



Enhancing Trust

1st Annual Nonprofit Financial Management Survey Results

April 21, 2015 – ECFA.org



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Today's Presenters



Cameron Doolittle
The Maclellan Foundation



John Pearson
John Pearson Associates



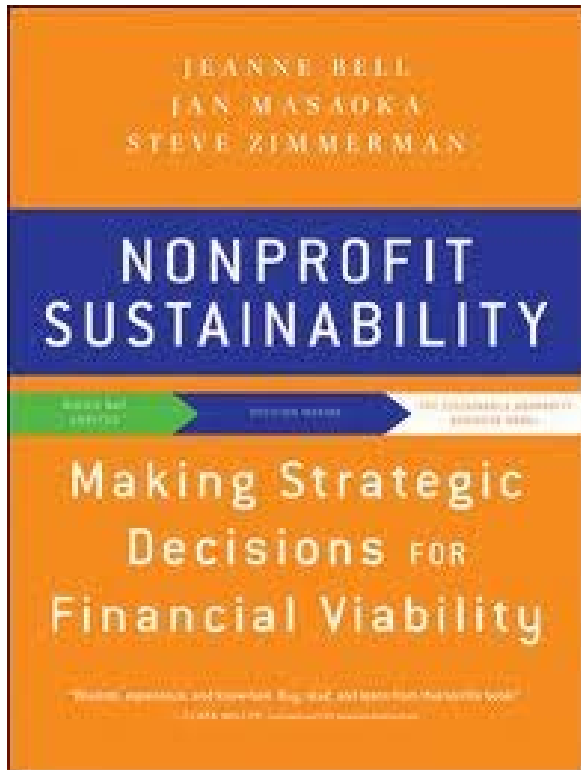
Caryn Ryan
Missionwell LLC

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Pick 1 Resource & 1 **BIG** Take-Away!



PRIORITIES

- 1.
- 2.
- 3.



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How to leverage these 60 minutes to inspire your senior team and board:

2 Reminders:

- 1 Corinthians 4:2: (...to be a steward it is required that one be found trustworthy.)
- “The first responsibility of a leader is to define reality.” (Max De Pree)



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You're the customer...

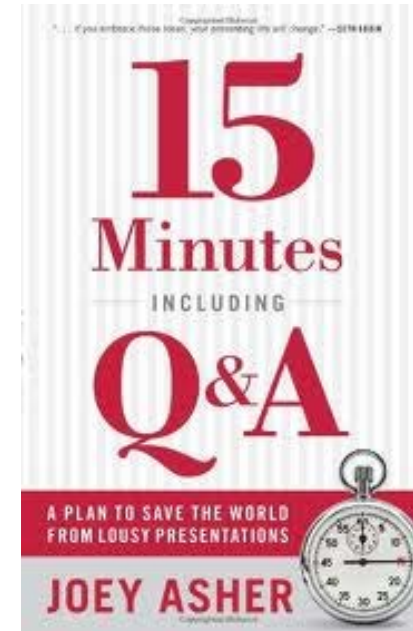
...so we will attempt to answer all your questions during this webinar or in the next 24 hours.

More financial management resources at:

<http://www.ecfa.org/KnowledgeCenter.aspx?CategoryID=2>

EXAMPLE: ECFA Webinars-On-Demand

“10 Ways to Have a Boring Management Comment Letter from Your CPA “



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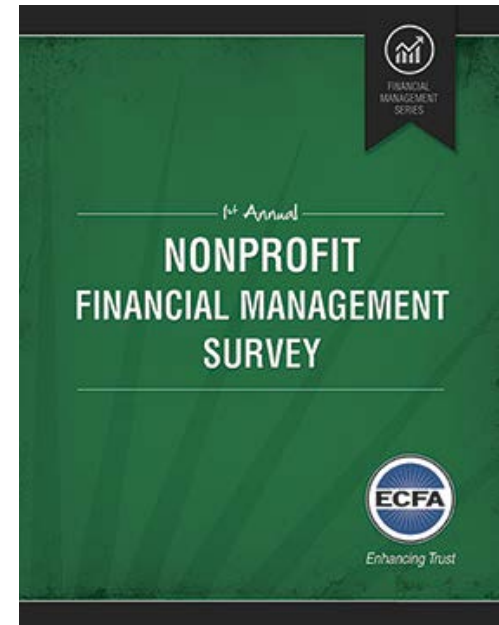
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1st Annual Nonprofit Financial Management Survey – Executive Summary

<http://www.ecfa.org/Content/Surveys>

THE CONTEXT:

- Financial Management's strategic role
- Survey Methodology
- 3 Report Options:
 - 52-page PDF (free)
 - Printed Book
 - Comprehensive Report
- Response Percentages →



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1st Annual Financial Management Survey

Response Rates (March 2015)

Survey Response Comparisons	Total Recipients	Total Responses	Percentage Response
Chief Financial Officers of ECFA-Accredited Organizations	1,378	383	27.8%
CEO responses in the <i>3rd Annual Nonprofit Governance Survey (2014)</i> :	1,706	464	27.2%

ECFA-accredited organizations (excluding churches).

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2015 Advisory Panel

	NAME	ORGANIZATION
1	Jim Barr	The Christian Broadcasting Network (Virginia Beach, Va.)
2	Billy Burnett	Joni and Friends (Agoura Hills, Calif.)
3	Caryn Ryan	Missionwell LLC (La Canada, Calif.)
4	Kimberly Hadley	John Brown University (Siloam Springs, Ark.)
5	Dale Kemp	Wheaton College (Wheaton, Ill.)
6	Marsha Klimetz	WAY Media, Inc. (Colorado Springs, Colo.)
7	Merrill Littlejohn	Samaritan's Purse (Boone, N.C.)
8	Linda Wood	Union Rescue Mission (Los Angeles, Calif.)

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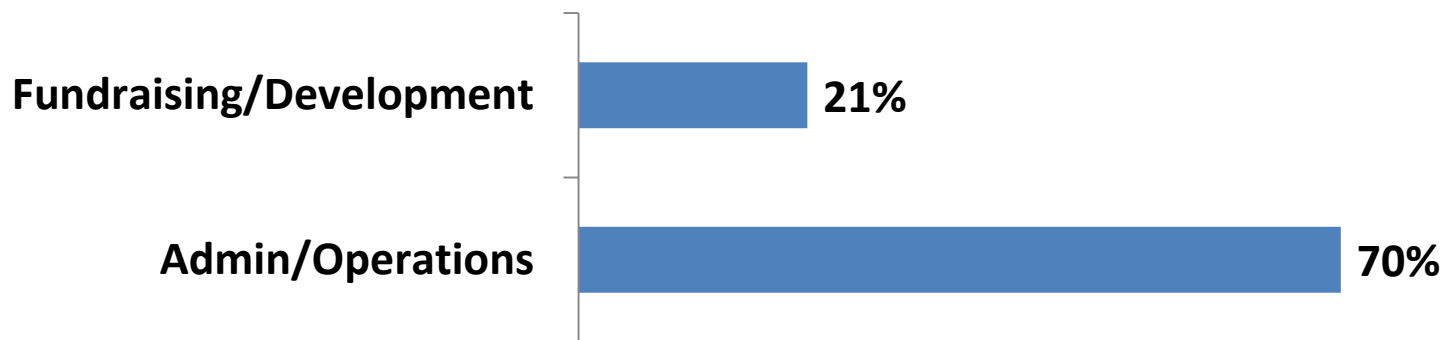


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1st Annual Nonprofit Financial Management Survey

Survey Highlights

Highlight #1: CFOs wear numerous hats—including financial management. Only 10% of CFOs in the survey devote 100% of their time to the financial management role. Of the other 90%, just under 70% of those CFOs also have administration and/or operations roles. Plus, 21% of this group wears fundraising/development hats—in addition to their CFO hats.



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1st Annual Nonprofit Financial Management Survey

Survey Highlights

5 Major Sections:

- **Financial Policies**
- **Budgeting**
- **Internal Controls**
- **Financial Performance**
- **Financial Reporting**



Plus: Open-ended comments on trends, etc.

Single greatest need? "A CEO who is more prudent with his financial commitments (less 'Let's trust God for...' and more focused on operating from a position of fiscal strength than always playing catch-up)."

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1st Annual Nonprofit Financial Management Survey

Survey Highlights

5 MAJOR SECTIONS:

- ☒ **Financial Policies**
- ☐ **Budgeting**
- ☐ **Internal Controls**
- ☐ **Financial Performance**
- ☐ **Financial Reporting**



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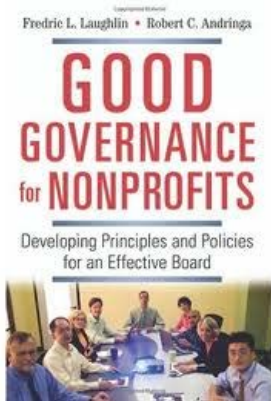


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FINANCIAL POLICIES

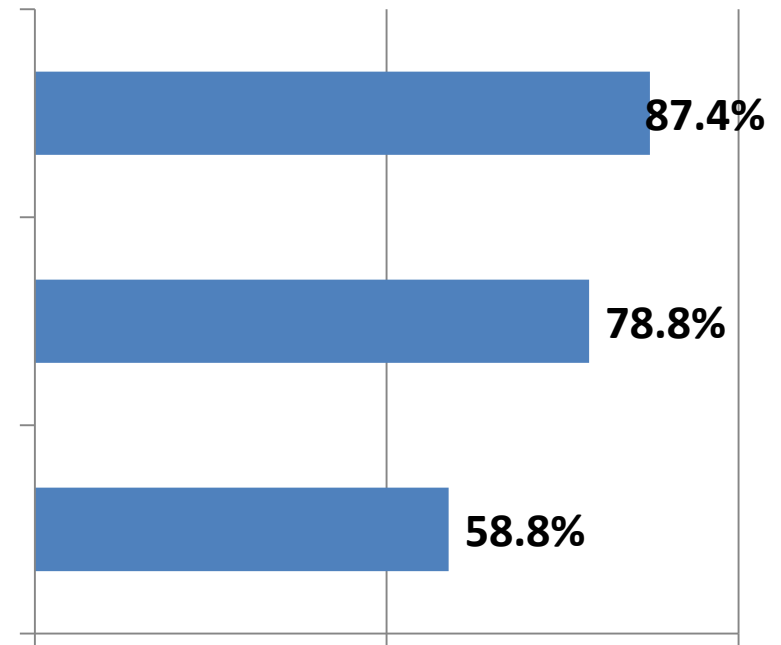
Highlight #2: Written Policies. Almost 79% of CFOs said their financial policies are in writing, but only 59% said their most important financial policies are incorporated in a “Board Policies Manual” or other board-approved document.



Most important financial policies approved by board

Majority of financial policies in writing

Most important financial policies in a "BPM" or other bd-approved doc



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FINANCIAL POLICIES

Highlight #3: Financial Policy Trends. In response to “What is one financial policy trend that you are observing that may have a significant impact on your organization in the future?” CFOs shared 90 comments. Trends included:

- Upcoming FASB policies
- Investment and operating reserve policies
- Authorization levels and thresholds for expenditures
- Sustainability policies
- Internal controls for Internet protocol (keeping financial information confidential)
- Credit card policies
- “Budgeting based on optimism rather than measurements, results, and reality”
- Volunteer policies (and replacing staff with volunteers)
- Requiring performance management of all initiatives including new staff
- Program policies that impact fees and costs
- “The trend to minimize the importance of financial policies”
- Push back by younger staff that there are too many policies

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Survey Highlights

5 MAJOR SECTIONS:

- ☐ Financial Policies
- ☒ **Budgeting**
- ☐ Internal Controls
- ☐ Financial Performance
- ☐ Financial Reporting



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BUDGETING

Highlight #4: **Budgeting Parameters.** Just 26% of CFOs look to their ministry boards to set the overall parameters for the annual budgeting process. Instead, the survey indicated that the CEO, CFO, and senior team set those parameters 45% of the time

CEO, CFO and Senior Team	45.2%
CEO	26.6%
Board	26.3%
Board's Finance Committee	22.9%
CFO	19.5%
Board Treasurer	7.1%
Other	7.3%

See
resource
on next
slide ➔

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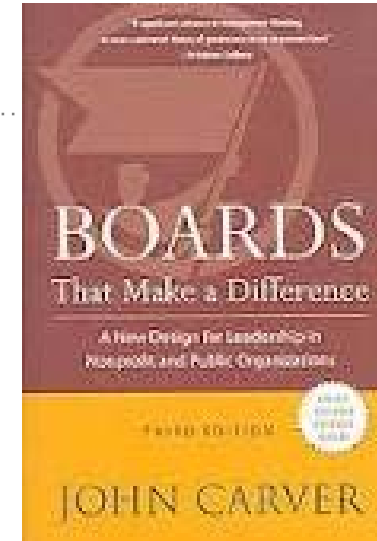
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BUDGETING

Highlight #4: Budgeting Parameters.

Consider...a board-approved “Ends Policy” with priorities:



- 1st Priority: _____
- 2nd Priority: _____
- 3rd Priority (not to exceed X% of resources): _____
- 4th Priority (not to exceed X% of resources): _____

Example: Lancaster County Bible Church Ends Policy (p. 96)



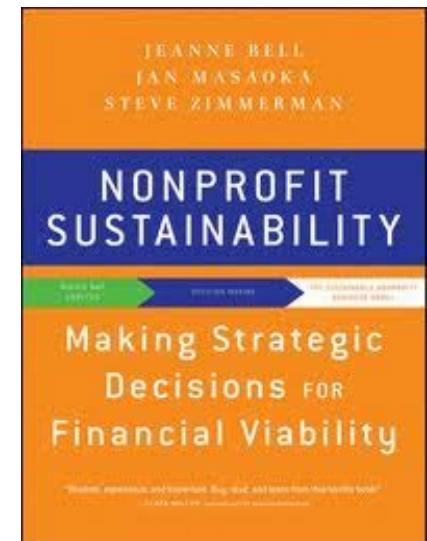
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BUDGETING





Highlight #5: Budgeting Assumptions. In response to six budgeting assumptions, CFOs gave their highest “Agree/Strongly Agree” ratings to these three assumptions:

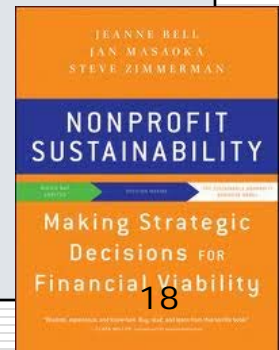
- 1) “Generally, our salaries, wages and benefits are competitive with other nonprofit ministries in our area” (72.8%)
- 2) “Somewhat because of the recession (and other factors), we are definitely learning how to do more with less” (65.2%)
- 3) “Sustainability issues (reserves, liquidity, etc.) predominate our budget” (42.7%).



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Nonprofit Sustainability

High Mission Impact Low Sustainability	High Mission Impact High Sustainability
	
Low Mission Impact Low Sustainability	Low Mission Impact High Sustainability
	





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BUDGETING

Highlight #6: Budgeting Trends. About half of all CFOs are budgeting about the same (plus or minus 2%) for salaries and wages in their next fiscal years.

Health insurance cost projections are higher (see next slide):

- with 21.6% expecting a slight increase of 3% to 5%
- another 28.6% are planning for an increase of 6% to 10%
- 13.1% of CFOs are forecasting an increase of 11% or more.



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BUDGETING TRENDS:

As you budget for your NEXT fiscal year, will the trend be up, down or the same for the following areas?

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	Decrease (-2% or more)	About the Same (plus or minus 2%)	Slight increase (3% to 5%)	Increase (6% to 10%)	Significant Increase (11% or more)	I Don't Know
Salaries and Wages	2.3%	49.1%	41.4%	3.4%	2.0%	1.7%
Employee Benefits	2.6%	64.2%	23.0%	5.2%	1.7%	3.2%
Health Insurance Costs	3.2%	25.9%	21.6%	28.6%	13.1%	7.6%
Budgeting for New Initiatives	2.9%	33.1%	26.9%	18.3%	9.1%	9.7%

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BUDGETING

Highlight #7: ACA. Who is taking the hit on the Affordable Care Act? Responding to their budgeting assumptions about the ACA, almost 73% of ministries have not re-structured some of their full-time positions as part-time positions. Yet, 35% agreed or strongly agreed that employee contributions for health insurance will increase, while another 31% were undecided at this point.

BUDGETING ASSUMPTIONS	Strongly Agree	Agree
The Affordable Care Act has prompted us to re-structure some of our full-time positions as part-time positions.	4.7%	12.8%
We are assuming that employee contributions for health insurance will increase.	7.0%	27.6%

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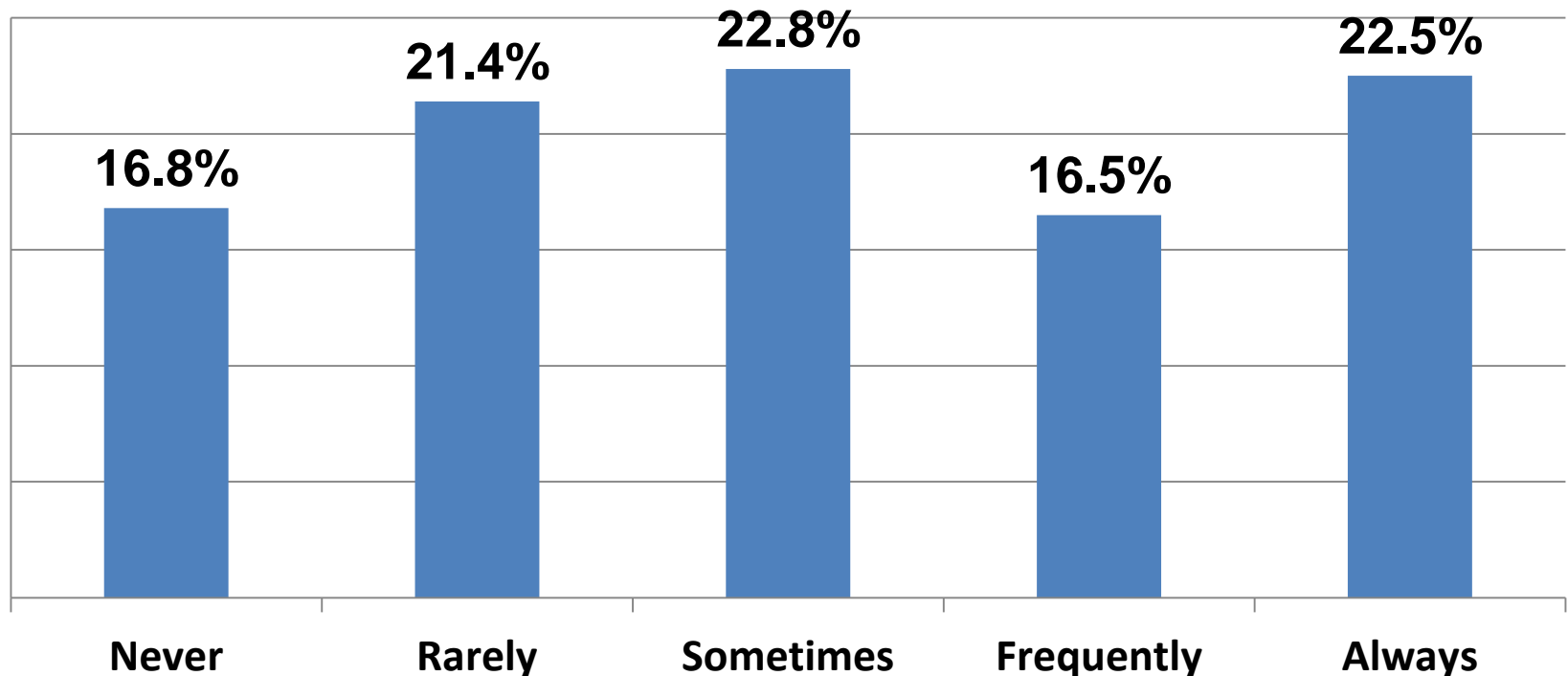


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BUDGETING

Highlight #8: **Budgeting for Reserves.** When asked “Does your ministry annually budget for cash reserves?” 38% of the organizations responded “Never” or “Rarely.”



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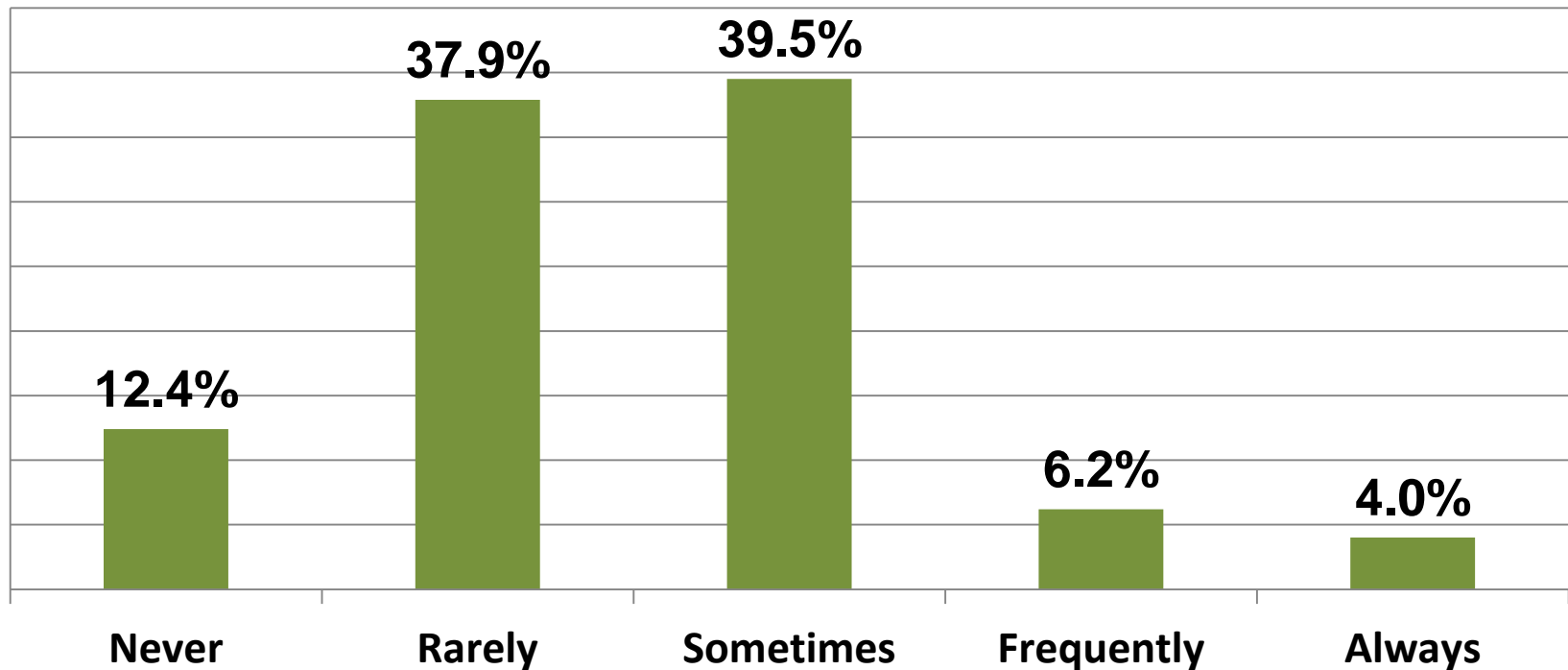


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BUDGETING

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Highlight #9: Amending the Budget. We asked CFOs, “Once the budget has been approved, do you ever amend the budget based on the forecasts of changing conditions?” Just over 50% said “Never” or “Rarely.”



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1st Annual Nonprofit Financial Management Survey

Survey Highlights

5 MAJOR SECTIONS:

- ☐ Financial Policies
- ☐ Budgeting
- ☒ Internal Controls
- ☐ Financial Performance
- ☐ Financial Reporting



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INTERNAL CONTROLS

Highlight #10: Internal Controls Policies. Fraud prevention procedures and checklists, etc., are formally reviewed at least annually by the financial management team in over 60% of ministries. More than 79% of the survey respondents have a written whistleblower policy.

“How strongly do you agree or disagree with the following statements?” (5 response choices)	Strongly Agree	Agree
We have strong controls in place to prevent fraud.	38.9%	53.7%
At least annually, our financial management team conducts a formal review of our fraud prevention procedures, checklists, etc.	20.5%	40.1%
We have a written Whistleblower Policy.	44.1%	35.2%
We have clear separation of duties practices.	35.5%	51.3%

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INTERNAL CONTROLS

Highlight #11: Dual-Signature for Checks Policies. Sixty-one percent of CFOs said they have a dual-signature for checks policy (for all checks or checks above a certain amount)—and, they said, it is effective in controlling fraud.

<input checked="" type="checkbox"/> Check ONE response:	%
We have a dual-signature for checks policy (for all checks or checks above a certain amount) and it is effective in controlling fraud.	61.0%
We do NOT have a dual-signature for checks policy.	34.7%
We have a dual-signature for checks policy (for all checks or checks above a certain amount), but it is NOT effective in controlling fraud.	4.3%

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1st Annual Nonprofit Financial Management Survey Survey Highlights

5 MAJOR SECTIONS:

- ☐ Financial Policies
- ☐ Budgeting
- ☐ Internal Controls
- ☒ Financial Performance
- ☐ Financial Reporting



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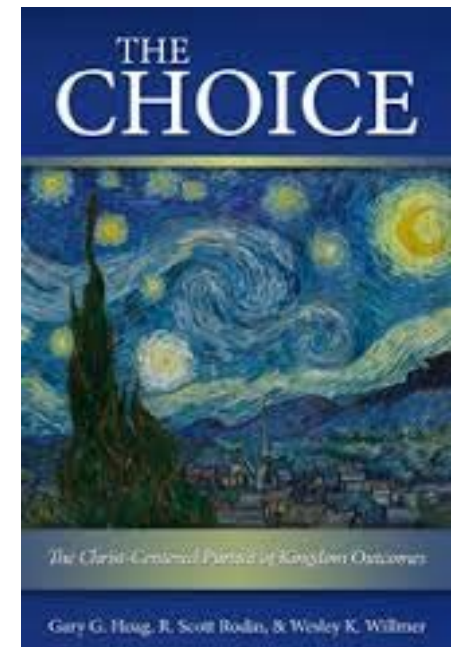
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FINANCIAL PERFORMANCE

Highlight #12: Eternity-Oriented Metrics.

Almost 36% of CFOs reported that their ministries track “Eternity-Oriented Metrics,” while 63% do not. CFOs listed almost 100 examples of ways their organizations seek to measure Kingdom outcomes.

Example: “We track the effect our camp program for foster children has had over our 25-year history by registering the number of former campers who return as counselors when they are adults.”



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FINANCIAL PERFORMANCE

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Highlight #13: CFO MEASURABLE GOALS. Fifty percent of CFOs said they had measurable goals that their CEOs have affirmed for this current fiscal year—but only 45% of that group (of 50%) report progress to their CEOs! Plus, just 40% of the direct reports to CFOs have annual measurable goals.

YES, NO or NOT APPLICABLE:	YES
Do you have 3 or more measurable goals that you and your CEO agreed on for this current fiscal year?	49.7%
If you have "CFO Annual Measurable Goals," do you report progress to your CEO?	45.0%
Do your direct reports each have 3 or more Annual Measurable Goals?	40.2%
If your direct reports have Annual Measurable Goals, do you monitor the goals at least quarterly?	34.4%

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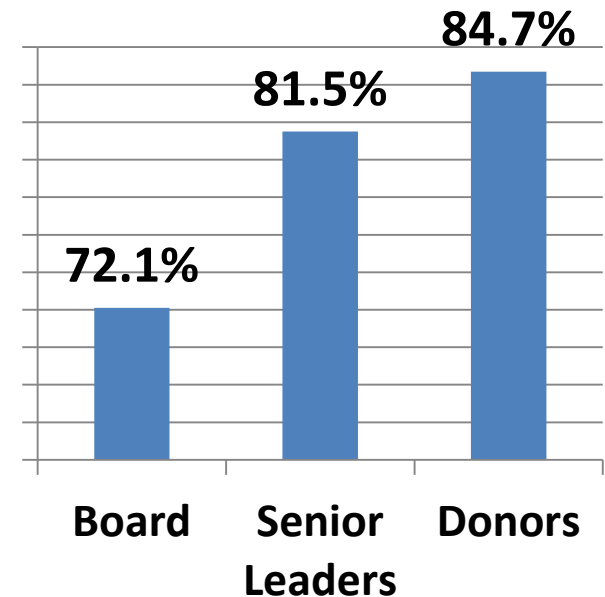
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FINANCIAL PERFORMANCE

Highlight #14: MEASURING MISSION IMPACT. The survey revealed that almost 85% of CFOs agree or strongly agree that “Our donors are highly interested in knowing about our mission impact.”

- Yet, just 72% of CFOs agreed or strongly agreed that their boards are very focused on measuring mission impact.
- Interestingly, CFOs said 81.5% of senior leaders are focused on measuring mission impact—a strong number, but still less than the interest of donors!

Strongly Agree & Agree
Focused on Mission Impact



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FINANCIAL PERFORMANCE

Highlight #15: **Areas Needing Greatest Improvement.**

CFOs said that the Top 5 (of 10) areas that need the greatest improvement in their ministries were:

- 1) Fundraising
- 2) Marketing & Public Relations
- 3) Strategic Planning
- 4) Achieving Mission Results
- 5) Programs, Products, & Services

CEOs, Chief Development Officers, Board Chairs, and Board Members (in previous ECFA surveys)

all affirmed the same Top 4 needs. More info at:

<http://www.ecfa.org/Content/Surveys>

1. Fundraising
2. Marketing & Public Relations
3. Strategic Planning
4. Achieving Mission Results
5. Programs, Products, & Services
6. Team Building
7. Human Resources
8. Governance
9. Meeting "Customer" Needs
10. Finance & Accounting

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1st Annual Nonprofit Financial Management Survey

Survey Highlights

5 MAJOR SECTIONS:

- ☐ Financial Policies
- ☐ Budgeting
- ☐ Internal Controls
- ☐ Financial Performance
- ☒ **Financial Reporting**



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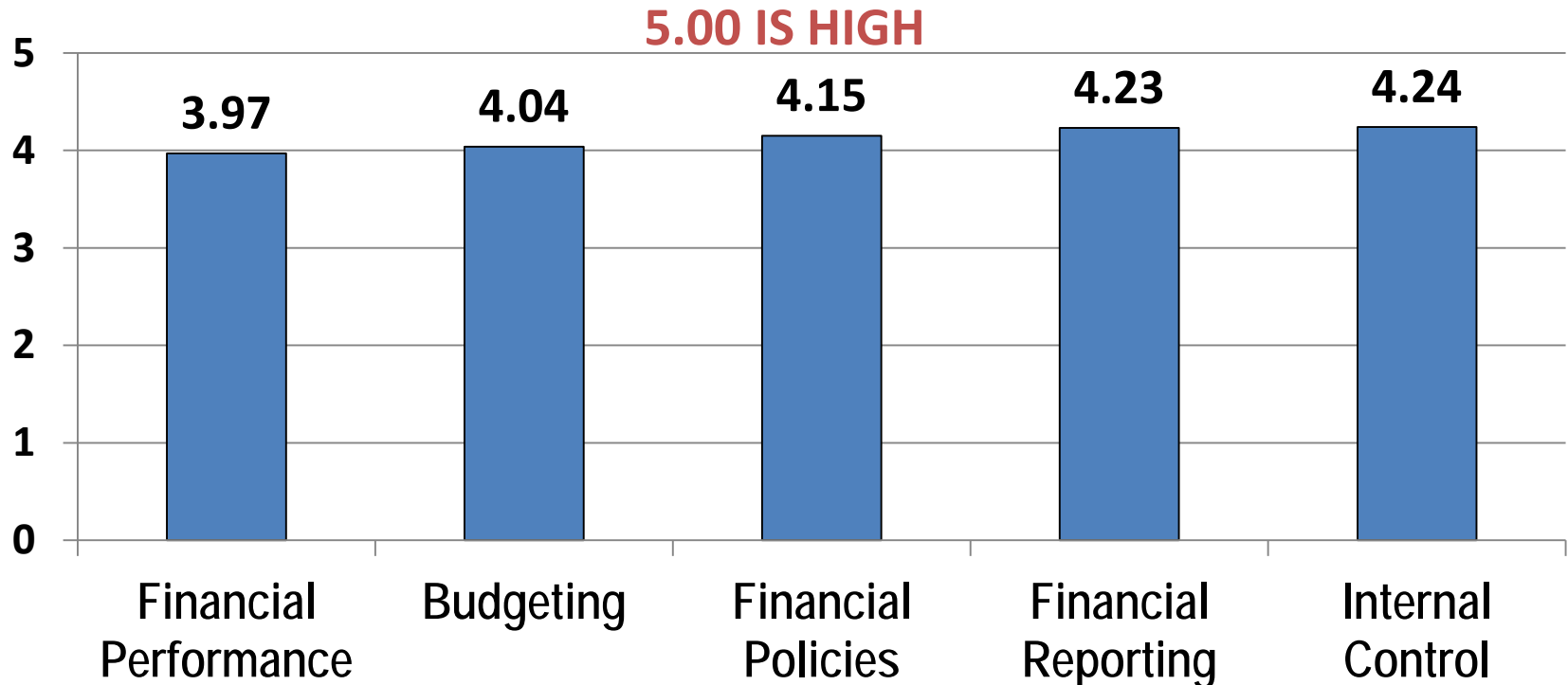


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FINANCIAL REPORTING

Highlight #16: Effectiveness Ratings. While CFOs rated their effectiveness fairly high in five major categories, the two highest scores were in the financial reporting and internal control areas.



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FINANCIAL REPORTING

Highlight #17: Financial Dashboards. CFOs were asked to list up to five dashboards that they use when reporting to the board of directors. More than 400 dashboard examples were listed (many duplicates, of course), including:



Cash position and cash flow trends	Babies saved
YTD income and expense (variance to budget)	Pieces of mail
Current vs. historic contributions	Occupancy rates
Program results against plan	Risk management
Major gifts numbers and amounts	Number of givers
Program revenue and % by specific event	Endowment performance
Graduation rates	Student/faculty ratio
Salvations	Email questions to Webinar@ECFA.org



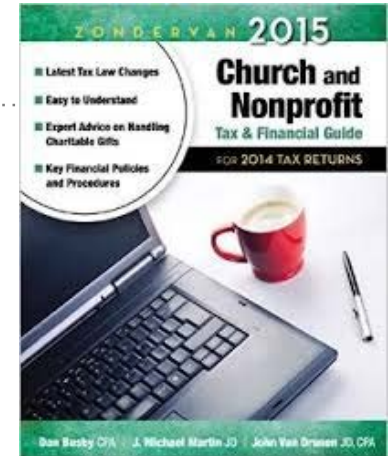
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FINANCIAL REPORTING

Highlight #18: Understanding Financial

Reports. We asked, "Please check the percentage of people in each group that truly understands the financial reports of your organization." The results:



% of people who truly understand financial reports➔	Less than 25%	26% to 50%	51% to 75%	76% to 99%	100%
CEO and Senior Team	5.2%	9.1%	16.7%	37.3%	31.8%
Middle Managers	17.8%	20.0%	39.3%	17.8%	5.2%
Board of Directors	6.6%	15.1%	29.9%	33.8%	14.5%
Board's Finance Committee	0.7%	4.6%	9.9%	31.3%	53.5%

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Survey Highlights

BONUS SECTION:

- ☐ Facts
- ☐ Fractions
- ☐ and Factoids

...if there's time!



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FACTS, FRACTIONS & FACTOIDS

Highlight #19A: Operating Reserves. Please indicate your current level of operating reserves:

Number of months of operating reserves at end of last fiscal year:

	None	Less than 1 month	1 month	2 months	3 months	4 months	5 months	6 or more months	N/A or I don't know
%	3.2%	7.9%	8.5%	16.7%	20.5%	10.4%	4.7%	25.9%	2.2%

See next slide: Board's goal for next 18-24 months➔

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FACTS, FRACTIONS & FACTOIDS

Highlight #19B: Operating Reserves. Please indicate your forecast for future operating reserves:

Our board would like us to have “X” months of operating reserves within 18-24 months:

	None	Less than 1 month	1 month	2 months	3 months	4 months	5 months	6 or more months	N/A or I don't know
%	2.1%	0.0%	3.2%	4.3%	20.9%	7.1%	1.4%	38.7%	22.3%

“Cash Reserves: How Much Is Enough?” Download this 9-page resource at:
http://www.ecfa.org/Documents/CashReserves_HowMuchIsEnough_ECCU.pdf

Email questions to Webinar@ECFA.org

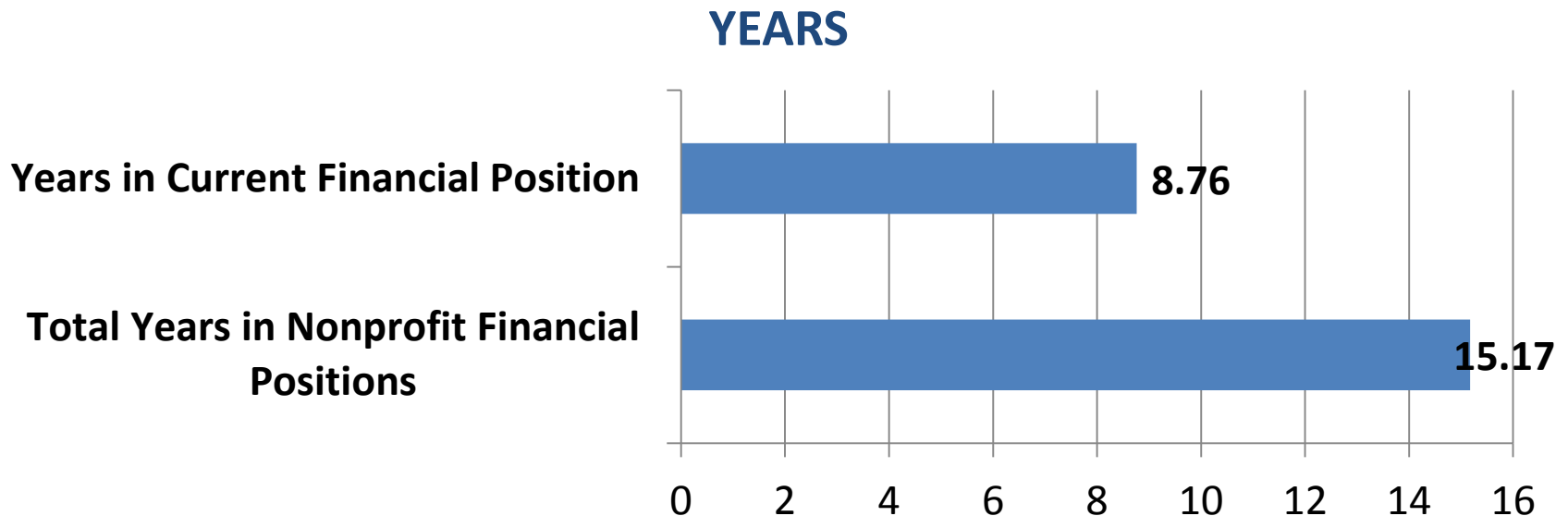


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FACTS, FRACTIONS & FACTOIDS

Highlight #20: CFO Tenure. CFOs have served almost 9 years in their current financial management roles in their current organizations—and just over 15 years total in all of their nonprofit financial management positions.



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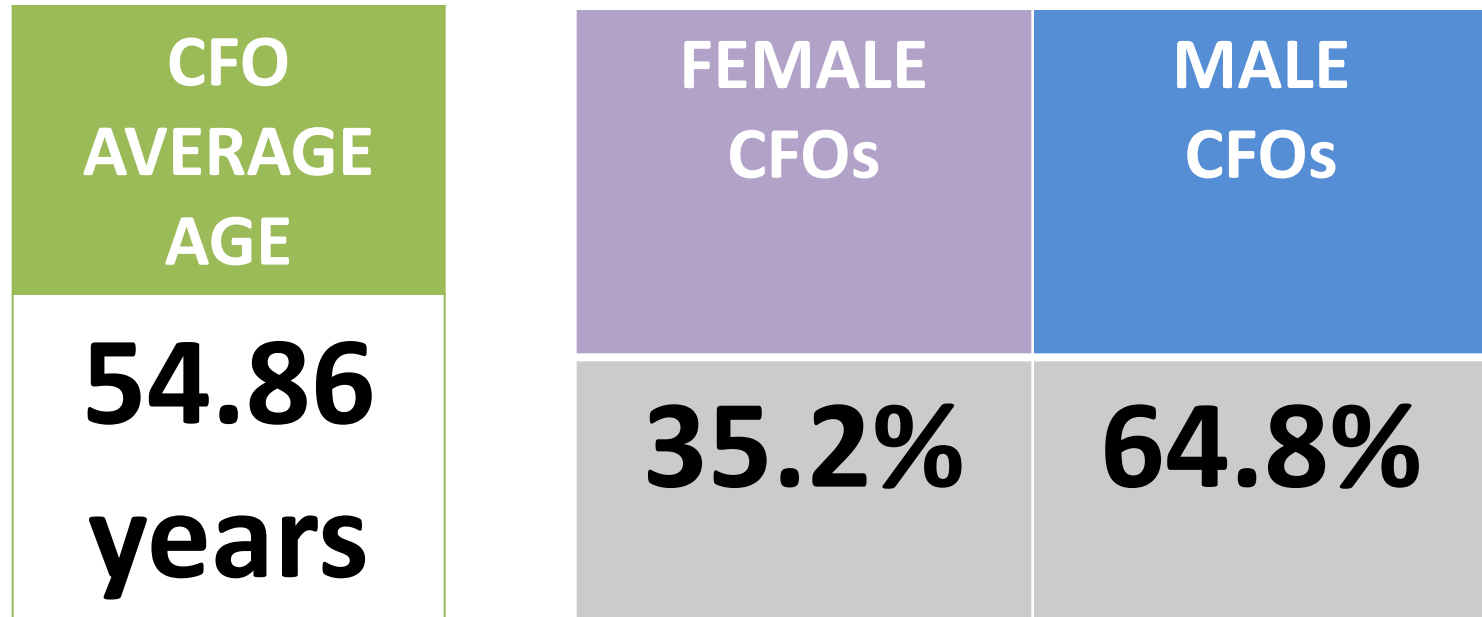


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FACTS, FRACTIONS & FACTOIDS

Highlight #21: Age & Gender. The average age of CFOs is almost 55 years. There are more males than females serving as CFOs: 65% are men, 35% are women.



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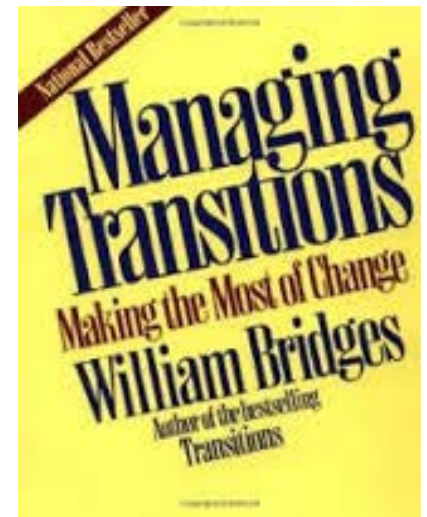
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FACTS, FRACTIONS & FACTOIDS

FINALLY: Any advice on the best way to make changes without creating unnecessary stress?

William Bridges writes, "It isn't the changes that do you in, it's the transitions. Change is not the same as transition. *Change* is situational: the new site, the new boss, the new team roles, the new policy. *Transition* is the psychological process people go through to come to terms with the new situation. Change is external, transition is internal."



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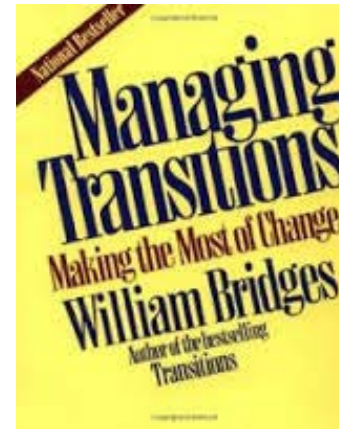
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FACTS, FRACTIONS & FACTOIDS

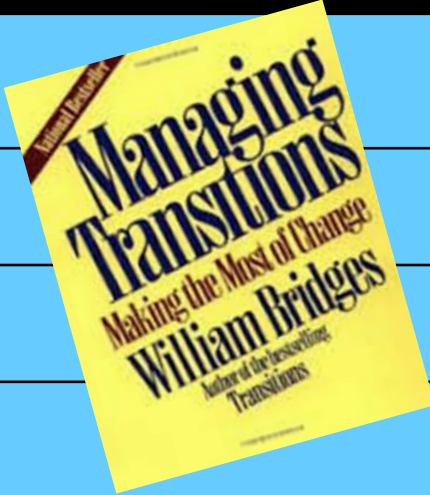
“Change is external. Transition is internal.”

*“The beginning of wisdom
is to call things by their right names.”*

- ❖ Ending.
- ❖ Neutral zone.
- ❖ New beginning.



Download the free PDF, “Getting Them Through the Wilderness” (on Moses) at:
<http://www.wmbridges.com/>

ENDING↓	NEUTRAL ZONE	BEGINNING
Denial		Enthusiasm😊
Anxiety		Trust
Shock		Excitement
Confusion		Relief
Sadness		Hope or Skepticism
Annoyance/Anger	Curiosity	Acceptance
Fear	Adjustment	Impatience
Frustration	Exploration	Creative Tension
Cynicism➡	Learning ➡	↑



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Q & A Time!

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**Cameron
Doolittle**
The
Maclellan
Foundation



**John
Pearson**
John Pearson
Associates



Caryn Ryan
Missionwell
LLC



*Coming
Soon!*

Watch for the release of this new resource this spring!

Order at [ECFA.org/surveys](https://www.ecfa.org/surveys)



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CHARITABLE GIVING GUIDE FOR **MISSIONARIES** AND OTHER WORKERS

DAN BUSBY, CPA • MICHAEL MARTIN, JD • JOHN VAN DRUNEN, JD, CPA



CHARITABLE GIVING GUIDE FOR **SHORT-TERM** MISSION TRIPS

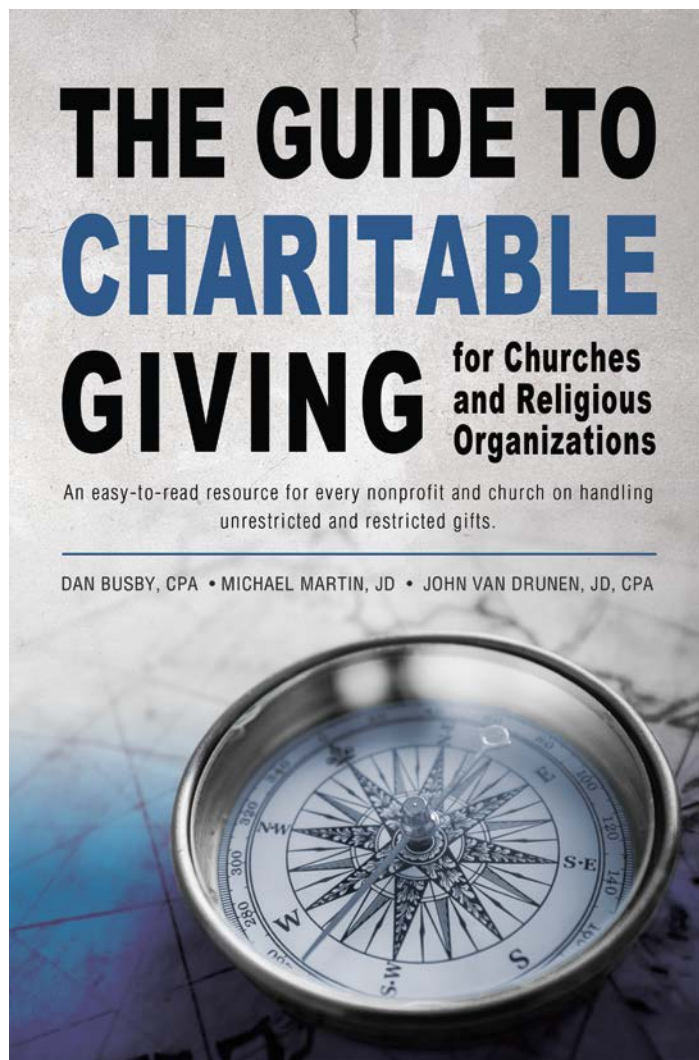
DAN BUSBY, CPA • MICHAEL MARTIN, JD • JOHN VAN DRUNEN, JD, CPA



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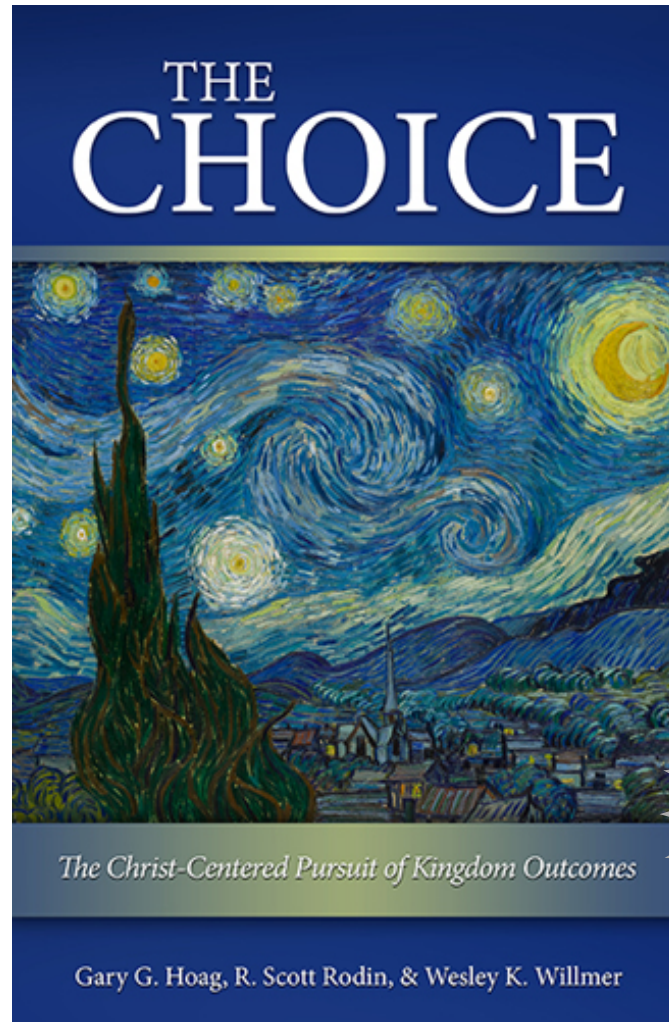


*Coming
Soon!*

Watch for the release of this new resource in 2015!



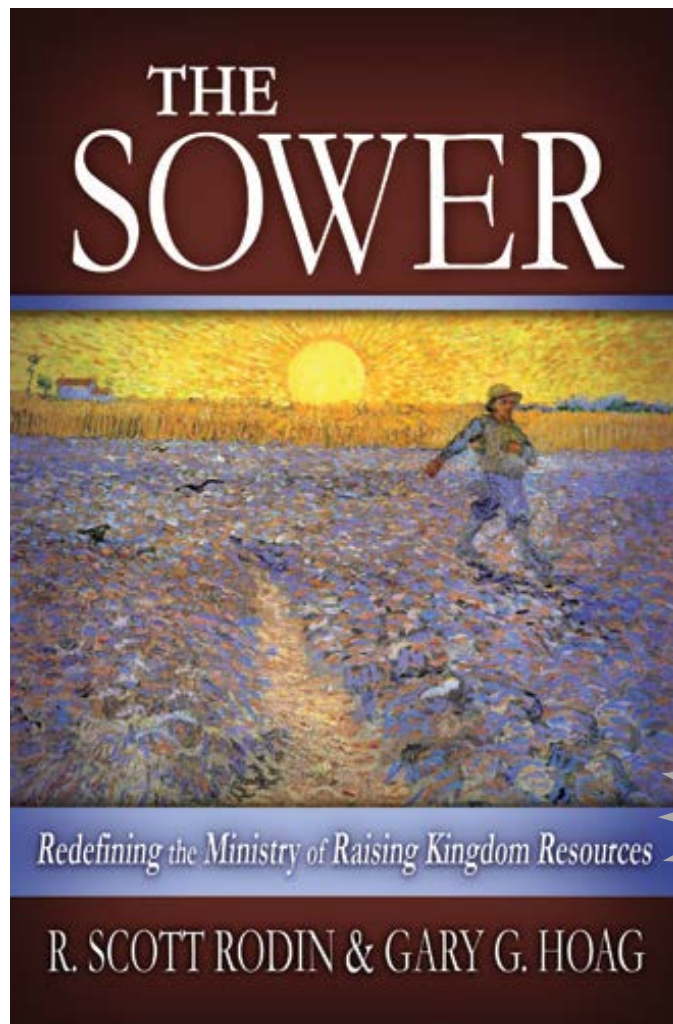
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SERIES No. 1

RECRUITING
BOARD MEMBERS

SERIES No. 2

BALANCING
BOARD ROLES

SERIES No. 3

CONFLICTS
OF INTEREST

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Date	Topic	Speakers
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