



**WEST VANCOUVER**  
FOUNDATION

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# Financial Fundamentals Webinar – Building confidence through scenario planning

**Presenter:**

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# Webinar reminders



- You can see + hear us, but we can't see + hear you
- Presentation recording will be available on the WVF website
- For the best webinar experience, please close all other applications
- Turn up your computer's volume
- ● Introduce yourself in the chat box
- As we explore specific topics, please share your insights, questions and response strategies in the chat box

# Today's agenda



- Understanding a cash flow forecast and your burn rate
- How to identify a strategic response to the COVID-19 crisis and map financial scenarios (worst, most-likely and best case)
- How to use these tools to build funder and key stakeholder confidence

# Cash flow forecast/projection



Different than an annual budget

- In times of change and uncertainty, short-term and updated frequently
- Prepared on a “Cash” basis – when cash will change hands
- If uncertainty exists, often prepare and update multiple scenarios

# Cash flow forecast/projection



## Budget - Accrual basis

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200

## Cash Flow Projection – Cash basis

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
						\$1,200						\$1,200

# Burn rate



Can help you identify how many months you have left (opening cash balance divided by burn rate)

e.g.  $\$150,000 / \$30,000 = 5$  months

- How much cash you are “burning” through every month
- When you need to make key financial decisions
- The larger the organization, the more consistent the burn rate

## Cash Flow Projection

	Sep 16	Oct 16	Concert Nov 16	Fundraiser Dec 16	Total
<b>Cash in Bank (beginning of month)</b>	5,000	2,050	600	5,150	
<b>PLUS CASH RECEIVED</b>					
Ticket Sales	500	500	1,000		2,000
Fundraiser				3,500	3,500
Project grant for last season's concert		2,000			2,000
Operating grant			10,000		10,000
<b>Total Revenues:</b>	<b>500</b>	<b>2,500</b>	<b>11,000</b>	<b>3,500</b>	<b>17,500</b>
<b>LESS CASH SPENT</b>					
Programming Costs (Concert)	-500	-1,000	-3,000		-4,500
Fundraising Costs (event)			-500	-1,000	-1,500
Admin salary & benefits	-1,500	-1,500	-1,500	-1,500	-6,000
Office Rent	-750	-750	-750	-750	-3,000
Office Admin Expenses	-700	-700	-700	-700	-2,800
<b>Total Expenses:</b>	<b>-3,450</b>	<b>-3,950</b>	<b>-6,450</b>	<b>-3,950</b>	<b>-17,800</b>
<b>Change in cash during month</b>	<b>-2,950</b>	<b>-1,450</b>	<b>5,850</b>	<b>450</b>	
<b>Cash in Bank (end of month)</b>	<b>2,050</b>	<b>600</b>	<b>5,150</b>	<b>4,700</b>	

# Strategic response options

- Ramp up – meet critical community need
- Experiment – meeting emerging community need
- Steady state – hold, different delivery
- Hibernation – period of low activity
- Amalgamate – merge organizations to build strength
- Shut down – wind-up operations



# Financial scenario planning



## Plan now for uncertainty

- See multiple possible financial futures based on different scenarios
- Often
  - worse case
  - most likely case
  - best case
- Each case or scenario is based on different sets of assumptions
  - assumption: eligible for Wage subsidy or not
  - assumption: new funding available or not
  - assumption: make layoffs in May or not

# Scenario planning



	Worst Case	Most-likely Case	Best Case
Assumptions	Pessimistic, conservative	Best Estimates	Optimistic, possible
Revenues	Confirmed only	Best estimates	Likely probabilities
Expenses	Reduce, if necessary to match available revenues		
Processes	Document assumptions in each scenario and update as often as required		

# Revenue assumptions



Existing, changed or new?

- Review existing revenue streams
- Consider asking existing funders to reduce restrictions
- Consider possible new funding streams

# Expense assumptions

Evaluate each expense individually

- Discretionary or necessity?
- Could it be postponed, deferred?
- Reduce staffing costs as last resort

# Other sources of cash

Consider all possible opportunities to increase cash

- Reserves
- Credit cards, lines of credit, loans
- Non core assets we can sell?

# Building confidence



## Tools to build confidence with internal and external audiences

- Team and Board (key decision dates)
- Funders (impact additional funding will have)
- Other key stakeholders

# Resources



- Scale Collaborative
  - Excellent, more in depth and more sophisticated
  - <https://scalecollaborative.ca/2020/03/webinar-survive-and-thrive-financial-strategies-scenario-planning-for-nonprofits-and-social-enterprises/>
- Strong Nonprofits
  - Cash flow projection templates (good template)
  - <https://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/pages/planning.aspx>
- Canada's COVID-19 Economic Response Plan
  - <https://www.canada.ca/en/departement-finance/economic-response-plan.html>

# Questions or comments





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**Thank You**



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