

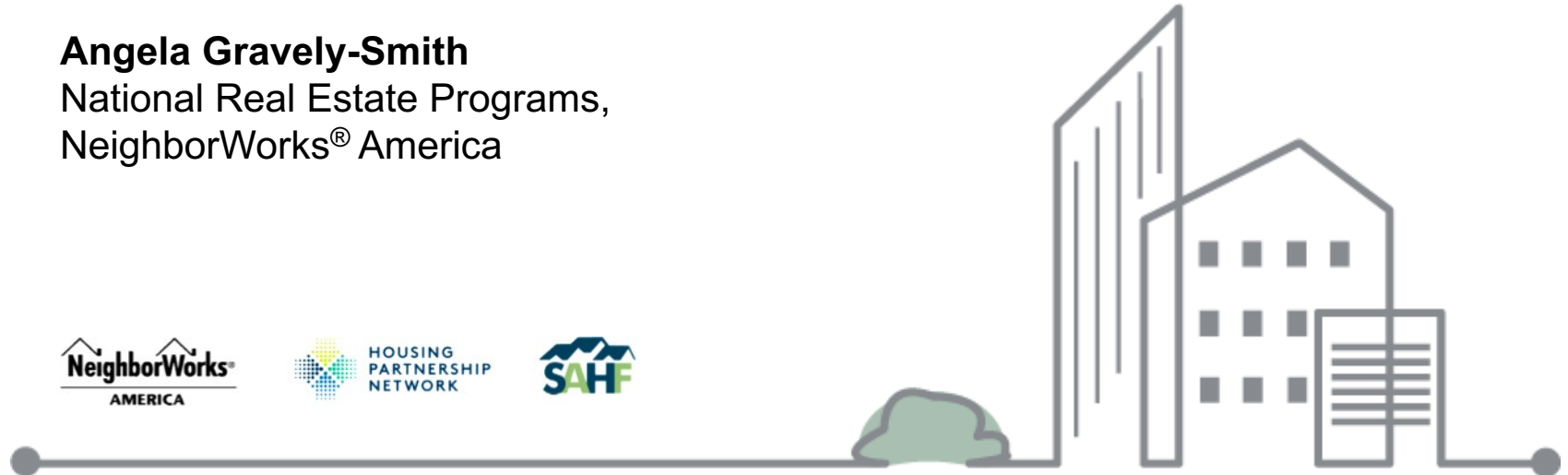
SCENARIO PLANNING IN UNCERTAIN TIMES

Wednesday, April 1, 1:00-2:15 PM ET

HOST:

Angela Gravely-Smith

National Real Estate Programs,
NeighborWorks® America



GETTING STARTED

- Slides and a recording of the presentation will be available in a few days as part of a limited series of Open Access webinars viewable and downloadable to all. Registrants will be notified by email.
- This webinar platform is “view & listen” only for participants. Presenters cannot hear participants during the webinar.
- Please use the **Zoom Q&A** feature to submit questions to our guest speaker.
 - *Q&A is located on the black menu bar. If menu is not visible, move your cursor to view.*
- Use chat feature to interact with other webinar attendees.

CPE REQUIREMENTS

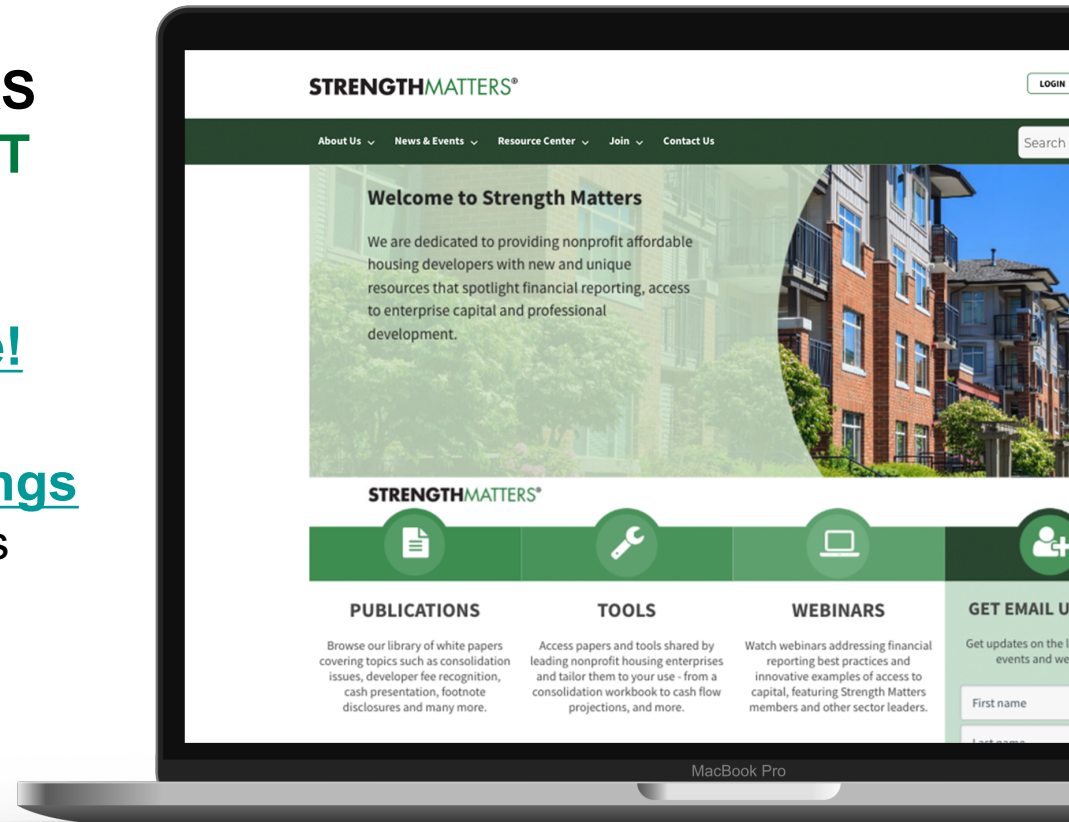
- **We use polls and the Zoom attendance record to verify participation throughout the webinar.**
 - Participants must submit ALL polls and be logged in by 10 minutes after the scheduled webinar start time to receive a certificate.
- **If you plan to petition your state board of accountancy for CPE credits, please submit ALL polls, INCLUDING the final evaluation.**
- To request a certificate of completion or for more information on CPE credits, **contact Lindsay Wells at consult.lwells@gmail.com.**
- Although not part of the NASBA Registry of CPE Sponsors for webinars, we follow NASBA guidelines in our program.

UPCOMING WEBINARS

- [A CFO's Viewpoint on Insurance Coverage Considerations](#) – Wednesday, April 8, at 1PM ET
- [Budgeting and Forecasting Tools](#) – Wednesday, April 29, at 2PM ET

UPCOMING EVENTS

- **2020 STRENGTH MATTERS FINANCIAL MANAGEMENT CONFERENCE**
Oct. 26-29 in New Orleans
[Hotel registration now live!](#)
- [Boot Camp – 2 Day Trainings](#)
 - Springfield, Massachusetts
June 15-17, 2020



LEARNING OBJECTIVES

- Provide an overview of scenario planning around cash forecasting and portfolio management in a crisis.

WEBINAR LEVEL: Overview

FIELD OF STUDY: Specialized Knowledge

Meet the Presenter – Dana Moore

**Compass Advisors LLC, Bethesda Maryland,
January 2009 -current**

Principal - manages and operates this boutique consulting firm serving non-profits, CDFIs, Foundations, and Investors nationally supporting development of affordable housing. The practice areas that are the focus for Compass include mergers and acquisitions, workout, asset management, and strategic planning.

Among the firms clients are: NeighborWorks America, NeighborWorks Capital, Community Housing Capital, MacArthur Foundation, LISC, and RCAC. Compass has served over 75 non-profits since its inception.



Session Overview

What financial modeling/analysis should you be doing right now to address the current economic climate?

What tools are in your toolbox to address potential problems?

Defining the boundaries

- The goal of the financial analysis/scenarios is to create the envelope of possibilities around your financial picture with a focus on CASH and the impact of:
 - Timing changes to your budgeted assumptions
 - Dollar changes (+ and -)
 - Changes in cash conversion cycle(s)
 - Counterparty reliance
- The goal is accomplished by having an understanding of the drivers of your financial picture (budget, cash flow, cash, working capital, balance sheet ratios as they were before the market disruption) and then stress these drivers for a variety of possible scenarios.



Creating Scenarios

- Projections are inherently difficult in businesses already prone to lumpiness and volatility of revenue streams. (The “all or nothing” proposition.)
- Scenarios allow us to play out the possibilities. The thoughtfulness of our approach will result in a range of probabilities. The scenarios should have more precision than work achieved with a hatchet but less than achieved with a scalpel as a tool.
- To be most accurate it requires partnership with the business unit leaders to create meaningful analysis.
- How long do you model? Right now through end of year, next phase is 2021.

Scenarios

- Frame a series of assumptions to test:
 - Length of current disruption
 - Likelihood of total shut down versus partial shut down
 - e.g. deals underway move forward those without committed capital don't move forward in 2020
 - Define key variables to test
 - Set best, worst, likely case
 - Let materiality guide you
 - E.g. modeling changes to your subscriptions probably does not add significantly to your bottom line (one way or the other) so don't waste your time.
- ***This work may transcend parent level analysis, and flow to operating entities (development companies, building entities, property management companies) and ownership entities.***

Roles and Responsibilities CFO vs. Line

Example...CFO reaches out to the lines of business providing the following:

- YTD Results
- Budget worksheets for their areas of responsibility
- Framing a series of questions to walk them through the thought exercise – why...to help CFO better understand the key drivers at a more detailed level.
- CFO then aggregates and pulls together all LOB assumptions creating a range of possible outcomes which CFO mirrors back to the ED/Sr Management Team for review and discussion.

SAMPLE QUESTIONS

1. Will the project move forward in 2020? Has the project been slowed down in light of the current work stoppage? if so, by how long are you anticipating?
 2. What is the cost to the project for each 90 days of delay?
 3. What are the anticipated projected increased costs associated with the delays (e.g. additional interest, taxes, insurance, etc.)?
 4. Based on what you know now (likely case) would you propose a revised timeline for the project and revise the 2020 assumptions?
 5. What is the likely worst case for each of these projects?
 6. Do any of the transactions have financing gaps that have not yet been filled?
 7. Detail which funds are committed versus closed?
 8. Are there any anticipated capital calls that could result from the timing delays that Nuestra would need to cover outside the project budgets/sources and uses?
 9. Where are your investor partners in terms of the above deals? Moving forward comfortably, or nervous and anxious?
- This is a thought exercise and critical to management making prudent decisions around our resources. I can stress the assumptions using multiple possible outcomes what I need is a good sense of what critical path items are that allow the above projects to move forward or not. Are we waiting on an approval by the City? Do we need to pull a permit? Are we already underway but subject to stop work order?

Revenue Overview

- Earned Revenue
 - ☐ Development Fees – Multifamily
 - ☐ Sales – Single Family
 - ☐ Property Related
 - Distributions
 - Asset Management Fees
 - Resident Services
 - Property Management
- Service(s)
 - ☐ Asset Mgmt.
 - ☐ Third party Property Mgmt.
 - ☐ Other Contracts for Services
- Support Revenue - Grants and Contributions
 - ☐ Restricted performance based contracts
 - ☐ Unrestricted grants
 - ☐ Events
 - ☐ Capital Campaigns

Revenue Testing

Development Revenue

- In construction evaluate (MF/SF)
 - ☐ Delay in sales/drop in price
 - ☐ Sitters inventory (carrying cost implications)
 - ☐ Interest reserve against expanded construction timeline
 - ☐ Adequacy of hard/soft cost reserves
 - ☐ Impact of timing delays to remobilize a site
- In closing – still proceeding/permits/recording/GC OSHA/etc.
- Financing exposures – check in with pttrs
- Predevelopment

Tool box

- Communication
- Extensions and modifications
 - Lender and municipal partners
- Interest deferrals
- Line item reallocations

Revenue Testing

Property Testing

- Testing impact that a series of collection percentage declines has on cash flow
 - ☐ Distributions to organization (all fee streams)
 - ☐ Ability to meet debt service coverage
 - ☐ Potential rise in repair and maintenance expense
 - ☐ Insurance

Tool box

- Manage cash waterfall prioritizing how organization funds are best maximized
- Approach lenders about operating reserves and even replacement reserves
- Pushing off 2020 distributions and holding cash at the property to help weather downturn
- Refinance opportunities even if prepayment penalties in place. Negotiate relief.
- Approaching lenders for deferral, forgiveness, forbearance

Revenue Testing

Grants and Contributions

- Operating
- Restricted --
 - ❑ Understand conditions to meet restrictions
 - Test variability of assumptions

Tool box

- There will likely be new sources.
- Seek removal of restrictions on grants where possible. Proactively reach out to partners.
- Identify and reduce corresponding expenses required to generate revenue immediately

Revenue Testing

Expenses

- Match Expenses directly tied to revenue generating activity to assess impact
- Grant and Donations Related
 - ☐ Reductions in Events Expense?
 - ☐ Marketing?
- Largest expenses - Staffing

Tool box

- Begin immediate freeze on hiring
- Evaluate other areas to freeze or eliminate in budget
- Negotiate discounts
- Payment Plans

Investment Capital

- Predevelopment equity trapped in delayed deals
- Need for additional equity to move a deal forward to address timing delays
- Investor Uncertainty – tax credit pricing
- Reach out to lenders with clear sense of whether the project can move forward and meet time requirements.
- Seek modifications and extensions where appropriate.
- Assess need for any additional predevelopment funds and implications on project by project basis.
- Other assets that can be leveraged?

Working Capital

Balance Sheet

- Impact on third party receivables
 - Stressing payments
 - Timing
 - Delinquency
 - Amounts
- Payables
 - ☐ Length of time to pay

Tool box

- Discounts (to accelerate payment)
- Payment plans
- Bridge loan against receivables
- Line of credit
- State and Federal Funding Sources

Other Considerations

- Debt/Leverage of organization
 - Covenant compliance with ratios
 - Stressing interest rate risk on floating debt
 - Corporate
 - Diversity of lenders (might be a time to try and add a CDFI friendly lender to your line of credit mix)
- Macro economic disruptions can also create opportunities for those that are financially strong.
- Exposure to any counterparties who may be unable to perform?
 - Vendors – Property Management Companies, General Contractors, Key Suppliers and Trades, Payroll Processors, Others...?
 - Consultants
 - Lenders

Other Thoughts

- Be prepared to tell the story and support requests analytically.
- Pull your Certificates of Good Standing make sure everything is clean.
- Open Communication – internal and external

SELF CARE



- DANA'S LIST
 - Gratitude
 - Meditation
 - Exercise
 - Sleep
 - Eat right
 - Stay connected – over communicate



EVALUATION POLL

- **CPE CREDIT:** If you plan to petition your state board of accountancy for CPE credit, you must complete and **submit ALL polls**, including this evaluation.
- Please complete the evaluation in the polling panel and click submit when finished.
- Poll will remain open for 10 minutes

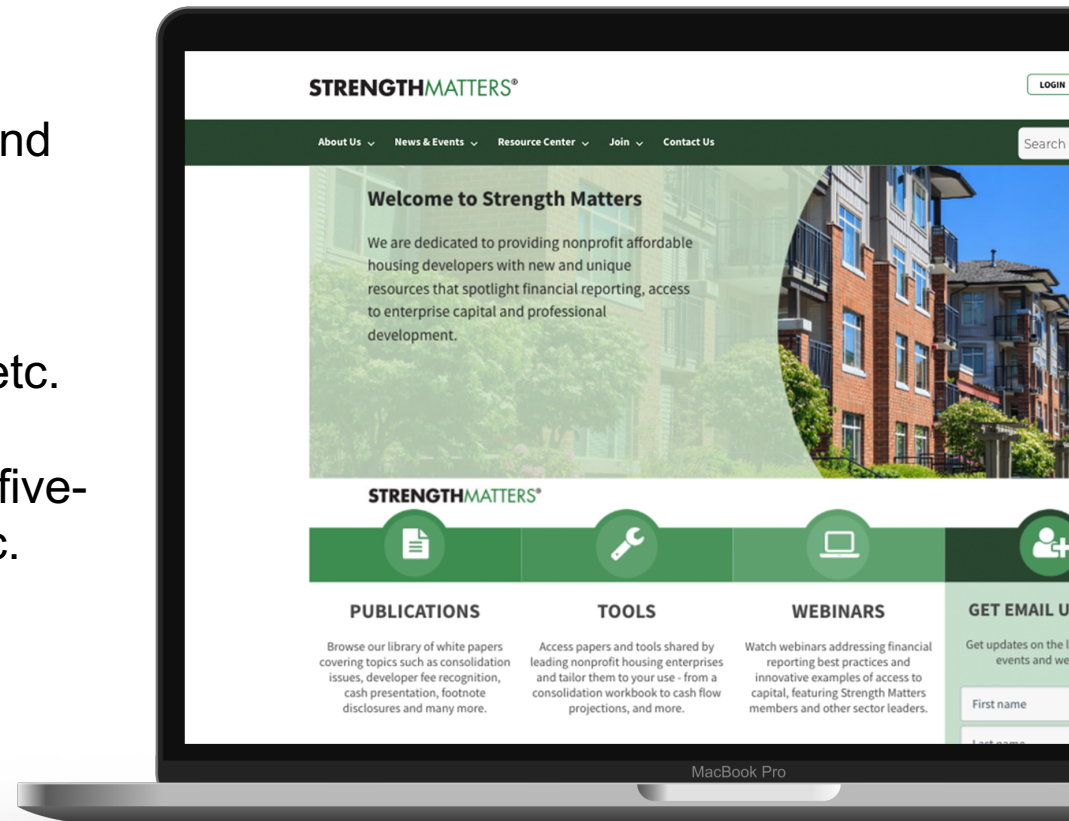
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