

A CRASH COURSE IN FINANCIAL PLANNING AND ANALYSIS



Alyssa Federico, CPA

Vice President & Director - Finance

Foundation For The Carolinas

afederico@fftc.org

LEARNING OBJECTIVES

- Define financial planning and budgeting
 - Understand components / best practices of each
- Explore practical applications for forecasting
- Discuss best practices in operating reserves

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DEFINITIONS

- Financial Plan – links mission with available resources
- Budget – the financial interpretation of the NFP's plan
- Reserves – “rainy-day” or planning resources

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START AT THE BEGINNING

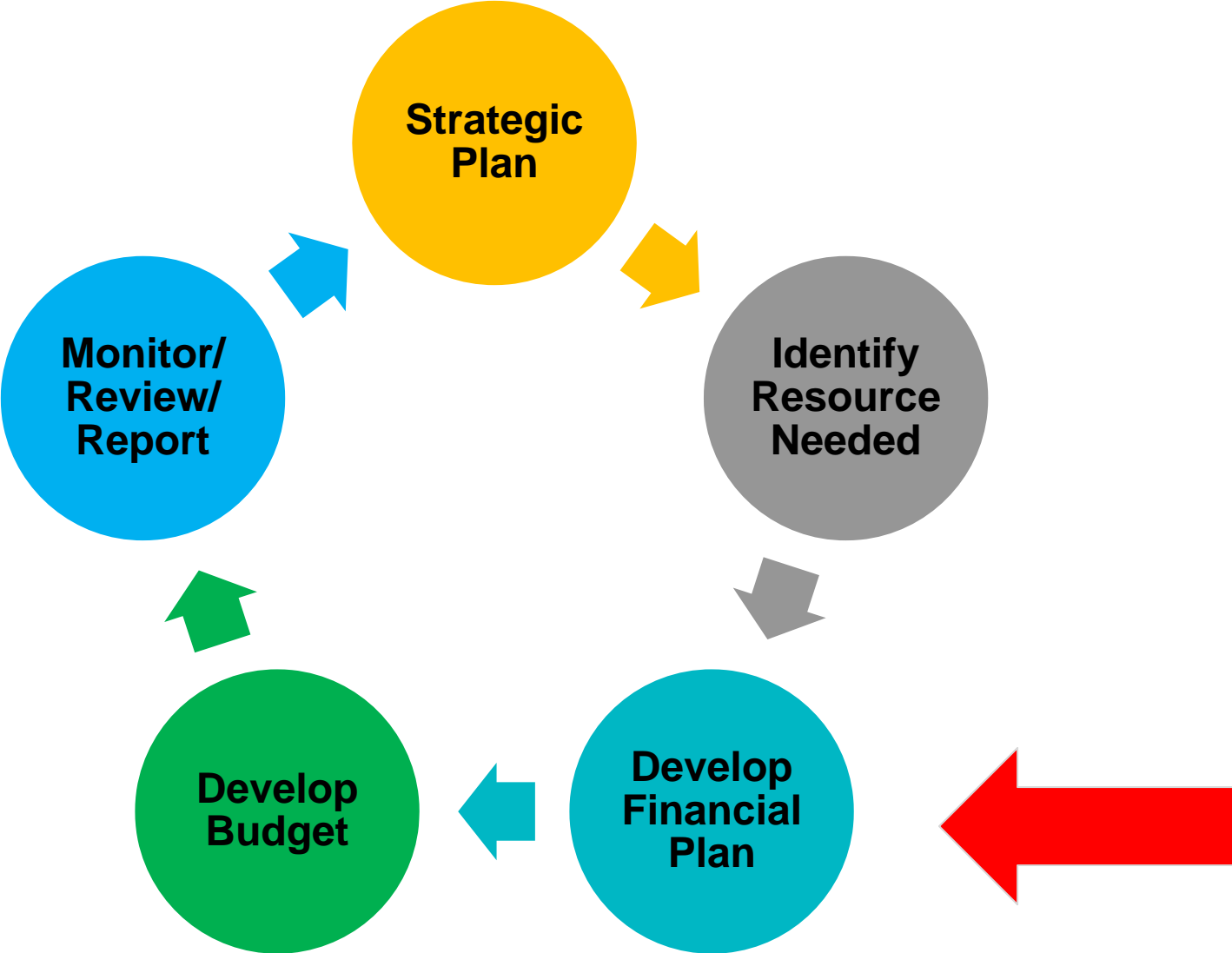
- What is the organization's mission?
- How will the mission be accomplished?
 - Service offered
 - Constituencies served
 - Metrics of success

ORGANIZATION'S STRATEGIC PLAN

- The organization's goals over a period of time
 - Adding services?
 - Expanding programs?
- Defines "lines of business"



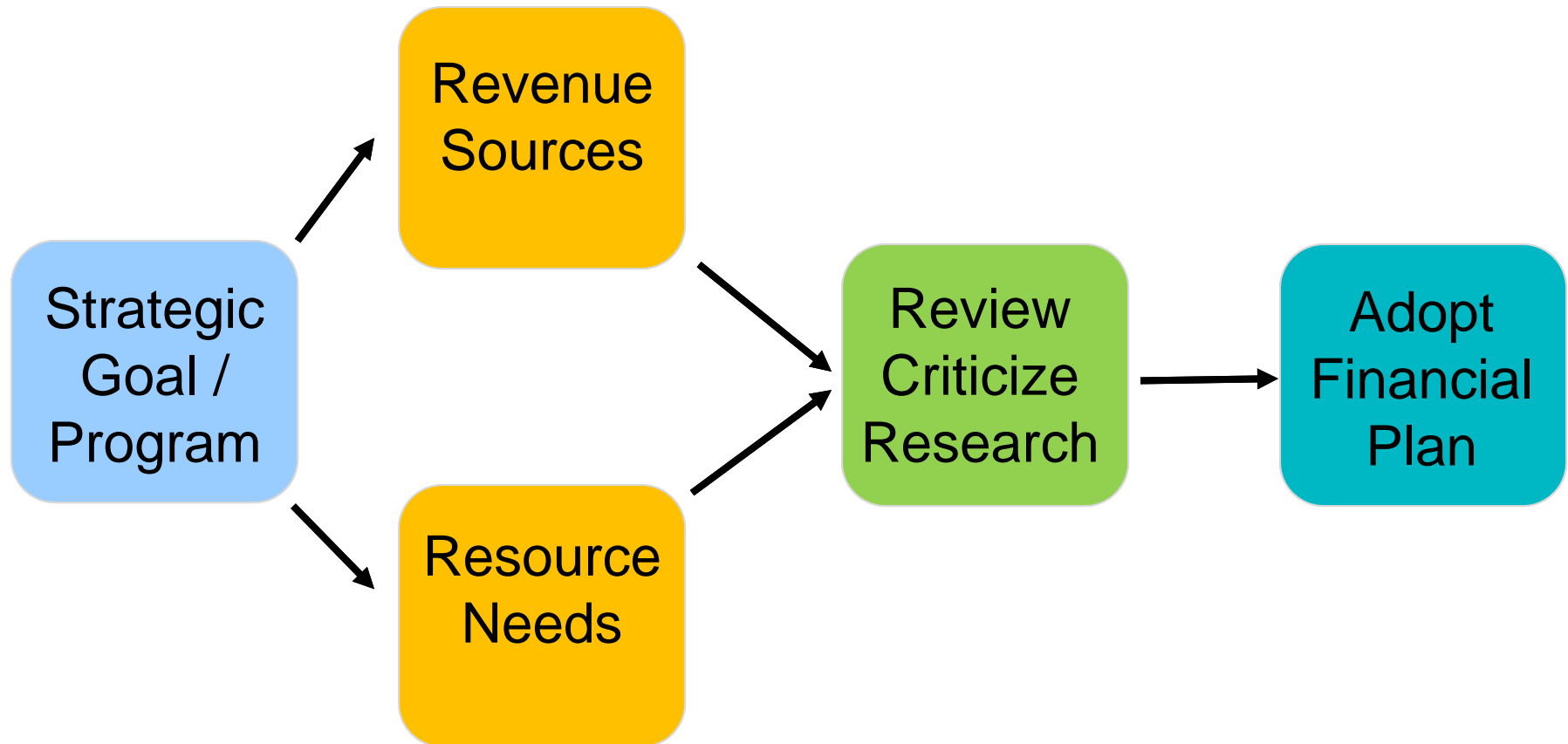
PLANNING CYCLE



FINANCIAL PLAN

- Link to mission and resources
- Minimum of three years
 - Current, planning (budget) year, & future
- Shows implications of strategic plan

TYING FINANCIAL PLAN TO GOALS



BUILDING A FINANCIAL PLAN

- Understand sources of revenue
 - Dependencies / vulnerabilities
- Examine past to help predict future
 - One year is often not enough
- Be honest about expertise needed
 - Legal, human resources, finance, etc.
- Consider an on-going cost study
 - Update periodically
 - Identify cost/benefit of business lines

FINANCIAL PLAN

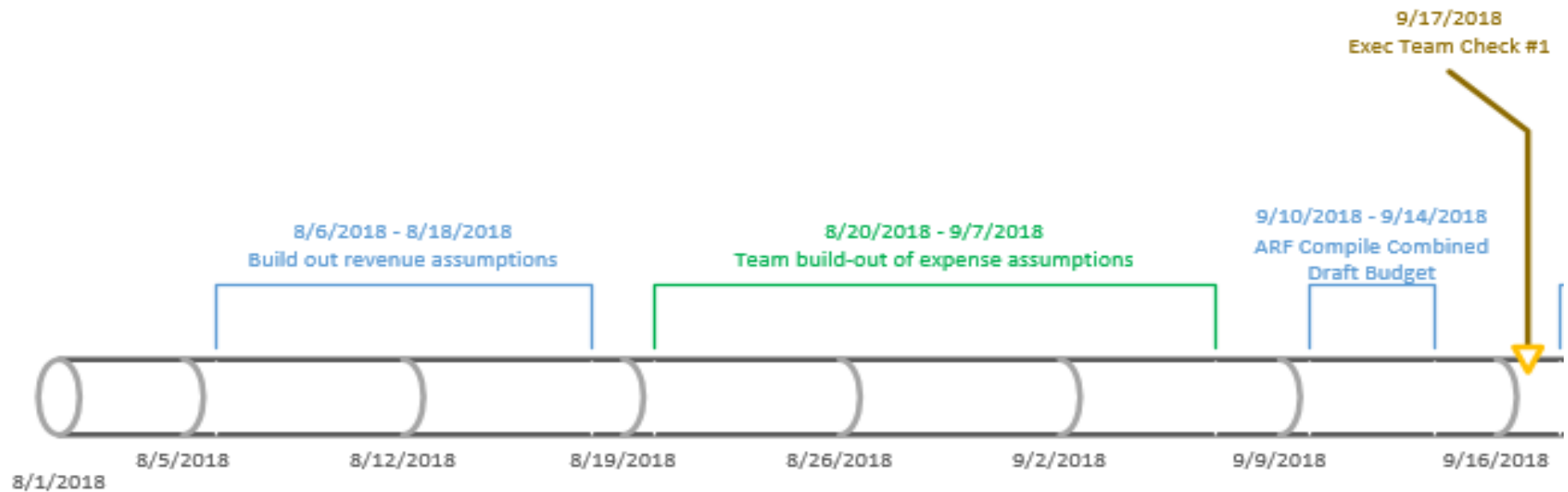
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BUDGET PROCESS

2019 Budget Timeline



BUDGET PROCESS

- Develop realistic timeline for process
 - Adequate time for feedback
 - Room for revisions / multiple drafts
- Include appropriate staff
- Realistic revenue / expense projections
 - Known “pipeline” contributions
 - Market growth
 - Resource needs
- Budget based on desired metrics

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WHY SHOULD WE FORECAST?

- Want to be prepared to make adjustments
 - One-year outlook misses long-term trends
- Examples
 - Expected relocation / termination of lease
 - Conclusion of multi-year grant/contribution
 - Changes in workplace giving
 - Shifts in government support
 - Increasing personnel costs
 - Tax/Regulation implementation

IN ORDER TO LOOK FORWARD...

- Need to start looking back
- Gather historical data
- Capture trends



Making a Prediction is when we use clues in the story to make a guess about what will happen next.

FFTC EXAMPLE

Foundation For The Carolinas			
Executive Dashboard Information - <small>private foundation data excluded</small>			
		2016	2017
1	# of new funds created	189	140
1a	Total value of new funds (at year-end)	63,876,435	47,130,088
1b	Average fund size of new funds (at year-end)	337,971	336,643
1c	Median fund size of new funds (at year-end)	100,008	55,281
2	Total # of funds managed	2,565	2,622
2a	Total value of funds (at year-end)	2,015,646,550	2,429,272,152
2b	Average fund size of all funds (at year-end)	785,827	926,496
2c	Median fund size of all funds (at year-end)	70,075	82,832
3	# of Funds - Center for Personal	1,193	1,239
3a	Average fund size - Center for Personal	1,030,844	1,238,847
3b	Median fund size - Center for Personal	60,929	70,192
4	# of Funds - Center for Nonprofits	1,267	1,275
4a	Average fund size - Center for Nonprofits	558,185	619,700
4b	Median fund size - Center for Nonprofits	79,081	92,920
5	# of Funds - Center for Corporate	105	108
5a	Average fund size - Center for Corporate	748,843	965,028
5b	Median fund size - Center for Corporate	94,511	133,745
6	Total amount of assets held by funds closed (Beginning Balances)	5,295,600	11,584,458
7	# of funds closed	118	81

POSSIBLE MOW DATA

- # of meals served
- Avg meals served per volunteer
- Avg cost per meal
- Trends in growth of meals served
- # of gifts processed
 - Types of gifts / size of gifts
- History of staff/benefit costs
- Trend in growth of expenses
- Investment / market trends

CAPTURE KNOWN NEW ITEMS

- End of multi-year funding
- Implementation of new software
- New fee structures
- Changes in tax law / regulations
- Required professional services

BRINGING IT ALL TOGETHER

	2018 Budget	2018 Actual	2019 Budget	2020 Forecast	2021 Forecast	2021 Forecast
Revenues						
Expenses						
Net						

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OPERATING RESERVES

*“...portion of “unrestricted net assets” that nonprofit boards maintain and/or formally designate or “reserve” for **use in emergencies to sustain financial operations in the unanticipated event of significant unbudgeted increases in operating expenses and/or losses in operating revenues...**”*

Operating Reserve Policy Toolkit for Nonprofit Organizations

http://www.nccs2.org/wiki/index.php?title=Nonprofit_Reserves_Workgroup

WHY SHOULD WE RESERVE?

- Unexpected revenue shortfalls
- Unexpected resource demands
- Unanticipated opportunities
- Shifting program needs
- Market fluctuations

HOW MUCH SHOULD WE RESERVE?

- Best practice – 3-6 months of annual expenses
- Dependent on many factors
 - Reliability of operating revenues
 - Impact of economic conditions
 - Other resources available

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RESOURCES

- **The Dodge Blog**

<http://blog.grdodge.org/2016/05/03/technical-assistance-getting-your-nonprofit-budget-past-one-day-or-year-at-a-time/#sthash.IOzmAfbN.ck8eoGbX.dpbs>

- **Business Planning for Nonprofits: What It Is and Why It Matters**

<https://www.bridgespan.org/insights/library/strategy-development/business-planning-for-nonprofits-what-it-is-and-wh>

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