AAA Scenario Planning Tool Kit

Updated May 2025

Considering substantive shifts in government policy, many nonprofits will be faced with reduced sources of funding, new regulations that impact operations, and an unpredictable economic landscape. This toolkit has been developed to provide Delaware nonprofits with a starting point as they consider mid- and long-range plans for their organization and its mission. It is designed to facilitate conversations as you explore a new funding landscape and operational model. It has been informed by resources from across the sector, including leading management and consulting firms, and finance and accounting professionals. [1]

What this tool is:

- A launching point and an opportunity to begin framing your position and response.
- A strategic framework to assess alternative future realities.
- A curated set of resources to assist in the assessment of alternative actions.

What this tool is not:

- A formulaic answer to your situation or a static box you must or will stay in.
- An operational plan.

How to use it:

- Prepare to set aside quality time with a team of board, staff, and other stakeholders over several sessions. Do your best to engage a diversity of perspectives as you start this work.
- We have suggested timelines for engaging in the material, but feel free to utilize the sections that are of value to you when you need them, and feel free to revisit conversations as they become relevant again.
- Within each section, resources and templates are provided for reference.

Note: Due to the rapidly evolving government policy and funding landscape, this resource will adapt with additional resources and tools to permit financial modelling alternative scenarios.

This toolkit Provides Resources for following areas:

Aware: Affirm mission outcomes and drivers and current financial and organizational health and identify which external factors will greatly impact clients, programs, and operations.

Assess: Tools and questions to evaluate impacts to programs, operations, and funding based on high impact external factors

Act: Considerations and resources for evaluating scenarios and moving forward with the ideal plan that results in high mission impact and sustainability

[1] DANA would like to thank BDO, and the Montana Nonprofit Association which devised a similar resource during the COVID-19 pandemic. Some resources were adapted from publicly available resources previously created by DANA, its consultants, and The Bridgespan Group.

Aware – Mission Drivers

Recommended Time: 90 Minutes

The first step for a working group tasked with this work is to agree on the current state of your organization and its beneficiaries. This is the foundation for evaluating different scenarios. For some nonprofits, this may require evaluating different programs for various beneficiaries. In this phase, the group is aligning on:

- Mission – the purpose of the nonprofit.
- Target beneficiaries – the people, community, or entities for which the nonprofit (or program) intervenes to improve their situation.
- Organizational (or program) outcomes – the change the beneficiary will realize because of the organization's efforts.
- Program goals – prevention, intervention, education, treatment, job mobility, inspiration, safety, advocacy/policy, other.
- Financial health – the organization's current mix of revenue and expenses and its cash position.
- Organizational capacity – the willingness and ability for the board and staff to engage in the assessment of multiple scenarios and determine the financial implications.
- External Factors – changes that are occurring external to the organization that will impact its beneficiaries, programs, or funding.

- The Scenario Planning Awareness Questionnaire asks questions to help your group agree on each of the above internal factors. To clarify your organization's financial health there are several resources you can reference:
- Your most recent balance sheet, income & expense statement.
- Simple Budget and Cash Flow spreadsheet to help you assess your current cash position. If you do not have a budget that is spread by month to reference, you can use your historical revenue and expenses by month to conduct the analysis.
- Liquidity Calculator created by BDO can assist you in estimating your current cash available today and can be used to assess cash availability with reduced funding streams.

Not familiar with Excel? You can reference these two resources created by DANA and PHMC:

How to Excel at Excel (Video)
Data Management with Excel (Video)

If you have questions about any of the above analyses or would like assistance, contact DANA's VP of Consulting, Earl Sissell at esissell@delawarenonprofit.org.

The next section facilitates conversations about external factors that could influence the resilience of your organization, programs, and those you serve.

Aware – External Factors

Recommended Time: 90 Minutes

A helpful way to prepare for the future is to identify those external factors that will impact your beneficiaries, operations, and funding. Below are four possible factors in 2025 that could influence your organization and space for you to consider an additional variable. For each variable, consider the degree to which this factor is a high risk to beneficiaries and/or your organization, and the estimated timeframe in which the impact will be felt.

The Understand External Factors Worksheet can help you outline the external factors that have a high probability of impact and their degree of impact immediacy.

The National Council of Nonprofits is updating Federal Policy Changes. You can find HERE.

Reduced Funding

Situation: The current administration is pursuing an initiative to downsize the federal government. This will result in reduced levels of grants, contracts, and loans. In addition, with a reduction in the federal workforce, the number of people available to process grant awards, payments, or answer questions is reduced and could delay awards or reimbursements. As a beneficiary of federal grants, the State of Delaware may also be impacted; either reducing its staffing levels due to lost funding, retaining a higher portion of grant funds in the future, or shifting state funds to offset federal funding losses. This could impact on how much state-level funding is available for your services.

Discuss which funding streams, if any, will be impacted by federal policy shifts. Be sure to clarify whether this is a funding reduction or elimination, or whether it creates a funding opportunity.

Agree on the probability this will happen:
- High – greater than a 75% chance this will happen.
- Medium – 45% - 74% chance this will happen.
- Low – less than 45% chance it will happen.

Agree on the timing for when this impact will be realized:
- Immediate – funding has been reduced or terminated or noticed it will be in the next 30 days.
- Soon – funding reduction or termination will be within six months.
- In the future – funding will be reduced or terminated but not for six months or longer.

Conduct this assessment for each source of revenue. Here are helpful guides: National Council of Nonprofits Resource: Risk Assessment of Federal Funding and National Council of Nonprofits: What to do if Federal Grant/Contract is Terminated.

Soft Economy and Inflation

Situation: Economists have warned that massive federal layoffs, global tariffs, and trade wars will negatively impact the economy in the short-term. As of mid-April 2025, the markets have dropped, affecting nonprofit and donor investments. Historically, when investment portfolios diminish, foundations and high-wealth donors are likely to reduce their giving. In addition, market instability creates uncertainty for corporations. This can translate into a lower level of community donations and sponsorships. The increased tariffs are predicted to increase the cost of goods, thus increasing expenses. Individuals may have less disposable income to donate to nonprofits, while nonprofits will experience higher costs on goods. Finally, mass layoffs may result in more individuals needing assistance as they navigate lost income, housing insecurity, and need more safety net support.

Discuss in what way the economic trends will impact your organization. There could be several elements this could impact:

- Donations.
- Client demand (e.g., up for critical services/ down for non-critical).
- Expenses.

Be sure to clarify whether these are increases or decreases and for each element:

Agree on the probability this will happen:

- High – greater than a 75% chance this will happen.
- Medium – 45% - 74% chance this will happen.
- Low – less than 45% chance it will happen.

Agree on the timing for when this impact will be realized:

- Immediate – your organization is already experiencing the effect.
- Soon – the effects will be within six months.
- In the future – effects will be felt but not for six months or longer.

For some nonprofits, the consequences of a softer economy may influence different program engagement. You may find it helpful to list each program and determine their individual impact.

Policy Change Related to DEIA

Situation: The current Administration has identified DEIA initiatives to be discriminatory. Though the laws have not changed, there is greater scrutiny on programs and services that distinctively support a segment of the population – particularly if they are segmented by race, gender or sexual identity, ethnicity, or legal residency status. Future federal contracts and grant agreements may require an organization to certify they are not offering any such programs nor are their hiring practices deemed DEIA-related. For some organizations, this may impact their mission altogether, some programs, or how they promote their values and activities. Discuss whether the above policy shift will impact your beneficiaries. How will the nonprofit continue to conduct its mission in its historic manner? Will it require elimination of some programs/services? Will It require revisions to your website, descriptions, and promotional language?

Agree on the probability this will happen:

- High – greater than a 75% chance this will happen.
- Medium – 45% - 74% chance this will happen.
- Low – less than 45% chance it will happen.

Agree on the timing for when this impact will be realized:

- Immediate – our organization has been asked to certify and/or we have been asked to answer questions.
- Soon – we anticipate we will be asked to certify or answer questions about our programs.
- Low – this will likely not happen.

If there are several ways this policy shift will impact your organization and beneficiaries, please identify risk and immediacy separately.

Other Regulatory Changes

Situation: The current administration has different viewpoints and priorities than the prior administration. As such, regulations that have been in place are being reversed and new regulations are being issued. As of mid-April 2025, several have emerged, and may impact your nonprofit's programs or your beneficiaries and include:

- Services for non-citizens.
- Transgender care.
- Access to abortion.
- Initiatives related to environment, climate change or environmental justice.
- Research and Data collection.
- Education.
- Tax-exempt status for nonprofits.

Discuss whether policy shifts, if any, will impact your beneficiaries. In what ways will this change your nonprofit's ability to carry out its mission in its historic manner? Will it require elimination of some programs/services? Will It require revisions to your website, descriptions, and promotional language? How likely is that?

Agree on the probability this will happen:

- High – greater than a 75% chance this will happen.
- Medium – 45% - 74% chance this will happen.
- Low – less than 45% chance it will happen.

Agree on the timing for when this impact will be realized:

- Immediate – the regulation change has happened or will go in effect in 30 days.
- Soon – we anticipate the regulatory change will go in effect within six months.
- Low – this will likely not happen.

If there are several ways this policy shift will impact your organization and beneficiaries, please identify risk and immediacy separately.

Other Variables

Situation: There may be other external factors that emerge for your organization. Discuss with your group the factor, and to what degree it is probably going to happen and the immediacy of its impact.

Assess - Financial & Operational Risk

Recommended Time: 60 – 90 Minutes based on available data.

Upon completion of evaluating the external factors, map the mission drivers to external factors, marking them as high to low importance to your mission and high to low probability of impact. Use this enclosed template: Map Factors to Mission Drivers to highlight the areas for which to assess viability and possible responses.

Based on the high risk, and most important mission drivers that are impacted, conduct a financial analysis to understand your financial position should these materialize. The Financial Risk Assessment Questionnaire will help you understand to what degree your organization is able to navigate the risks you identified to your programs.

These additional resources are available for you to use for evaluating future financial position:

1) DANA Multi-Year Cash Projection Workbook
2) Guidance on the DANA Multi-year Cash Flow Workbook
3) Scenario Planning Modeling Tool
4) Guidance on Scenario Planning Modeling Tool

Based on the findings – categorize your organization into one of the following stages:

1) Crisis stage – less than three months of cash based due to high-risk external factors.
2) Concerning stage –Three to Six months of cash based on high-risk impacts.
3) Opportunity stage – Six or more months of cash based on high-risk impacts.

If your organization is in a crisis or concerning stage, you may need to first address immediate cash needs prior to exploring longer term scenario options to sustain your organization. DANA has contingency planning resources on its Website in its Sustaining Strategies section.

If your organization is experiencing immediate cash concerns, consider the following steps:

- Identify another entity that has a similar mission and discuss partnership and/or integration opportunities.
- Outline a dissolution plan to ensure transition of remaining assets to another nonprofit entity (assets include beneficiaries).
- Communicate with the community (donors, government, beneficiaries) of the imminent closure of your programs.

In the Action section of this toolkit, some helpful resources are available for reference.

Assess - Program Viability

Recommended Time: 90 – 120 Minutes

Reference the Map Factors to Mission Drivers worksheet your team developed to highlight the areas for which to assess program viability and possible responses. For this process, your group will evaluate programs related to mission impact, uniqueness, and community benefits. This review should first be grounded in the priorities of your mission outcomes. It is possible that the funding losses or regulatory changes may make the way you have delivered your programs or services obsolete, so this is where innovation and new partnerships may be required. Some questions to consider are listed below, along with resources to explore programmatic impact more deeply.

1. **What are the immediate needs of the communities, causes, or people you serve based upon the external risks?** Seek input from your board, staff, leadership team, and partners.*:*

Describe these briefly:

2. **Reference Program Assessment Checklist to assess programs that may be critical to keep and others that could be eliminated or reduced to re-allocate resources. The MacMillan Matrix is a great resource to determine program uniqueness and impact. What conclusions did you draw from this assessment?**

Describe these briefly:

Assess - Alternative Scenarios

3. Based on the needs of your beneficiaries and the uniqueness and viability of your programs, should you continue with the same programs, innovate, or eliminate to achieve your intended outcomes, or do your intended outcomes evolve altogether?

Describe these briefly:

4. Is there an opportunity for partnership to achieve outcomes to a greater extent, or to deliver programs more efficiently? In what way? Use this Partner Evaluation Checklist to evaluate.

Describe these briefly:

Now that you understand your current financial position, you have assessed your program's impact and their unique contributions, and you acknowledge your capacity for change, the next section provides guidance on evaluating alternative scenarios to pursue.

Assess - Alternative Scenarios

1. **Based on the assessment, should your organization change its intended outcomes to meet the needs of your beneficiaries?**

Describe these briefly:

2. **In what ways do your programs change? How many people will you serve going forward? How does it impact your staffing levels, your operations, and revenue streams? Do you have multiple options (or scenarios) to consider?**

Describe these briefly:

3. **What will be the new costs and revenues you anticipate for each scenario? Reference the DANA-MNA-Scenario Modeling Tool.xlsx**

Describe these briefly:

4. **Do any of these scenarios improve your financial or organizational risk position from the financial assessment above?**

Describe these briefly:

The next section provides some resources to support your actions.

Action

Based on the Scenarios which describe your Financial/Organizational Risk?

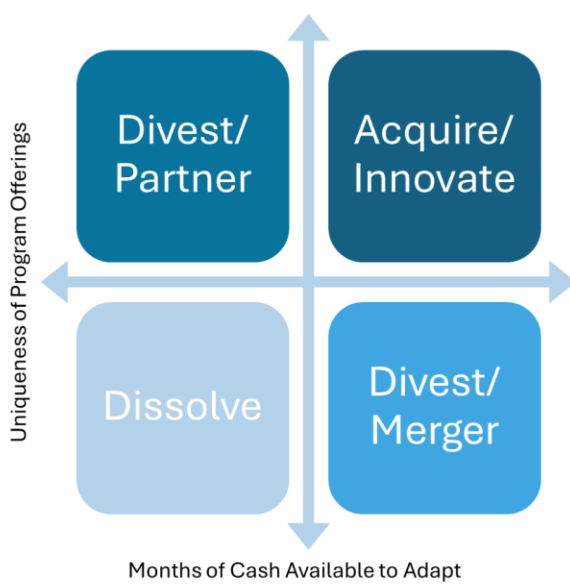
- Crisis stage – less than three months of cash per high-risk impacts of external factors.
- Concerning stage – Three to Six months of cash based on medium to high-risk impacts.
- Opportunity stage – Six or more months of cash based on high-risk impacts.

From the Assessment Above which describes your Program Uniqueness and Viability?

- Low – others can do what we do, and we have limited options or capacity to raise new funds or innovate.
- Medium –we have some unique offerings and could find partners and new funding opportunities.
- High – our programs are unique, we have the capacity, and we can innovate and find new partners and funding.

Below are some different organizational responses and strategies based upon your assessment of financial risk and program viability. The purpose of this is to help gauge where you are now and propose possible actions to consider for your organization.

Assessment and Action Steps:



- **Opportunity Stage/High program viability** – consider innovation or acquisition of other high programs from organizations at crisis or concerning stage.
- **Concerning Stage/High program viability** – consider seeking partners or integrate with another organization.

- **Concerning or Opportunity Stage/Medium program viability** - consider seeking partners, divesting low impact programs, or merging with another organization.
- **Opportunity Stage/Low program viability** – consider shifting your programs to higher impact services through innovation or acquisition.
- **Crisis or Concerning Stage/Low program viability** – consider dissolution, divesting low impact programs or integration with another organization.
- **Crisis Stage/Low program viability** – consider an intentional process to dissolve your mission.

The next step is to create an Action Implementation Plan. Below are some resources for guidance.

Acquire/Grow	Taft Law: M&A an Overview Taft Law: Structuring the Nonprofit Acquisition Taft Law: Beyond the Legal: Considerations for M&A
Partner or Integrate	Nonprofit Megaphone: Guide to Collaboration Developing Strategic Partners IntegrationChecklist.docx
Divest	Brooks: When to Shut Down a Program
Dissolve	National Council of Nonprofits Steps for Dissolution Stanford Social Innovation Review: Asset Transfer Delaware Specific Information on Corporate Dissolution

Additional resources will be developed in the future. Should you need customized support, please contact DANA esissell@delawarenonprofit.org.