



From Sustainability To Survivability

Presented by: Scott Haumersen, CPA , CGMA, Partner

Opening Poll Question

What best describes your current situation?

Results of Same Poll Question on April 16th

- **19%** *We have lots of reserves and are minimally impacted financially, except for service delivery issues related to COVID-19*
- **41%** *We definitely feel the impact but have a strong team that are holding it together*
- **26%** *Our revenues are down 20% or more but we will survive if it doesn't last too long*
- **14%** *We don't know if we will survive this*

Financial Sustainability

What was important before Covid-19
Pandemic.

Potential Financial Storms

- Declines in funding
 - 2008 & Beyond - The Perfect Storm
- Changes in cash flow-funders
- Unanticipated costs and liabilities
- Increasing regulations
- Natural disasters
- Rising costs- Disallowed costs
- Fraud
- Lack of clear plans and financial literacy



Liquidity

- Prepare Cash flow budgets
- Benchmark and monitor financial ratios
- Anticipate problems before they happen



Role of Reserves

- Determine your current reserve levels
- Set benchmarks and targets for future
 - What are your reserves?
 - What are adequate reserves?
 - How do you create them?
- Adopt a Reserve policy



Plans for Growth

- There are three strategies:
 - Do Nothing
 - Retrench
 - Expand

- Seems that the third one has the most potential!



Financial Team & Literacy

- Your financial team includes program managers, senior executives and the Board
 - Make sure they are all getting the right training and have sufficient financial literacy to understand the numbers



Risk Management

- Enterprise Risk Management
 - Risk assessment
 - Strategy to manage
 - Assign responsibility
 - Monitoring & reporting

- Factors to consider
 - Consequence & likelihood
 - Categories of risk
 - Identification methods



Internal Controls & Fraud

- Cost of Fraud & Fraud Triangle
- Examples of Frauds in Nonprofit Organizations
- Components of Internal Control
- Internal Controls to Protect Your Organization



Right Tools

- Invest in your infrastructure and this does include your accounting systems and databases.
- Make sure you have the resources and ability to do analysis on all aspects of your operations.



Evaluating Financial Sustainability

Take this self evaluation test

Financial Strength Poll Question

What is your Financial Strength?

Financial Sustainability

What is more important now!

Financial Survivability

- ✓ Engage your Board in both planning and decision making
- ✓ Develop both short-term and long-term scenario budgets
- ✓ Evaluate sufficiency of reserves and make a commitment on how much to invest
- ✓ Be realistic about fundraising goals- know your donors

Financial Survivability

- ✓ Cash flow budgets are just as important as operating budgets
- ✓ Reduce as many variable operating expenses as possible. Reduce workforce when necessary
- ✓ Look to collaborate with other partners to share expenses and resources
- ✓ Utilize all the Federal and State stimulus programs available

Financial Survivability

- ✓ Reduce or eliminate programs that are not essential to your mission or don't produce revenue
- ✓ Utilize other professionals who can help you strategize or plan for a better future
- ✓ See the opportunity in Disruptive Innovation
- ✓ Remember in all things, that you exist for good and not for profit or gain

Financial Survivability

What you are learning now
that will lead to more a
stronger more sustainable
organization?

Concluding Poll Question

What do you think will save your organization?

Pick any that apply

Results of Same Poll Question on April 16th

- **64%** *Reserves*
- **71%** *Continued revenue streams*
- **54%** *Cost cutting*
- **17%** *Reducing or eliminating programs*
- **63%** *Strong leadership*
- **49%** *Federal and State Stimulus programs*
- **47%** *Innovation*

Final Thoughts

Questions and Answers



Resources

- Wegner CPAs Covid-19
 - www.wegnercpas.com/wegner-resources/covid-19/
- Nonprofit Risk Management Center
 - www.nonprofitrisk.org
- Wallace Foundation- Strong Nonprofits
- National Center for Nonprofit Statistics (Operating Reserve Policy toolkit)



Thank You!!

Scott Haumersen, CPA, CGMA, Partner

Wegner CPAs

2921 Landmark Place, Suite 300

Madison, WI 53713

608.442.1925

scott.haumersen@wegnercpas.com