

# FINANCIAL SUSTAINABILITY PLAN : ALL IN

*Ensuring the mission of Friendship Force is still here when the pandemic passes*

*April 15, 2020*

Friendship Force International was built around the simple idea that a world of friends can lead to a world of peace. For over 40 years we have proven this to be true through the thousands of homestay and travel experiences that our members have undertaken. Through the advent of the internet and the globalization of market economies, cultures have been brought together in new and challenging ways. While we have better technology to connect us, the depth of these connections leave much to be desired. Our global economies have grown, but so too have our stereotypes of other cultures. There are many reports that speak to the increasing instability and conflict around the world, but one constant remains – the need for organizations like the Friendship Force.

This pandemic has proven that we haven't seen everything yet and like thousands of other businesses in the world, it has forced us to re-tool our plans for this year and next, but more importantly, it has forced us to revisit how we can continue to support our mission during this difficult time.

## **SURVIVING THRIVING DURING THE PANDEMIC**

Publishing the revenue short-fall was easy, devising a budget that would sustain Friendship Force without Journey revenue, not so much. As many of us have come to realize these past few weeks, the effects of this pandemic will be long-lasting. Even though many clubs are still hanging onto the hope of Journeys taking place by the end of this year, I am of the mind that we cannot plan for ensuring FFI's survival on optimistic time-tables. As such, **we have developed a financial plan that ensures FFI well into the third quarter of 2021 and beyond.**

This is critical because without a long-view of the pandemic's impact, any fundraising goal could be viewed as short-sighted.

To answer some of the more common questions we have been receiving:

- Will FFI survive this pandemic even if Journeys don't pick up again for another year? **YES**
- Does FFI have a plan if the pandemic's impact lasts for a year or more? **YES**

THRIVING during the pandemic will take more creativity. Now more than ever we need to realize and rely-upon the connections we already have within the Friendship Force global network. Now is the time to reinforce those relationships both within your clubs and with other clubs you have met over the years. Now is the time to rekindle old friendships and perhaps establish new ones, **and FFI will help.**

Revised priorities for 2020:

- **Continued planning around 2020 and 2021 Journeys** (remember FFI plan over a year in advance. The revenue lost this year is a result of planning that was done last year.)

- **Launching an education campaign on the plan for the future** and introduce the new IAC (International Advisory Council)
- **Training for clubs** on how to use free connectivity tools to facilitate online club meetings.
- A retooled **monthly newsletter** with good-news stories, notes on activities, opportunities to hear from fellow clubs around the world.
- **Special opportunities to dial-in and connect online** to hear what’s going on in the world and see how clubs are coping during the pandemic.
- FFI is working on a plan to connect ambassadors on **virtual journeys** with an optional correspondence activity to help connect with members internationally.

And much more!

## A NOTE ON THE FINANCIALS

This plan requires a major reduction of 54% in monthly operating costs (pre-COVID-19 average of \$86,632 a month to \$39,915 a month). This means in addition to staff furloughs, that all of us are scheduled to take a 20-30% reduction in pay. FFI is not alone, and although not ideal for any staff member at FFI, ‘desperate times call for desperate measures.’ **The most important thing in our revised budget is that FFI will continue to build for the future, while working with clubs to strengthen us in the present.**

	ORIGINAL	REVISED
Salaries	\$ 40,829.00	\$ 24,389.56
Employee Benefits	\$ 6,985.00	\$ 3,500.00
Payroll Expenses	\$ 4,350.00	\$ 1,600.00
External Staff	\$ 11,649.00	\$ 6,036.00
Staff Development	\$ 1,000.00	
Audit	\$ 2,729.17	
Legal & Professional Exp	\$ 400.00	
Staff Travel	\$ 1,667.00	
Field Rep Expenses	\$ 2,150.00	
Insurance	\$ 800.00	\$ 800.00
Board of Directors	\$ 2,499.00	\$ 90.00
Office Expenditures	\$ 3,860.00	\$ 1,500.00
Marketing & Public Relations	\$ 3,750.00	
Banking Charges	\$ 1,200.00	\$ 1,000.00
Credit Card Fees	\$ 1,500.00	\$ 1,000.00
Technology	\$ 1,060.00	
Fund Development	\$ 204.17	
	\$ 86,632.33	\$ 39,915.56

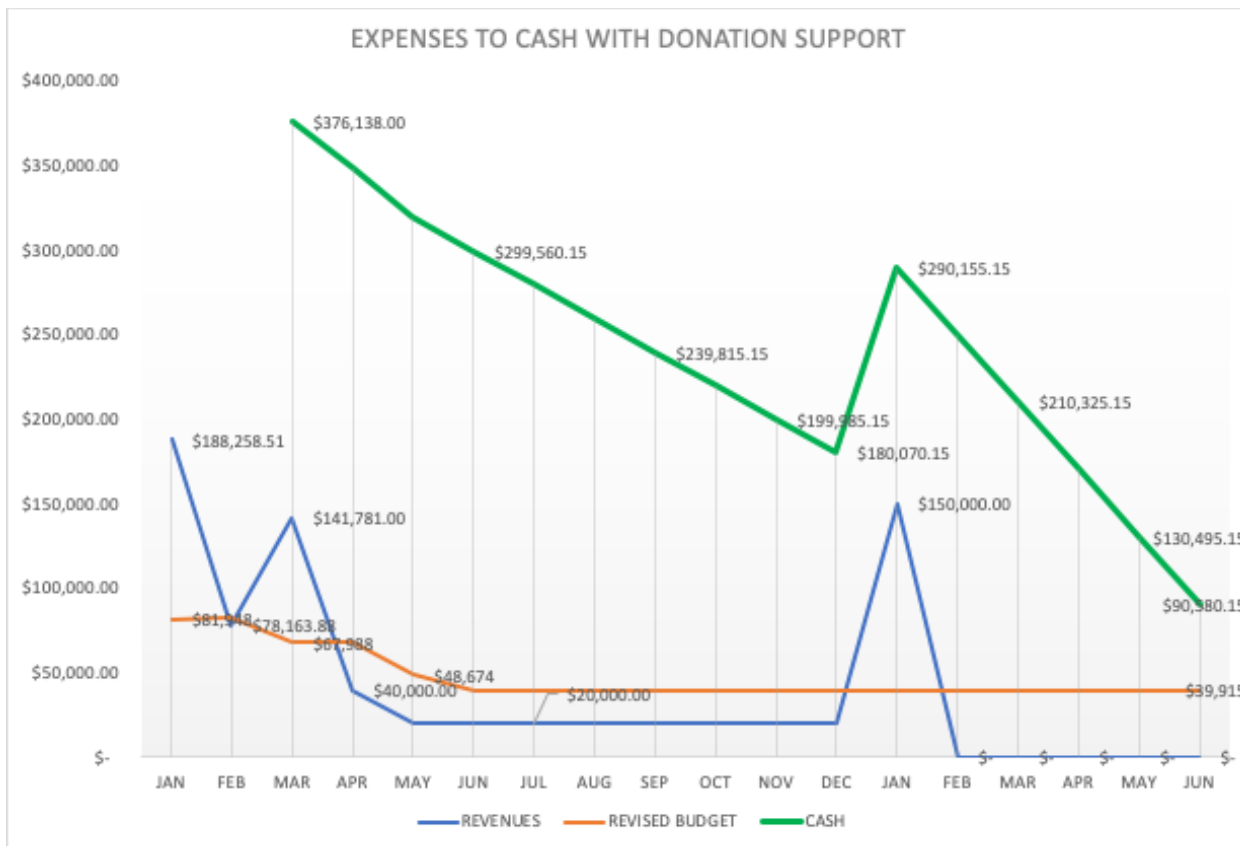
This budget keeps a minimal staff at part-time hours to ensure we have resources to achieve our goals.

A contingency plan that takes FFI through 2022 has also been developed as a failsafe against the uncertainty around the longevity of COVID-19’s impact. This failsafe closes FFI at the end of 2021 with seed money for start-up again in the future should a future Board and staff choose to. This is only a failsafe against the unknown. To move forward with this now would be to compromise the integrity of the FFI club network and the plans already set-forth to develop a stronger more sustainable future.

**The 2019 audited financials and year-end financials show an organization that entered this year financially strong and getting stronger.**

As a result of good fiscal management, plus strong journey participation as a result of a more robust database that gave us early warning of undersubscribed journeys, we ended 2019 much stronger, financially, than we had in the previous seven years. Unfortunately this was short-lived with the pandemic, but it is an important indicator that the efforts to strengthen FFI have begun to take root.

Beyond the organization’s strong financials though, is the question of our liquidity position. Cash is what is important during this time of austerity and it is real money in the absence of promised journeys that will sustain FFI through this crisis. Below is a graph that shows how our cash position and expenses over time will play out to ensure FFI keeps operating through the crisis.



Without any journey activity, FFI will be able to sustain operations with essential services through the end of 2021, and possibly beyond, with some creative approaches to our mission. **We will survive this**, BUT to move forward in a strong way, your support is needed. This scenario assumes that we achieve a minimum fundraising goal of \$200,000, although we hope to reach our stated goal of \$340,000.

**New information comes in almost daily and we are doing our best to stay on top of incorporating this new information into our plan of action. THANK YOU for your continued support of FFI and for sending in your ideas, thoughts and stories about how Friendship Force has impacted your life.**

## FAQ's

### **1) The Financial Transparency Report indicated a need of \$340,000, is this still the case with this revised reduction in operations and plan to extend into 2021?**

- a. *Our first attempt at nailing down a firm number was based on what FFI would need to close the gap between reduced operations and zero revenue for the rest of 2020. A better measure of this would be to look at just April through December where these changes began taking effect. Budgeted revenue for April through December is \$0, budgeted expenses at reduced operations is \$430,752. Minus revenue after expenses from the first quarter that offsets this by about \$100,000, we get our fundraising figure.*

*What we have done is taken this a few steps further by continuing to reduce expenses (staffing costs), utilize our savings and current donations to stretch the budget needed for operations through 2021. So in essence, the donations being given will go further and hopefully well into when Journeys pick-up in a significant way again.*

### **2) What role, if any, would government stimulus pay into this plan?**

- a. *The US government's CARES Act Paycheck Protection Program was launched in early April. Since then it has become apparent that it is grossly underfunded with less than 1% of all businesses having currently successfully applied. Friendship Force has applied for this program through our main bank, Wells Fargo, as well as three other institutions that allowed non-business customers to apply. We are currently in a queue to be considered. If we are approved, FFI would receive a forgivable loan of roughly \$100,400, or the cost of funding all salaries full-time for eight-weeks. This budget does NOT assume we receive this government support, however if we DO receive it, it would reduce the overall burden of achieving our minimal fundraising goals.*

### **3) Why not just "hibernate" the organization now and re-open later?**

- a. *For Friendship Force, and organizations like it, you either close or stay open with minimal operations. There are three main reasons why temporarily closing is not our immediate plan:*
  - 1) *If we close, many clubs, especially small clubs that will have a hard time generating a threshold level of ambassadors and home hosts, will have a difficult time starting again and most likely dissolve.*
  - 2) *Increasing efforts to strengthen the FFI network is more important than ever. Without even a minimal staff to coordinate this effort, FFI risks losing many of its clubs and membership.*
  - 3) *The Friendship Force network of 360 clubs, with thousands of members volunteers, is our unique strength. But that network cannot operate efficiently without our small but skilled staff that provides both the glue that holds the individual pieces together and the lubricant that allows everything to operate efficiently. In closing we risk losing most if not all of these staff members, and therefore institutional memory, knowledge, and experience is sacrificed.*