

Preparing Your Nonprofit for Uncertain Times

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Presented to you by:



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Speaker Bio



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About Enkel

- Based in Vancouver, BC
- Worked with over 100 NPOs and Charities across Canada
- Provide outsourced bookkeeping and accounting services
- Enkel would like to acknowledge that our offices are situated on the unceded traditional territories of the x^wməθk^wəyəm (Musqueam), Sk̓w̓x̓wú7mesh (Squamish), and səlilwətał (Tsleil-Waututh) Nations.



Bookkeeping



Payroll



Accounts
Payable



Accounts
Receivable



Controllership




Agenda

1. Setting the Stage: Current Situation and How it May Impact Nonprofits
2. Preparing for Uncertainty
 - a. Understand and build a cash flow plan
 - b. Do a deep dive into expenses
 - c. Take a closer look at personnel costs
 - d. Insurance considerations and continuity plan
3. Questions



Polling Question:

On a scale from 1-10, rate your level of stress as it relates to the changing economy and uncertainty around where things are headed.
(10 = Very Stressed)



Setting the Stage

Common terms relating to the economy

- **Gross Domestic Product (GDP)** - the total consumer spending plus business investment and government spending, plus net exports (total exports minus total imports)
- **Recession** - A period of temporary economic decline in which trade and industrial activity are reduced, generally identified by the fall in GDP in two successive quarters
- **Unemployment rate** - The rate at which people in a country are actively searching for employment but are unable to find work.

Current Economic Indicators

- Most call for a mild recession in the middle quarters of 2023
- Interest rates are up and may climb higher
- Household disposable income will shrink with higher cost of debt
- Consumer spending likely to slow later this year
- Unemployment rates likely to drift higher by early 2024

How Might this Affect Nonprofits?

- Higher demand for services
- Decrease in donations
- Higher operating costs
- Volunteer shortages
 - CBC reports that up to 65% of organizations in the country are struggling with a shortage of volunteers
- Stock prices and investments will likely be squeezed

Predicting a 60% increase in demand for food banks and other food charities



Polling Question:

Has your nonprofit started to feel the effects of the economic downturn?
(Yes/No)





How Can You Better Prepare for What's Coming?

1. Understand and build a cash flow forecast

What is a cash flow forecast?

- Shows expected cash inflows and outflows over a period of time
- Projects potential shortages and surpluses so you can plan accordingly
- Make more informed decisions

Cash flow forecast: The basics

- We will not take you through all of the details of preparing a cash flow plan, though you can get more specifics in this blog post:

<https://www.enkel.ca/blog/not-for-profit/guide-to-cash-flow-forecasts-for-nonprofits/>

- Having up to date bookkeeping is key to being able to use a cash flow forecast once it is built - you need to know what actually happened in the business to compare the actuals to your forecast
- An approved budget can be a great starting point for a cash flow forecast

Cash flow forecast: How is a cash flow forecast different from an approved budget?

- The budget will be based on income which is NOT necessarily cash flow given that revenues and expenses may not align with when the cash comes in and out of the organization.
 - The approved budget will follow revenue recognition principles and will not necessarily align with cash received from funders (for example)
 - The approved budget will include accrued expenses (i.e., expenses in the period they relate to) rather than when the cash leaves the organization

Cash flow forecast: The Foundation

The following steps are critical for building a cash flow forecast:

1. Collect financial information
2. Categorize your income and expenses
3. Estimate income and expenses for the upcoming period
4. Identify cash inflows and outflows
5. Calculate net cash flow
6. Update your cash flow forecast regularly

2. Do a deep dive on expenses

Different Expense Buckets

Think about expenses in three different buckets to make things less daunting:

- I. Short-term operating expenses
- II. Discretionary costs
- III. Long-term fixed costs

I. Short-term operating costs

- Do you have expenses where you “set it and forget it”
 - Technology you aren’t using
 - Duplicate functionality (Google Meet AND Zoom)
 - Free versus paid versions (Zoom, etc.)
 - Assess “nice to have” versus “must have”
 - Number of seats you are paying for vs. actual usage
- Review what costs actually lead to revenue or are critical to executing on your mission

Example: How our client saved \$4,679.57 reducing short-term operating expenses:

Do you have redundant tools?

- Google Meet vs. Zoom
 - If you are paying for Google Meet, why have Zoom?
- $17 \text{ staff} \times \$14.99/\text{month} + \$28.78 \text{ in taxes} \times 1.375 \text{ (USD vs CAD as per credit card)} \times 12 \text{ months} = \underline{\$4,679.57}$ in annual savings by eliminating Zoom

II. Discretionary costs

- Discretionary expenses are costs that an organization can survive without, if necessary.
- In the context of your NPO, this might include any of the following:
 - Meals and entertainment (internal or client-related)
 - Holiday or other internal celebrations
 - Gifts (employee or client)
 - Swag
 - Event tickets
 - Conference attendance

III. Long-term fixed costs

- Office and facilities leases
- Fundraising costs
- Program costs
- Outsourced services

Other Expense Reduction Opportunities (Cont.)

- Staffing
 - Outsource non-core functions at lower cost
 - Use volunteers vs. paid employees where possible
- Employee Benefits
 - Ask staff what really matters
 - Review what's under utilized

3. Personnel costs

Take a Close Look at Personnel Costs

- Hiring Freeze
- Reduced Hours
 - 4-day work week
 - Half days
- Temporary salary reductions
- Foregoing raises
- Contract Employees

4. Insurance and Strategic Continuity Planning

Insurance

- Business interruption insurance
- Liabilities insurance
- Cyber insurance
- Event cancellation insurance

Strategic Continuity Planning

- Conduct a risk assessment - what could go wrong?
 - Decrease in donations
 - Drop in funding
- Identify critical functions and resources
 - Key roles and resources required to maintain operations
- Develop a continuity plan
 - How will the organization continue to operate during down times?
- Establish procedures
- Communicate the plan
- Test and refine the plan

Questions?

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Download our guide:
Scenario Planning for Not-for-Profit Organizations



Link to download:

<https://www.enkel.ca/resources/guid-e-to-scenario-planning/>