

ACCOUNTING MEASUREMENTS AND METRICS FOR NPO'S

Presented by: David J Piscorik, CPA

Stancil & Company, CPAs
4909 Windy Hill Drive
Raleigh, NC 27609
919/872-1260
dpiscorik@stancilcpa.com



ABOUT THE SPEAKER

- Director of Auditing Services – Stancil & Company, CPA's.
 - Concentrate my efforts in serving not-for-profit organizations and closely-held family-owned businesses, overseeing 60+ attestation engagements a year.
- Active member in the Association Executives of North Carolina (AENC).
- Serve on the board of directors of my local home owners association and as the finance chair at my church.
- Graduate of the University of Scranton
- Member of both the AICPA and the NCACPA.
- Three young children, Aniela, Thomas & Samuel.

WHY USE ACCOUNTING MEASUREMENTS AND METRICS ?

- Accounting measurements and metrics use financial data to summarize organizational performance
- Accounting measurements and metrics are tools used to improve financial decision making
- Provides a quick snapshot approach that is easy to understand.
- Helpful in identifying trends within the Organization.

TYPICAL ACCOUNTING MEASUREMENTS & METRICS

- Overview of Operational Results
 - Budget comparisons for key income and expense line items
 - Departmental reports.
 - Cash on Hand / Investment balances, Etc.
- **But... financial analysis applicable to for profit entities is only partially useful for nonprofits.**
 - Profit margins mostly do not apply.
 - Revenue streams are different.
 - Equity is much different.
 - A/R and inventory turns not typical for a NPO.

ACCOUNTING MEASUREMENTS & METRICS - ADEQUACY OF RESOURCES

Operating Cash

(Annual Expenses - Depreciation / 365)

- This reflects how many days the organization could operate if no additional funds were received before investment accounts would need to be liquidated.
- Typically organizations like to maintain 90 – 365 days of operating cash.

Cash + Investments

(Annual Expenses - Depreciation / 365)

- This reflects how many days the organization could operate if no additional funds were received before requiring borrowed funds

ACCOUNTING MEASUREMENTS & METRICS - INVESTMENTS

Portfolio's Rate of Return –
((S&P500 Rate of Return x (equity portfolio invest. %))
+ (Bond Rate of Return x (bond portfolio invest.%)))

- Measures your portfolio return to the broader overall market's performance.
- A portfolio with an annual return of 10% can actually be underperforming if the broader markets annual return was 15% (equates to a 50% underperformance +fees incurred)
- “SPY”, “AGG” or “BND” are good general comparisons to benchmark against.
- "I'm not so much concerned about the return on my money as the return of my money" - Will Roger

ACCOUNTING MEASUREMENTS & METRICS – WORKING CAPITAL

Current Assets Current Liabilities

- Measures the financial health of an organization.
- A Ratio > 1 represents an organization that is able to meet its short term obligations and satisfy both maturing short-term debt and upcoming operational expenses.

ACCOUNTING MEASUREMENTS & METRICS – DEBT RATIO

$$\frac{\text{Total Debt}}{\text{Total Assets}}$$

- Measures the proportion of assets provided by debt.
- High values indicate future liquidity problems.
- High values indicate a organization to be “highly leveraged” and could have reduced capacity for future borrowings.
- Typically, a ratio < 0.5 is generally considered a healthy ratio.

ACCOUNTING MEASUREMENTS & METRICS – NET ASSETS

Temporarily Restricted Net Assets

(Cash + Investments + Pledge Receivables)

- This metric is useful in determining if an organization may be spending restricted cash for purposes other than those which the funder intended, or using monies designated for future purposes to meet current expenses.
- This ratio should be less than 1. (lower is better)

ACCOUNTING MEASUREMENTS & METRICS – INCOME RELIANCE RATIO

Income Source

Total Income

- Analyze the proportion each of the income streams contributes to the organization's total income.
 1. Contributions
 2. Grants
 3. Program service revenues
 4. Dividends and interest
 5. Membership Dues
 6. Special events
- Determine trends in line with strategic funding goals

ACCOUNTING MEASUREMENTS & METRICS – PROGRAM SERVICE EXP.

Program Service Expense

Total Expense

- Measures the relationship of funds spent for program purposes compared to all expenses.
- The Wise Giving Alliance of the Better Business Bureau has provided a standard of sixty five percent, with a minimum ratio of fifty percent.
- Note, this ratio can vary widely from industry to industry and by the size of the organization.

ACCOUNTING MEASUREMENTS & METRICS – FUNDRAISING EFFICIENCY

Fundraising Expense Contributions

- Calculates an organizations fundraising efficiency by determining how much it spends to generate \$1 in charitable contributions
- For example, Charity Z, with fundraising expenses of \$500,000 and total contributions of \$3.4 million, has a fundraising efficiency of \$0.147, which means it spends 14.7¢ to raise \$1.
- Charity Navigator’s study notes an average fundraising efficiency of \$0.10.

ACCOUNTING MEASUREMENTS & METRICS – SAVINGS INDICATOR

$$\frac{\text{Income - Expense}}{\text{Total Expense}}$$

- The savings indicator measures the ability of an organization to add to its net assets.
- The savings indicator is a simple way to determine if an organization is adding to or using up its net asset base

ACCOUNTING MEASUREMENTS & METRICS – OTHER RATIOS

- CEO wages as percent of total expenses
- Cost Per Unit of Service (program cost / unit of service)
- Benefit Cost Ratio (payroll taxes, insurance / Wages)
- A/R DSO Ratio ($AR / (annual\ sales / 365)$)
- Effective Tax Rate (income tax expense / pretax income)

BOARD MEETING PRESENTATIONS

- Financial presentations at board meetings should provide a quick snapshot of the current financial status of the organization.
- Detailed financial statements and comparisons to budget line item details should be discussed through the finance committee.
- The Board should receive a summary report of key issues related to the finances of the organization.
- A “Financial Dashboard” can provide your accounting measurements and metrics in a efficient and effective manner.

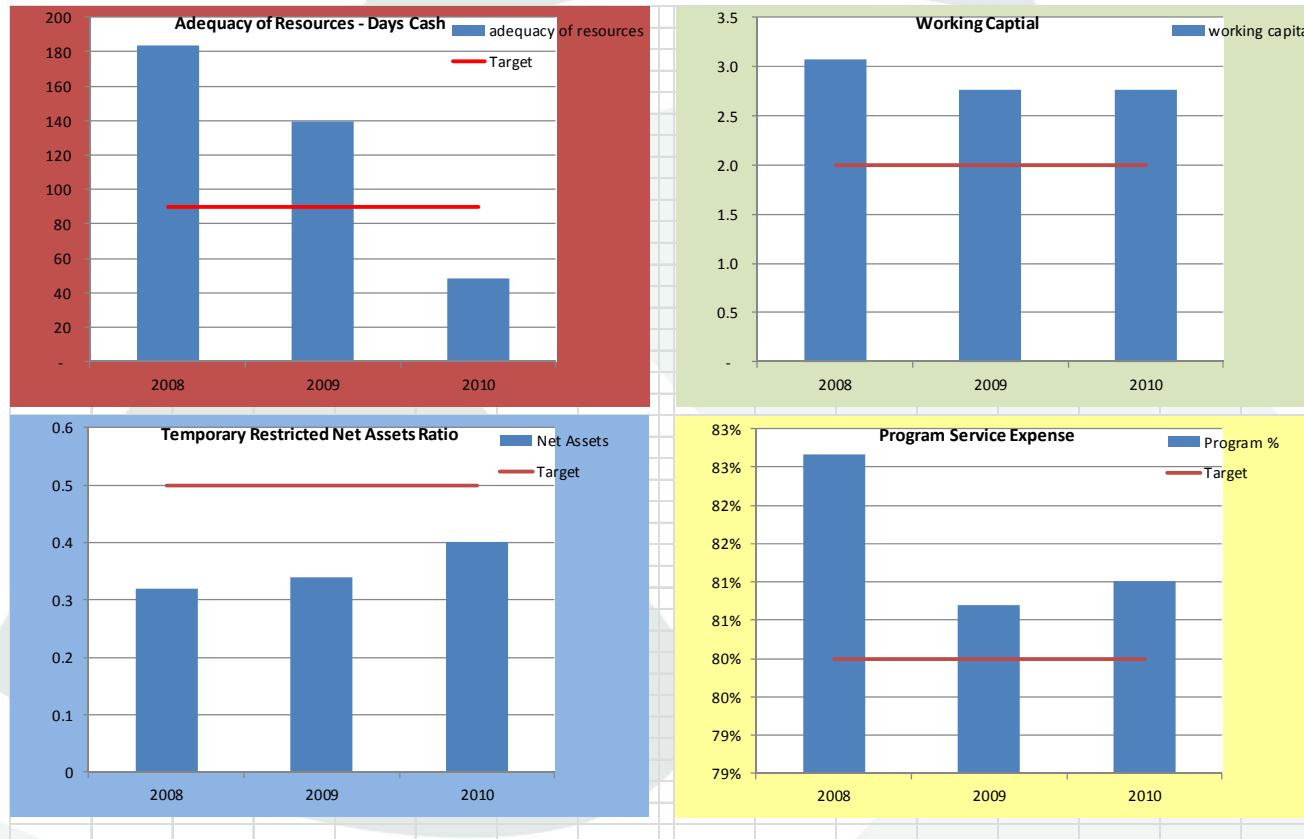
BOARD MEETING PRESENTATIONS

- Creating a color coded financial "dashboard" provides a quick and easy reference to relevant information

September	MONTH						YEAR TO DATE							
	Actual	Budget	M(W)	%	Prior Year	M(W)	%	Year to Date	Budget	M(W)	%	Prior Year	M(W)	%
INCOME:														
Principals	79,000	98,210	(17,207)	-18%	69,062	9,944	14%	79,000	298,298	(217,263)	-73%	218,147	(136,144)	-62%
Non-Grants	17,414	19,868	(2,454)	-12%	18,244	(1,288)	-7%	17,414	81,372	(26,838)	-33%	70,000	(6,000)	-9%
Interest Income	501	800	(299)	-37%	638	(337)	-53%	501	2,700	(2,199)	-81%	4,422	(3,951)	-90%
Investment	-	-	-	-	-	-	-	-	6,300	(5,000)	-79%	80,776	(69,229)	-86%
Board Income	47,097	42,224	4,873	12%	42,666	4,401	10%	47,097	147,782	(100,688)	-68%	163,636	(118,638)	-73%
Diocesan Income	-	-	-	-	-	-	-	-	19,500	(19,500)	-100%	-	-	-
Other Income	-	1,500	(1,500)	-100%	-	-	-	-	8,500	(8,500)	-100%	-	-	-
Total Income	134,002	118,202	15,800	13%	138,214	(11,212)	-8%	134,002	517,152	(328,669)	-64%	477,611	(227,963)	-48%
EXPENSES:														
Administrative:														
Annual Conference Expense	-	-	-	-	-	-	-	-	300	300	100%	300	300	100%
Diocesan Fees	437	564	(127)	-23%	377	(60)	-16%	437	1,764	(1,327)	-75%	1,207	(1,207)	-100%
Board Fees	345	450	(105)	-23%	645	(290)	-45%	345	1,950	(1,605)	-82%	1,424	(1,078)	-76%
Board Admin Exp/Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Board Admin Exp/Supplies	573	688	(115)	-17%	339	(343)	-101%	573	863	(290)	-34%	583	(61)	-11%
Total Administrative	1,355	1,702	(347)	-20%	1,021	(643)	-63%	1,355	3,977	(2,625)	-66%	3,214	(2,895)	-90%
Musical:														
Director, Festival	163	225	(62)	-28%	268	(105)	-39%	163	1,278	(1,115)	-87%	1,093	(843)	-77%
Festivals	24	24	0	0%	24	0	0%	24	74	(50)	-69%	1,561	(1,452)	-93%
Compassionate Care Supplies	104	626	(522)	-83%	73	(283)	-39%	104	1,974	(1,748)	-89%	-	-	-
Musical:														
Choir	19	19	0	0%	19	0	0%	19	97	(78)	-80%	58	(58)	-100%
Choir Music	706	375	(331)	-88%	301	(405)	-136%	706	1,125	(419)	-37%	1,304	(598)	-46%
Choir Supplies	1	1	0	0%	1	0	0%	1	1	100%	100%	1	100%	
Band Choir	31	39	(8)	-21%	390	(31)	-8%	31	114	(83)	-73%	1,080	(513)	-47%
Band Supplies	288	250	(38)	-14%	230	(55)	-24%	288	1,400	(1,112)	-79%	1,600	(200)	-13%
Band Music	427	213	(214)	-100%	409	(19)	-5%	427	638	(211)	-33%	836	(406)	-48%
Total Musical	1,601	1,237	(364)	-30%	1,023	(578)	-57%	1,601	3,977	(2,398)	-60%	3,775	(1,163)	-31%
Other:														
Board Support	914	1,078	(164)	-15%	828	(150)	-18%	914	3,287	(2,373)	-72%	2,989	(1,914)	-64%
Youth Ministry	551	1,050	(499)	-48%	114	(437)	-384%	551	2,000	(1,449)	-72%	162	(348)	-216%
Total Other	1,465	2,128	(663)	-31%	942	(823)	-87%	1,465	5,287	(3,822)	-72%	3,151	(1,962)	-62%
Total Expenses	4,381	6,135	(1,754)	-29%	3,984	(4,054)	-102%	4,381	16,014	(10,628)	-66%	12,053	(8,163)	-68%
Administrative:														
Cleaning Supplies	7,684	7,682	(2)	-0%	7,480	(202)	-3%	7,684	24,526	(16,841)	-69%	23,413	(12,928)	-55%
Facilities Director Salary	19,884	14,461	(5,423)	-27%	18,097	(1,787)	-10%	19,884	101,108	(81,218)	-80%	102,000	(82,000)	-81%
Facilities Supplies	1,122	878	(244)	-21%	655	(467)	-71%	1,122	2,425	(1,303)	-54%	2,847	(1,726)	-61%
Facilities Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilities Misc	1,609	376	(1,233)	-77%	912	(703)	-77%	1,609	1,195	(1,246)	-104%	1,888	(1,248)	-66%
Facilities Director	2,227	2,227	0	0%	2,227	0	0%	2,227	8,439	(6,212)	-74%	7,937	(5,710)	-72%
Facilities Maintenance	507	290	(217)	-71%	479	(42)	-9%	507	1,000	(493)	-49%	1,000	(500)	-50%
Total Administrative	20,207	23,214	(3,007)	-13%	20,207	(3,007)	-15%	20,207	100,728	(79,722)	-79%	100,728	(79,722)	-79%
Musical:														
Episcopal Conference	12,090	12,090	0	0%	11,618	(472)	-4%	12,090	36,204	(24,114)	-67%	36,204	(24,006)	-66%
Episcopal Fund	418	418	0	0%	411	(7)	-2%	418	1,249	(831)	-67%	1,233	(817)	-66%
International Fund	40	40	0	0%	40	0	0%	40	125	(85)	-68%	125	(85)	-68%
St. Ann's University	403	40	(363)	-90%	41	(362)	-88%	403	1,381	(978)	-71%	1,411	(96)	-7%
District Youth Fund	842	-	842	100%	874	(32)	-4%	842	842	(0)	0%	842	(0)	0%
Black College Fund	507	507	0	0%	509	(2)	-0%	507	621	(114)	-19%	627	(420)	-67%
Board of Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant Services - Liabilities	2,527	2,527	0	0%	2,528	(1)	-0%	2,527	7,581	(5,054)	-67%	7,474	(5,147)	-69%
Plant Services - Assets	352	352	0	0%	352	0	0%	352	1,790	(1,438)	-80%	1,790	(1,438)	-80%
Total Musical	16,002	16,212	(210)	-1%	15,991	(211)	-1%	16,002	49,250	(33,248)	-67%	49,250	(33,248)	-67%
Parish-Parish Relations:														
Episcopal EpA Assistance	12,790	18,804	(6,014)	-32%	18,255	(6,549)	-36%	12,790	59,645	(46,755)	-78%	57,788	(44,976)	-78%
Episcopal EpA Program Director	1,689	1,689	0	0%	1,689	0	0%	1,689	5,268	(3,579)	-68%	5,268	(3,579)	-68%
Program Director	6,014	10,585	(4,571)	-38%	7,188	(3,401)	-47%	6,014	32,882	(26,871)	-82%	32,882	(26,871)	-82%
Staff Recognition	-	173	(173)	-100%	-	-	-	-	648	(648)	-100%	-	-	-
Safety - Chair Director	16,156	20,308	(4,152)	-20%	15,288	(5,020)	-33%	16,156	64,310	(48,154)	-75%	49,131	(32,976)	-67%
Safety - Corridor Education	-	129	(129)	-100%	-	-	-	-	379	(379)	-100%	-	-	-
Travel - Minister	3,229	2,877	(352)	-12%	3,139	(98)	-3%	3,229	8,277	(5,048)	-61%	8,139	(1,38)	-17%
Travel - Minister - Health	2,881	3,199	(318)	-10%	2,881	(318)	-11%	2,881	10,108	(7,227)	-72%	8,468	(6,528)	-77%
C-Pension	806	921	(115)	-13%	792	(129)	-16%	806	2,918	(2,112)	-72%	2,948	(1,940)	-66%
Ministry Attendance	2,881	3,207	(326)	-10%	3,186	(21)	-1%	2,881	11,571	(8,690)	-75%	10,288	(1,283)	-12%
Staff Pension	478	639	(161)	-25%	659	(171)	-26%	478	2,058	(1,580)	-77%	1,926	(1,260)	-65%
Total Parish Relations	37,143	43,726	(6,583)	-15%	38,200	(5,526)	-15%	37,143	120,778	(83,631)	-69%	118,333	(80,886)	-68%
Musical:														
Capital Construction	8,207	4,700	(3,507)	-43%	2,748	(5,459)	-200%	8,207	8,207	(0)	0%	8,207	(0)	0%
Capital Construction	1,424	1,750	(326)	-19%	1,750	(326)	-19%	1,424	6,252	(4,827)	-77%	6,252	(4,827)	-77%
Education Building	46	201	(155)	-77%	1,949	(1,703)	-87%	46	1,791	(1,745)	-97%	1,791	(1,745)	-97%
Education Building Maintenance	1,378	1,750	(372)	-21%	472	(878)	-185%	1,378	1,378	(0)	0%	2,888	(1,510)	-52%
Education Maintenance	842	1,000	(158)	-16%	842	(158)	-19%	842	3,500	(2,658)	-76%	2,888	(2,888)	-100%
Kitchen Equipment Maintenance	1,424	1,650	(226)	-14%	219	(78)	-36%	1,424	4,653	(3,229)	-69%	3,862	(2,388)	-62%
Maintenance - Office	603	1,100	(497)	-45%	603	(497)	-83%	603	1,100	(497)	-45%	1,100	(497)	-45%
Maintenance - Sanctuaries	16,004	1,500	1,450	97%	684	(516)	-75%	16,004	2,250	(1,847)	-84%	2,888	(2,888)	-100%
Maintenance - Sanctuaries - For Exp	96	1,000	(904)	-90%	96	(904)	-93%	96	40,000	(39,904)	-99%	40,000	(39,904)	-99%
Parsonage Furnishings	96	(96)	0	0%	960	(864)	-90%	96	96	(0)	0%	96	(96)	-100%
Parsonage Maintenance	-	100	(100)	-100%	-	(100)	-100%	-	100	(100)	-100%	-	(100)	-100%
Sanctuary Building Furnishings	489	989	(500)	-50%	740	(249)	-34%	489	2,989	(2,499)	-84%	3,029	(2,539)	-84%
Sanctuary Building Maintenance	9,978	7,500	(2,478)	-25%	7,721	(2,259)	-29%	9,978	25,500	(15,522)	-61%	24,012	(14,034)	-58%
Sanctuary Building Materials	78	1,000	(922)	-92%	78	(922)	-99%	78	1,000	(922)	-92%	1,000	(922)	-92%
Sanctuary Building Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanctuary Building Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanctuary Building Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanctuary Building Misc	1,702	1,426	(276)	-19%	1,849	(147)	-8%	1,702	4,276	(2,574)	-60%	3,842	(2,140)	-56%
Sanctuary Building Information Technology</														

BOARD MEETING PRESENTATIONS

- Blue = Exceeds Targets, Green = Meeting Targets, Yellow = Slightly Below Targets, Red = Below Targets



CONTACT INFORMATION

David J Piscorik, CPA
Stancil & Company, CPAs
4909 Windy Hill Drive
Raleigh, NC 27609
919/872-1260
dpiscorik@stancilcpa.com



PRESENTATION DISCLAIMER

Presentations are intended for educational purposes only and do not replace independent professional judgment. Stancil & Company does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented.