

# Planning during the Pandemic

Using scenario planning to make decisions  
during uncertain times



Prepared by Julie Koo, Vice President  
For Hartford Foundation for Public Giving | May 18, 2021

# Agenda

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- Session/tech expectations
- Introductions
- The current context
- Planning and decision-making in the current context
- A hidden opportunity

# Session/Tech Expectations

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Please be prepared to:

- Stay on mute during presentation
- Use chat to ask questions or make comments
- Use polling and chat for interactive portions

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I will:

- Pause for clarifying questions at section ends
- Address meatier questions during Q&A from 10:15-10:30
- Stay online for informal “after class time” from 10:30-10:45

# Introductions

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- Me

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- Me
- Julie Koo
- Vice President at TDC
- Nonprofit organization that offers consulting and research services to the nonprofit sector
- Practice centered on strategic planning for BIPOC arts organizations and arts sector research

# Polls

# Introductions

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- You!

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- What position do you hold at your organization?
- What subsector do you work within?
- What is your organization's budget size?

# The current context

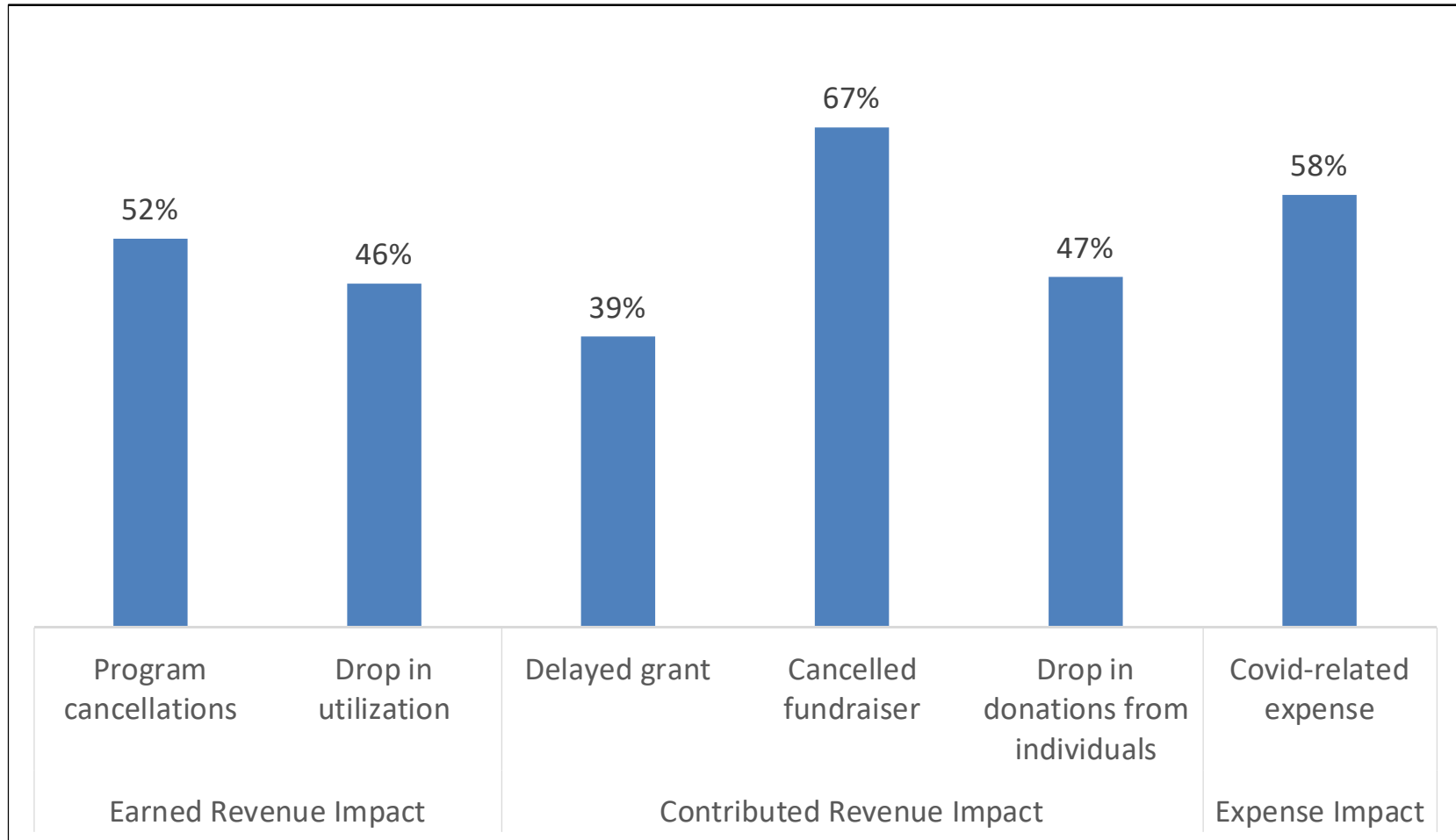




## **Poll**

Since the onset of Covid-19, which of these financial issues have you had to manage?

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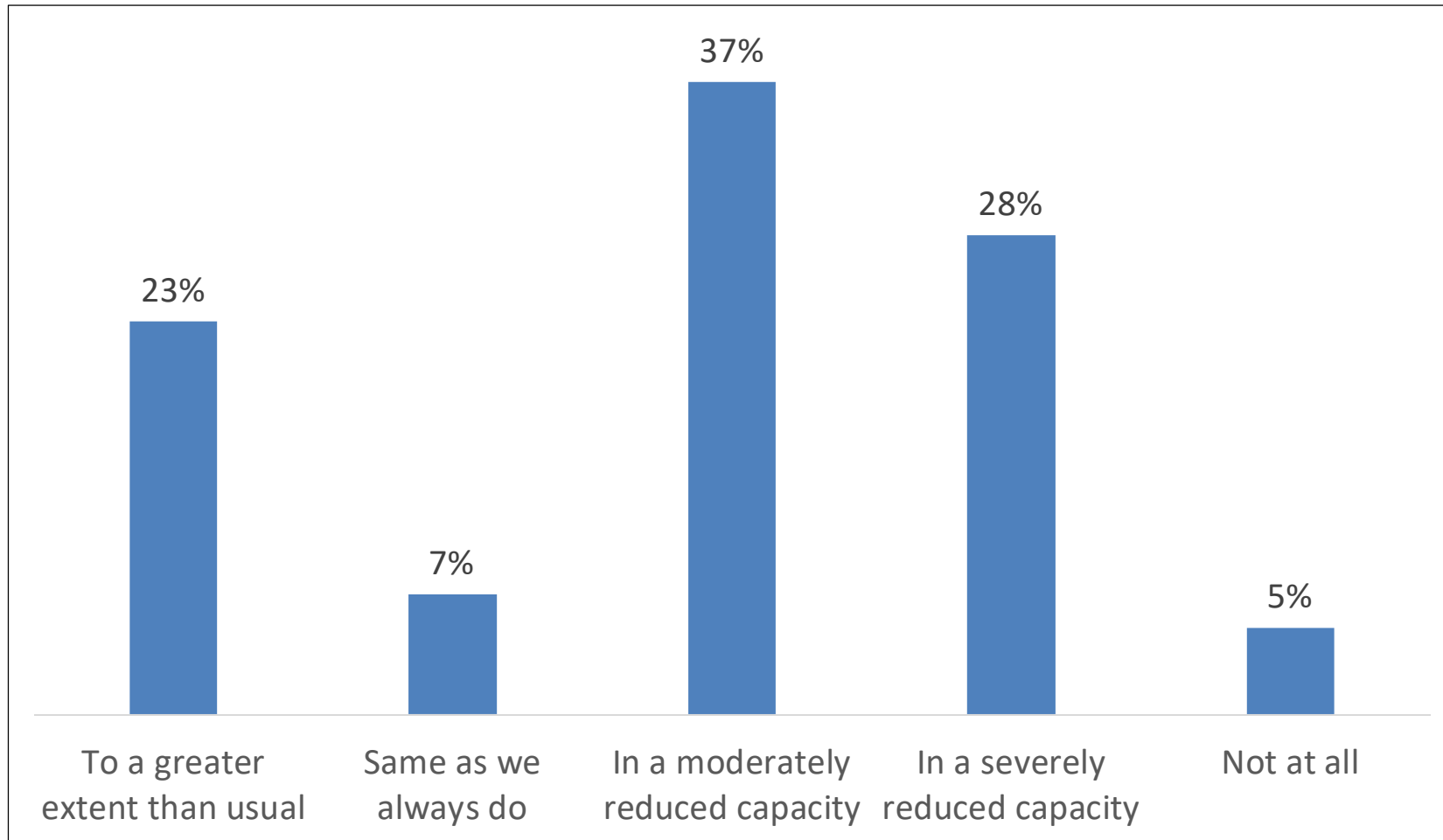
Source: CT Nonprofits & COVID-19: A Pulse Survey (September 2020)

# **Poll**

To what extent have you been delivering your normal programs and services during the pandemic?

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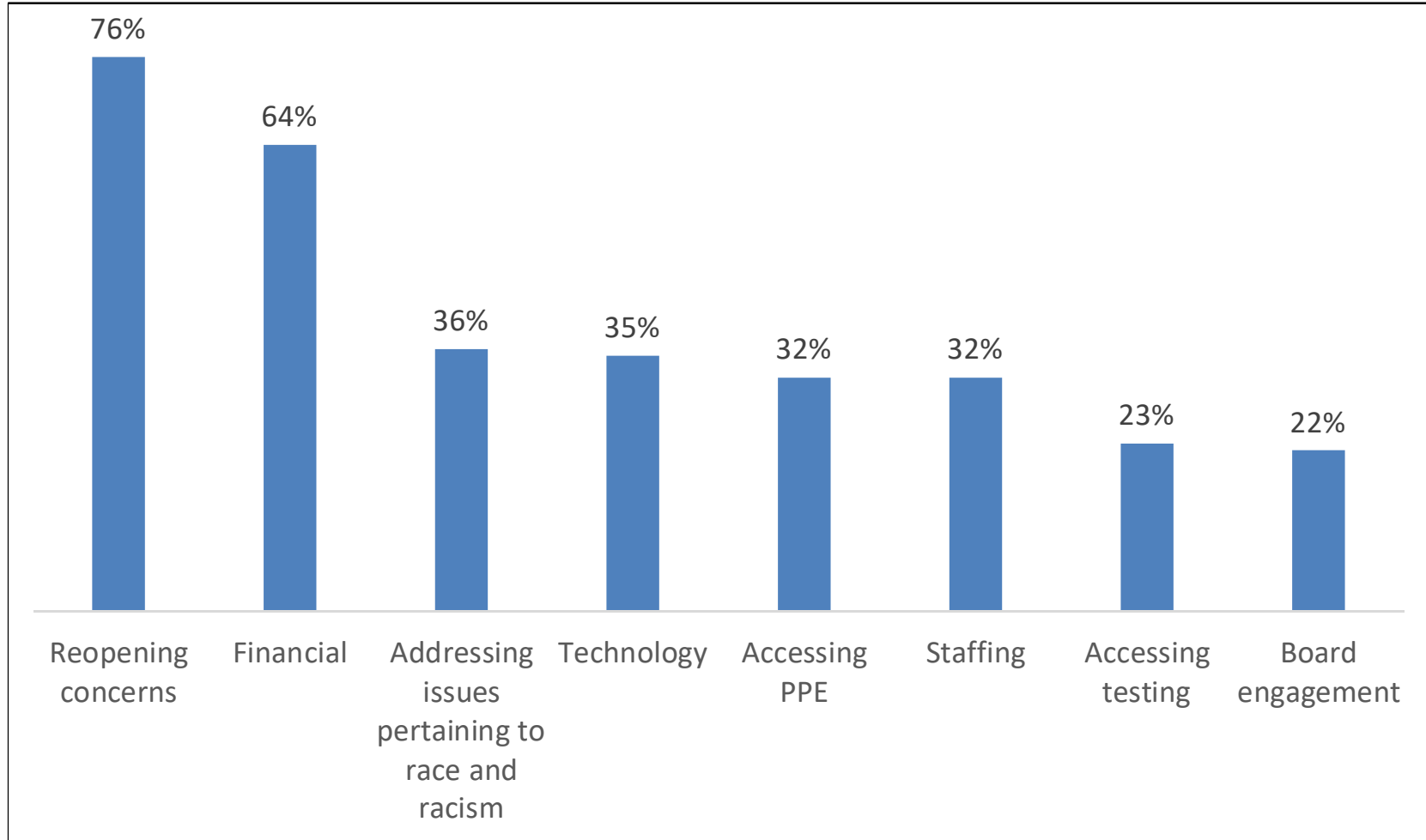


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# **Poll**

What are the pressing challenges your organization faces during this extraordinary time?

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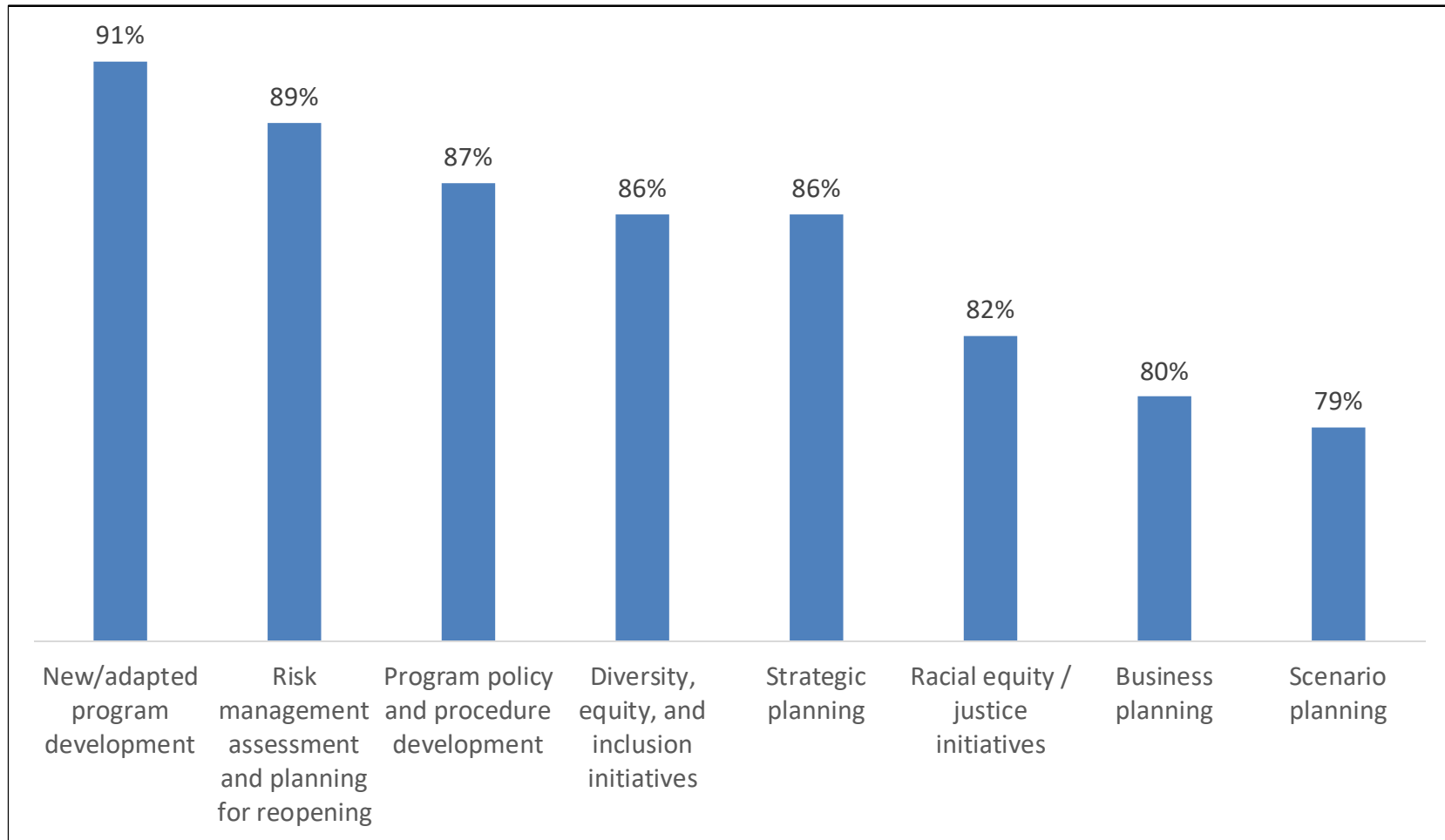


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# **Poll**

Which activities are you likely to undertake within the next 3-6 months?

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Source: CT Nonprofits & COVID-19: A Pulse Survey (September 2020)



# Why plan in this context?

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- Decide what is core to your organization
  - Understand the level of resource needed to conserve the core: Don't cut too little or too much
  - Decide which opportunities to pursue
  - Decide which pandemic-related innovation to retain
- Start a conversation with supporters
- But, no need for overkill

# Scenario planning



# What is scenario planning?

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- Articulation of possible choices and outcomes given different parameters
- Informed by hypothesis of external conditions and choices made in response
- Should be grounded in shared guiding principles (such as organizational values and mission)
- Projects 12 to 18 months at a high level

# Factors at play in building scenarios

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## Guiding principles

- Core values
- Needs of beneficiaries
- Core programs

## External uncertainties

- Public health conditions
- Participation levels
- Philanthropic priorities

## Organizational response

- Program mix
- Staffing levels
- Infrastructure mix



## Implications

- Financial
- Non-financial

# The planning process

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# Our example: HCYS

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- Youth development organization serving predominantly Chinese American community
- Rents a 5,000 square foot space
- Program mix
  - Daycare for infants and toddlers
  - Afterschool program for elementary and middle school
  - Workforce development and cultural programs for teens
- Total annual operating budget of \$3M
- Entering into FY22 (starting 7/1/2021) with \$800K in cash

# Start with guiding principles

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- What is the core of your mission and vision you wish to preserve?
  - What do you see as your responsibility to beneficiaries?
  - What do you see as your responsibility to partners and others in the community?
  - What are your commitments to equity and justice? How will you preserve these?
  - Are there pieces of current strategy that are critical to preserve?
- What pieces of mission, vision, and values have been challenged?
- In a world of difficult tradeoffs, what pieces of the mission, vision, and values should be prioritized, and why?

# HCYS: Guiding Principles

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## Guiding principles

- Cultural representation and arts-infused learning to develop youth voice
- Community building to support youth social emotional development
- Family engagement

## External uncertainties

## Organizational response



## Implications



# Set the parameters

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- Estimate the potential parameters for each external uncertainty:
  - Might **public health conditions** continue to be an issue?
  - How might **need and participation levels** shift over time?
  - Are there issues of **timeline**?
  - Are there **unexpected factors** that have suddenly emerged?
- Define the worst case scenario
  - Highlights the implications of fixed costs
  - Clarifies the cash needed to start or restart programming
  - Provides a baseline sense of cash need

# HCYS: External uncertainties

## Guiding principles

- Cultural representation and arts-infused learning to develop youth voice
- Community building to support social emotional development
- Family engagement

## External uncertainties

- **Public health:** Capacity limitations, cleaning cost
- **Client demand:** Childcare and afterschool program demand down during pandemic
- **Community issues:** Increase in anti-Asian hate incidents; sharp rise in unemployment during pandemic

## Organizational response

## Implications

# Identify choices

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- Given the parameters you identified and your guiding principles, identify the choices you might make to respond:
  - What **programming** would you offer?
  - What might you need to do to respond to **external uncertainties**?
  - What **staffing and infrastructure** do you need for **programming**?

# HCYS: Program choices

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- Childcare and afterschool programs reduced by 50% due to significant unemployment of parents from pandemic
  - Teen director developed idea for workforce development program for parents, training them to start family childcare programs
  - Long-term transition of childcare program focus to preschool
  - Expectation that afterschool demand will come back as economy returns
    - Offer free virtual programming until demand is back
  - Potential need to reduce childcare staffing
  - Reduced space need in morning
- Longer-term new program ideas
  - Community college space use
  - Additional workforce development for parents/other adults in community
  - Mental health support
  - Community engaged art projects to address anti-Asian hate
  - Collaboration with other BIPOC community organizations

# HCYS: Organizational response

## Guiding principles

- Cultural representation and arts-infused learning to develop youth voice
- Community building to support social emotional development
- Family engagement

## External uncertainties

- **Public health:** Capacity limitations, cleaning cost
- **Client demand:** Childcare and afterschool program demand down during pandemic
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## Organizational response

- **Programming:** Reduced scale childcare combined with workforce development, reduced scale afterschool program, teen artist project on anti-Asian hate
- **Operations:** Potential staff reductions

## Implications

# Estimate financial implications

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- What are the implications for **budget and operations** for base case?
- Are there any **one-time investment** needs?
- How do shifts in scale and timing of revenue, expense, and capital needed impact **cash flow**?
- Are there implications on **contributed revenue** for programmatic choices?
- What are implications for **cash position**?

# HCYS: Major program assumptions

	Daycare	Workforce	Afterschool	Teens	Public Art	Space
Notes	<ul style="list-style-type: none"> <li>• 50% down</li> <li>• Grants may reduce</li> <li>• Layoffs?</li> </ul>	<ul style="list-style-type: none"> <li>• New</li> <li>• Seeking grant</li> <li>• \$50K for curriculum</li> </ul>	<ul style="list-style-type: none"> <li>• 50% down</li> <li>• Could come back</li> </ul>	Add public art program	<ul style="list-style-type: none"> <li>• New</li> <li>• Seeking grant</li> </ul>	<ul style="list-style-type: none"> <li>• 2 classrooms</li> <li>• \$50K for rehab</li> </ul>
Earned Revenue	\$200K	0	\$200K	0	0	\$100K hi 0 lo
Contributions	\$500K hi \$350K lo	\$150K hi 0 lo	\$400K hi \$200K lo	\$250K	\$100K hi 0 lo	0
Expense	\$768K hi \$468K lo	\$123K	\$573K	\$153K	\$70K	\$90K

- Overhead: \$1M revenue - \$1.325M expense = (\$325K) net
  - Included \$100K increased cost for cleaning
- Worst case: (\$250K) cash shortfall

# Deploying your own capital

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- How can your board-designated reserves support working capital?
  - Maintain at least one month of unrestricted operating cash (sized to future need, not current footprint)
  - **Do not include deferred revenue** in your working capital calculation
- Can you self-fund change capital?
  - Consider the benefits and risks of the maximum investment draw
- Should you use a facility reserve for working capital?
  - Is your facility core to the mission and vision you are trying to preserve?
  - If so, preserve these funds—the needs are real, and the capital is often hard to come by
- What are appropriate uses of debt?
  - **Long-term** debt with low rates
  - **Line of credit** that supports cash flow
    - Only appropriate in circumstances where your annual budget resolves and you have a plan for payback
  - **Campaign financing** only for the amount of pledges received to date



# HCYS: Implications

## Guiding principles

- Cultural representation and arts-infused learning to develop youth voice
- Community building to support social emotional development
- Family engagement

## External uncertainties

- **Public health:** Capacity limitations, cleaning and screening practices, ability to get PPE
- **Client demand:** Willingness of families to bring children to care
- **Hate-motivated violence:** Increase in anti-Asian incidents

## Organizational response

- **Programming:** Reduced scale childcare combined with workforce development, maintain hybrid afterschool program, teen artist project on anti-Asian hate, community college partnership
- **Operations:** Potential staff reductions

## Implications

- **Financial:** Potential need for \$250K loan or cost reduction

# Assess scenarios

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- What are the **potential financial risks** associated with each scenario?
- How does each scenario respond to the organization's **guiding principles**?
- Is the organization set up for **sustainability**?

# HCYS: Worst case

	Risk							
	Total	Overhead	Daycare	Workforce development	Afterschool	Teen	Public art	Extra space capacity
<b>Revenue</b>								
Fees	400,000		200,000		200,000			
Rent	0							0
<b>Earned Revenue</b>	400,000	0	200,000	0	200,000	0	0	0
Individual	500,000	500,000						
Institutional	1,050,000	500,000	200,000	0	100,000	250,000	0	
Government	500,000		300,000		200,000			
<b>Contributions</b>	2,050,000	1,000,000	500,000	0	300,000	250,000	0	0
<b>Total Revenue</b>	<u>2,450,000</u>	<u>1,000,000</u>	<u>700,000</u>	<u>0</u>	<u>500,000</u>	<u>250,000</u>	<u>0</u>	<u>0</u>
<b>Expense</b>								
Staff	2,000,000	650,000	600,000	100,000	500,000	100,000	50,000	
Occupancy	450,000	225,000	67,500	22,500	22,500	22,500		90,000
Expenses	500,000	300,000	100,000		50,000	30,000	20,000	
Fundraising	150,000	150,000						
<b>Total Expense</b>	<u>3,100,000</u>	<u>1,325,000</u>	<u>767,500</u>	<u>122,500</u>	<u>572,500</u>	<u>152,500</u>	<u>70,000</u>	<u>90,000</u>
<b>Net Income</b>	<u>(650,000)</u>	<u>(325,000)</u>	<u>(67,500)</u>	<u>(122,500)</u>	<u>(72,500)</u>	<u>97,500</u>	<u>(70,000)</u>	<u>(90,000)</u>
One-time investment	(100,000)			(50,000)				(50,000)
<b>Starting cash</b>	500,000							
<b>Ending cash</b>	(250,000)							

# HCYS: Best case

	Risk							
	Total	Overhead	Daycare	Workforce development	Afterschool	Teen	Public art	Extra space capacity
<b>Revenue</b>								
Fees	600,000		200,000		400,000			
Rent	100,000							100,000
<b>Earned Revenue</b>	700,000	0	200,000	0	400,000	0	0	100,000
Individual	500,000	500,000						
Institutional	1,300,000	500,000	200,000	150,000	100,000	250,000	100,000	
Government	500,000		300,000		200,000			
<b>Contributions</b>	2,300,000	1,000,000	500,000	150,000	300,000	250,000	100,000	0
<b>Total Revenue</b>	<u>3,000,000</u>	<u>1,000,000</u>	<u>700,000</u>	<u>150,000</u>	<u>700,000</u>	<u>250,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Expense</b>								
Staff	1,700,000	650,000	300,000	100,000	500,000	100,000	50,000	
Occupancy	450,000	225,000	67,500	22,500	22,500	22,500		90,000
Expenses	500,000	300,000	100,000		50,000	30,000	20,000	
Fundraising	150,000	150,000						
<b>Total Expense</b>	<u>2,800,000</u>	<u>1,325,000</u>	<u>467,500</u>	<u>122,500</u>	<u>572,500</u>	<u>152,500</u>	<u>70,000</u>	<u>90,000</u>
<b>Net Income</b>	<u>200,000</u>	<u>(325,000)</u>	<u>232,500</u>	<u>27,500</u>	<u>127,500</u>	<u>97,500</u>	<u>30,000</u>	<u>10,000</u>
One-time investment	(100,000)			(50,000)				(50,000)
<b>Starting cash</b>	500,000							
<b>Ending cash</b>	600,000							

# HYCS: Long run

	Risk							
	Total	Overhead	Daycare	Workforce development	Afterschool	Teen	Public art	Extra space capacity
<b>Revenue</b>								
Fees	600,000		200,000		400,000			
Rent	100,000							100,000
<b>Earned Revenue</b>	700,000	0	200,000	0	400,000	0	0	100,000
Individual	500,000	500,000						
Institutional	1,050,000	500,000	50,000	150,000	100,000	250,000	0	
Government	500,000		300,000		200,000			
<b>Contributions</b>	2,050,000	1,000,000	350,000	150,000	300,000	250,000	0	0
<b>Total Revenue</b>	<u>2,750,000</u>	<u>1,000,000</u>	<u>550,000</u>	<u>150,000</u>	<u>700,000</u>	<u>250,000</u>	<u>0</u>	<u>100,000</u>
<b>Expense</b>								
Staff	1,650,000	650,000	300,000	100,000	500,000	100,000	0	
Occupancy	450,000	225,000	67,500	22,500	22,500	22,500		90,000
Expenses	480,000	300,000	100,000		50,000	30,000	0	
Fundraising	150,000	150,000						
<b>Total Expense</b>	<u>2,730,000</u>	<u>1,325,000</u>	<u>467,500</u>	<u>122,500</u>	<u>572,500</u>	<u>152,500</u>	<u>0</u>	<u>90,000</u>
<b>Net Income</b>	<u>20,000</u>	<u>(325,000)</u>	<u>82,500</u>	<u>27,500</u>	<u>127,500</u>	<u>97,500</u>	<u>0</u>	<u>10,000</u>
One-time investment	0			0				0
<b>Starting cash</b>	500,000							
<b>Ending cash</b>	520,000							

# HCYS: Non-financial benefits

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- What are the non-financial benefits new programs would generate?
  - Addressing unemployment
  - Addressing cost of childcare
  - Addressing anti-Asian hate
  - Adding college education onsite with unused space
- How do the intangible (non-financial) benefits respond to guiding principles? What unspoken principles might they reveal?
  - Family engagement
  - Cultural representation

# HCYS: Considering cost and benefit

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- What is the financial result of the scenario?
  - In worst case, HCYS would need to take on debt or reduce daycare staff to meet cash needs
  - In long run, HCYS needs to reduce daycare staff or find other revenue stream to balance budget
- Do the intangible benefits merit the risk of financial loss?
- What are the comparative costs and benefits of other options?
  - Is there another programmatic option that would result in a smaller net loss?
  - Is there another option that has the same net financial result but could respond more strongly to guiding principles?
  - What are the costs and benefits of not taking on the new programs?

# Is new programming worth it?

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- What are the costs?
  - One-time investment to develop and launch
  - Ongoing direct costs
  - Implications for other efforts
  - Opportunity cost
- What are the benefits of the programming, both financial and non-monetary?
  - Earned revenue
  - Implications for contributed revenue
  - Mission imperative
  - Community obligation
  - Awareness or presence in the market
  - Testing new ideas
- Taken together, do the costs merit the benefits?
  - Is this the experience you want to offer your community?



# HCYS: Implications

## Guiding principles

- Cultural representation and arts-infused learning to develop youth voice
- Community building to support social emotional development

## External uncertainties

- **Public health:** Capacity limitations, cleaning and screening practices, ability to get PPE
- **Client demand:** Willingness of families to bring children to care
- **Hate-motivated violence:** Increase in anti-Asian incidents

## Organizational response

- **Programming:** Reduced scale childcare combined with workforce development, maintain hybrid afterschool program, teen artist project on anti-Asian hate, community college partnership
- **Operations:** Potential staff reductions

## Implications

- **Financial:** Potential need for \$250K loan or cost reduction
- **Non-financial:** Addressing immediate community need, develop cheaper childcare option

# Tracking against your plan

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- Use the tools of cash flow analysis and rolling quarterly projections to track results
- Cash flow analysis
  - Regularly updated analysis of the cash coming in and going out in current state
  - Projects 6 months to 1 year, accounting for:
    - Sources of cash
    - Uses of cash
    - Associated timing of each
- Rolling quarterly projections
  - Alternative to detailed annual budget
  - Informed by key milestones and major moving pieces in the operating model
  - Projects 1 year forward on a rolling basis
    - Tracking in the short term against key metrics
    - Level of detail decreases as projections move further out

# Roles and responsibilities

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- Scenario planning should be a joint enterprise between staff and board leadership
  - Board members should help set principles and parameters
  - Staff should drive the development of scenarios
- Assessing and monitoring risk is a critical responsibility of the Board
- Assuring long-term fidelity to the mission is also the Board's responsibility
  - Staff can articulate and share the difficult choices raised through this process; the Board needs to decide
- Results of scenario planning should inform ongoing transparent conversations with funders and supporters
  - What are the choices you have made, and why?
  - What are your critical needs?

# A hidden opportunity

Disrupting norms at the sector level



# Why reimagine now?

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- The sector continues to be undercapitalized
  - Organizations lack cash to manage and take risks
  - Business models do not adequately or sustainably support mission delivery

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- Revenue sources often prioritize service or program expansion rather than overall organizational health
- **Sweat equity continues to be pervasive**

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- Many organizations do not fully reflect the communities they wish to serve



# Why reimagine now?

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- The sector continues to be undercapitalized
  - Organizations lack cash to manage and take risks
  - Business models do not adequately or sustainably support mission delivery
- Revenue sources often prioritize service or program expansion rather than overall organizational health
- Sweat equity continues to be pervasive
- Many organizations do not fully reflect the communities they wish to serve
- How can we use this moment as an opportunity to address these issues?
  - How is this moment an opportunity to improve your service delivery, rather than going back to usual ways of doing business?

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