

Community Foundation
of the Ozarks works to
enhance the quality of
life for our citizens now
and for future
generations by **building
community
endowments**, meeting
needs through
grantmaking,
providing **leadership**
and promoting
**collaboration on
community issues.**



COMMUNITY
FOUNDATION
of the OZARKS

The “R” Word

June 3rd, 2022



Econ 101

Our economy has ***always*** had business cycles, largely caused by our own behavior. The broadest measure of our economic output is *Gross Domestic Product (GDP)*, and is currently around \$24 trillion.

GDP is comprised primarily of consumer spending (nearly 70%), business investment (18%), and government spending and net exports making up the balance

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

***I'm not here to predict the
economy.....but***

Current Economic Picture

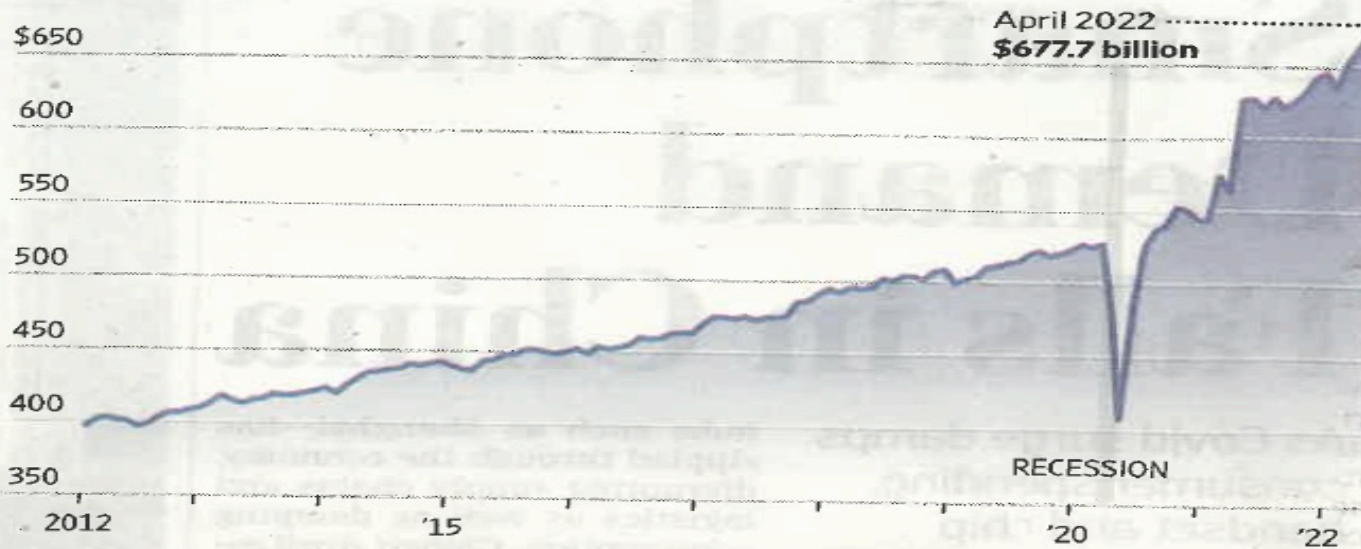
The good:

- Unemployment 3.6%
- Consumer spending strong
- Household net worth grew, especially for homeowners

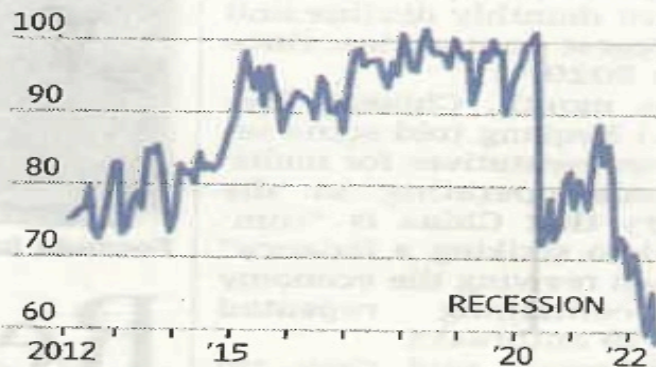
The bad:

- Inflation at 40 year high
- Consumer debt rising again
- Consumer sentiment falling

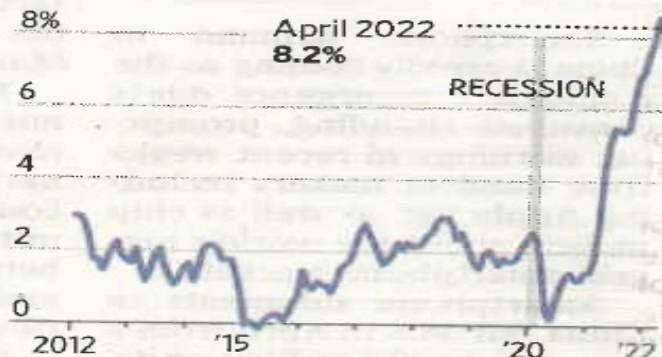
U.S. retail sales*



Consumer sentiment index



Consumer price index, change from previous year

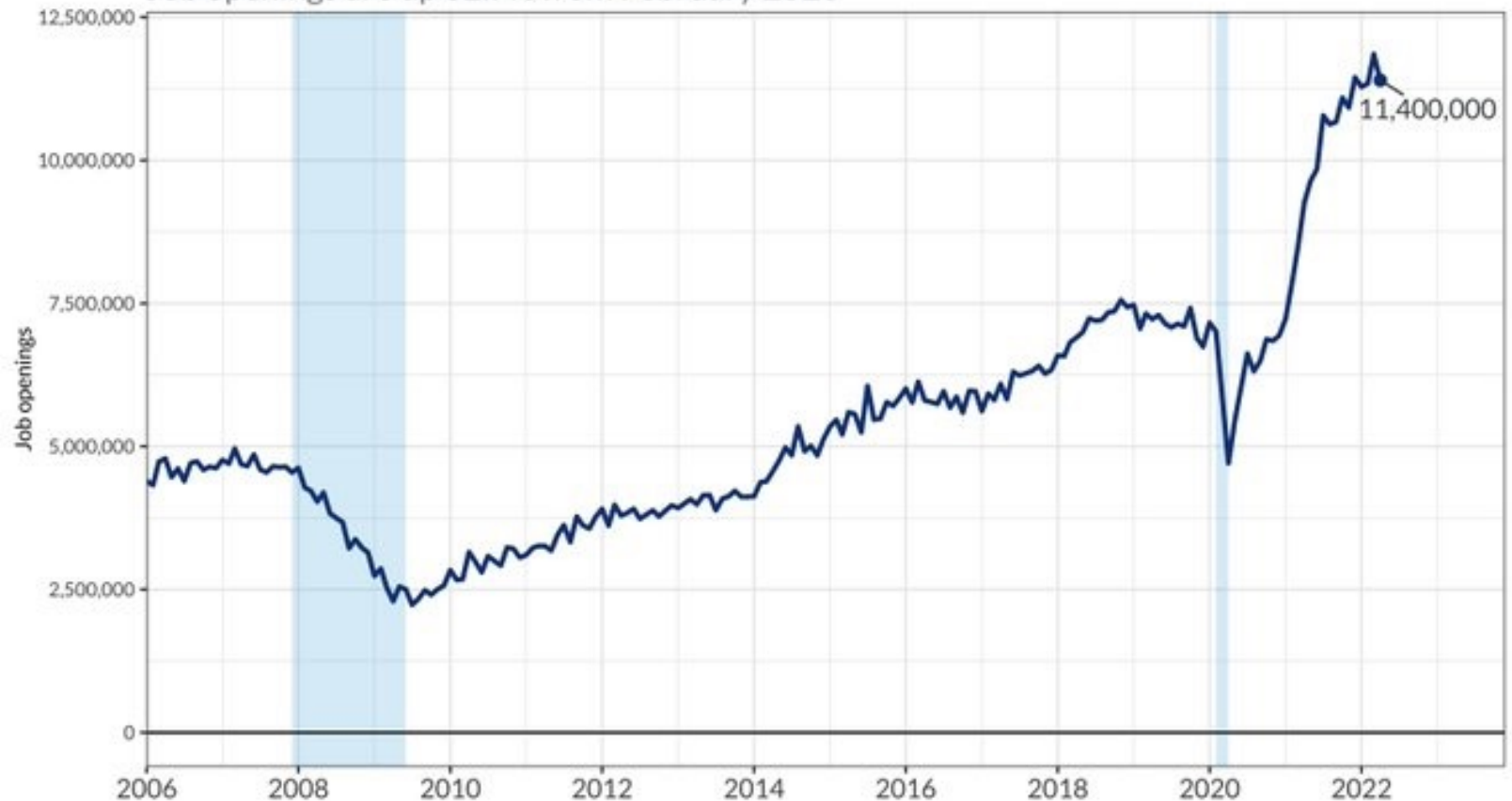


*Seasonally-adjusted sales

Sources: U.S. Census Bureau (retail); University of Michigan (sentiment); Labor Department (CPI)

Job openings fall from record high to 11,400,000 in April 2022

Job openings are up 62.7% from February 2020



Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, April 2022



History of Recessions

- Since 1950, there have been 12 recessions
- The average duration of a recession since then is 11 months
- The average duration of an expansion is 58 months
- The definition of a recession is a decline in GDP for two consecutive quarters---or whenever the NBER declares on (as in 2020)



What causes a recession?

- Consumer behavior
- External event (Pandemic, Systemic issue like housing market, “irrational exuberance”)
- Relationship between inflation and unemployment (Phillips Curve) and Fed policy



Impacts of a recession

- Unemployment increase
- Financial market decline
- Strain on public budgets: tax revenue decline while program demands increase
- Strain on non-profit services
- ***Impact on charitable giving***

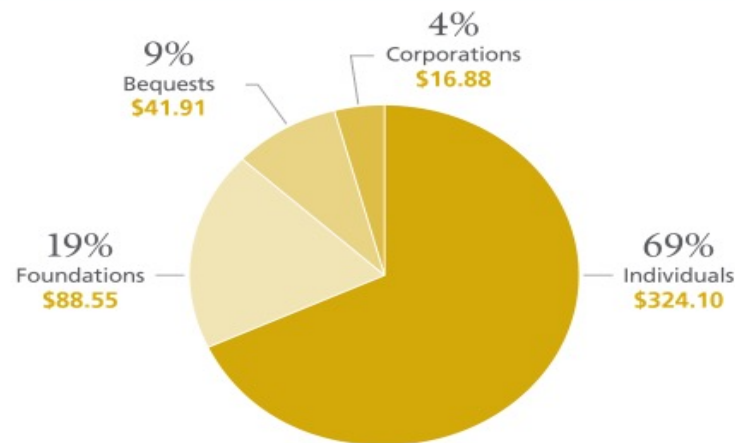
Downturn impact on financial markets

- Since 1929, here is the average duration of stock market changes

<u>Type</u>	<u>average duration</u>	<u>average change</u>
Bull	9.6 years	114%
Bear	2.7 years	<36%>

Giving USA 2021

2020 contributions: \$471.44 billion by source of contributions
(in billions of dollars - all figures are rounded)

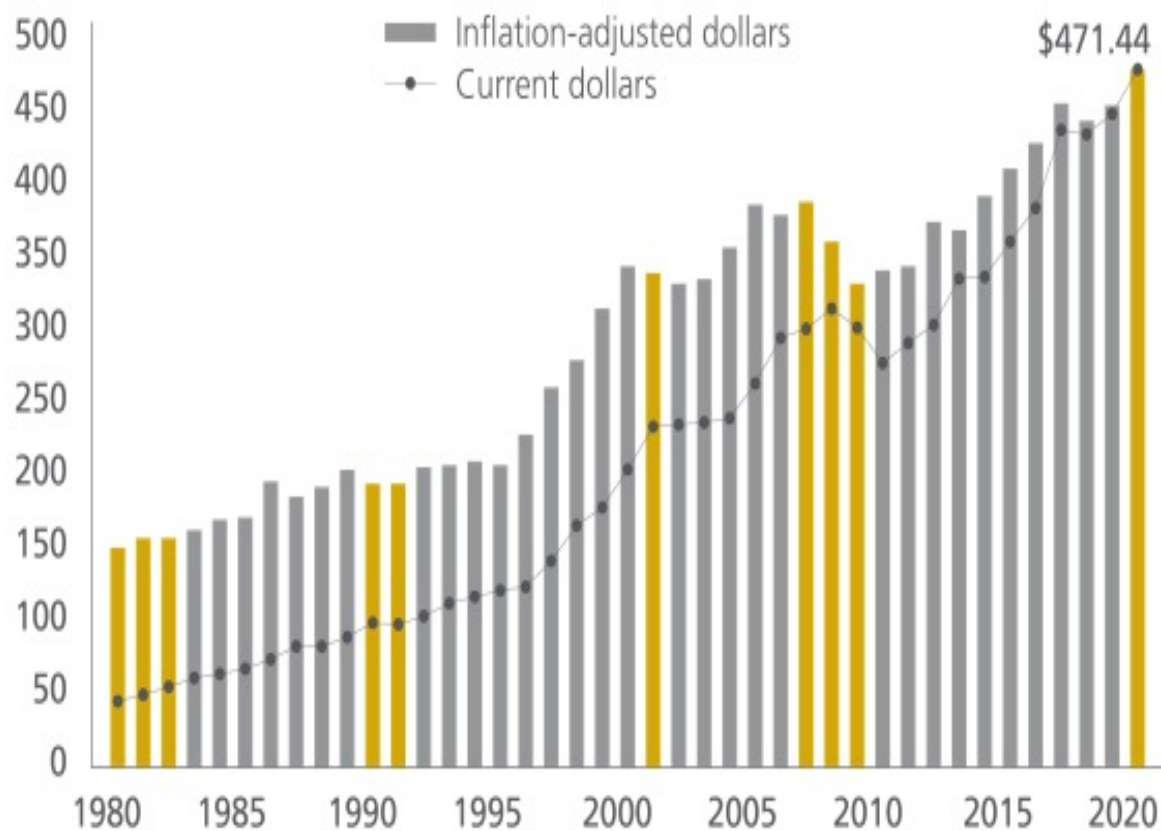


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Total giving, 1980-2020

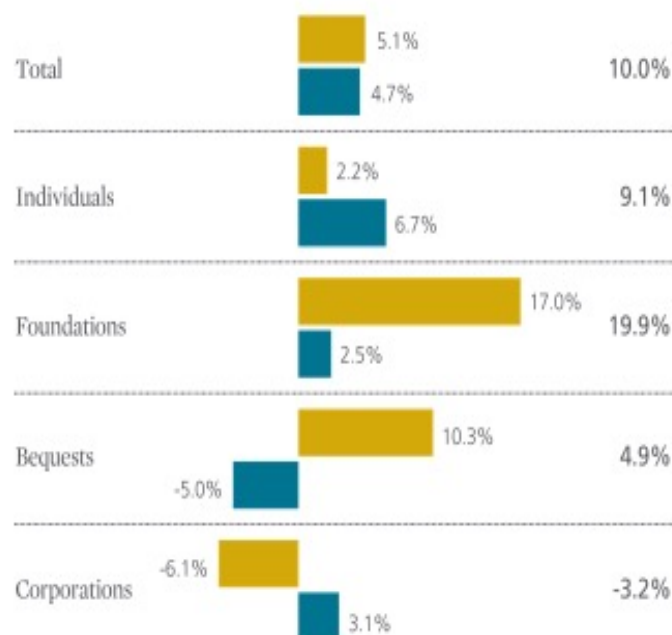
(in billions of dollars)





Changes in giving by source: 2018-2019 and 2019-2020, 2018-2020 cumulative (in current dollars)

■ 2019-2020
■ 2018-2019



2018-2020 cumulative*

*The two-year change is calculated separately and is not the sum of the changes in the two years.

Percentage change from previous year



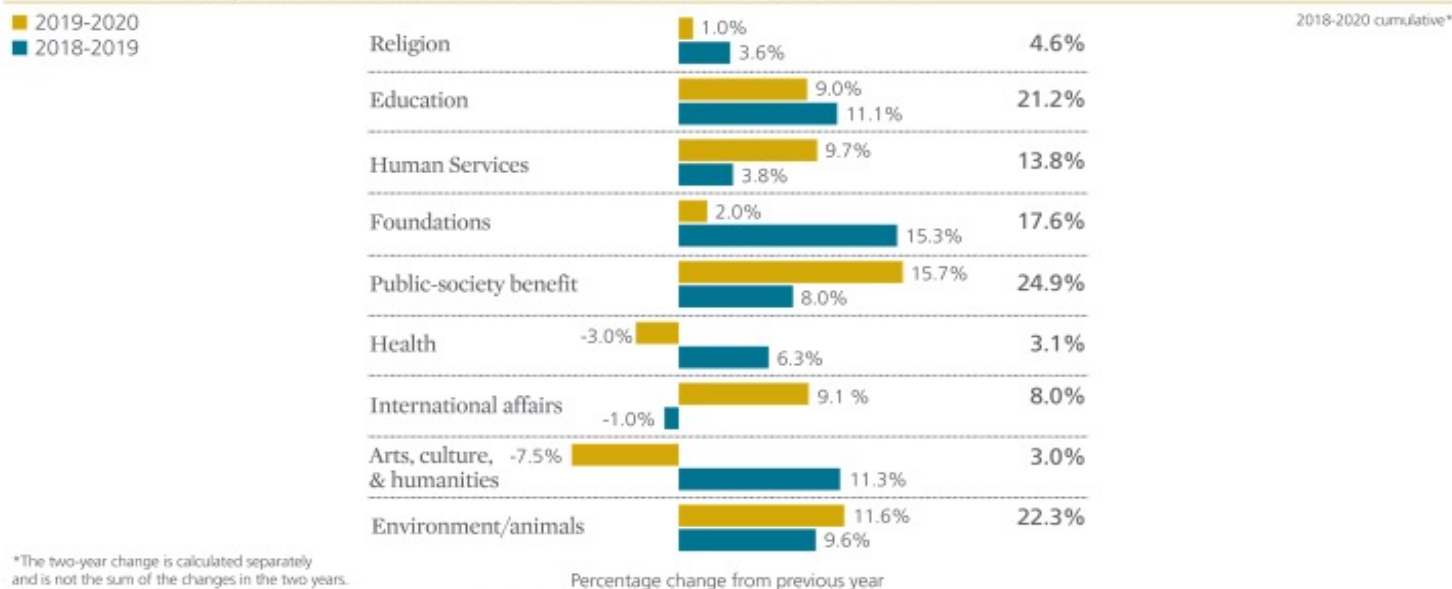
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Not all Non-profits treated equally

Changes in giving by type of recipient organization: 2018-2019 and 2019-2020, 2018-2020 cumulative (in current dollars)



*The two-year change is calculated separately and is not the sum of the changes in the two years.



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Among those expecting change, donations and the number of organizations supported will increase

Younger investors are especially likely to anticipate a change in their giving strategy.

% who say giving strategy will change over the next two years

35%



Millennials
base=39



64%

Gen X
base=33



55%

Boomers
base=83



23%

Silent
base=41



12%

○ Significantly higher than Boomers and Silent generation

Q10a. Do you anticipate changing your giving strategy in the next two years?

Q10b. In which of the following ways do you anticipate your giving strategy changing over the next two years? Please select all that apply.

How giving strategies will change

base = those who say giving strategy will change





Okay, so now what do we do?

- Three most important words in planning for a downturn:
- Reserves
- Reserves
- Reserves
- Do you have a policy? Three months, or even better, six months of operating expenses optimum



Assessing Revenue impact

- What type of non-profit are you?
- Do you have historical experience to help guide you on previous downturns?
- Type of donors impacted differently
 - Corporate more so—event sponsorships, etc.
 - Stock gifts decline
 - Fee or program revenue considerations
 - Any investment revenue?

After you consider all impacts, project a new revenue level



Now for expenses

-Importance of sequencing—what goes first, second, etc?

....but, consider reserves first if you have them

least painful:

- delaying capital expenditures
- staff development, travel, and other more discretionary items



Expenses

most painful:

- anything personnel related, which is typically the highest expense for most organizations
- Cut benefits?
- Equal compensation cuts?
- **and...don't forget about inflation**



The paradox of many non-profits

The demand for your services goes up, while your revenues go down



Next steps

- plan your expenses according to your revenues
- Estimate the duration of the revenue decline
- Share with your board
- Adopt the plan in advance



It's never "if", but when.



Questions?

Thank you for coming today!