

Preparing Your Community Arts Organization for Economic Uncertainty



Preparing Your Community
Arts Organization for
Economic Uncertainty



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PRESENTED BY



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PANELISTS



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Accessibility

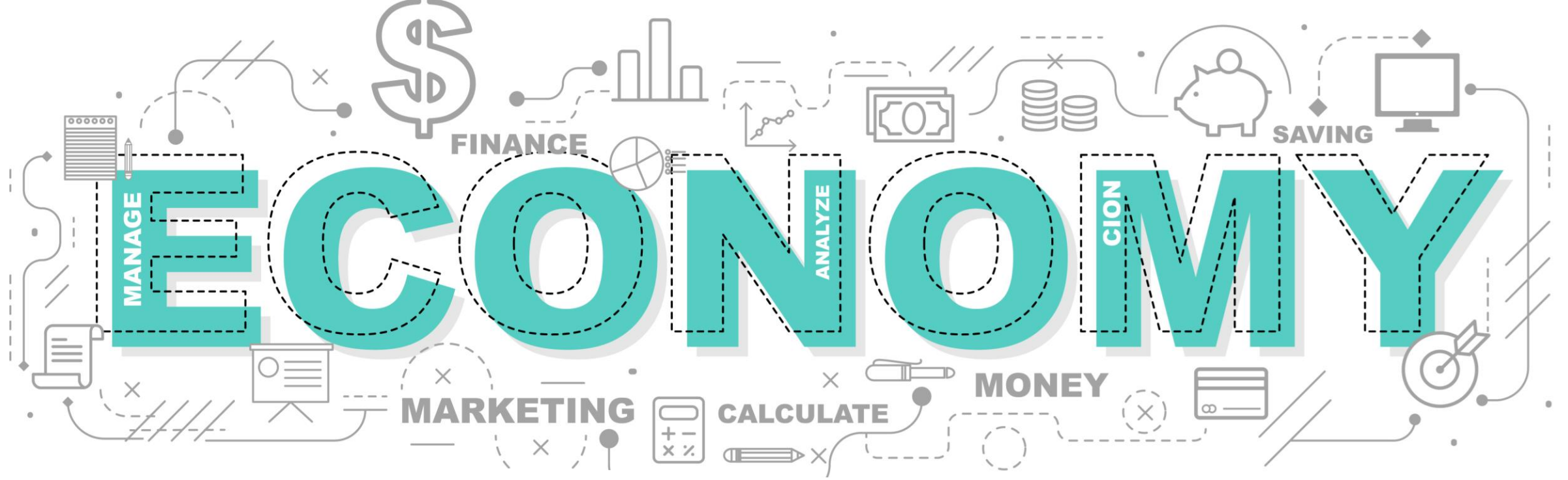
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PRO BONO ASL

Agenda

- Introduction
- Presentation by C. Lorenzo Evans & Sanai Sanaullah
- Conversation with Panelists
- Q&A
- Closing



- The wealth and resources of a country or region, especially in terms of the production and consumption of goods and services. - *Dictionary.com*
- The system of trade and industry by which the wealth of a country is made and used. - *Cambridge Dictionary*

What are some causes of economic uncertainty?

- Political Instability
- Government Policy Changes
- Natural Disasters
- Market Fluctuations and Economic Factors
- Black Swan Events

Economic Terms Driving Today's Discussion

- Inflation
- Recession
- Unemployment





Inflation

[in-'flā-shən]

A rise in prices, which can be translated as the decline of purchasing power over time.



Recession

[ri-'se-shən]

A significant, widespread, and prolonged downturn in economic activity.



Unemployment

[ən-ɪm-ˈplɔɪ-mənt]

A situation where a person actively searches for employment but is unable to find work. Unemployment is considered to be a key measure of the health of the economy.

Black Swan Events

- Unplanned economic events that disrupt financial markets and destabilize economies
- Normally has severe consequences for financial stability
- Characterized by their extreme rarity, high impact, and difficulty to predict



Black Swan Events Throughout History

- The Great Depression (1929 – 1939)
- 9/11 Terrorist Attacks (2001)
- The Great Recession (2007 – 2009)
- COVID-19 Pandemic (2020 – 2021)



Economic Uncertainty is a Natural Part of the Economic Cycle

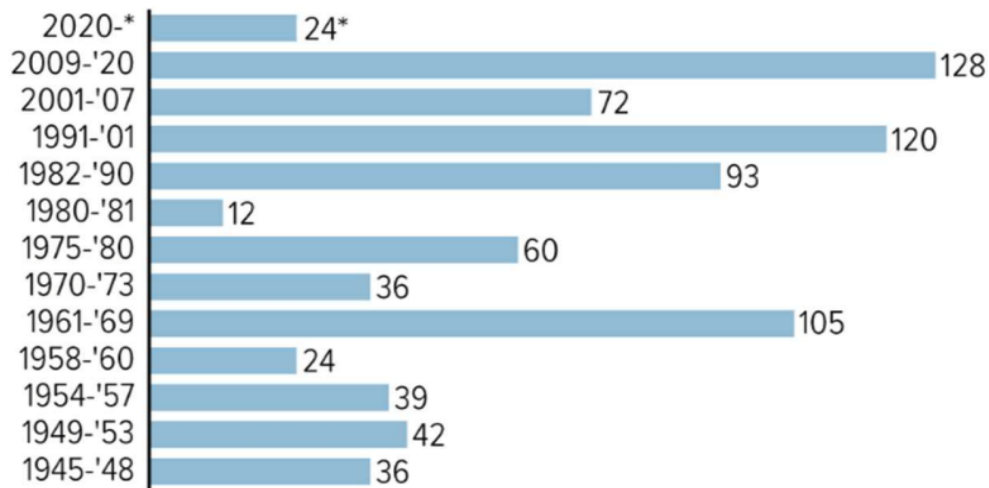
Sometimes global governments intervene to stabilize economies during volatile times (i.e. inflation, corporate bailouts, etc.)

Most financial models predict a Black Swan event every 20 years.

Today's Economic Uncertainty Brought on by COVID-19

Longest Economic Expansion on Record Ended by COVID-19

Length of expansions in months



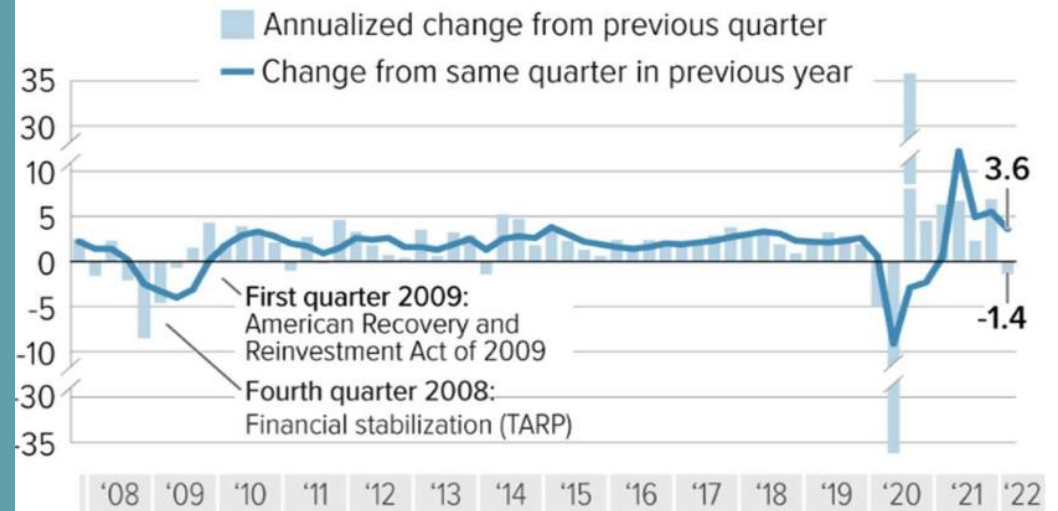
*Through April 2022

Source: National Bureau of Economic Research

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Economy Recovering From Short, Deep Recession That Ended Long 2009-19 Expansion

Percent change in real GDP



Note: Data are seasonally adjusted at annual rates.

Source: Bureau of Economic Analysis

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Impact of Economic Volatility on Nonprofit Sector

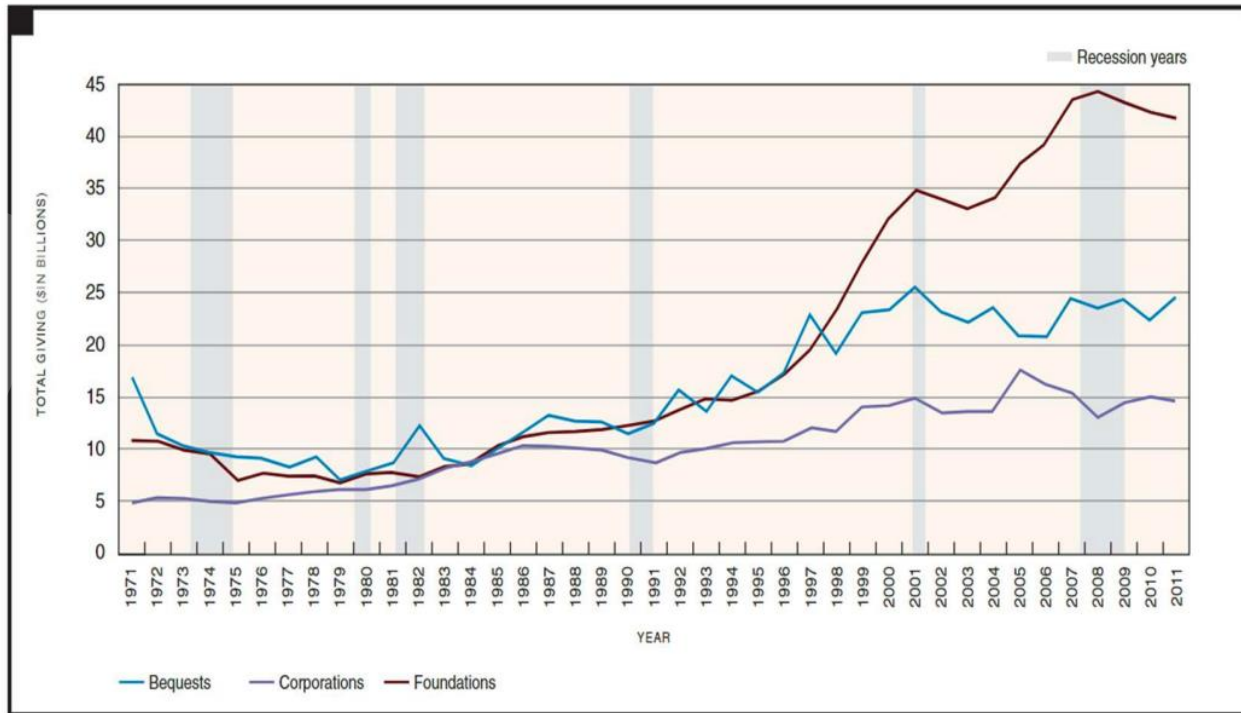
- During the financial crises of 2009, and 2020 nonprofit organizations have recovered much more slowly than for-profit organizations.
- Economic factors that impact nonprofits the most are inflation, unemployment, stock market declines.

The Double Dilemma for Nonprofits

- In times of economic instability resulting from inflation, recessions, and unemployment cause greater public reliance on nonprofit organizations (food, rent subsidies, healthcare, childcare, etc.).
- The cost of supplies, gas, food, utilities, and other operating costs are more significant for nonprofits in times of economic instability.

Economic Uncertainty Causes Reduced Charitable Giving to Nonprofits

FIGURE 3. Giving by Source



Source: GivingUSA Foundation

FIGURE 1. Total Charitable Giving (inflation adjusted dollars)



Source: GivingUSA Foundation



Impacts of Economic Uncertainty on Nonprofit Arts Organizations

- Reduced Funding
- Cash Flow Instability
- Increased Need for Services
 - Investment Risk



Managing in Times of Economic Crisis - 5 Tips

- Transparency about financial challenges
- Diversification of Revenue
- Budget Scenario Planning
- Contingency Planning
- Partnerships

Transparency About Financial Challenges

- Share challenges openly with internal & external stakeholders
- Prioritize communication with staff
- Seek guidance from trusted advisors and partners

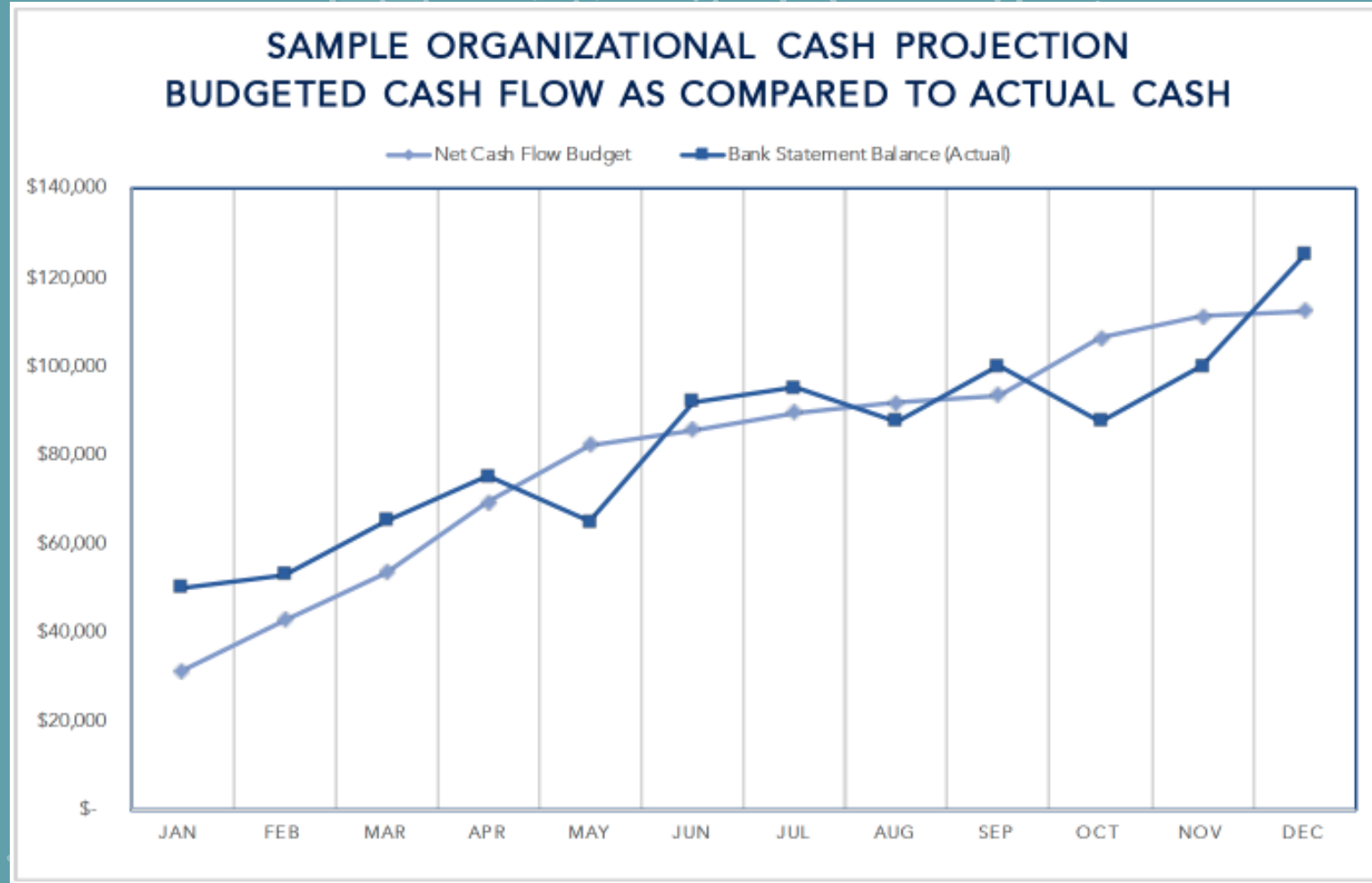
Diversification of Revenue

- What are some new revenue streams that your organization can build? (merchandise sales, events, etc.)
- Does your state have a commitment to arts and culture? If so, how can your organization take advantage of this funding?
- Are there partnerships with local school systems that your organization could explore?
- Could any of your organization's services be sold as fee for service?

Budget Scenario Planning

- Planning budget scenarios (best case, most likely case, worse case)
- Developing a cash flow plan for the year
- 3 – 5 year budget planning
- Review of revenue and expenses for opportunities
- Creating a rolling forecast
- Streamlining finance and administration operations

12 Month Cash Plan to Accompany Budget



Implementing systems that create operational efficiencies

Finance & Expense Automation



Payroll Automation



Contingency Planning

- Obtaining loans/lines of credit to offset cash flow shortfalls
- Environmental Scan - SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)
- Adjusting business model to meet post-crisis needs

Selecting a bank with nonprofit/small business benefits

- Easy access to lines of credit/loans
- Favorable payment terms
- Access to grants and other incentives
- Credit card options with points/rewards



Partnerships

- Who are your current partners? Can any of these partnerships be expanded for additional revenue or expense savings?
- What new partnerships with similar organizations can help meet the needs of your audiences & possibly defray costs?
- Are there corporate partnerships that your organization can explore?



Panel Discussion

Q&A





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Business Services

We would love to hear from you. Feel free to reach out to us!

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