SEO DETAILS:

Page Title: Why Nonprofits Should Focus on Long-Term Financial Planning | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] discusses best practices for nonprofit organizations when it comes to developing a long-term financial plan.

Headline: Why Nonprofits Should Focus on Long-Term Financial Planning

BODY COPY:

There have been a lot of changes brought about by COVID-19, including modified travel arrangements, remote work arrangements and virtual conferences and meetings. Given these changes, nonprofit organizations must look beyond the current year fiscal planning/budgeting cycle to anticipate any future changes to their revenue streams or cash flows.

For various reasons, many organizations have experienced a decline in donor funding and programmatic revenue. The global pandemic, inflation and the virtual environment have caused nonprofit organizations to expand funding streams and explore new opportunities to deliver programmatic impact. For this reason, it's vital that organizations take a solid look at their planning beyond the next year, building strong financial models that take into account the dynamic environment that exists today.

You should still place vital importance in your annual budget cycle, but you should treat it only as a starting point for your ongoing financial situation. You'll need to look at your priorities and strategic initiatives under perceived risks, then be able to pivot. This can happen by exploring new funding options, constituent services and program delivery options. Look at risks over a three- to five-year time frame, with flexible financial models applied that may be modified to your situation as circumstances change.

Long-term Financial Planning Best Practices

1. **Does your organization have a long-term strategy?** This is the starting point for your financial model. Strategic plans are road maps to ensure that your organization's activities are in line with the mission. They can take a range of forms, but with the current economic environment, a solid strategy should include impacts on existing funding streams and program delivery by issues on the horizon, including inflation, travel hesitancy, in-person versus virtual meetings and event attendance and similar aspects. Your plan should have evaluation and analysis of possible new funding streams and spending habit shifts to help mitigate the effects of these factors. It's difficult to anticipate everything that will happen over the upcoming three to five years, but considering how the pandemic has impacted your mission, think about how the ripple effects of this crisis may cause a shift in your resources, delivery or funding needs.
2. **Start with an average scenario.** Create a three- to five-year financial model for your organization that uses your long-term strategy as a basis. This can be accomplished using an easy Excel-based model. Your model should start with your current year's fiscal budget, then work with the most-likely financial assumptions for your organization as well as their potential outcomes. This can include additional funding you located in your strategy or shifts in resources and availability. You can then use these details to model expenses and expected revenue using your key financial statement line items across a three- to five-year funding time.

3. **Make variations in your financial model so that you can see both best- and worst-case scenarios.** Using your initial scenario, start identifying your initiatives, events and activities that can be leveraged to improve your situation to a best-case scenario, then do the same to determine what could worsen that initial situation. Apply these items that you've identified to your financial strategy and determine how they can impact that strategy. Then make decisions on how to adapt the strategy to those situations so that your organization already has a strategy in place no matter what situation comes along. As an example, though you may not include specific funding or revenue sources in your average scenario, add them to your best-case, including any associated expenses. Do the same with a worst-case scenario, including additional costs for virtual events, lower attendance and similar issues.
4. **Keep an eye on cash flow.** Your organization should use a cash flow projection for monitoring spending against your budget, which ensures that you retain a state of liquidity for your organization. It also acts as a meter to determine actual expenses versus your operational budget. Update your cash flow projection at least quarterly, if not more frequently, as situations change, with expected spending on financial statement line items for the upcoming 12-month period. This step allows you to keep your organization's liquidity solid.
5. **Go through the three- to five-year strategy before starting next year's financial budget.** Instead of simply treating the long-range strategy as a one-and-done exercise, take it out and compare your strategy against what actually happened during the year before planning the next year's budget. This allows you to update the long-term strategy to take into account any changes in circumstances, new assumptions and similar issues that may impact your bottom line. Take into account new program initiatives, funding sources and your funding pipeline. Adjust year one in your plan accordingly, then use that year as your basis to start planning the next year's financial budget.

To develop strategies and long-range planning, you'll need to involve your executive leadership team, board of directors and committees for their cooperation. With our rapidly-changing and high-pressure environment, proper long-range planning can be a key attribute in ensuring your organization can achieve its mission and survive.

CLOSE:

If you have any questions, please contact [NAME] in our [DEPARTMENT] at [NUMBER] or [EMAIL].

SUGGESTED IMAGERY:

https://stock.adobe.com/images/two-business-partnership-coworkers-discussing-a-financial-planning-graph-and-company-during-a-budget-meeting-in-office-room/298566001?prev_url=detail