RAPID RESPONSE SCENARIO PLANNING

Organization Name:
Date Updated:

Overview: This tool breaks scenario planning into four key steps:

1. Set Guiding Principles
2. Summarize Current Position & Establish Scenario Assumptions
3. Run the Numbers
4. Act, Monitor, and Adapt

Team: This tool is intended to support a core team of organization leaders (e.g., Executive Director/CEO and senior Program, Development, Finance, Operations and/or Human Resources staff) explore options when there are multiple paths forward. Board members can participate in steps 1 and 4, though in some cases key board members may be involved in the full process.

Instructions: This tool is formatted to help leadership teams develop and document up to three scenarios and associated assumptions for your organization's future. These scenarios may be strategic in nature ("what would happen if we expanded a program?") or responsive in nature ("what would we do if we lost a major funding source?"). This Scenario Planning tool is divided into four sections, and it may take multiple work sessions to complete all of them:

1. **Set Guiding Principles** - outline overarching principles or goals that any scenario should adhere to—the "non-negotiables."
2. **Summarize Current Position & Establish Scenario Assumptions** - document the current knowns and unknowns of your organization's situation – a few key metrics will provide a high-level view useful for scenario planning. Then describe up to three distinct scenarios for the organization's path forward, including notes about how programs, revenue generation, operations, workforce, and other major activities may change under each scenario (as well as any remaining unknowns).
3. **Run the Numbers** - quantify the impact of each scenario on your organization's financial picture. This is not a full budgeting process, but rather a high-level look at the most significant financial implications of each scenario.
4. **Act, Monitor, and Adapt** - outline next steps and decision points that will help your organization track and adapt.

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

About this tool: The yellow fields are where you will fill in information, and the tables will automatically extend to the next page if you need more space. There are examples in certain sections of the tool to illustrate how to complete the field. Please bear in mind that these are just hypothetical examples and your organization's situation may be very different.

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 Actions[1]		
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?	***Example:*** *We must develop a plan for delivering critical services to our program participants if we lose our government contract.*
Might Do	What possible actions might you consider? *This could include programmatic adjustments or financing options.*	***Example:*** *We could transfer a secondary program to another organization and reallocate those resources to support a key program.*

[1] Adapted from Nonprofit Scenario Planning in an Age of Chaos by Onuka Ibe, La Piana Consulting, 2025

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

1. Set Guiding Principles		
Won't Do	What are the red lines that your organization won't cross? What are your non-negotiables? *This would include anything that would undermine your mission or stand in direct opposition to your organizational values.*	***Example:*** *We will not charge participants for our services because providing no-cost programming to our community is a core tenant of our mission.*
Define Your Timeline		
What is the time horizon for which you will be planning? *(6 months? 12 months? 24 months? 36 months?)*		***Example:*** • *6 months - July through December / the remainder of our current fiscal year*

2. Summarize Current Position & Establish Scenario Assumptions

2A. Snapshot of Current Financial Position *The key financial health metrics below provide a high-level view of your organization's current financial position and financial flexibility. For a deeper dive into your organization's financial health or for more guidance on calculating these metrics, use the BDO Financial Health Analysis tool available at strongnonprofits.org.*		
Key Metric	**How to Calculate**	**Current Financial Position**

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

BDO

2A. Snapshot of Current Financial Position *The key financial health metrics below provide a high-level view of your organization's current financial position and financial flexibility. For a deeper dive into your organization's financial health or for more guidance on calculating these metrics, use the BDO Financial Health Analysis tool available at strongnonprofits.org.*		
Operating Results *Business Model Strength*	Source: Income Statement Calculation: Unrestricted Revenue less Expenses Measures excess (or deficit) of income over expenses in a given period and the key sources of the accumulation or depletion of reserves.	***Example:** Operating Results* *[FY24 Unrestricted Revenue $795,500] - [FY24 Total Expense $750,150] = [Operating Surplus $45,350]*
LUNA (Liquid Unrestricted Net Assets) *Reserves*	Source: Balance Sheet Calculation: Start with your **unrestricted net assets** (net assets that don't have a donor-imposed restriction) and *subtract* your **illiquid net assets** (net assets that cannot easily be converted to cash, such as real estate) to get your **Liquid Unrestricted Net Assets** (LUNA). Measures the portion of unrestricted net assets that could be converted to cash relatively easily. This can be thought of as your reserves.	***Example: LUNA*** *[Unrestricted Net Assets $1,567,000] - [Illiquid Net Assets $550,000] = [Total Liquid Unrestricted Net Assets **$1,017,000**]*
Months of LUNA (Liquid Unrestricted Net Assets) *Reserves*	Source: Annual Budget & Balance Sheet Calculation: *Divide* your total **annual operating expense** by 12 to get your average monthly operating expense. *Divide* **LUNA** by your **monthly operating expense** to get your **Months of LUNA**. Measures the number of months unrestricted net assets that could be converted to cash relatively easily will last.	***Example: Months of LUNA*** *[Total Annual Operating Expense $2,400,000] / 12 = [Monthly Annual Operating Expense **$200,000**]* *[Total LUNA $1,017,000] / [Monthly Annual Operating Expense $200,000] = **5 Months of LUNA***

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

2A. Snapshot of Current Financial Position *The key financial health metrics below provide a high-level view of your organization's current financial position and financial flexibility. For a deeper dive into your organization's financial health or for more guidance on calculating these metrics, use the BDO Financial Health Analysis tool available at strongnonprofits.org.*		
Months of Cash *Liquidity*	Source: Annual Budget & Balance Sheet Calculation: *Divide* your total **annual operating expense** by 12 to get your average monthly operating expense. *Divide* your current **cash on hand** by your **monthly operating expense** to get your **Months of Cash**. Measure the number of months that an organization could continue to pay its operating expenses with current cash balances (includes restricted and unrestricted cash).	***Example: Months of Cash*** *[Total Annual Operating Expense $2,400,000] / 12 = [Monthly Annual Operating Expense $200,000]* *[Total Cash and Cash Equivalents $550,000] / [Monthly Annual Operating Expense $200,000] =* ***2.75 Months of Cash***

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

BDO

2A. Snapshot of Current Organizational State *Below are guiding questions about an organization's operating environment, structure, and programs that can help illuminate external pressures likely to have an impact or new opportunities. In completing this section, consider where the current situation is clear and will be the same in each scenario and where there are unknowns that could be modeled differently.*		
Area of Focus	Guiding Questions	Current State (both what is known and unknown)
What are our external circumstances?	• What changes are we seeing in our community/ies? • Are there economic, political, or social trends that could significantly impact our work?	***Example:*** *The demographics of our community are shifting, and the population is now 30% people who have recently immigrated to the United States.* *Our biggest unknowns include:* • *Is fear of immigration enforcement preventing people from seeking out our services?* • *How are increasing food costs impacting the need for our services?*
How might our programs change?	• Are any activities increasing or are new activities needed based on community need? • Do we need to change the delivery method of activities? • Do we need to change our marketing or outreach strategy? • Have/will any of our activities stop/pause? • How are changes impacting revenue (e.g., ability to meet restrictions or contract requirements)? • What opportunities and risks exist?	***Example:*** *Workforce development programs have been successful online. Youth mentoring program was more successful when it was in person pre-2020.* *Our biggest unknowns include:* • *How can we entice youth to participate in in-person programming?* • *Are there factors other than format that are impacting the success of youth programming?*

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

BDO

2A. Snapshot of Current Organizational State *Below are guiding questions about an organization's operating environment, structure, and programs that can help illuminate external pressures likely to have an impact or new opportunities. In completing this section, consider where the current situation is clear and will be the same in each scenario and where there are unknowns that could be modeled differently.*		
Area of Focus	Guiding Questions	Current State (both what is known and unknown)
How might our financial resources change?	• Which revenues are no longer coming in or are at risk? What new revenue may we receive? • What new or increased expenses do we have? Are there any expenses that can be reduced?	***Example:*** *75% of our programming is funded by government contracts, and the department that provides those contracts is unstable.* *Our biggest unknowns include:* • *Will the contracts that fund our programming continue to be available next year?* • *Are there alternate funding streams that would allow us to continue this programming without government contracts?*
How might our workforce change?	• How has staff capacity been impacted by revenue and program changes? • Are there any anticipated staff transitions or significant leaves? • What financial commitments are the organization making to center diversity, equity, and inclusion? • What staff may be needed for future program, revenue, and/or operations changes?	***Example:*** *Our executive director is preparing to retire after a long tenure.* *Our biggest unknowns include:* • *Will we be able to fill this role at a comparable salary?* • *Will we need to bring on interim support during the transition?*

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

2A. Snapshot of Current Organizational State *Below are guiding questions about an organization's operating environment, structure, and programs that can help illuminate external pressures likely to have an impact or new opportunities. In completing this section, consider where the current situation is clear and will be the same in each scenario and where there are unknowns that could be modeled differently.*		
Area of Focus	Guiding Questions	Current State (both what is known and unknown)
How might our operations change?	• Does our physical space meet our organization's needs today and in the future? • Are there additional technology resources or equipment we need? • Do we have the finance, HR, and operations resources we need to be successful?	***Example:*** *The community that we served has been largely displaced from our neighborhood, and the location of our facility is no longer convenient for many of our clients.* *Our biggest unknowns include:* • *How would facilities costs differ in a new location?* • *Could we provide transportation support to our clients?*
What else might change?	Describe the potential impact of changes or potential changes to any important aspects of the organization's activities not covered above.	

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

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 or negatively)?

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 can be helpful in focusing your team's attention, enter the potential scenarios above into an **Impact/Probability Matrix** on the following page and consider modeling changes and decisions that fall in the darker parts of the matrix.

Distinctive Name	External Change or Internal Decision	Brief Description	Probability	Impact
[Example] Lose contract	*External Change*	*Loss of government contract that funds 75% of programming*	*4*	*5*
[Example] Partner on Programming	*Internal Decision*	*Move our online youth programming in person by partnering with the local library.*	*2*	*4*

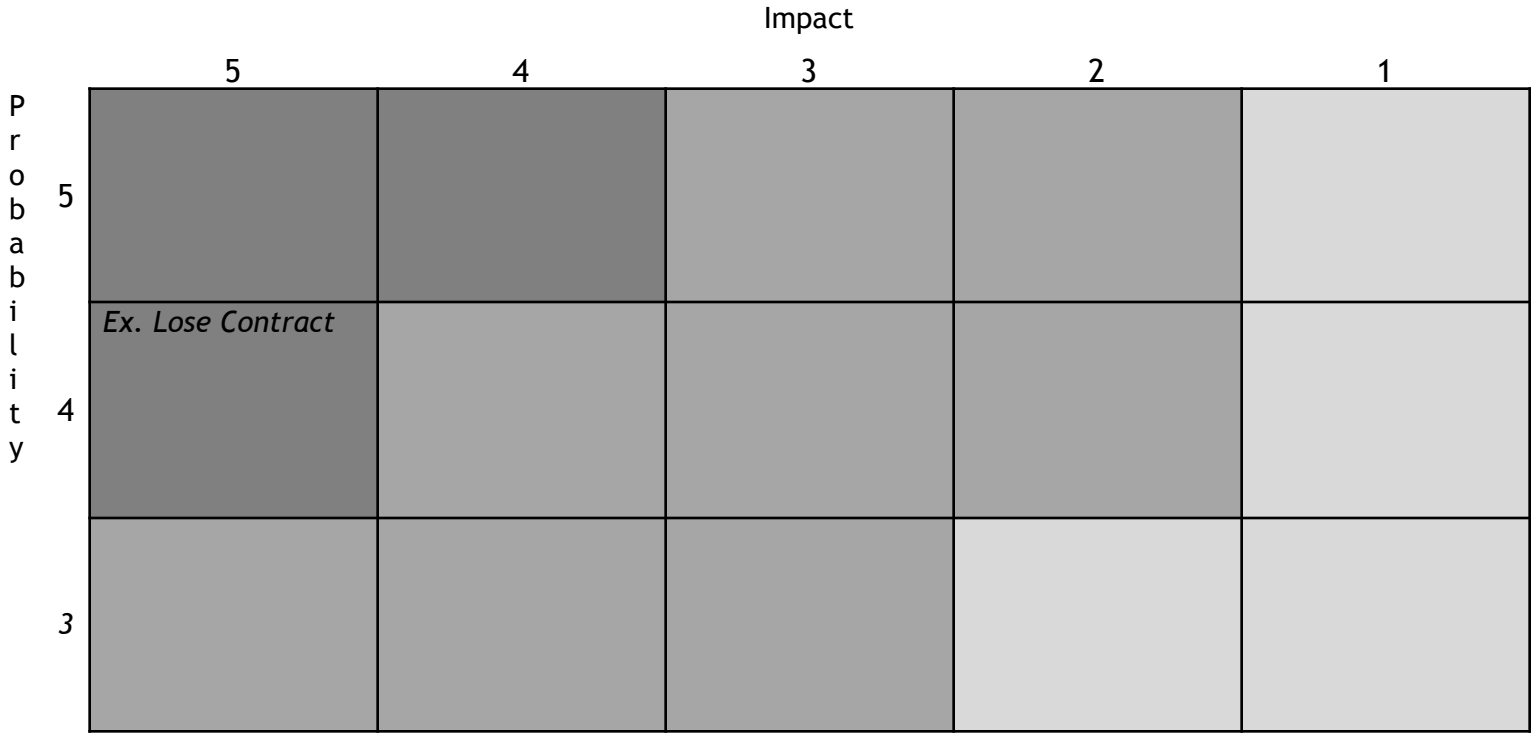
© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

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.

Probability/Impact Matrix



Version

03-2025

© 2025 BDO USA, P.C. All rights reserved.

2		*Ex. Partner on Programming*			
1					

2C. Scenario Details From the list above, focus on the scenarios with the highest likelihood + impact score to select three scenarios to explore in detail. You may choose to focus on scenarios that are the result of external changes, those that are based on internal decisions, or both. Use the yellow fields to describe the details for each scenario. What would the organization start, stop and/or continue doing in each of its core functions or departments under the scenario?			
Brief Description	**Scenario A [INSERT DISTINCTIVE NAME]**	**Scenario B [INSERT DISTINCTIVE NAME]**	**Scenario C [INSERT DISTINCTIVE NAME]**
What is the external environment?	•	•	•

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

BDO

2C. Scenario Details From the list above, focus on the scenarios with the highest likelihood + impact score to select three scenarios to explore in detail. You may choose to focus on scenarios that are the result of external changes, those that are based on internal decisions, or both. Use the yellow fields to describe the details for each scenario. What would the organization start, stop and/or continue doing in each of its core functions or departments under the scenario?			
How will our programs change?	•	•	•
How will our revenue change?	•	•	•
How will our workforce change?	•	•	•

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

BDO

2C. Scenario Details From the list above, focus on the scenarios with the highest likelihood + impact score to select three scenarios to explore in detail. You may choose to focus on scenarios that are the result of external changes, those that are based on internal decisions, or both. Use the yellow fields to describe the details for each scenario. What would the organization start, stop and/or continue doing in each of its core functions or departments under the scenario?			
How will our operations change (facilities, equipment, technology, etc.)?	•	•	•

© 2025 BDO USA, P.C. All rights reserved.

3. Run the Numbers

There are several ways to create a financial picture for each of your scenarios. Choose the method easiest to implement.

- **Prepare:** To create any financial picture, you'll likely need to have several documents at hand such as a current budget, broken out by program/function, year-to-date financial statements, recent payroll report and staffing chart, etc.
- **Model:** Review each line item in the scenarios described in Section 2C. Document adjustments to revenue and expense items.
- **Refine:** If necessary, refine each scenario by talking with key stakeholders. A financial scenario model can help your organization answer the following questions:
    - How will our Operating Results change at the end of the scenario timeframe?
    - How will our LUNA or reserves be different at the end of the scenario timeframe?
    - Will we experience cashflow challenges at the end of the scenario timeframe?

Methods of Financial Modeling	
A key goal of scenario planning is to understand at a high level how each scenario will impact your organization's business model and financial health. Choose one of the following modeling methods or combine them to meet your scenario needs.	
Method	How to Use Tool for Scenario Planning
Adapt Your Budget *Remember that the goal of scenario planning is a high-level estimate, not a precise budget reforecast - find a level of detail appropriate for your budget and your scenarios, but don't get too bogged down in the minutia.*	If you have a budget spreadsheet that serves your organization well, there's no need to build a new model. A few modifications can turn your budget into a scenario planning tool. This is a particularly useful modeling method if your scenarios are primarily cost-driven. Steps for this approach can include: • If your scenario impacts only one program, start with that program's budget. If your scenario impacts many programs or the whole organization, start with the total budget. Wherever you start, add a column to your spreadsheet for each scenario. • Identify (highlight) the budget lines that will be impacted by the scenarios you're exploring. • Working one scenario at a time, discuss how each highlighted budget line is likely to be impacted by the change you're considering and what changes you would make in response (which expenses you would cut, for example, if funding were reduced). • Use the operating results and projected LUNA from your original budget and the bottom line calculation from each scenario to summarize the impact on operating results and projected LUNA.

© 2025 BDO USA, P.C. All rights reserved.

RAPID RESPONSE SCENARIO PLANNING

Methods of Financial Modeling	
A key goal of scenario planning is to understand at a high level how each scenario will impact your organization's business model and financial health. Choose one of the following modeling methods or combine them to meet your scenario needs.	
Use the BDO Revenue Scenario Planning Tool at strongnonprofits.org	This tool allows you to calculate and plan for best-, moderate-, and worst-case scenarios related to different revenue lines. This is a particularly useful modeling method if your scenarios are primarily revenue-driven.
Use the BDO Cash Flow Projection Template at strongnonprofits.org	This cash flow projections template allows you to compare how cash moves in and out of your organization on a monthly basis, identifying potential cash shortfalls up to 12 months in advance. This is a particularly useful modeling method if your scenarios may result in a cash shortfall during your scenario timeframe.

4. Act, Monitor, and Adapt

Once you have laid out your potential scenarios the following steps should help determine which scenario you can implement today to support the organization's short- and long-term needs

Select a Course of Action: The scenario model you developed will enable you to compare scenarios to help determine next steps. 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 and Adapt: Identify key unknowns that will move your organization from one scenario to another and determine what the organization would do, depending on the outcome of the unknown item or if a certain amount of time passes.

1. If _____ occurs by _____ (date), then our organization will
   - ❑ Move to Scenario _____
   - ❑ Revise our Scenarios
   - ❑ Increase/decrease reserves by $_____
   - ❑ Other: _____
2. If _____ occurs by _____ (date), then our organization will
   - ❑ Move to Scenario _____
   - ❑ Revise our Scenarios
   - ❑ Increase/decrease reserves by $_____

© 2025 BDO USA, P.C. All rights reserved.

- ❑ Other: _____

3. If _____ occurs by _____ (date), then our organization will
   - ❑ Move to Scenario _____
   - ❑ Revise our Scenarios
   - ❑ Increase/decrease reserves by $_____
   - ❑ Other: _____
4. If _____ occurs by _____ (date), then our organization will
   - ❑ Move to Scenario _____
   - ❑ Revise our Scenarios
   - ❑ Increase/decrease reserves by $_____
   - ❑ Other: _____

4A. Monitoring Plan	
Who will regularly monitor our scenarios in order to prompt adjustments?	•
How will the monitoring occur (e.g. monthly leadership team meeting)?	•

© 2025 BDO USA, P.C. All rights reserved.

How will decisions be made to adjust to other scenarios or make modifications?	•

Communicate: Determine how you will communicate ongoing changes with internal and external stakeholders such as the board of directors, staff, program participants, and funders.

4B. Communication Plan			
Stakeholder Group	**Communication Method**	**Frequency**	**Person Responsible**

© 2025 BDO USA, P.C. All rights reserved.