Preparing Your Community Arts Organization for Economic Uncertainty

Presented by
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Panelists
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Accessibility

Audio descriptions + closed captioning will be provided. ASL interpretation is provided by Pro Bono ASL. This session is being recorded.

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-ˈflā-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-im-'plöi-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)
- 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
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
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

SAMPLE ORGANIZATIONAL CASH PROJECTION
BUDGETED CASH FLOW AS COMPARED TO ACTUAL CASH
Implementing systems that create operational efficiencies

Finance & Expense Automation
- bill
- ramp
- Emburse
- Tallie

Payroll Automation
- Gusto
- Paychex
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
We would love to hear from you. Feel free to reach out to us!

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