

Financial Management – COVID-19

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There was a great article out this morning from the Ontario Nonprofit Network called Nonprofits on the Front Lines of COVID-19.

<https://theonn.ca/nonprofits-on-the-front-lines-of-covid-19/>

“While the attention of nonprofit organizations will be on immediate concerns

- *keeping our programs and services going,*
- *supporting our staff and/or volunteers and*
- *keeping up-to-date with current information*

there will be additional stress because of how our sector is funded.

Some funding agreements stipulate outcomes for the number of participants and these might not be met during a health crisis.

Other funding sources nonprofits count on, like sponsorships and donations, may be at risk if programs or fundraising events are cancelled or postponed, or if the stock market continues to wreak havoc on investments.

There are serious implications for nonprofits and charities if governmental and nongovernmental funders and donors back off during this time or reinforce expectations for outcomes or outputs which will not be manageable or even possible.

We call on funders, grantmakers, and sponsors to be flexible, supportive and communicate clearly with the organizations they support.

If you’re part of this vital sector support: Ask organizations how they are doing, what you can do to support them, what impact this is having on their work and their financial bottom line. Be as creative as you can in your solutions and walk alongside them so we can learn together...”

Their messaging was directed at funders and what they can do to assist the sector during these challenging times. They also had some great suggestions on business continuity planning and employment issues – I encourage you to read the article.

As a non-profit or charity, there are some of the things you can do to prepare your organization financially for the next three to six months.

1. Review and update your operating plan

Review your operating plan or operations for the next six months and consider any changes that will be required do to the current situation – these can result in changes to revenues and expenses

2. Review and update your funding strategies and revenue budgets

Review your funding strategies and revenue budgets for the next six months in light of likely changes to your operations and possible funding risks and shortfalls

- a. Will you lose revenue due to cancelled events?
- b. Will you lose contract revenues because of difficulties meeting outcome or output targets?

3. Review your budgeted expenses

Review budgeted expenses to see if there are

- a. any significant increases due to changing circumstances (extra requirements for staff to work at home, new safety precautions for staff, volunteers, or the communities you serve)
- b. Any discretionary expenses that you can forego or defer or re-purpose

4. Review funding contracts and communicate with funders and donors.

- a. Ask funders with grants or service contracts to allow you to reduce or remove restrictions on some of their funding
- b. Consider engaging your donor community for specific asks to address immediate needs and opportunities that have resulted from the crisis.

5. Consider using some of your “rainy-day funds”

Review your strategic operating reserves (if you have them). If you’ve been lucky enough to have put aside some funds for a rainy day, now might be the rainy day to use them.

6. Look for new sources of funding related to the crisis

Some funders are quickly responding to new needs related to the pandemic. Community foundations, municipalities, provinces, the federal government are all stepping up to figure out what kind of supports individuals and organizations will need and making new funding available to meet the new needs.

7. Re-cast your operating budget and cash flow projection

Re-cast your operating budget and cash flow for the next 3-6 months. Identify any shortfalls and suggest budget revisions to your board.

Some organizations are going to get hit harder than others. For some the required changes may be relatively minor. Some may have to suspend operations or ultimately shut their doors.

I think the keys are

- understanding your new reality
- having real, transparent conversations with your funders and donors
- Responding quickly to re-cast your budget and update your cash flow projections to account for required changes

I hope everyone stays safe.

I’m happy to take phone calls on a no-charge basis to anyone on this call if anyone has any questions that they think I might be able to help with. I don’t have all the answers, but I’m happy to help if I can.