

MINISTRY METRICS

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2.26.20



Faith-Based Finance Collaborative

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There are three things needed in order for you to receive CPE credit for the course you are attending:

1. Sign the sign-in sheet for each course.
2. At the end of each course, you will receive a reminder to complete your course survey, and it will have a link to all surveys. Please only fill out the one for the course you just attended. You can also do this after the event if you don't have time in between sessions. And PLEASE don't forget to include your name, so we will know who to give credit to.
3. There will also be printable certificates available for you to download at the end of the conference. Please be sure to attend our last session to find out more!

Without these items we are not properly able to credit you for this course.

SESSION OBJECTIVES

At the end of this session you will be able to:

- Understand the Biblical Support for Ministry Metrics
- Learn how to Measure Your Financial Health
- Acquire Innovative Ministry Metric Concepts



BIBLICAL SUPPORT FOR MEASURING MINISTRY IMPACT

GOD'S NUMBERS PRECISION IN THE OLD TESTAMENT

- Noah and the Ark
- Joseph and the Egyptian famine
- Solomon building the temple
- Nehemiah rebuilding the walls

GOD'S NUMBERS PRECISION IN THE NEW TESTAMENT

- Feeding of 5,000
- The catching of fish after resurrection
- Parable of the Talents
- Parable of the Oil Lamps



MEASURING YOUR MINISTRY'S FINANCIAL HEALTH

MEASURING FINANCIAL HEALTH

Here are some questions with which you may struggle:

- How do our financial resources compare with other ministries?
- What are the most appropriate key performance indicators?
- Does my organization have adequate financial resources to accomplish its mission?
- Is my organization accomplishing its strategic goals?

MEASURING FINANCIAL HEALTH

Other questions include:

- Are resources being used effectively?
- Does the organization have adequate cash reserves?
- Is the debt level appropriate?
- Are contributions reasonable?
- Are the expense ratios reasonable?
- What is our unrestricted net income?

BENCHMARKING

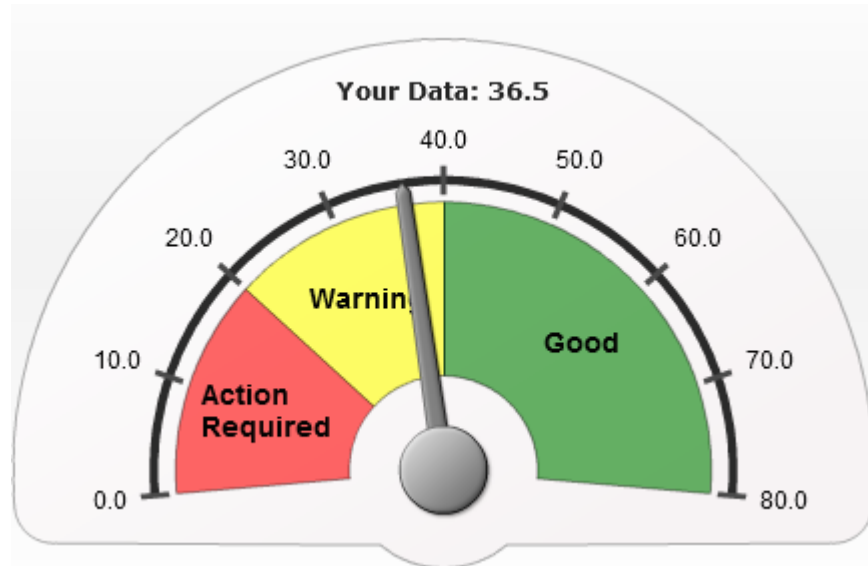
One way to help you begin to answer these questions is through benchmarking.

Benchmarking may include a comparison of results:

- Internally and with prior periods (trends)
- To budgeted amounts
- Externally with similar organizations
- With industry standards such as lender expectations

Good indicators will help the board and management make beneficial decisions for your organization.

MONITORING CASHFLOW – DAYS OPERATING CASH AND INVESTMENTS ON HAND TO FUND ANNUAL EXPENDITURES (EXCLUDING DEPRECIATION)

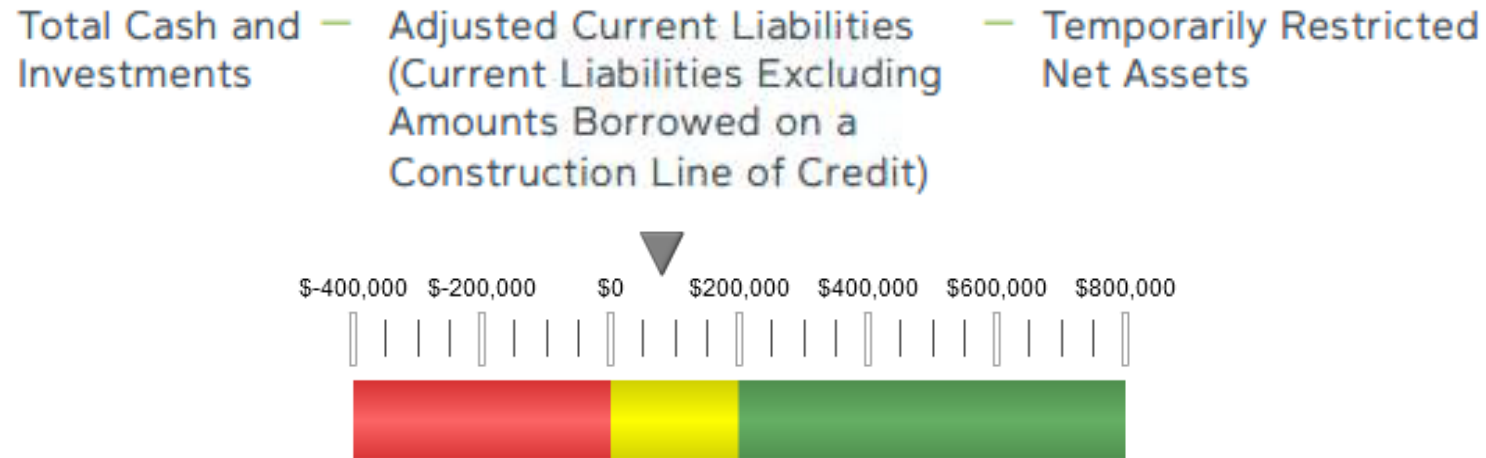


$$\frac{\text{Operating Cash and Investments}}{\text{Total Expenses} + \text{Capitalized Interest} - \text{Depreciation}}$$

(In days: ratio *365)

- Calculates the days of operating cash and investments on hand to fund annual cash expenditures, **specifically related to very liquid assets**.
- Does not take into account other current assets or liabilities. It also excludes the effect of current income. So it represents what would happen if the organization funded its operations from savings.
- **CapinCrouse Recommended Benchmark:** (40 days – 80 days; **Red Flag:** Less than 20 days)

MONITORING CASHFLOW – NET CASH AVAILABILITY



- This measure calculates the amount of cash available for other uses after the organization has satisfied its current liabilities and set aside funds for temporarily restricted projects.
- Answers “**Whose cash is it and how much of it can we spend?**”
- This measure will identify if the organization has “borrowed” from temporarily restricted reserves.
- **CapinCrouse Recommended Benchmark:** At least one month’s worth of cash expenses (expenses excluding depreciation expense); **Red Flag:** Any negative amount.

MONITORING DEBT – DEBT TO UNRESTRICTED CONTRIBUTIONS

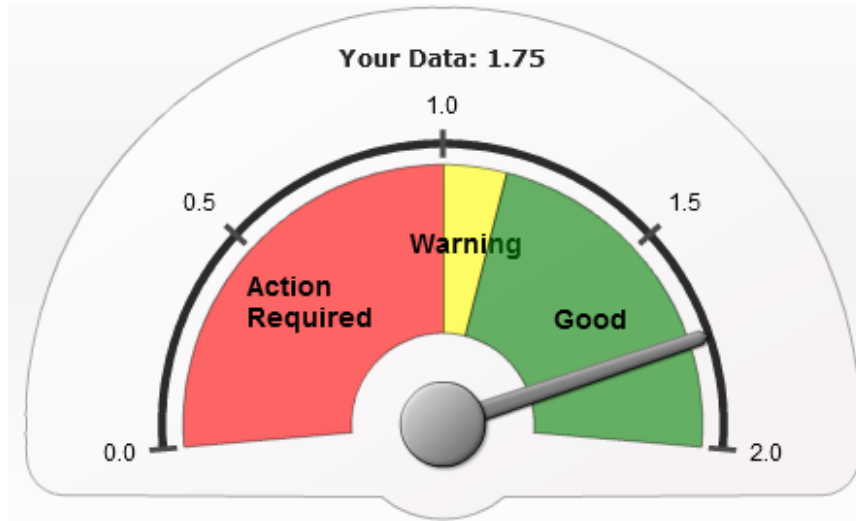


Total Debt

Unrestricted Contributions

- This ratio measures how many times debt is greater than annual income used to make mandatory debt service payments. (Excludes restricted giving as these gifts are typically not part of the general operating budget.)
- The lower the ratio is, the less strain debt will be on the organization's budget.
- **CapinCrouse Recommended Benchmark:** (Less than or equal to 2.5; >2.5 to 3.5 is in the warning range; > 3.5 is a **Red Flag**.)

MONITORING DEBT – DEBT COVERAGE RATIO



Change in Unrestricted Net Assets + Interest Expense + Depreciation Expense

Mandatory Debt Service Payments
(Debt Principle and Interest)

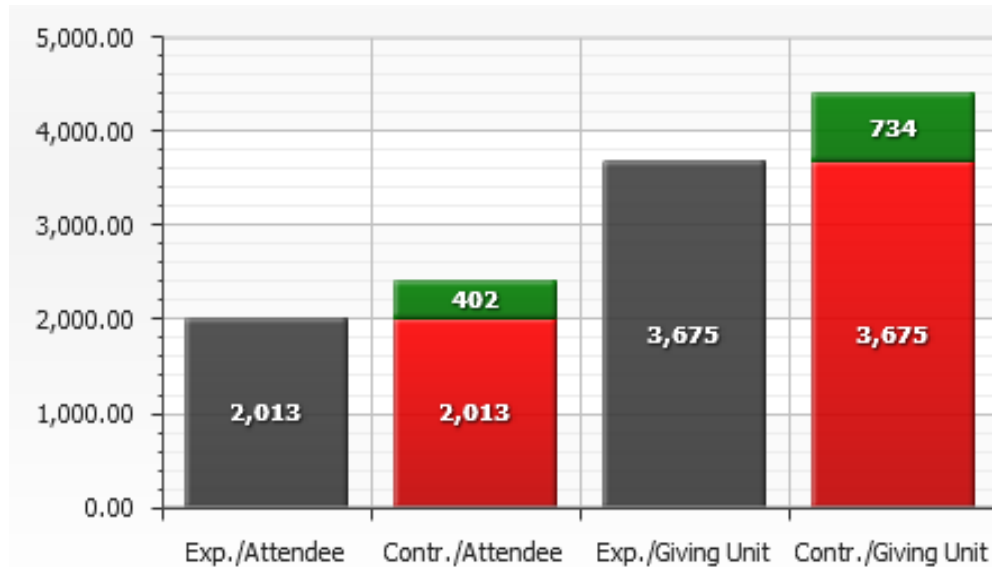
- This ratio is used to determine how many times an organization would be able to cover its current annual debt obligations from current operations. This may factor into the amount of reserves management deems necessary.
- It will indicate if annual debt obligations are too high to be covered by current operations and are placing an excessive burden on the budget.
- The biggest factor impacting this ratio is significant increases or decreases to the change in unrestricted net assets. **CapinCrouse Recommended Benchmark: (> or = 1.15)**

MONITORING – GIVING

Practical ways to monitor giving:

- Giving per donor, which can be segregated multiple ways, such as:
 - Large donations vs. small donations
 - Alumni vs. friends of the university
- Volunteers vs. friends of the ministry
- Members vs. non-members
- Demographically (ZIP code, etc.)
 - Number of giving units
 - Giving trends
- Month-to-month
- Year-to-year
- Per attendee

MONITORING NET POSITION – CONTRIBUTIONS PER ATTENDEE/GIVING UNIT VS. CASH EXPENSES PER ATTENDEE/GIVING UNIT



Giving Unit = Donors that gave >\$250 in one year

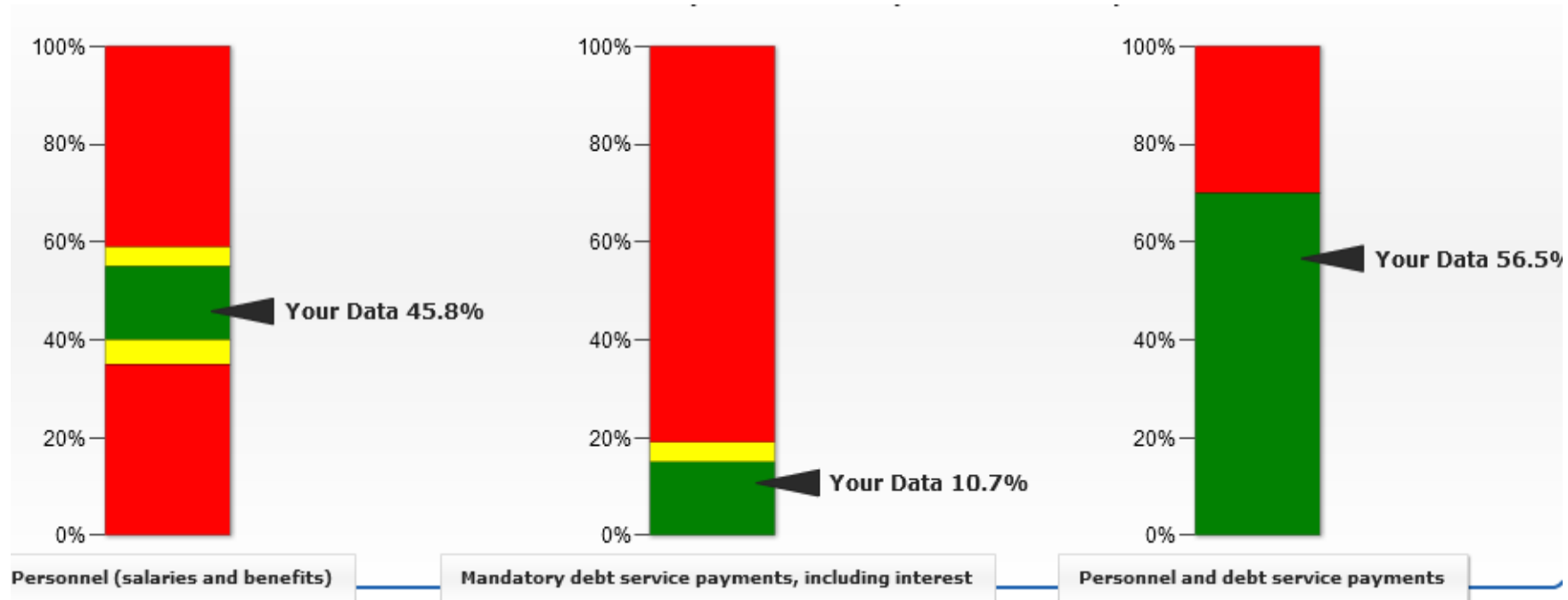
- This comparison looks at the net position between contributions received and cash expense cost per adult attendee and giving unit.
- Answers “Are we taking in enough to cover our cash costs per attendee/giving unit?”
- A negative result indicates the organization is unable to pay its cash costs though current contributions received.
- The key is to determine if this is a one-time situation or a growing, unchecked trend.

MONITORING – EXPENSES

Practical ways to monitor your nonprofit organization:

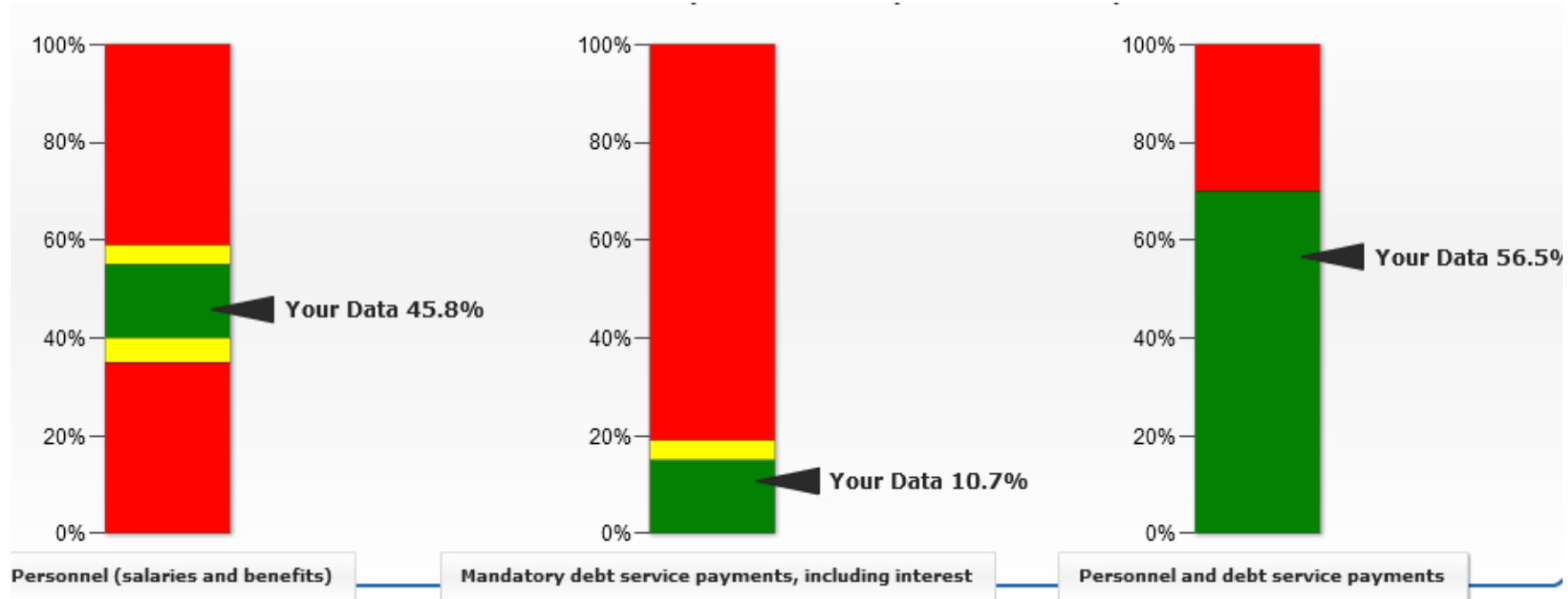
- Are expenses related to the organization's strategy? If not, they may be within budget and still not furthering the ministry.
- Involve the staff — let them know you're watching, but also include them in identifying cost-cutting measures.

MONITORING – EXPENSES: PERSONNEL AND MANDATORY DEBT SERVICE PAYMENTS TO TOTAL CASH EXPENSES



- Salaries and benefits, interest and debt service payments (*which are not an expense but a reduction of a liability*) represent the majority of the resource outflows. Therefore, it is essential to continually monitor these levels as a percentage of cash expenses (expenses excluding depreciation). These measures allow your organization to see where the operating budget will be utilized.

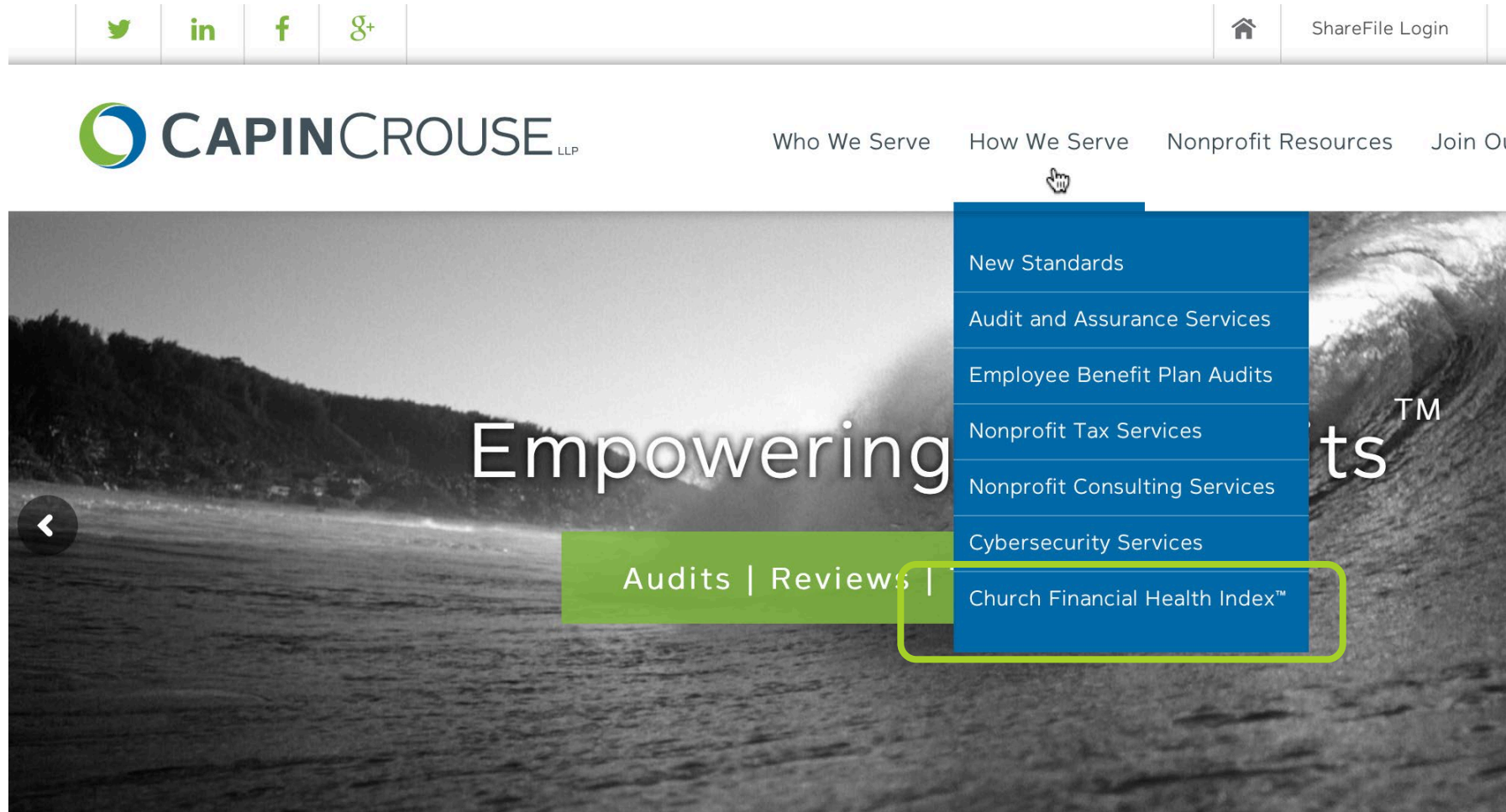
MONITORING – EXPENSES: PERSONNEL AND MANDATORY DEBT SERVICE PAYMENTS



CapinCrouse Recommended Benchmarks:

- Salaries and benefits: 40% – 55%
- Mandatory debt service payments, including interest: 15% or less
- Combined benchmark for both together: 40% – 70%

BENCHMARKING RESOURCE FOR CHURCHES: CAPINCROUSE CHURCH FINANCIAL HEALTH INDEX™





INNOVATIVE MINISTRY METRIC CONCEPTS

WHAT SHOULD WE MEASURE?

Just because it can be measured does not mean that it should be

Recording our activities for improvement

vs.

Reporting what God is doing for celebration

Measure activities that lead to behavior change and results improvement

GLOBAL MISSIONS MINISTRY CASE STUDY: ACTIVE MISSIONARIES ON THE FIELD

5,000

Current number of missionaries vs. goal

- How many missionaries do they need to recruit, at what cost and how much time?
- How do we improve our process, speed up the time, and lower the cost?
- By developing baseline database metrics and beginning to measure productivity and effectiveness

GLOBAL MISSIONS MINISTRY CASE STUDY: ACTIVE MISSIONARIES ON THE FIELD

XXX

Current number of missionaries vs. goal

- Average age and time to retirement
- Attrition rate and causes
 - Illness – physical, emotional, psychological
 - Temperament – personality and relationships
 - Management – leadership training and oversight
 - Financial – inability to sustain income or steward money
- Total number of missionaries needed

How do we plug holes in the missionary bucket?

How do we add more missionaries to the bucket?

Where do we find the right missionaries?

GLOBAL MISSIONS MINISTRY CASE STUDY: ACTIVE MISSIONARIES ON THE FIELD

XXX

Recruitment of new missionaries

- Applications submitted vs. applicant status
- Applicant status vs. successful candidacy
- Candidacy status vs. successful fundraising
- Funded candidate vs. field appointment
- Field status retention beyond 5 years

Where did our best missionaries come from?

Where are we most effective in getting the best qualified candidates?

How do we reduce the number of ineligible applications or unqualified applicants?

GLOBAL MISSIONS MINISTRY CASE STUDY: ACTIVE MISSIONARIES ON THE FIELD

XXX

Retention of missionaries on the field

- Implementation of a Missionary Care Program
 - Counsellor – personal, marriage, parenting
 - Mental health priorities –
 - Time off, relaxation, fundraising
 - Professional training
 - Fundraising and personal finances
 - Leadership/management
 - Direct ministry training

How do we reduce the attrition rate/increase retention?

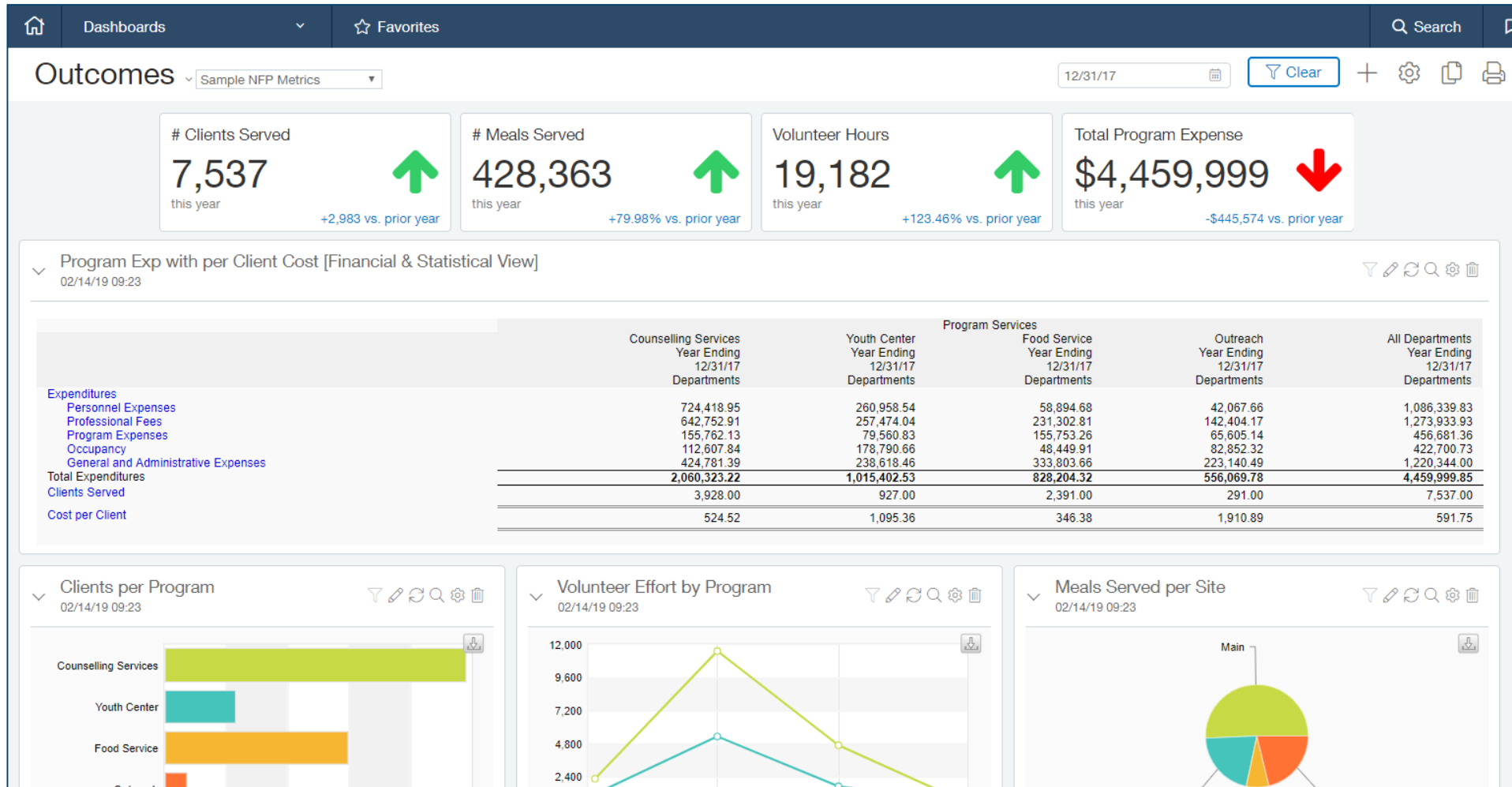
GLOBAL MISSIONS MINISTRY CASE STUDY: ACTIVE MISSIONARIES ON THE FIELD

XXX

Monitor recruitment and retention costs as a factor of cost to go from X missionaries to 5,000

- Automating the application process to a web/mobile-enabled process to reduce the number of staff to screen and respond
- Implement a comprehensive HR/staff application to monitor recruitment to retirement needs/status of missionaries
- Monitor timeline and cost of application to placement
- Monitor number of applications per week to meet goal
- Monitor applicant to placement ratio for improvements

NFP METRICS EXAMPLE



CHURCH CASE STUDY: INCREASE ATTENDANCE BY X, SALVATIONS/BAPTISMS BY Y, AND VOLUNTEERS BY Z

What is the financial investment needed to grow your church by 100 regular weekend attendees?

How many first-time attendees per week?

How many come back a second time?

How many come back a third time?

How many first-time attendees does it take to end up with a regular attendee?

How much time elapses between a first-time visit and regular attendance?

CHURCH CASE STUDY: INCREASE ATTENDANCE BY X, SALVATIONS/BAPTISMS BY Y, AND VOLUNTEERS BY Z

What is the average amount of time that it takes for a new attendee to make a profession of faith?

What are the factors that play into that decision?

- Frequency of attendance?
- Any particular sermon emphasis?
- Volunteerism?
- Small group participation?

CHURCH CASE STUDY: INCREASE ATTENDANCE BY X, SALVATIONS/BAPTISMS BY Y, AND VOLUNTEERS BY Z

How long does it take for a new weekend attendee to become a volunteer?

What are the factors that play into that decision?

- Frequency of attendance?
- Any particular sermon emphasis?
- Volunteerism?
- Small group participation?

CHURCH CASE STUDY – INCREASE ATTENDANCE BY X, SALVATIONS/BAPTISMS BY Y, AND VOLUNTEERS BY Z

How long does it take for a first-time adult attendee to become a regular giver who contributes enough to cover the average total cost per attendee?

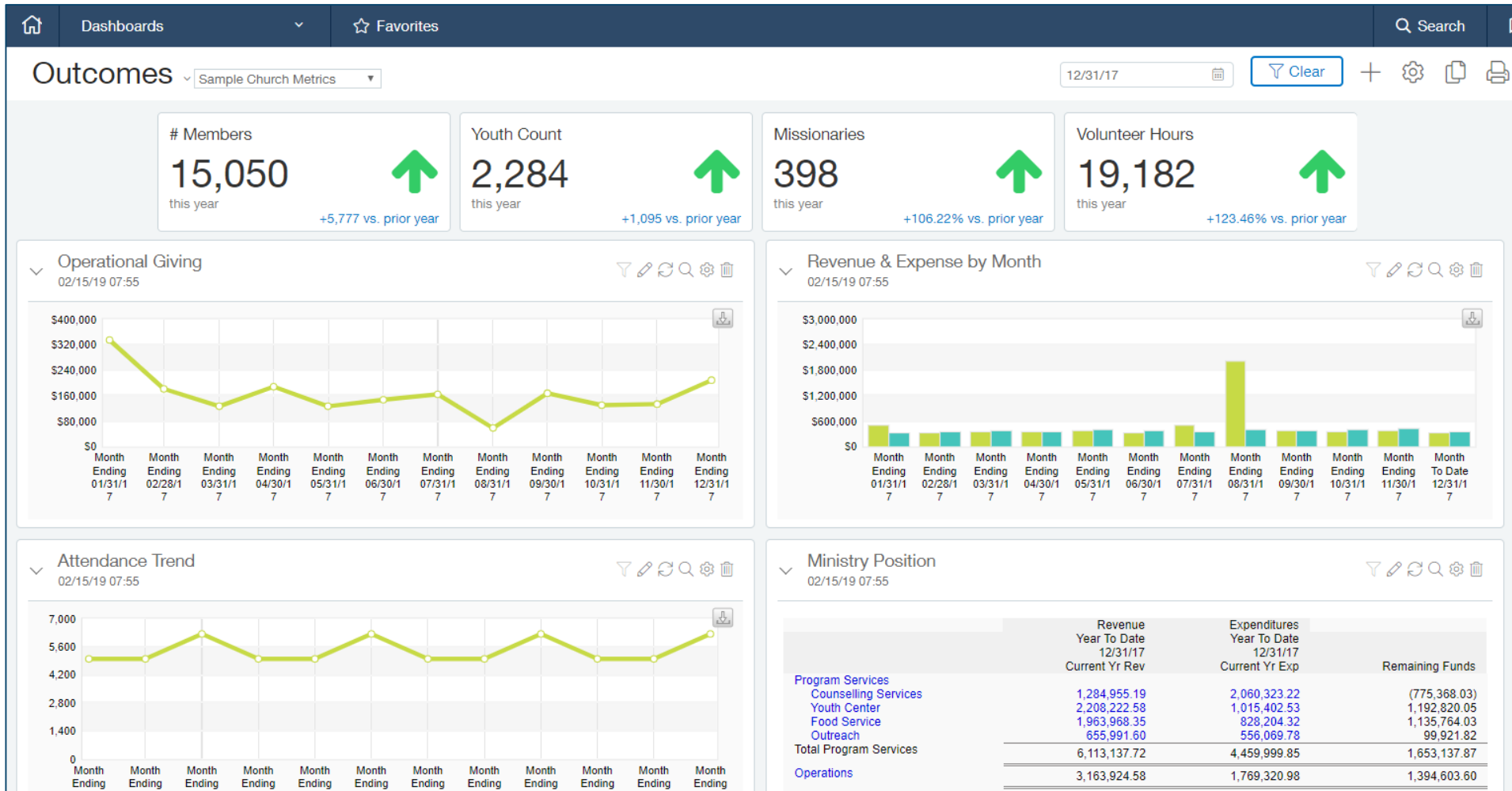
First-time gift

Second-time gift

Regular giver

Generous giver

CHURCH METRICS EXAMPLE



QUESTIONS?


THANK YOU.

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