

Effective Benchmarking – Thinking Outside the Box

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Financial Health – Opening Remarks

Peer Group Comparisons

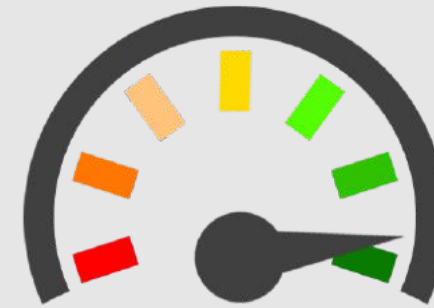
Known Metrics for Assessing Financial Health

Operating Cash Reserves



SOUND

3 months of operating cash expenses plus current liabilities



STRONG

At least 6 months of operating cash expenses plus current liabilities

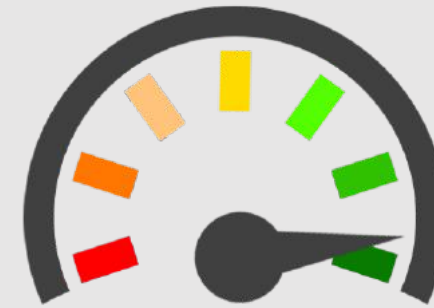
Debt Service Reserves

(for organizations with mortgage or other long-term debt)



SOUND

6 months of debt service costs (principal and interest payments)



STRONG

At least one year of debt service costs

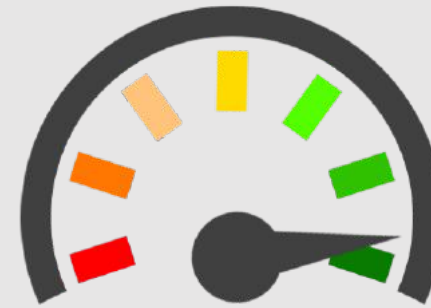
(Special consideration when debt reserves are required as a term of the loan agreement)

Debt Level



SOUND

Total liabilities should not exceed 2.5 times unrestricted net assets



STRONG

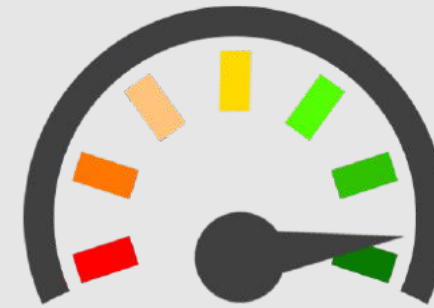
Total liabilities are less than 2 times unrestricted net assets

Loan-To-Value Ratio



SOUND

Debt should not exceed 70% of the current market value of the collateral property



STRONG

Debt is less than 65% of the current market value of the collateral property

Debt Service as a % of Operating Expenses

(Note – Debt service payments funded by special gifts or separate funds, such as a building fund or debt service fund, would not be counted in this calculation.)



SOUND

Annual debt service payments (principal and interest) do not exceed 15-20% of the organization's annual cash operating expenses



STRONG

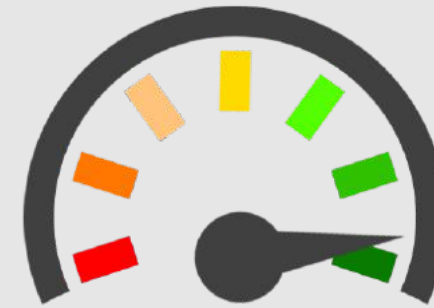
Annual debt service payments do not exceed 10% of the organization's annual cash operating expenses

Average Age of Accounts Payable Invoices



SOUND

Average should not normally exceed 25 days



STRONG

Average not more than 15 days

Questions Those in Financial Oversight Need Answers to on a Regular Basis

1. Is the church's current liquidity sound or strong? On what do we base our opinion? How do we know?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

2. Is the trending in the church's liquidity improving or declining? Elaborate.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

3. What is the church's current balance for cash and other liquid assets overall? What is the balance net of donor-restricted and designated amounts? Provide details.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

4. If current accounts payable and other similar liabilities were paid, how many months of cash operating expenses would the current cash and liquid assets balance (net of donor-restricted and designated amounts) cover?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

4. a) How does the answer to this question compare to the church's objectives?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

4. b) Is there a plan in place to improve the operating cash reserves balance? What is the plan? How are we doing with respect to implementing the plan?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

5. Is the church paying all of its bills on time? How do we know?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

6. Has the church had any trouble in recent weeks or months meeting its cash flow demands? If yes, elaborate.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

7. Does the church expect to have any trouble in the foreseeable future with respect to meeting its cash flow demands? How do we know? If yes, elaborate.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

8. Has the church borrowed any money to fund regular operations or noncapital outlays? If yes, elaborate.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

9. Has the church dipped into donor-restricted or designated cash or investment balances in order to fund operations at any point during the last year? How do we know? If yes, elaborate.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

10. What is the current balance of the church's mortgage or long-term debt?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

11. Are debt payments being made in a timely manner, without any difficulty?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

12. Are there any specific financial covenants contained in the church's loan agreements that stipulate specific financial requirements the church must meet as a condition of complying with the terms of the loan? If yes, provide details with respect to the nature of each covenant as well as the church's compliance with the terms of the covenant.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

13. What percentage of the church's total revenues is being spent on servicing the church's debt?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

13. a) How does the answer to this question compare to the church's objectives?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

14. What is the ratio of the church's total liabilities to the church's unrestricted net assets?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

14. a) How does the answer to this question compare to the church's objectives?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

15. What is the balance of the church's debt service reserves?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

15. a) How many months of debt service for the church's existing mortgage debt will this balance cover?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

15. b) How does the answer to this question compare to the church's objectives?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

15. c) Is there a plan in place to improve the debt service reserves balance? What is the plan? How are we doing with respect to implementing the plan?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

16. Is there any information regarding the church's overall liquidity or financial position not addressed by the prior questions of which the church's leadership should be aware? If yes, provide details.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

17. Is the trending with respect to overall revenue favorable or declining?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

17. a) If declining, what are the causes, and what is the church's leadership doing to address the matter?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

18. Is per capita giving trending favorably or unfavorably?
Provide details.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

19. What other information about the church's revenues (especially revenues not related to contributions) is relevant to church leadership?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

20. With respect to expenditures, is the church's staff leadership adhering to budget parameters? How do we know?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

21. Are expenditures increasing or decreasing?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

22. Are appropriate approval processes in place for all expenditures? Elaborate and succinctly describe the approval process for all areas of expenditure.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

23. Is there any additional information about the church's expenditures not covered by the prior questions that would be relevant to the church's leaders?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

24. Is the church generating a cash flow surplus from its operating activities? Why or why not?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

25. How do the church's financial operating results compare with expectations as set forth in the approved budget?



Questions Those in Financial Oversight Need Answers to on a Regular Basis

26. Are there any current vulnerabilities, specific risks, threats, or other similar matters that could adversely affect the church's financial condition? If yes, elaborate.



Questions Those in Financial Oversight Need Answers to on a Regular Basis

27. On a scale of 1 to 10, where 1 is very weak and 10 is extraordinarily strong, how would the church's staff leadership rate the church's current financial condition? Explain the basis for the rating.



Closing Remarks