

The Current Economy and Its Impact on Nonprofits

The presentation will begin shortly...

CPE needed?

- ❖ Within one week, send an email requesting CPE, complete the course evaluation and provide the list of CPE codes provided during the presentation to:

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- ❖ Only available for those attending live
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Remote Accounting Services

- ❖ We provide bookkeeping services to churches and Christian nonprofits, including:
 - Produce a monthly financial report for leadership
 - Process contributions and bills
 - Record all transactions in the general ledger
 - Reconcile bank accounts, credit cards, and close the books each month
 - Process payroll and file all quarterly and annual payroll forms
 - Provide budget and cash flow projection oversight
 - Give assistance with internal controls



Remote Accounting Services

- ❖ Why do we provide this service?
 - With online software solutions dramatically improving, outsourced bookkeeping has become a popular alternative to in-house bookkeeping
- ❖ Top reasons our clients use our remote accounting services:
 - Managing finances distracts the organization from its mission
 - Leadership and member increased confidence in their finances
- Tax and accounting regulations are complex and changing faster than ever
 - ❖ They want a trusted advisor to provide CPA oversight

Nonprofit Impact from the Current Economy

Presented by David Lee



What's Changing?

- ❖ Fed Rate Changes – 7 times in 2022
- ❖ Inflation at all time high 9.1% as of June 2022 (Currently at 6.4%)
 - ❖ 32% Americans paid a bill late in past 6 months
 - ❖ 40% Americans say they're less able to afford bills than 1 yr ago
- ❖ Increased conversations around churches merging due to increase closures
 - 4500 churches closed in 2019 as compared to 3,000 being started*
 - 3700 churches closed in 2014 as compared to 4,000 being started*

* (Source – Lifeway Research)

Congregation/Donors Feeling the Financial Squeeze

	% increase from September 2021
All items	+8.2%
Gasoline	+18.2%
Fuel Oil	+58.1%
Food	+11.2%
Milk	+15.2%
Eggs	+30.5%
Electricity	+15.5%
Baby Food	+11.8%
Airline Fares	+42.9%
Real Average Weekly Earnings	-3.4%

Impact to Donations from 2008

- ❖ 2008 Recession – according to Philanthropy.com, charitable donations fell by nearly 6% in 2008 (sharpest drop in 53 years)
- ❖ 2000-2008 – share of US households donating to charity remained steady from 66.22% to 65.41%
 - 2010 – dropped to 61.11%
 - 2016 – dropped to 53.09% which represented 20MM donor households decline

Charitable Giving 2016 to 2022

- ❖ Millennial (1981-1996) households gave 40% more to charity than in 2016
 - Annual contribution from \$942 to \$1,323
- ❖ Baby Boomer (1946-1964) household giving fell by 12%
 - Annual contribution from \$2,921 to \$2,568
- ❖ Gen X (1965-1980) household giving fell by 4%
 - Annual contribution from \$1,265 to \$1,220

Source: Giving USA

Charitable Giving 2016 to 2022

- ❖ Giving to houses of worship
 - Millennials – dropped 31%
 - Boomers – dropped 16%
 - Gen X – dropped 41%

- ❖ Giving to faith-based organizations
 - Millennials – increased 130%
 - Boomers – increased 98%
 - Gen X – increased 51%

Source: *Giving USA*

Understanding Health

“The single most important thing you can do for your health is to understand your risks, and what you can do about them”.

Kaiser Permanente

Financial Health Indicators

- ❖ Capacity/Cash Flow
 - Can you afford to repay the debt
- ❖ Character
 - If you can afford to, will you repay the debt
- ❖ Collateral
 - If you are willing but unable, how will the debt be paid
- ❖ Cash
 - Need something to fall back on
- ❖ Conditions
 - What's the weather like outside?

Monitoring Financial Stress

- ❖ Debt Coverage Ratio
- ❖ Liquidity (Cash)
- ❖ Board Governance/Independent Board
- ❖ Trends
 - Attendance / Giving Units
 - Income
 - Expense
- ❖ Salary Expense Ratio

Things to Consider

- ❖ Understand congregation's/donor's life stages
 - What will be the competing expenses?

- ❖ Convenient Giving Methods? (49% Card/Electronic / 40% Cash / 7% Check / 7% Other)
 - ❖ Wages keeping up with inflation?
 - Potential risk of departing staff?

 - ❖ Changes in demand for services
 - Are you prepared for serving the hardest hit by inflation?

 - ❖ Ignoring the elephant?
 - Over the next 20 years, an estimated \$68T will be transferred to the next generation.

(2021 Cerulli Associates)

Connect with Donors

<u>Fundraising Channels</u>	<u>Most Giving</u>	<u>Most Growth</u>	<u>Future Growth</u>
<i>Major Donors</i>	68%	41%	66%
<i>Face to Face</i>	49%	10%	35%
<i>Direct Mail</i>	48%	33%	11%
<i>Planned Giving</i>	15%	30%	51%

Source: ECFA 2021 Fundraising Survey June 2021

Rates are Rising – So What?

- ❖ Prime Rate
 - March 2020 – 3.25%
 - September 2022 – 7.75%

- ❖ 1 Month LIBOR
 - January 4, 2022 - .10%
 - March 7, 2023 – 4.72%

- ❖ Average 30 yr Mortgage
 - 2021 – 2.96%
 - March 8, 2023– 7.11%

Source: *Bankrate.com*

Rates are Rising – So What?

- ❖ Qualification for financing will become more difficult
- ❖ READ through your loan agreements!
 - Rate Resets – adjustments triggering covenants?
 - Loan Maturity/Balloon coming up?
 - For every 1% increase per \$1MM in loan balance will result in \$10,000 of additional interest expense

Practical Steps to be Prepared

- ❖ Stay focused on your Mission • Recruit Volunteers
- ❖ Monitor Variances in spending
 - Consider Outsourcing Positions (Fractional staffing)
- ❖ Maintain/Build Healthy Liquidity (cash)
 - Make Giving Easy
- ❖ Don't Spend Everything / Consider Zero Based Budgeting
 - Don't Panic!

Our Financial Strength

We're experts

Thrivent Church Financing has been making loans to churches for over 100 years with 1,200 current church loans.

We're strong

For more than 20 consecutive years, AM Best has awarded Thrivent their highest rating for financial strength and ability to pay claims.

We're stable & committed

Thrivent has over \$189 billion in total assets under management, with \$950 million invested in church loans.



**More than 100 years
of service to churches**



**A++ (Superior)
AM Best**

Highest of 13 ratings¹
June 2021 - AMBest.com



**Ranked 369th on
Fortune 500**

Fortune magazine June
2021

Connect with our team

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Thank you for joining us!

Please reach out with any questions:
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