COVID-19: Moving from Triage to Modeling a Future for your Association

Presenters:

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Principal, CLA (CliftonLarsonAllen LLP)

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Chief Strategic Partnerships Officer, Online News Association
Objectives

At the end of this session, participants will be able to:

• Describe the importance of scenario modeling in the current environment and how associations can use it as a decision-making tool
• Identify variables for evaluation that provide important financial information without overcomplicating the model
• Use data visualization to communicate the impact of the variables on the association’s projected future
Small Group: Big Decisions

Jessica Strelitz, Chief Strategic Partnerships Officer

- World’s largest digital journalism association -- focused on education/development
- Staff of 11 FTE
- Annual event - 3,000 attendees
Conferences + COVID-19: Decision

Each member of our leadership team (3) monitors:

• Health Organizations’ Projections – i.e., IHME resources; JHU Map
• Government Actions: International, National, Regional, State + Local
• Travel Advisories – What Impacts Attendees, Sponsors?
• Community + Member Feedback
• Peer Organizations – What Are They Doing + When
• Social Responsibility
• Revenue Projections / Financials
“You can’t use an old map to explore a new world” – Albert Einstein
The Headlines

Welcome to the worst economy ever

Stocks Fall, Dow Loses 300 Points After Coronavirus Job Losses Surpass 30 Million

INSIGHT: Associations Face Damage Control After Canceling Convention Contracts

Worst Economy in a Decade. What’s Next? ‘Worst in Our Lifetime.’

SBA's PPP loan portal opens again – but these business groups are still shut out
Scenario Modeling

- Simulate the impact of changes on financials/cash flow over time
- Facilitates discussions on how the association will manage depending on how the variables change
- The association can leverage this information to develop plans and act accordingly
Key Component of a Scenario Model

- The goal is to create **actionable** financial intelligence
- **Consistent** organizational understanding of the economic impacts of many possibilities over an 8 to 12 month horizon
- Supports an interactive, **team-based** approach to financial planning (this isn’t just the finance department, folks)
- Keep it **simple**! In the current environment, focus on the big pulleys and levers and avoid the distractions of too many details.
Parts of a Financial Model

- Dip – How deep and how long?
- Turn – When will the rebound begin and how long will it take?
- Recapture – What is the new normal?

**Key Deliverables**
1. Evaluate Financial Possibilities
2. Establish Sizing, Timing and Dimensions of Operating Responses (Contingency Plans)
Gather Information

- Revenues
- Operating Expenses
- Non-cash expenses
- Cash expenditures (capital, debt pmts etc.)
- What do I have? Liquid assets
- What do I owe? Short term liabilities
- Budget for FY2020
Assumptions to include

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<th>Turn % (New Normal)</th>
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<td>5/31/2020</td>
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## Dos and Don’ts

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<th>DO</th>
<th>Don’t</th>
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<tbody>
<tr>
<td>Understand the possibilities and how they might be solved</td>
<td>Try to predict the future</td>
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<tr>
<td>Understand the action items needed to achieve our performance targets</td>
<td>Get lost by including too many details</td>
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Sharing the Information

Assumptions

Recovery % 90% Recovery Days 60 days $2,496

Recapture % 60% Recovery Days 120 $6,331

Non Labor Reductions % 10% Non Labor Period 211 days $862

Discretionary Benefits % 100% Benefits Period 244 days $311

A/B Reductions % 10% A/B Period 240 days $1,929

Workforce % Phase 1 20% Workforce Period 1 61 days $1,075

Workforce % Phase 2 0% Workforce Period 2 90 days

Workforce % Phase 3 20% Workforce Period 3 188 days

Revenue Planning Curve

Adjusted Revenue vs. Original Plan

Revenue Impact Curve

Losses vs. Recapture

Intuition 2.0

No Assurance Provided

Revenue

Original Revenue $54,753 Adjusted Revenue $47,204

Original Margin $1,232 Adjusted Margin $(2,517)

Original Days Cash 120 Adjusted Days Cash 112

Keep it Simple
Tips for Reporting the Information

- Make the model interactive so assumptions can be tweaked in real time
- Share the information using charts and graphs so it is easy to digest quickly
- Stay focused on the scenarios – avoid tangents
Reporting
Dilemmas where scenario modeling can help

- Conferences/Events – Cancel? Virtual? Postpone?
- Challenges with membership retention and acquisition – discounts, payment terms etc.
- To borrow or not to borrow – Reserves or borrow?
- Staffing – Furloughs, lay offs etc.
Leverage the Model: Operational Action Plan

- What steps will be taken during the “dip” to mitigate losses
- What can be done to maximize opportunities during the recapture
- What will the association look like when we achieve the “new normal”
Questions

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Thank you for participating!

If you have any suggestions for additional COVID – 19 webcast topics, please email them to Karen Bernstein, ASAE senior learning manager at:

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