

FINANCIAL MANAGEMENT DURING A TIME OF UNCERTAINTY

NOVEMBER 20, 2025



With Us Today



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BDO NONPROFIT & GRANTMAKER ADVISORY

We provide experienced **financial management services** and skilled **capacity-building** technical assistance, including **organizational consultation** and **training**, using an approach tailored to individual organizations and their specific needs.

For Nonprofits

- ▶ Cohort programming to build financial resiliency of nonprofit leadership teams
- ▶ Coaching
- ▶ Developing fiscal staffing, systems, and processes
- ▶ Supporting business model development
- ▶ Trainings on annual planning and budgeting, and improving internal controls
- ▶ Outsourced Financial Management

For Funders

- ▶ Trainings for Program Officers, Grants Managers, and Board Members
- ▶ Financial Due Diligence and Grantee Portfolio Analysis
- ▶ Landscape analysis & Custom Advisory Projects
- ▶ (c)(4) Infrastructure and Grantmaking Practices
- ▶ Infrastructure Advisory (Systems and Processes)
- ▶ Outsourced Financial Management

What challenges or opportunities are you facing in the current moment?



Agenda



The External Environment



Financial Resilience &
Understanding Your Business Model



Scenario Planning in Uncertain Times



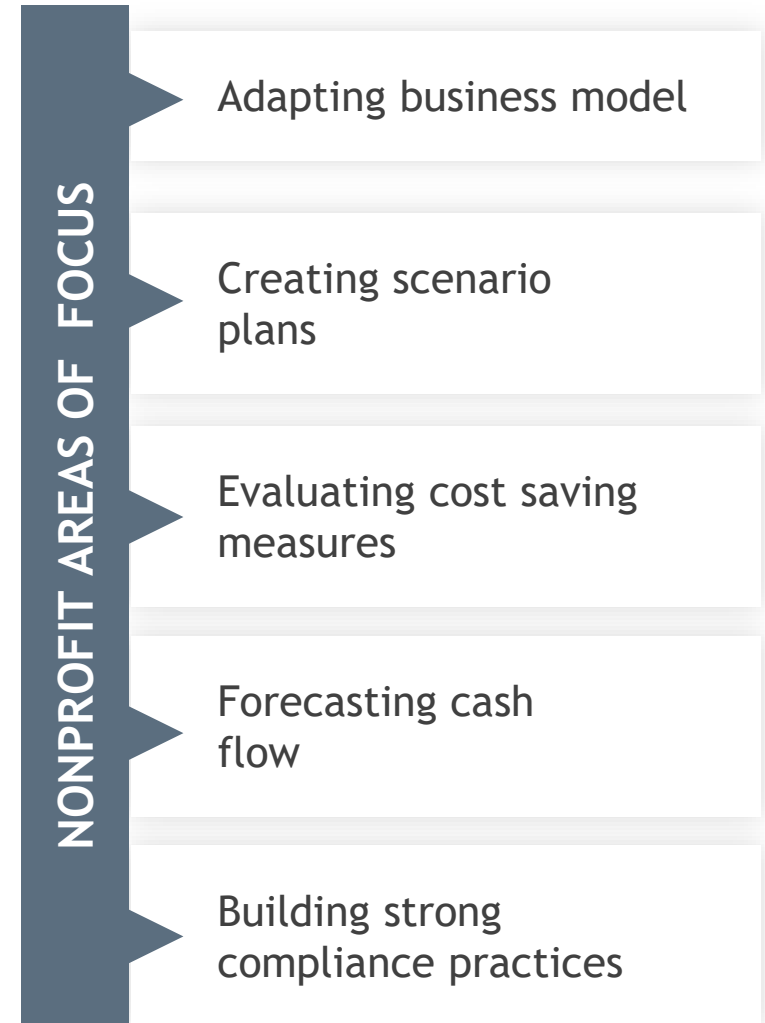
Resources

The External Environment

Where We Are Now

► Unprecedented changes in 2025:

- Government shutdown for an unknown period of time
- Drastic cuts, retrenchments, or payment delays for some organizations reliant on government revenue
- Executive Orders target the mission-based work of many organizations
- Heightened immigration enforcement threatening community safety and interrupting programmatic work
- Increased scrutiny and surveillance of nonprofit organizations and the communities they serve
- Threats to tax exempt status for nonprofits and their funders
- Funders shifting focus due to new administration's policies



Assessing the Risk Landscape

[Financial Risk Assessment: A 3-Level Model for Nonprofits in 2025](#) | Article

Minimal Expected Impact: Maintain Current Operations

Either no changes to revenue/programs OR minor funding decreases for some. Limited risk from internal practices and procedures.



- Programs are sustained or moderately reduced.
- Focus on minimizing expenses that do not significantly impact mission activities and planning for sustainability.

Significant Areas at Risk: Business Model Recalibration

Moderate funding decreases from one or multiple revenue streams or other critical program impacts.



- Programs may scale down while core services are prioritized.
- Undertake cost reduction strategies.
- Explore new revenue streams and strategies.
- Look into opportunities to collaborate with others or outsource back-office functions.

Existential Redefinition: Alternative Operating Model or Restructuring

Substantial funding decreases from primary revenue sources or other existential threats.



- Dramatic restructuring might include moving to fiscal sponsorship, transferring program(s) to another organization, or merging with another nonprofit.
- Winding down of operations and dissolving the organization might be necessary if other options are not feasible.

What challenges or opportunities are you facing in the current moment?



Financial Resilience & Understanding Your Business Model

Financially Resilient Organizations



Stay focused on
the long-term



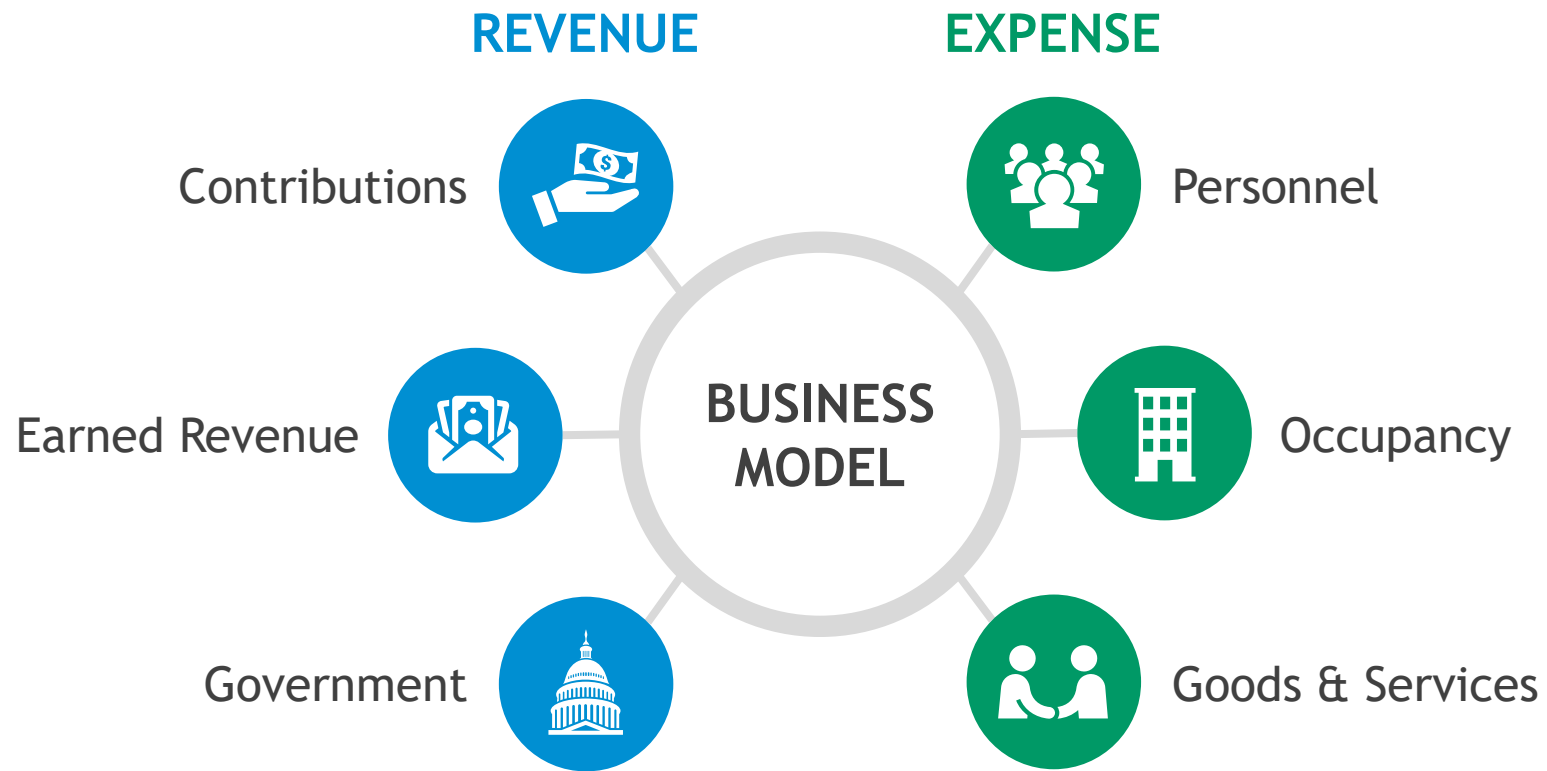
Continually assess
and respond to
current needs



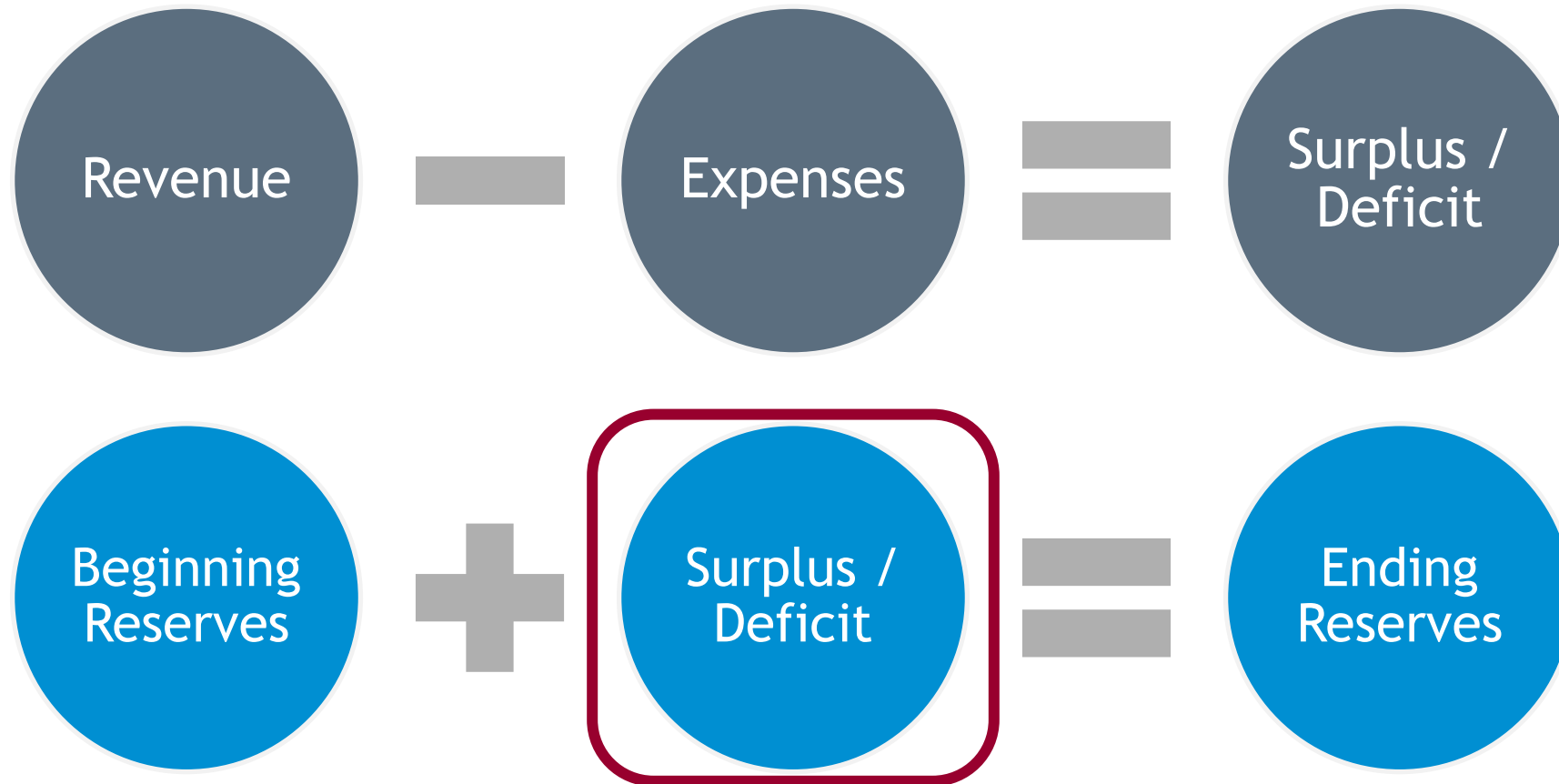
Understand and are
able to tell their
financial story

Business Model

The rationale of how an organization creates, delivers, and funds its impact.



Sustainable Business Model



Revenue & Risk



Assessing Expenses



Business Model Considerations



Revenue Source

Who's paying and for what?



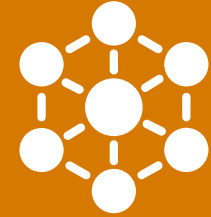
Risk

What are the common risks, sensitivities & challenges?



Leadership Capacity

What leadership orientation is best suited?

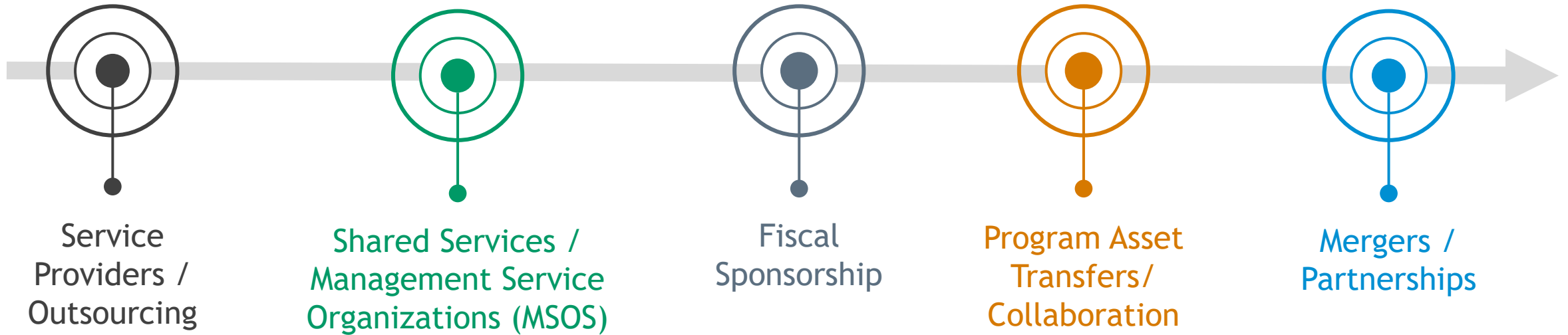


Infrastructure Needs

What systems need be in place?

Alternate Operating Models

DEGREE OF CHANGE



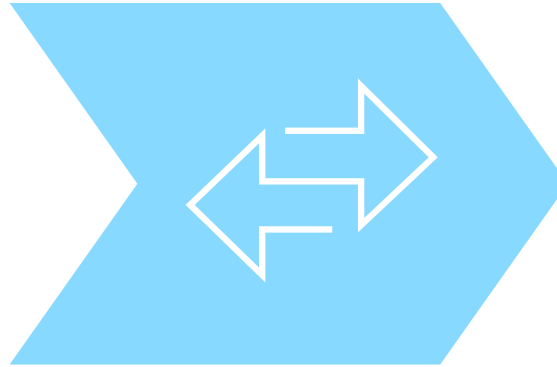
Scenario Planning in Uncertain Times

Scenario Planning: A Spectrum



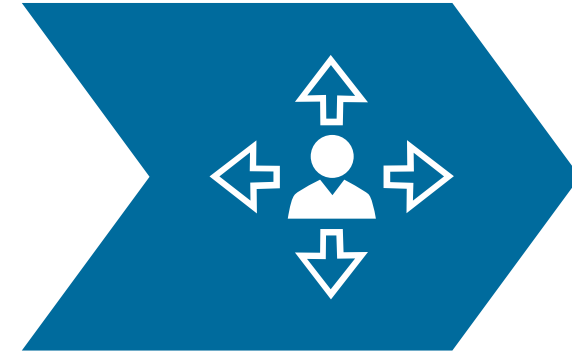
LIGHT

Revenue risk analysis in budgeting process (informal or “back of the napkin” approach)



MEDIUM

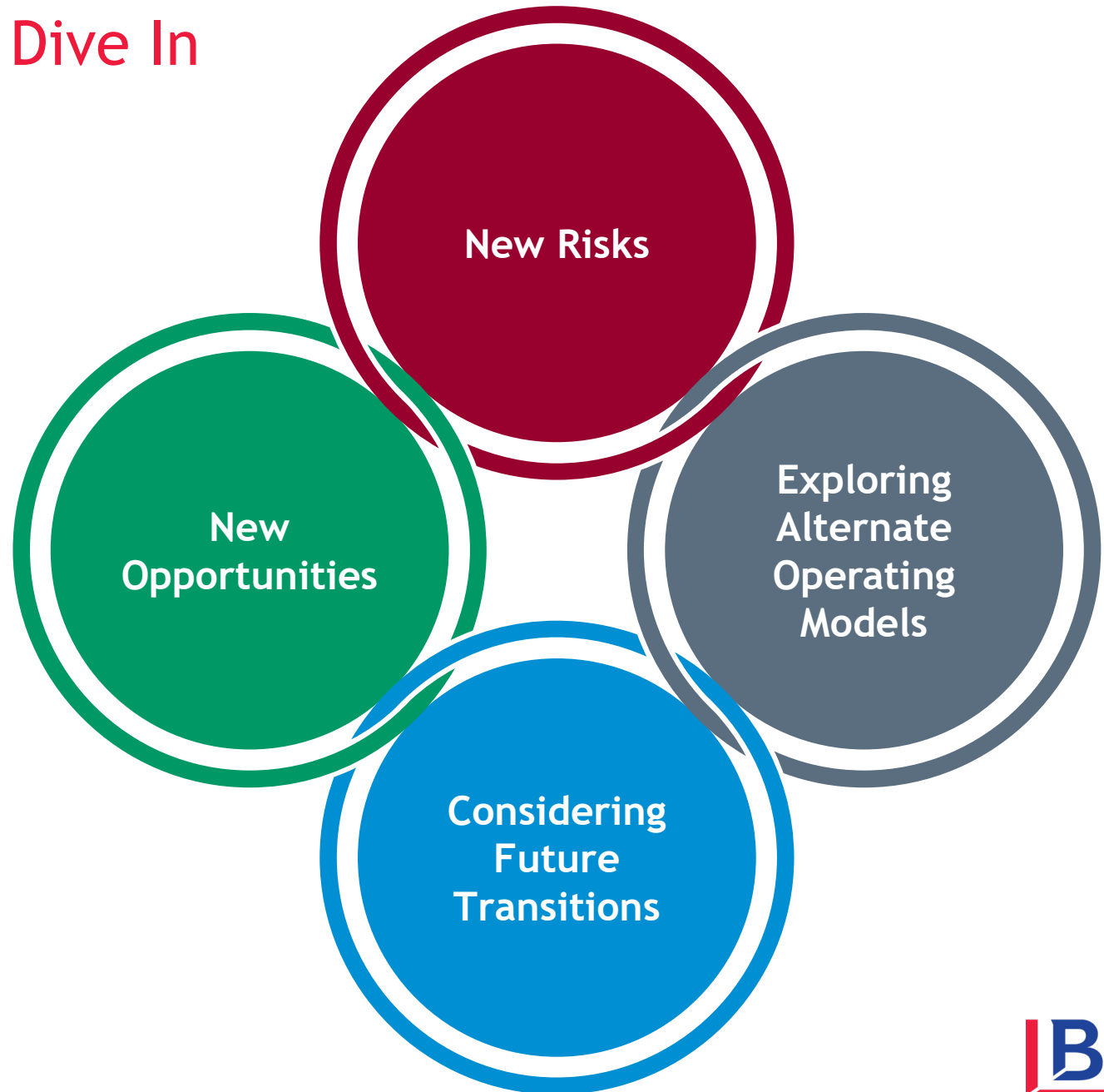
Identify main revenue and expense drivers impacted by likely risks and opportunities



ROBUST

In-depth process due to significant strategic risk or opportunity (line-item level)

Scenario Planning: When to Dive In



From Budget to Scenario Plan



BUDGET

Annual financial plan for an organization

A **detailed** projection of expenses and revenues based on **prior year history**

Used to **prioritize available resources** and manage performance



SCENARIO PLAN

Alternate projection of financial results possibly across a **different time horizon** (e.g., 6-18 months)

A higher-level projection, based on **assumptions about key drivers** of revenues and expenses

Used to **inform decisions** in response to internal or external disruptions

Preparing for Scenario Planning

Bring together a small group of senior decision makers to establish parameters within which scenarios should be developed



Executive Director
or CEO



Key Staff:
Programming
Development
Finance

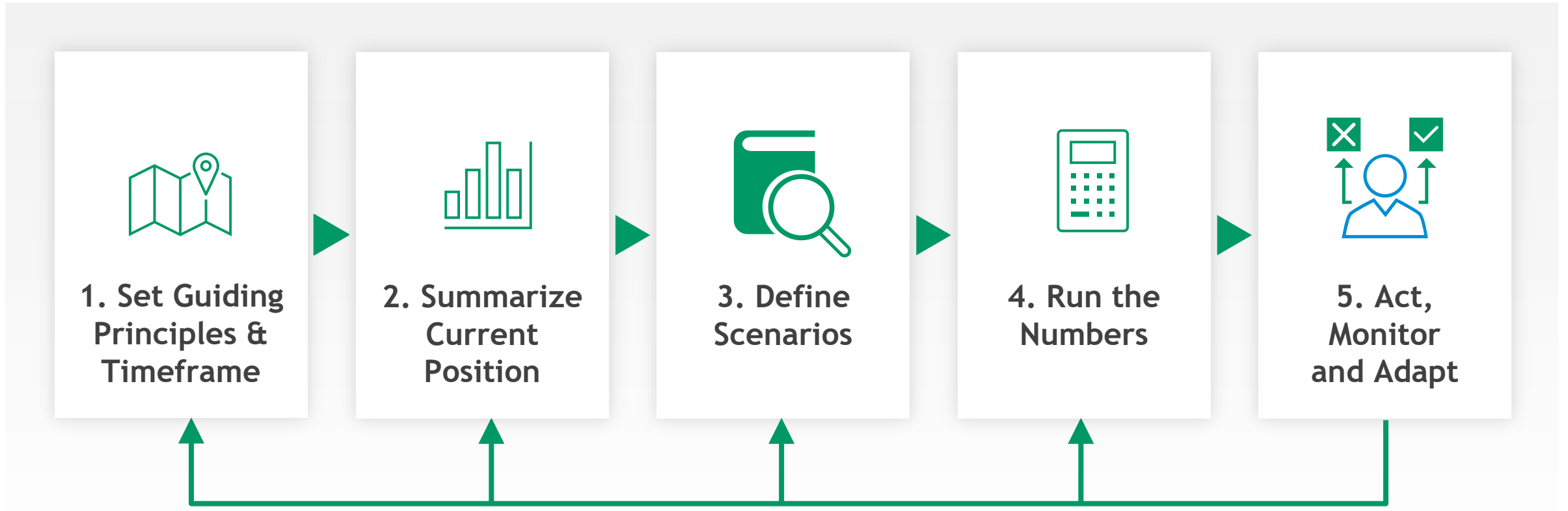


Board Chair



Board Finance
Committee Chair

Scenario Planning: A Five Step Approach



Scenario Planning Toolkit

RAPID RESPONSE SCENARIO PLANNING



1. Set Guiding Principles

Guiding Principles in Scenario Planning: Some key guiding principles for Scenario Planning can include a process that is:

- **Grounded:** Balances short-term and long-term needs in values and guiding principles
- **Realistic:** Based on current information and strategic priorities
- **Inclusive:** Decisions include both resource and mission considerations and team input is prioritized
- **Directional:** Prioritizes speed over perfection

1. Set Guiding Principles

Define Your Spectrum of Actions¹

Must Do	What are the core priorities or goals for the organization during this time? What are immediate steps the organization must take to strengthen organizational resilience?	<i>Example: We program part</i>
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2B. Selecting Scenarios

Using Section 2A brainstorming above for reference, use the worksheet below to identify up to eight changes or decisions that would impact your organization or programming.

Almost anything *could* happen, but carefully exploring every possible eventuality isn't the best use of nonprofit leaders' time. Identifying the key variables or drivers that would have the greatest impact on the organization and are most likely is a critical element of rapid scenario planning. Assigning a Probability and Impact Score to major changes and decisions you're considering and then reviewing those scores in relationship to each other can help you narrow down a long list of possibilities into a manageable list of scenarios to explore.

Probability: How likely is it that this would occur?

- 1 = relatively unlikely
- 5 = very likely

Impact: How significantly would this alter our organization's financial health or ability to deliver on our mission (positively)

- 1 = relatively minor impact
- 5 = significant or existential impact

If this scoring makes it clear which scenarios most warrant additional consideration, proceed to Step 2C. If a visualization tool in focusing your team's attention, enter the potential scenarios above into an **Impact/Probability Matrix** on the following page modeling changes and decisions that fall in the darker parts of the matrix.

Distinctive Name	External Change or Internal Decision	Brief Description	Pr
[Example] Lose contract	External Change	Loss of government contract that funds 75% of programming	4
[Example] Partner on Programming	Internal Decision	Move our online youth programming in person by partnering with the local library.	2

Probability/Impact Matrix

		Impact				
		5	4	3	2	1
Probability	5					
	4	Ex. Lose Contract				
	3					
	2		Ex. Partner on Programming			



1: Set Guiding Principles & Timeframe

Principles in Financial Scenario Planning

Grounded:

Balances short-term and long-term needs in values & guiding principles

Realistic:

Based on current information and strategic priorities

Inclusive:

Decisions include both resource and mission considerations & team input is prioritized

Directional:

Prioritizes speed over perfection

Define Your Spectrum of Actions

MUST DO

- ▶ What are the core priorities or goals for the organization during this time?
- ▶ What are immediate steps the organization must take to strengthen organizational resilience?

MIGHT DO

- ▶ What possible actions might you consider?

WON'T DO

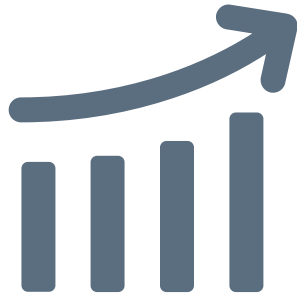
- ▶ What are the red lines that your organization won't cross?
- ▶ What are your non-negotiables?

Define Your Timeline

- ▶ What is the time horizon for which you will be planning?

2: Summarize Current Position

Current Financial Position: The Balance Sheet



Cumulative result of an organization's financial activity from its inception



Source of key financial health indicators such as liquidity, debt, and reserves

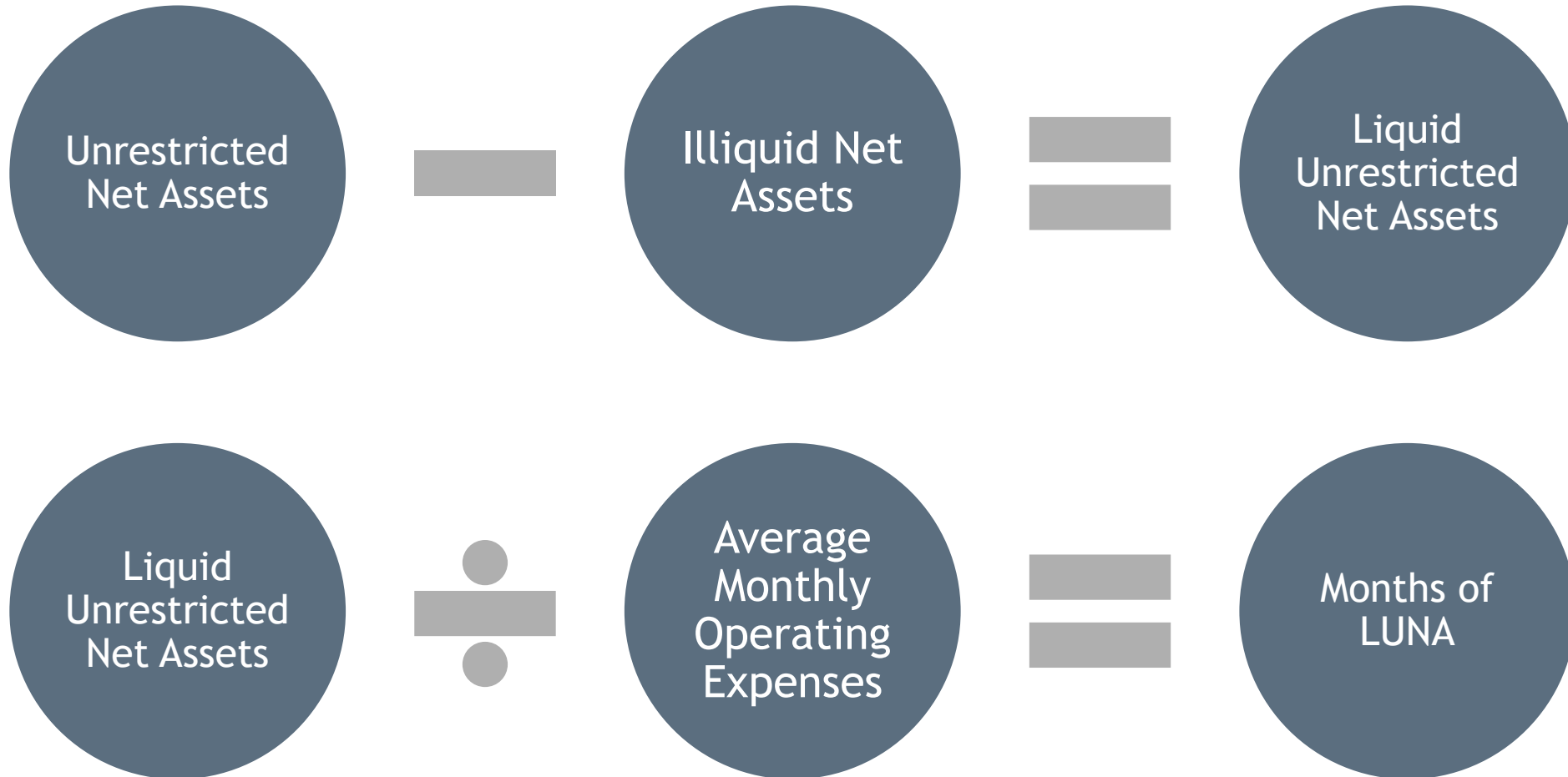


Shows how much financial flexibility an organization has

Snapshot of Current Financial Position

Operating Results	Strength of Business Model: Excess (or deficit) of income over expenses in a given period and the key source of the accumulation or depletion of reserves
Months of LUNA (Liquid Unrestricted Net Assets)	Reserves: Portion of unrestricted net assets that could be converted to cash relatively easily
Months of Cash	Liquidity: Number of months that an organization could continue to pay its operating expenses with current cash balances (includes restricted and unrestricted cash).

Calculating Months of Liquid Unrestricted Net Assets (LUNA)



Current Operating Position: Identifying the Knowns and Unknowns



What are the
external
circumstances?



How might our
programs change?



How might our
financial resources
change?



How might our
workforce change?



How might our
operations change?

3: Define Scenarios

Selecting Scenarios



EXTERNAL OR INTERNAL

- ▶ Are there external changes that you'll need to respond to?
- ▶ Or internal decisions to be made?



PROBABILITY






- ▶ How likely is it that this would occur?



IMPACT

- ▶ How significantly would this alter our organization's financial health or ability to deliver on our mission (positively or negatively)?

Scenario Details

	Scenario A	Scenario B	Scenario C
 What is the external environment?			
 How will our revenue change?			
 How will our workforce change?			
 How will our programs change?			
 How will our operations change?			

4: Run the Numbers

Run the Numbers



GATHER KEY DATA

Use your current year (program-based) budget, year-to-date financial statements, staffing chart, revenue projections, and recent payroll report as a starting point.



SELECT A TEMPLATE

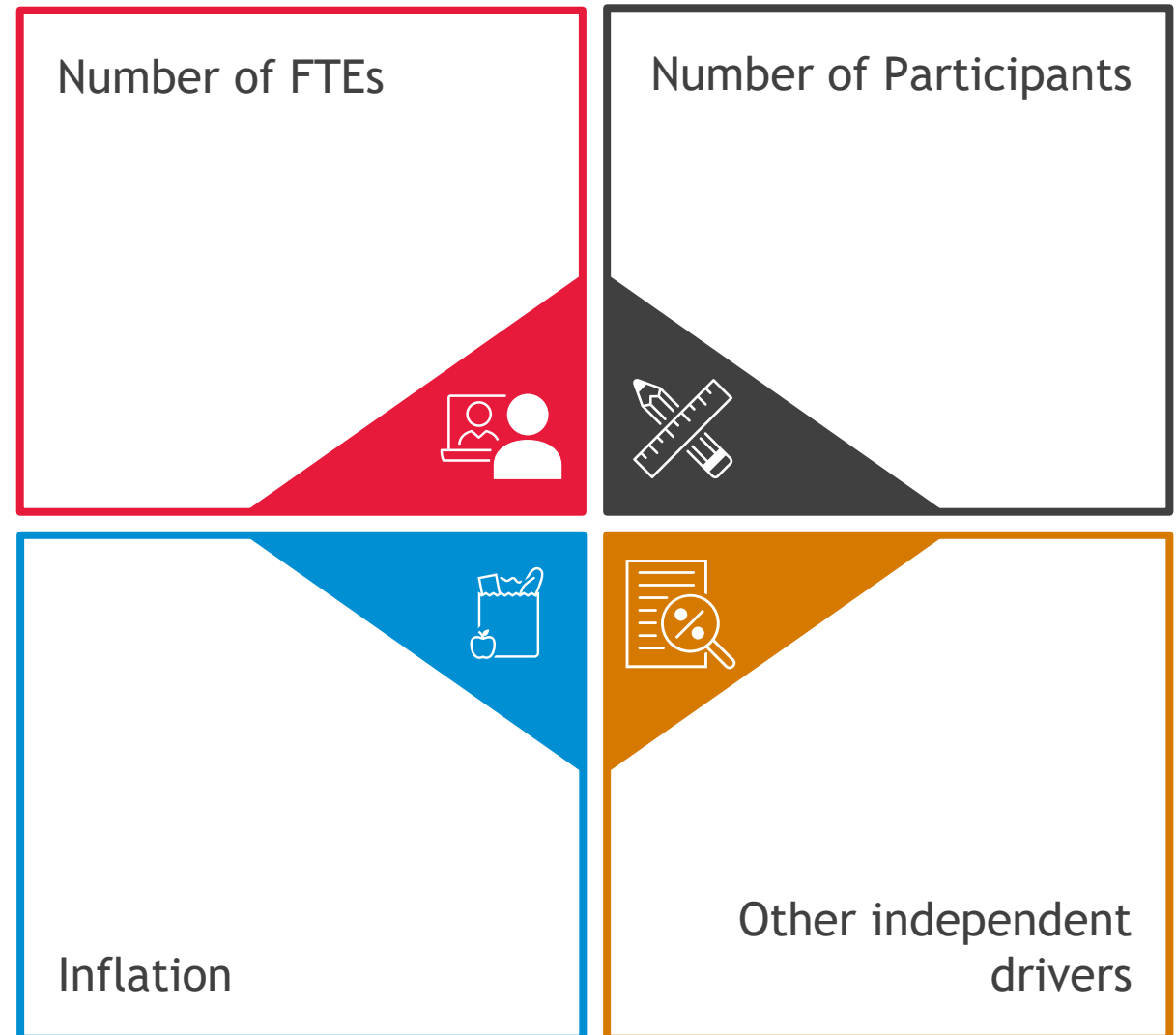
Adapt your annual operating or multi-year budget or customize the BDO scenario planning template to match your business model key drivers.



MODEL FINANCIAL IMPACT

Review data and document adjustments to revenue and expense items as defined in your scenarios.

Drivers of Expense Change



BDO Scenario Modeling Tool

[Scenario Planning Tools
StrongNonprofits.org](https://StrongNonprofits.org)

ArtsPlace Ensemble				
Scenario Description	Prior Year Budget	Wait & See	Focus on Rentals	Co-Production
		Reduce programming to save expenses, and keep an eye out for new opportunities.	Begin renting the space to outside groups, organizations, and individuals.	Produce one of next year's shows in collaboration with another organization.
REVENUE				
Foundation Grants	\$ 375,000	\$ 342,500	\$ 342,500	\$ 392,500
Government Grants	\$ 50,000	\$ 45,000	\$ 45,000	\$ 45,000
Individual Contributions	\$ 450,000	\$ 390,000	\$ 450,000	\$ 450,000
Corporate Contributions	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Ticket Sales	\$ 400,000	\$ 300,000	\$ 400,000	\$ 350,000
Rental Fees	\$ -	\$ -	\$ 65,000	\$ -
Satisfaction of Restrictions	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE	\$ 1,285,000	\$ 1,087,500	\$ 1,312,500	\$ 1,247,500
EXPENSES				
Personnel				
Salaries	\$ 450,000	\$ 450,000	\$ 485,000	\$ 450,000
Fringe (Benefits & Taxes)	\$ 120,000	\$ 120,000	\$ 123,500	\$ 120,000
Other Personnel Costs	\$ -	\$ -	\$ -	\$ -
Other Than Personnel Expenses				
Professional Services: Administrative	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Professional Services: Artistic	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000
Occupancy	\$ 170,000	\$ 170,000	\$ 180,000	\$ 170,000
Technology	\$ 15,000	\$ 15,000	\$ 20,000	\$ 15,000
Production Materials	\$ 190,000	\$ 142,500	\$ 190,000	\$ 165,300
Marketing & Communications	\$ 50,000	\$ 45,000	\$ 45,000	\$ 47,500
Other	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
TOTAL EXPENSES	\$ 1,265,000	\$ 1,212,500	\$ 1,313,500	\$ 1,237,800
SURPLUS/(DEFICIT)	\$ 20,000	\$ (125,000)	\$ (1,000)	\$ 9,700

Reserves/LUNA at beginning of period	\$	170,000	\$	170,000	\$	170,000	\$	170,000
Reserves/LUNA at end of period	\$	190,000	\$	45,000	\$	169,000	\$	179,700
Months of LUNA - end of year		1.8		0.4		1.5		1.7

5: Act, Monitor, and Adapt

Select a Course of Action



Work with your Board of Directors to review and approve your scenario plans.



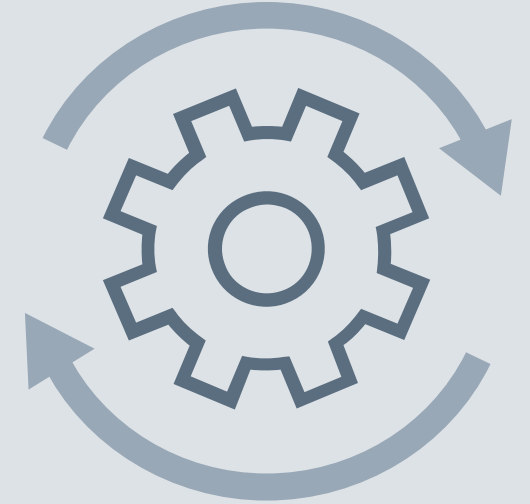
For strategic scenarios driven by internal choices, determine when and how to move forward with a scenario.



For responsive scenarios driven by external changes, articulate how you will know when the change has taken place or what metrics will trigger moving into a new scenario.

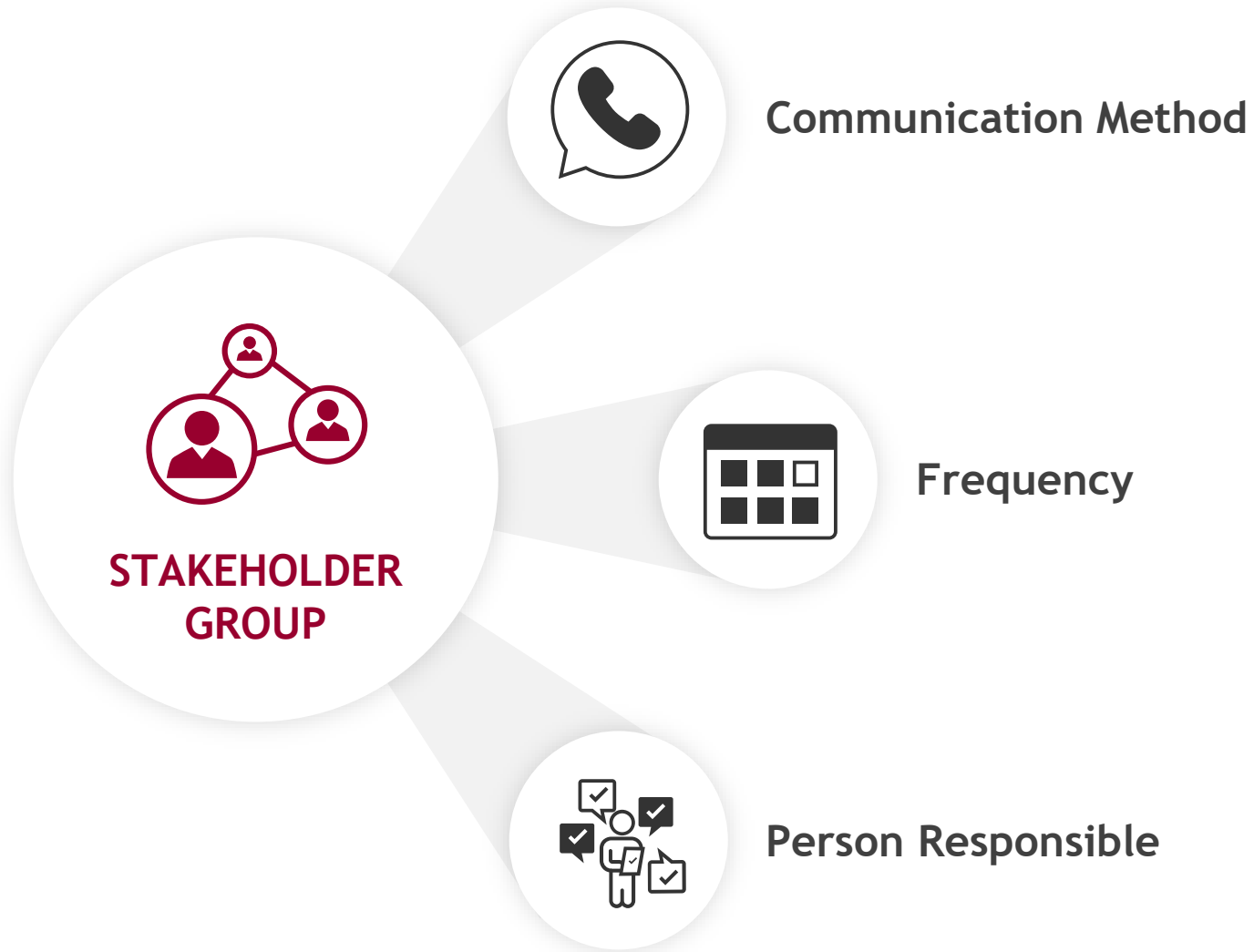
Monitor Your Plans

- ▶ What are the big variables that will trigger a change?
- ▶ In what timeframe did you anticipate making a decision?
- ▶ Who will regularly monitor the model and prompt adjustments?
- ▶ How will decisions be made?



Revisit model over time to update assumptions as plans are implemented and monitored

Communications Plan



Thoughts & Questions



Resources & Wrap Up

Scenario Planning Toolkit



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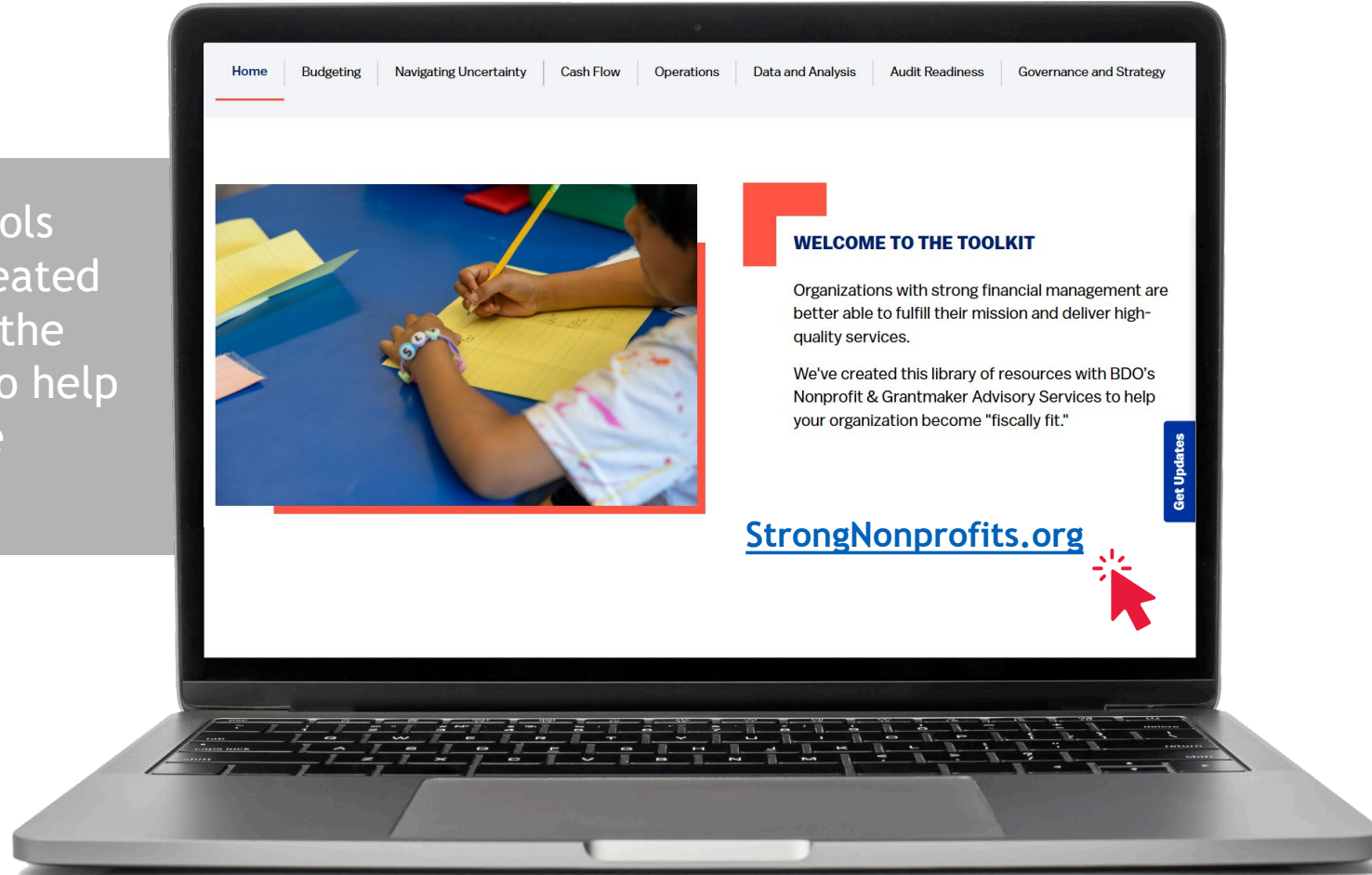
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Financial Management Resources: StrongNonprofits.org

This library of free tools and resources was created in collaboration with the Wallace Foundation to help organizations become “fiscally fit.”



Nonprofit GPS

Chart Your Future Business Model with New Insights and Connections

Nonprofit GPS is a national initiative that offers publicly available supports for organizations in need of peer connection or professional advice.

- ▶ **Resource Bank:** User-friendly tools and resources on financial strategy and management
- ▶ **Helpline:** Nonprofit finance consultants available to support leaders through a public hotline
- ▶ **Trainings & Peer Convenings:** Curated peer learning opportunities highlighting successful models and strategies in the field

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CONFERENCE SESSION EVALUATION SURVEY



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The background image shows a modern office interior. On the left, there is a wide staircase with a glass railing and a wooden handrail. The walls are light-colored, and there are large windows in the background. On the right, there is a reception desk with a dark, marble-like surface. The desk has the 'BDO' logo on it. Behind the desk, there are two computer monitors and a small potted plant. The floor is a light-colored, polished material. The overall atmosphere is professional and contemporary.

About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. For more information, please visit: www.bdo.com.

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