



Scenario Modeling



Review Building Your New Normal Toolkit

Review the Scenario Modeling Workbook

Today's Agenda:



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Running Parallel Tracks

Crisis Management – ACT NOW!

- Protect Mission
- Protect Clients/Beneficiaries
- Manage Cashflow
- Adjust Operations
- Survive!

Future Planning and Scenario Modeling

- Face Reality
- Adjust to Changing Realities
- Adapt the Organization
- Develop the Strategy for future relevance and impact
- Grow and Thrive

Two Tracks Executed Simultaneously!



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The Toolkit

[Download Here](#)



Building Your New Normal: A Toolkit for Nonprofits



Developed April 2020 by Montana Nonprofit Association

This toolkit has been developed to provide nonprofits a starting point as they consider mid and long-term plans for their mission and their organization. It has been informed by resources from across the sector and is built to help nonprofits start important conversations as they begin building their new normal.

This toolkit covers:
Identifying Possible Scenarios (30 minutes)
Identifying Your Current Response Strategy (60 minutes)
Beginning to Build Your New Normal (30 minutes)



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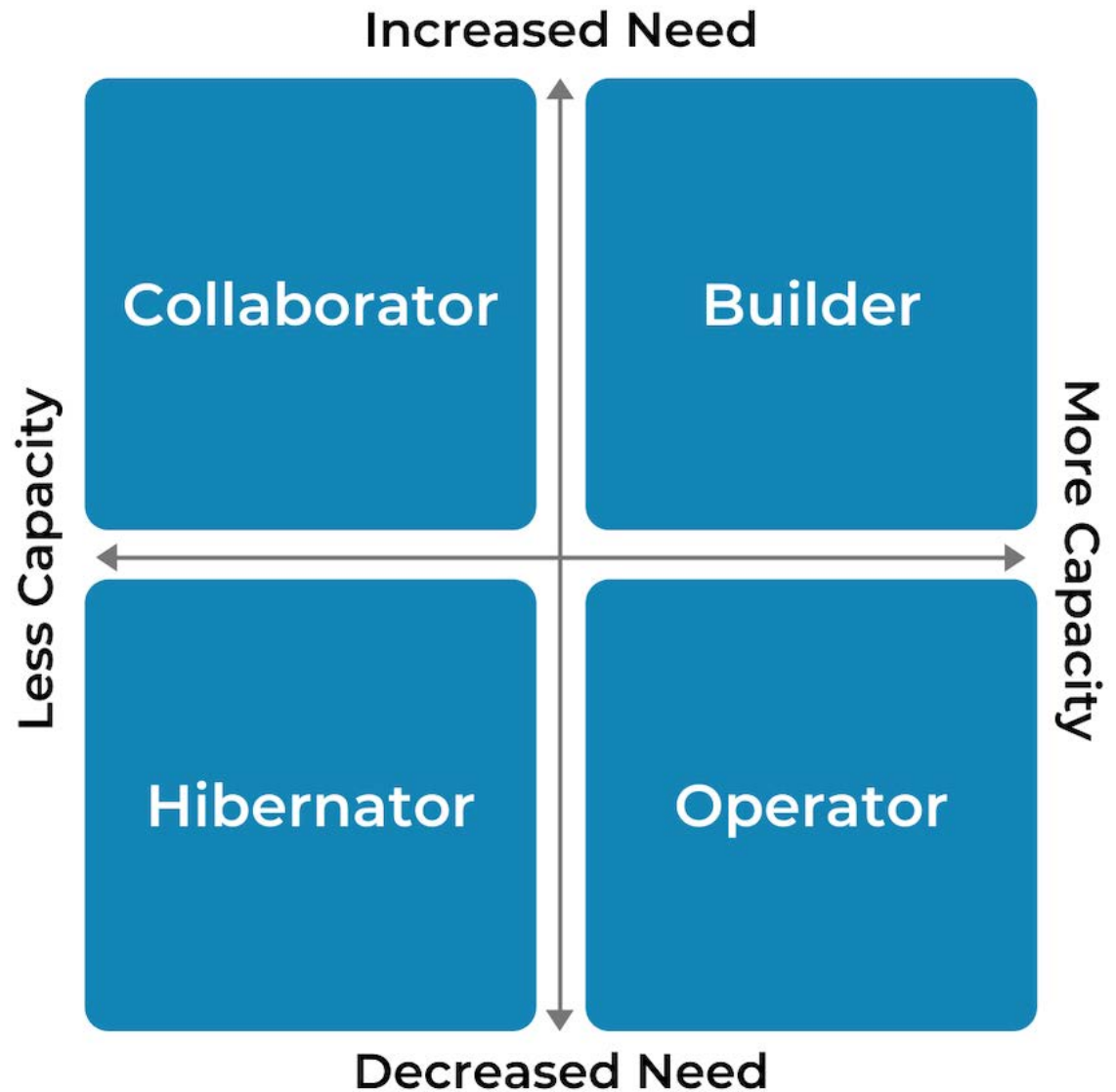
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The Toolkit: Future Planning

- Can't plan for every eventuality. Be thoughtful about the extremes and use that exercise to build adaptability.
- Identify Current Response based on NEED and CAPACITY to meet that need.
- Identify DRIVERS of Need and Capacity.
- Find your ROLE
 - Collaborator, Hibernator, Operator, Builder.
- Future Visioning and actions/pivots to need to occur NOW based on NEED, CAPACITY, DRIVERS, and ROLE.



The Toolkit: Future Planning



What are the largest drivers impacting the need for your services, and your capacity to meet that need?



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The Toolkit: Future Planning

Questions To Ask:

Hibernator

- What (else) can we stop doing entirely? What costs can we shed?
- How do we take care of our people? Who can we not afford to lose?
- What long-term projects can we complete (safely) during this hibernation?
- How will we maintain our organization and our relationships virtually?
- How long can we hibernate without losing ungainable ground?
- What plans do we need to make to restart normal operations?

Collaborator

- What are the highest needs in our community right now?
- Who in our community have we worked with before?
- What organizations or partners exist that provide parallel services or programs to ours?
- How can we flex our programs, delivery methods, and operations to bolster ongoing efforts?
- How long can we continue collaborating without prioritizing our core mission?

Builder

- How can we grow and deliver our services safely? How can we make sure our staff and clients are protected and healthy?
- What do we need to stop doing to focus on our highest priorities?
- What increased management, staff, or operational capacity do we need to deliver our programs and services?
- What additional funding or resources do we need to continue operating at a high level?
- How long can we sustain this level of activity?
- What plans do we need to make to make to return to normal operations?

Operator

- How will we safely continue to operate?
- How do we shift or continue to shift our delivery model?
- How do we make mid-long term decisions on events, return to work, and gathering?
- How long can we sustain our current operations in a changing landscape?



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Scenario
Modeling

“Future Planning” translates into “Scenario Modeling” by

1. Identifying the resources needed to carry out a specific plan
2. Capturing the costs necessary to deploy those resources to execute that plan.
3. Identifying funding to support that plan and planning for variability in that funding.
4. Create Clarity and Adaptability!



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A Disclaimer:

- A scenario model is NOT a budget
- Its okay to estimate and use broader numbers if actuals are not known or easy to create.
- Don't sweat the small stuff – a good scenario tells you how the BIG drivers affect your financial picture.

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Scenario Modeling

REVENUE:

- Important aspect of Scenario Modeling is to capture uncertainty, both in scale and in impact.

- Different Revenues have different uncertainties.

- Fixed Revenues: Uncertainty is about Probability
 - “Will we receive that grant?” | “Will we get our contract renewed?”

- Variable Revenues: Uncertainty is about Variability
 - “How much % decline can we expect from our earned income or fundraising income?”



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Expense:

- Pareto Principle:
 - Know your 80%
- Start by building your expense model to **MEET THE NEED** and then adjust based on revenue.
- Make sure you are capturing **FULL** program costs and all uses of cash (some are not “expenses” from an accounting standpoint).
- Identify the **CORE**



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Bring It All Together:

		Revenue			} NET INCOME
		Best Case	Moderate Case	Worst Case	
Expense	#1	\$800,000	\$200,000	(\$50,000)	(\$300,000)
	#2	\$720,000	\$280,000	\$30,000	(\$220,000)
	#3	\$640,000	\$360,000	\$110,000	(\$140,000)

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Bring It All Together:

- Know your Assumptions
- Know your Drivers
- Create possible action steps and options

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Action Steps/Options:

“No Regret” Moves:

- Actions with positive benefits under any scenario

Discretionary spending savings that don't harm staff or programs

Options/Hedges:

- Small scale, flexible moves that can be done quickly if a milestone is reached.

- Reduce management compensation by XX% if certain funding source doesn't come in as planned.

Major Activities/Cost Reductions

- New Programming or Shuttering Existing Programs



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Identify WHEN to Act:

- Don't wait until its too late

- Know how to act and when so that you can act quickly when the time comes

- Identify Trigger Points
 - A certain Date
 - A certain Event

- Get the whole leadership team on board with trigger points and action steps.



Scenario Modeling

Keep it Current:

- Just like with cashflow, revisit the models as new information is received and keep the models current.
- Be willing to pivot with new information.



 Let's Look at the Template



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Questions?