

From Crisis to Clarity

Navigating Uncertainty through Financial Scenario Planning

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NNEDV
NATIONAL NETWORK
TO END DOMESTIC
VIOLENCE

spectrum
nonprofit services



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Welcome!



Our Conversation Today

- ✓ Introduction
- ✓ Introducing Scenario Positioning
- ✓ Analyzing Current Context
- ✓ Understanding Community Supply and Demand
- ✓ Identifying Levers to Activate
- ✓ Determining the Process Forward
- ✓ Recap



Is the nonprofit sector in a revenue crisis?



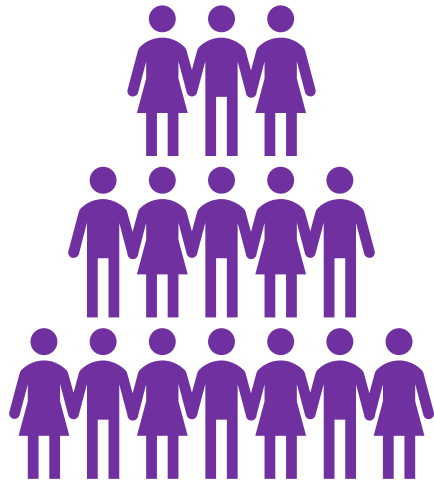
Photo by [Jason Strull](#) on [Unsplash](#)

At first glance, no

YOY Growth in Philanthropic Giving

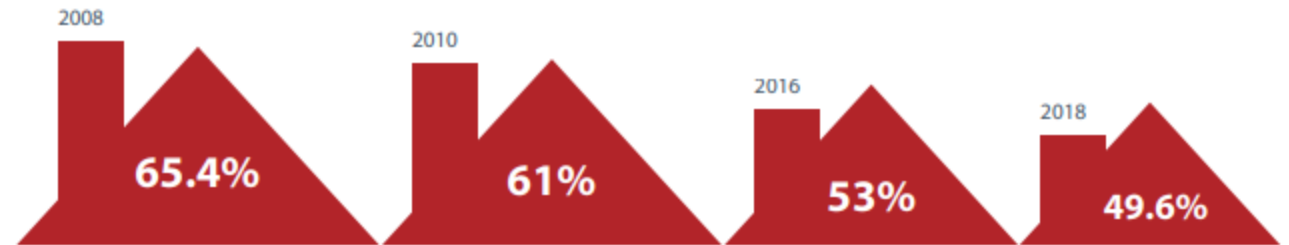


However, if we dig deeper:



Overall donors are down as of 2023.

Source: Independent Sector



Number of US Households reporting donations to nonprofit organizations has steadily decreased over the last two decades.

Source: Generosity Commission



Donor-Advised Funds continue to increase in popularity and importance, accounting for 17% of charitable giving in 2022.

Source: Generosity Commission



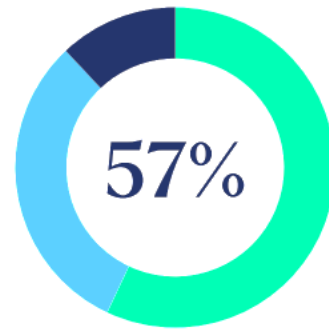
The number of nonprofits receiving federal funding has decreased since 2019.

Source: Urban Institute

● HIGH TRUST ● NEUTRAL/DON'T KNOW ● LOW TRUST

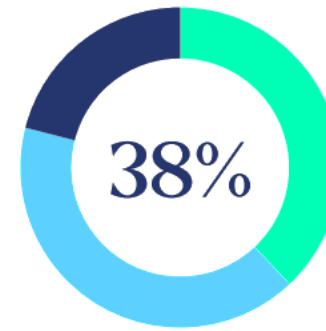
**BASELINE
NONPROFIT
TRUST**

Shown: % Selected



**NONPROFIT TRUST AFTER
GOVERNMENT FUNDING
INFORMATION IS SHARED**

Shown: % Selected

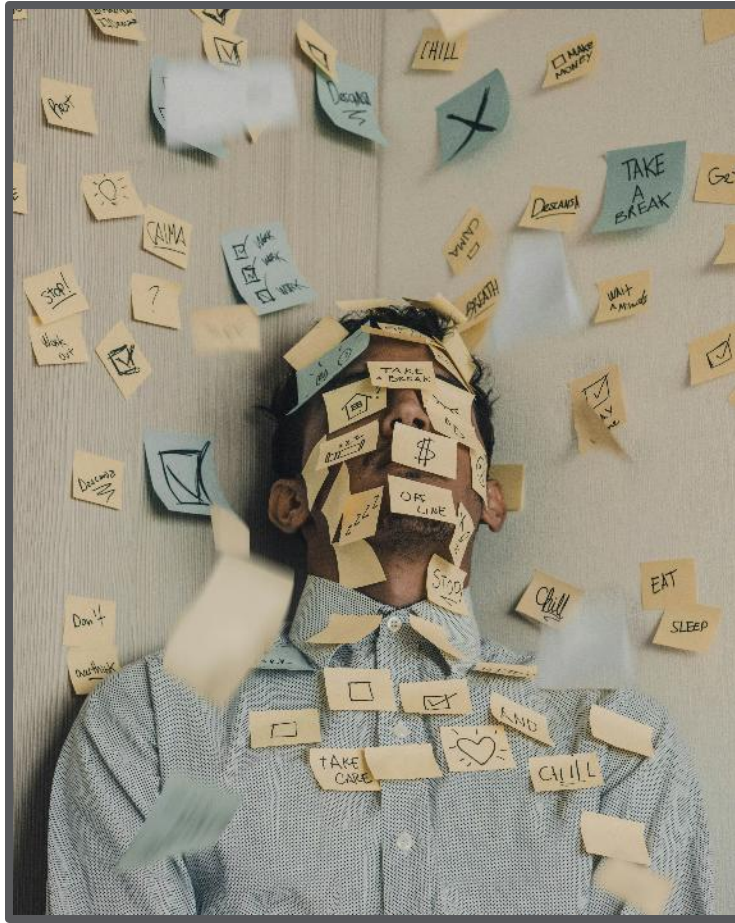


Trust in nonprofits falls when the public hears the sector receives a significant portion of its funding from government sources

Source: Independent Sector



Board members and staff still need to prepare for the unknown given:



- Federal funding cuts
- Fluctuating stock market
- Dwindling philanthropic bases
- Increased consumer price sensitivity
- A sector-wide labor shortage
- A sense of pressure and a feeling of being overwhelmed given everything that is going on

How do we move forward given:



Photo by [Jason Strull](#) on [Unsplash](#)

- We don't know the size of the shortfall
- We don't know when the shortfall will come

Scenario Planning



What is your
current
understanding of
scenario planning?

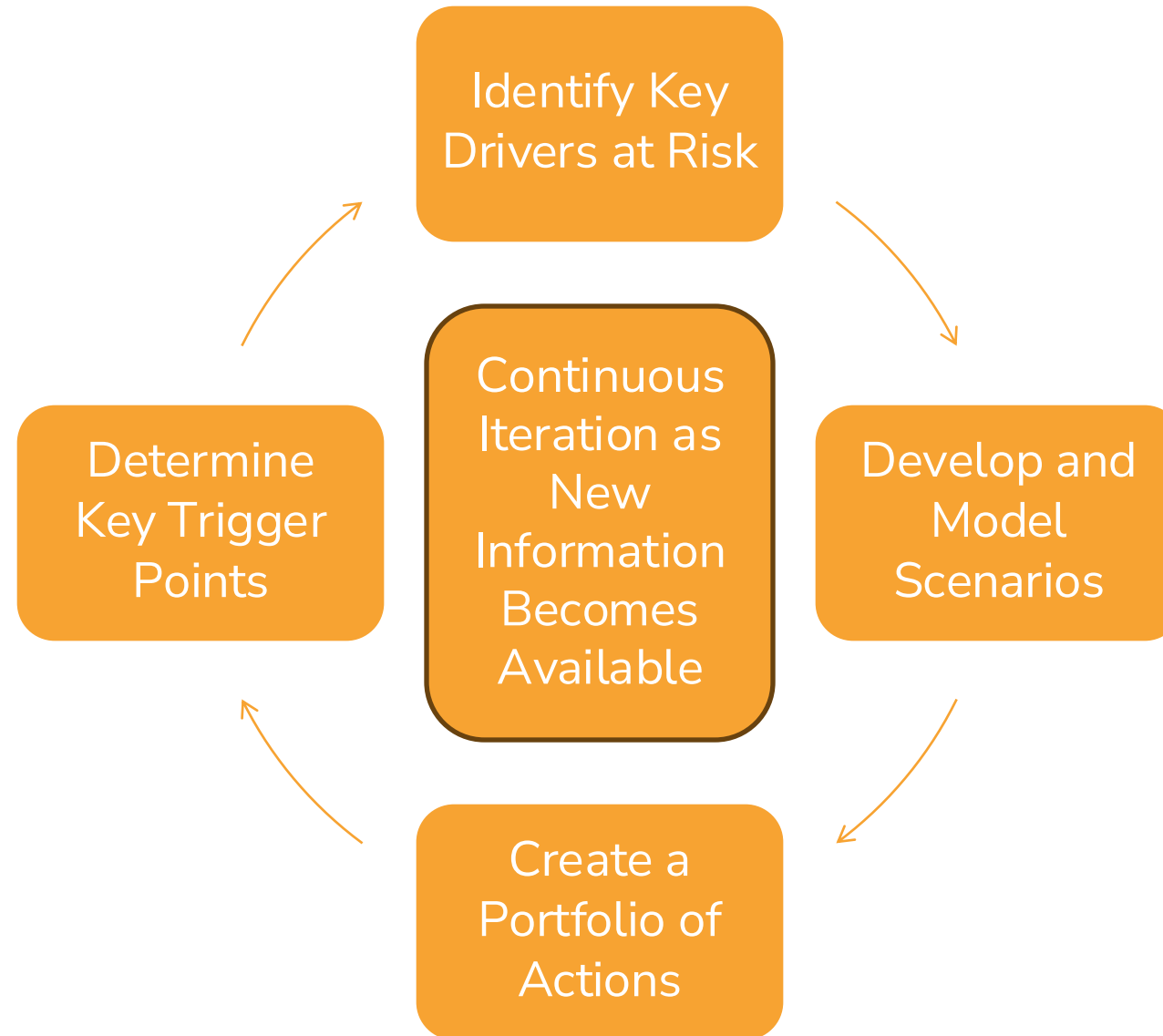


Scenario Planning Overview

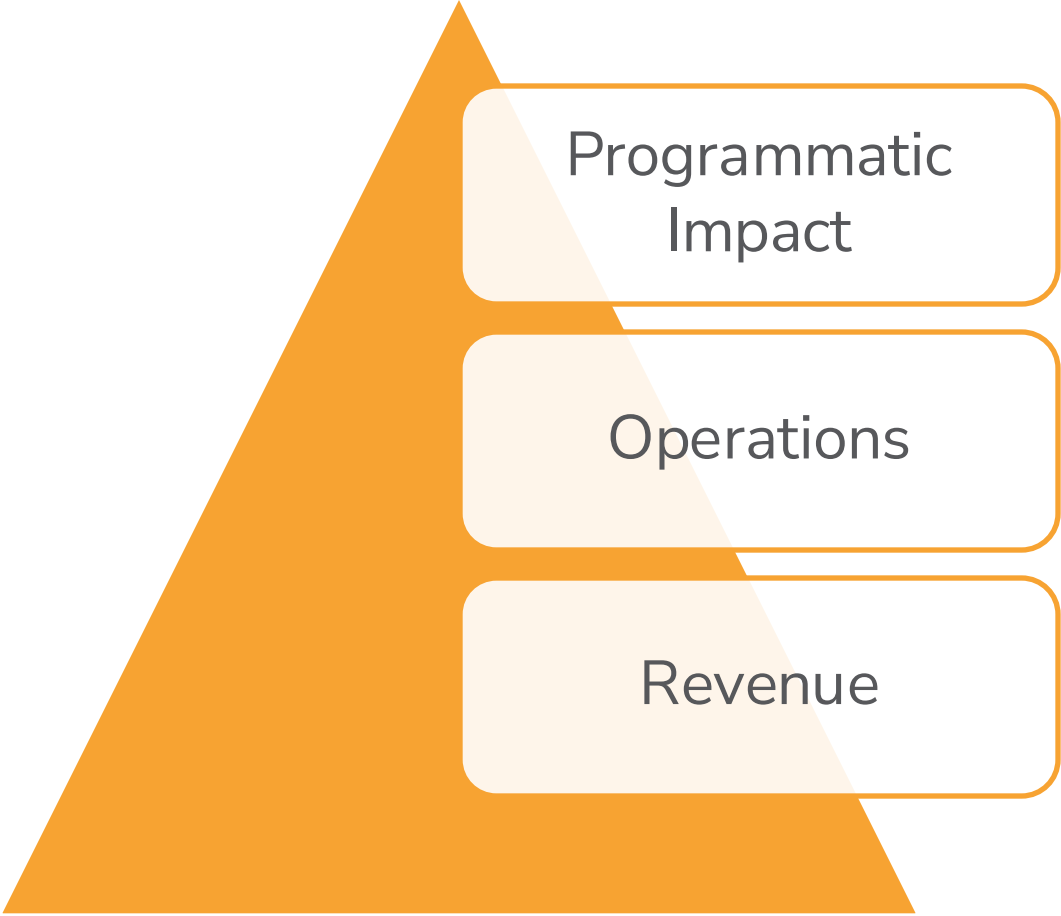
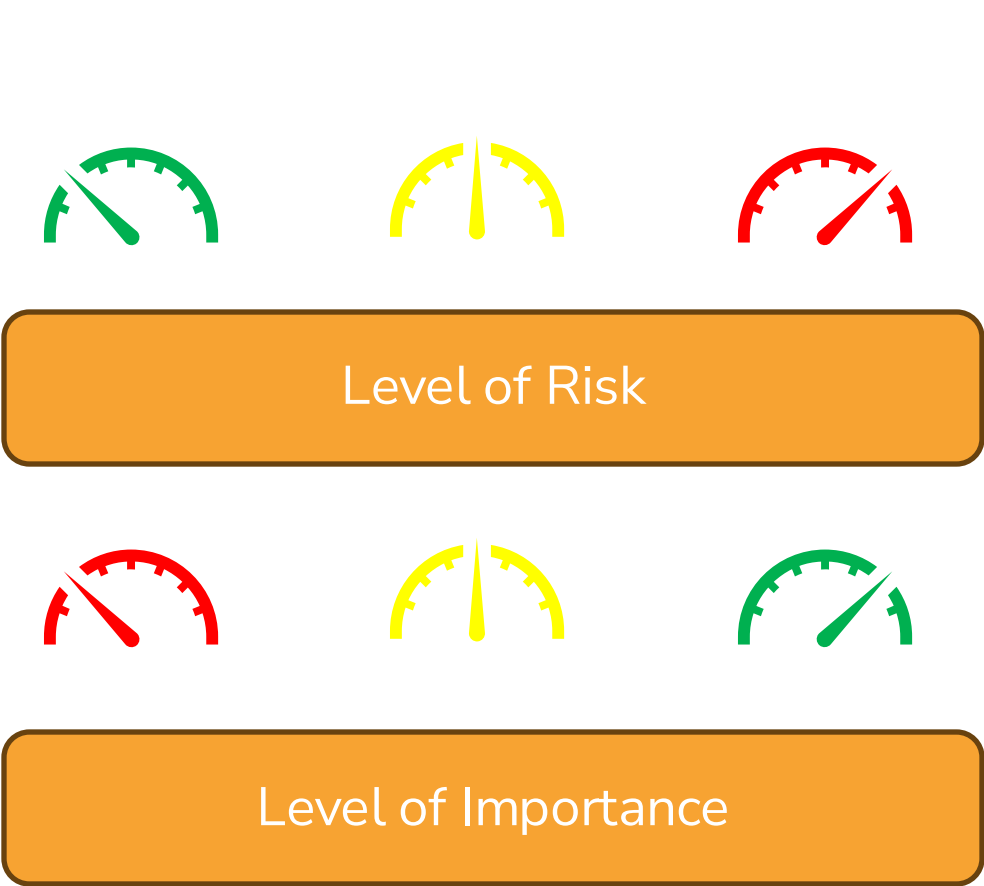


The scenario planning process helps organization leaders navigate uncertainty while providing structure around making key strategic decisions.

Scenario Planning Process



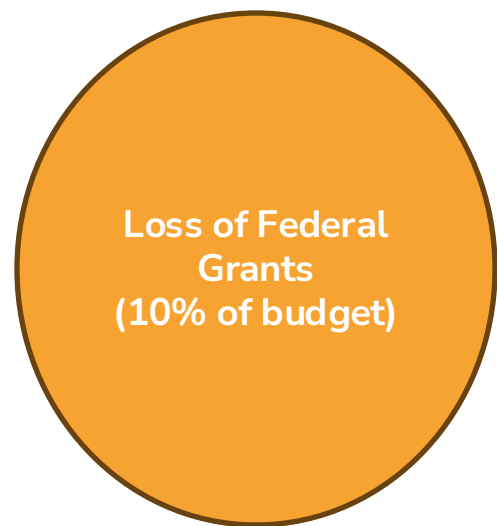
Identify Key Drivers at Risk



Develop and Model Scenarios

	Prioritized Key Drivers	Best Case	Moderate Case	Worst Case
Programs	Program Volume (Constituents Served)	Slight Decrease ~10%	Moderate Decrease ~20%	Major Decrease ~30%+
Operations	Frontline Staff Capacity			
Revenue	Fee-For-Service Revenue			
	Projected Impact on Revenue	5% Revenue Decrease	10%-15% Revenue Decrease	20%+ Revenue Decrease

Create a Portfolio of Actions



One portfolio of actions per
case scenario

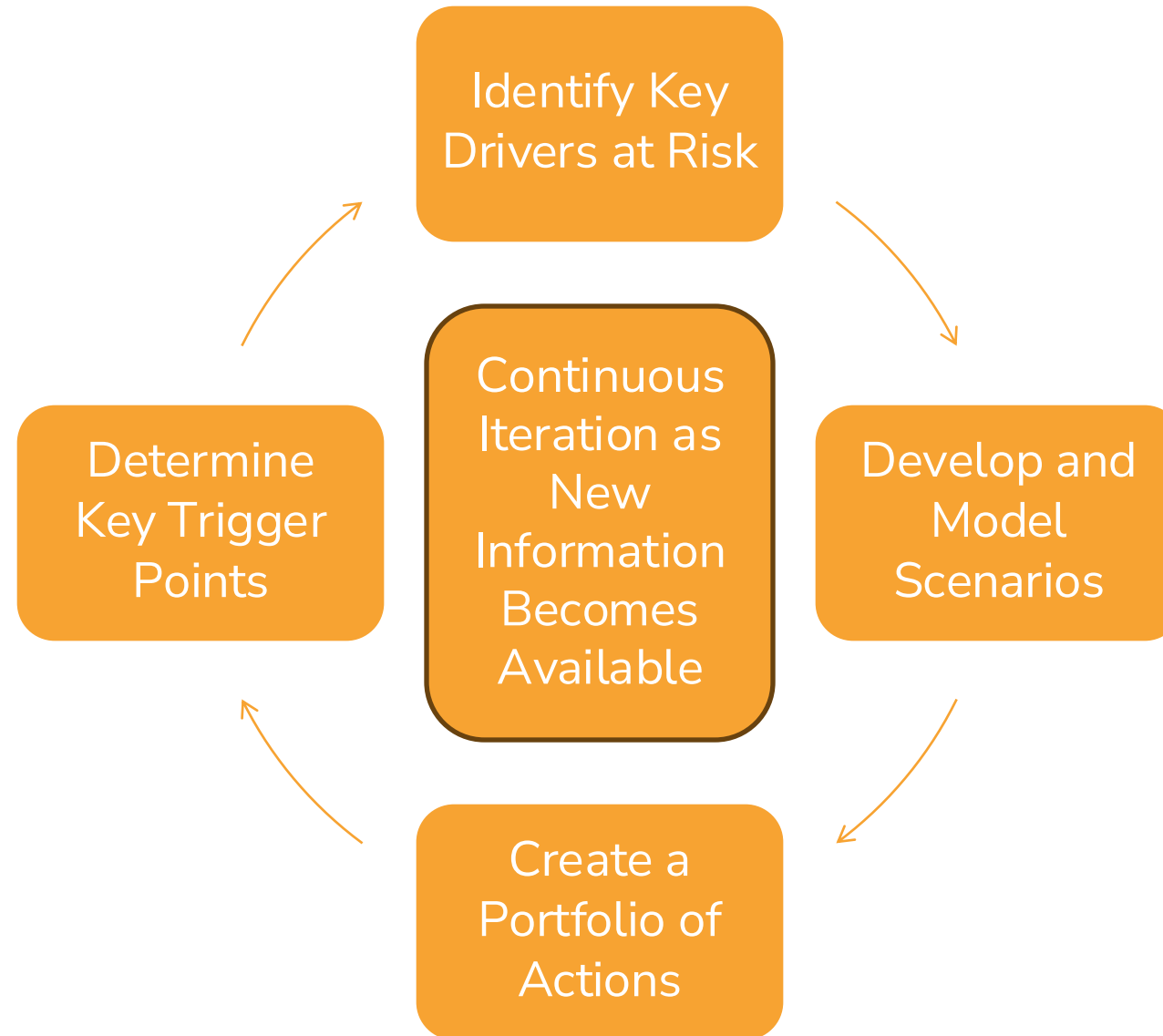
Category	Definition	Actions	Estimated Cost
Appropriate for any Scenario	Actions that will positively affect the organization’s ability to deliver impact and financial position under any future scenario	Eliminate discretionary expenses	
Smaller-Scale and More Flexible	Smaller-scale, flexible investments or cost reduction measures that can be executed quickly (and reversed) if various scenarios come to fruition	Reduce executive-level salaries by 10%	
Larger and More Permanent	Large-scale investments or cost reduction measures that may be more permanent in nature	Layoff nonessential staff	

Determine Key Trigger Points



Action	Scenario	Trigger Point
Reduce Executive Level Salaries by 10%	Best Moderate Worse	Organizational revenue falls by 10%

Scenario Planning Process



Is Scenario Planning Viable?



Traditional Scenario
Planning



A More Adaptive
Approach?

“This method works best for foreseen risks and stable uncertainties like inflation rate forecasts, the likelihood of a new competitor, or a substitute product entering the market. It often fails spectacularly when firms are hit by shocks outside of leaders’ field of vision. And today, leaders are increasingly confronted with significant, and sometimes existential, events that would not have contemplated even six months earlier.”

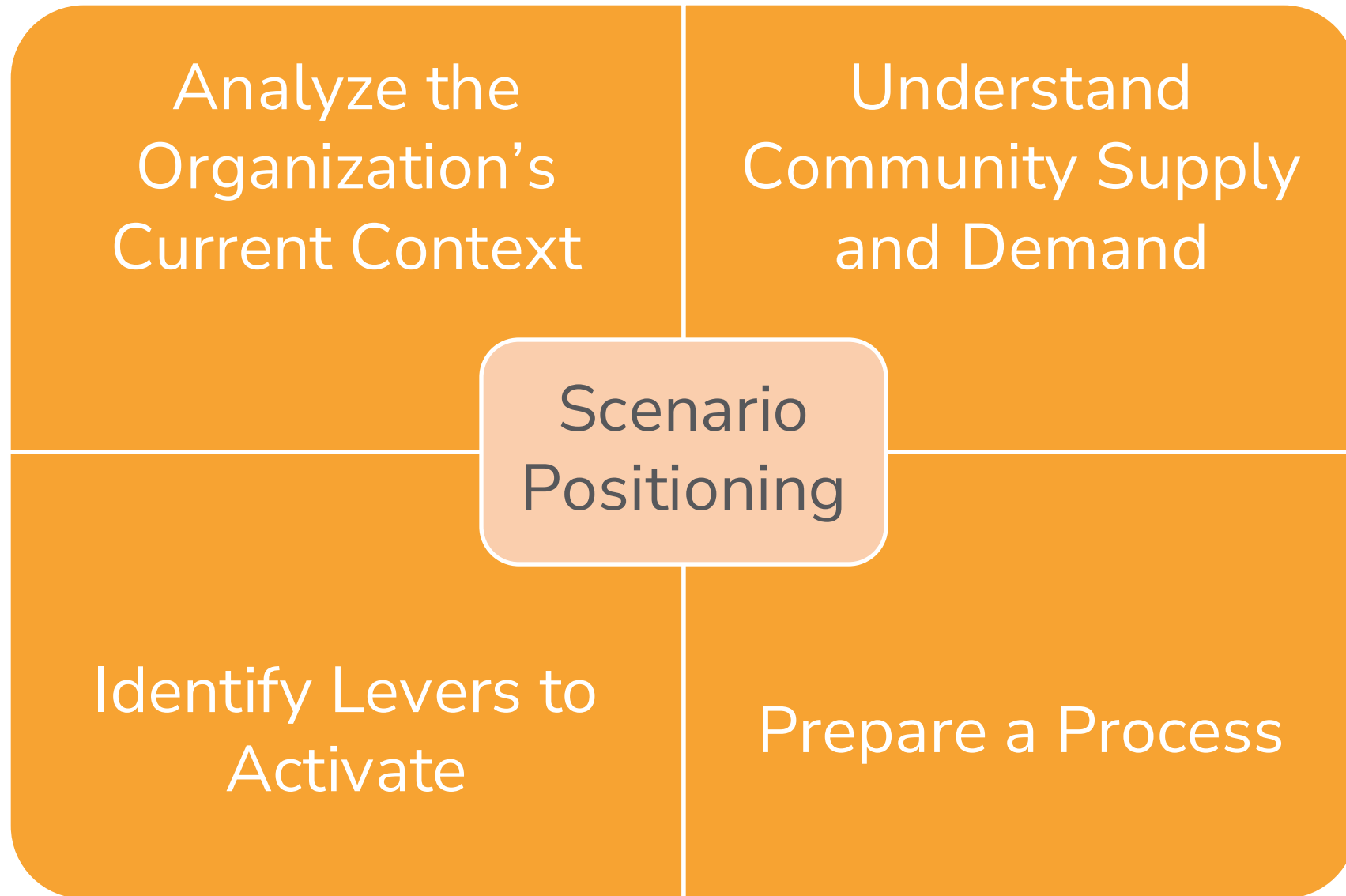


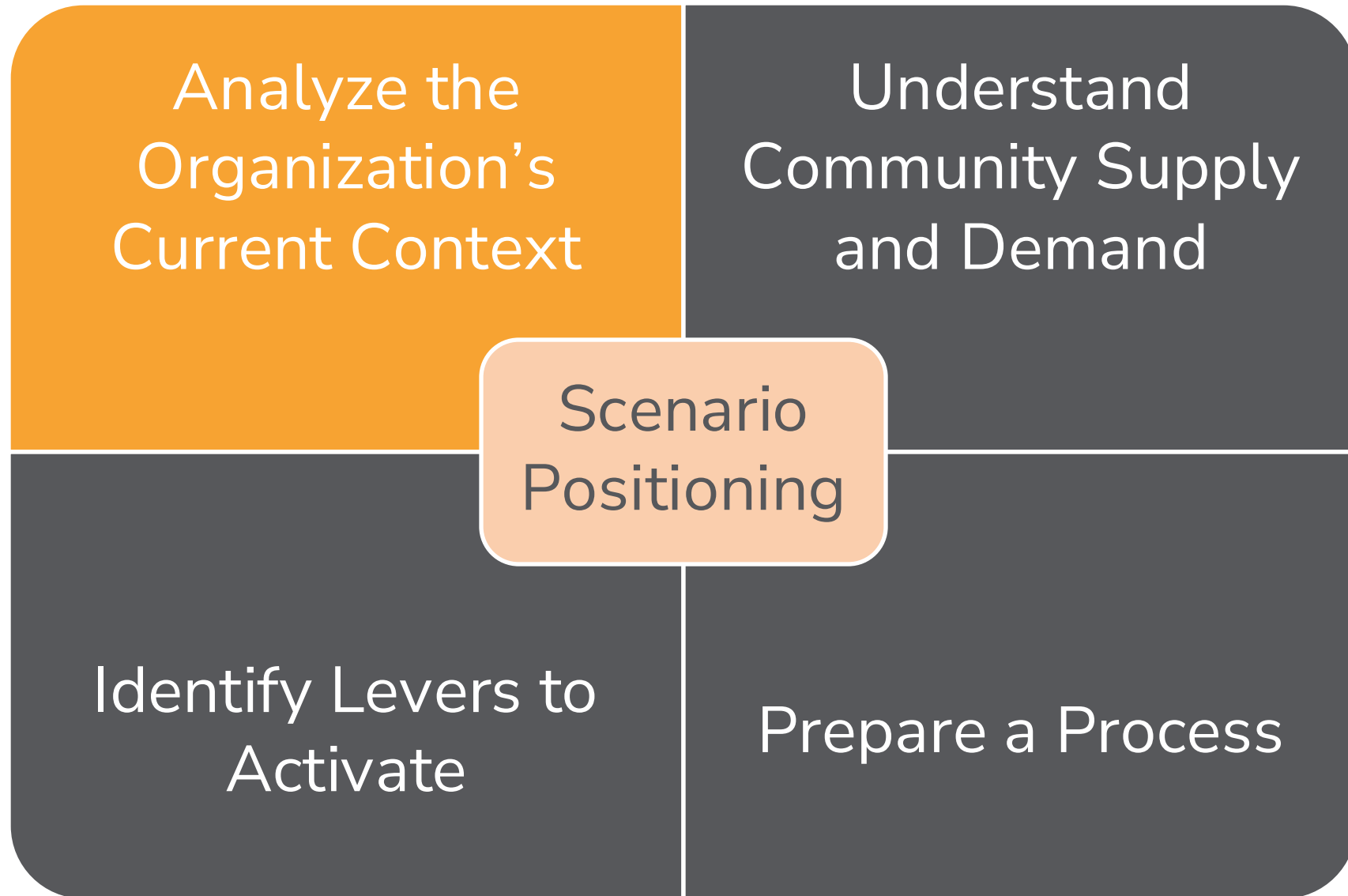
“When Scenario Planning Fails” by Kalle Heikkinen, William Kerr, Mika Malin, Panu Routila and Eemil Rupponen – Harvard Business Review, April 21, 2023

Introducing Scenario Positioning



Scenario Positioning allows organizations to prepare to take action and make strategic decisions as challenges become clearer



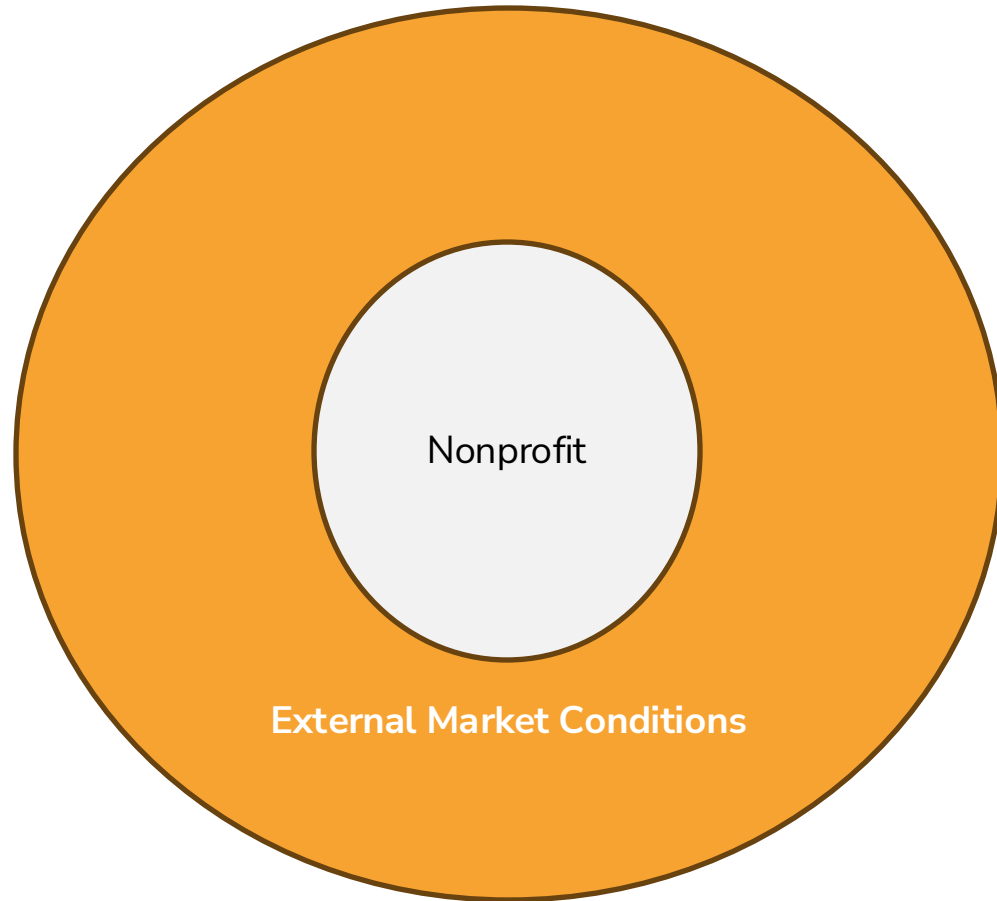


INSURANCE POLICY

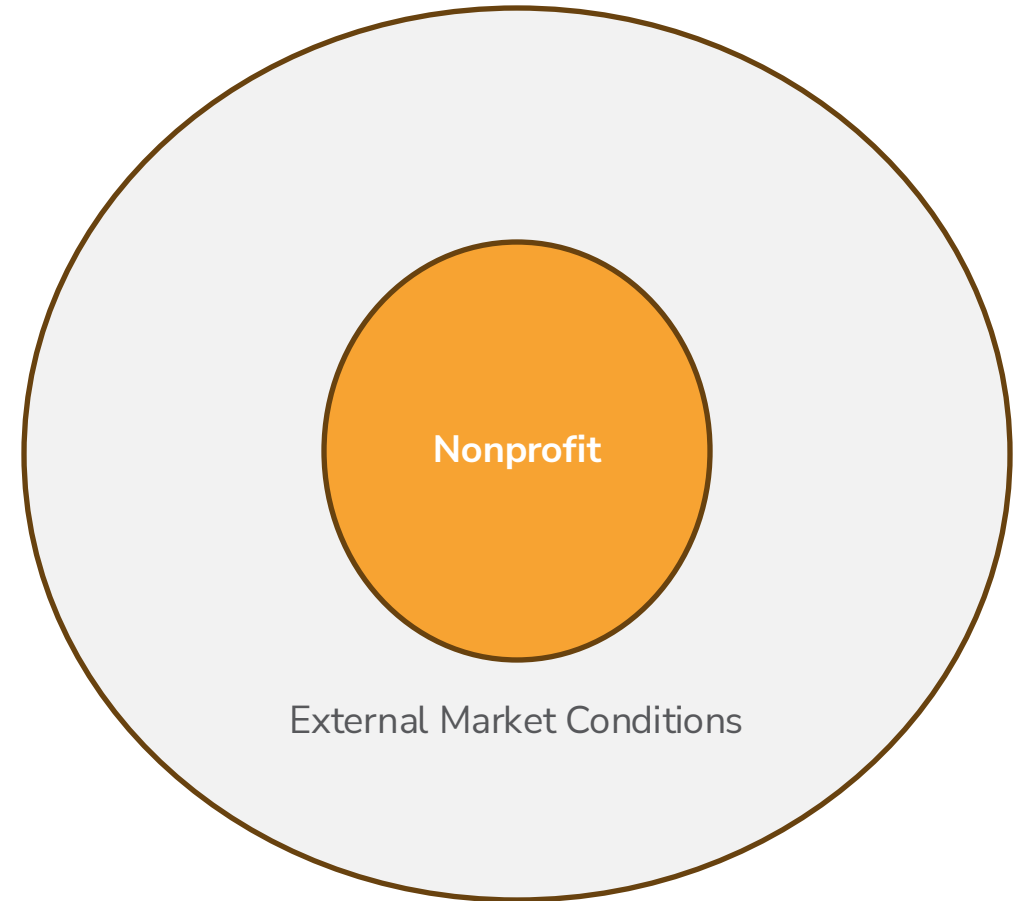
TERMS AND CONDITIONS



Understanding your Financial Context

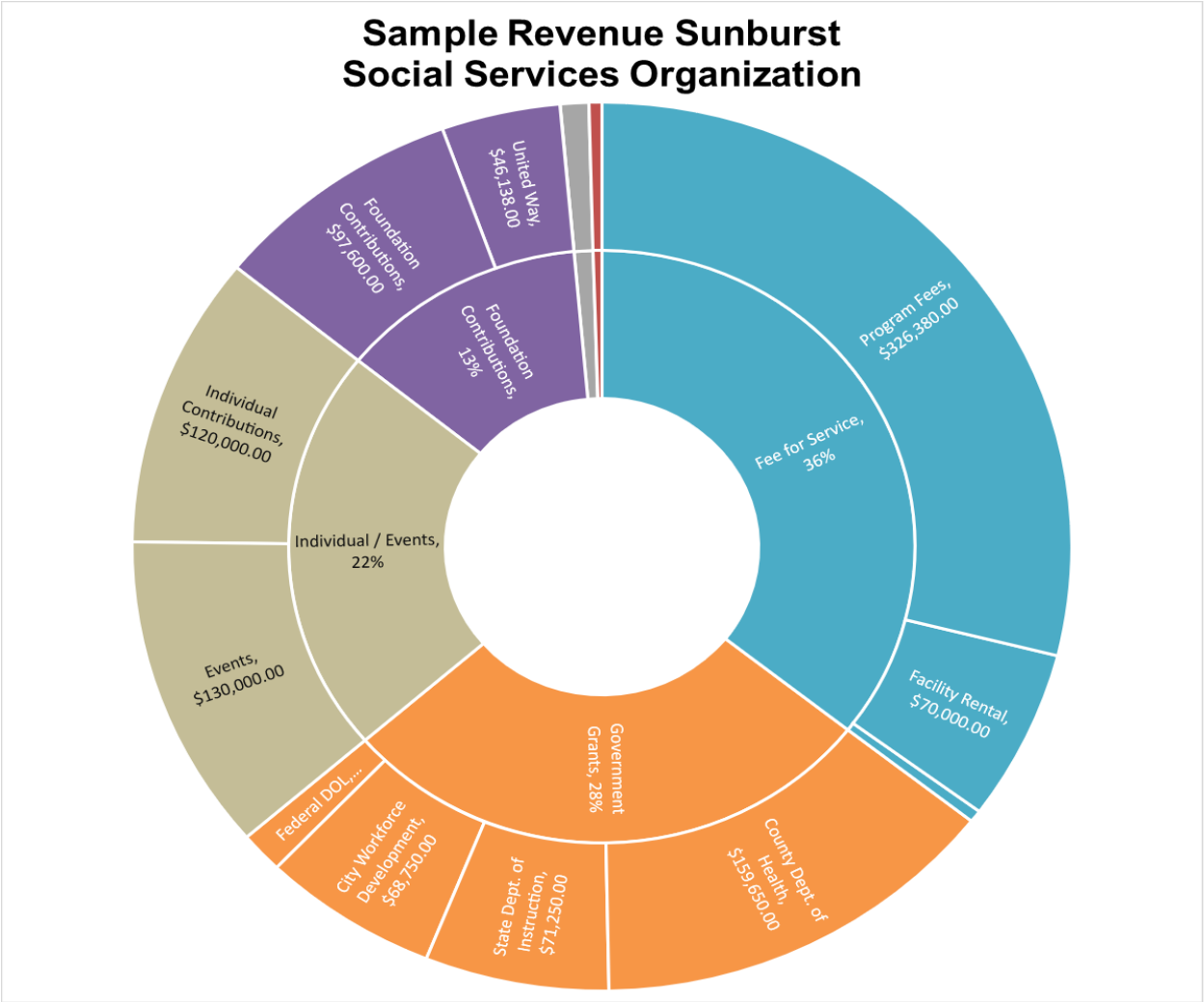


Economic and Political
Headlines

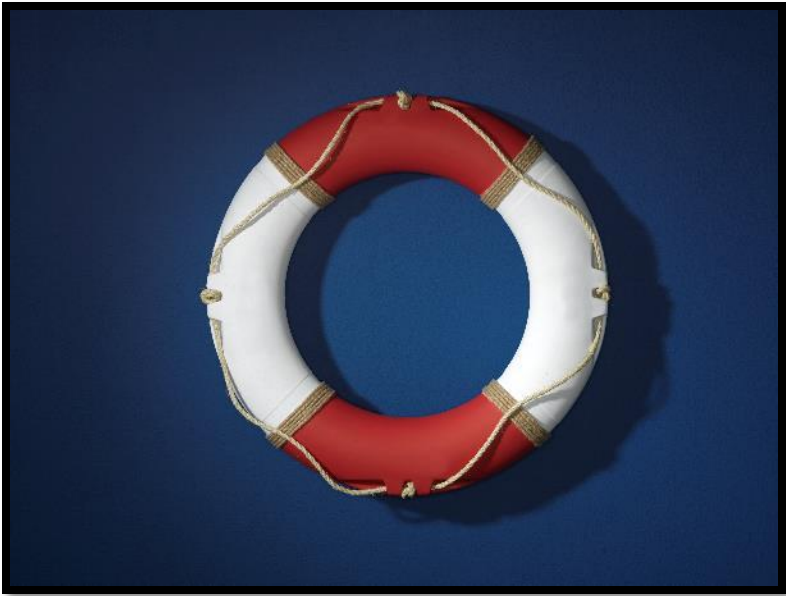


Scenario Positioning

Understanding your Revenue Mix



Understanding the Reserve



Liquid Reserve Formula

$$\frac{\text{Net Assets Without Donor Restrictions} - \text{Fixed Assets}}{\text{Monthly Expenses}}$$

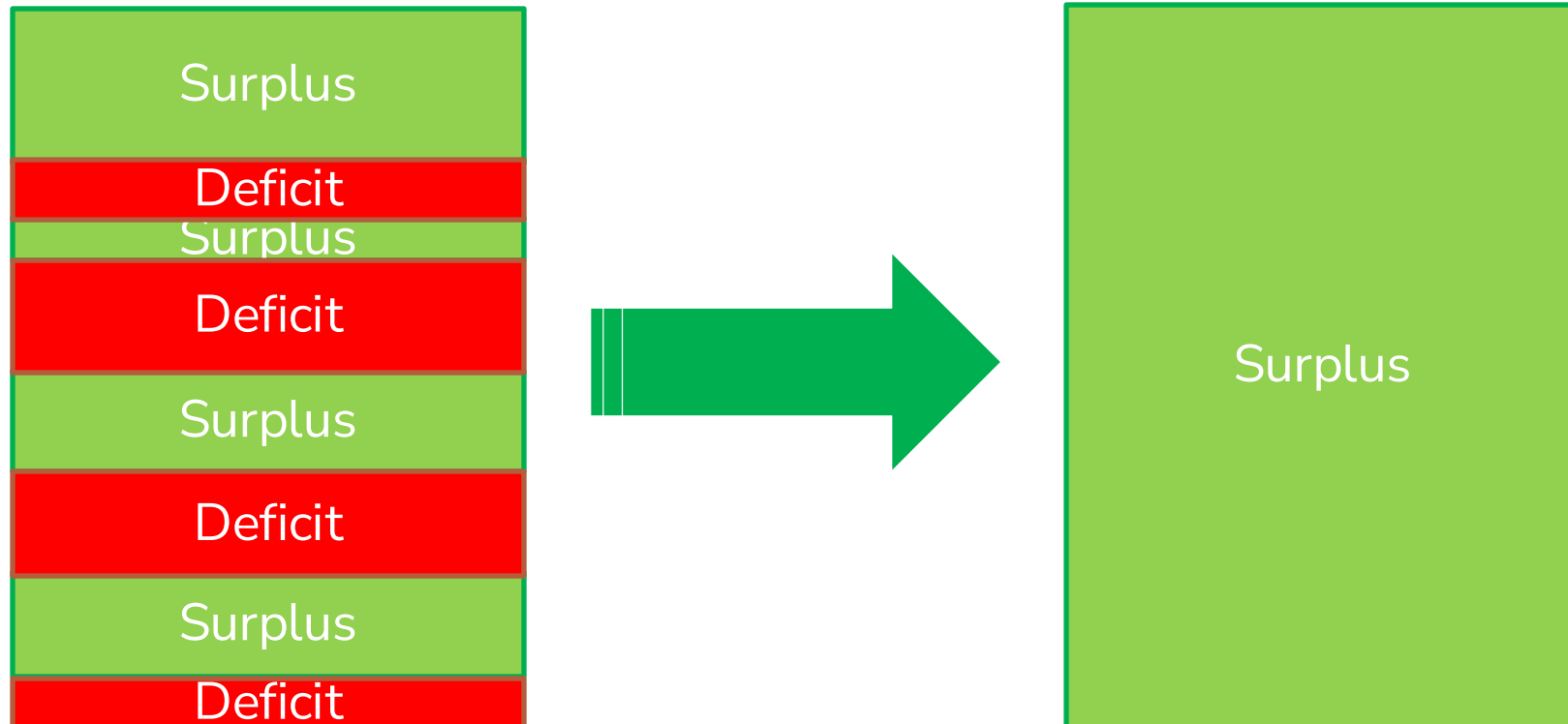
Understanding your Three-Year Financial Trend



Over the last three years, which revenue streams are:

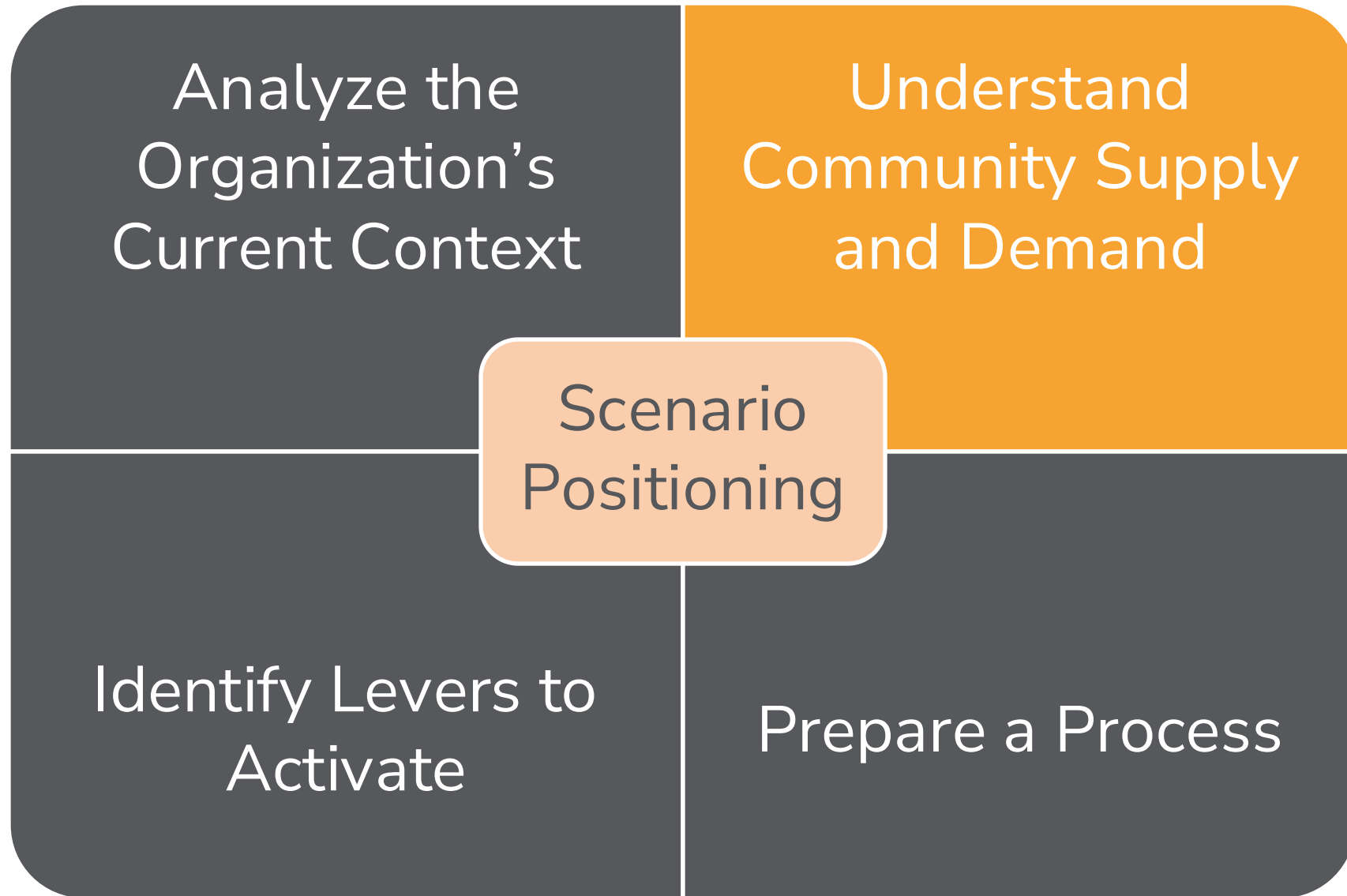
- Growing
- Shrinking
- Fluctuating
- Remaining Stagnant

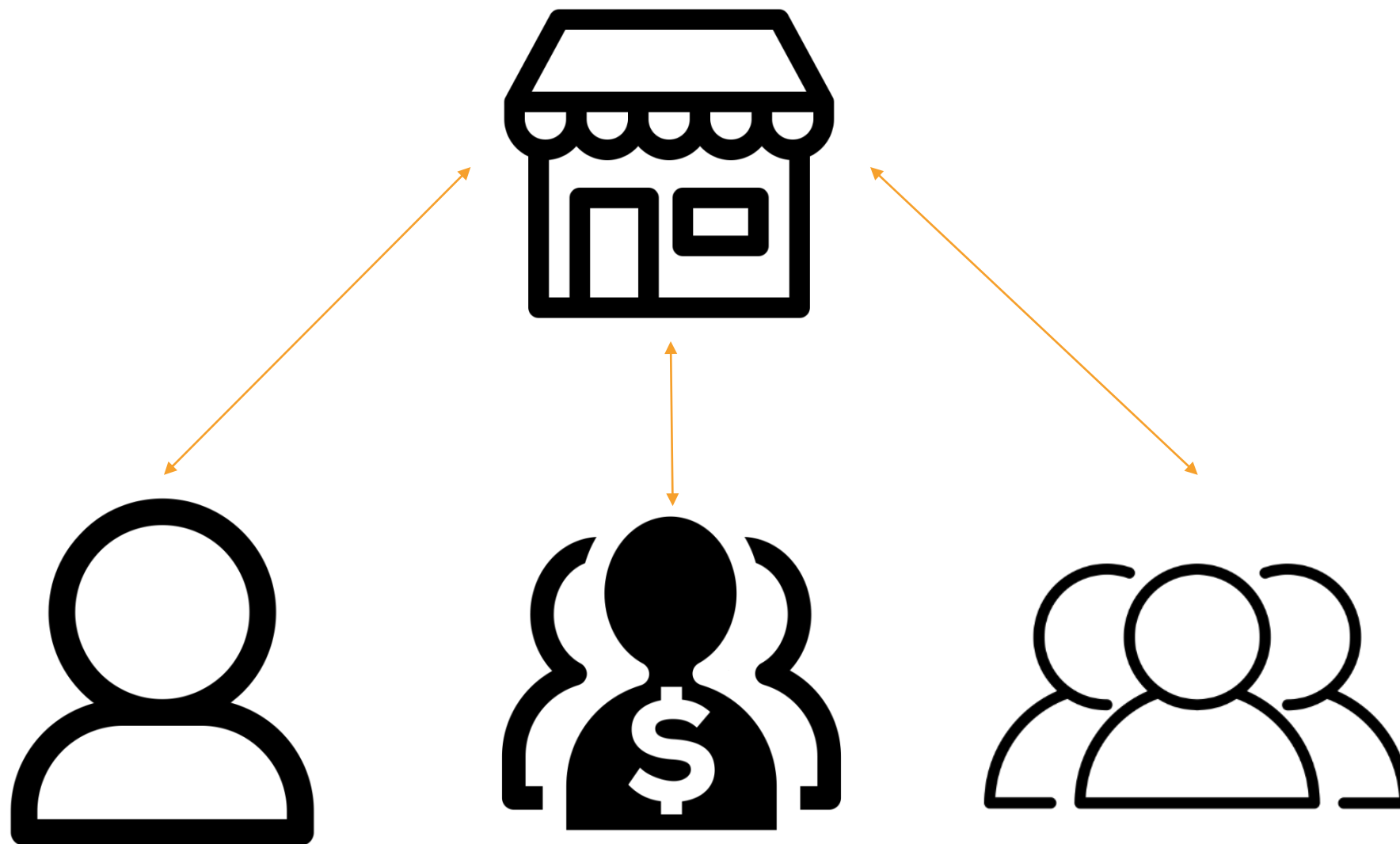
Understanding Programmatic Profitability



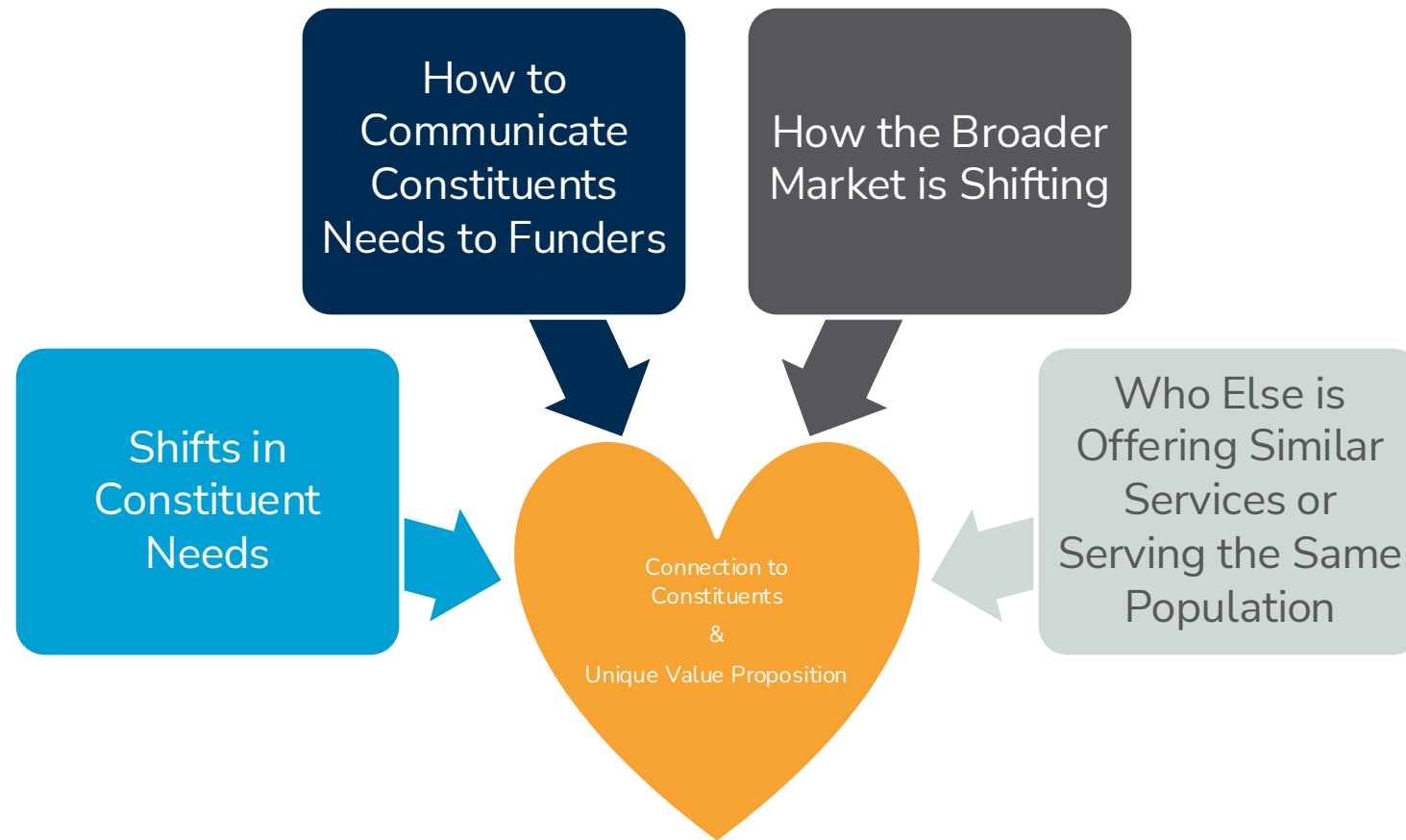
How are our
programs
performing
financially?

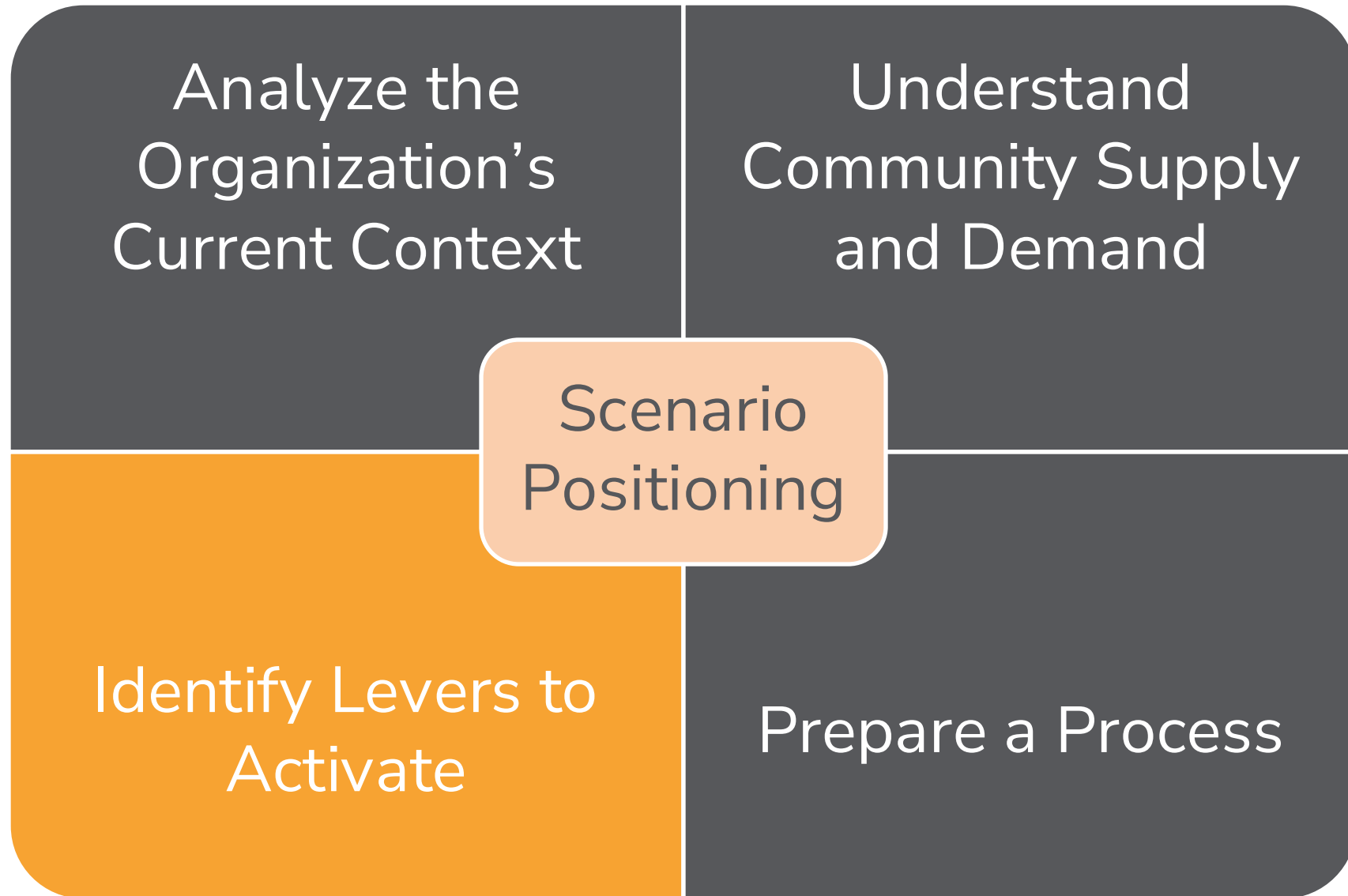
Summarized Statement of Functional Income & Expenses For the Nine Months Ending September 30, 2025							
	Program Activities			Supporting Activities		Shared Costs	TOTAL
	Education & Awareness	Counseling	Consulting	Admin	Fund- raising		
Contributions					90,000		90,000
Foundation grants					25,000		25,000
Fundraising events, net					76,300		76,300
Total Support	-	-	-	-	191,300	-	191,300
Government contracts		340,000					340,000
Fee For Service			4,700				4,700
Investment Income				3,965			3,965
Total Revenue	-	340,000	4,700	3,965	-	-	348,665
Net Assets Released from Restriction	144,080	25,000	35,500				204,580
Total Income	\$ 144,080	\$ 365,000	\$ 40,200	\$ 3,965	\$ 191,300	\$ -	\$ 744,545
Personnel Expense	96,370	224,020	21,045	34,960	37,950	51,750	466,095
Non-Personnel Expenses	31,300	157,400	6,780	13,000	3,900	54,200	266,580
Total Specific Costs	127,670	381,420	27,825	47,960	41,850	105,950	732,675
Shared Costs Allocation %	22%	41%	2%	18%	17%		100%
Allocation of Shared Costs	23,309	43,440	2,119	19,071	18,012	(105,950)	-
Expense without Admin.	150,979	424,860	29,944	67,031	59,862	-	732,675
Admin Allocation %	23%	64%	4%	-100%	9%		
Admin. Allocation	15,204	42,784	3,015	(67,031)	6,028		
Total expenses after allocations	\$ 166,183	\$ 467,643	\$ 32,959	\$ -	\$ 65,890		\$ 732,675
Surplus / (Deficit)	\$ (22,103)	\$ (102,643)	\$ 7,241	\$ 3,965	\$ 125,410		\$ 11,870
Base for Admin Allocation	\$ 732,675						
	\$ (67,031)						
	\$ 665,644						

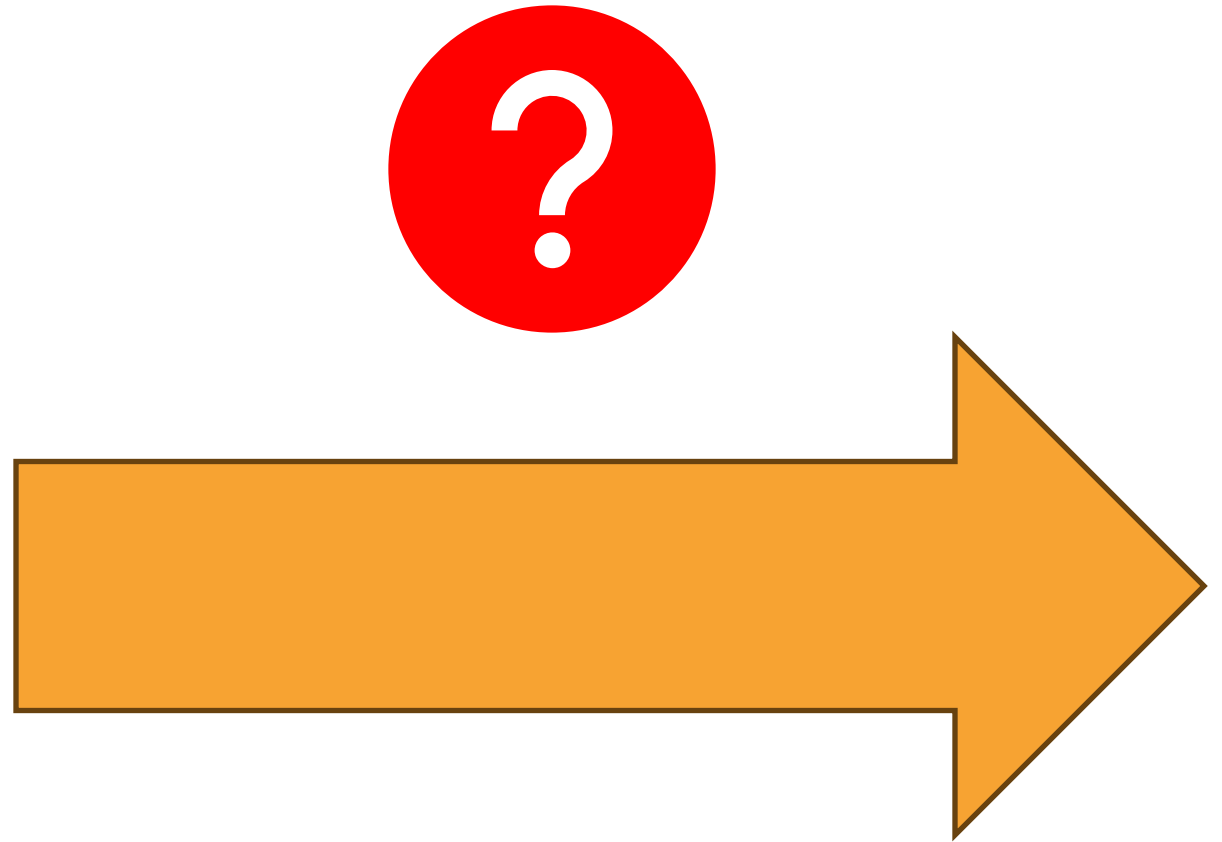
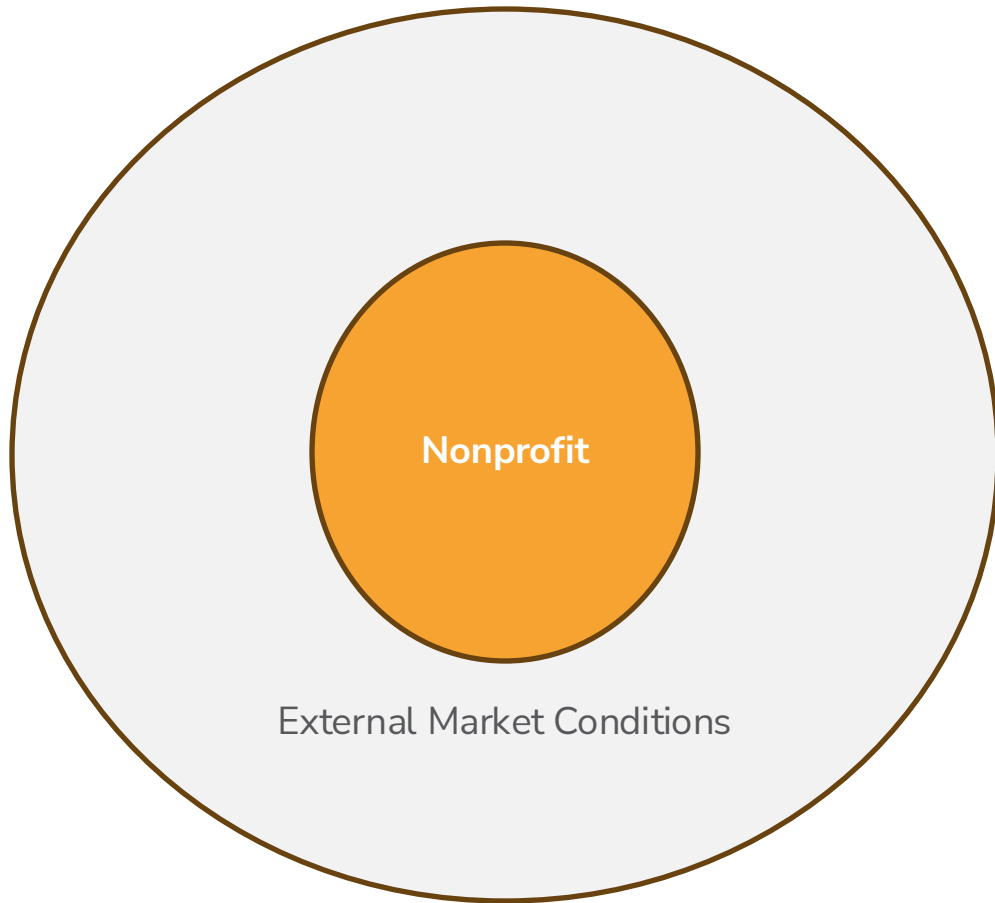




Nonprofits Need to Understand:







Contracts



Understanding your current list of contracts, including:

1. Parties Involved
2. Terms
3. Payment Schedules
4. End Dates
5. Penalties & Early Termination Clauses

Facilities



1. Leases
2. How the space is currently being utilized
3. Programmatic implications of modifying facilities
4. Accessibility considerations

What is the cost of impact?



What goes into the cost to make this cup of coffee?



Many things!

Coffee beans

Gas for roasting

Strategic planning
costs

Marketing &
advertising



Water

Accounting

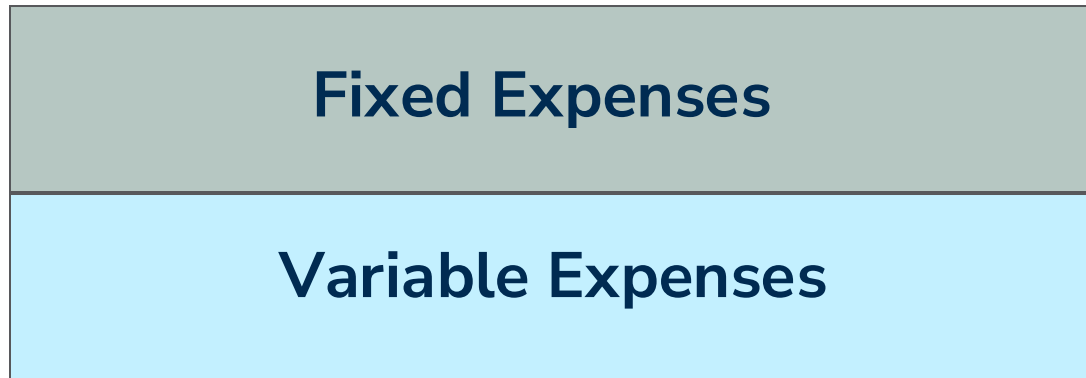
Equipment

Technology

Paper

Understanding Fixed and Variable Costs

What is the minimum
cost to run my program?



Personnel Costs

1. What are the critical roles to my organization?
2. What regulatory/staffing requirements need to be maintained for my programs?
3. Do I critically need to fill vacant positions at this time?



Exploring Collaborative Opportunities

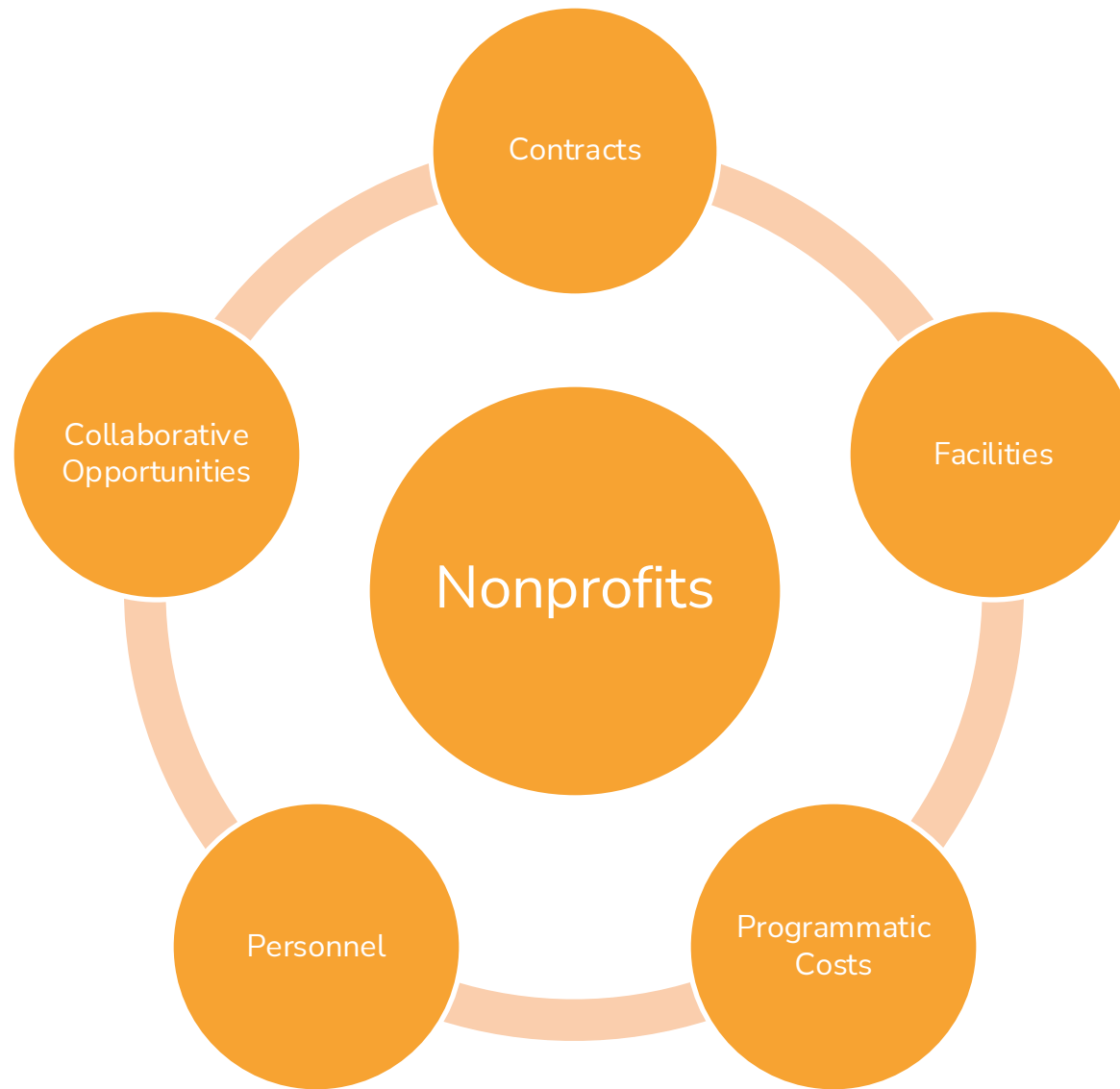
Nonprofits, For-Profits, Government Agencies

Organizations you partner or collaborate with or who may offer complementary services to your constituents

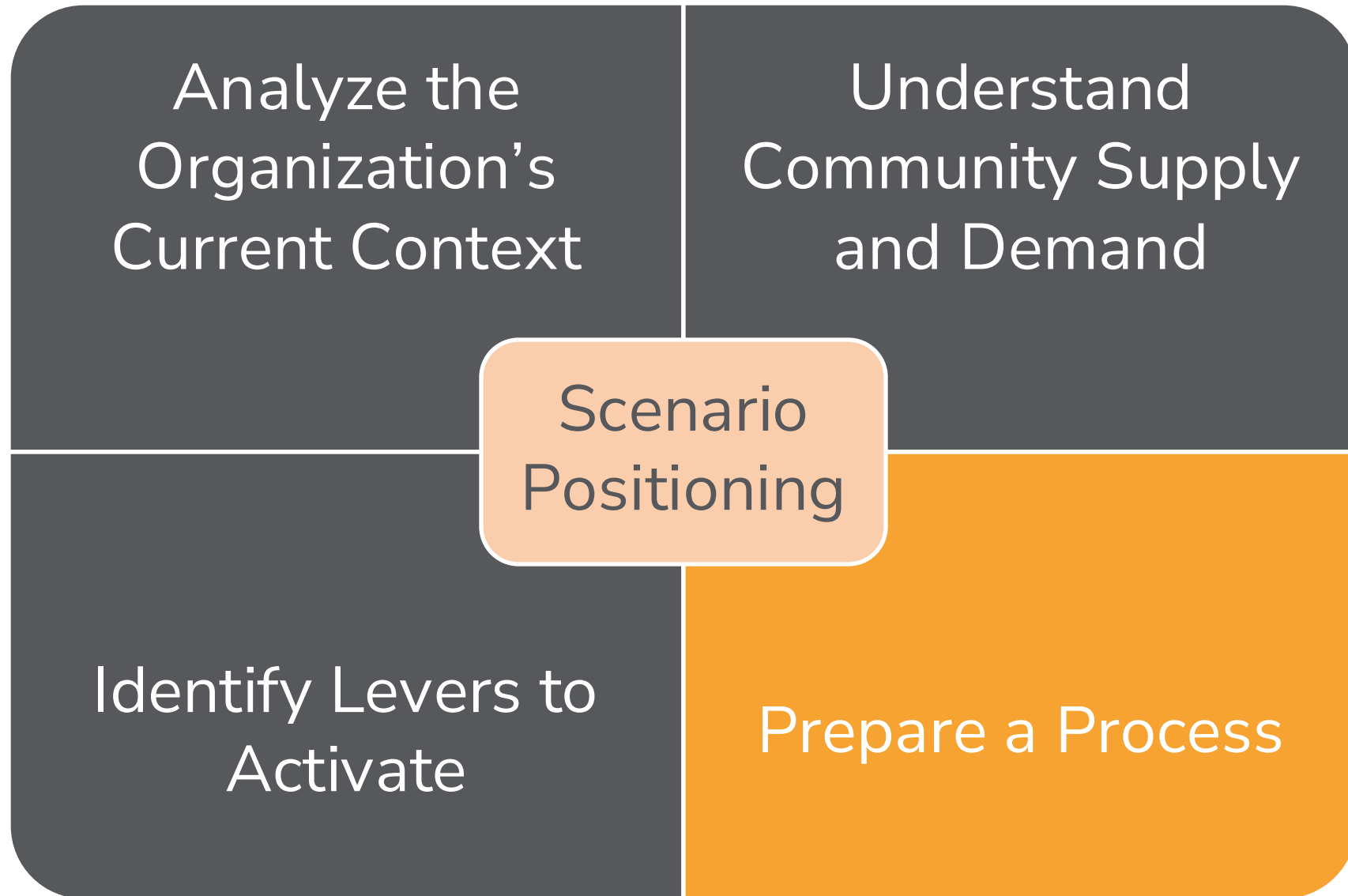
Organizations that offer similar services or programs that you compete with for constituents or funders.

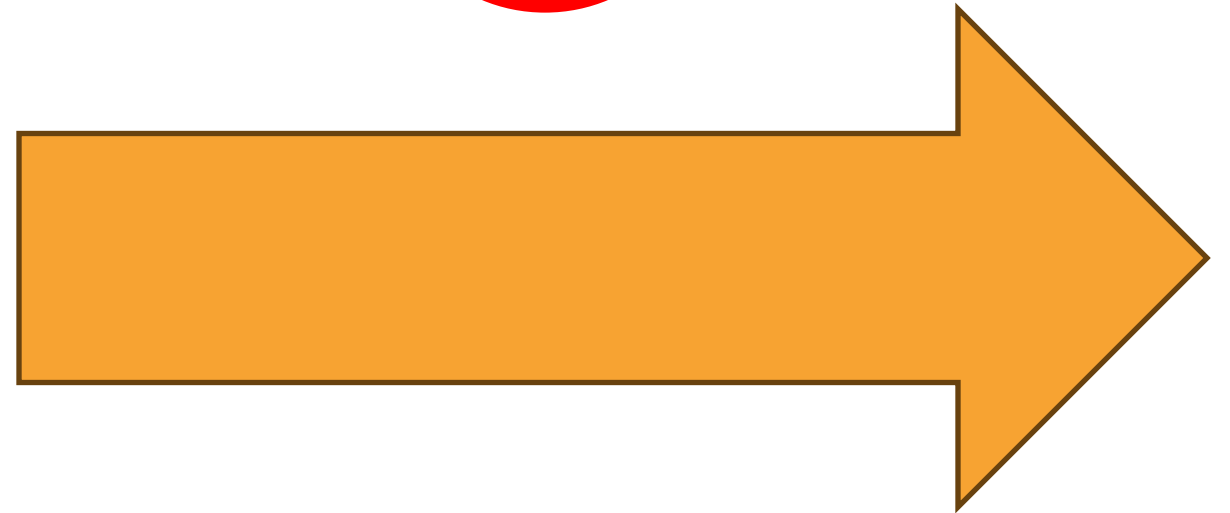
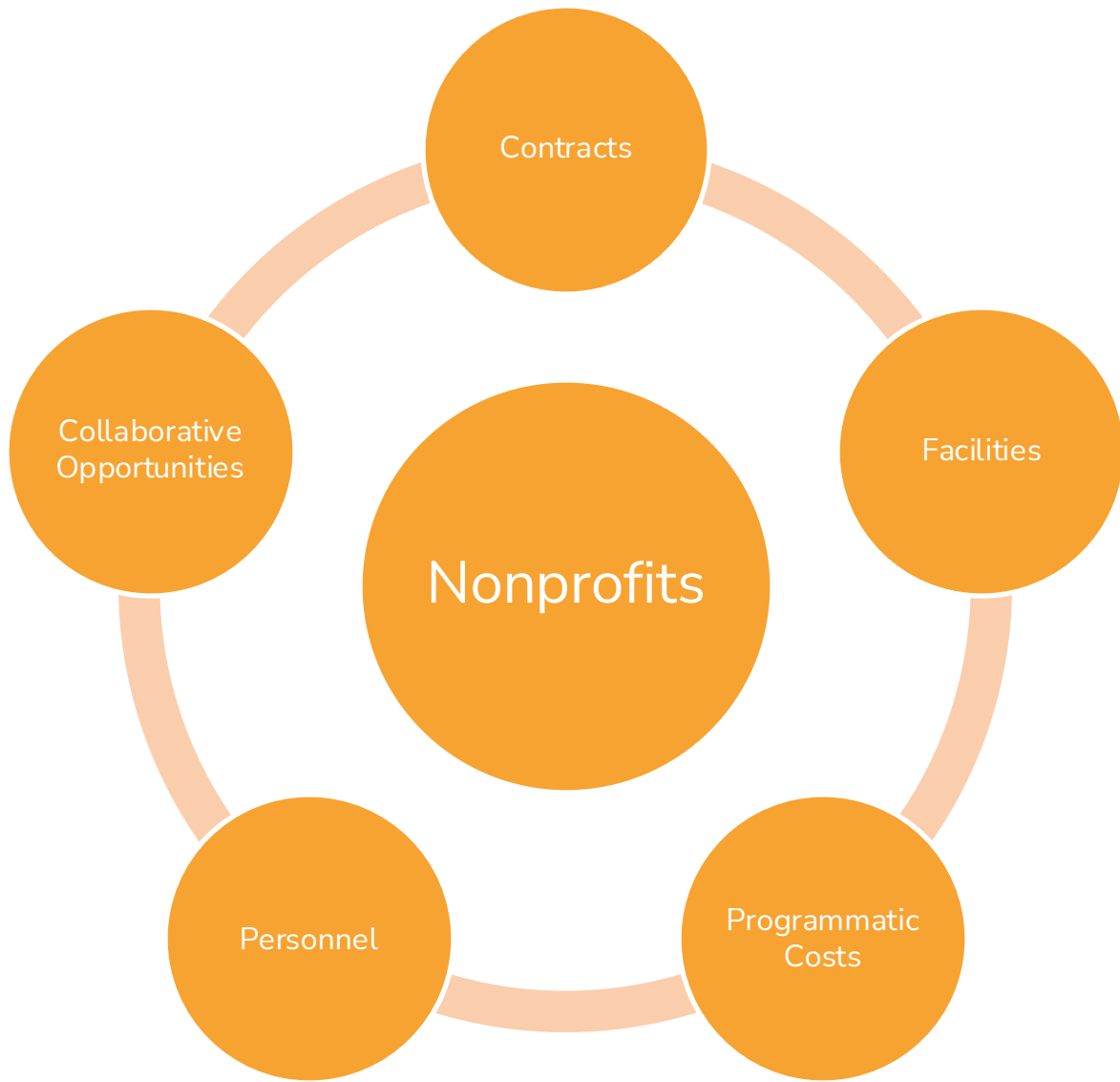
Do you know what connections your board may have?

- ❖ Who do they serve?
 - Constituents?
 - Geography?
- ❖ What programs do they offer?
 - In what ways are the problems our organizations are trying to redress being met by other market forces/ideas?
- ❖ How are they funded?
- ❖ What strengths and resources can we leverage through working together?



Understanding your
Levers





Educate Internal Stakeholders

Board



Staff



Create a Rapid Response Team



A Key Team to make recommendations to leadership, including representatives from:

- The Board
- Finance
- Programs
- Development

Communicate!



Photo by [Juliana Romão](#) on [Unsplash](#)

Prepare a Communication Plan that defines:

1. Key personnel to develop messaging
2. How decisions will be communicated (email, phone, meeting, etc...)
3. Who will deliver the message

Scenario Positioning in Action





Instead of waiting passively, they went into action

Process/Lever	Action Item
Educate Internal Stakeholders	Educated board members about the organizational context to prepare them for action
Understanding Fixed and Variable Costs	Reviewed every program to identify opportunities for efficiency or improvement
Exploring Collaborative Opportunities	Scanned the community to understand how their programs relate to other offerings and meet constituents needs
Understanding Programmatic Profitability	Developed a preliminary list of programs that might be closed or reduced depending on funding decisions – as well as a program that might grow with increased funding
Create a Rapid Response Team	Formed a task force to respond rapidly once there is more certainty

“Despite my deep belief in my current organization’s portfolio and 150-year legacy, some impact is better than no impact.”

CEO – Large Social Services Organization

Recap

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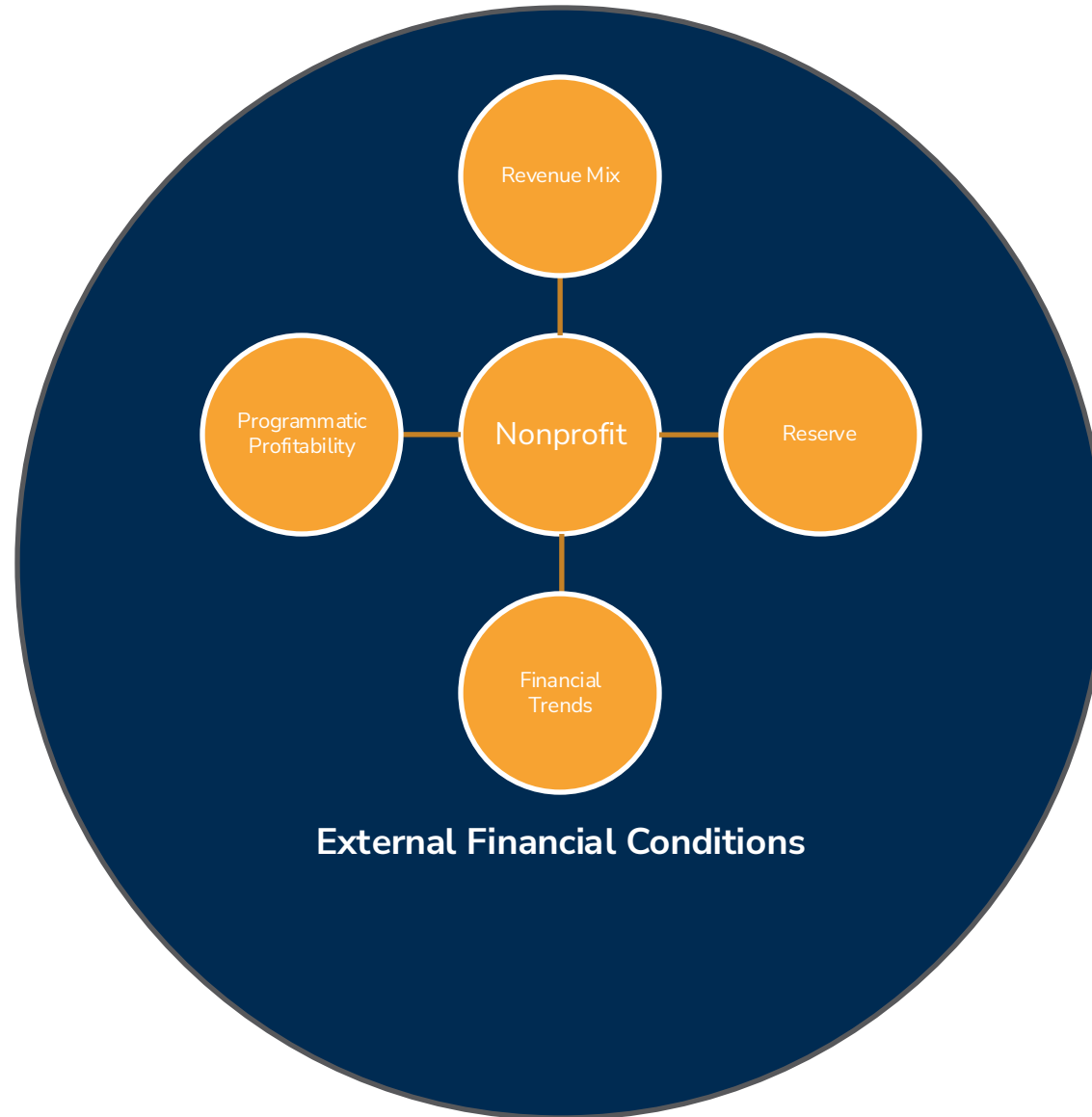


Scenario Positioning

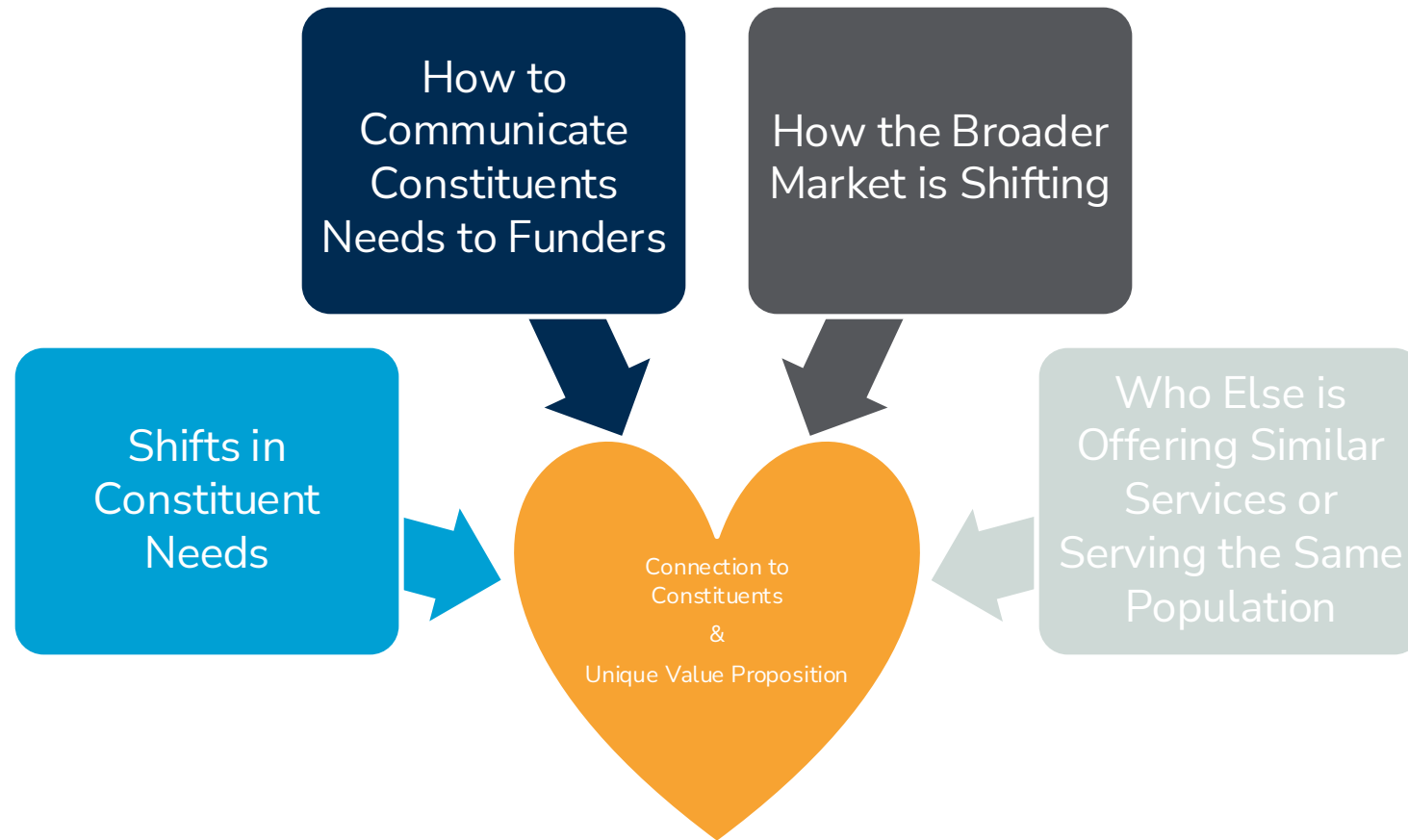


Scenario Positioning allows organizations to prepare to take action and make strategic decisions as challenges become clearer.

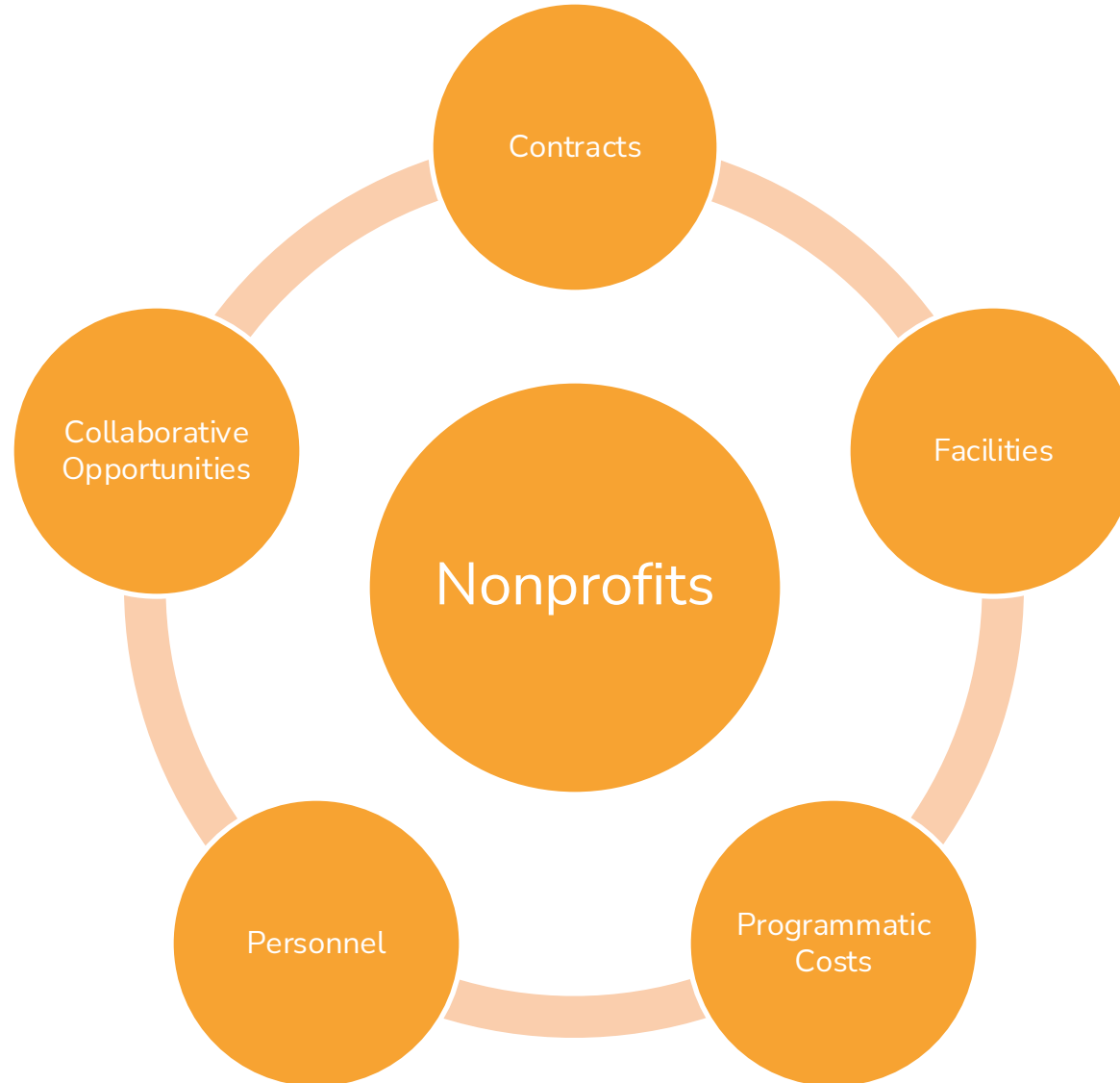
Understanding your Current Context



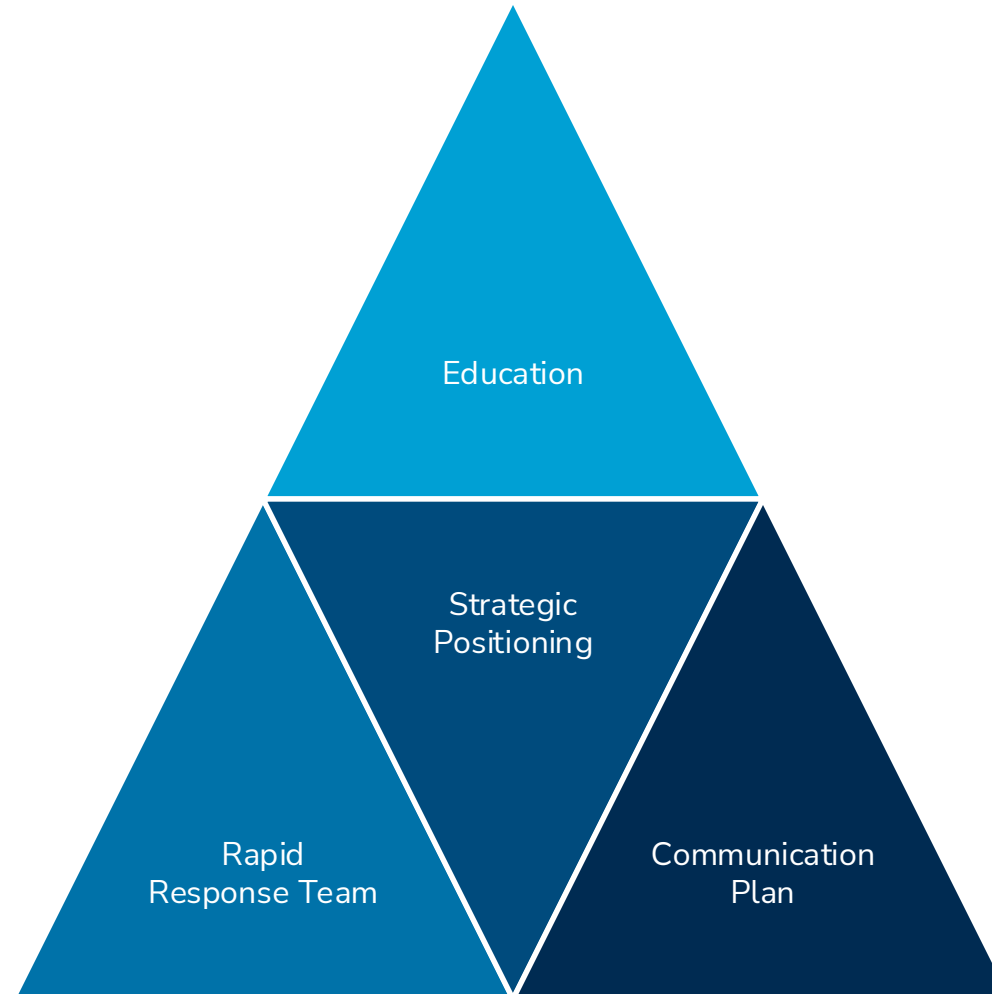
Understanding Community Supply and Demand

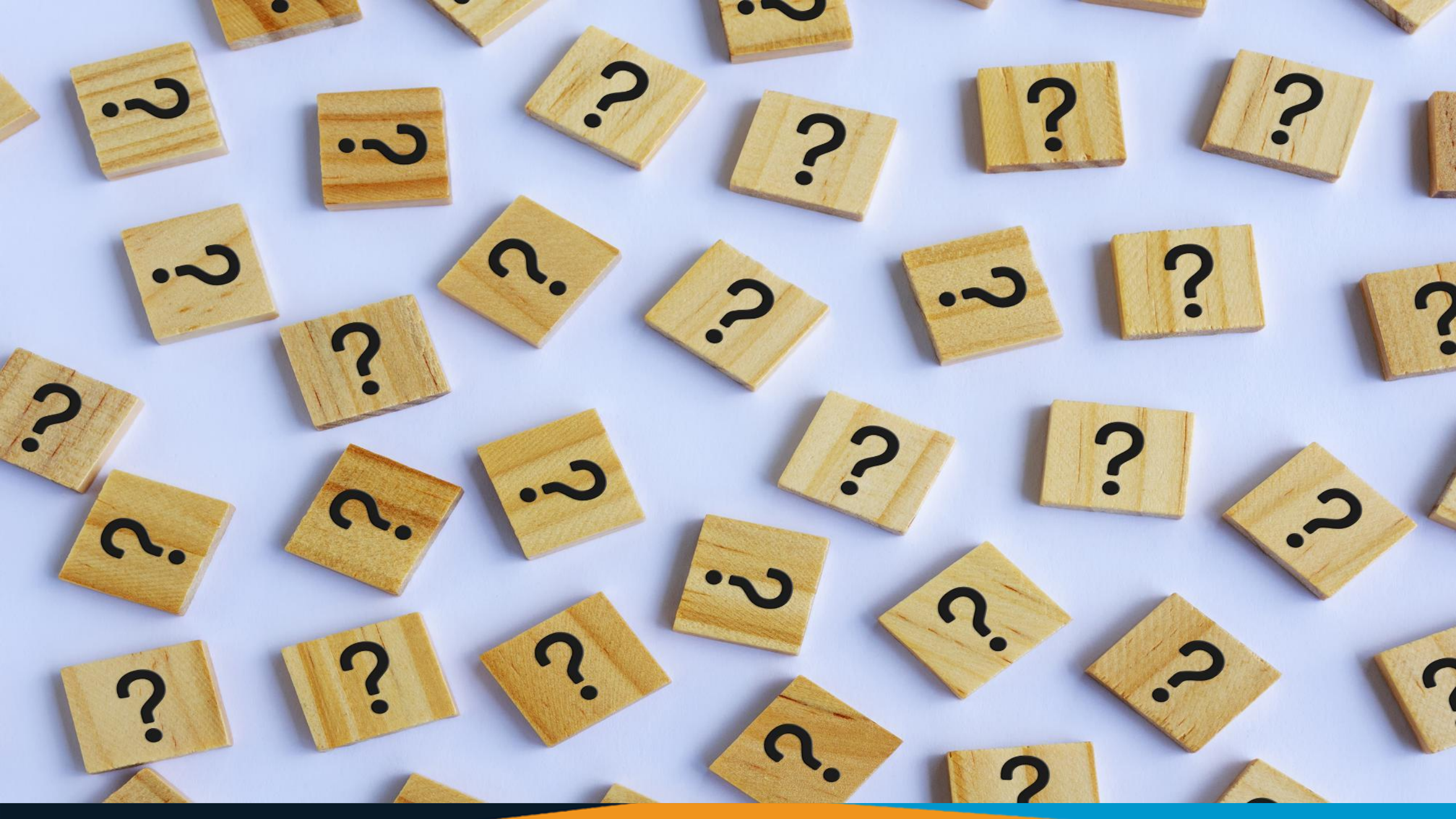


Identify Levers to Activate



Understanding The Process to Implement





Thank You!

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