



Welcome to Greater Detroit and Capital Area Chapters
MICHIGAN NONPROFIT ORGANIZATION FINANCES IN 2020:
NEW RESEARCH AND THE SEARCH FOR OPTIONS

Wednesday, May 20, 2020 12:00 PM to 1:00 PM (ET)

Jeff Williams, M.A., M.B.A.

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Michael Montgomery

Owner/Principal, Montgomery Consulting and Lecturer, University of Michigan-Dearborn

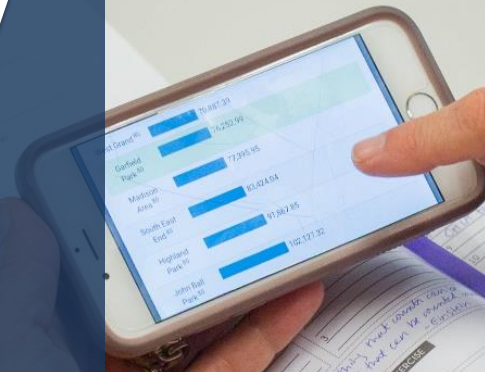


Agenda

1. Opening Comments
2. Financial Condition of Nonprofit Organizations - Williams
3. Financial Vulnerability of NPOs By Type - Williams
4. Is Fundraising the Solution? – Montgomery
5. What Comes Next? – Both
6. Guided Discussion (Questions from the Speakers to the audience)

Risks to Nonprofits

- Sources of revenue vary by size in predictable ways
- Cash is oxygen
- Employment, volunteers, and existence



The image shows a person's hands writing in a notebook with a blue pen. The notebook has several pages with text and tables. The text on the pages includes:

- What is Philanthropy?
- A documentary series
- FREE
- Saturday, October 11, 2008
- Beacon Community Center, 1919 Belmont St., Boston, MA
- 100% PRIORITIES
- TOPICS
- Speakers follow up

Charitable Contributions

Systematic difference as revenue grows

Table 1: Total revenue and revenue from contributions for Michigan's charitable nonprofits

Annual Revenue (2015)	Count of organizations (by unique EIN)	Average, total annual revenue	Average, percent of total revenue from contributions
< \$100k	3,660	\$39,673	55%
100-499k	2,822	\$236,623	54%
500k-999k	785	\$711,234	52%
1-9.9MM	1,429	\$3,187,827	51%
10-50MM	275	\$20,943,625	38%
> \$50MM	45	\$107,663,494	29%
Grand Total	9,016	\$1,833,522	53%

Charitable Contributions

Systematic difference by subsector

Table 2: Percent of revenue from contributions, by size and type of nonprofit

Annual Revenue (2015)	Arts	Education	Health	Human Services	All Other
< \$100k	48%	42%	63%	50%	67%
100-499k	49%	48%	54%	48%	68%
500k-999k	52%	44%	51%	46%	66%
1-9.9MM	59%	44%	39%	50%	68%
10-50MM	61%	35%	15%	42%	78%
> \$50MM	60%	43%	7%	25%	55%
Grand Total	50%	44%	48%	49%	67%

Cash is Oxygen

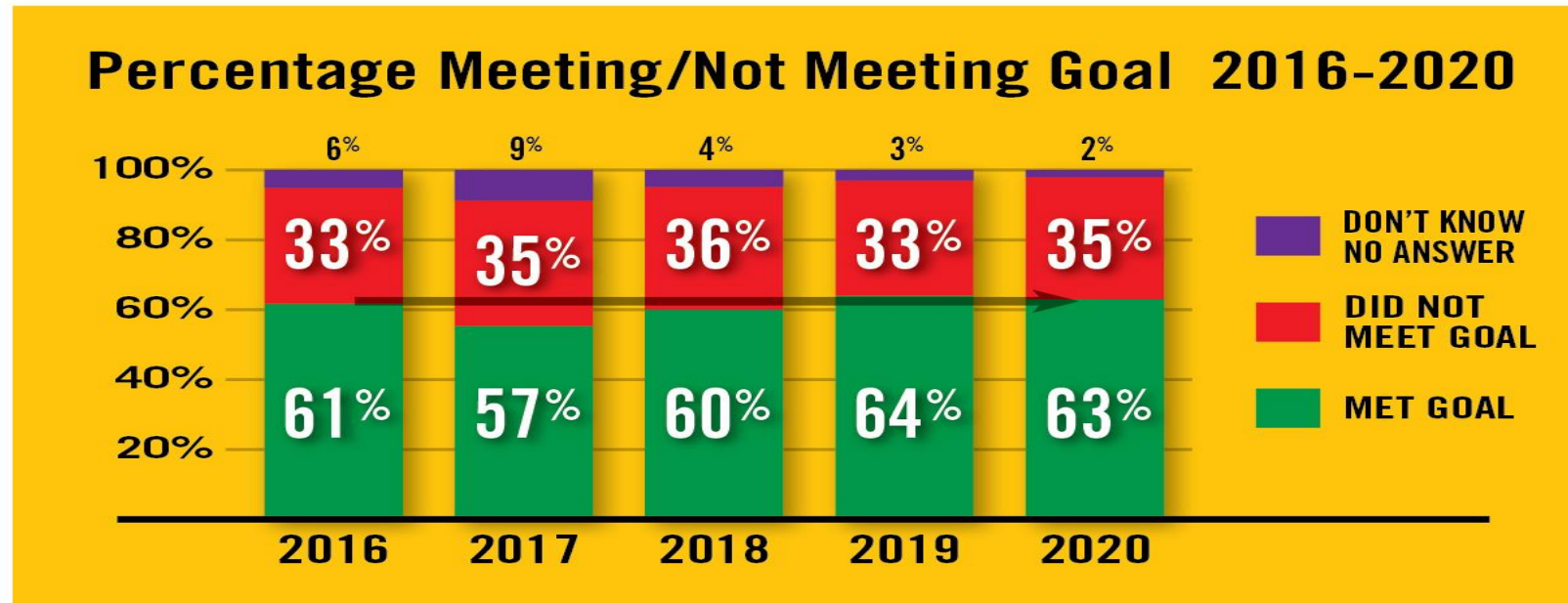
At first glance, things look decent...

- **Median cash on hand (estimated starting point this year)**
 - 2 months ... 5.5 including cash equivalents
 - ... so **half** of Michigan's nonprofits have **less than 2 months** cash
 - ... and **one-third** have **less than 1 month** cash

Low cash nonprofits employ **two-thirds** of the sector's workers,
and rely on **half** of the sector's volunteers

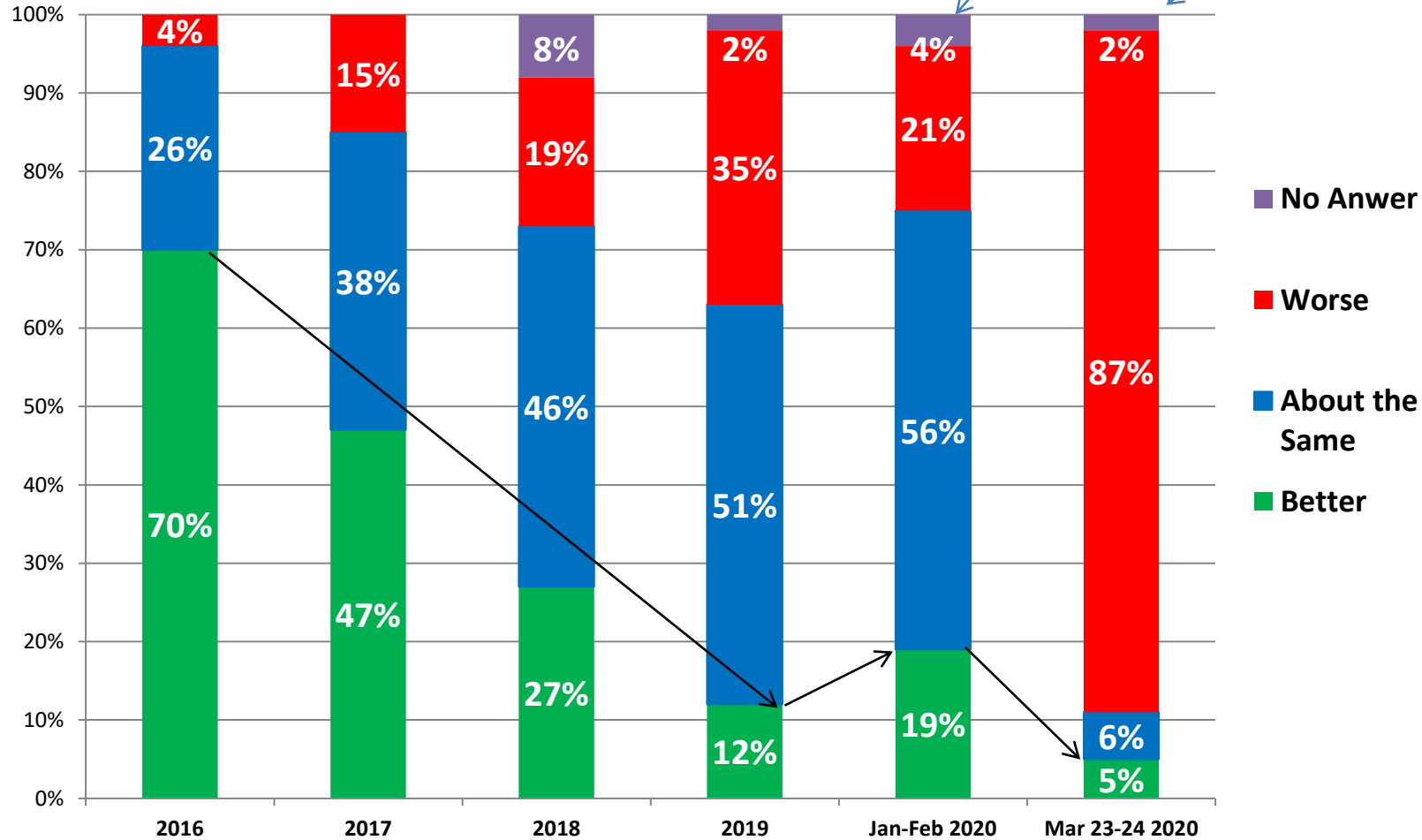
2020 Michigan Fundraising Climate Survey:

Did your organization meet its fundraising goal or expectations in CALENDAR year 2019? *(Many Michigan organizations struggled to make goal even before the COVID-19*



2020 Michigan Fundraising Climate Survey:

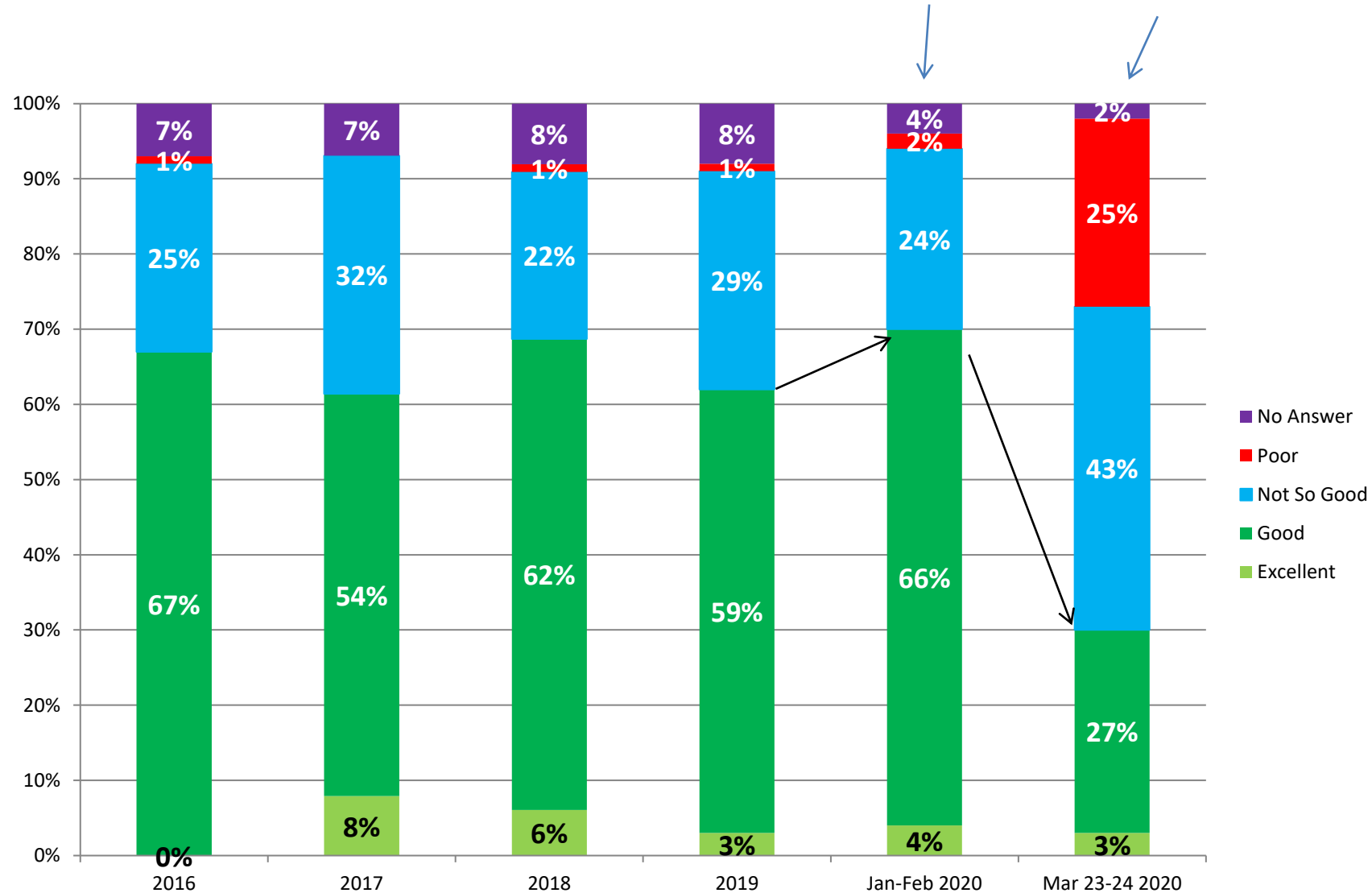
In comparison to last year, how do you expect statewide conditions for fundraising this year to be? *(Note the dramatic change between Jan/Feb and March 2020)*



2020 Michigan Fundraising Climate Survey Revisited

How would you describe current local conditions for fundraising in your area?

(Note another pretty dramatic change between Jan/Feb and March 2020)

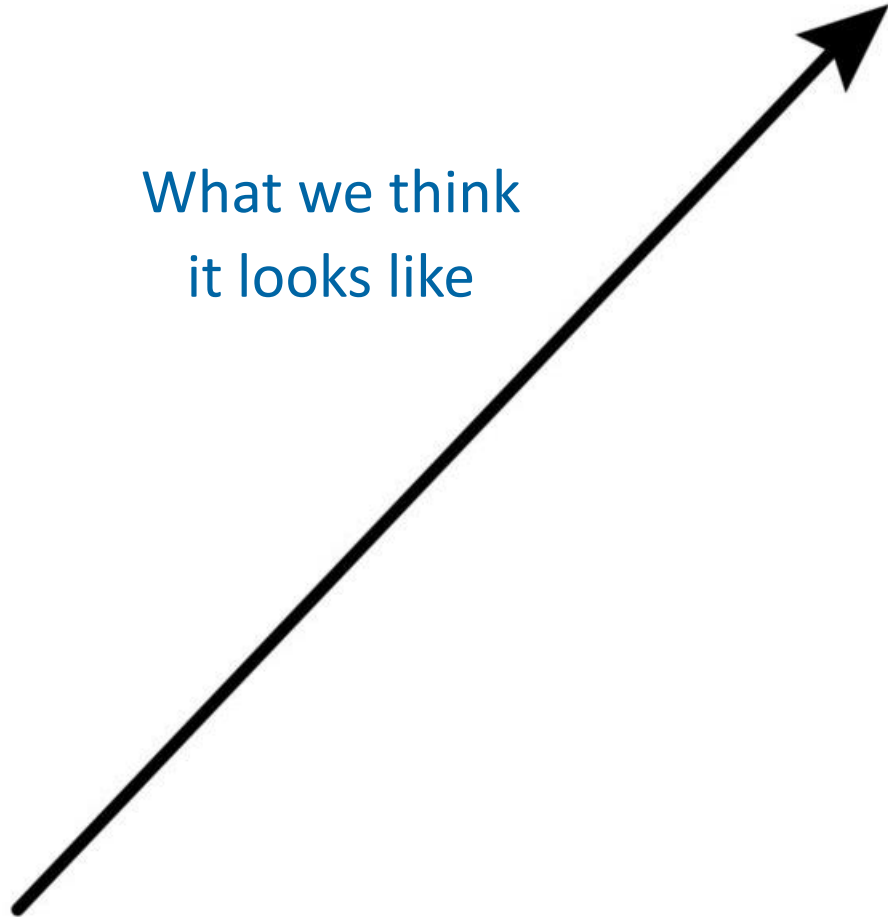


2020 Michigan Fundraising Climate Survey: Typical NPO RESPONSES TO COVID-19)

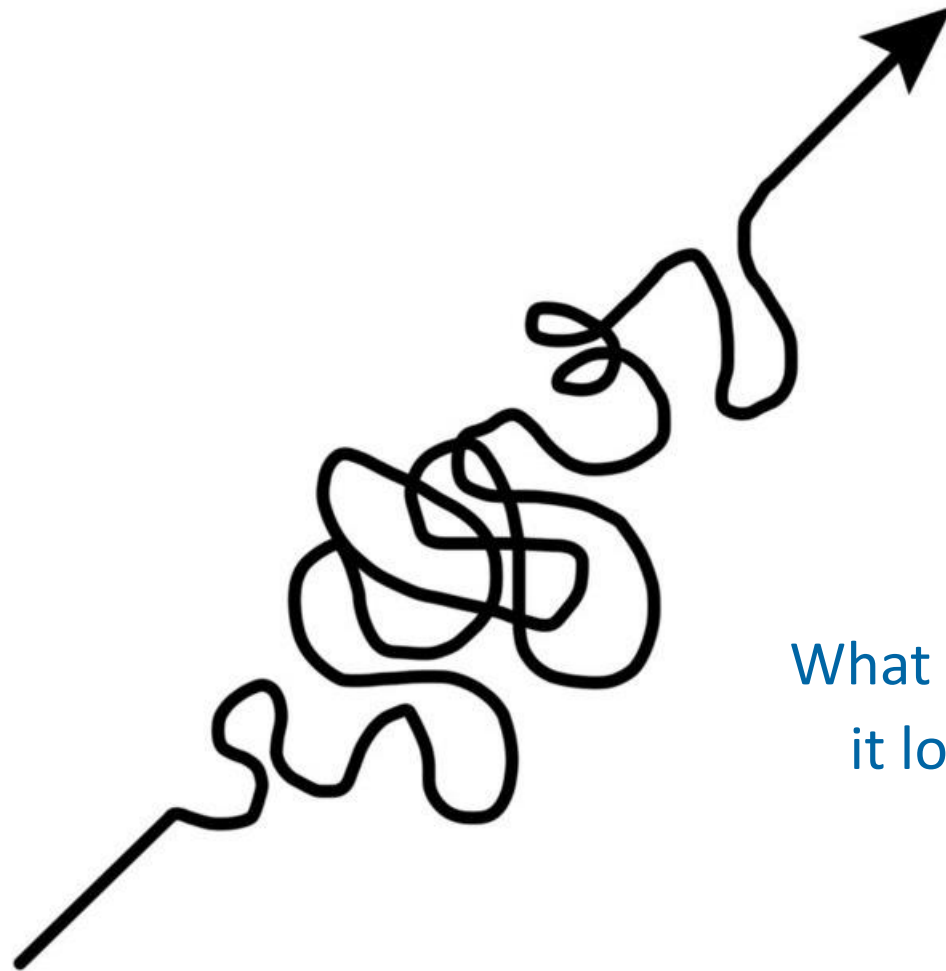
- Staff is working from home 88.89%
- Our facilities and/or programs are closed to the public. 61.90%
- Our facilities and/or programs are open and operating but offering limited services. 33.33%
- We have cancelled one or more fundraising events. 53.97%
- We are considering cancelling one or more fundraising events. 36.51%
- We are stepping up work with major donors and institutional funders specifically because of disruptions resulting from COVID-19 42.86%
- We are deferring work with major donors and institutional funders because of disruptions resulting from Covid-19. 20.63%
- We are considering cancelling one or more mass fundraising appeals 14.29%
- We have cancelled one or more mass fundraising appeals. 14.29%
- ***We do not yet have a clear strategy for addressing how Covid-19 may affect our organization.*** 31.75%

Recovery is like...

What we think
it looks like



What it actually
looks like



Playing the Odds

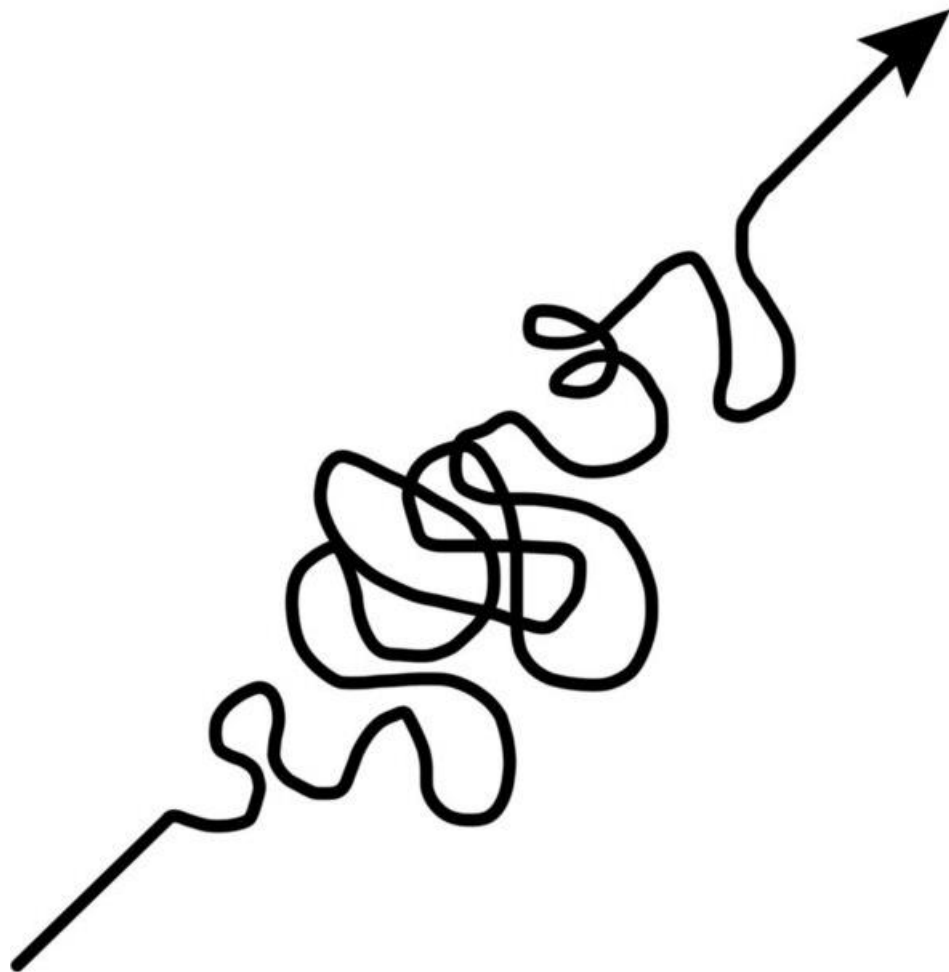
What do endowments look like in Dec. 2024 if markets in 2020 ...

Ending values, starting from 100 on 1/1/2020, on Dec. 31, 2024	70/30 mix		
	1-year average	3-year rolling average payout calculation	5-year rolling average payout calculation
Baseline (historical averages)	122.4	121	130.3
Bad year (-15%)	102.1	103	104.8
Short pain (-15%, 2 year recovery)	99	99.6	99.9
Horrible year (-30%)	91.2	90	88.6
Long pain (-30%, 4 year recovery)	86.5	85.8	85.8
The Great Depression	62.3	59.7	58.1

Assumes a 5% payout every year

Changing Our Vocabulary

Life “after” or “with” COVID-19?



- **First weird, then better**
- **Disaster planning**
 - **Exiting** the emergency response phase
 - **Entering** the stabilization phase
 - Community and business recovery
 - Travel and leisure recovery

What happens next? / How will we Respond?

(Discussion)

- Will recovery be statewide or will the pace/extent of recovery vary by county/region? And what kind of a recovery will it be?
 - Quick Economic Recovery (or expectation of) -- Most hopeful scenario. Earned Revenues grow back quickly...Philanthropy recovers quickly (@2% of GDP)...Endowment principal and revenues (for NPOs that have it) returns to pre-outbreak levels.
 - Longer/Slower Economic Recovery – Much tougher. Survival of the fittest or planned merger/realignment/consolidation
- How many future lockdowns? 2nd 3rd or 4th “Waves” – Multiple slowdowns/shutdowns. This likely to be toughest scenario of all – the “shakeout.”



For more on how the speakers view our current situation see the April 13, 2020 edition of *MiBiz*, “Pandemic Cools Fundraising Outlook for Michigan Nonprofits”

<https://mibiz.com/sections/nonprofits/pandemic-cools-fundraising-outlook-for-michigan-nonprofits>

We typically have a “coming attractions” slide here. Putting my Program Chair hat back on, for this one I think we’ll promo

The 4-chapter program on 6/02

Next Capital Area Program

Weekly Detroit Chapter Townhall – Thursdays at 2:00pm