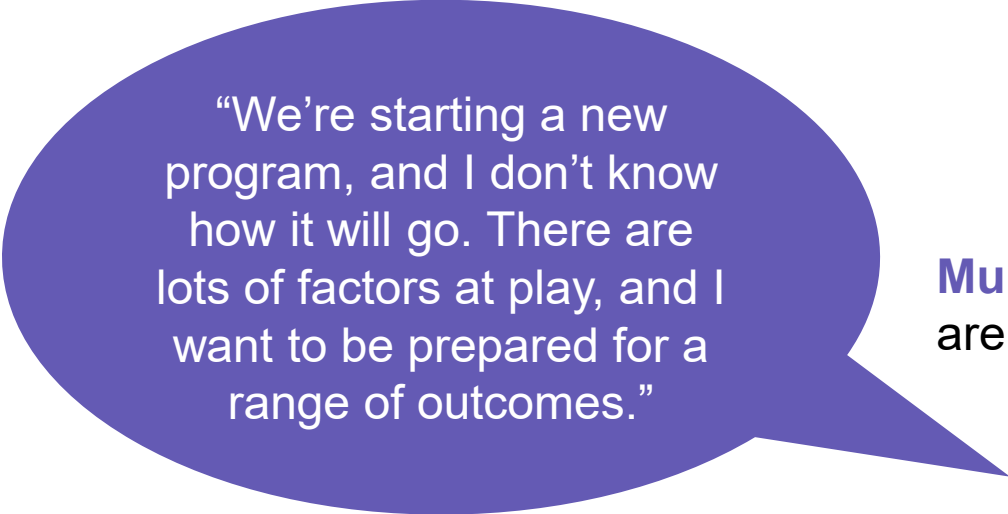
Step 1: Define Your Scenarios (continued)

What key questions are emerging? What decisions are presenting? What do you need to prepare for?

Best/Worst Case: A range of possibilities when options are less clear or on a spectrum



“We’re worried our funding is going to decrease next year, but we don’t know by how much.”



“We’re starting a new program, and I don’t know how it will go. There are lots of factors at play, and I want to be prepared for a range of outcomes.”

Multi-Variable: When multiple choices and/or issues are independent but affect each other

Scenarios may be **combinations** of these, too!

Define the Levers of Control in Each Scenarios

- External forces

- External environment is creating situations we need to be prepared for
- Our planned road *might* be closed ahead, they might reroute us this way or that way

“We’re worried our funding is going to decrease by a lot or a little.”

- Internal choice triggered by external forces

- This circumstance is happening and we have agency in how we respond
- Road *is* closed ahead, so should we take the detour or go somewhere else?

“Our government contract was canceled. What should we do - cancel or keep our program?”

- Internal factors only

- We have options to explore and control most of the factors
- Which route should we take to get to our goals?

“We can hire an assistant or a fully certified employee or contract out.”

Pair Share: What are current “what-if’s” for you?

Find a partner to discuss:

- What are the most pressing “what-if’s” facing your organization today
- What are you trying to understand and why?
- What level of control?

Share out:

What came up as you started this?
What was easy or hard about it?



Step 2: Imagine & Describe the Impacts

No spreadsheets yet.

Talk through each scenario and estimate high-level financial impact:

- What happens to revenue/expenses?
- What are your non-negotiables within each scenario?
- Are there values, activities, programs, or priorities that you will keep “no matter what”?

This may give you enough information to make a decision. But if not, then proceed and add additional analysis.

Develop a narrative of what could happen in each scenario



Back-of-the-envelope Analysis through Conversation

Imagine you're there and talk it through. How do programs change? Revenue & expenses?

Example: You lost funding for a key program. Do you **keep the program or end it?**

Choice A: Keep Program Open	Choice B: End Program
Resources* go to program. Org provides subsidy revenue. Community is served.	Lose some grants. Other resources go to rest of org. Let go of staff. Refer out to partners.

*Resources = staff time, mental energy, money, focus

Example: You lost funding and have **multiple options** for responding.

Option 1: No change, have a large deficit	Option 2: Reduce program, minimize deficit w/o closing	Option 3: Close program

Even High-Level Analysis Can Inform Decision-Making

Sometimes back-of-the-envelope analysis is enough to help you make decisions and explore important questions.

	Pursue new revenue stream	Don't pursue new revenue
10% Funding Cuts	Resources* go to new effort. New hire and/or training. Org provides initial investment while revenue ramps up.	Resources go to bolster existing revenue streams. Miss out on building stable \$\$\$
40% Funding Cuts	Resources go to new effort. Training. Org does not have enough resources to provide initial investment while revenue ramps up. New funding stream fails?	Resources go to bolster proven revenue streams and shore up gaps.

*Resources = staff time, mental energy, money, focus

If needed: Add Details about Programmatic and Financial Impacts

Talk through what will happen to programs, staff, revenues, and expenses under each scenario.

BUDGET

Operating Revenue

Earned

Contributed

Operating Expenses

Personnel

Contractors & Professional Fees

Occupancy

Support & Program Expenses

Operating Surplus / Deficit



Revenue Dynamics:

- What might shift in gov't support and contracts?
- How might private funding shift?
- How are shifting markets affecting earned revenue?



Expense Dynamics:

- Increased or decreased demand?
- Any expenses contingent on funding that's now uncertain?
- New partnerships or funding opportunities that require staff time and financial resources?

Workshop it: Imagine Your Scenarios

Outline the implications of your scenarios.

Under each scenario, what might happen to:

- Programs & staff
- Revenues
- Expenses

Share out:

What came up as you started this?

What was easy or hard about it?



Step 3: Plan Your Response

If you need to prepare for each possibility, draft an action plan for each scenario:

- Articulate your **non-negotiables**: What do you want to keep ‘no matter what’? What can’t change? Each scenario can have its own non-negotiables
- Keep it simple: It’s most important to identify what action needs to happen and when
 - Eg: if X% of revenue doesn’t arrive by Y date, then we’re in Scenario B and need to cut Z% of expenses.
 - Eg: if we don’t get this grant by December 1, then we are in Scenario C and will need to reduce consultant expense by X%.
- Be clear about your **assumptions & questions**
- Articulate risk and **risk tolerance**



Identify Your Financial Levers

What control do you have over budget & balance sheet?

More
Immediate



Takes
Longer

Budget Levers

Expenses:

What is within your control?
What is easier or harder to change? What must be kept to support program commitments?

Revenue:

Can any revenue streams be increased?
Any opportunities for responsive funding from donors or philanthropy?
Advance funding earlier?

Profitability:

What is your goal?
Can you absorb a deficit? How much?

Balance Sheet Levers

Cash & Reserves: (if available)

When should you access reserves?
Are they Board Designated?

Cash Flow:

What is the timing of your cash?
Is a line of credit an option?
Can you renegotiate vendor payments?

Capital Expenditures:

Can you delay any facility projects, vehicle investments, or equipment purchases?

Add Numbers to Your Narrative Analysis that Map Your Response

For high risk or high impact scenarios, add financial analysis

Start with your budget – remember, that's a scenario itself!

FY 2025 Budget Jan - Dec 2025	FY25 Budget*	SCENARIO A		SCENARIO B	
		40% cuts in grant income; Program stays		Add'l cuts to contributed income; Program closes	
Revenue			Notes & assumptions		Notes & assumptions
<i>Earned Income</i>					
Ticket Income	1,750,000	1,400,000	Some losses from economic instability	1,400,000	Some losses from economic instability
Rental Income	60,000	48,000	Some losses from economic instability	48,000	Some losses from economic instability
<i>Contributed Income</i>					
Individual Donations	350,000	297,500	Donors drop by 15%	262,500	Donors backing away significantly - 25%
Foundation Grants	875,000	525,000	40% loss in all grants	525,000	40% loss in all grants
Total Revenue	3,035,000	2,270,500		2,235,500	
Expenses					
Personnel	1,115,000	1,003,500	Cut some staff, minor restructuring	780,500	Cut program staff & others
Contract Staff	860,000	817,000	Reduce contracts	688,000	Reduce contracts more significantly
Programs & Supplies	905,000	859,750	Minor cuts possible	724,000	Cut those program costs
Occupancy	45,000	45,000		33,750	Can let go of some program space
Admin & General	105,000	84,000	Tighten the belt	63,000	Larger reduction
Total Expenses	3,030,000	2,809,250		2,289,250	
Surplus (Deficit)	5,000	(538,750)		(53,750)	

Tip:

Clearly articulate your assumptions and open questions

Consider Key Priority Areas

Considerations & key questions (a non-exhaustive list)

Mission Impact	Does this contribute to the impact we seek and advance our mission?
Equity Impact	Does this enhance equity in our organization, clients, and communities?
Degree of Control	To what extent can we influence the outcome without reliance on external factors?
Capacity Requirements	Do we have the know-how & staff needed? Who could lead this? Do we need to invest in infrastructure, staff, or systems? What external partners would we need?
Time Horizon	How urgent is this? How long will it take? When should we start?
Risks	Are there known risks that might hinder us from achieving the outcomes? Additional data needed to mitigate risk?
Financial Impact	What one-time & ongoing expenses would be impacted? Any opportunity costs? What revenues might be impacted? Net contribution to the bottom line?

Prioritizing: Where to Focus

Considerations	Focus here first:
Mission Impact	High
Equity Impact	High
Degree of Control	Direct
Capacity Requirements	Easily met, unique
Time Horizon	Immediate/urgent
Risks	Low
Financial Impact	Large

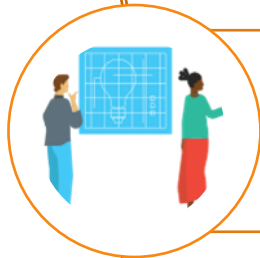
Prioritization will inevitably involve:

- **Trade-offs:** No action, opportunity, or strategy can be at the top for all these considerations, so ask your team:
 - What is most important to us?
- **Iteration:** When you get new information or begin selecting some options over others, you may need to revise certain considerations.

Recap: Learning Goals



Gain common language about what scenario planning is and isn't, and how it connects to budget process



Identify approaches for mitigating risk in the budget process



Walk through steps of developing scenario plan

Scenario Planning Tips & Reminders

- **Every part of the process is valuable.**
Conversation can be just as valuable as detailed modeling.
 - “Plans are useless, but planning is absolutely critical.” – NFF client
- **Don’t let perfect be the enemy of good.** Let good enough be good enough
- **Don’t do this alone** – bring in staff and board members early in the process to help plan.
- **Be open to iteration.**
- **Keep financial models as simple as possible.**



Additional Resources from NFF

Scenario Planning

- A [Scenario Planning Tool](#) (excel-based)

Video: How to Use the Budgeting Scenario Tool



- [Scenario Planning and other nonprofit financial management webinars](#)

Building Resilience in Uncertain Times

- A [collection of our most practical tools, guides, and webinars](#) for nonprofit leaders who want to prepare for uncertain times ahead.
- Blogpost “[How Nonprofit Leaders Can Navigate Financial Uncertainty](#)”

Thank You!

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Kristine Alvarez
kalvarez@nff.org

