

Recession in 2019? Charities Wring Their Hands but Do Little to Prepare

By Drew Lindsay



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The news any given day is filled with warnings of "doom loops," inverted yield rates, and other wonky predictors of a recession. A downturn is likely for 2019, economic cognoscenti say, if not inevitable by 2020, particularly given the drag of the monthlong federal-government shutdown.

Such warnings aren't generating much alarm or action among charities, however. A decade after the Great Recession beat down nonprofit finances and charitable giving, many groups are wringing their hands but doing little else.

7 THINGS SMALL AND MIDSIZE CHARITIES SHOULD DO WHEN A RECESSION LOOMS

With recession warnings routinely flashing, Milwaukee-based consultant Steve Zimmerman offers a cautionary tale from the last downturn.

"I don't think people are thinking about it yet that much," says Jerry Hauser, CEO of the Management Center, a consultant for social-justice advocacy organizations.

Pundits may be harping on a recession, but "I'm not hearing much from nonprofits themselves," says Tim Delaney, head of the National Council of Nonprofits. "They're dealing with the emergencies in front of them. Those are front and center in people's minds, and that's crowding out thinking about long-term issues."

The emergencies Delaney cites include demand on social services that's been increasing in recent years and was made more acute by the effects of the federal-government shutdown as they ripple through the country.

Others say anxieties of the past few months — about a volatile stock market and almost daily political upheaval, among other things — mean talk of recession blends into the white noise buffeting many groups. Antony Bugg-Levine, head of the Nonprofit Finance Fund, notes that the disruption on so many fronts makes it hard for nonprofit leaders to prioritize something as wonky as scenario-based budgeting in preparation for a recession.

"The milieu for people right now is a sense of disorientation," he says.

Short-Term Memories

At least some nonprofits aren't focusing on future dangers because the present remains relatively rosy. More than 2,200 organizations across the country pay into the Unemployment Services Trust to help manage unemployment claims filed by their workers — claims that can grow when the economy flags and layoffs follow. Yet Donna Groh, executive director of the organization, says many members balked this fall at their 2019 payment rates, unconvinced that the years of low unemployment claims are likely to end soon. They argued: "Well, gosh, my claims have been so good for the past two or three years. Why do you want us to put money into our reserve?"

"Memories," she says, "are very short-term."

No Retreat

Some groups, while concerned about a downturn, are sanguine about how they will ride out any rocky times. The stock market's swings and the economy were big topics at a retreat for the Defenders of Wildlife development staff — "I've never in my life spent so much time reading about the stock market," says Nina Fascione, vice president for philanthropy — but the organization is not retreating from fundraising goals or program aims. Fascione says the organization's development team is fully staffed, and the program side is hiring for new positions.

"Even if the worst should come, I have a lot of confidence that we'll be fine," Fascione says. "We are mindful of turbulent times, but we're not only staying the course, we're looking at how we can move initiatives forward."

The University at Buffalo's \$650 million campaign, which launched publicly last year, is running hot and shows no signs of cooling, says Rodney Grabowski, vice president for university advancement. After raising \$56 million last fiscal year, his team is on pace to top its 2019 fiscal-year goal of \$70 million. Based on its gift pipeline, the university aims to reach at least \$100 million in 2021.



UNIVERSITY OF BUFFALO

The University at Buffalo's capital campaign isn't slowing down. It hopes to reach \$100 million or more by 2021.

"My biggest issue? I need more staff," Grabowski says. "I'm asking for more staff this budget go-around."

David King, president of the Alexander Haas fundraising consultancy, says he's hearing similar reports from his clients in campaigns, many of whom are racing to raise as much money as they can before any slowdown. "Everybody is going full speed ahead," he says. "We haven't seen anybody backing off campaign planning or execution."

Effects on Giving

It's impossible to know how prepared the nonprofit field is for another downturn. The diversity of organizations means some groups will suffer more than others during a slowdown; a shelter that relies chiefly on public funds will likely fare worse than a university.

Also, all recessions aren't created equal, and they affect different parts of the country differently. The Great Recession, for one, packed a coast-to-coast wallop unlike other modern downturns, with two years of steep declines in charitable giving and an agonizingly slow return to normal. By contrast, total annual giving never dipped during the recessions of the early 1980s and early 1990s, according to "Giving USA."

"The data show giving doesn't typically drop off a cliff when there's a downturn," says Jane DiFolco Parker, Auburn University's vice president for development.

Delaney argues that small nonprofit organizations with little access to philanthropic dollars still have not recovered from the last recession. They are struggling simply to make ends meet in the face of increasing demand for services and public funding that lags pre-recession totals.

"We're long overdue for a recession to hit. And when it does, it will be very painful," he says.

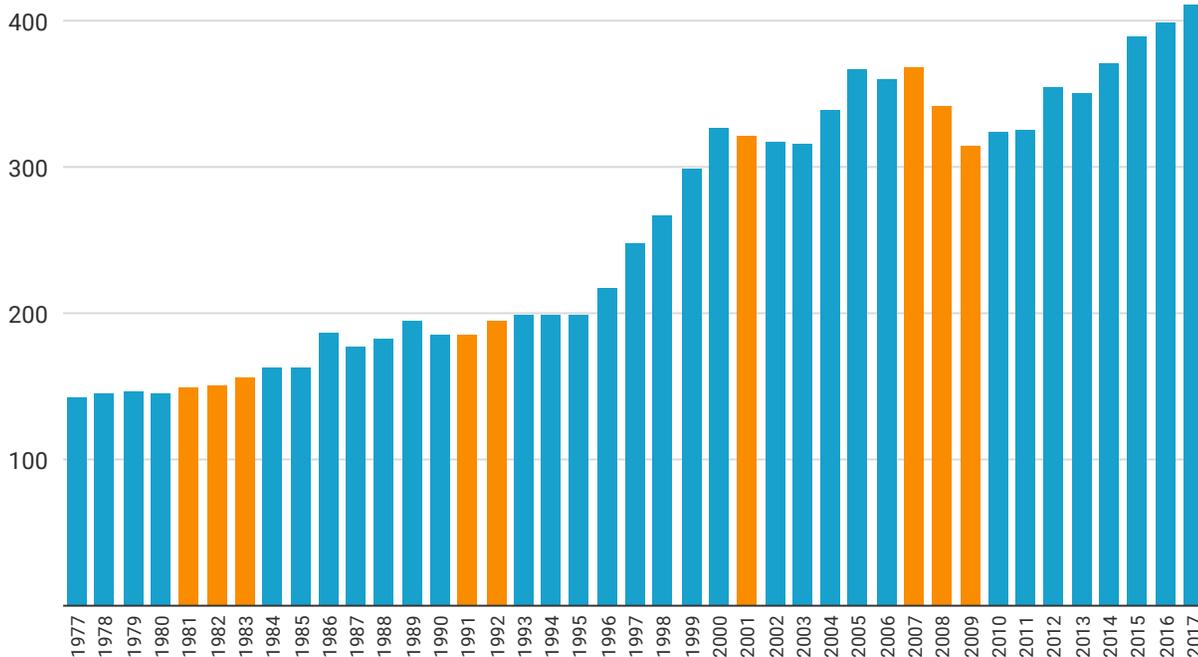
Some nonprofit leaders suggest that the Great Recession taught nonprofits lessons that could help them weather another economic downturn.

"We may be better prepared because leadership has that experience under their belts," King says. "They did some things in '08 and '09 that they would not do again. And there are some things they didn't do fast enough that they know now they need to act on quickly."

Bugg-Levine also says a growing number of foundations and nonprofits are strengthening their relationships through open discussion of financial strengths and weaknesses and what groups need to thrive. "All of that pays off in moments of crisis," he says.

Charitable Giving During Recessions (in billions)

Giving nationwide declined significantly during the Great Recession but changed little during other recent downturns.



Source: Giving USA Foundation • [Get the data](#) • Created with [Datawrapper](#)

Bolstering Reserves

The Weingart Foundation has been working to build such relationships since the darkest days of the Great Recession. At that time, it began doling out the bulk of its grants as general operating support to give groups flexibility to answer whatever needs they had. Since then, it says, grantees have been using these unrestricted dollars to help diversify their revenues and strengthen their fundraising operations — keys to riding out a downturn.

"We believe they are better prepared to weather something like a recession," says Fred Ali, Weingart's president.

From 2015 through 2018, Weingart also awarded \$937,500 in matching grants to groups that put money into their reserve funds. One recipient, Walden Family Services, has roughly tripled its reserves to \$1.5 million since 2010. The San Diego-area foster-care and adoption group received a \$200,000 grant from Weingart in 2016, including \$50,000 earmarked for its reserve funds.

It also used the money to help boost its fundraising staff from a half-time grant writer to four full-time staff members. Giving to the group has jumped from about \$500,000 in 2010 to nearly \$1.5 million in 2018, helping to diversify its revenue, which once came almost exclusively from government sources.

Teresa Stivers took the helm of Walden in 2010, a very dark time. Staff was being furloughed and laid off, the group had burned through an endowment, and expenses topped revenues. "Things were really desperate," she says.

Since then, the group has made a lot of financial moves hoping to fortify itself against the next downturn. "We really learned a lot," she says. "We're much better prepared to go into the next one."

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