COVID-19: THE EFFECTS ON MINISTRY GIVING

Deo Volente

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April 30, 2020

Deo Volente

WHO WE ARE AND WHAT WE DO

Deo Volente (www.deo-volente.org) is a 501(c)3 ministry focused on assisting ministries with strategy, research, and project initiation. Our work is non-fee based. Our intent is Kingdom growth. Our team's background is steeped in business, ministry, research, and project delivery. Our sole orientation is to add value to Kingdom ministries.

SURVEY

You are invited to participate in a 2 minute survey of mission organizations and churches, assessing their perspectives on present and future giving trends during the current economic conditions. The survey is being distributed to 3,900 organizations. Your input is valuable. We will share the overall results with you so you can compare your survey responses to those from organizations like you from across the country. **Your results will be confidential and anonymous at all times.**

https://www.surveymonkey.com/r/P7B8QQ7

******Responses are due: May 10, 2020******

ABSTRACT

The COVID-19 virus has disrupted our economy and our very lives. What will be the effect of the pandemic on the economy and on short-term/long-term funding of ministry?

While the world is focused on battling the health aspects of the COVID-19 virus, economic factors suggest that we are most likely headed into deep, long-term, severe territory economically. This will result in a long-term degradation of giving to faith-based organizations and the likely contraction/consolidation in the number of organizations. The current economic factors suggest the following:

↑↑ Recession for 6 months
↑↑ Recession (deep) – Long-term
↓ Deflation – Short-term
↑ Inflation – Long-term
↓ Employment – Long-term
↓↓ GDP – Short-term
↓ GDP – Long-term
-- Wages flat – Long-term
↑ Interest rates
↓↓ Corporate earnings
↑ Equity markets – Short-term
↓ Equity markets – Long-term
↑↑ National debt
↑ Taxes (debt service)
↓↓ Employment – Short-term

As stewards of the resources that God provides, we suggest that faith-based organizations take the following actions:

- Ready themselves for a potentially long-term negative turn in the economy.
- Take a conservative financial posture:
    - Protect financial assets.
    - Hold on unfunded capital projects.
    - Hold on long-term financial commitments.
- Do no spend more than they have. Economic indicators suggest that recovery will be difficult.
- Take strong measures early. Delays lead to more harm in the long run .
- Evaluate your mission. Stay close to the core calling.

God is Sovereign. There is no question that He will protect His Kingdom. He has appointed leaders, delegated responsibility, and freely disbursed wisdom. We praise Him!

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BACKGROUND

COVID-19. God, in His Sovereignty, has allowed this major disruption to enter our ministries, our economy, our very lives. Our focus is consumed with survival and the realities of dealing with a new normal. Things are confusing and fluid. We are faced with new information each day. There is little time to consider what lies ahead. Most ministry organizations do not have research functions to provide input to future decisions. We at Deo Volente do; that is our calling. The purpose of this paper is to share our thoughts on the economic dynamics of this time. Our intent is to provide (hopefully) helpful information that will position you to consider how current economic dynamics might affect the ministry that God has placed you in.

PURPOSE

We, at Deo Volente, are sobered by the economic dynamics that are setting up before us. We think that these dynamics could have short-term and long-term negative consequences for ministry organizations, both churches and mission organizations, that are stewards of the resources that God provides them. Our aim for this paper is to equip ministry organizations with a perspective of the economic dynamics setting up before us, how those dynamics interact with each other, and possible outcomes or implications that await us. For most of us, there has been an economic disruption. For most of us, a deeper disruption awaits. How deep will that disruption be? How long will it last? What will be the effects on ministry giving? These are questions that we each have, but they are questions that remain unanswered.

As a naton we are in uncharted territory. We have never had such a rapid shutdown of our economy. Federal relief and stimulus packages have never been of the magnitude that we have seen. The effects of the economics are broadly global. Resultingly, economists are hesitant to give definitive opinions of the future.

The uncertainty of economic forecasts contrasts sharply with the certainty of God's sovereignty. God has appointed leaders and given them wisdom. Leaders look at the dynamics around them, interpret, and set, or adjust, directions. It is important that we consider the future and that we position ourselves accordingly. The purpose of this paper is to assist you in that process.

We conducted this research to explore the following questions:

1. *What effects will the COVID-19 virus situation have on ministries, ministry giving, and long-term sustainability?*
2. *How should ministry organizations respond?*

METHODOLOGY

We have reviewed a vast amount of data and opinions regarding the effects of the Shelter-in-Place orders, temporary closing of businesses, economists' outlooks, and the like. Our research has taken us to personal interviews with recognized names in economics and a review of the opinions of organizations like the International Monetary Fund (IMF), US Bureau of Labor, The Brookings Institute, the Government Accounting Office (GAO), the Organization for Economic Cooperation and Development (OECD), Barna, American Economic Journal, the Wilson Center for Social Entrepreneurship, J.P. Morgan, and many others.

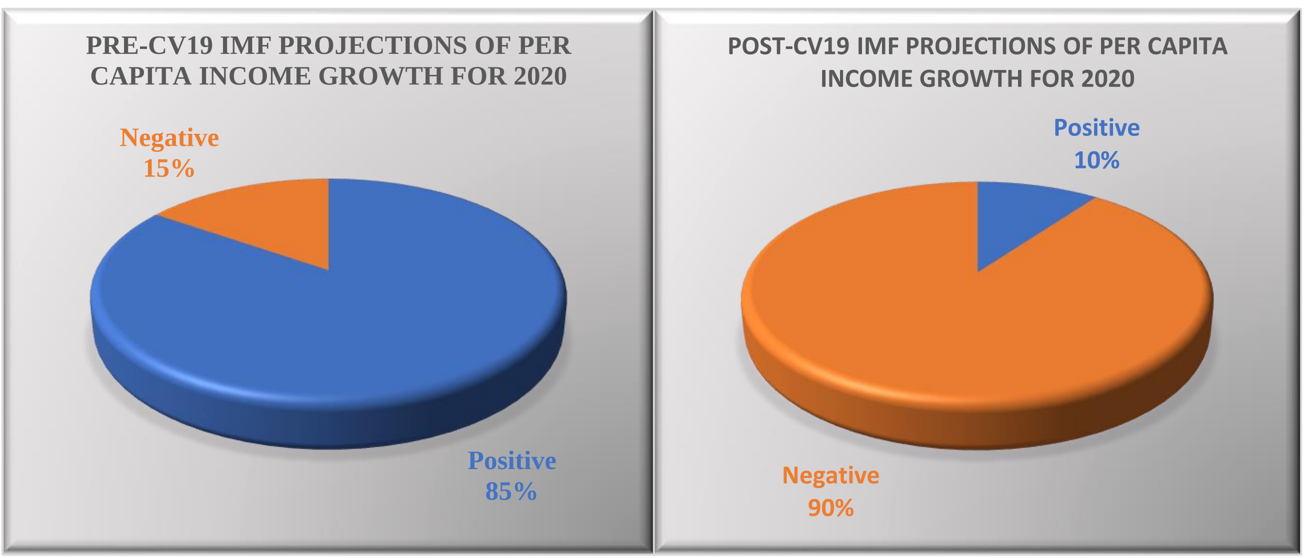
We are not economists, but we are practical, pragmatic, and objective in our thinking. We look at the data, look at the relationships between logical "systems," and draw a range of rationale conclusions. At times we make predictions of future economic indicators not as a declaration of what will be, but what could likely be. Our work is done under the purview of the Holy Spirit…ala: Deo Volente (l. "Lord-willing"). Our role in the body is to look ahead, think, and guide. We view the work of this paper as iterative since the economic implications of the pandemic are fluid, much like predictions regarding the COVID-19 virus itself, with changes daily.

THE ECONOMIC SCENARIO

The Global Perspective

Prior to the COVID-19 pandemic, forecasts for the global and domestic economies were optimistic. According to the OECD, the anticipated 2020 growth in global gross domestic product (GDP) was raised in November 2019 to 3.3 percent.[1] Figure 1 reflects that prior to the pandemic the IMF had forecast positive per capita income growth in over 160 of its 189 member countries. But according to Kristalina Georgieva, Chairwoman and Managing Director of the IMF, the pandemic "…has disrupted our social and economic order at lightning speed on a scale that we have not seen in living memory."[2] Now, the IMF anticipates a negative per capita income growth in over 170 member countries.

Figure 1: Pre- and post-CV19 projections of per capita income growth for 2020



[1] "Coronavirus: The World Economy at Risk." OECD Interim Economic Outlook. March 2, 2020. Laurence Boone, OECD Chief Economist. https://www.oecd.org/economic-outlook/.

[2] "IMF chief flags up grim global economic forecast." The Guardian. Larry Elliot. April 9, 2020. Available at https://www.theguardian.com/business/2020/apr/09/imf-chief-flags-up-grim-global-economic-forecast-covid-19.

A report by the King's College in the UK and the Australian National University estimates that between 6-8 percent of the world's population, *approximately half a billion people*, could be thrust into poverty.[3] Although the negative effects are nearly universal, emerging markets will be disproportionally effected. All this culminates into a grim expectation of the worst global economic fallout since the Great Depression.

The Domestic Situation

There is perhaps no greater measure of the impact on the domestic economy than the increase in unemployment claims. In early March, new jobless claims had reached the low 200,000s, a 50 year low, but in the month spanning the last two weeks of March through the first two weeks of April, they shot up to 3.3 million, 6.8 million, 6.6. million, and 5.3 million.[4] The total nonfarm employment fell sharply in March by just over 700,000 jobs.[5] In an interview with CNBC, former head of the Federal Reserve Janet Yellen estimated that the current unemployment rate has mushroomed to 13 percent from its record low of 3.6 percent just one month ago. Another estimate is even higher, ranging from 15-20 percent.[6] This is consistent with another forecast for the unemployment rate to hit 19.1 percent by the fall.[7] Economists from J.P. Morgan Chase anticipate that the 2nd quarter unemployment rate will rise to 20 percent and the GDP will decline by an annual rate of 40 percent,[8] which equates to approximately a 12 percent drop in the second quarter.[9] Most of these lost jobs were hourly and part-time workers in the retail and service sector which are considered short-term, and therefore quickly recoverable, losses. As time progresses, however, the lost jobs wave is expected to hit more permanent salaried positions.[10]

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[3] "Covid-19 economic fallout may push half billion people into poverty: Report." Business Standard. April 9, 2020. Available at https://www.business-standard.com/article/current-affairs/covid-19-economic-fallout-may-push-half-billion-people-into-poverty-report-120040901138_1.html.

[4] "News Release," Bureau of Labor Statistics. April 9, 2020. See https://blog.dol.gov.

[5] "Frequently Asked Questions: The impact of the coronavirus (COVID-19) pandemic on The Employment Situation for March 2020." U.S. Bureau of Labor Statistics. April 3, 2020.

[6] "Unemployment Claims Soar Over 26 Million Within Five Weeks Amid Pandemic." The Federalist. April 23, 2020. Tristan Justice. Available at https://thefederalist.com/2020/04/23/unemployment-claims-soar-over-26-million-within-five-weeks-amid-pandemic/.

[7] The Financial Forecast Center. Available at https://www.forecasts.org/unemploy.htm.

[8] "JPMorgan predicts staggering 40% GDP drop, 20% unemployment in 2nd quarter." DISRN. Adam Ford. April 12, 2020. Available at https://disrn.com/news/jpmorgan-predicts-staggering-20-unemployment-40-gdp-drop-in-2nd-quarter.

[9] "CBO's Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021." Congressional Budget Office. April 24, 2020. Phill Swagell. Available at https://www.cbo.gov/publication/56335.

[10] "5 million more unemployment claims expected, but layoffs are now broader and could be more permanent." CNBC Market Insider. Patti Domm. April 8, 2020. Available at https://www.cnbc.com/2020/04/08/five-million-more-unemployment-claims-expected-but-now-layoffs-could-be-more-permanent.html.

The Great Recession and the COVID-19 Pandemic

JP Morgan Chase, the largest U.S. bank, predicts that the pandemic will usher in a deep recession followed by financial stress similar to the 2008 global financial crisis, or the Great Recession.[11] Figure 2 indicates that the GDP decreased 3.98 percent from $15,762 billion (2012) in 2007Q4 to its low of $15,134 billion (2012) six quarters later in 2009Q2, at the time the largest decline since World War II,[12] The J.P. Morgan comparison to the Great Recession appears conservative given their own staggering estimate of a 12 percent drop in the GDP in 2020Q2, *just over 4 times that of the Great Recession in approximately 1/6^th time.* The U.S. Bureau of Economic Analysis reports that the first quarter drop in the GDP was 4.8 percent, beyond the anticipated drop of 3.5 percent, and the largest since 8.4 percent plunge in the fourth quarter of 2008.[13] The J.P. Morgan estimates for the 2020Q2 GDP are consistent with those of the Congressional Budget Office (CBO), which anticipates a "V" type recovery with GDP reaching $18,096 billion by 2020Q4.[14]

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[11] "U.S. was not adequately prepared for pandemic, says J.P. Morgan CEO Jamie Dimon." Market Watch. April 7, 2020. Ciara Linnane. Available at https://www.marketwatch.com/story/us-was-not-adequately-prepared-for-pandemic-says-jp-morgan-ceo-jamie-dimon-2020-04-06.

[12] "The Great Recession." Federal Reserve History: December 2007-June 2009. Robert Rich, The Federal Reserve Bank of Cleveland. Available at https://www.federalreservehistory.org/essays/great_recession_of_200709.

[13] "US GDP shrank 4.8% in the first quarter amid biggest contraction since the financial crisis." CNBC Markets. Jeff Cox. April 29, 2020. Available at https://www.cnbc.com/2020/04/29/us-gdp-q1-2020-first-reading.html.

[14] "CBO's Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021." Congressional Budget Office. April 24, 2020. Phill Swagell. Available at https://www.cbo.gov/publication/56335.

Figure 2: Gross Domestic Product (2012 Dollars) during the Great Recession and the pandemic.

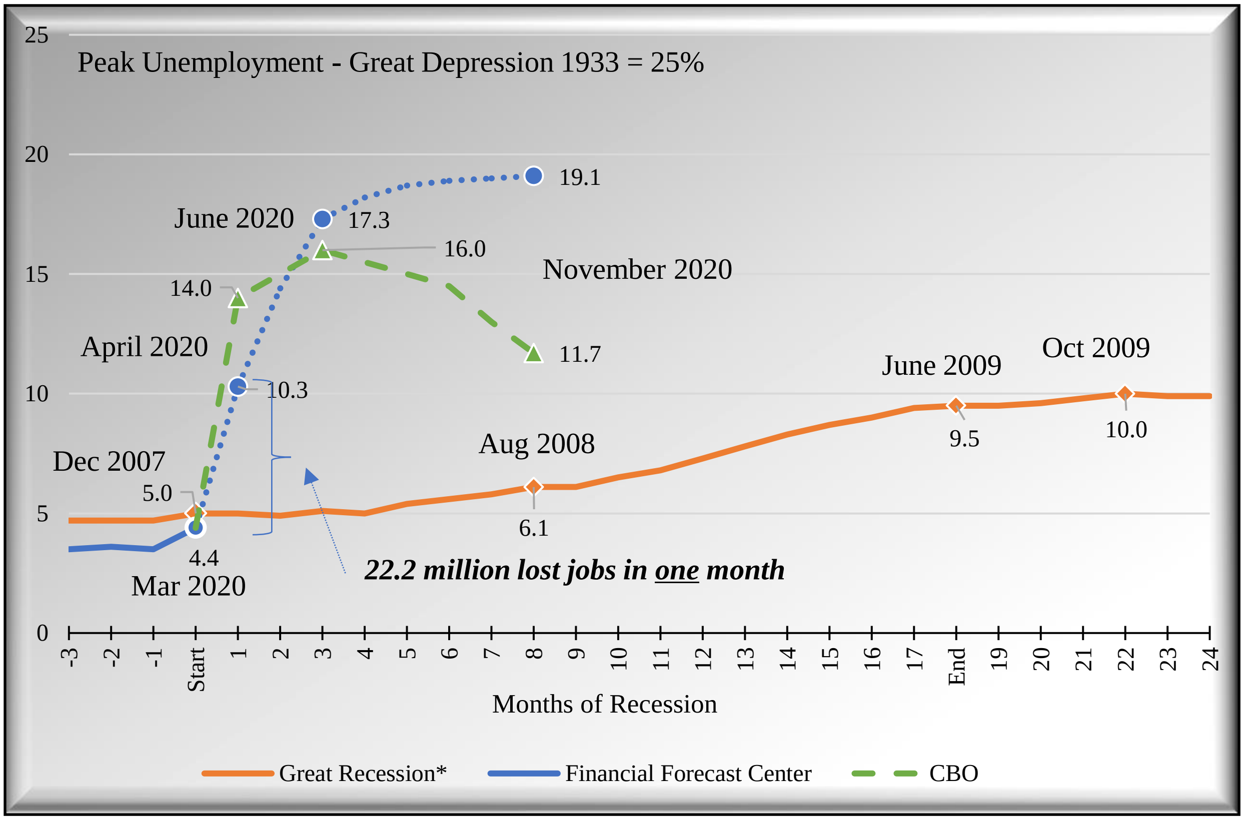
* U.S. Department of Commerce Bureau of Economic Analysis
**Congressional Budget Office

Figure 3 reflects the stark contrast between the unemployment trajectories of the Great Recession and two predictions as a result of the pandemic. The unemployment rate in December 2007, the official start of the Great Recession, was 5.0 percent, rising gradually to 9.5 percent by its official end in June 2009 and extending to 10.0 percent in October 2009.

The unemployment rate in March 2020 ticked up to 4.4 percent from a record low of 3.5 percent in February 2020. The dashed lines represent predictions moving forward. According to the Financial Forecast Center, unemployment is predicted to reach 10.3 percent for April, continuing quite steeply to 17.3 percent in June, levelling off thereafter to 19.2 percent by November 2020, short of the highest unemployment rate of almost 25 percent in 1933 during the Great Depression. The predicted unemployment rate from the Congressional Budget Office (CBO) rises steeply to 14.0 percent in April, leveling off to 16.0 percent in June and decreasing gradually to 11.7 percent in November.

Figure 3 gives a visual representation of the intensity of the pandemic shock to the economy. During the Great Recession, it took 20 months for the unemployment rate to grow by a factor of 2 (5.0 percent in December 2007 to 10.0 percent in October 2009). According to the Financial Forecast Center, the unemployment rate *will have grown by a factor of 2.3 in one month, and by a factor of 3.2* according to the CBO projections. Regardless of which predicted trajectory proves more accurate, the entire growth in number of jobs in the 11 years since the Great Recession (22.2 million) have been wiped out *in just four weeks*.[15]

Figure 3: US unemployment rate before, during, and after the Great Recession and so far in the pandemic.



* Source Data – Bureau of Labor Statistics
** Source Data – The Financial Forecast Center

The implications of a dramatic rise in the unemployment rate ripple throughout the economy. Fewer people working results in a decrease in spending and the tax base, which has a negative effect on government spending on the social safety net. Even the liquidity of pension plans is threatened.

An Uncertain Path to Recovery

The recovery from any economic downturn is the subject of intense discussion among politicians and economists. Complicating these discussions this time around is the uncertainty about the recovery from the cause of the downturn in the first place. If the global economies were left to

[15] The US Economy has Erased Nearly all the Job Gains since the Great Recession." Stocks News Feed. April 16, 2020. Available at https://stocksnewsfeed.com/cnbc/the-us-economy-has-erased-nearly-all-the-job-gains-since-the-great-recession/.

their own accord, they would have most likely kept growing. Government imposed quarantines, travel bans and restrictions, and closed public spaces have shaken the fundamental structures of both the supply (factory closures, cutbacks in services, supply chain disruption) and demand (loss of confidence, travel, education and entertainment services) aspects of the economy.[16] This means that the fundamentals of the economy are, or were, good, which would lead one to expect a "V" type recovery such as that anticipated by the CBO. But the longer the government-imposed restrictions stay in place, the deeper the cut in the fundamentals of the economy, the more likely the recovery will follow a "U" pattern similar to the Great Recession.

The first step to economic recovery is to re-open society by lifting quarantines and restrictions in such a way as to not create a second wave of the pandemic. According to the Edmond J. Safra Center for Ethics at Harvard University, these government policies are in turn contingent upon a massive investment in testing to 20 million per day by July, coordinated with a tracing and warning program that would dictate individual quarantining and isolation.[17] Clearly this is not an economic question at its heart. The typically esoteric and passionate discussions among economists and politicians are for the first time contingent upon health care professionals who are warning of the dangers of a resurgence and second waves. We are in brand new territory, weighing the potential costs of a pandemic versus those of a prolonged economic shutdown. Filippo Grandi, the UN High Commissioner for Refugees suggests that the social and economic impact of the coronavirus on refugees could be worse than the virus itself.[18] The extent to which the same is true for other populations of the globe is difficult to determine, but a pressing question nonetheless.

Meanwhile, there have been strong centralized responses in an attempt to ameliorate the effects of the pandemic. Central banks and governments globally have infused money into their economies to support effected workers and businesses. The Federal Reserve has implemented a broad array of policies to limit the economic damage of the pandemic including up to $2.3 trillion in lending to support households, employers, financial markets, and state and local governments.[19] It also reduced the federal funds interest rate to near zero, a benchmark for short-term rates, and eventually affects long-term rates such as mortgages.

The federal legislature passed the $2.3 trillion relief package, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the largest of its kind in American history, designed to help families and struggling businesses.[20] The package includes up to $1,200 for eligible Americans, a generous expansion of unemployment benefits, paid family and sick leave, mortgage and renter

[16] "Coronavirus: The World Economy at Risk." OECD Interim Economic Outlook. March 2, 2020. Laurence Boone, OECD Chief Economist. https://www.oecd.org/economic-outlook/.

[17] "Roadmap to Pandemic Reslience: Massive Scale Testing, and Supported Isolation (TTSI) as the Path to Pandemic Resilience for a Free Society." Emond J. Safra Center for Ethics at Harvard University. April 20, 2020.

[18] "UNHCR warns social and economic consequences of pandemic may be worse than health impact." Euronews. March 10, 2010. Anelise Borges. Available at https://www.euronews.com/2020/04/10/unhcr-warns-social-and-economic-consequences-of-pandemic-may-be-worse-than-health-impact.

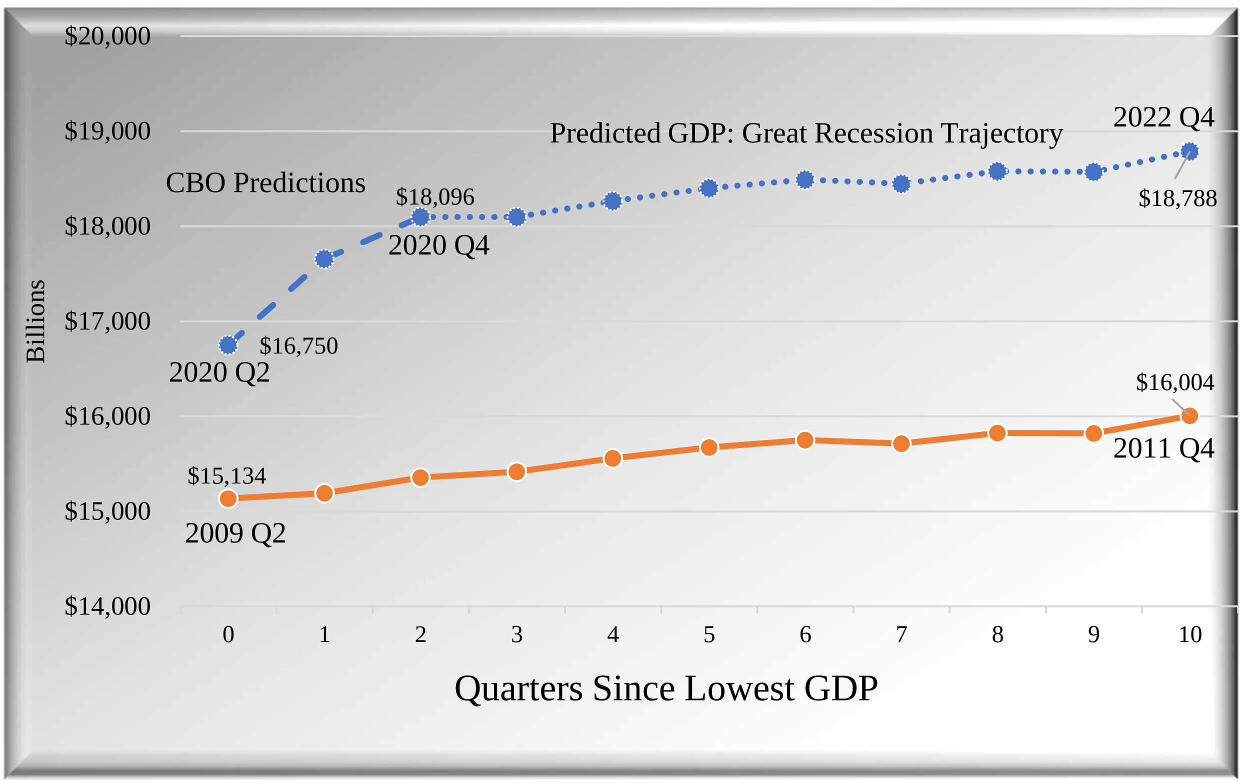
[19] "What's the Fed doing in response to the COVID-19 crisis? What more could it do?" The Brookings Institute. April 9, 2020. Available at https://www.brookings.edu/research/fed-response-to-covid19/.

[20] "Your Guide To The Federal Stimulus Package." Forbes. Kelley Ann Smith. March 27, 2020. Available at https://www.forbes.com/sites/advisor/2020/03/27/your-guide-to-the-federal-stimulus-package/#751e70e52711.

relief, student loan relief, and retirement relief changes. On March 24th, 2020, President Trump signed into law expenditures of another $484 billion designed to bolster small businesses and hospitals as well as coronavirus testing.[21]

What does this mean in terms of the growth of the economy? Forecasts are inherently flawed, but the exercise can provide guidelines for expectations regarding the path to recovery. Figure 4 depicts two predicted growth rates of real GDP from its estimated 2020Q2 value of $16,750 billion based upon two scenarios. First, it uses the projected values provided by the CBO through 2020Q4. Thereafter, it bases growth upon the same growth rates after the Great Recession which was quite slow, growing to $16,004 billion after 10 quarters, a growth of only 5.75 percent over this period. Projecting this same growth rate after 2020Q2 leads to $18,788 billion ten quarters later in 2022Q4, still below the pre-pandemic value of $19,222 billion in the last quarter of 2019. Note that a very important assumption behind both these predicted trajectories of real GDP after the pandemic is that the GDP will begin to grow after the initial shock of 2020Q1. Based upon the discussion above about when and how government restrictions may be lifted, this may be an optimistic assumption. Similarly, the CBO projection for the GDP in 2021 at $21.3 trillion could very likely prove optimistic as it is considerably higher than the $18,788 trillion at the end of 2022 shown in Figure 4.

Figure 4: Real GDP growth predictions (2012 Dollars).

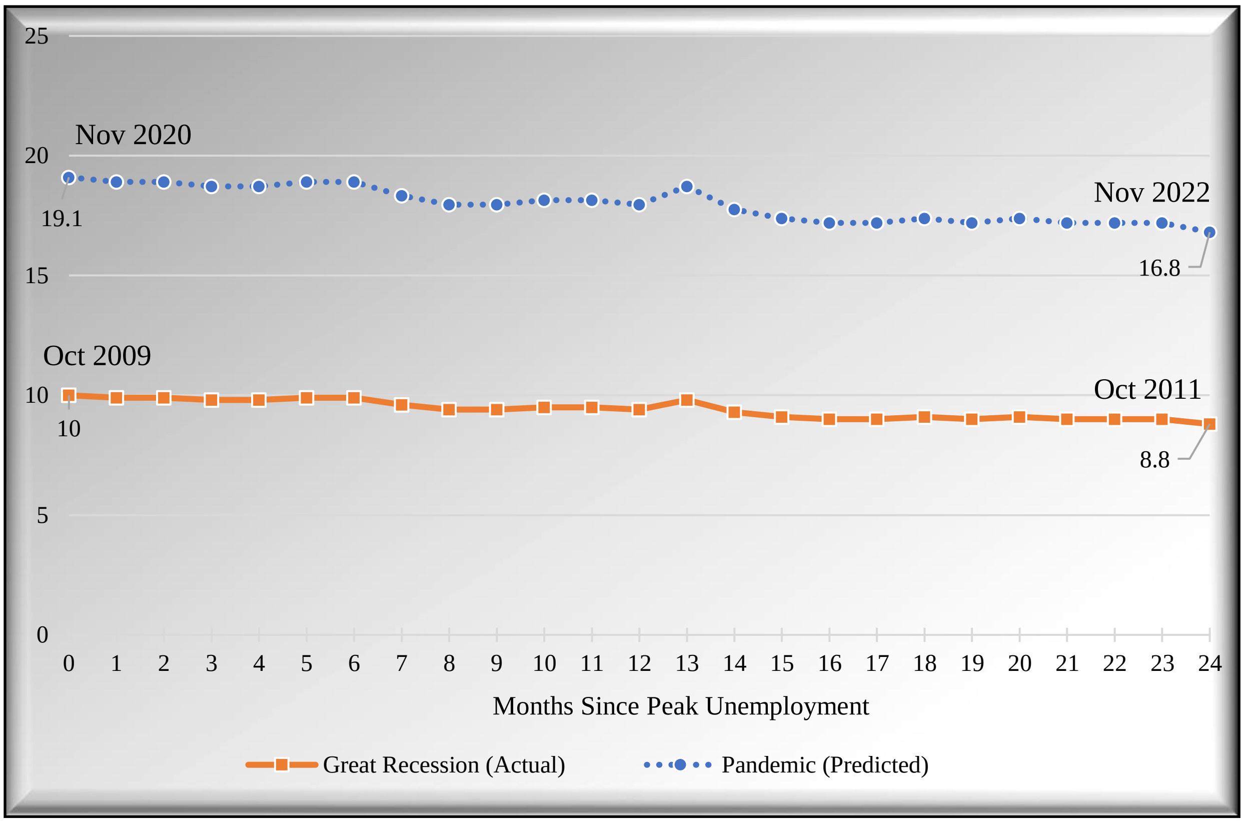


* Bureau of Labor Statistics

[21] "Senate passes $484 billion coronavirus bill for small business and hospital relief, testing." CNBC. April 21, 2002. Available at https://www.cnbc.com/2020/04/21/coronavirus-senate-passes-484-billion-small-business-relief-bill.html.

Predictions of the unemployment rate moving forward after the pandemic are similarly difficult, but illustrative nonetheless. Figure 5 shows the predicted unemployment rate from its estimated value of 19.1 percent in November 2020. Assuming this will be the peak unemployment rate, it will decrease to 16.8 percent by November 2022 if its downward trajectory matches that of the recovery from the Great Recession. This most likely is a conservative estimate of the decline in the unemployment rate. However, even if it is off by 100 percent, the predicted unemployment rate by November 2022 would be 14.5 percent, well above the peak unemployment rate of the Great Recession (10.0 percent) and over 4 times the rate of 3.5 percent immediately prior to the pandemic.

Figure 5: Predicted unemployment rate after pandemic.



The Looming National Debt

Part of the already murky picture is that the U.S. government was in serious need of rethinking its fiscal management of the economy before the crisis. The federal debt in fiscal year 2019 increased to $16.8 trillion, or 79 percent of GDP. A startling figure in consideration of the fact that the federal debt since 1946 has averaged just 46 percent of GDP.[22] At the rate of growth of the debt – *prior to the COVID-19 pandemic* – payments on just the interest alone on the debt was projected to be the

[22] "An Annual Report to Congress: The Nation's Fiscal Health. Action is needed to Address the Government's Fiscal Future." Government Accounting Office: GAO-20-403SP. March 2020.

largest item in the federal budget by 2049. This begs the question: how much closer is this date as a result of the coronavirus stimulus package which pushed the national debt to an estimated $24 trillion? If we do not decrease federal spending, debt service will be funded through additional debt, raising our fiscal liability and interest costs, which will lead to tax hikes to service the debt. Increased taxes, in turn, result in lower earnings for corporations, yielding lower stock prices, and less spending power for the consumer, yielding lower spending and a dropping GDP. The legislature has taken strong steps that most consider needed to shepherd the economy through the devastating short-term effects of the pandemic.[23] More money in the economy, however, means a risk of inflation, set to decrease due to lower interest rates and demand in 2020, but predicted to become an issue in 2021.

Table 1 provides perspective about how debt has ballooned in recent years. In 2000, the gross national debt was 55 percent of the GDP. Just 10 years later, in the wake of the Great Recession, it had risen to 90 percent, and 106 percent by 2019, just before the pandemic. Given the massive injection of funds into the economy through the CARES Act and the follow-up stimulus, combined with the projections for the sizable decrease in the GDP, debt as a percentage of GDP will increase dramatically. As shown in Table 1, the ratio could reach as high as 122.5 percent according to estimates from the CBO and CNBC Markets.

Table 1: National debt and Nominal GDP (unadjusted for inflation)

Year	Nominal GDP (Trillions $)*	Gross National Debt (Trillions $)**	Debt as a % of GDP
2000	10.25	5.6	55%
2010	14.99	13.56	90%
2019	21.43	22.8	106%
2020 Estimated	20.4[24]	Up to 25.0 [25]	Up to 122.5%

* U.S. Bureau of Economic Analysis.
** U.S. Treasury

[23] "A senior economist says the $2 trillion stimulus bill 'is not going to be big enough' to fight the oncoming recession." Business Insider. Paul Constant. April 16, 2020. Available at https://www.businessinsider.com/senior-economist-says-2-trillion-stimulus-bill-isnt-big-enough-2020-4.

[24] "CBO's Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021." Congressional Budget Office. April 24, 2020. Phill Swagell. Available at https://www.cbo.gov/publication/56335.

[25] "The government budget deficit is about to explode to fight the coronavirus." CNBC Markets. Jeff Cox. March 23, 2020. Available at https://www.cnbc.com/2020/03/22/government-budget-deficit-is-about-to-explode-to-fight-the-coronavirus.html.

THE EFFECTS ON MINISTRY ORGANIZATIONS

Effects on Donations

What can churches expect in terms of reduced donations in the wake of the pandemic if the Great Recession is any guide? The sheer magnitude of the rise in unemployment relative to the Great Recession suggests that, at least in the short-term, the pandemic will impact churches and mission organizations significantly more. According to the “State of the Plate” survey sponsored by Christianity Today International, 29 percent of churches in the United States in 2008 reported a drop in donations followed by 38 percent in 2009. See Figure 6. Although this is substantial, it pales in comparison to nonprofits in general, over 60 percent of which saw their donations decrease.[26] The magnitude of the drop in church donations was approximately 2 percent or more, remarkably lower than the 10.2 percent decrease among nonprofits that were classified more generally as “Religion Related, Spiritual Related” in a research effort by the Urban Institute.[27] Since mission organizations fall into this category, it follows that they do not fare as well as churches in the wake of an economic downturn.

Churches fair better than nonprofits in general in part due to the trend that during challenging economic times, people tend to turn to their faith which is associated with increased giving.[28] Conversely, in times of economic well-being, as was the case prior to both the Great Recession and the pandemic, people tend to turn away from religious observance which is associated with a decrease in funding. These trends explain in part the small decreases of funding experienced by churches relative to other nonprofits in the wake of economic turmoil. To the extent that the same dynamic does not apply to mission organizations, they can expect a deeper dip in giving relative to churches.

The effects of economic difficulties vary by type of church. Mainline protestant, evangelical, and Black Protestant churches did not experience the drop in donations that other denominations did. [29] However, recovery from economic difficulties of churches lags that of their secular counterparts. By 2012, giving to nonprofits in general had increased more quickly relative to churches.[30]

A unique aspect of the pandemic is the disruption to business as usual. For those with the capacity to do so, churches have been streaming services. In a survey of over 400 protestant church leaders

[26] GuideStar USA, Inc. (June 2010). The Effect of the Economy on the Nonprofit Sector: A June 2010 Survey. Retrieved from http://www2.guidestar.org/news/publications/nonprofits-andeconomy-June-2010-survey.pdf

[27] “The Impact of the "Great Recession" on the Financial Resources of Nonprofit Organizations.” Wilson Center for Social Entrepreneurship. Academic, Policy, and Research Papers. Paper 5. 8-31-2011. Joseph C. Morreale. http://digitalcommons.pace.edu/wilson/5

[28] “Religious Beliefs, Religious Participation, and Cooperation.” American Economic Journal: Microeconomics vol. 4, no. 3, August 2012. Gilat Levy and Ronny Razin.

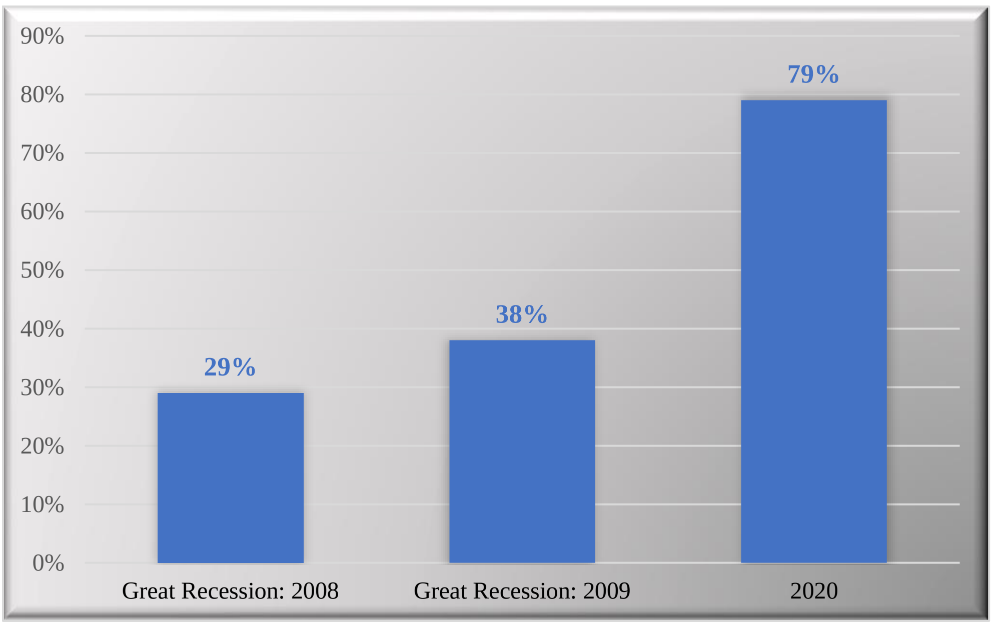
[29] “Excessive affluence can lead to the loss of religious values, even for those who retain at least some form of affiliation with a church.” Journal of Behavioral Studies in Business Volume 8 – February, 2015. Rutherford Cd. Johnson.

[30] “Religious Beliefs, Religious Participation, and Cooperation.” American Economic Journal: Microeconomics vol. 4, no. 3, August 2012. Gilat Levy and Ronny Razin.

in late March, 39 percent responded that the online attendance was less than their regular in-person attendance, and 79 percent, *more than double the rate experienced during the Great Recession*, reported that their donations were either significantly or slightly down relative to a typical week.[31] See Figure 6. Another study found that more than half of Protestant churches have already experienced a significant drop in giving.[32] These findings affirm the expectation that the negative effects of the pandemic will *exceed, perhaps dramatically,* those of the Great Recession.

At the same time, demand for services only increases during an economic downturn as well as during times of pandemics, especially among the poor.[33] The hourly workers, already with less savings and greater vulnerability, are the first to lose their jobs. This will challenge us as a nation and as Christians to come to the aid of those in most need in our nation and around the world.

Figure 6: Percent of churches reporting a drop in donations.



The evidence suggests that the effects of economic downturns affect church-planting efforts. According to City Vision, church planting in the U.S. can be expected to be greatly curtailed during major economic downturns on the order of the Great Depression and Great Recession. Encouragingly, church-planting experiences tremendous growth in the wake of economic downturns.

At this time a small percentage of churches feel their survival is threatened. Approximately 6 percent of church leaders reported that they were unsure or not confident that their church would survive the pandemic.[34] This is similar to the threat to the survival to nonprofits in general during

[31] "Church Leader Survey Results." Barna Church Pulse. March 20-30, 2020.

[32] "Is It Manna from Heaven, Money from Washington, or Both?" Kate Shellnut. Christianity Today. April 7, 2020.

[33] "Pandemics and the poor." The Brookings Institute. June 19, 2017. Ben Oppenheim and Gavin Yamey. Available at https://www.brookings.edu/blog/future-development/2017/06/19/pandemics-and-the-poor/.

[34] "Church Leader Survey Results." Barna Church Pulse. March 20-30, 2020.

the Great Recession, which was not as great as might have been expected. Just 5 percent of charities with at least $50,000 in revenue in 2008 were gone by 2012, only slightly higher than the 'death' rate of 4.8 percent in the years leading up to the Great Recession.[35]

Unlike the government response to the Great Recession, churches and mission organizations were eligible to receive guaranteed loans through the CARES Act. But whether to participate was a controversial issue that was the focus of much discussion. Even if they did decide to partake, it is a one-time infusion of resources that will only last in the short-term.

In summary, there is strong evidence that the pandemic-induced economic retraction – and the effects on churches – will be deeper and longer lasting than those of the Great Recession. Secondly, the effects on mission organizations will likely be multiples of the effects on churches. While one study suggested a decrease in funding on the order of 2 percent on churches, another reported almost 11 percent for all religious type organizations, under which both churches and mission organizations fall. This suggests that the decrease for mission organizations exceeded 11 percent after the Great Recession. Lastly, the evidence shows that donations to religious nonprofits do not recover from economic downturns as quickly as their secular counterparts.

What Do We Do?

While we are not predicting with certainty a doom-and-gloom position, we do see a set of negative factors aligning that will most likely create short-term, and perhaps even long-term, financial stresses for ministry organizations. As a people, we will be faced with decisions that we have not faced before. What do we cut from the national budget? What is our position as a people in helping the increasing number of people that can't make ends meet? How do we view our investments? Do we see things going back to "normal," or do we see strong negative pressures on financial and equity markets? If so, where will our constituents find the funds to contribute to our ministries?

In Genesis chapters 41-45 we see Joseph and Pharaoh interacting. Joseph predicted seven years of abundance, followed by seven years of famine. Pharaoh trusted Joseph and believed what he could not see. As a result, Egypt stored the provisions that resulted in the saving of their nation and the opportunity to feed the nations around them. Over the past several years, we have witnessed one of the greatest times of prosperity and economic growth in our lifetime. Now, we face a significant downturn, a famine, in a sense. What do we do about it as a Church? How do we deploy the good wisdom that God gave us to not only protect His Kingdom, but be a blessing to those around us?

Several things come to mind. We ask God for wisdom (James 1:5). No one can predict the future. But, we can each look at our circumstances and the dynamics evolving around us. Our interpretations may be different from each other. That is OK. The important thing is to consider a position, then align your actions around that position. Given the thoughts that we have expressed in the sections above, our recommended actions include the following:

[35] "The Impact of the Great Recession on the Number of Charities." National Center for Charitable Statistics. July 2013.

- **Consider a hold on capital projects.** Preservation of capital will be essential for many ministries. But, proceed with capital projects if you do not have a funding concern. Inflation is bound to set in and interest rates will rise.
- **Evaluate your mission.** Stay close to your organization's core calling.
- **Protect financial assets.** Equity markets may rise temporarily in the short-term after the economy restarts, but may experience long-term negative pressures. Consider the investment choices that you make.
- **Consider the importance of social services.** When people are hungry or under duress, they need solutions for their immediate problems…before they are ready to listen to the Gospel. "Reach them through their stomachs."
- **Do not get into long-term financial commitments unless you are assured of funding sources.** A negatively moving economy is not one to bet on as a future income source.
- **Deep roots in the community will garner long-term support.** People generally support organizations that have a close tie to them. Deep roots, strong long-term support. Shallow roots, significant risk.
- **Retain a strong tie with your main contributors.** Typically, a few contributors fund the bulk of ministry. Ensure that your main donor base is on board with you.
- **Consolidation.** Times of financial stress prompt collaboration, sharing, consolidation. We are stronger together than we are independently. If you find that you are under significant financial stress, consider consolidation with a like-minded organization.
- **Ensure that you are not spending more than you are taking in.**. Better to take the pain early, then to incur long-term, deeper destruction to the organization, with potentially more harm to people.
- **A time for people to step up.** Do not rely on government programs. God has built the capacity within His Kingdom to care for one another.

What's Next?

You are invited to participate in a 2 minute survey of mission organizations and churches, assessing their perspectives on current and future giving trends given current economic conditions. The survey is being distributed to 3,900 organizations. Your input is valuable. We will share the overall results with you so you can compare your survey responses to those from organizations like you from across the country. **Your results will be confidential and anonymous at all times.**

https://www.surveymonkey.com/r/P7B8QQ7

******Responses are due: May 10, 2020******

AUTHORS

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Lee has over 20 years of experience in research, analytics, and evaluation in multiple capacities. With a background in mathematics and education, he has worked with school districts, universities, states, and the federal government to craft education policies and legislation for underserved populations. He seeks Kingdom advancement through the analysis and application of key data for churches, mission efforts, and ministries. Lee holds a doctorate from Harvard University.

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Ray has an extensive ministry and business background having served in key leadership roles in a Fortune 10 company and as the founder Deo Volente, and two consulting firms. An active member of the evangelical community, he has served as the chair/board member of multiple faith-based nonprofits, Bible teacher, prayer counselor, and overseer of church planting and evangelistic efforts overseas. His leadership and business experiences are being utilized to strategically support ministries around the world in their God-given callings. Ray holds a BS/MS from the University of Illinois and attended the Advanced Business Institute of Harvard Business School.

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John is a researcher and strategist of over 30 years in the areas of churches, ministries, church planting, world religions, and people groups. His work has been published, quoted, and utilized by churches and ministries both nationally and internationally. As founder of a faith-based nonprofit and educator, he has taught college and graduate courses and seeks to contribute to the fulfillment of the Great Commission through his investigative work. John holds a D. Min. from Bethel University.