COVID-19 Contingency Planning Framework for Nonprofit Leaders

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Overview

How to use this document
In times of fast-moving uncertainty, leaders need to first understand a variety of outcomes and create scenarios that align with those possibilities. This framework is written for the nonprofit leader. It is intended to help you think through impossibly difficult choices ahead and make it through with a sound plan. We know this isn’t easy, but you can do this.

Principles of Contingency Planning in Times of Extreme Crisis
- Don’t do this alone. Utilize advisors or board members if staff options are limited.
- Stay alive: preserve the core mission. And be scrappy: look for new opportunities.
- Two most important factors: protect cash and protect your people.
- If you need to cut costs, cut only once. Make it deep enough so you don’t repeat.
- Clear is kind. Be honest with all stakeholders, especially staff.
- Leadership matters: you must protect the leadership function, which means you.

Summary: Steps to Contingency Planning
- **Step 0: Before you get started, build your team and your meeting cadence.** This is the time to create a weekly meeting with this taskforce to check-in on COVID-19 planning. This situation will be so fluid, it’s critical that you’re gathering regularly with the people you need to guide this process for your organization.
- **Step 1: Understand your current financial position**
  - Review all of your financial statements, especially your cash flow statement.
  - Ensure you understand your liabilities, exposure and current cash-on-hand.
- **Step 2: Model scenarios to understand your financial forecasts for FY20 and FY21**
  - Identify macro scenarios. Examples: What if the COVID-19 crisis lasts for 6-9 months (swift recovery) or 15-18 months (prolonged recovery)? Ensure consideration across these timeframes.
  - Make sure you understand potential impacts to programs/operations/revenues within the macro scenarios, honing in on worst, likely and best cases.
  - Create a financial model or forecast reflecting your FY20 and FY21 finances.
  - How sensitive is the model to certain assumptions? What assumptions need to be questioned (e.g., likelihood of pledges closed, personnel #s, etc.).
- **Step 3: Build your contingency plans.** We’ve offered some guiding questions and a template to support the development of COVID-19 Response Plans. Build one for each scenario.
- **Step 4: Revisit the plans regularly to make sure that you have relevant scenario analysis and contingency plans.**
Step 0: Build Your Team

Building the Team

- It’s easy to want to jump right into the planning, but take a step back to identify people that can support this effort. It’s critical that you have representation from your leadership team to accomplish this work. If staff resources are limited, do not hesitate to bring in board members or other advisors. You cannot do this alone.
- Who should be at the table? Who can hold this level of tension?
  - Board Chair, Finance Chair, Deputy, Development, HR?
  - What kind of legal counsel do we have? What do we need?
  - When can we meet? What insights do they have that we don’t?
  - Who is an expert in unemployment benefits and offboarding who we can turn to?
- Set-up recurring meetings to ensure COVID-19 planning becomes part of the organization’s operational cadence.
- Identify data sources that you will turn to in order to support your scenario and contingency planning. Given the wide array of information and disinformation on the current COVID-19 scenario, it’s critical that your team is operating off solid research and intelligence. The CDC, state Departments of Health and other official municipality news sources are all great resources for your team.

Step 1: Understand Your Current Financial Position

Where Do We Stand?

- It’s critical that you understand your baseline position.
- Gather all the financial statements and information you can of your current financial state
  - Review your budget and year-to-date actuals. Understand variances to plan.
  - Consult any relevant back up materials to understand nuances of the statements (e.g., what’s driving your high Accounts Receivable figure, why are marketing costs higher than projected, etc.)
  - Prioritize your understanding of your cash position - it is the most critical financial indicator you will have as you proceed with your analysis.
- Visit the assumptions that dictate your current position. Can you actually count on payments from vendors, suppliers or customers? Has your reserve/endowment account been decimated by the market?
- Ensure you can communicate the current financial position and narrative for the organization.
- When all is said and done, you must know how steady of a foundation you stand on.
Step 2: Build Your Scenarios

Define Two Macro Scenarios
- Pick two broader external scenarios that your organization will consider.
- Suggested macro scenarios:
  - COVID-19 crisis lasts for 9 months (through 2020)
  - COVID-19 crisis lasts for 18 months (into Fall 2021)
- It’s helpful to create narratives around each scenario to describe what would likely be happening in any given situation.

Create Best, Likely and Worst Cases
- Create three cases, best, likely and worst, for your organization within the macro scenarios
  - Example Best Case: 10% reduction in revenue through crisis timeline, program delivery continues with minor inconvenience and no staff layoffs
  - Example Likely Case: 30% reduction in revenue through crisis timeline, some program delivery interruptions and a few staff layoffs
  - Worst Case: 75% reduction in revenue through crisis timeline, severe changes to program delivery and major staff layoff/rewrite structure

Create Indicators and Trigger Points
- Create indicators that will tell you which scenario/use-case is playing out. Note the trigger points (e.g., cash flow targets, operational metrics, etc.) that will move you from one use-case or scenario to the next.

Model or Forecast Your Financial Position
- Model or forecast your financial position for FY20 and FY21 against the scenarios.
- It’s critical that you also create a month-by-month cash projection (use the Cash Flow tool to assist) to understand where you might potentially hit cash flow challenges.
- Conduct Sensitivity Analysis
  - Which cost or revenue variables most influence our financial projections?
  - How can I mitigate these variables to protect our financial position?

Practical Implementation Questions
- Looking at cash flow, when do I need to implement cost cutting to stay strong enough to preserve core programs?
- Am I giving enough time for:
  - Future government programs to be reasonably known?
  - Outreach to major donors/foundations to occur and cash to come in?
  - Financial realities to be more certain, without waiting for absolute clarity?
- How much time can you buy so that you can get enough information to make a decision without waiting so long you lose options?
Step 3: Build Your Response Plans for Each Scenario

Use the strategic questions to help frame your strategy for each scenario and use the tactical prompts to fill in the tactics section of the included response plan template.

Strategic Questions

*Note: Tackling these questions first will help you build stronger tactical responses*

- Have the needs of our clients/customers drastically shifted? Do we need to also shift our strategy or mission in light of new realities?
- How are our core programs and operations impacted under this scenario?
- Has our financial outlook changed dramatically?
  - Are we realizing new costs or savings?
  - Is our cash position tenable?
  - Do we think our major funding and revenue lines will exist, let alone continue?
- What other forms of capital or financing can we bring to the table?
- Does a strategic alliance, merger or partnership make sense? Are there collaboration opportunities with peers to share admin or non-essential programmatic functions?
- How can we innovate across the organization (revenue, costs, program, etc.) to meet new demands and move the organization forward?
- Most importantly - how are we protecting our people and those we serve?

Tactical Planning Prompts: Programs

- How will we protect our programs?
- How will we bring new programs online?
- How will we preserve our impact measurement system?
- How will we maintain the quality and overall fidelity of the program?

Tactical Planning Prompts: Operations

- How are we preparing for potential office closures and social distancing?
- How are we maximizing efficiencies of the virtual workspace?
- What systems do we have in place (or should we build) to ensure seamless operation?
- How are we ensuring continuity in our supply chain and service/product distribution?
  - Do we have redundancies in key places to ensure ongoing service continuity?
  - Do our suppliers have the right protections in place to safeguard their employees and mine (and our collective reputations)?

Tactical Planning Prompts: Costs

- How are we paring down expenses in our programs and administration?
- How are we reducing personnel costs?
  - Pay reductions, part-time status, pausing benefits, hiring freezes?
  - Staffing cuts?
- How are we accounting for sick leave or virtual office impacts?
- How are we handling debt obligations - renegotiate, defer or seek forgiveness?
- How are we reducing and managing cost drivers?
Tactical Planning Prompts: Revenues

- Foundation and Government Grants
  - How are we following up on pending proposals?
  - Have funder priorities shifted? Can we convert restricted grants to unrestricted?
  - Have we identified new "special giving" funds for our org? Are we eligible?

- Individual Giving
  - How are our top 10 donors feeling? What does it indicate about our projections?
  - How are we accelerating pending asks or pledges?
  - Are new donors interested in us due to COVID-19? How will we reach them?

- Events/Sponsorships
  - Should we hold the event? (reference the 20 Degrees worksheet to guide this)
  - What steps can we take to repurpose any of the event revenues/sponsorships?

- Earned Revenue
  - Can our earned income lines (including govt. contracts) still bring in revenue?
    - If so, is it less, the same or more than before? Why?
    - What steps are we taking to honor/refund pre-paid services?
  - Can we create a new service? What steps will we take to bring it online?

- Financing and Fund Development
  - Can we tap reserves or other investment accounts?
  - Can we raise a special purpose fund for salaries?

Tactical Planning Prompts: Communications

- Have we identified a lead for communications from the organization?
- Have we developed key messages for our response? Is it tailored to different audiences?
- Are we including the leader’s voice and the voice of those you serve? What about staff?
- Have you prepared communications in advance of any major shifts in strategy?
- How can we use social media channels to stay connected to your community and other stakeholders during this time?
- How will we keep stakeholders updated on major organizational announcements
- How can we add our voice to advocacy efforts for our sector/issue area?

Tactical Planning Prompts: Staff Morale

- How do we support the morale and emotional well-being of our team?
- How will we uphold commitments and responsibilities to our staff?
- Should staffing cuts be necessary:
  - How can we cut deep enough so further cuts are not needed?
  - Do we have legal support in place ahead of final staffing decisions being made?
  - How are we protecting people’s personal well-being and professionalism (e.g., two weeks severance for each year of service)?
  - Have we created resources on how to apply for unemployment benefits?
  - How are we maintaining morale of remaining staff?
- How am I taking care of myself in this moment?
Extra Guidance for Completing the COVID-19 Response Plan

1. **Complete the scenario characteristics section.** Based on the scenario you’ve laid out, use the narrative to lay out the projected reality. This is included at the top to help keep all in mind the reality that you are facing at any given moment.
   a. Program Status - is the program fully operational or are half your programs closed, do you have a new program launching, etc?
   b. % available FTEs - how many FTEs are actually working full-time and available to work at your organization in this scenario?
   c. Threat Environment - What is the current public health threat in your scenario? Are localities sheltering in place? What about the economy? Are business/people reeling?

2. **Complete the Financial Milestones section.** Input the cost, revenue and cash milestone targets based on the financial model you created. Convert your cash targets into days of cash on hand for the organization (you can use the Cast Flow tool for this as needed).

3. **Complete the Tactics section.** For each category, what are the steps you will take in each quarter to hit the financial and operational goals? In this section name the initiatives and actions being taken to achieve the financial and operational goals. Use the tactical prompts to guide this exercise.

4. **Complete the operational indicators section.** Based on the scenario you’ve laid out, use the narrative and answers to the questions to complete the indicators that tell you about your operations. Set aspirational indicators and track against them.
   a. Service Quality - make sure you’re tracking the quality of your program delivery (as measured by your clients or other third-parties). Can you say that quality hasn’t been compromised?
   b. Cost/Unit of Service - usually evaluated as the (program expense/the 'unit' of service). Identify the most basic ‘unit’ of service your organization delivers, e.g., cost per student tutored. Use this to track if you are as efficient in running your program as needed.

5. **Repeat for each scenario.**

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**Step 4: Revisit the Plan and Scenarios Regularly**

- Review your assumptions and plans frequently, as this situation is extremely fluid
- Make any relevant changes and continue to keep taskforce members informed about progress