

Assessing Your Financial Risk in 2025: A 3-Level Framework

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Today's Presenters



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NFC Moderator

Financial Consulting and Training for Nonprofits

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Dana Britto

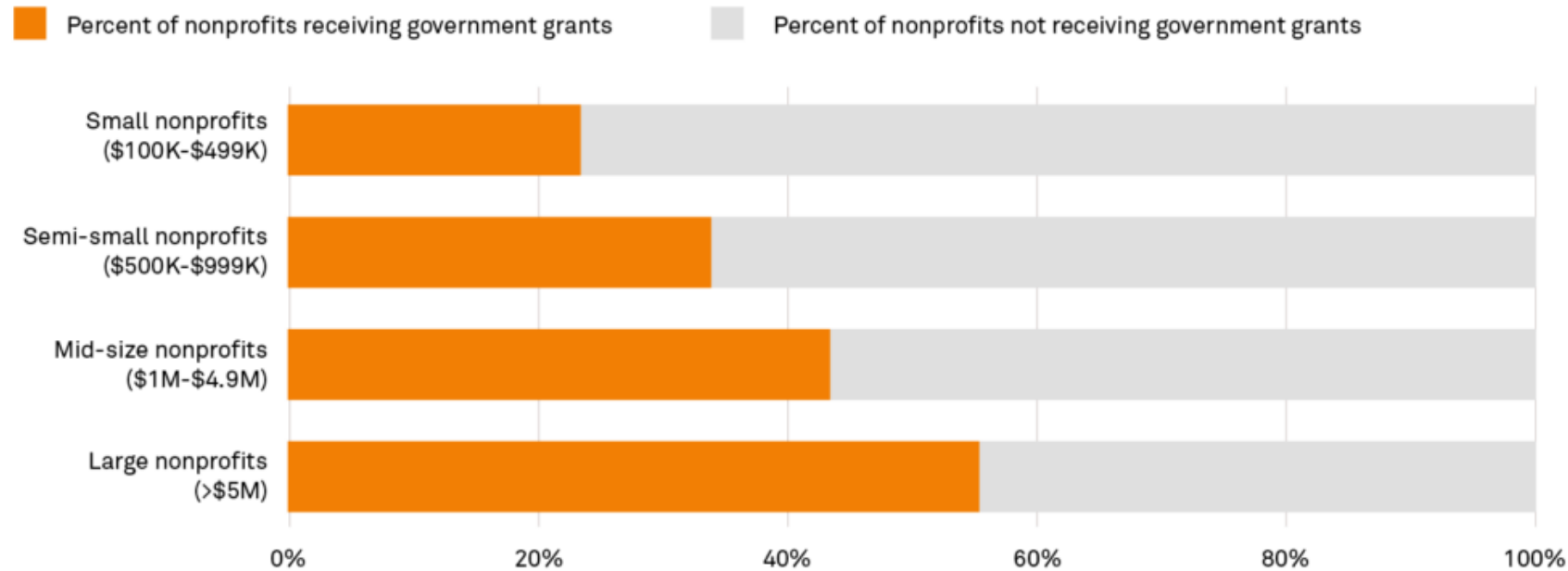


NFC Moderator and Founder &
Principal of Cultivar Consulting, LLC

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Impact of Government Grants on Nonprofits

Proportion of nonprofits receiving government grants—by budget size

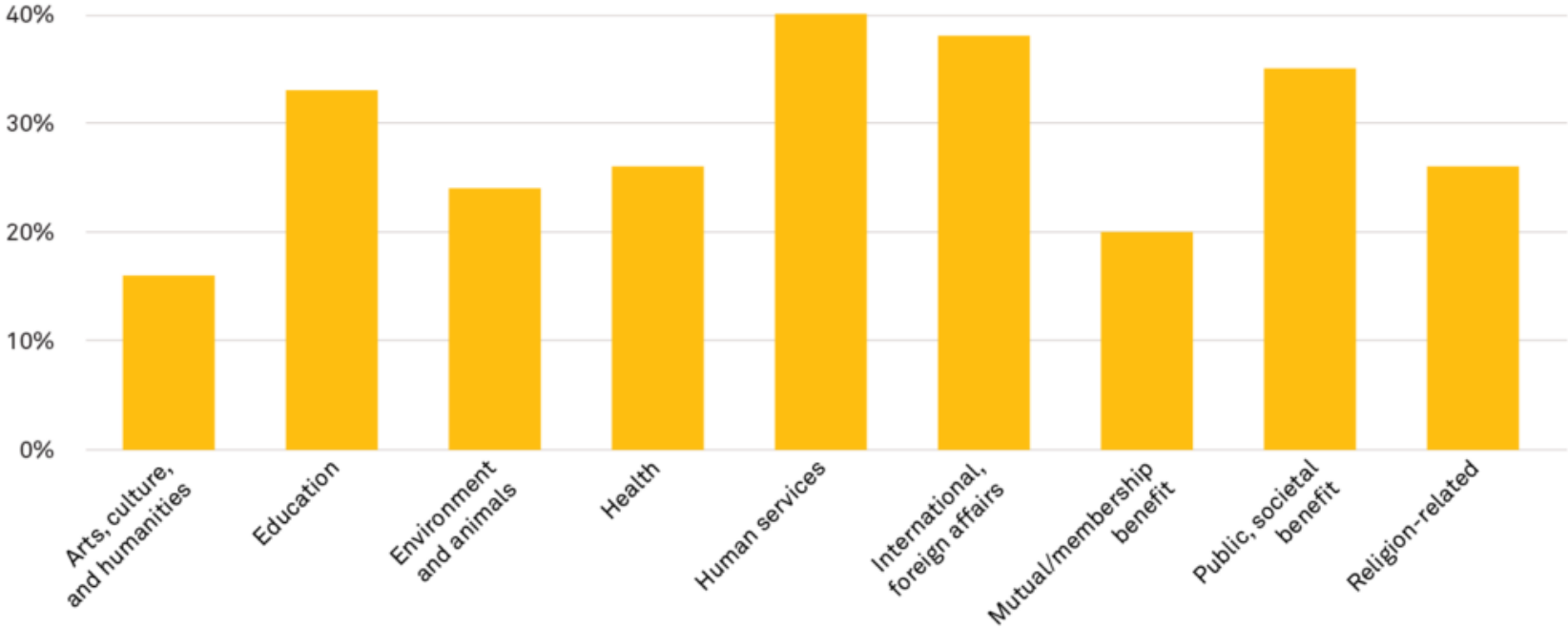


At least 100,000 nonprofits receive a total of \$303 billion in government grants annually, with these grants representing a primary revenue source for over a third of these nonprofits

Source: Candid

Impact of Government Grants on Nonprofits

Proportion of government grantees that rely on government grants for majority of revenue—by subsector



Source: Candid

The Broad Impact of Potential Large Federal Cuts

Government funding, historically considered relatively predictable, is already being impacted by freezes and cuts

- Larger government-funded nonprofits may be most at risk due to their relative **dependence** on this funding
- Increased **scrutiny and compliance problems** may particularly impact smaller government-funded nonprofits

The Broad Impact of Potential Large Federal Cuts (Continued)

Even nonprofits that do not receive any Government funding could likely be impacted by shifts at the federal level

- Unpredictability of private funds could increase if and when individual, corporate and foundation donors change their priorities in response to threats at the federal level
- Private foundations would have to increase their grantmaking by an estimated **282%** to fully offset complete cuts in government grants (excluding government contracts)
- Given these circumstances, competition for private grants and individual contributions will likely increase with any drastic federal cuts

Hilda Polanco



Market Managing Principal,
BDO USA

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Assessing the Risk Landscape

Minimal Expected Impact: Maintain Current Operations

Either no changes to revenue OR minor funding decreases from some, but not all, revenue sources



- Programs are sustained or moderately reduced
- Focus on minimizing controllable expenses that do not significantly impact mission activities

Significant Areas at Risk: Business Model Recalibration

Moderate to significant funding decreases from one or multiple revenue streams



- One or more programs may wind down with focus shifting to delivery of core services
- Staffing and/or infrastructure may be significantly reduced

Existential Redefinition: Rightsizing or Alternative Operating Model

Significant funding decreases from primary revenue sources



- Programs and/or core services are unable to be maintained at current levels
- Dramatic restructuring which might include moving to fiscal sponsorship, consolidation, or sunseting

Case Study



Lorin Thies
Director, Fund Development
904WARD

Case Study



Teresa Stafford-Wright
Chief Executive Director
Hope & Healing Survivor Resource Center

Hilda Polanco



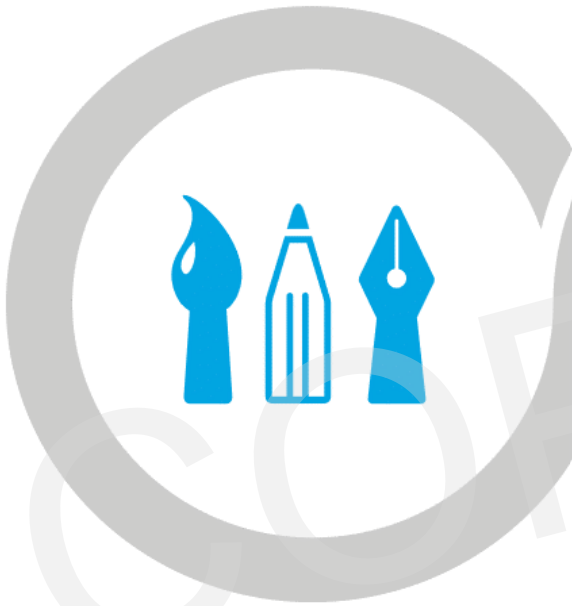
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Revenue Strategy



Revenue Strategy



DIVERSIFICATION



FLEXIBILITY



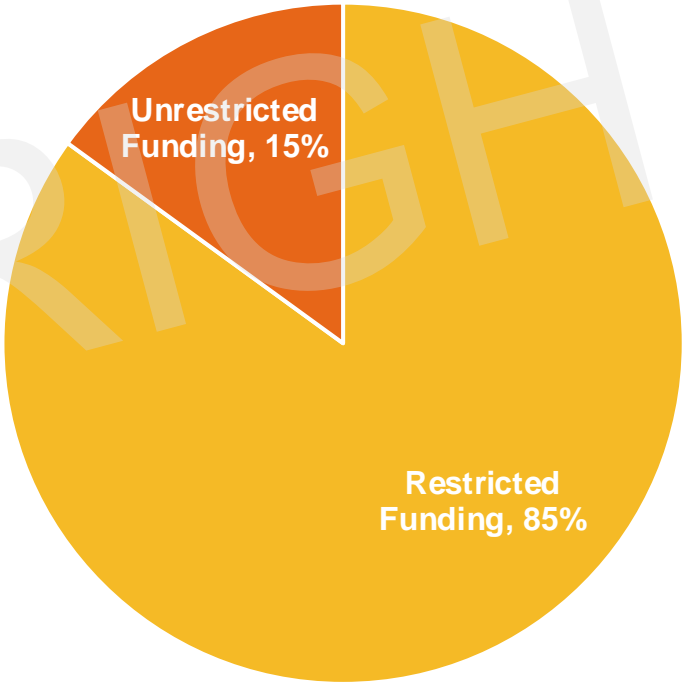
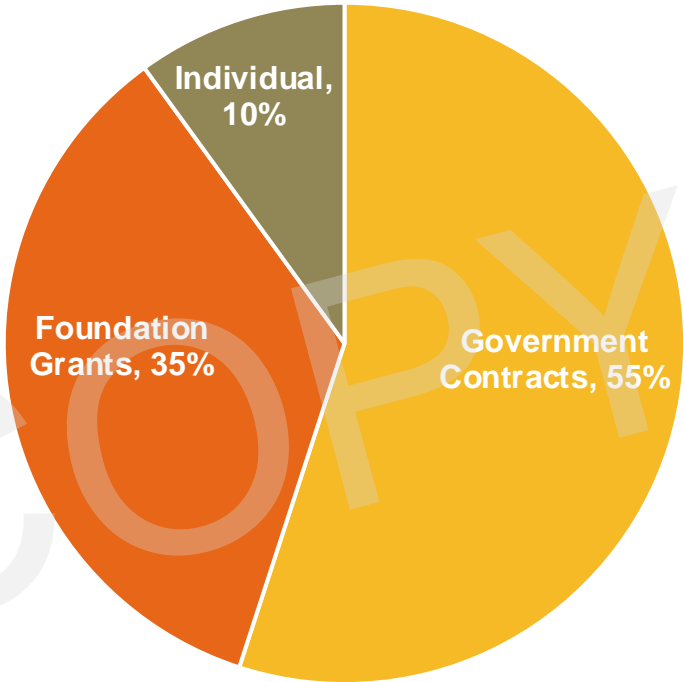
PREDICTABILITY

[A Three-Dimensional Approach to Revenue Planning](#)

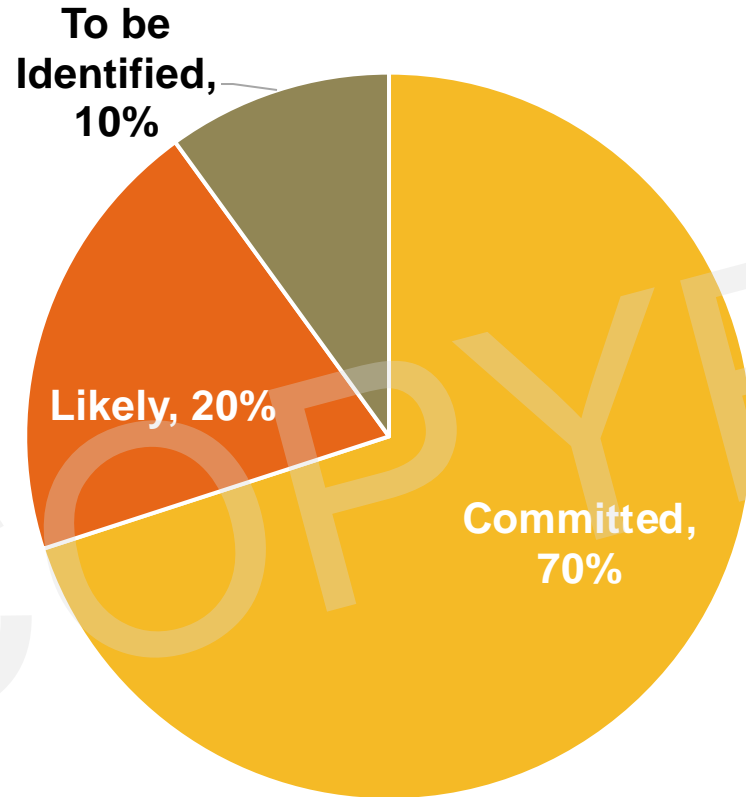


Revenue Mix Example

DIVERSE SOURCES BUT LOW FLEXIBILITY



Layering in Revenue Predictability



Considerations When Analyzing Predictability:

- ▶ Characteristics of each revenue stream
- ▶ Tolerance for including uncommitted sources in the budget
- ▶ Track record of prior performance
- ▶ Portion of funding made up of multi-year commitments

Revenue Likelihood



Committed

- ▶ Already confirmed
- ▶ Secured and planning to release from Restrictions within the fiscal year



Pending

- ▶ Already requested from a specific source
- ▶ Could have a likelihood of “High”, “Medium” or “Low”
- ▶ May also have a % likelihood



To Be Raised

- ▶ Remaining revenue needed
- ▶ No specific source identified

Q&A

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Ruth McCambridge



Director of Content
Nonprofit Financial Commons

We've been here (or near here) before.



Your promise fulfillment is your call on social capital - and that social capital comes with political will and influence, extra hands and voices, information, and treasure\$\$\$\$\$. Make sure your promise is a clarion call.

What is sacred?	What is not?
Nurture these and seek other ways if necessary	Eliminate, outsource or compromise

Steve Zimmerman and Jeanne Bell, Jim Collins, C.K. Prahalad

Words Create Worlds -
which of your self-protections don't serve you?

Graie Hagans, Bend the Arc



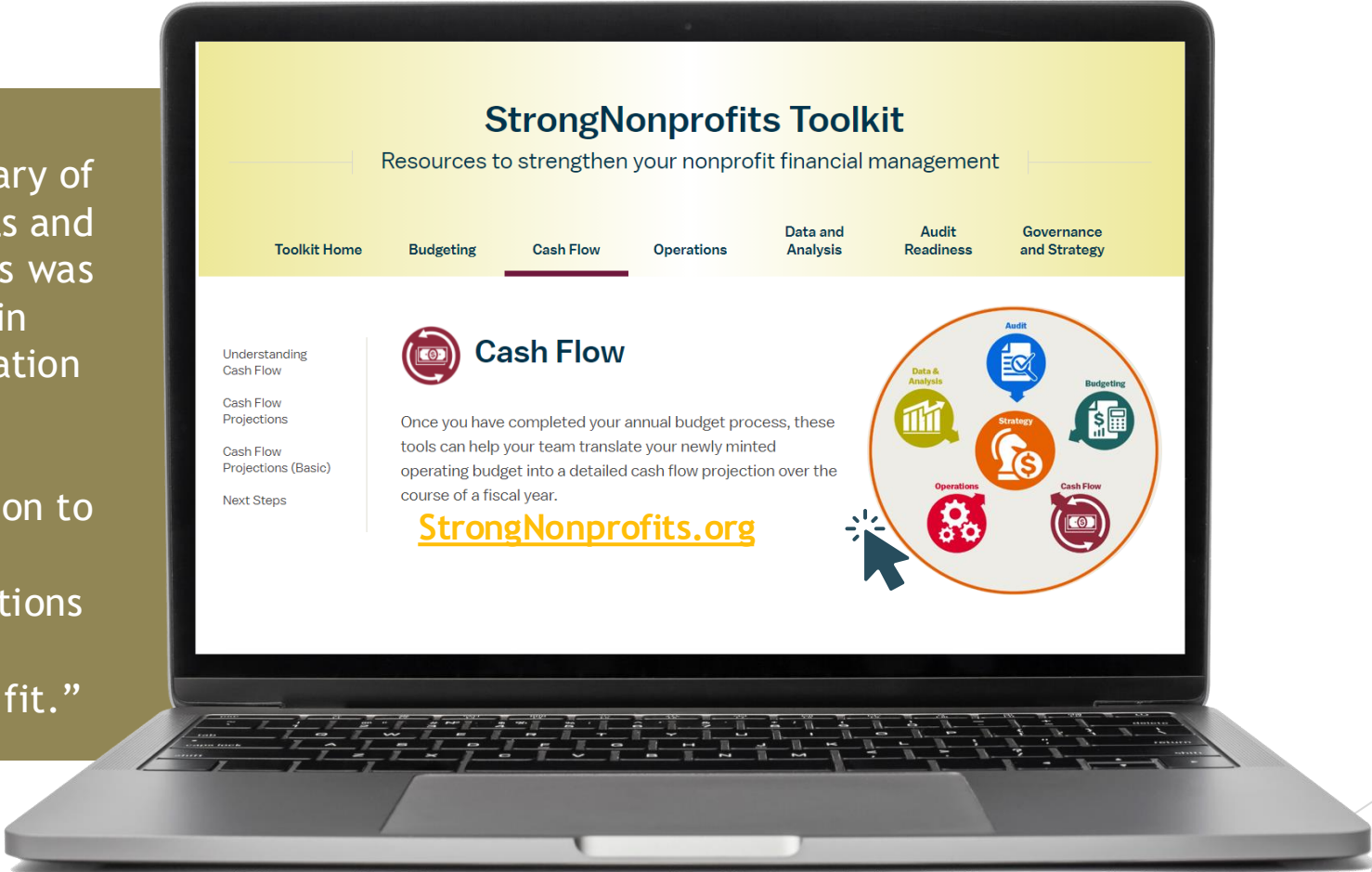
The highest and most powerful leverage points in a system

6. The structure of information flows (who does and does not have access to information).
5. The rules of the system (such as incentives, punishments, constraints).
4. The power to add, change, evolve, or self-organize system structure.
3. The goals of the system.
2. The mindset or paradigm out of which the system — its goals, structure, rules, delays, parameters — arises.
1. The power to transcend paradigms.

Resources and 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.”



Revenue Scenario Planning



Revenue Analysis Worksheet

Variable Revenue Assumption:

Best	Moderate	Worst
100%	75%	50%

Program/ Department/ Function	Funding Source	Total Possible Revenues (Current Year Portion <i>only</i>)	Likelihood of Receipt (%)	Revenue Scenarios			
				Best Case	Moderate Case	Worst Case	
Pre-Kindergarten program	Government Contract A	\$ 275,000	100%	275,000	275,000	275,000	
	Government Contract B	\$ 75,000	75%	75,000	75,000		
	Grant from Foundation A	\$ 4,000	50%	4,000			
	VARIABLE: Earned program revenue	\$ 75,000	n/a	75,000	56,250	37,500	
VARIABLE:				-	-	-	
FY Expense Budget for Pre-Kindergarten program	\$ 400,000			Revenue Subtotal	\$429,000	\$406,250	\$312,500
				Expense Budget	\$400,000	\$400,000	\$400,000
				Surplus /Deficit	\$29,000	\$6,250	(\$87,500)

Cash Flow Projections

Cash Flow Projection Template + Online Tutorial

www.strongnonprofits.org

	Prior Year Carryover	Current Yr Budget	Spread Evenly?	Jan	Feb	Mar	Apr	May	Jun	Jul
CASH RECEIPTS										
<i>Contributions & Support</i>										
Foundations										
Corporations										
Individual contributions [additional line item]										
<i>Government Contracts</i>										
Federal										
State/Local [additional line item]										
<i>Other Revenue</i>										
Investment income										
Program service fees										
Special events										
Miscellaneous										
<i>Prior Year Receivables</i>										
Foundation grants receivable										
Collection of other receivables										
Total Cash Receipts	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH DISBURSEMENTS										
<i>Personnel</i>										
Salaries & wages										
Payroll taxes										
Medical benefits										



Financial Health Analysis

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SCENARIO PLANNING

Nonprofit Financial Health Analysis						
Organization Name: _____						
Document: 1. 990 from 3 years ago 2. 990 from 2 years ago 3. 990 from last year 4. Next Year's Budget*					Source on IRS Form 990	
Fiscal Year: _____ Oldest -----> Newest						
Did your organization have an operating surplus or deficit?						
Balance Sheet	Net Assets Without Donor Restrictions, End of Year (A)					Part X, column (B), line 27
	Less:					
	Net Assets Without Donor Restrictions, Beginning of Year (B)					Part X, column (A), line 27
Change in unrestricted net assets or operating surplus or (deficit)* (A-B)		\$0	\$0	\$0	\$0	
How are resources allocated across programs and supporting services?						
Statement of Functional Expenses	Total Expenses					Part IX, column (A), line 25
	Total Program Expense					Part IX, column (B), line 25
	Divided by total expense:					
	Program Expns ($\frac{\text{Program Expenses}}{\text{Total Expenses}}$)					<i>Automatically populates</i>
	Total Management & General Expense					Part IX, column (C), line 25
	Divided by total expense:					
	Management & General Expn ($\frac{\text{Management & General Expenses}}{\text{Total Expenses}}$)					<i>Automatically populates</i>
	Total Fundraising Expense					Part IX, column (D), line 25
Divided by total expense:						
Fundraising Expns ($\frac{\text{Fundraising Expenses}}{\text{Total Expenses}}$)					<i>Automatically populates</i>	
How liquid are the organization's reserves?						
Balance Sheet	Net Assets Without Donor Restrictions, end of year (A)	\$0	\$0	\$0		<i>Automatically populates</i>
	Board Designated Net Assets** (B)					N/A
	Net Fixed Assets, End of Year (C)					Part X, column (B), line 10c
	Less:					
	Secured mortgages, End of Year (D)					Part X, column (B), line 23
	Net Fixed Assets, net of related debt (E)	\$0	\$0	\$0		<i>Automatically populates</i>
	LUNA: Liquid Unrestricted Net Assets (A-B-E)	\$0	\$0	\$0		<i>Automatically populates</i>

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Stay Connected on the Forum

YOUR FORUM AWAITS...

Most commons have a forum where community members can meet to surface mutual concerns and exchange resources. At the Nonprofit Financial Commons, THIS is that space. Any question you have about nonprofit finances, whether it has to do with high strategy or granular practice, can be brought here. Here you can glean the rich wisdom of your peers and share your own hard-won insights and knowledge. Be and spread the change you wish to see.

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