



Non-Profit Financial Planning in Uncertain Times

**How Scenario Planning can
Help Financial Performance.**

Hello...

WHAT



We build better NGOs



We help them to be funded better

WHERE



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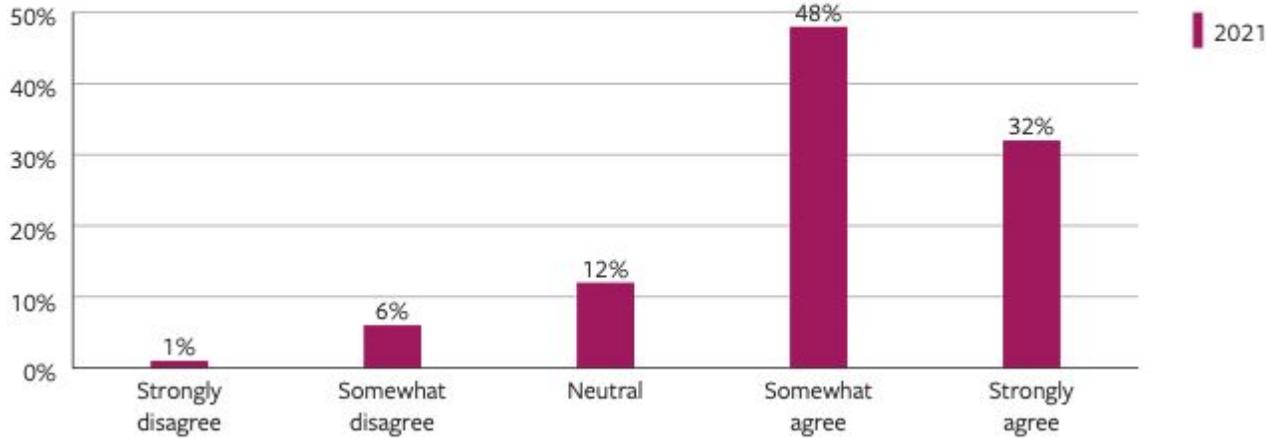
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Talking points

- Financial Planning Top-Tips
- Why shall we even plan financial scenarios when everything is so uncertain?
- How do I create a “good-enough” financial scenario?
- What answers should my financial scenario give me at the very least?

Uncertain Times

The external operating environment within which my organization operates is significantly changing.



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1. The Donor Landscape is at best changeable and at worst disrupted.
2. Over-reliance on institutional donors is no longer viable.
3. Donors change policies rapidly and many are reducing grants.
4. Increased competition from social enterprises, other NGOs and corporates.
5. COVID 19, climate change and other global challenges disrupt our traditional programming.

Financial Planning - Top Tips

Scenario Planning - It is the “what if” planning that can lead to preparedness in uncertain times.

1. **Get On Top of the Numbers** - Budgets and Trends - The first step to better management is understanding the numbers, identifying trends and refreshing yourself with the policies and procedures.
2. **Review and Manage Expenses** - Expenses, like the profit and loss are often overlooked. Financial planning in uncertain times is often about prudence. A critical eye over the expenses can help reduce organisational costs.
3. **Create and Use a Daily/Weekly Cash Flow Statement** - In times of uncertainty, cash is king. A cash flow statement can help you understand the timing of your incomes and expenditures. Understanding the flow of funds clearly can help plan for the future.
4. **Analyse and Plan** - Analyse your data and plan using scenarios!

Why Scenario Plan?

Reduce Risk

Scenario planning determines possible courses of action to take so organisations can reduce risk and maximize its potential

Supports decision making

They create a range of possible outcomes which can be used by management to drive decision making.

Create a baseline

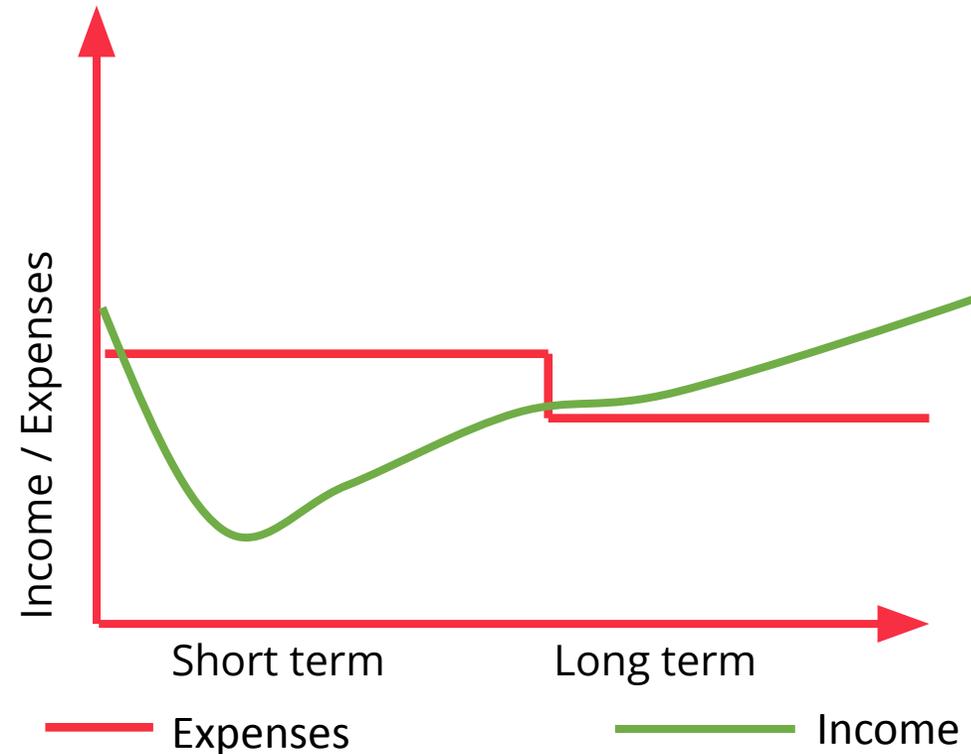
Despite the uncertainty when done well they give a sense of certainty greater than without one. A baseline to work from.

Always helps

Although driven by the pandemic, they are generally good practice for future planning.

How to do it - Income is variable, expenses not always!

- Understand in detail what is considered changeable for your scenario plan.
- Donor funded and other income is more variable than costs.
- Many expenses are stepped, meaning they are constant in the short term
- **This makes scenario planning even more important.** It enables us to forecast the financial impact of a reduced income under different scenarios.



How to do it? – Example

Country X has four programmes in a range of fields each with different donors.

Each programme manager worked with us to develop individual outcomes based on the organisations core scenarios.

Country X	Budget Total	Programme Spend	ICR (Roughly 12%)
Budget	\$8,000,000	\$7,142,000	\$858,000
Prog 1	Scenario 1	Scenario 2	Scenario 3
\$6,500,000	\$5,800,000	\$5,000,000	\$4,700,000
Prog 2			
\$750,000	\$750,000	\$750,000	\$690,000
Prog 3			
\$550,000	\$450,000	\$400,000	\$350,000
Prog 4			
\$200,000	\$170,000	\$150,000	\$130,000
Totals			
\$8,000,000	\$7,170,000	\$6,300,000	\$5,870,000
ICR Totals			
\$858,000	\$769,000	\$675,000	\$628,000
ICR Reduction			
	\$89,000	\$183,000	\$230,000

Impact on organisational core?

- Many of our clients have not understood the impact of programmatic spending reductions is on their HQ or head office budgets.
- The income changes impacted the HQ Revenue and Expenditure position making drawings on unrestricted reserves more likely.
- The organisational core structure is at greater risk than the programme offices.

Example 3: Affect on HQ Surplus/Deficit

	Budget	S1	S2	S3
HQ Budgeted Revenue	\$5,500,000	\$5,180,000	\$4,700,000	\$4,300,000
HQ Budgeted Expenditure	\$5,200,000	\$5,000,000	\$4,800,000	\$4,600,000
Surplus/Deficit	\$300,000	\$180,000	-\$100,000	-\$300,000

How to do it? – step by step

1. Send a template out to all country offices to complete
2. Focus on INCOME first.
 - How much of the grants can reasonably be implemented?
 - What is the impact on fundraising?
 - What can we agree with donors
3. Delay and reduce variable expenses.
4. Forecast fixed expenditure and establish when these can be reduced
5. Forecast the impact of the above in scenarios on your budget.

Example 2: Organisation Wide Programmatic Spending

Programmes		Reduction in ICR	
Budget	\$29,000,000		
Budget ICR	\$3,000,000		
Scenario 1 - Best Total	\$27,000,000		
Scenario 1 ICR	\$2,680,000	\$320,000	-10%
Scenario 2 - Mid Total	\$24,400,000		
Scenario 2 ICR	\$2,200,000	\$800,000	-26%
Scenario 3 - Worst Total	\$21,700,000		
Scenario 3 ICR	\$1,800,000	\$1,200,000	-40%

How to do it? – Impact

Forecast ICR from Programmes



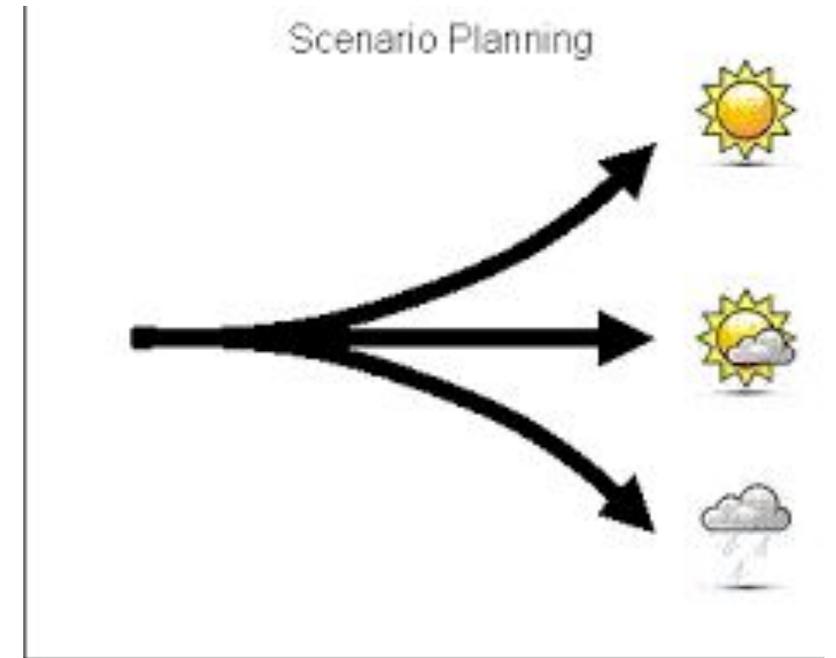
Visualising the results makes communication more effective.

Scenario planning should not happen in isolation it is a tool to manage and run an NGO with.

Focus on the critical impact areas to ensure that scenarios are engaged with at the right level and used for effective planning.

What a good scenario plan looks like

- Three possible outcomes condensed into manageable financial information designed to facilitate decision making.
- Using the latest budget as the baseline, the scenarios illustrate a financial position in any or all of the following ways:
 - Potential impacts on revenue and costs
 - Potential reductions in budget
 - Potential impacts on organisational reserves
 - Potential opportunities for the pandemic
 - Potential future plans from scaling up



STAY IN TOUCH!

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10 Tips to improve your proposal budget

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