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Navigating Funding Uncertainty

NCACPA Nonprofit Conference – June 2, 2025



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Agenda

- Introductions & Neighbor Meet & Greet
- Funding Current State & Recent Trends
- Scenario Planning Approaches & Discussion
- Compliance Considerations
- Approaching Funder Conversations
- Q&A





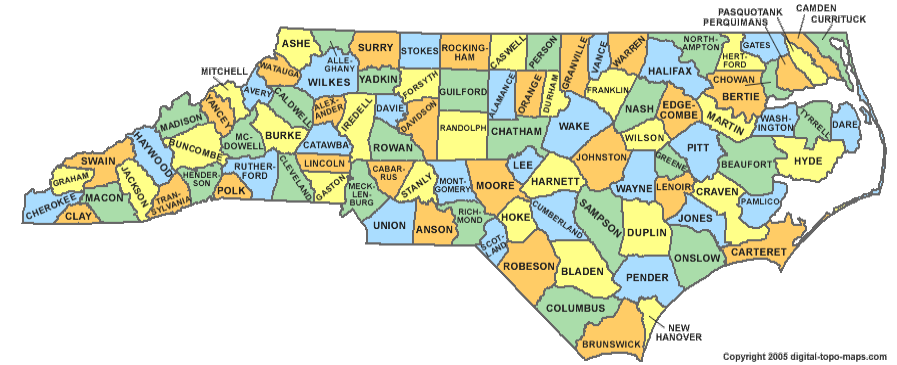
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Recent Federal and State Policy Developments Affecting Nonprofits



Connect Learn Advocate

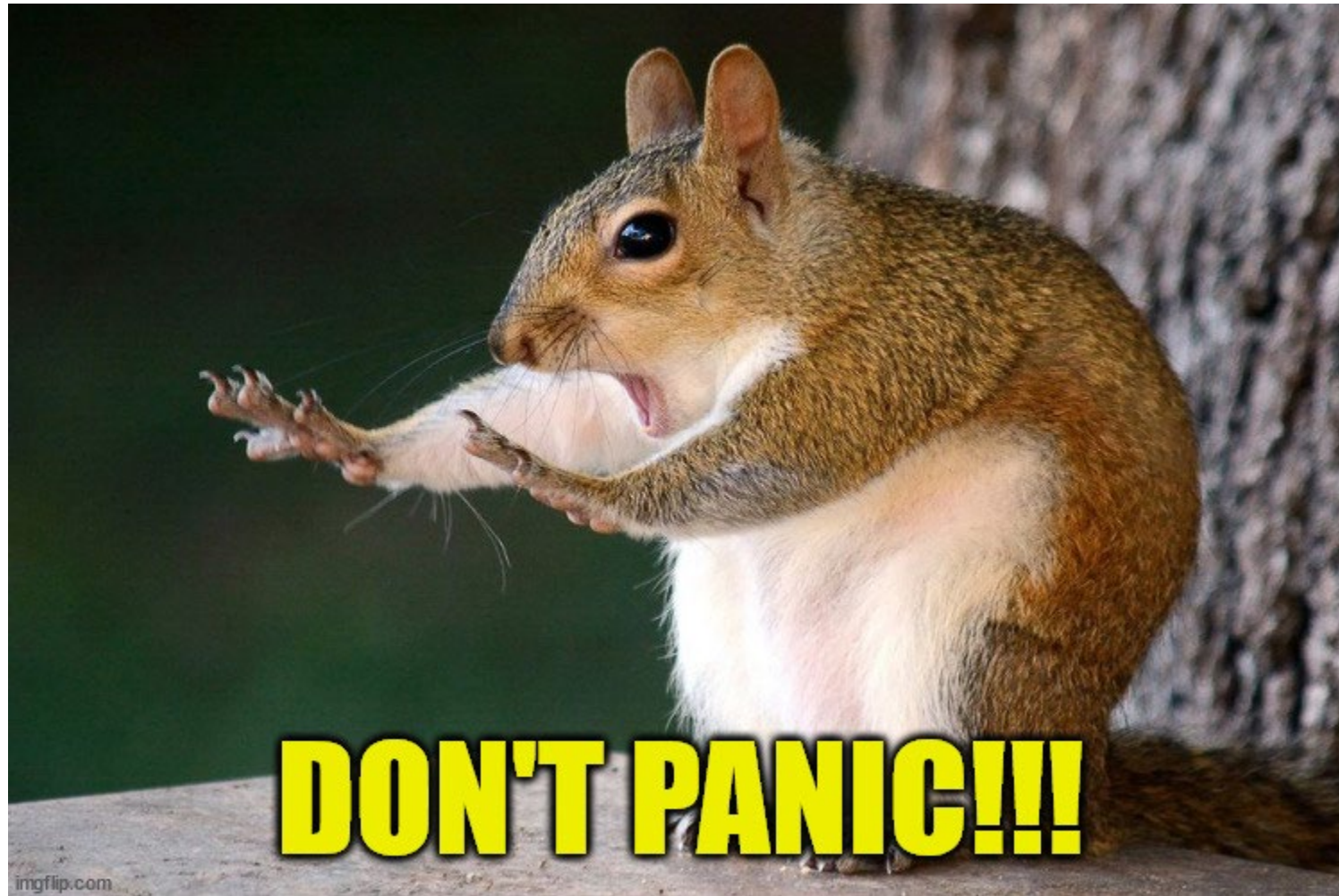


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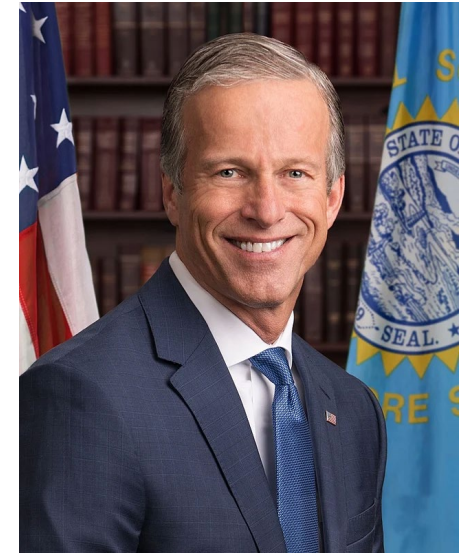
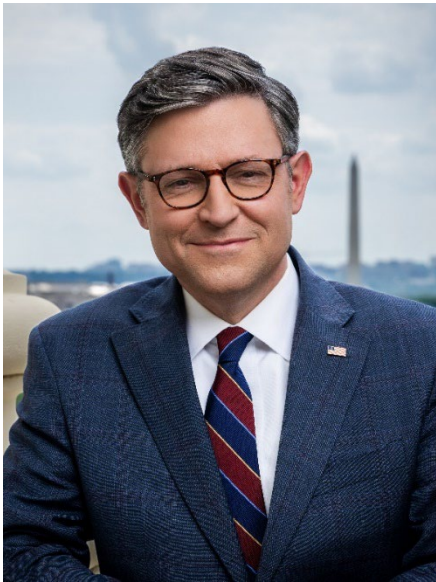




Federal policy developments



Context for federal policy



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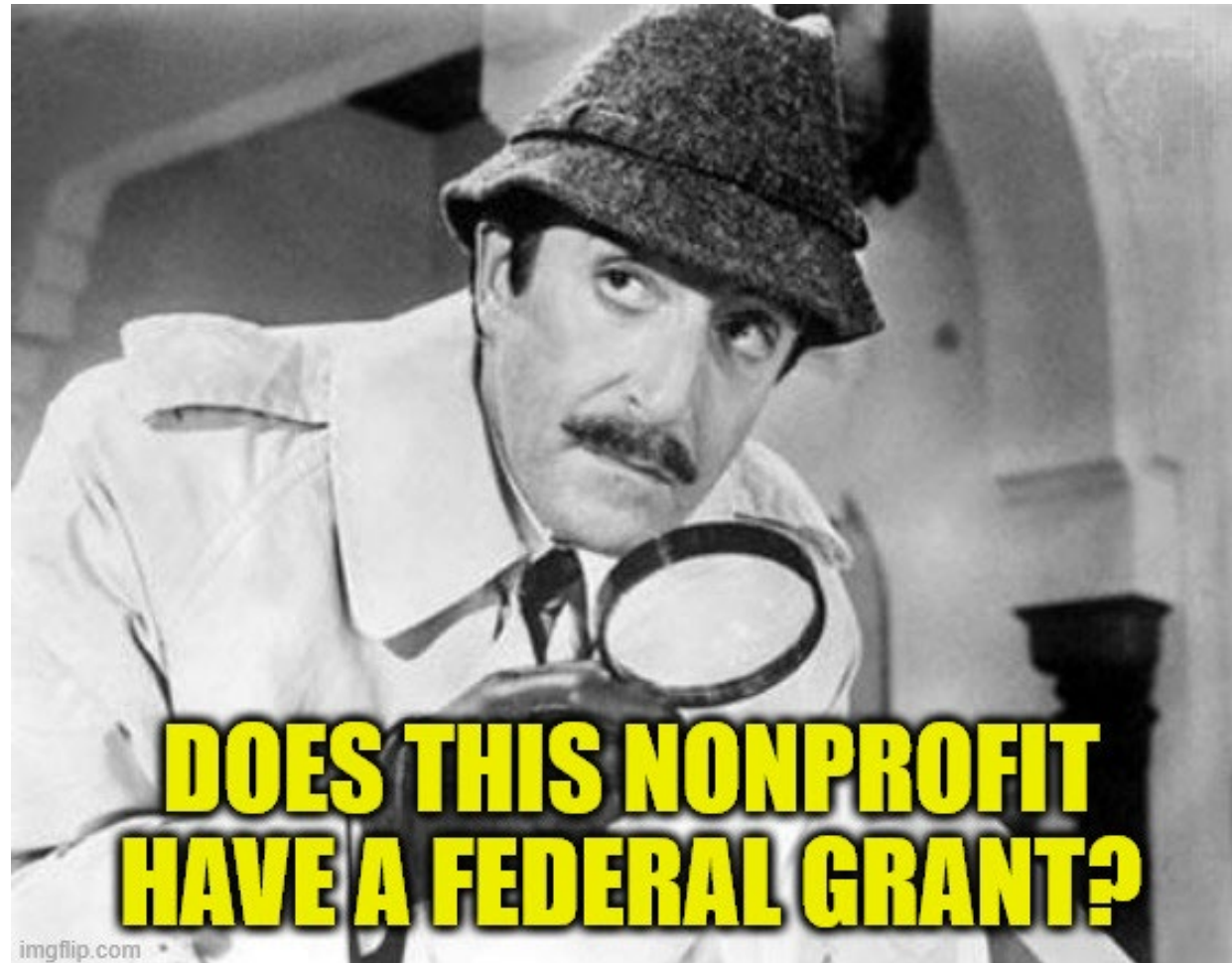


Context for state policy



Government funding of nonprofits

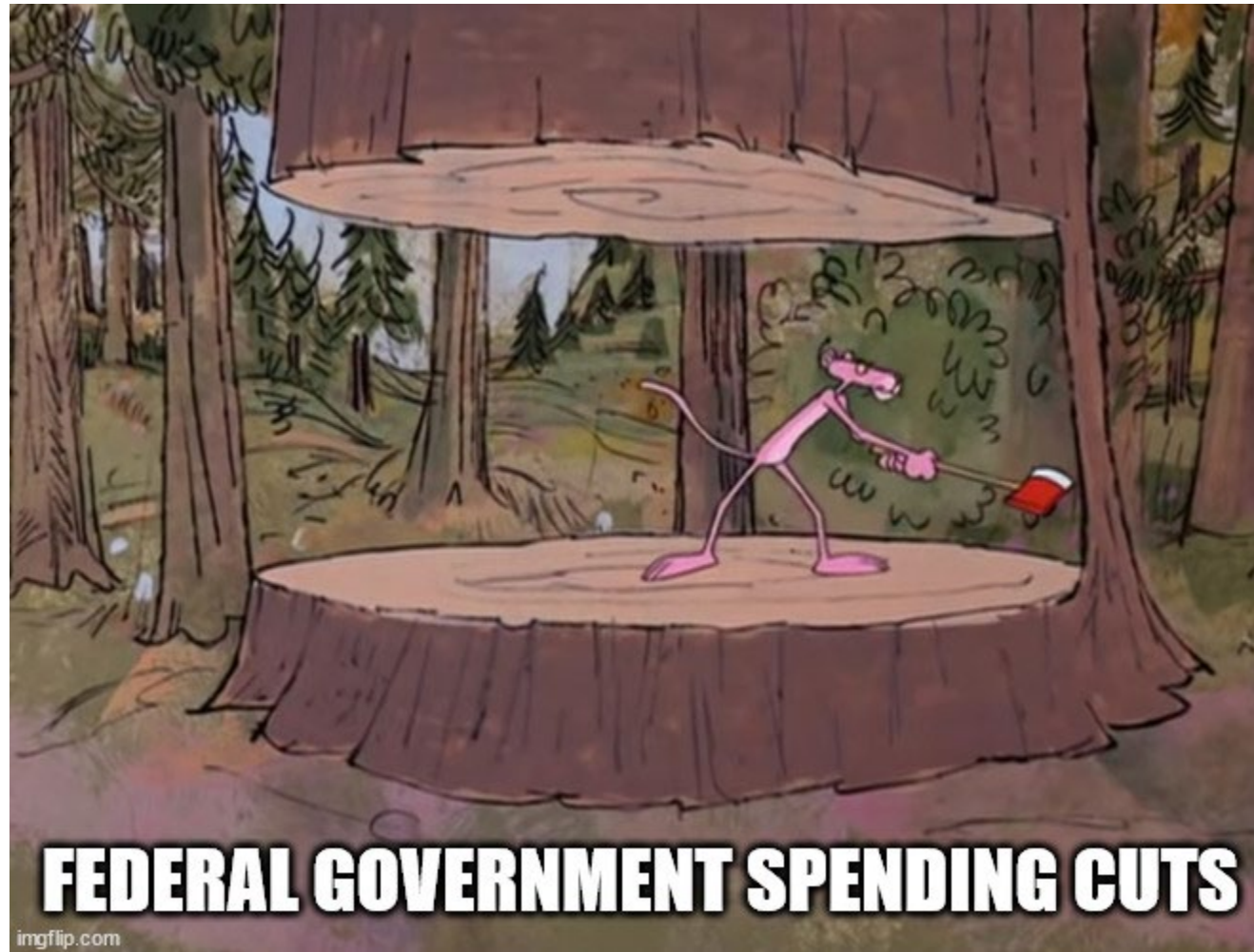




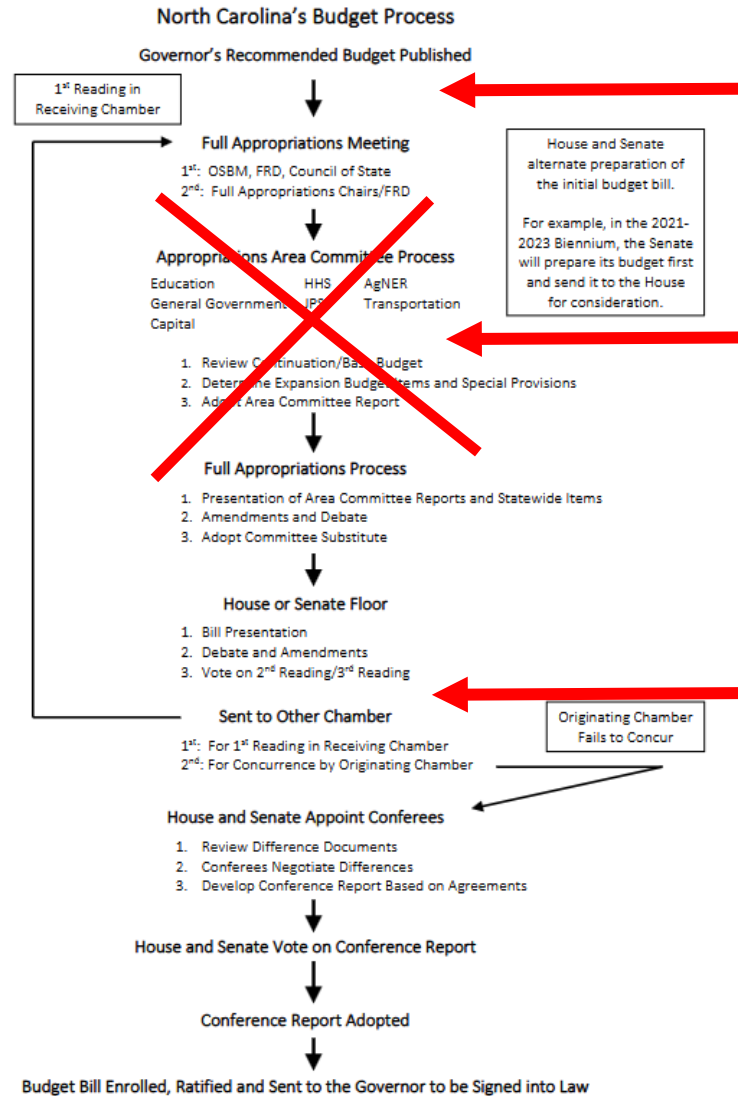






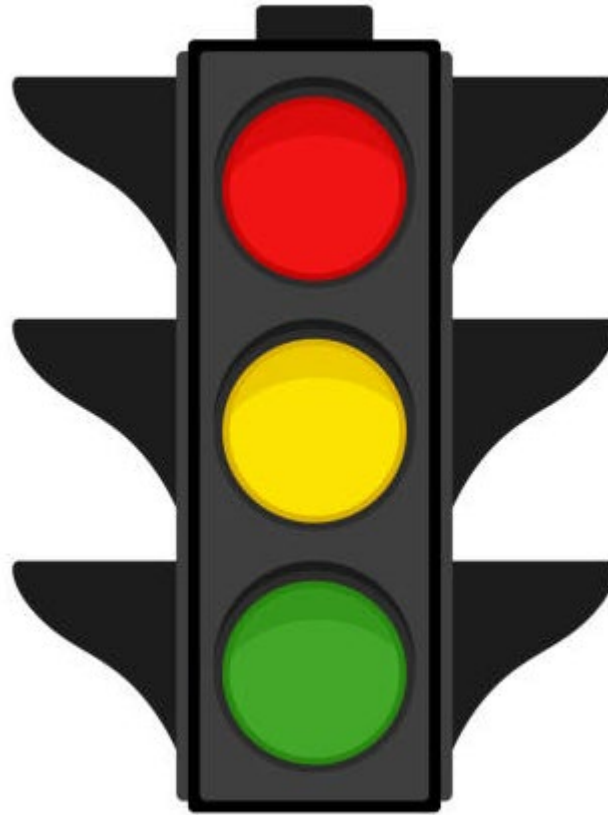






Skip these steps in 2025!

You are here!





DEI-related Executive Orders

- Ending DEI programs in federal agencies
- Requiring federal grantees and contractors to comply with “Federal anti-discrimination laws”
- Encouraging private sector employers to end DEI programs
- Eliminating use of disparate impact liability by federal agencies

If you can read this fine print, you are sitting too close to your screen!



Next steps for federally-funded nonprofits with DEI programs

1. Stay informed – litigation and directions from federal agencies
2. Review what you are saying and doing
3. Recognize that intent matters more than words
4. Don't overreact



What about DEI programs, initiatives, or practices at nonprofits without federal grants or contracts?

If you can read this fine print, you are sitting too close to your screen!









**U.S. Equal Employment
Opportunity Commission**

What You Should Know About DEI-Related Discrimination at Work

What To Do If You Experience Discrimination Related to DEI at Work

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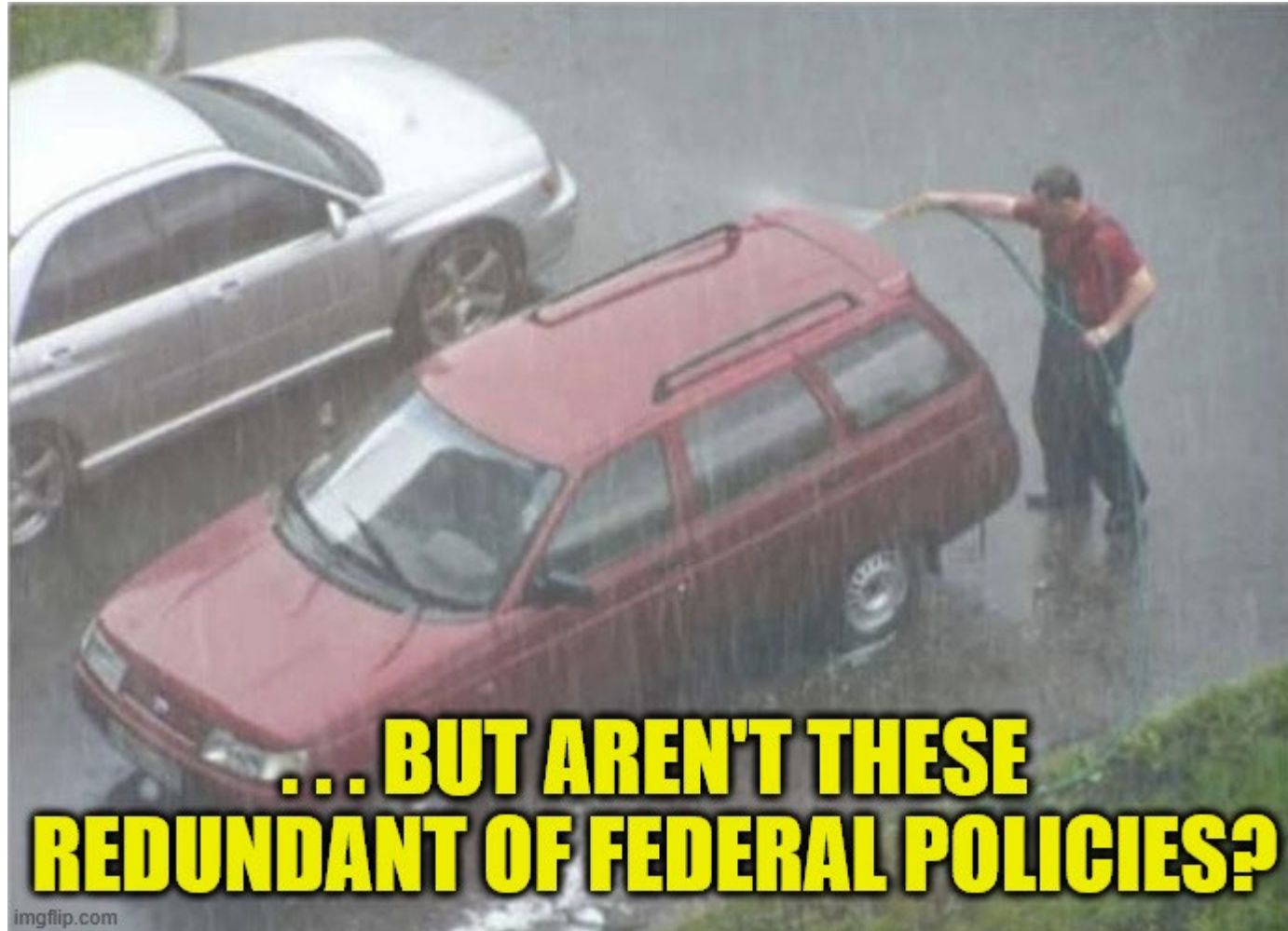
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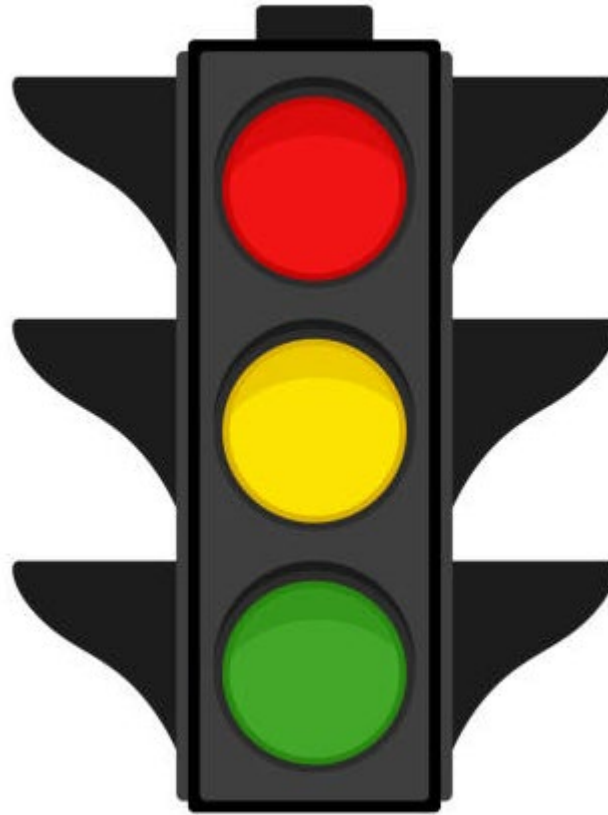
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Potential threats for nonprofits

- Loss of federal funding
- Challenges to tax-exempt status
- Enforcement under other laws (or no laws at all)







**I'M LISTENING
TO YOUR QUESTIONS!**



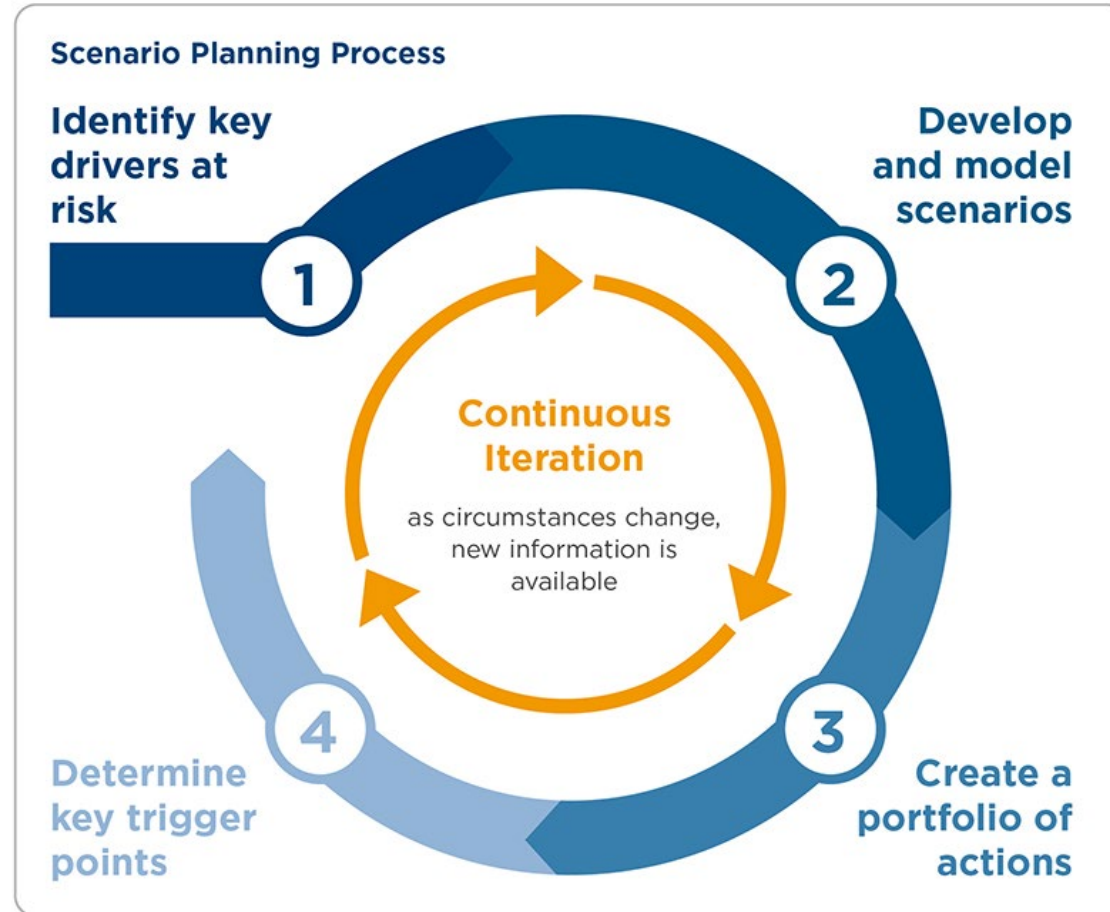


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Scenario Planning



Scenario Planning Overview



[Navigating Political Uncertainty: Scenario Planning for Nonprofits During This US Election Year | Bridgespan](#)



1. Funding Source Risk Analysis - Example

Funding Source	Source	CY Budget	Risk/Notes
Grant 1	Federal (direct)	\$250k	Moderate
Grant 2	Federal (via state alliance)	\$250k	Moderate
Grant 3	State	\$500k	Low
Grant 4	Philanthropic	\$250k	Low
Grant 5	Philanthropic	\$250k	Moderate
Other Funding	Various	\$1M	No anticipated impact
Total Revenue		\$2.5M	CY Budget
		\$750k	30% Moderate Risk
		\$750k	30% Low Risk



2. What we know today re: at risk sources

Grant 1: Pays for ABC

Funder advised to plan for reduction; TBD what/how much

Grant 2: Pays for XYZ

Funder is non-responsive; grant is DEI-related; likely at-risk

Grant 3: Pays for 123 including 20% indirect. State funding not yet impact but state budget is 40% federal; expect potential trickle-down impacts.

Grant 4: Unrestricted; Funder has indicated no changes in CY but focus may shift in future years. Could be +/- for Club.

Grant 5: Pays for 456; Funder primarily funds refugee resettlement and has messaged it plans to redirect some funding that direction; may be at risk for Club



3. Current State Financial Analysis



Cash flow projection before cuts



YTD Statement of Activities vs. YTD and Annual Budget



Accounts Receivable Aging by Grantor

Government Funding Risks & Strategies

Risks

- Delayed reimbursements
\$250K outstanding 3/15/25
- Denied reimbursements
\$50K as of 3/15/25
- Existing grants are frozen, reduced, or not renewed

Strategies

- Submit reimbursements timely & frequently
- Thorough documentation for approved expenses only
- Proactively identify reductions
- Pursue alternative revenue sources



Scenario #1: Extended Delays in Reimbursements

Assumptions:

- All reimbursements will be received but time to receive cash will be elongated
- Current grant operations will continue as agreed to in existing grants

FY2025 Impact:

- Utilization of line of credit to cover cash shortfalls
- Renegotiate terms with vendors to extend due dates
- Potential erosion of investment balance
- Elimination of non-essential expenses



Scenario #2: 50% Reduction in At Risk Government Funding

Assumptions:

- All reimbursements outstanding will be paid
- Grant related personnel impacted; some reductions

FY2025 Impact:

- Revenue reduction = \$250K
- \$200K in salaries and 4-5 people would be eliminated
 - Could reduce hours/salaries
- \$50K in other expenses would need to be identified



Scenario #3: All At Risk Government Funding Stopped 3/31

Assumptions:

- All reimbursements outstanding will be paid
- All grant related personnel would be reduced

FY2025 Impact:

- Revenue reduction = \$500K
- \$400K in salaries and 9 FTE would be eliminated
- \$100K in other expenses would need to be identified



Action Portfolio- Changes We Can Make

Potential Change	Est. \$\$ Impact	When to Activate
Downsize Program A	\$250k	Funder alert of reduced programming OR non-payment of outstanding AR by 6/30
Eliminate Program A	\$500k	Funder alert of cancelled program OR non-payment of AR by 9/30



Discussion

What other ways are your organizations approaching scenario planning and/or budgeting in the current time?





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Compliance Considerations



Grant Revenue and Receivables

Conditional Contributions

- Revenue is recognized when the barrier is overcome
- Federal funding freeze does not represent an additional condition or barrier to overcome

Collectibility

- Possibly could merely cause a delay in payment, not overall collectability
- Recognized a bad debt expense in the period of expected decrease in receivable value



Exchange Revenue

Variable Consideration

At the end of each reporting period, update the estimated transaction price to represent circumstances present at the end of the reporting period

Allowance for Credit Loss

Generally, the risk of credit loss with US Government is thought to be minimal and thus, likely no impact on allowance for credit loss

Contract Modification

May need to be considered, however, uncertainty regarding applicability because modifications need to be approved by both parties



Subsequent Events

Type I

- Events or transactions that provide additional evidence about conditions that existed at the reporting date
- Recognized in the financial statements

Type II

- Events or transactions that provide additional evidence about conditions that existed after the reporting date
- Not recognized in the financial statements, however, possible disclosures



Subsequent Events

Type I

- Events or transactions that provide additional evidence about conditions that existed at the reporting date
- Recognized in the financial statements
- Only for year ends on or after 1/27/2025

Type II

- Events or transactions that provide additional evidence about conditions that existed after the reporting date
- Not recognized in the financial statements, however, possible disclosures
- For year ends before 1/27/2025
- Could disclose uncertainty in liquidity footnote



Subsequent Events Example Disclosure

Subsequent Events Disclosure (Type II – Nonrecognized)

On January 27, 2025, the OMB of the United States Federal Government instituted a pause (freeze) on the disbursement of federal grant and loan funds, which became effective on January 28, 2025.

OR

[if impact cannot be reasonably estimated]

The extent to which the funding freeze impacts our operations, financial results, and cash flows, both current and future, will depend on future developments, which are highly uncertain and cannot be predicted with any measure of certainty or probability.

As a result, the entity is unable to estimate what impact, if any, the funding freeze has on the December 31, 2024 financial statements or our future operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

[if impact can be reasonably estimated]

The extent of the potential impact to our future operations, financial results, and cash flows is highly uncertain and will depend on future developments. However, in review of our grant receivables as of the balance sheet date, \$XX is derived from programs and departments that the U.S. Federal Government has indicated may be terminated and is therefore at risk of non-collection. In addition, we have current grants in process for these same programs and departments that approximate \$XX in unrecognized future revenue and are at risk of cancellation. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Risks and Uncertainties

Nature of Operations

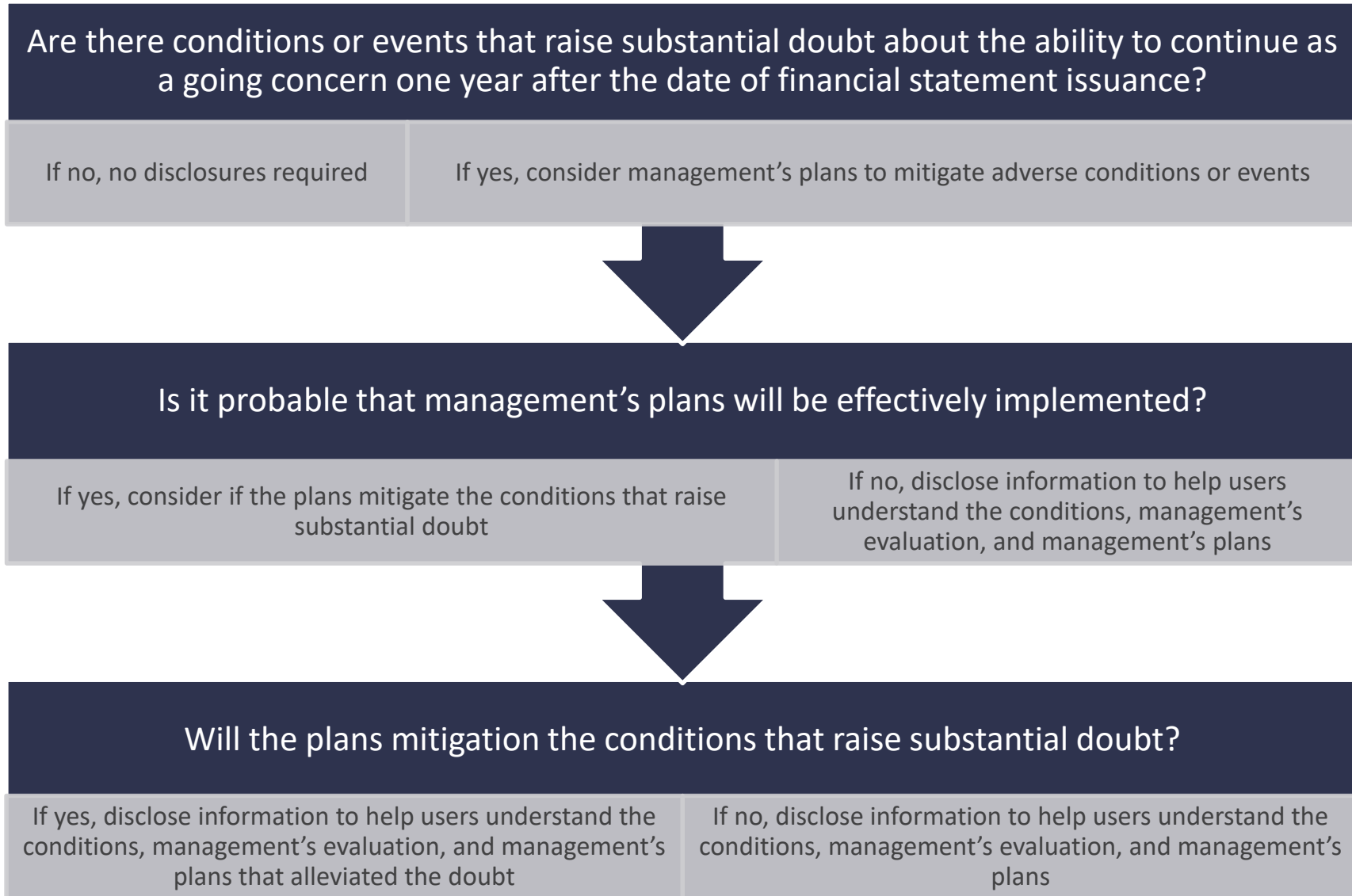
XYZ Council (the Council) is a private non-profit 501(c)(3) entity incorporated under the laws of the State of Georgia. The Council is a county-based community action agency established to help alleviate poverty in central Georgia by providing sound intervention strategies and selected direct services. The Council plans and administers services that are needed to improve the community it serves. The Council receives the majority of its funding from the federal government in the form of multi-year grants.

Concentrations

For the year ended December 31, 2024, approximately XX% of total grant revenue was obtained from grants that were funded, either directly or indirectly, by the United States Federal Government.



Going Concern





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Framing Productive Funder Conversations



Q&A



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North Carolina



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Thank you!



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