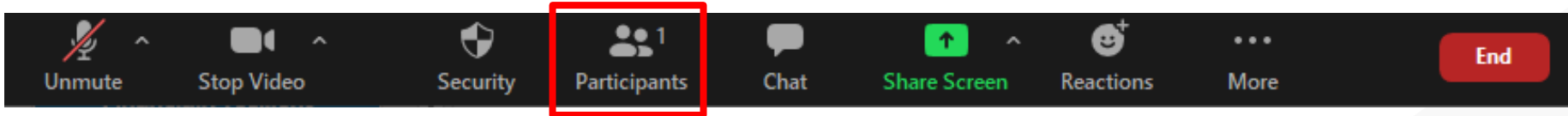


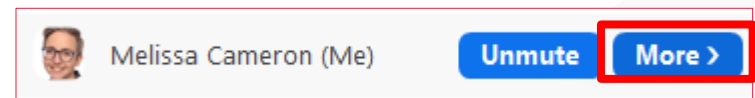
Welcome!

As you log in, please update your Zoom screen name with your first name, organization name, and your pronouns

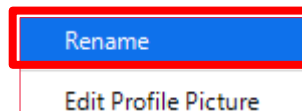
- Select Participants from the menu at the bottom of your screen



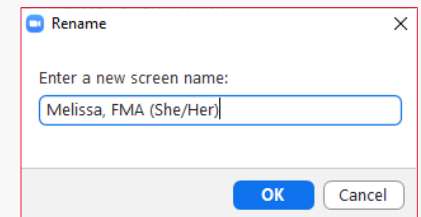
- Hover over your name and select “more”



- Select “Rename”



- Update with your first name, organization, and pronouns, then select “okay”





MULTI-YEAR FINANCIAL PLANNING

May 15, 2024

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Today's Team



GILLIAN GORRA

Senior Consultant, BDO

She/Her



BEBE HARDEN

Associate Consultant, BDO

She/Her

Meeting Norms: Participate Authentically



Respect each other - judge ideas, not people



Avoid multi-tasking



Be present & engaged



Be patient with tech



Expect confidentiality



Be prepared to use video

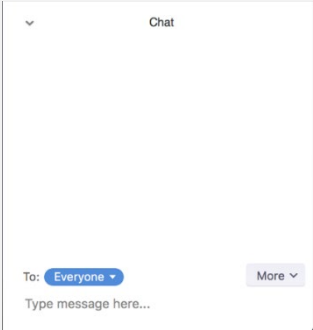
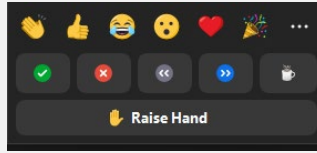
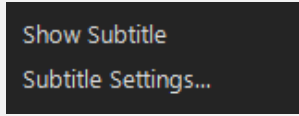


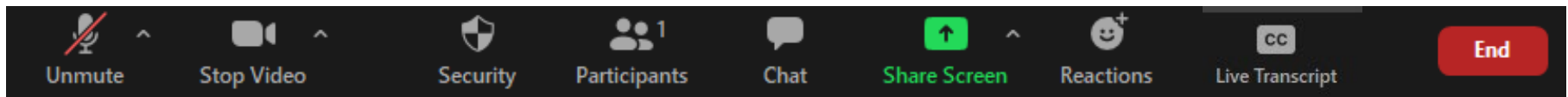
Expect active participation



Mute your microphone

Zoom Controls

Chat	Reactions	Closed Captioning
<p>1</p> <p>For questions and comments during the session, open the chat and send to everyone or a specific person</p> 	<p>2</p> <p>To react (clap/thumbs up) to something, click “Reactions” and select a reaction</p> 	<p>3</p> <p>To turn on close captioning, click “CC Live Transcript” Select hide or show subtitles as needed.</p> 



1

2

3



Today's Session

- ▶ Overview of Financial Planning
- ▶ Getting to Strategic Clarity
- ▶ Identify Key Drivers
- ▶ Run the Numbers
- ▶ Act, Monitor, Adapt
- ▶ Resources & Wrap Up

Financially Resilient Organizations



Stay focused on the
long-term

Continually assess
and respond to
current needs

Understand and are
able to tell their
financial story



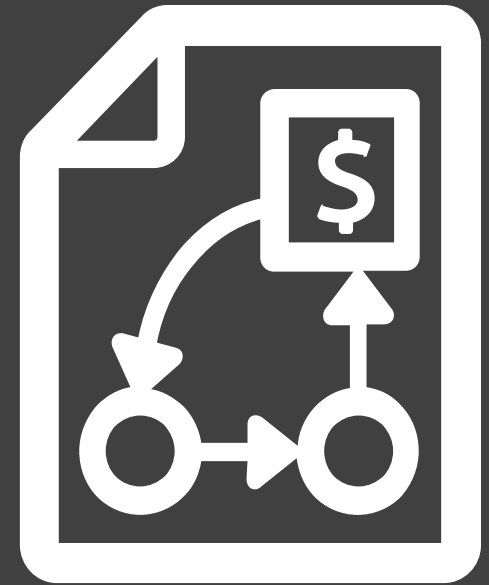
Financial Resilience



Poll: How have you used multi-year budgeting at your organization?

1	We have always had a multi-year budget
2	We have created multi-year budgets for specific things, like a strategic plan or capital project
3	We've considered multi-year budgeting but have not put it in place
4	Unsure/none of the above

Financial Planning





Financial Planning

A process to define how an organization's strategy will be funded.

Process:

- ▶ Inclusive and team-based
- ▶ Continuous and iterative
- ▶ Allows for recalibration and course correction
- ▶ Focused on the future but responsive to the present

Guiding principles include:

- ▶ Building organizational resilience
- ▶ Supporting diversity, equity & inclusion

Strategic & Financial Planning





Why Create Multi-year
Plans?

Multi-Year Financial Planning

Why Create Multi-year Plans?

- 1 Facilitates **the integration of operational and strategic** planning
- 2 Provides a forum to address significant **long-term issues**
- 3 Increases focus on long-term **financial sustainability**
- 4 Creates a space for planning around **multi-year grants**

A Budget Is...



An **OUTCOME** of the financial planning process

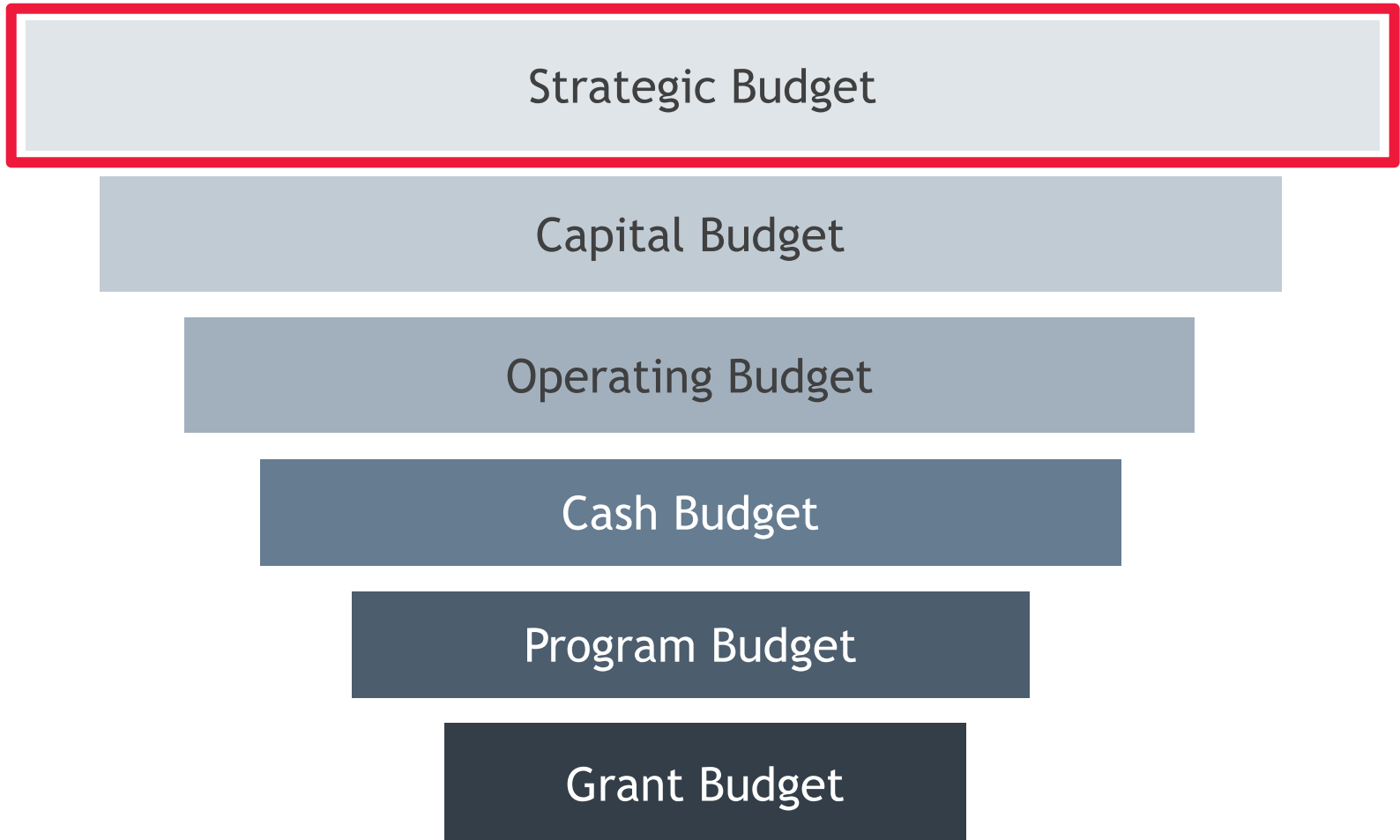


An **ACTION PLAN** stated in Dollar Terms



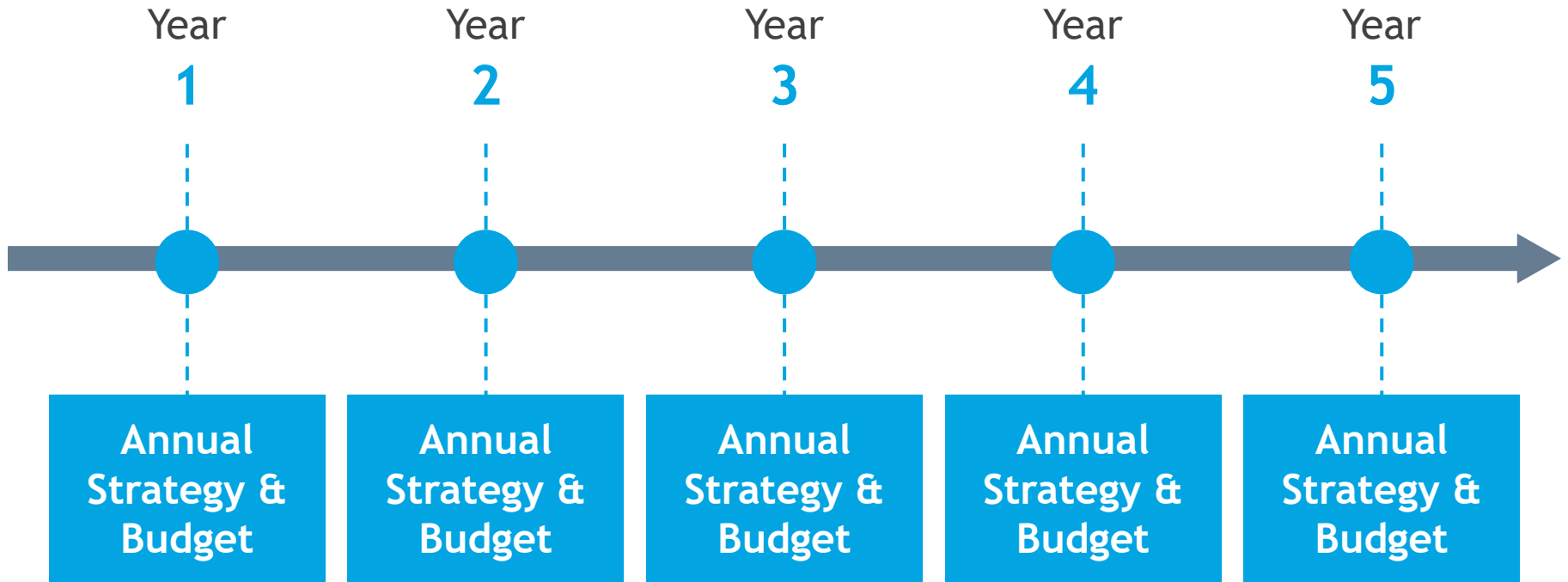
An **EXPRESSION** of an Organization's Values

Types of Budgets



Multi-Year Planning

5 Year Strategic Plan and Budget



Incorporate Multiple Scenarios

Elements of a Successful Approach



Setting a **common language**

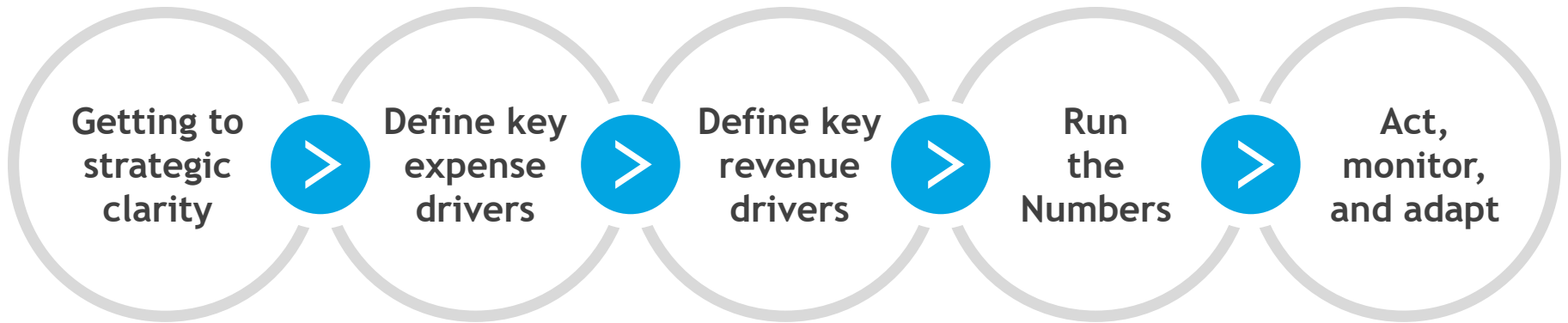


Ensuring a transparent and inclusive process



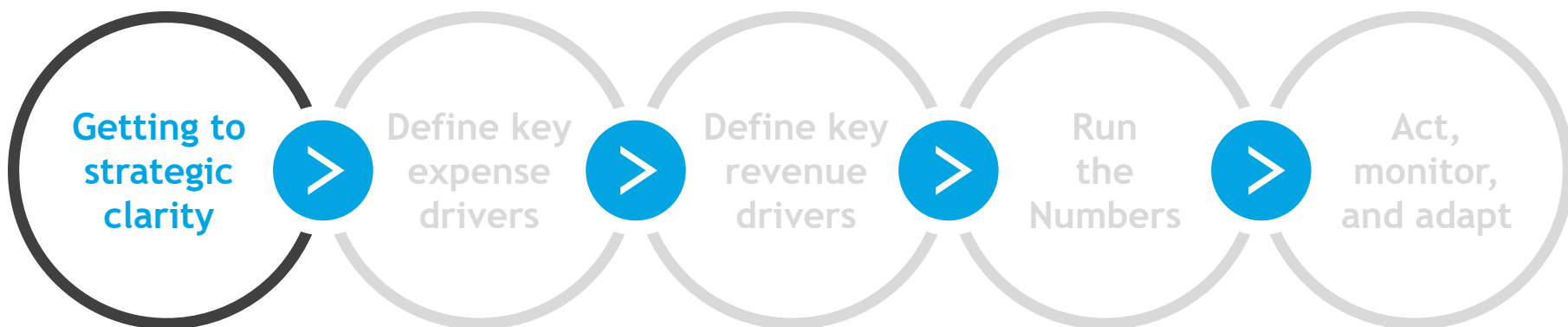
Using a **common criteria** through which to **filter** new opportunities

Multi-Year Planning Approach



Source: Adapted from “Scenario planning: Providing insight for impact,” © The Chartered Institute of Management Accountants, 2015

Multi-Year Planning Approach



Source: Adapted from “Scenario planning: Providing insight for impact,” © The Chartered Institute of Management Accountants, 2015

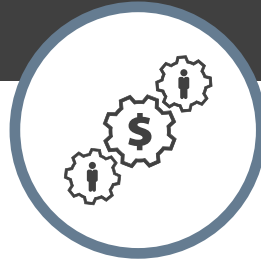
Getting to Strategic Clarity

Programmatic Considerations



- ▶ What is core to our mission?
- ▶ What is critical to our community?
- ▶ What do we do well?

Business Model Considerations



- ▶ What are the revenue drivers?
- ▶ What are the expense drivers?
- ▶ Is this model sustainable over time?

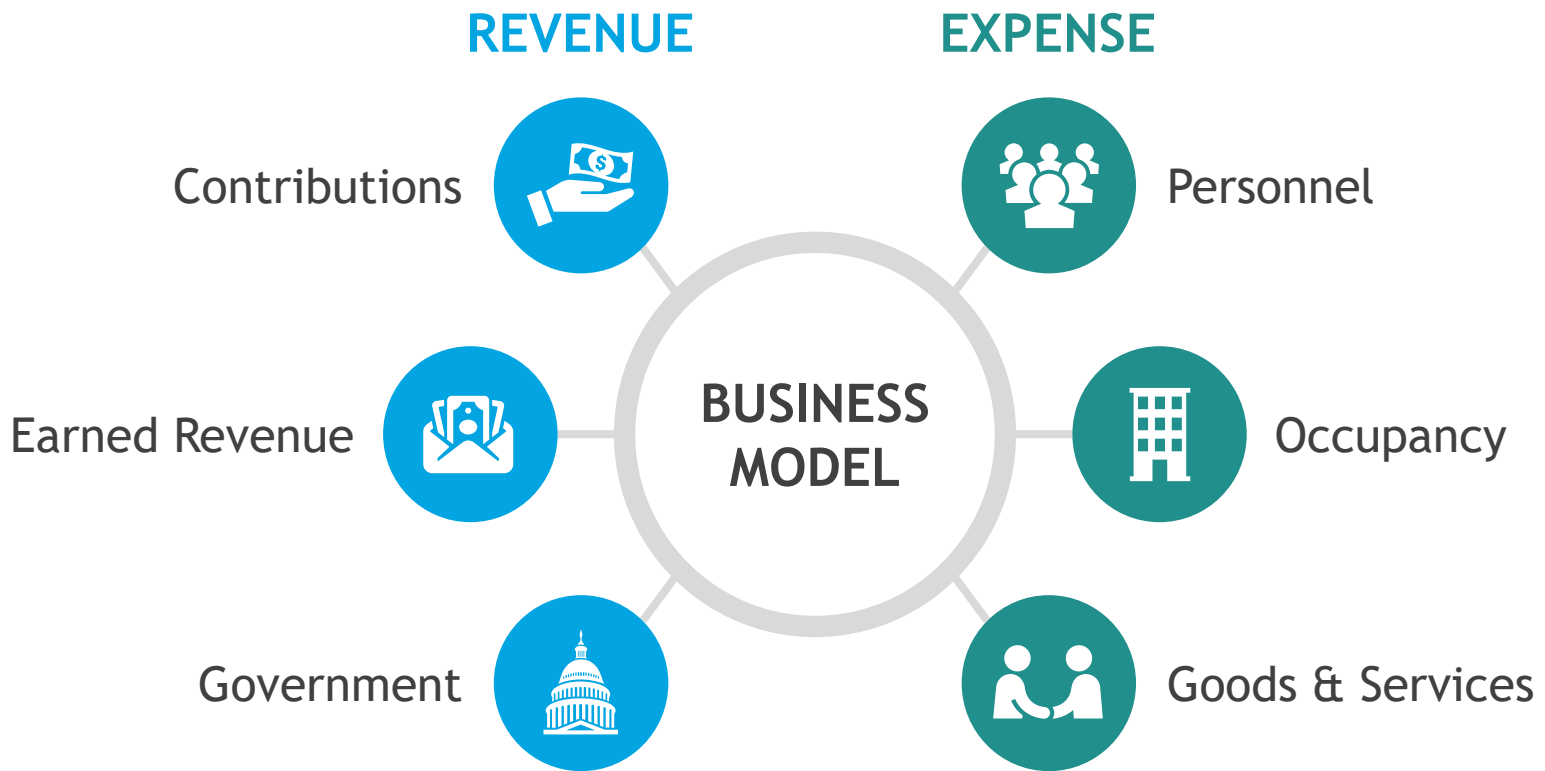
Strength of Balance Sheet



- ▶ Do we have sufficient reserves to withstand the unexpected?
- ▶ How liquid are those reserves?

Business Model

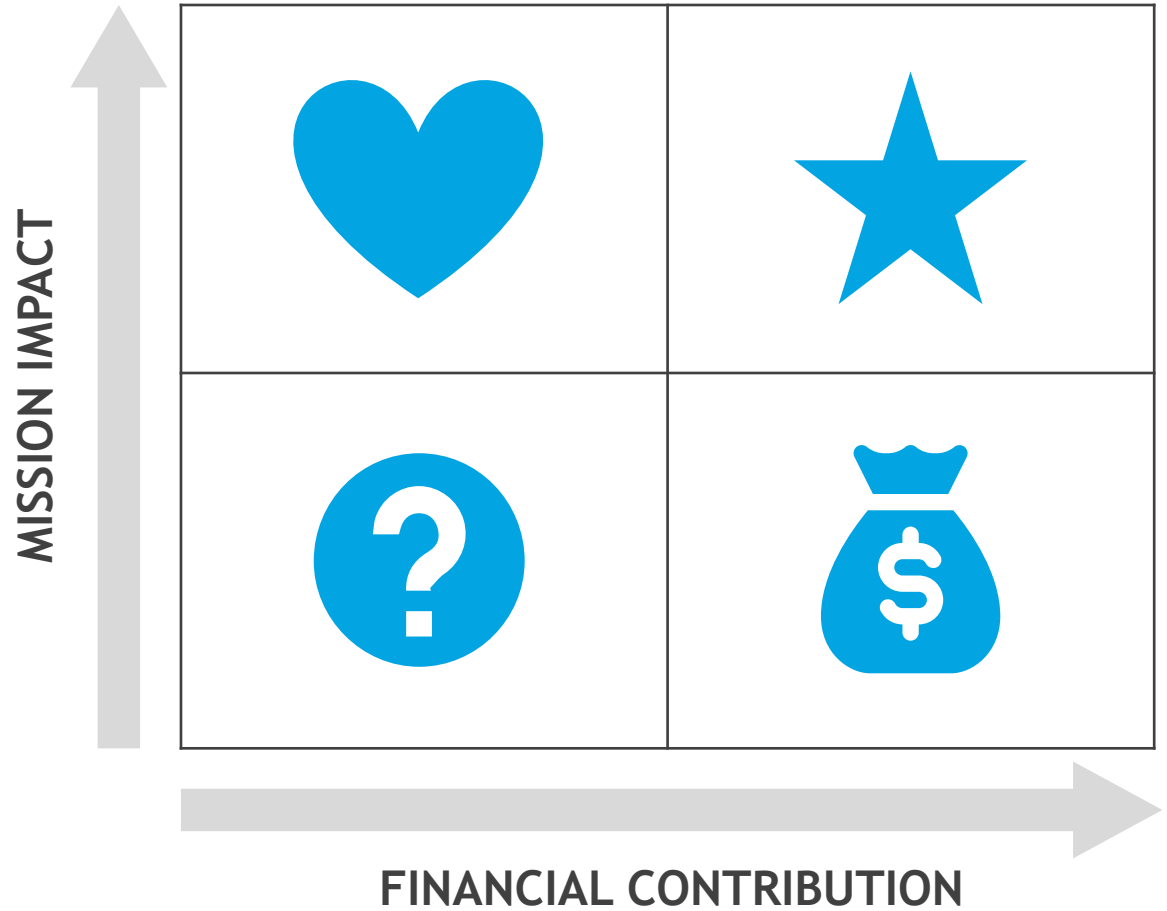
The rationale of how an organization creates, delivers, and funds its impact.



Sustainable Business Model



Mission Matrix



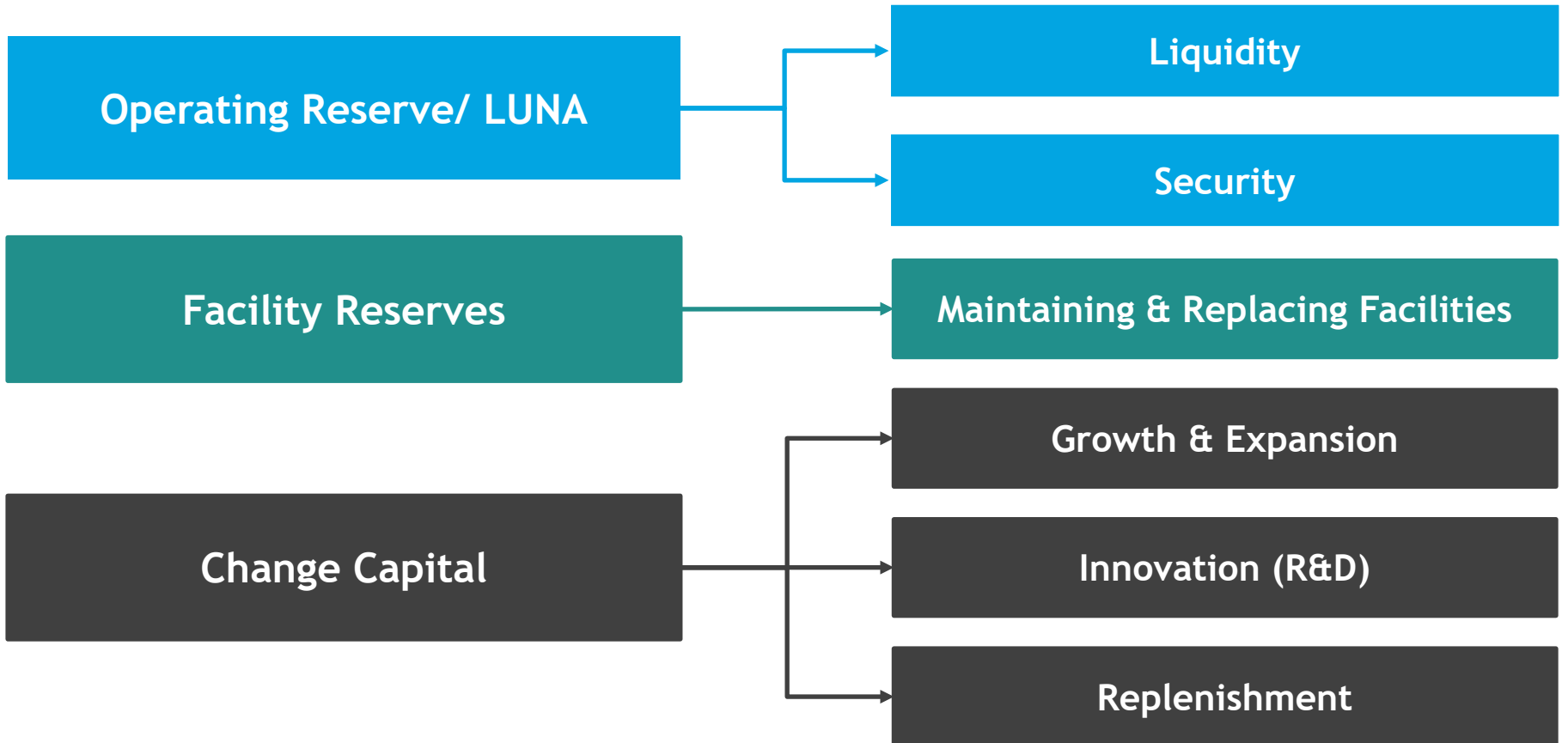
Adapted from "Double Bottom Line Matrix," Bell and Schaffer, *Financial Leadership for Nonprofit Executives*, 2005



Capital for Change & Security

TYPE OF CAPITAL

CAPITAL GOAL



Activity

STRATEGIC CLARITY DISCUSSION

Discuss the following questions:

- ▶ What core values would you like your organization to adopt when planning?
- ▶ What's an organizational opportunity (or risk) your organization is considering that could benefit from long-term financial planning?
- ▶ What are some external factors that may affect your long-term planning?



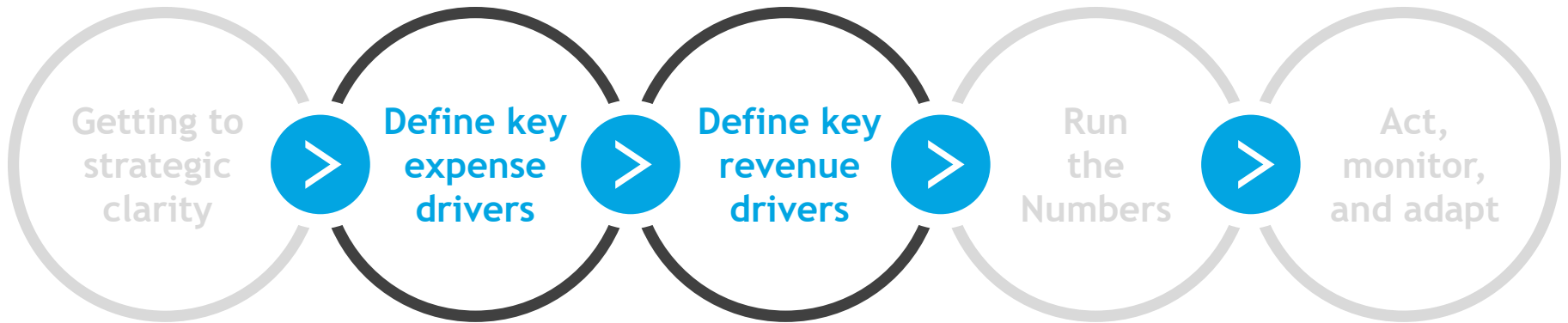
Thoughts & Questions





Break

Multi-Year Planning Approach



Source: Adapted from “Scenario planning: Providing insight for impact,” © The Chartered Institute of Management Accountants, 2015

Define Key Drivers



What are the key **expense** drivers?



What are the key **capital** drivers?



What are the key **revenue** drivers?

Define Key Drivers



What are key **expense** drivers?

What is the required **staffing level** to support the strategic plan?

Will additional **physical offices** be needed to deliver programs?

What **contracted services**, e.g., consultants, or **outsourcing of services** are required?

Are there additional **specific expenses** associated with **delivering the program**?

Define Key Drivers



What are key **capital** drivers?

What are the **capital needs** associated with your strategic plan?

Are there **one-time costs** necessary to get the strategic plan off the ground?

How much **working capital** will you need on an ongoing basis to support the plan?

Do you plan to develop **reserves** to mitigate risk and support sustainability?

Define Key Drivers



What are key **revenue** drivers?

Does the plan include activities that will **generate revenue to subsidize other programs?**

Does the plan depend upon **one source of funding?**

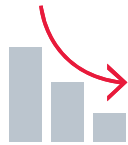
What are the assumptions around **revenue sources and contribution levels?**

What are the **risks** associated with the revenue projections?

Key Trends in the Nonprofit Sector



While **inflation** has cooled, the pressure to increase salaries and to “do more with less” persists



Pandemic relief funds are phasing out, leaving many organizations struggling to **recalibrate their business models**



Increased flow of **government funds** into communities

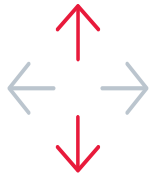
Key Trends in the Nonprofit Sector



High rates of staff turnover contributing to a **prolonged workforce shortage**



More nonprofit employees moving to **unionize**



Increased desire to **outsource** back-office functions or employ alternative models such as fiscal sponsorship

Staff Retention

What we've been seeing

▶ Salary adjustments

- COLA increases ranging from 3% - 5%
 - Can be structured so that lower paid staff get higher percentage increases
- One-time bonuses or salary adjustments
 - Flat amount across all staff to ensure equity
- Distinction between Cost of Living vs. Cost of Labor

▶ Other **employee benefits**

- Increases to PTO and addition of new benefits, more workplace flexibility
- Development of equitable compensation practices
- Updates to promotion policies
- Greater focus on training and mentorship

▶ **Operational efficiencies** as a means to reduce manual work and maximize employee experience

Strategies to Build a Resilient Organization

▶ Increasing revenue

- Asking funders to increase multi-year grant amounts to match inflation
- Building additional fundraising capacity
- Exploring new revenue streams (earned, corporate, government) and identifying new donors
- Securing flexible program funding

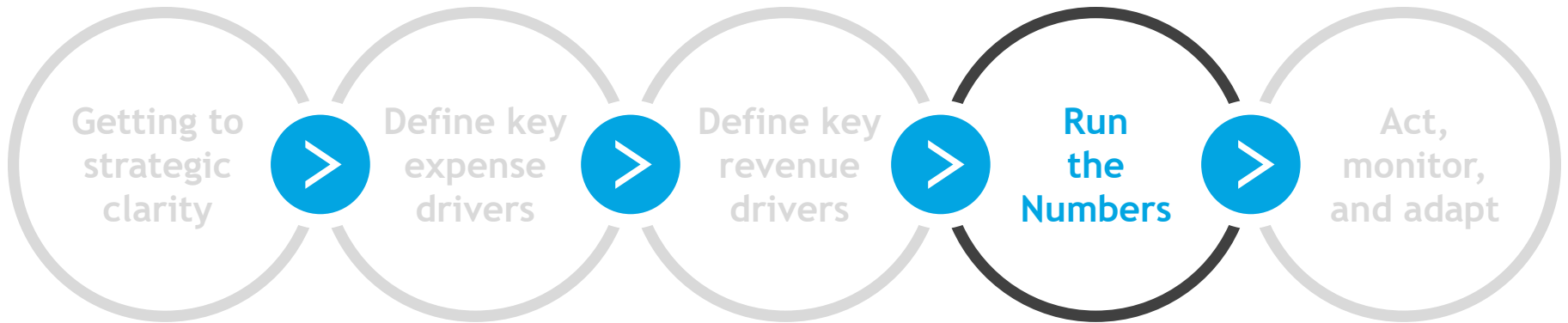
▶ Keeping costs down

- Pursuing operational efficiencies
- Renegotiating large leases and contracts
- Outsourcing key services

▶ Preparing for the future state

- Employing flexible planning tools
- Focusing on staff retention and morale
- Taking a strategic perspective on reserves

Multi-Year Planning Approach



Source: Adapted from “Scenario planning: Providing insight for impact,” © The Chartered Institute of Management Accountants, 2015

Collect the Data & Run the Numbers



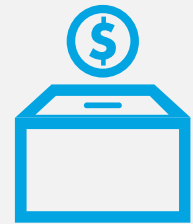
What are the current “financial baselines” for our organization?



What is the connection between our program goals and financial projections?



What are the general relationships between different types of costs?



What is the impact on our reserves and financial health?

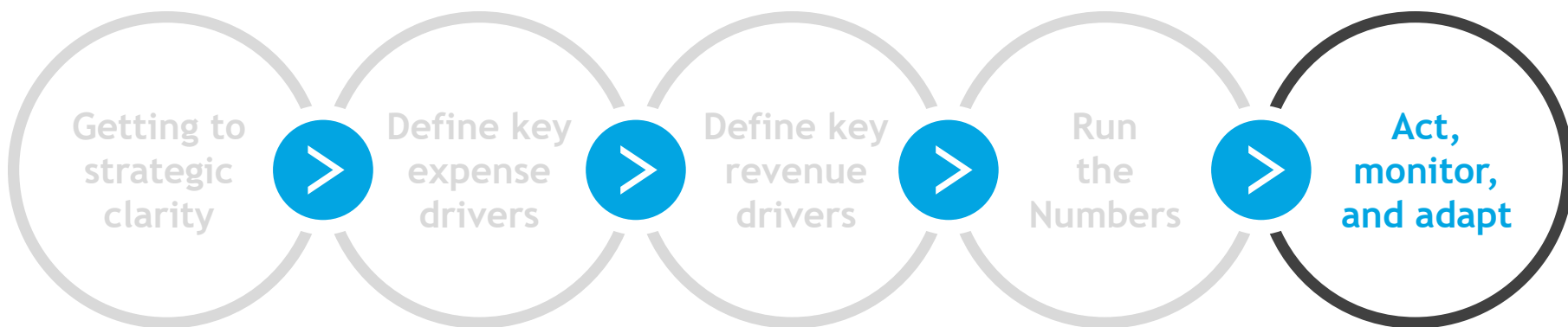
Model the Projections

Sample Financial Model

Five-Year Financial Model							
Overall Assumptions:							
Baseline FY	2019	2020	2021	2022	2023	2024	
Inflation Rate		2%	2%	2%	2%	2%	
Leadership Staff: Personnel Increase (COLA)		2%	2%	2%	2%	2%	
Senior Staff: Personnel Increase (COLA)		2%	2%	2%	2%	2%	
Mid-Level Staff: Personnel Increase (COLA)		2%	2%	2%	2%	2%	
Junior Staff: Personnel Increase (COLA)		2%	3%	4%	5%	6%	
Fringe Rate		30%	30%	30%	30%	30%	
	Baseline 2019	1 2020	2 2021	3 2022	4 2023	5 2024	TOTAL (Years 1-5)
REVENUES							
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES							
Program A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Surplus/(Deficit) from Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CAPITAL INVESTMENTS							
Total Capital Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures Including Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Resources Generated (Required) by Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Multi-Year Planning Approach

Revisit model over time to update assumptions as plans are implemented and monitored



Source: Adapted from “Scenario planning: Providing insight for impact,” © The Chartered Institute of Management Accountants, 2015

Define Pivot Points

If ... then ...



- ▶ What are the big variables?
 - Funding?
 - New staffing?
- ▶ In what timeframe did you anticipate making a decision?
- ▶ How will you monitor your contingency plans?

FOR EXAMPLE:

- ▶ If we do not receive our anticipated grant funding by May 1st, we'll pause the projected hire of a new program associate in June.
- ▶ If our programmatic revenue underperforms expectations in Q1, we'll cut communications expenses for the remainder of the year.

Monitoring Plan

- ▶ **Who** will regularly monitor the model and prompt adjustments?
- ▶ **How frequently** will monitoring occur (e.g., quarterly leadership team meeting)?
- ▶ **How will decisions be made** to adjust to other contingency plans or make modifications?
- ▶ **How will these changes be communicated** to internal and external stakeholders?



What's one action item you'll plan to take on after today's session to continue your multi-year planning process?

Answer in the chat





Resources & Wrap Up

Financial Management Resources

This library of free tools and resources was created in collaboration with the Wallace Foundation to help organizations become “fiscally fit.”



Resources

The Fiscal Cliff Has Arrived – and With It, Cuts, Layoffs, and Crisis. A Look at 2024’s Hunt for Revenue, Chronicle of Philanthropy, December 2023

www.philanthropy.com/article/the-fiscal-cliff-has-arrived-and-with-it-cuts-layoffs-and-crisis-a-look-at-2024s-hunt-for-revenue

6 Ways Nonprofits Can Take Action Amid Economic Uncertainty

www.nff.org/commentary/6-ways-nonprofits-can-take-action-amid-economic-uncertainty

2023 Nonprofit Workforce Survey Results, National Council on Nonprofits

www.councilofnonprofits.org/nonprofit-workforce-shortage-crisis

Tools for Equity in Financial Management, StrongNonprofits Toolkit (self-assessment and article)

<https://wallacefoundation.org/sites/default/files/2023-09/equity-in-financial-management-self-assessment.pdf>

2023 Nonprofit Standards Benchmarking Survey, BDO USA

www.bdo.com/insights/industries/nonprofit-education/2023-nonprofit-standards-benchmarking-survey



About BDO USA

At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C, a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

www.bdo.com

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2023 BDO USA, P.C. All rights reserved.

