



FINANCIAL
MANAGEMENT
SERIES

NONPROFIT FINANCIAL MANAGEMENT SURVEY

1.0



Enhancing Trust



ECFA Nonprofit Financial Management Survey 1.0 Executive Summary

Another resource from ECFA!

Every day—every single day—your ministry has the opportunity to build trust or diminish trust. Consider these three insights:

- Richard Blackaby: “Our problem as leaders is we do everything we know to do. That’s not enough. We need to do everything God wants us to do.”
- Mother Teresa: “Honesty and transparency make you vulnerable. Be honest and transparent anyway.”
- Charles H. Spurgeon: “Discernment is not knowing the difference between right and wrong, it is the difference between right and almost right.”

The *ECFA Nonprofit Financial Management Survey 1.0* executive summary is a tool for inspiring and informing your financial management team, your board, and your senior staff. While you’ll appreciate the dozens and dozens of new findings and insights in this report—please don’t miss the big idea, the heart of our work and your work:

Christ-centered ministries with
trusted governance,
trusted resource-raising, and
trusted resource management
experience elevated Kingdom outcomes.

This report includes 10 highlights and six strategic observations. Be sure to note the eight financial management practices that “exemplary” ministries do differently than “typical” ministries. If helpful, download extra copies of this report for your board and team as they benchmark your financial management practices against other ECFA-accredited organizations.

May God bless your ministry!

A handwritten signature in black ink, appearing to read 'Dan Busby', written over a horizontal line.

Dan Busby
President
ECFA

ECFA's Nonprofit Financial Management Survey 1.0 Advisory Panel

ECFA is grateful for the wisdom, insight, and detailed practical help of the ECFA Nonprofit Financial Management Survey 1.0 Advisory Panel. Panelists included:



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SPECIAL THANKS TO JOHN PEARSON, PROJECT COORDINATOR. President of John Pearson Associates, Inc., a board governance and nonprofit management consulting firm in San Clemente, California, John Pearson served 30 years as a ministry CEO, including 25 years as the CEO of Christian Management Association (now called Christian Leadership Alliance), Willow Creek Association, and Christian Camp and Conference Association. He is the author of *Mastering the Management Buckets: 20 Critical Competencies for Leading Your Business or Nonprofit*. John is also the editor and publisher of *Your Weekly Staff Meeting eNews*, and writes the weekly blog for ECFA, *Governance of Christ-centered Organizations*.

ECFA also expresses special appreciation to Cameron Doolittle. Senior program director at The Maclellan Foundation, Cameron lives in Falls Church, Virginia. He served previously as president and CEO of Jill's House in Vienna, Virginia, a unique ministry serving children with special needs. Cameron provided outstanding analytical and editorial assistance on this project.



Enhancing Trust

ECFA Nonprofit Financial Management Survey 1.0

Executive Summary

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<p><i>Question:</i></p> <p>What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?</p>	<p><i>Answer:</i></p> <p>“More and more people are wanting to make a difference in their communities and in the lives of others. This means more people want to give of their time and resources to make an impact.”</p>
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Enhancing Trust

Introduction

Inside:

**10 highlights,
6 strategic observations,
hundreds of open-ended comments,
next step resources, and the *TRUST Exercise***

This is the first year that ECFA has conducted a survey on financial management practices. This survey was sent to 1,378 CFOs of ECFA-accredited organizations on March 25, 2015. The survey assessed practices in five major areas:

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

This Executive Summary includes these sections:

☐ The Top 10 Highlights from the Survey

- **Read Section 1** for the Top 10 highlights. For example, the survey revealed that CFOs wear many hats—in addition to the financial hat. Only 10% of CFOs in the survey devote 100% of their time to the financial management role.
- **Room for Improvement:** The good news—50% of CFOs said they had measurable goals that their CEOs have affirmed for this current fiscal year—but only 45% of that group report progress to their CEOs!

❑ Open-ended Questions for CFOs

- **Read Section 2** for the anonymous open-ended questions and responses from CFOs: “What is keeping you up at night?” The responses were diverse—and often heart-felt. But there was also humor. One CFO responded, “Too much caffeine!”
- This Executive Summary includes a sampling of more than 100 open-ended comments from over 2,000 individual comments received.

❑ 6 Strategic Observations

- **Read Section 3** for the six strategic observations on organizational effectiveness, organizational growth, and “exemplary” organizations—a unique segmenting of the responding ministries.

Question:

In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

**"1) Seek and trust the Lord daily for wisdom and understanding.
Don't panic—it's the Lord's work, not yours.**

**2) Develop your budget based on past giving trends and anticipated increases
and then closely monitor the budgeted income and expenses
in order to help management better adjust ministry goals as needed.**

**3) Keep an adequate cash reserve on hand to help smooth out
the cash flow needs during higher expense/lower income months."**

HOW TO USE THIS SURVEY WITH YOUR BOARD AND SENIOR TEAM

In response to previous surveys, many CEOs and board chairs have told ECFA, “This survey was a wake-up call for us. We will share the results at our next board meeting. It’s a great tool for stretching vision and talking about board roles [and staff roles] in Christ-centered organizations.”

This Executive Survey, for some, will help you discuss topics and concerns that—due to the busyness of ministry-in-the-fast-lane—often go unaddressed. You may want to allocate staff and board meeting time (perhaps 15- to 30-minute segments at each of your next few meetings) to integrate insights from these two resources:

- This report: ECFA Nonprofit Financial Management Survey 1.0
- Selected chapters from this new ECFA Press book: *TRUST: The Firm Foundation for Kingdom Fruitfulness*

Example: Share this insight from *TRUST*:

“Find the ‘sweet spot’ between absolute transparency and non-transparency—it’s called appropriate transparency—where trust is maximized with minimal disruption or risk to the ministry.”

So use this Executive Summary strategically—to help your staff and board self-assess their effectiveness, especially as stewards of kingdom work. Here are several more ways to do this:

- 1. Circulate** this Executive Summary to your board members, senior staff and perhaps prospective board members. Allocate time at your next board meeting to highlight relevant questions. Ask board members for their insights and possible next steps.
- 2. Benchmark** your organization’s current practices against the average responses in this survey. Does your senior team need to refocus? Prioritize your next steps. You can’t fix everything, but you can start with three, four or five action steps.
- 3. Leverage the Trust Exercise.** Use the resource on page 55 and distribute photocopies of this page to your financial management team, your senior team, and ask your CEO to share it with the board.
- 4. Spiritually discern your next steps.** Does your team need more training in effective financial management? Is the orientation adequate for new staff members? Does this report highlight immediate concerns? Is there a book or a strategic resource that everyone should read or view?

John Wesley reminds us:

“I judge all things only by the price they shall gain in eternity.”

Effective financial management is a high priority and your work is a high calling! Be encouraged and be courageous! 1 Thessalonians 5:24 (NIV) reads,

“The one who calls you is faithful,
and he will do it.”

Section 1 | Top 10 Highlights from the Survey

This first-ever survey of financial management practices of ECFA-accredited organizations addressed five major categories as noted below. Responses to other noteworthy introductory and demographic questions are also included here.

First . . . How Many Hats Do CFOs Wear?

- ❑ **1. CFO Hats.** Chief financial officers 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 wear fundraising/development hats—in addition to their CFO hats.

Financial Policies

- ❑ **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.
- ❑ **3. Financial Policy Trends.** CFOs shared 90 comments in response to the question “*What is one financial policy trend that you are observing that may have a significant impact on your organization in the future?*” Trends included upcoming FASB changes, 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, 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,” and pushback by younger staff that there are too many policies.

Budgeting

- ❑ **4. 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 restructured 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.
- ❑ **5. Budgeting for Reserves.** When asked “*Does your ministry annually budget for cash reserves?*” 38% of organizations responded “Never” or “Rarely.” The remaining 62% responded as follows: 22.5% said “Always,” 16.5% said “Frequently,” and 22.8% checked “Sometimes.”

Internal Controls

- ❑ **6. 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.

Financial Performance

- ❑ **7. 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 report progress to their CEOs! Plus, just 40% of the direct reports to CFOs have annual measurable goals.
- ❑ **8. 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.

Financial Reporting

- ❑ **9. 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—a rating of 4.24 and 4.23, respectively, on a scale of 1.00 to 5.00 (5.00 being the highest). Financial performance was rated the lowest at 3.97, but still quite effective.
- ❑ **10. Financial Dashboards.** CFOs are utilizing a wide range of financial dashboards when reporting to the board of directors. More than 400 dashboard examples were submitted, including many duplicates, of course. (See the partial list of dashboards on page 20—listed in three major categories: Financial & Operational Dashboards, Giving & Marketing Dashboards, and Program Dashboards.)



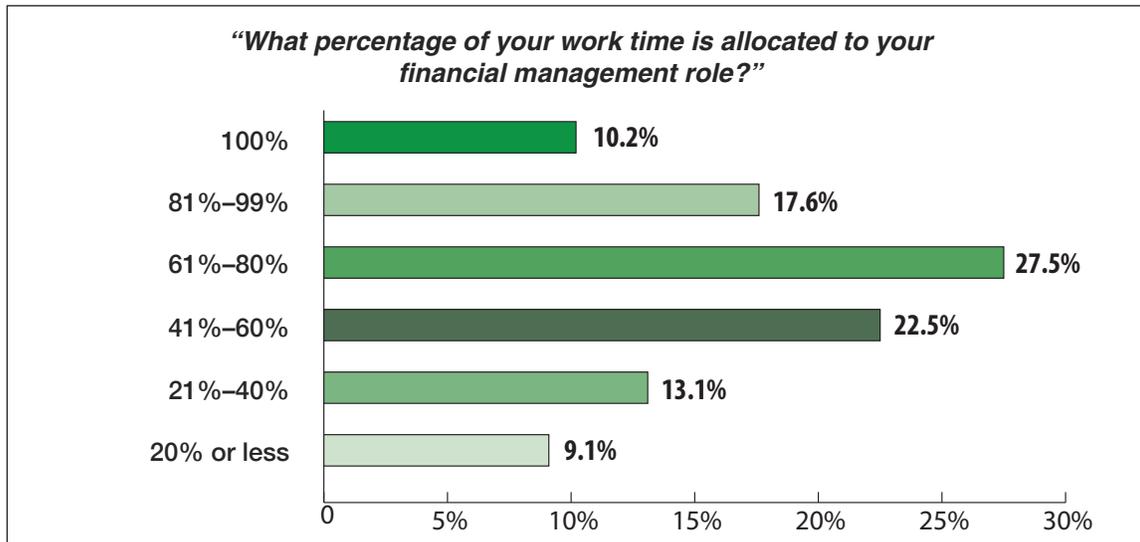
First . . . How Many Hats Do CFOs Wear?

Highlight #1. CFO Hats.

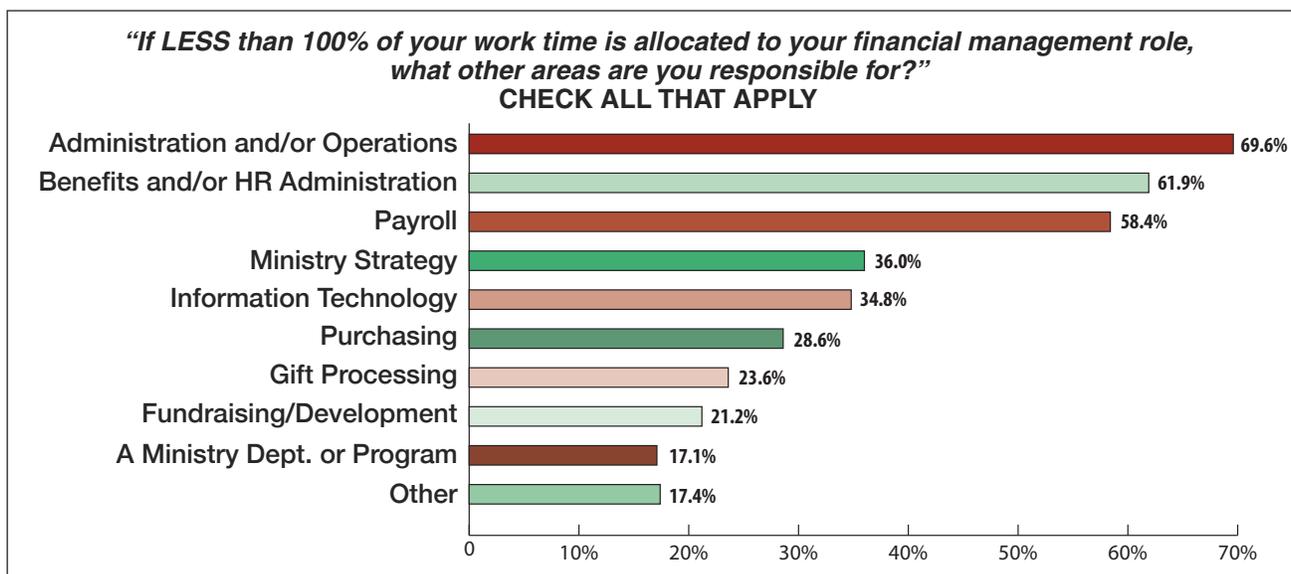
Chief financial officers wear numerous hats—including financial management.



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.



Of the 59 “other” responsibilities mentioned, common themes included facility management, grounds, construction supervision, board relations/governance, legal, risk management, and compliance.

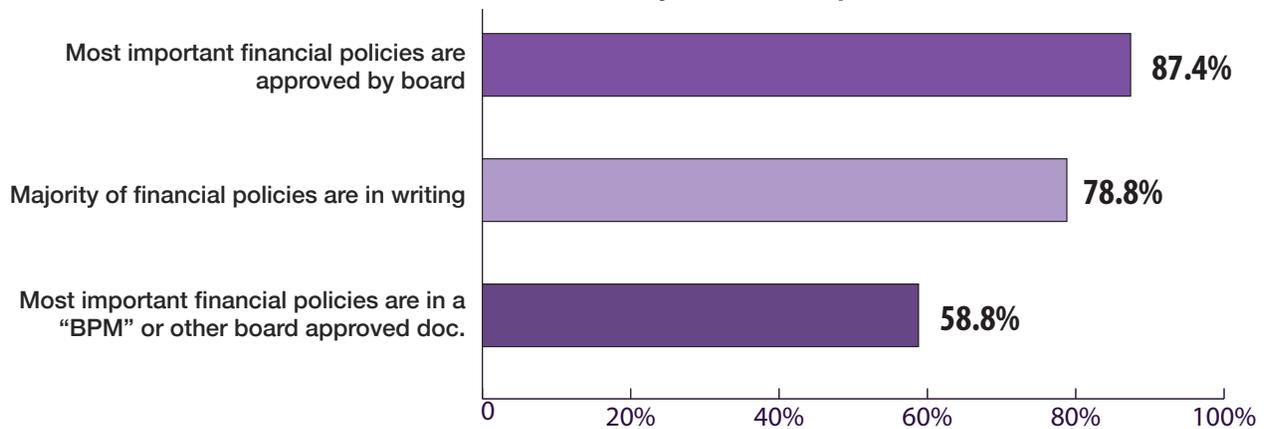
Financial Policies

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.

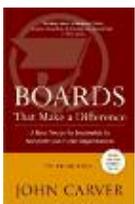


“What is the current status of your financial policies?”



Two Resources for Putting Your Policies in Writing

“I learned to write to burn the fuzz off my thinking!” (*Breakfast with Fred*, by Fred Smith, Sr.)



Boards That Make a Difference

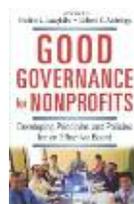
by John Carver

Create a board-approved “Ends Policy” with priorities:

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

- Our 4th Priority (not to exceed X% of resources):

See “Exhibit 4.3: Lancaster County Bible Church Ends Policy” (page 96)



Good Governance for Nonprofits: Developing Principles and Policies for an Effective Board

by Frederic L. Laughlin and Robert Andringa

This is a succinct but thorough guide that will help organizations develop a board that is legally and ethically responsible and effective in advancing their needs. The authors offer a clear process for creating a “Board Policies Manual” (BPM) to help boards apply proven standards of governance or “attributes of excellence.” Nonprofit leaders will learn how to: eliminate redundant or outdated policies, add new policies more effectively, clearly guide the CEO and evaluate his or her performance, ensure compliance with relevant legislation and regulations, and understand why certain policies should be included. (Policy Template Included)



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)
- Trend toward requiring performance management of all initiatives including new staff
- Program policies that impact fees and costs
- Pushback by younger staff that there are too many policies

“The trend to minimize
the importance
of financial policies”

Question:

In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

“You must be able to present the financials in such a way that a lay person can get the main points and understand what needs to be done.”

TRENDSPOTTER EXERCISE FOR YOUR BOARD OR SENIOR TEAM

	<p>At your next board meeting (or senior team meeting or off-site day/retreat), ask each person to bring an article from a newspaper, journal, newsletter, or blog that describes a trend that might impact future financial policies (or other policies) at your ministry.</p> <p>Ask each person to:</p> <ul style="list-style-type: none">• Bring one copy of the article (print or digital) for the CFO.• Present a four-minute summary, plus three minutes for Q&A (use the timer/buzzer feature on your smart phone).• Recommend a next step. <p>The CFO can then ask a volunteer or staff member to summarize the trends—and email the results to each person.</p>
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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.”

Question:

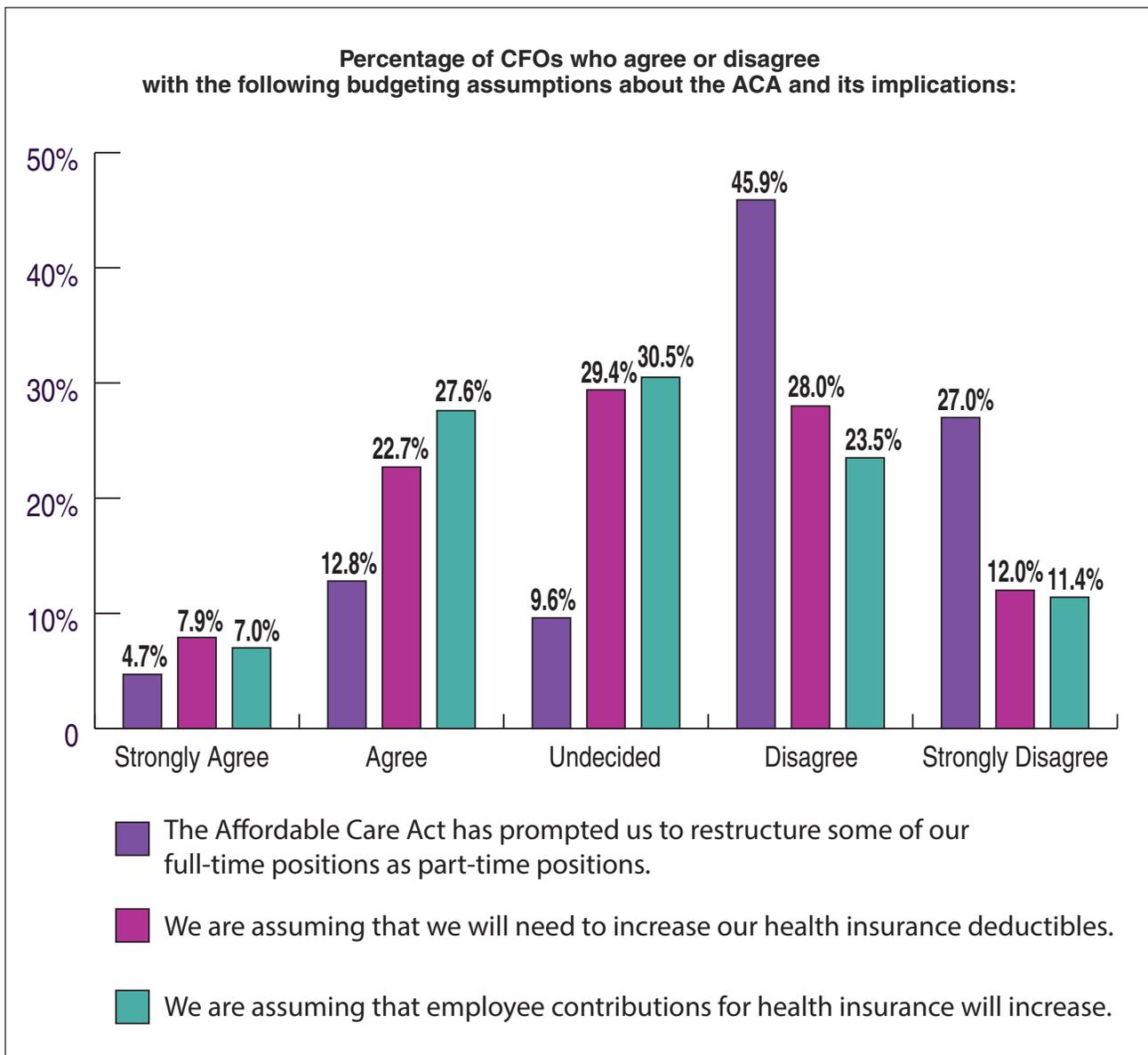
In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

"Effective fundraising, supported by effective marketing, is absolutely vital to financial sustainability. Don't skimp on accounting and donor management software."

Budgeting

Highlight #4. 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.



ECFA WEBINAR-ON-DEMAND – Click Here

“The Healthcare Reimbursements by Churches and Ministries” webinar with Allison Gardner, partner, and Danny Miller, nonprofit/church benefits attorney—healthcare experts with the law firm of Conner & Winters, LLP—addresses the five roads for understanding healthcare reimbursements relating to the Affordable Care Act (ACA). By listening to this Webinar-On-Demand, you will learn about:

- ACA Background on Healthcare Reimbursements
- Form 8928, Return for Certain Excise Taxes under Chapter 43 of the Internal Revenue Code
- What Works and Doesn’t Work in Avoiding ACA Penalties
- Employer Pays for Individual Health Insurance Coverage
- Employer Pays Out-of-Pocket Medical Expenses—Without Group Coverage
- Employer Makes No Healthcare-Related Payments
- Employer Pays for Group Insurance Coverage

Question:

In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

“1) Faith without funds is dead.

2) Trust God but pay attention to the ‘dials.’

3) Know how to present financial info to your CEO.

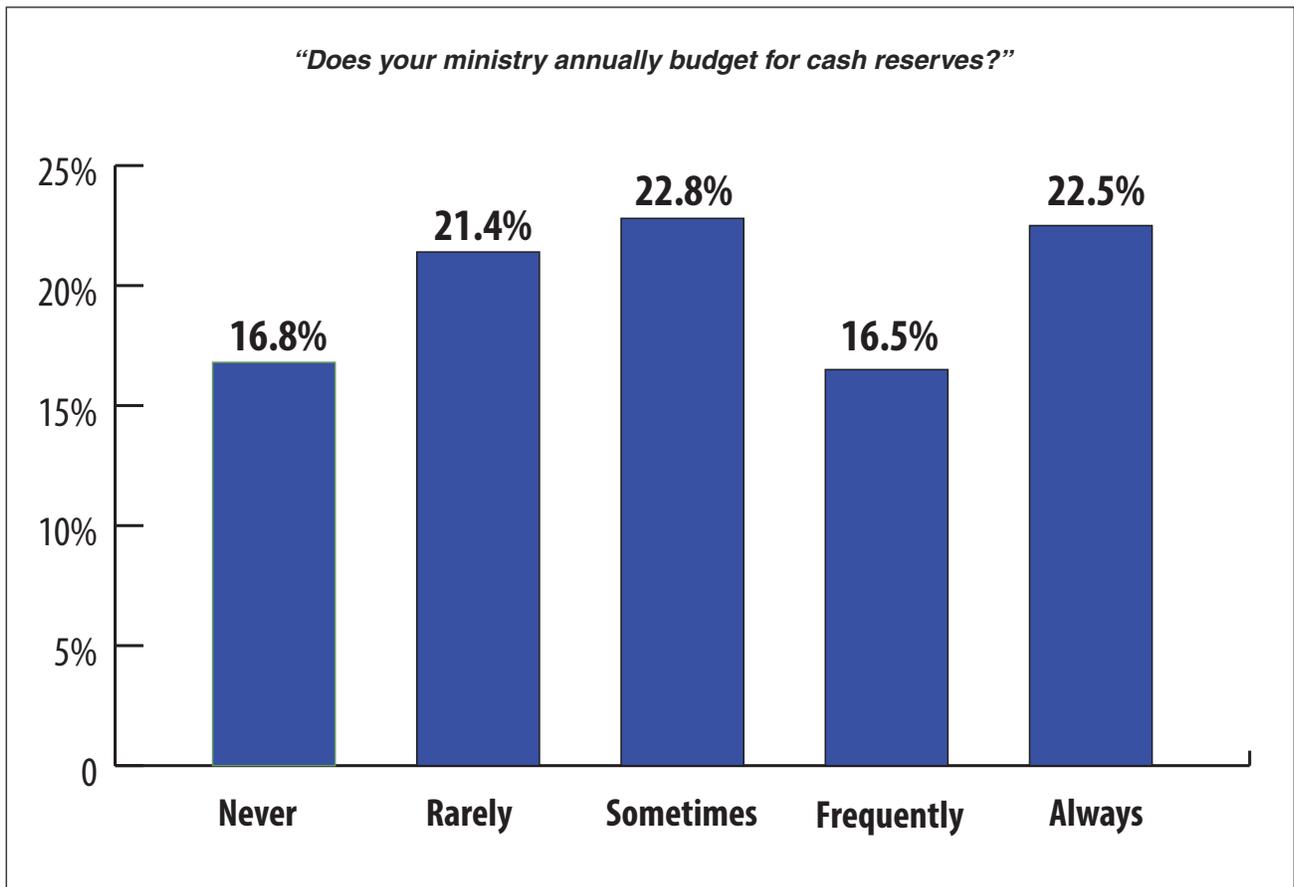
Most CEOs’ eyes glaze over if you share too much detail. Unless they are financially-oriented, usually 3-5 bullet-point items (including action points) is adequate.”

Budgeting

Highlight #5. Budgeting for Reserves.

When asked “Does your ministry annually budget for cash reserves?” 38% of the organizations responded “Never” or “Rarely.”

The remaining 62% responded as follows: 22.5% said “Always,” 16.5% said “Frequently,” and 22.8% checked “Sometimes.”



Operating Reserves: How Much Is Enough?

There is no ECFA standard that specifies how many months of operating reserves a nonprofit ministry should have. It is an important decision, however, and many organizations look to the Finance & Audit Committee and/or the Investment Committee to recommend a reserves policy to the full board.

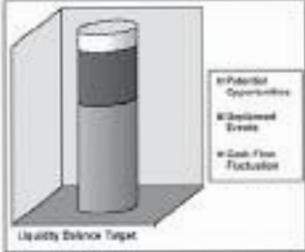
For more information, review these resources:

- ECFA Knowledge Center (www.ECFA.org)
- Question 49: “What does the board need to know about reserves and investments?” *The Nonprofit Board Answer Book* (www.BoardSource.org)
- *Who's Minding the Money? An Investment Guide for Nonprofit Board Members*, by Robert P. Fry, Jr.

Cash Reserves: *How Much Is Enough?*

Operating Liquidity Formula

Cash Flow Fluctuation
+
Unplanned Events
+
Potential Opportunities
=
**Operating Liquidity
Balance Target**



[Click here to download a 9-page resource.](#)

Question:

What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?

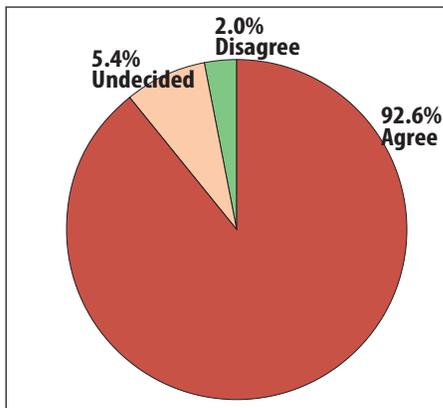
Answer:

“The move from church to individual giving.”

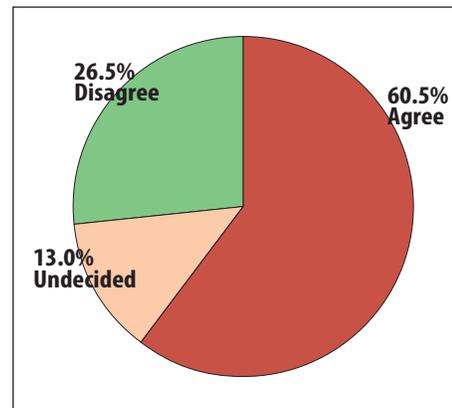
Internal Controls

Highlight #6. 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.

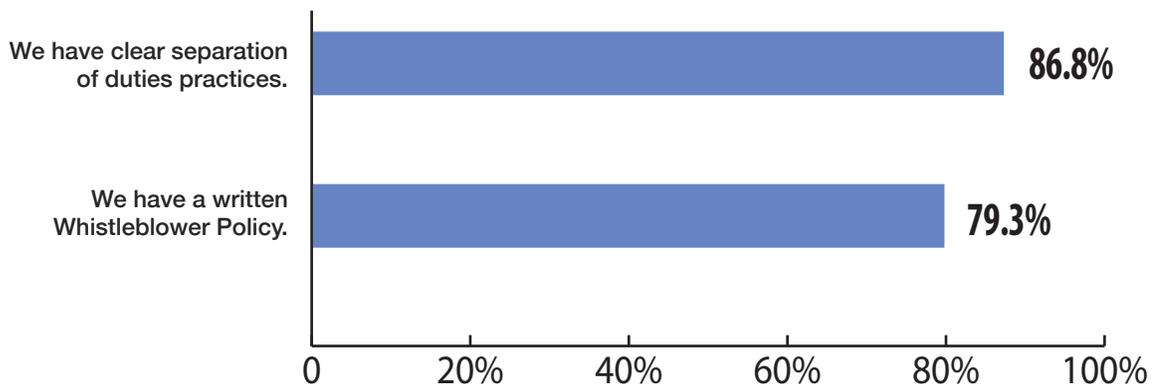


We have strong controls in place to prevent fraud.



At least annually, our financial management team conducts a formal review of our fraud prevention procedures, checklists, etc.

Percentage of CFOs That Agree or Strongly Agree That....



Financial Performance

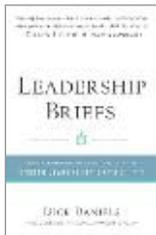
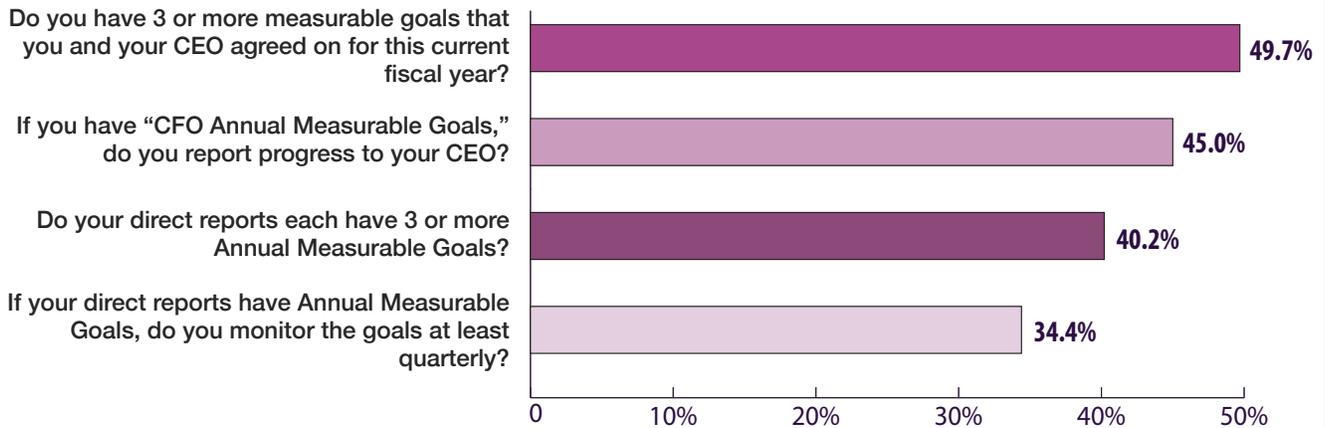
Highlight #7. CFO Measurable Goals.

Fifty percent of CFOs said they had measurable goals that their CEOs have affirmed for this current year—but only 45% of that group report progress to their CEOs!

Plus, just 40% of the direct reports to CFOs have annual measurable goals.



Percentage of CFOs who said YES to the following questions:



Leadership Briefs:
Shaping
Organizational
Culture to Stretch
Leadership
Capacity

by Dick Daniels

Dick Daniels says, "Any gap between strategy and outcomes is at the point of implementation." His equation is memorable:

$$\text{STRATEGY} + \text{EXECUTION} = \text{OUTCOMES}$$

In just three pages in the chapter, "Executives Execute," he summarizes six steps to help leaders transition from strategy to outcomes: Assignments, Actions Steps, Resources, Benchmarks, Communication, and Recognition. Here's the color commentary on goals:

ACTION STEPS:

- Within the [*ministry*], clarify what each department is responsible to complete to achieve the [*ministry's*] goals.
- Within each *department*, specify what each team is accountable to accomplish in order to reach the department goals.
- On each *team*, identify what individual team members are assigned to do in order for the team to meet its goals.

Financial Performance

Highlight #8. Measuring Mission Impact.

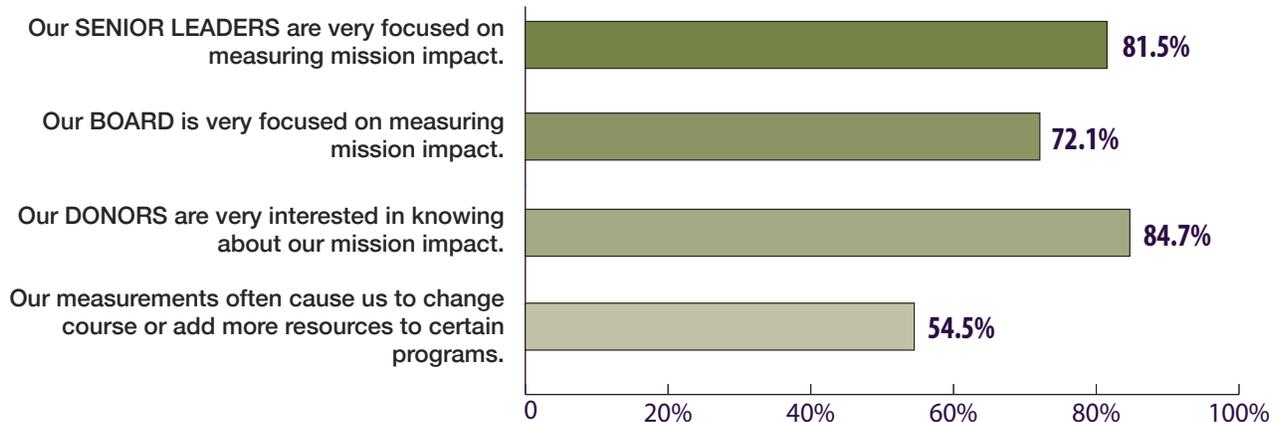
The survey revealed that almost 85% of CFOs agree or strongly agree that “Our donors are highly interested in knowing about our mission impact.”

Yet, just 72% of CFOs agreed or strongly agreed that their boards are very focused on measuring mission impact.



“Many leaders agree that ‘What you measure, improves.’”

Percentage of CFOs who agree or strongly agree with these statements:

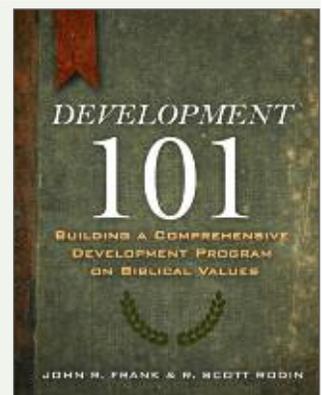


“Focus on Outcomes, Not Outputs”

In their book, *Development 101: Building a Comprehensive Development Program on Biblical Values*, John Frank and Scott Rodin, recommend 10 components of a biblically-based annual development plan. Their insights are rooted in a *transformational* approach versus a *transactional* methodology.

“Focus on outcomes, not outputs. Make sure your invitation for support is tied directly to your mission. Make sure the statistics you are using and examples you are giving demonstrate that you are accomplishing that core mission and not just highlighting programs, people, and facilities.

“For example, if your mission is to reduce the number of abortions in your community, then the number of crisis pregnancy clinics you have open and the size of your staff are not really the key determinants of missional success. People who are motivated by your mission will want to know how many unwanted pregnancies were carried to full term as a result of your work. That is an outcome, and that is why people will give.”



Financial Reporting

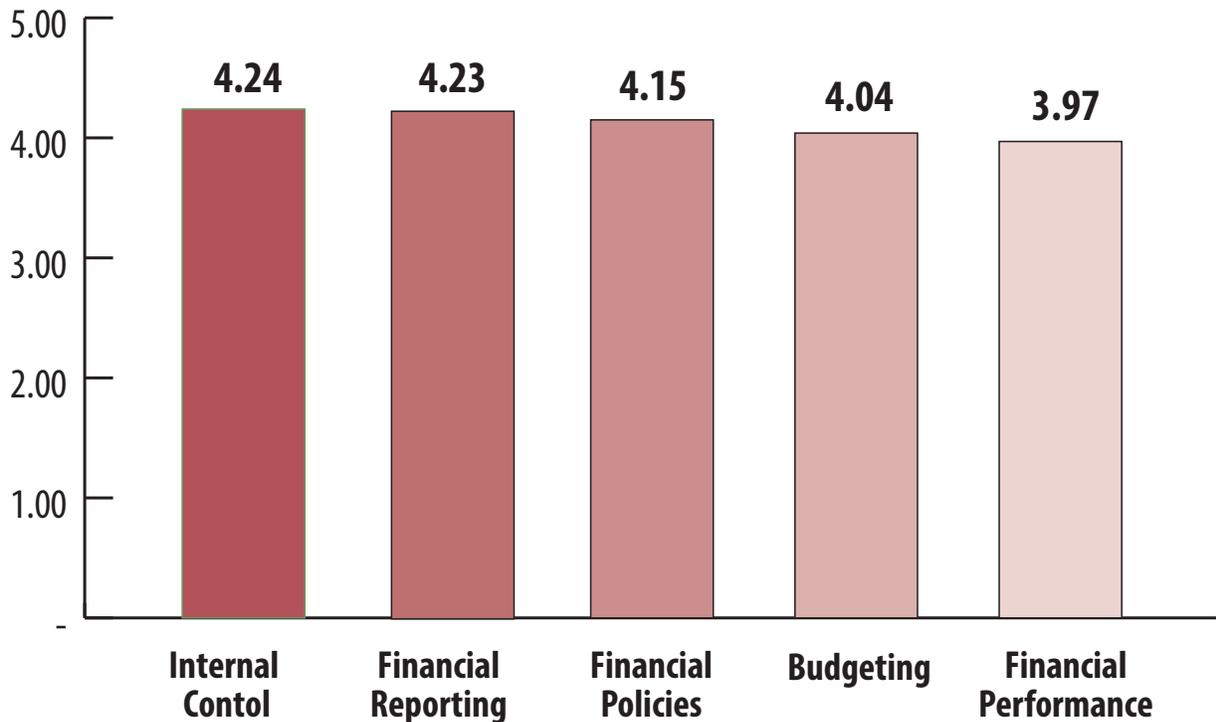
Highlight #9. Effectiveness Ratings.

While CFOs rated their effectiveness fairly high in five major categories, the two highest scores were in the internal control and financial reporting areas—a rating of 4.24 and 4.23, respectively, on a scale of 1.00 to 5.00 (5.00 being the highest). Financial performance was rated the lowest at 3.97, but still quite effective.



YOUR EFFECTIVENESS IN FIVE AREAS: “How strongly do you agree or disagree with the following questions in these 5 financial management areas?”
 5.00 = Strongly Agree • 1.00 = Strongly Disagree

Percentage of CFOs who agree or strongly agree that they are “VERY EFFECTIVE” in these areas:



Question:

What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?

Answer:

“New FASB draft on accounting for not-for-profit entities.”



Financial Management Organizational Assessment

(photocopy for your next meeting)

At your next senior team meeting, photocopy this page and ask each person for their rating—then calculate the scores and compare them to the average ECFA scores. (Participants may prefer to submit anonymous responses.)

EXTRA CREDIT! Next...focus on what could be improved over the next 30, 60, and 90 days. Ask for similar feedback three months later.

Your Effectiveness in 5 Areas: How strongly do you agree or disagree with the following statements in these 5 financial management areas?

How Does Your Financial Management Effectiveness Compare? <small>*Average ECFA Scores are based on responses from 371 CFOs of ECFA-accredited organizations.</small>	Strongly Agree 5	Agree 4	Undecided 3	Disagree 2	Strongly Disagree 1	*Average ECFA Scores
1. We are very effective in the Internal Control area.						4.24
2. We are very effective in the Financial Reporting area.						4.23
3. We are very effective in the Financial Policies area.						4.15
4. We are very effective in the Budgeting area.						4.04
5. We are very effective in the Financial Performance area.						3.97
Add up checkmarks in each column	___x 5 ↓	___x 4 ↓	___x 3 ↓	___x 2 ↓	___x 1 ↓	Overall Score ↓
Column Total X Column Value						=

***Your Financial Management Health.** To assess your organization’s general financial management health, add up the number of checkmarks you made in each column and multiply by the 5, 4, 3, 2, or 1 respectively. Take the sum of these and compare your overall score to the legend below:

- 85 and above Well Above Average
- 80 to 84 Above Average
- 74 to 79 Average
- 69 to 73 Below Average
- 68 and below Well Below Average

This self-assessment will help you evaluate those areas in which your financial management department (and senior team) can improve as it leads your ministry with integrity and effectiveness. For more financial management resources, visit ECFA.org or email survey@ECFA.org.

Financial Reporting

Highlight #10. Financial Dashboards.

CFOs are utilizing a wide range of financial dashboards when reporting to the board of directors.



More than 400 dashboard examples were submitted, including many duplicates, of course. Here’s a partial list of dashboards in three major categories:

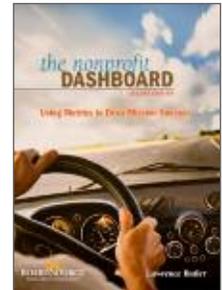
FINANCIAL & OPERATIONAL DASHBOARDS	GIVING & MARKETING DASHBOARDS	PROGRAM DASHBOARDS
<ul style="list-style-type: none"> • Risk management • Endowment performance • Cash position and cash flow trends • YTD income and expense (variance to budget) • “Effective” net income after unspent program surplus is restricted • Change in cash position (3 yrs.) • Current/long-term debt ratio (3 yrs.) • Capital budget report • Investment balances (4-yr. comparisons) • Cash reserve ratios • Employee headcount • HR problems • Line of credit in use • Salaries • Sq. foot usage of real estate 	<ul style="list-style-type: none"> • Number of givers • Major gifts (numbers/amounts) • Current vs. historic contributions • Average gift, average gift size • Contributions vs. pledges • Donor acquisition • Effectiveness of marketing efforts • Field ministry financial results • Giving by strategic ministry area • Gifts from grants • Income by region • Number of leaders trained in promotion of our products 	<ul style="list-style-type: none"> • Program results against plan • Program revenue and % by event • Graduation rates • Babies saved • Salvations • Pieces of mail • Occupancy rates • Student/faculty ratio • Camps: department expenses per camper day • Colleges: dorm population • Schools: graduation rates • Schools: student/faculty ratio • Missions: workforce trend • Number of volunteers • Opportunities and open doors • Safe nights of sleep

The Nonprofit Dashboard: Using Metrics to Drive Mission Success

“...the real value of dashboards comes from the thinking and discussions that occur before one begins to create the dashboard tool.”

Adapted from the introduction:

The Nonprofit Dashboard, by Lawrence Butler, published by BoardSource, presents different styles of dashboards and offers detailed illustrations to help organizations get started with their own dashboard reports. The bonus downloadable content includes a dashboard generator file and customizable dashboard templates. The book also lists 10 benefits that boards can gain from using dashboards:



1. Save time by reviewing highlights.
2. Track progress toward goals.
3. Understand system dynamics.
4. Spot potential problems.
5. Identify patterns and anomalies among similar entities.
6. Identify patterns and anomalies among diverse factors.
7. Expand board member comfort zones.
8. Bring all board members up to speed around a shared knowledge base.
9. Maintain a governance perspective.
10. Reinforce board oversight by linking to structure and process.

Question:

In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

**“1) Faith without funds is dead.
 2) Trust God but pay attention to the ‘dials.’
 3) Know how to present financial info to your CEO.
 Most CEOs’ eyes glaze over if you share too much detail.
 Unless they are financially-oriented, usually 3-5 bullet-point items
 (including action points) is adequate.”**

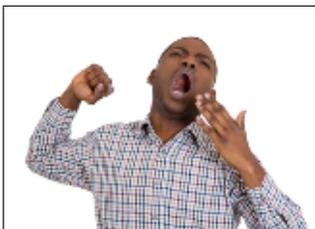
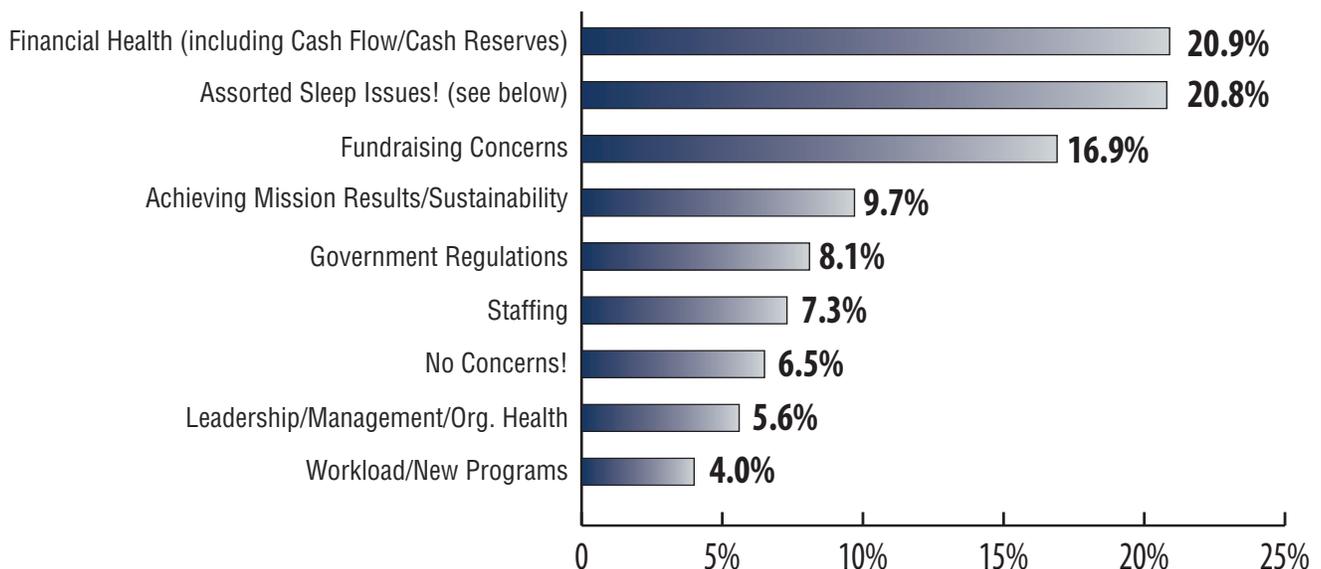
Section 2

Open-Ended Question for CFOs:

“Your Biggest Concern—What Is Keeping You Up at Night?”

CFOs were asked to comment on their biggest concern: “*What is keeping you up at night?*”

One third of the CFOs responded to this question and their answers were categorized into the following major themes.



What is keeping **your** team members up at night?

Finance Department Exercise:

Photocopy Section 2 and distribute it to team members in your financial management department (and/or the senior team). Ask each person to check the “Top-20” items that align with their biggest concerns.

“WHAT IS KEEPING YOU UP AT NIGHT?”

On the following pages are CFO responses (an unscientific sampling) to this question:

- “Am I clearly communicating with other staff and the board? Also, I think a lot about the people we minister to—many broken lives.”
- “Are we planning far enough into the future to be able to meet the needs of ALL of our constituents?”

- “Conference attendance”
- “How to reach more abortion-minded women and ‘achieving mission results’”
- “Lethargy on the board”
- “Board’s intense focus on financial details. New leadership questions EVERYTHING. Ministry is thriving financially and programmatically.”
- “As new CFO getting informative reports out to the board. The board, through lack of proper attention, had let this area muddle through. I expect to correct this within a couple of months.”
- “A nearly \$8 million capital campaign that we are going through and rapid expansion of areas such as our new venture, a thrift store.”
- “Having a capital campaign and still meeting the needs of the operating budget.”
- “Cash flow” [Editor’s note: This was mentioned frequently.]
- “Diminishing cash reserves and inefficient operations”
- “The economy”
- “Available funds to continue and expand”
- “Balancing strategic reserves with investment risk/returns”
- “Closing the budget deficit for our upcoming fiscal year”
- “Decrease in operating revenue”
- “Deficit spending over a number of years has eroded our small investment fund.”
- “Downward trend in income”
- “Expenses are growing at faster rate than revenue. How do we close the gap without stopping growth?”

“Too much caffeine!”

- "How are we going to pay our bills?"
- “Hiring and retaining the best people within the financial resources we have”
- “How to resource all of our partners around the world who are risking their lives every day to reach the unengaged?”
- “Lack of adequate funding”
- “The need to increase revenue for future growth plans”
- “Operational revenue to cover increased expenses—driven by designated donations that only cover the next year or so but drive added personnel for the future”

- ❑ “Revenue generation and cost containment”
- ❑ “The viability of continuing operations in a healthy manner.”
- ❑ “Verifying there is enough cash in the bank to cover payroll. It is truly in God's hands!”
- ❑ “Being able to maintain programs and services in light of a maturing donor base and inability to connect with a younger generation of users and donors”
- ❑ “Change in giving behaviors”
- ❑ “Continued ability to increase fundraising”
- ❑ “Dependence upon one very large donor”
- ❑ “Donor development and management lacking in the organization”
- ❑ “Need to broaden our donor base to include more mid and small donors”

One CFO added this analysis—which could also be a prayer request:

- “Poor fundraising performance due to:
 - o lack of leadership
 - o lack of strategy that leads to growth
 - o poor management of fund development team
 - o lack of having and measuring key fundraising performance indicators, and keeping the development team happy and engaged through all of this;
- ...these fundraising concerns have directly related to slightly underperforming in fundraising results—leading to low income, but with increasing demands of growth within our programs
- ...and we have staff burnout from their being overworked.”

- ❑ “Keeping pace with the new approach to communication with donors who are looking for causes...it is a matter of knowing your mission and keeping it number one as we move into the next ten years.”
- ❑ “Transition based on succession and uncertainty of ongoing funding from specific donors”
- ❑ “Affordable Health Care regulations”
- ❑ “Attacks on religious liberty (Hobby Lobby-type) and homosexual activist push”
- ❑ “Erosion of protection from taxation under the nonprofit/church umbrella...”
- ❑ “Government funding cuts”
- ❑ “Tax liabilities around the world”

- “Revenue from funding the mission allocation which is a global 5.5%. Greatest growth is in other countries with aggregate annual giving of less than 5%. The U.S. church is the financial engine for the explosive non-U.S. regional growth and giving is flat or declining for basic ministry support while hands-on, directed giving is becoming a greater percentage of total revenue.”
- “Rising medical costs. We are self-funded and using a TPA. How high can we keep raising premiums without hurting our missionaries?”
- “Honoring our Lord and Savior with all we do”
- “Lack of adequate HR policies and staffing”
- “IT-related issues and getting accurate information from our reporting from the donor database”
- “Software conversion and implementation”
- “Ability to work across departments and communicate.”
- “Change management”
- “Future leadership of the ministry”
- “Shared governance, inability to productively manage faculty; trustees disengaged”

**“Actually nothing keeps us up at night.
We have a God who does that and takes care of everything we need.
However, we need to continue to train people who will one day replace
those of us in leadership. This is the greatest challenge we have.”**

- “Actually, I sleep very well but my biggest concern is a downturn in income and not meeting fundraising goals.”
- “I have no real concerns. I see lots of opportunities to grow and reach more people. Why is your survey so negatively biased in its questions? God is the God of what can happen, not the god of what tragedy, misfortune might happen.”
- “Very little keeps me up at night, but I am praying for a clear succession plan for our top leadership including myself.”

**“Getting this ministry to change their focus
to younger generations”**

- “Lack of effective organizational alignment. Good organization charts, lines of authority amongst senior leadership.”
- “Widespread apathy”

- “Risk management, changing moral and politically correct issues”
- “Safety concerns for workers in high-risk areas”
- “Significant damage to a facility, such as fire”
- “Changing landscape in our culture particularly gay marriage issue”
- “I am concerned about the societal trend moving toward persecution of Christian organizations from a business perspective, particularly those that recognize the Bible as the inerrant Word of God. Lawsuits, bad press, etc.”

“Sustainability of model”

- “HR and recruiting issues. How to attract qualified candidates who are willing to work for what we can afford to pay.”
- “Staff retention”
- “Staying caught up. I do a lot of 'daily' work and need more time for financial work.”
- “Team building and succession planning”
- “Increasing customer base”
- “Readiness for planned growth”
- “U.S. Church seems to be less engaged in supporting international mission through parachurch ministries. Mega-churches seem to want to ‘do it yourself,’ resulting in redundant infrastructures.”
- “Employees and board members overwhelmed with increasing workload as we've grown very quickly.”
- “Launching new programs with limited resources.”
- “Our current growth is outpacing our administrative structure.”
- “Too much work... not enough time in a day”

**“Wearing too many hats (responsibilities).
It is all good because it causes me to stay dependent on God.”**

Section 3

6 Strategic Observations on

- ✓ **Organizational Effectiveness**
- ✓ **Organizational Growth**
- ✓ **Exemplary Organizations**

**This section summarizes
6 strategic observations**

- ✓ **Strategic Observations #1, #2 and #3:** Female financial executives, greatest needs, and right-sizing the financial management team
- ✓ **Strategic Observation #4:** Four distinct financial characteristics of effective organizations
- ✓ **Strategic Observation #5:** Two distinct characteristics of high-growth organizations
- ✓ **Strategic Observation #6:** Eight financial management practices of exemplary organizations



6 Strategic OBSERVATIONS

ECFA Nonprofit Financial Management Survey 1.0

Survey analysis and correlations identified six strategic observations:

- ❑ 1. There is a rising group of female finance executives.
- ❑ 2. Perhaps stretched too thin—the finance department’s single greatest need is more staff.
- ❑ 3. To right-size the financial management department, look for economies of scale as your total staff grows. But this caution: survey averages do not equate to best practices.
- ❑ 4. Effective organizations have four distinct financial characteristics.
- ❑ 5. Growing organizations have two distinct characteristics.
- ❑ 6. There are eight financial management practices that “exemplary” organizations do differently than “typical” organizations.

STRATEGIC OBSERVATION #1

There is a rising group of female finance executives.

Recent studies show that just 10% of Fortune 500 CFOs are female. The picture among respondents was much more balanced, with more than one-third female. These female finance executives are younger (52.2 years compared to 56.4 years for males) and have served in the nonprofit world for more than 14 years on average.

	Female	Male	All
Percentage of Female and Male CFOs	35.2%	64.8%	100%
Average age	52.2 years	56.4 years	54.9 years

STRATEGIC OBSERVATION #2

Perhaps stretched too thin—the finance department’s single greatest need is more staff.

The survey did not ask respondents how stretched their staff was. Yet in response to the question, “What is your financial management department’s single greatest need?” an astonishing 34% offered comments like:

- “More staff training and backup”
- “More staffing”
- “More qualified help”
- “Accounting personnel”
- “Stretched too thin”
- “Adequate staffing”
- “Accounting/bookkeeping assistance”
- “Upgrade the skill level of incumbents for experience and education”
- “Person to back up me, in case I die or become incapacitated”
- “Greater staff capacity; we operate on a very thin margin”

Financial administrators feel the strain and need to make the case for adding headcount.

34% said:

“We need more financial management staff!”



“Now that we’ve hired you we would like to restructure the position.”

STRATEGIC OBSERVATION #3

To right-size the financial management department, look for economies of scale as your total staff grows. But this caution: survey averages do not equate to best practices.

To determine trends in how ECFA-accredited members were staffing the financial management department, we looked at the relationship between the number of finance employees, relative to *total* employees. Here’s what we found:

An organization with full-time equivalent (FTE) employees of more than...	... and up to this many employees...	...will have this many people in finance...	...who comprise this portion of the total workforce.
0	3	.5	25.0%
4	6	1.0	20.0%
7	19	1.5	12.9%
20	22	2.0	9.8%
23	55	2.5	6.2%
56	70	4.0	6.2%
71	120	4.5	4.6%
121	220	5.5	3.3%
221	320	7.0	2.6%
321	410	8.0	2.3%
420	N/A	N/A	1.9%

OBSERVATIONS:

- As an organization begins, it may start with outsourced bookkeeping, but—on average—it employs half a staff member when it is around two employees.
- By the time it grows to about five people, the organization has one full-time finance person. At that point, the finance team comprises fully 20% of the workforce. But, as the organization grows, quantities of scale kick in.
- By the time the average organization has about 20 employees, it has added a second FTE employee in the finance department.
- Then, as an organization moves from 20 employees toward 70 employees, its processes become more complicated and it brings on a third and fourth member of the finance team. More processes are insourced.
- Above 70 employees, true efficiencies begin to kick in. As the organization grows, the financial management team headcount shifts from being 6% of all employees to being less than 2% of all employees for organizations above 420 employees.

The Average Finance Department in This Survey Had 4.3 Full-time Equivalent (FTE) Employees	ALL EMPLOYEES (FTE)	FINANCE EMPLOYEES (FTE)
Average number of full-time equivalent (FTE) employees	134	4.3
Percentage of full-time equivalent (FTE) employees	100%	3.2%

INSIGHT:

These averages are not necessarily “rules of thumb” for your organization. At the levels above, our respondents were clear that they are struggling under the weight of rising reporting burdens. Far-sighted CEOs and boards will look at the figures above and aim to provide more support than our average respondent would have. An understaffed finance team cannot properly segregate duties, monitor controls, or produce the reports that inform wise decisions.

STRATEGIC OBSERVATION #4

4 Distinct Financial Characteristics of Effective Organizations:

- 1. They are fanatical about process.
- 2. They have financially literate leaders.
- 3. They love to measure impact.
- 4. They offer competitive compensation.



The Methodology Index: Effectiveness

This strategic observation focuses on our most effective respondents. Most organizations, seeking to achieve their God-given missions, fundamentally strive for two things: they want to be effective in their ministries, and they want to grow their Kingdom impact. (We’ll discuss characteristics of high-growth organizations in the next strategic observation.)

To determine the financial characteristics of effective organizations, we built an index comprised of five kinds of effectiveness:

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

Effective organizations have four distinct financial characteristics.¹

✓ Financial Characteristic #1: They Are Fanatical About Process.

Where we found an effective finance organization, we also found correlations of three clear indicators of great process. Effective organizations are likely to have:

- ✓ Strong controls
- ✓ Clear separation of duties practices
- ✓ An annual fraud prevention audit

✓ Financial Characteristic #2: They Have Financially Literate Leaders.

Where we found financially effective organizations, we also found that three key groups were much more likely to be able to understand financial reports. Effective organizations have:

- ✓ Directors who really understand financial reports
- ✓ Finance committees who really understand financial reports
- ✓ Senior teams who really understand financial reports

✓ Financial Characteristic #3: They Love to Measure Impact.

Where we found effective organizations, we also found a culture of measurement. The survey revealed that:

- ✓ **Boards** were more focused on measuring impact.
- ✓ **Senior leaders** were more focused on measuring impact.

Plus:

- ✓ The **CFO** was more likely to have three or more measurable annual goals.



Question:

What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?

Answer:

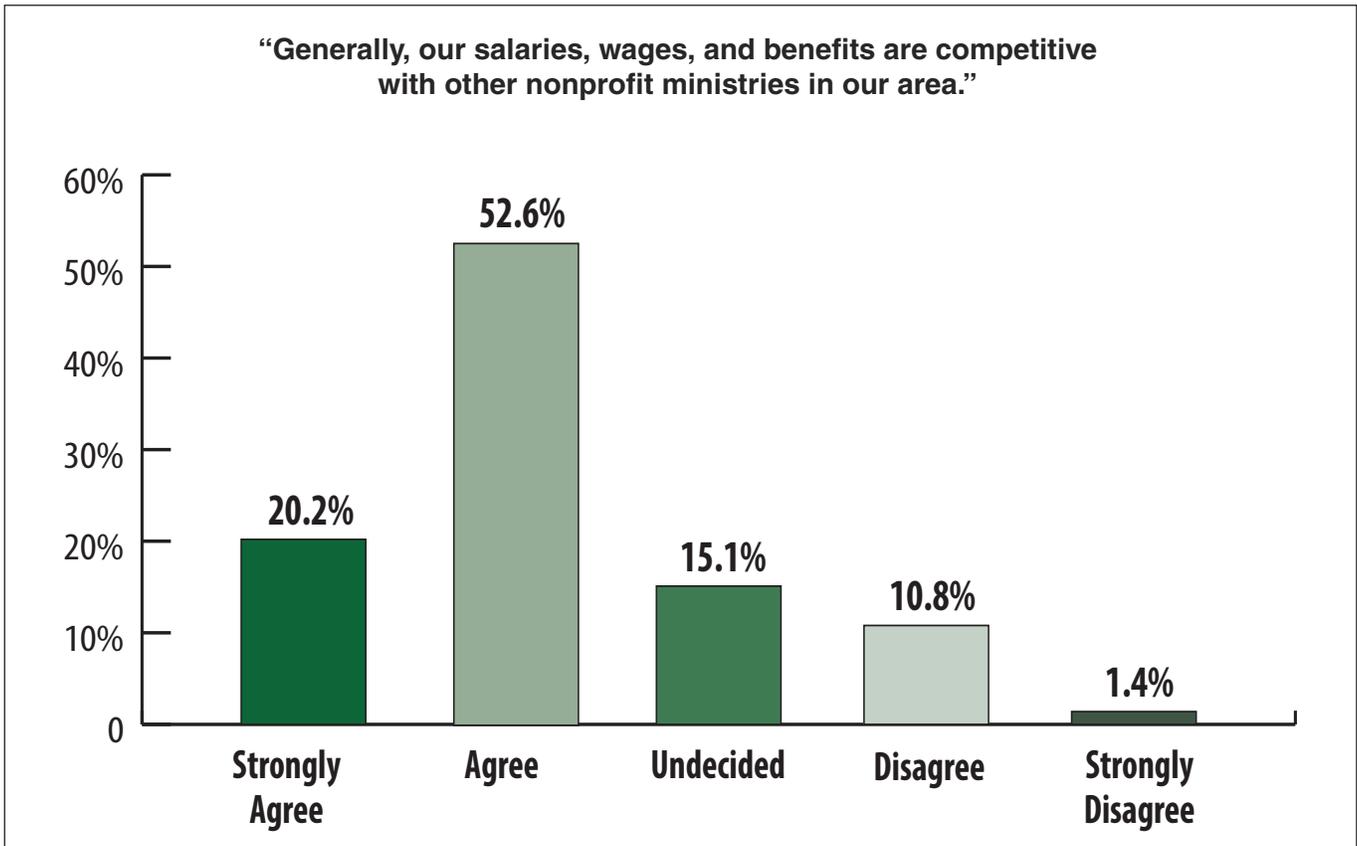
“A long term continuation of the zero interest rate environment. This is very detrimental to our ability to generate sufficient operating income.”

¹ We determined these characteristics by correlating answers to all of our survey questions with our effectiveness index.

Financial Characteristic #4: They Offer Competitive Compensation.

Where we found effective organizations, we found that salaries, wages, and benefits were competitive with the market—other area nonprofit ministries.

Note: While “effective organizations” rated higher than the averages below, here is how 352 ECFA-accredited organizations responded to this statement on competitive compensation:



Question:

What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?

Answer:

“Median age of our major donors keeps going up.”

STRATEGIC OBSERVATION #5

2 Distinct Financial Characteristics of High-Growth Organizations:

- 1. They have a plan for growth.
- 2. They have donors who care about mission impact.



The Methodology Index: Growth

Financial management departments, perhaps, sometimes feel that they don't (or can't) have an impact on the organization's success. To measure growth, we developed an index of growth in five key areas:

- Increases in revenue
- Increases in cash reserves
- Increases in employees
- Increases in volunteers
- Increases in mission impact

We then correlated this index against all of our independent variables to learn which factors are most closely related to growth in the ECFA-accredited organizations completing this survey.

High-Growth Characteristic #1: Growing Organizations Plan for Growth.

We found that our high-growth organizations were much more likely to be setting aside money for two things:

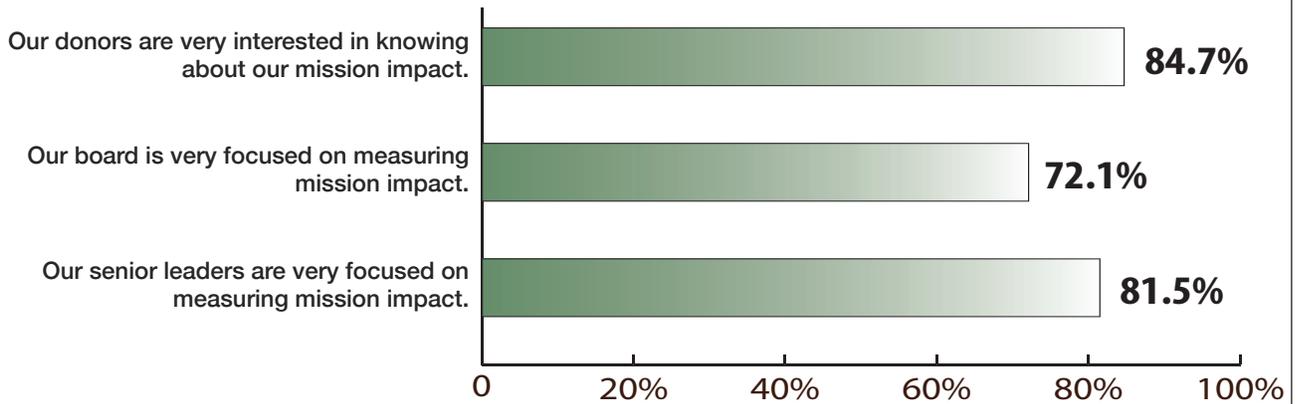
- New initiatives
- Growing salaries and wages

High-Growth Characteristic #2: Growing Organizations Have Donors Who Care About Mission Impact.

In addition to providing financial fuel for the ministries they support, donors can play a key role in spurring growth. High-growth organizations are correlated to donors who are very interested in knowing the mission impact of the ministry.

Measuring Mission Impact

Here is how 335 ECFA-accredited organizations responded to this statement on measuring mission impact:

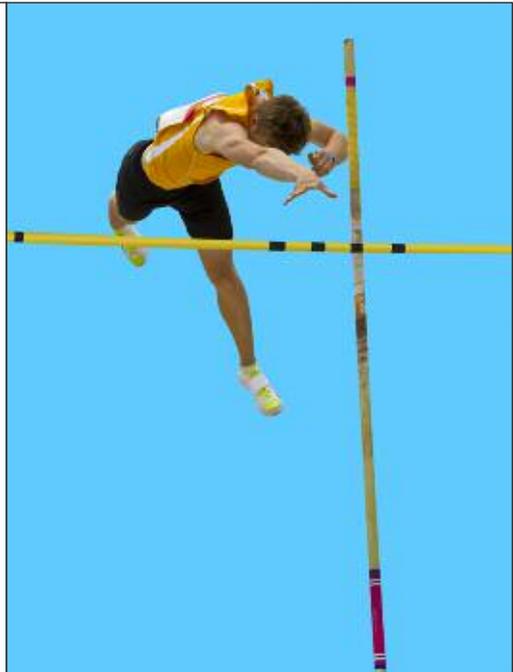


STRATEGIC OBSERVATION #6

There are eight financial management practices that “exemplary” organizations do differently than “typical” organizations.

8 Distinct Differences of “Exemplary” Organizations:

- ✓ 1. Exemplars measure.
- ✓ 2. Exemplars measure eternal impact.
- ✓ 3. Exemplars understand financial management.
- ✓ 4. Exemplars integrate finance with strategy.
- ✓ 5. Exemplars don’t get bogged down with peripheral functions.
- ✓ 6. Exemplars button-down practices with written policies.
- ✓ 7. Exemplars prioritize salary and wage increases.
- ✓ 8. Exemplars feed growth.



The Methodology Index: Learning From the “Exemplars”

What can ministries learn from the “best” organizations—and what does “best” mean? To identify the organizations with the “best” financial management practices, we combined an organization’s assessments of their own effectiveness (controls, policies, reporting, and productivity) with objective measures of growth (revenue growth, employee growth, volunteer growth, and impact growth).

Next, we identified organizations that met two criteria (per their self-reporting):

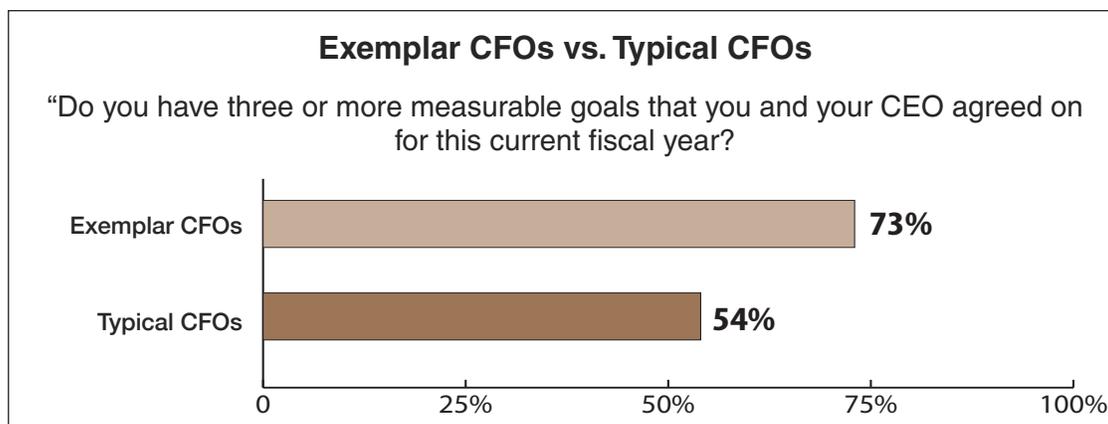
- Organizations were in the top quartile of effectiveness
- Organizations were in the top quartile of growth

Finally, we segmented the 383 organizations into two groups:

- Exemplar Organizations: 28 (just 7.3% made the cut for this category)
- Typical Organizations: 355

✓ **Best Practice #1: Exemplars Measure.**

Exemplars are big on measurement and goals. The survey reported that 73% of the exemplar financial executives have three or more measurable goals. Just 54% of typical organizations have these goals in place. Plus, 70% of exemplars’ direct reports have three or more measureable performance goals; among typical organizations, it’s just 52%. (*But what do they measure? See the next best practice.*)



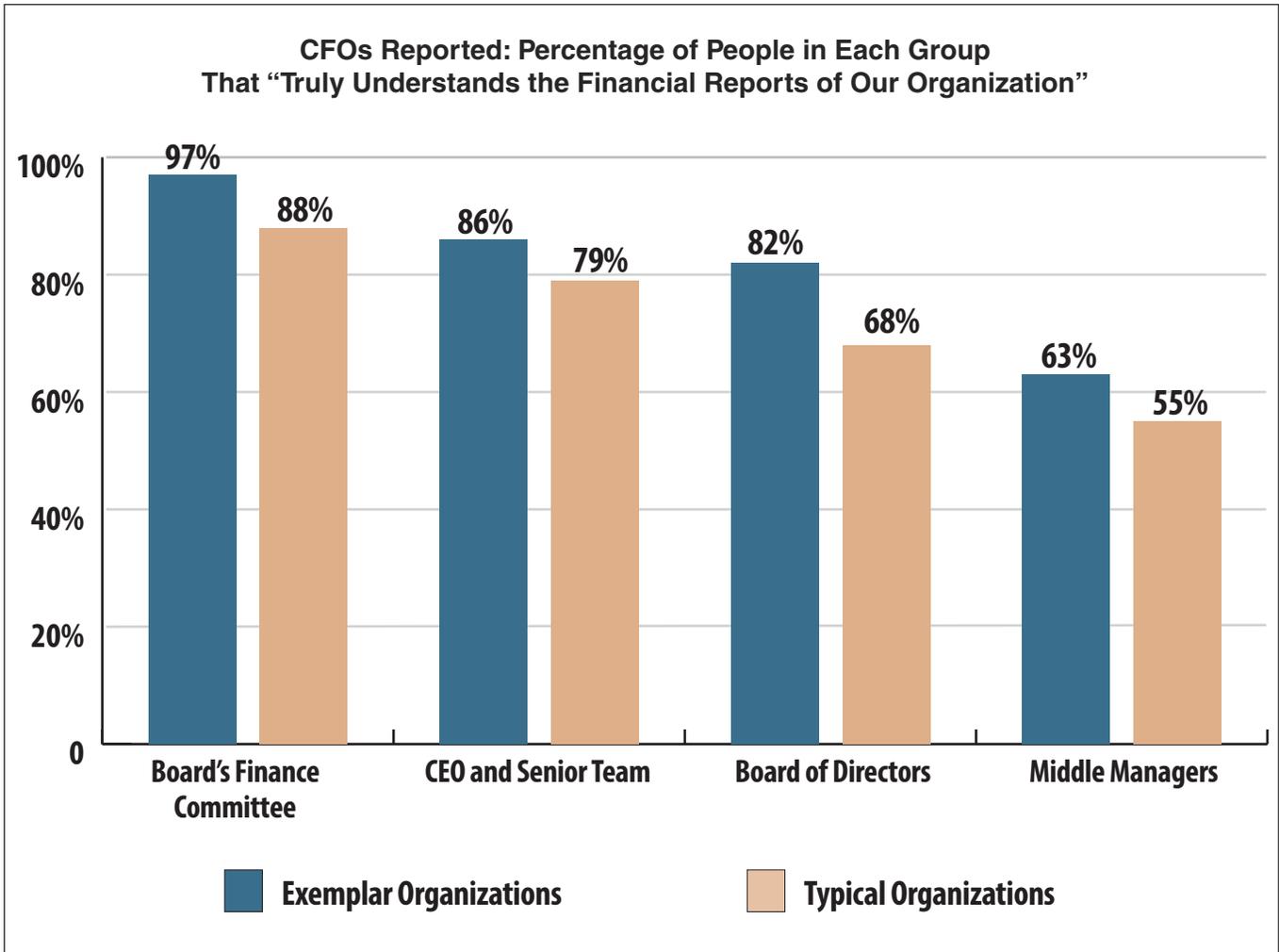
✓ **Best Practice #2: Exemplars Measure Eternal Impact.**

The spirit of measurement among exemplars also extends to eternity-focused metrics—measuring results such as number of people becoming Christ-followers, or being in a discipleship or spiritual formation process. Just one-third of typical organizations have eternity-focused metrics; exemplars are almost twice as likely (64%) to track programs and services that have eternal results.

Percentage of CFOs who answered “YES” to:	Exemplar CFOs	Typical CFOs
Do you regularly track specific “Eternity-Oriented Metrics”?	64% “Yes”	33% “Yes”

✓ Best Practice #3: Exemplars Understand Financial Management.

Exemplars are more financially literate than typical organizations *at every level* we measured, from the board’s finance/audit committee (97% vs. 88%); to the CEO and senior management (86% vs. 79%); to the board (82% vs. 68%); and to middle managers (63% vs. 55%).



Question:

What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?

Answer:

“Ministry staff embracing metrics and managing towards achieving goals.”

✓ Best Practice #4: Exemplars Integrate Finance With Strategy.

Among typical organizations, only 32% of the finance departments have responsibility for corporate strategy.

In comparison, 46% of the CFOs in exemplars organizations are responsible for corporate strategy.

Exemplary organizations involve their finance team members in strategy.

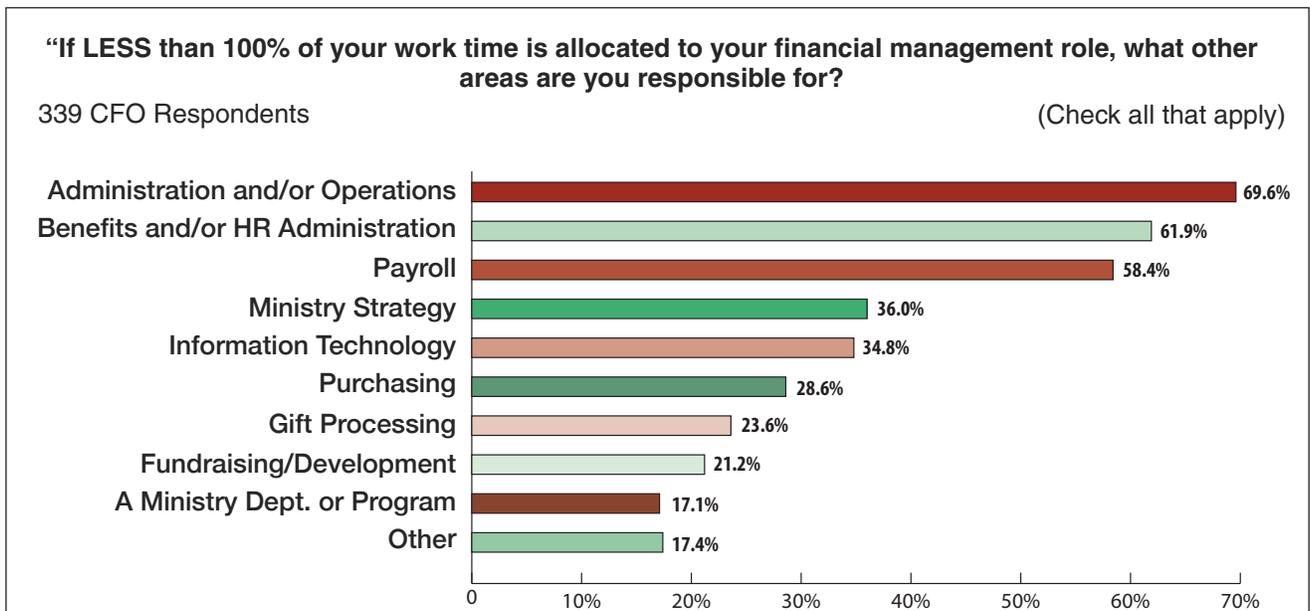


"You're on the right track. But usually mission statements have more detail."

✓ Best Practice #5: Exemplars Don't Get Bugged Down With Peripheral Functions.

Exemplars were far less likely to have responsibility for other functions.

Percentage of CFOs that are responsible for functions other than financial management:	Exemplar CFOs	Typical CFOs
Information Technology	21%	32%
Purchasing	21%	26%
Administration and/or Operations	54%	64%

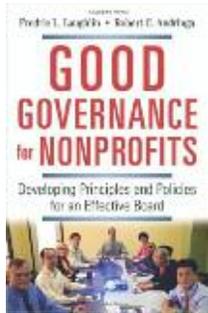


✓ Best Practice #6: Exemplars Button-down Practices With Written Policies.

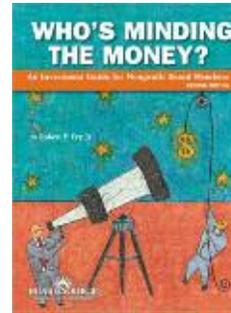
When it comes to policies, exemplars were more likely to have policies in writing (93% vs. 79% for typical organizations), and to keep their important policies in a board policies manual (77% vs. 61% for typical organizations).

Percentage of organizations that said “Yes” to:	Exemplar CFOs	Typical CFOs
The majority of our financial policies are in writing.	93%	79%
Our most important financial policies are incorporated in a “Board Policies Manual” or other board-approved document.	77%	61%

Resources for crafting your own “Board Policies Manual” and board-approved investment policies ⇒



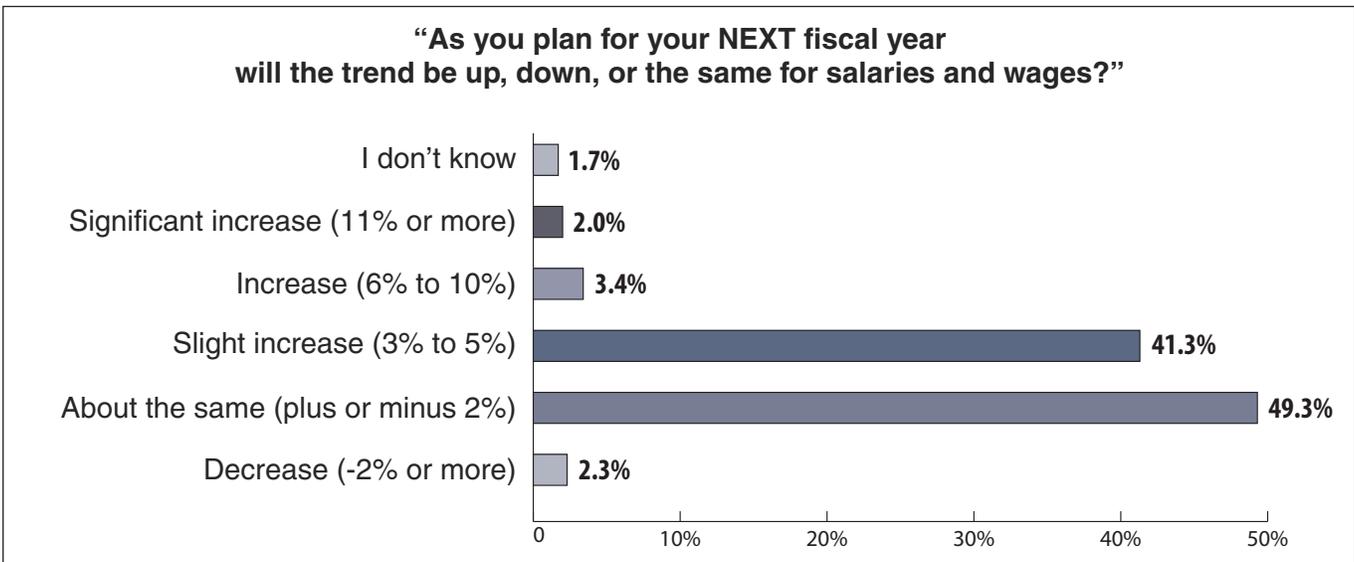
Good Governance for Nonprofits: Developing Principles and Policies for an Effective Board



Who's Minding the Money? Investment Guide for Nonprofit Board Members

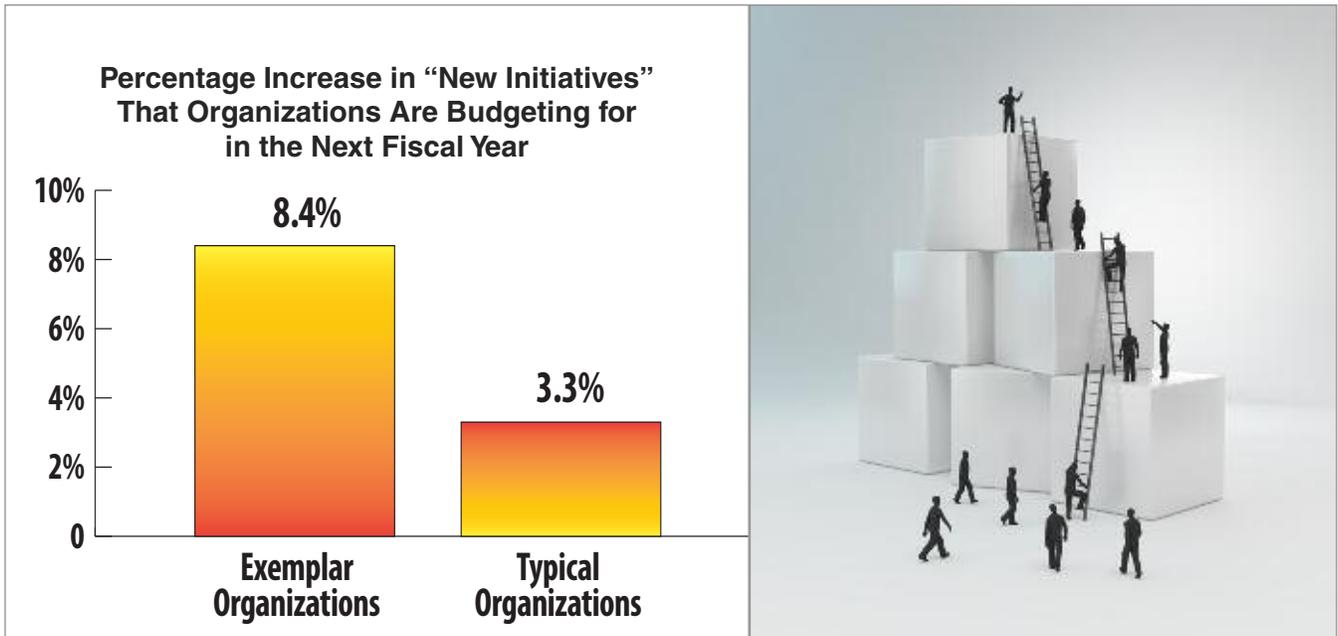
✓ Best Practice #7: Exemplars Prioritize Salary and Wage Increases.

Exemplars expect to raise salaries and wages by an estimated 4.4% next year, while typical organizations are raising wages by an estimated 1.9% next year.



Best Practice 8: Exemplars Feed Growth.

Exemplars are budgeting for 8.4% growth in funding of new initiatives. Others are growing new initiatives by just 3.3%.



BUDGET AMENDMENTS

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.”

Just over 10% responded “Always” or “Frequently”

and about 40% said “Sometimes.”

Question:

What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?

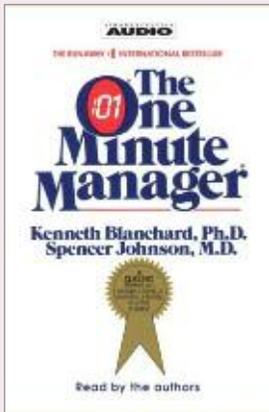
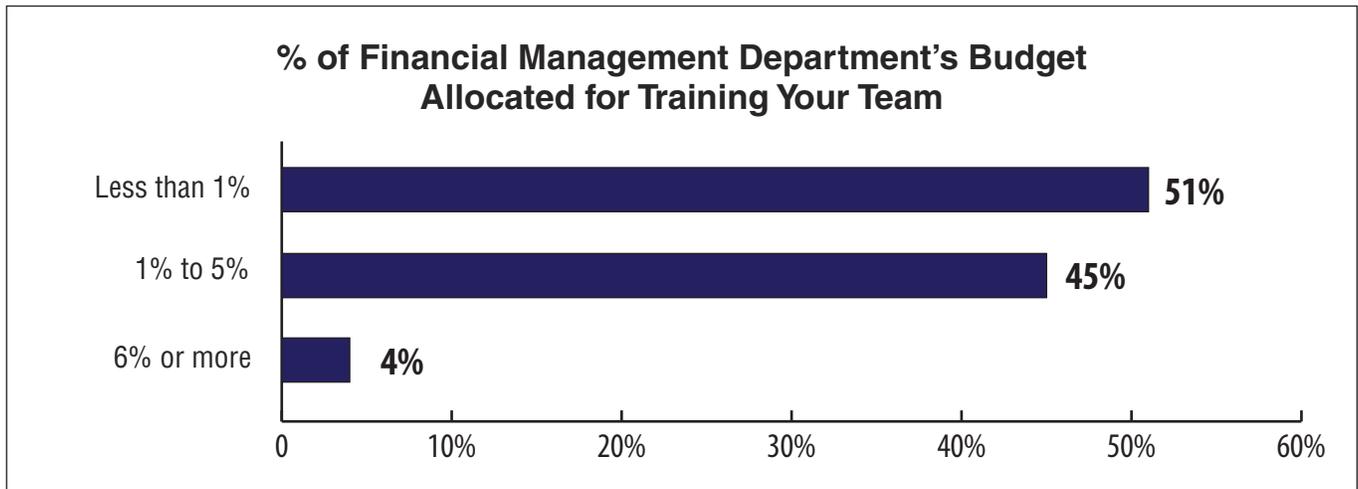
Answer:

“Rising cost of minimum wage and benefit costs.”

Section 4 | Facts, Fractions, and Factoids

Training Budget

What percentage of your financial management department's budget is allocated for training your team (CFO, financial management staff, volunteers, etc.)? This could include conferences, workshops, association memberships, books, media, journals, consultants, etc.



Oops!

“It’s ironic,” the manager said. “Most companies spend 50% to 70% of their money on people’s salaries. And yet they spend less than 1% of their budget to train their people. Most companies, in fact, spend more time and money on maintaining their buildings and equipment than they do on maintaining and developing people.”

The One Minute Manager,
by Kenneth Blanchard, Ph.D., and Spencer Johnson, M.D.

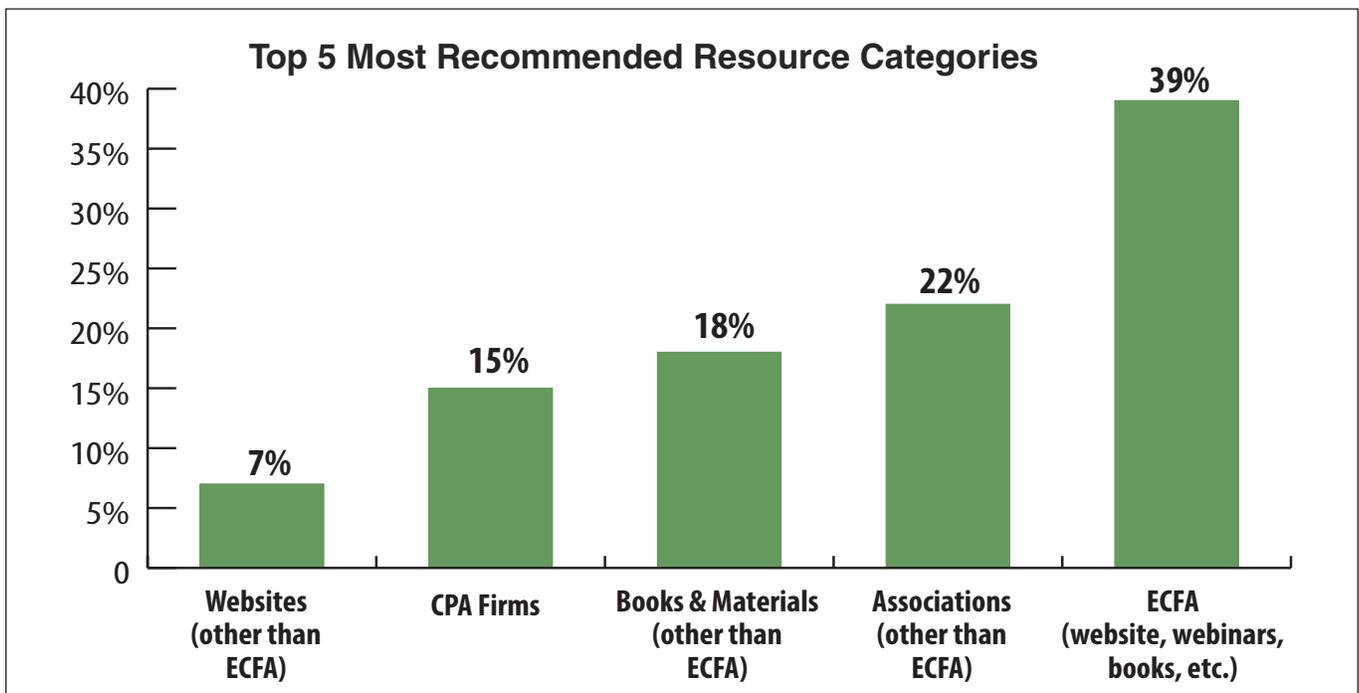
CFO Facts

<p>years in current role: 9 years</p>	<p><input type="checkbox"/> 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.</p>
<p>average age: 55 years</p>	<p><input type="checkbox"/> 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.</p>
<p>17% begin budgeting process 6 months or more in advance</p>	<p><input type="checkbox"/> We asked CFOs, “How many months in advance of your fiscal year do you begin the formal budgeting process?” More than 33% responded 3 months in advance, with almost 20% starting 2 months or less in advance. More than 17% begin the budgeting process 6 months or more in advance.</p>

Most Helpful Management Resources: Most Often Recommended!

CFOs were asked to list the 3 most helpful resources on nonprofit financial management (books, blogs, conferences, websites, associations, consultants, etc.) that they often recommend to other CFOs, financial management staff (and perhaps their own CEOs and board members).

CFOs recommended 272 specific resources. The Top 5 categories included 217 recommendations.



<p>WEBSITES (selected examples):</p> <ul style="list-style-type: none"> • AICPA – aicpa.org • Accounting Today - accountingtoday.com • Guidestar (for benchmarking) – guidestar.org • The Association of Accountants and Financial Professionals in Business - imanet.org • U.S. Dept. of Labor website - dol.gov <p>BOOKS & MATERIALS (selected examples):</p> <ul style="list-style-type: none"> • AICPA resources • <i>The Bible</i> • BoardSource resources • <i>Church & Clergy Tax Guide</i>, by Richard Hammar • <i>Nonprofit Quarterly</i> • <i>Revolution in Generosity: Transforming Stewards To Be Rich Toward God</i>, Edited by Wesley K. Willmer • <i>The Wall Street Journal</i> • <i>Zondervan 2015 Church and Nonprofit Tax and Financial Guide: For 2014 Tax Returns</i>, by Busby, Martin and Van Drunen • <i>The Zone of Insolvency: How Nonprofits Avoid Hidden Liabilities & Build Financial Strength</i>, by Ron Mattocks 	<p>ASSOCIATIONS (selected examples):</p> <ul style="list-style-type: none"> • ABACC: Association of Business Administrators of Christian Colleges • AICPA: American Institute of CPAs • ATS: The Association of Theological Schools • Care Net • Christian Leadership Alliance • Missio Nexus • NACUBO: National Association of College and University Business Officers <p>ECFA (selected examples):</p> <ul style="list-style-type: none"> • ECFA.org • Webinars • Books, publications, eNewsletters • Best practices • Financial Management Knowledge Center • Governance Resources <p style="text-align: center;"><i>“ECFA is always the first place I go, and the first recommendation.”</i> <i>“Not just saying this. We use them regularly.”</i> <i>“For templates and not reinventing the wheel.”</i></p> <p style="text-align: center;">“As a last resort: Google.com”</p>
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Question:

In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

“Relationships, relationships, relationships.”

Budgeting Trends

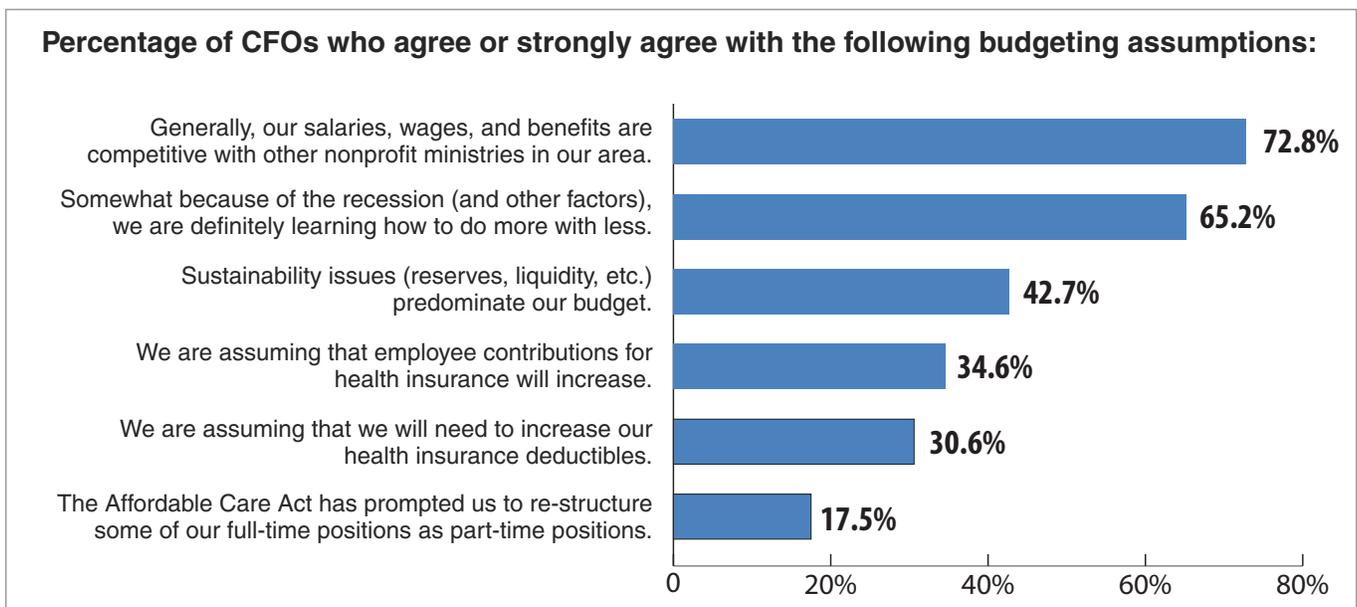
About half of all CFOs are budgeting about the same (plus or minus 2%) for salaries and wages in their next fiscal years.

Health insurance cost projections are higher 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.

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

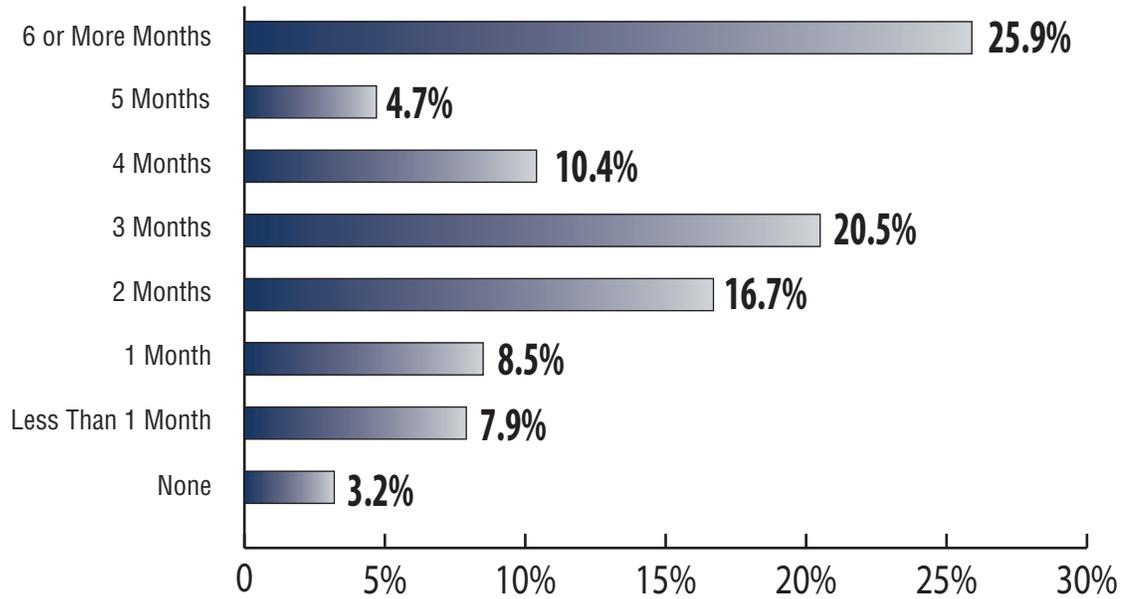
Budgeting Assumptions



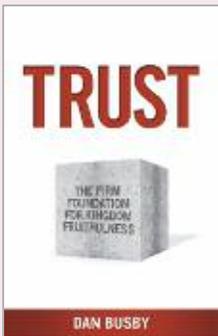
Current and Future Operating Reserves

Current Operating Reserves. Forty-one percent of reporting organizations had 4 or more months of operating reserves at the end of their last fiscal year, while almost 46% had 1 to 3 months of reserves. Just 8% had just 1 month, while 2.2% of CFOs responded “I don’t know.”

“Please Indicate Your Number of Months of Operating Reserves at End of Last Fiscal Year”



Operating Reserves: “There is no universal rule of thumb.”



TRUST: The Firm Foundation for Kingdom Fruitfulness

by Dan Busby
ECFA Press, 2015

Myth #2 from Chapter 19: Understanding Finances – Ministries should always balance revenue and expense.

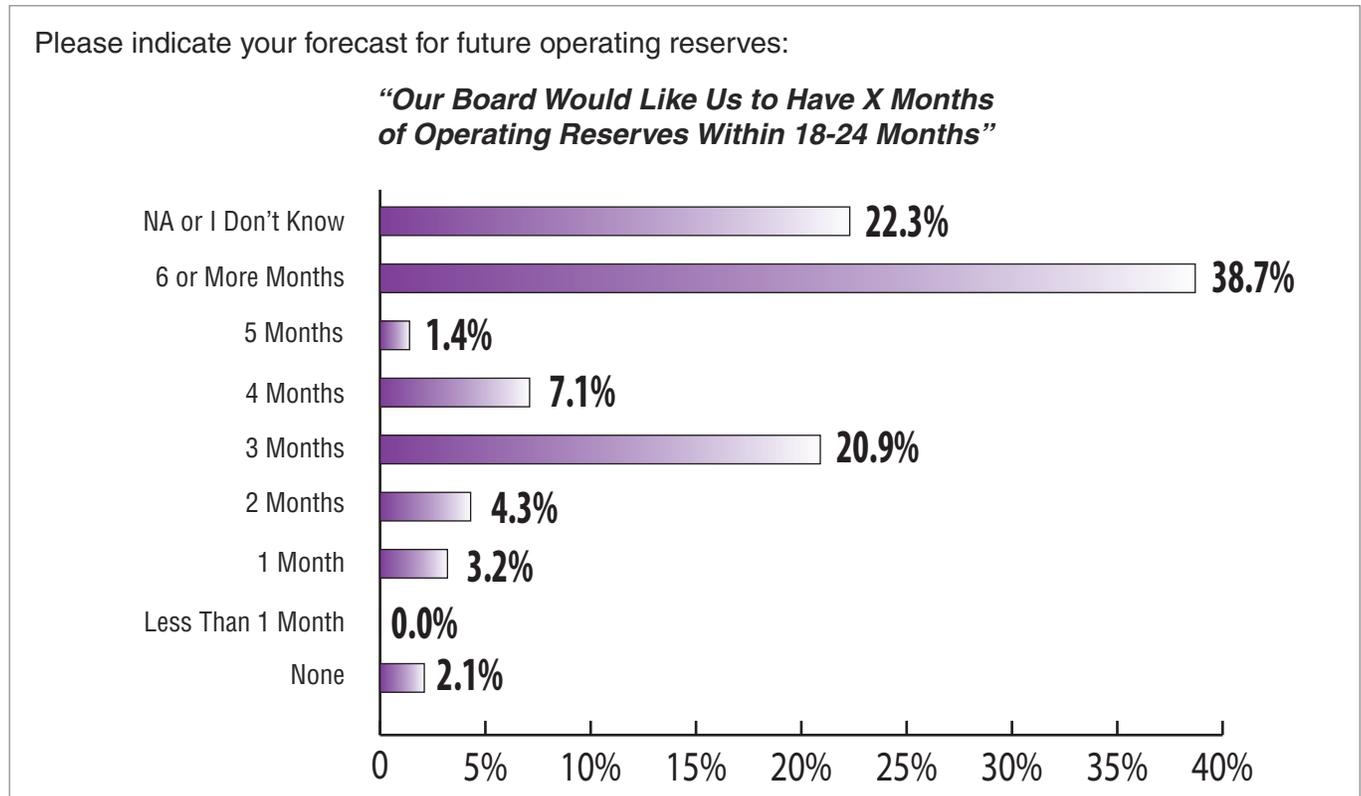
“Some board members may expect revenue and expenses to always balance. After all, the ministry is a ‘nonprofit’ organization. [One reason] why ministry revenues and expenses rarely balance:

- **“Building reserves.** Ministries that are financially viable build adequate reserves. Ministries without reserves lack viability. This is the only way reserves are generated—taking in more revenues than are expended. This sounds so simple, yet it is a principle often overlooked.”

“God is glorified when a ministry has adequate reserves. Obligations can be paid on time when a ministry has adequate reserves. The lack of reserves is often the result of the lack of planning. What is ‘adequate’ is something each ministry must determine. There is no universal rule of thumb.”

Future Operating Reserves

CFOs reported that 47% of their boards would like to have 3 to 6 months of operating reserves within the next 18 to 24 months. Over 28% would like to have at least 1 to 3 months of reserves in the future. Interestingly, over 22% of CFOs responded “I don’t know” or “not applicable.”



Question:

What is one financial performance trend that you are observing that may have a significant impact on your organization in the future?

Answer:

“Baby Boomer support and what happens when it dwindles.”

Section 5 | Survey Demographics

CFO Years of Service

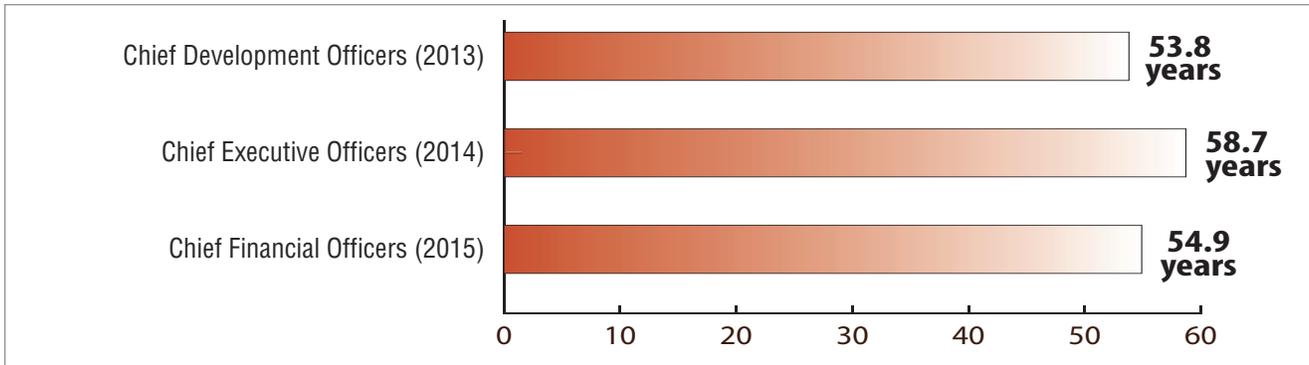
In CFO's Current Organization and All Nonprofit Financial Management Roles	Average Years Served
How many years have you served in your current financial management role in your current organization?	8.76 years
Counting EVERY nonprofit ministry you have served, how many total years have you served in a financial management role?	15.17 years

FACTOID:

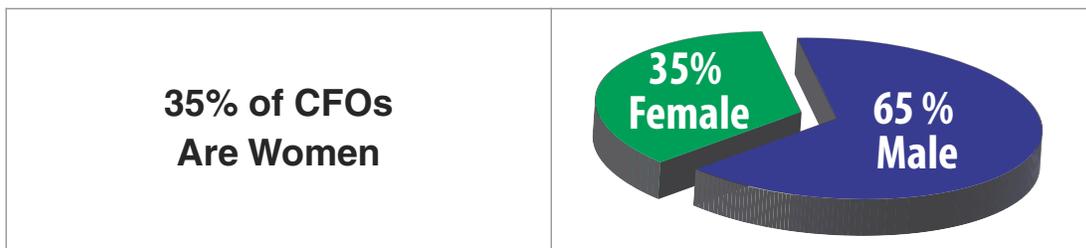
In the ECFA 3rd Annual Governance Survey, leaders had served as CEOs an average of 11.2 years at their current organizations, and an average of 12.9 total years as nonprofit CEOs in all organizations served.

Average Age of CFOs

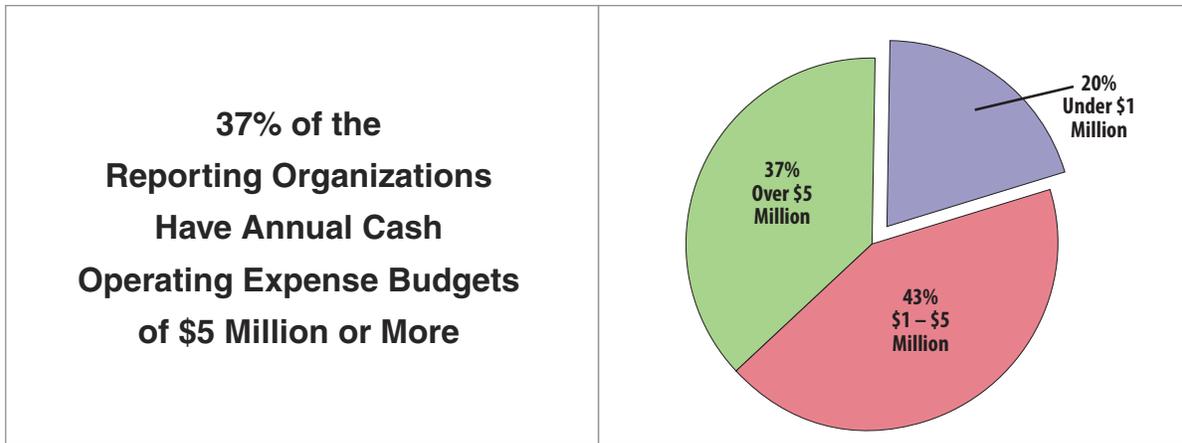
compared to 2013 and 2014 averages ages of CDO and CEO surveys*



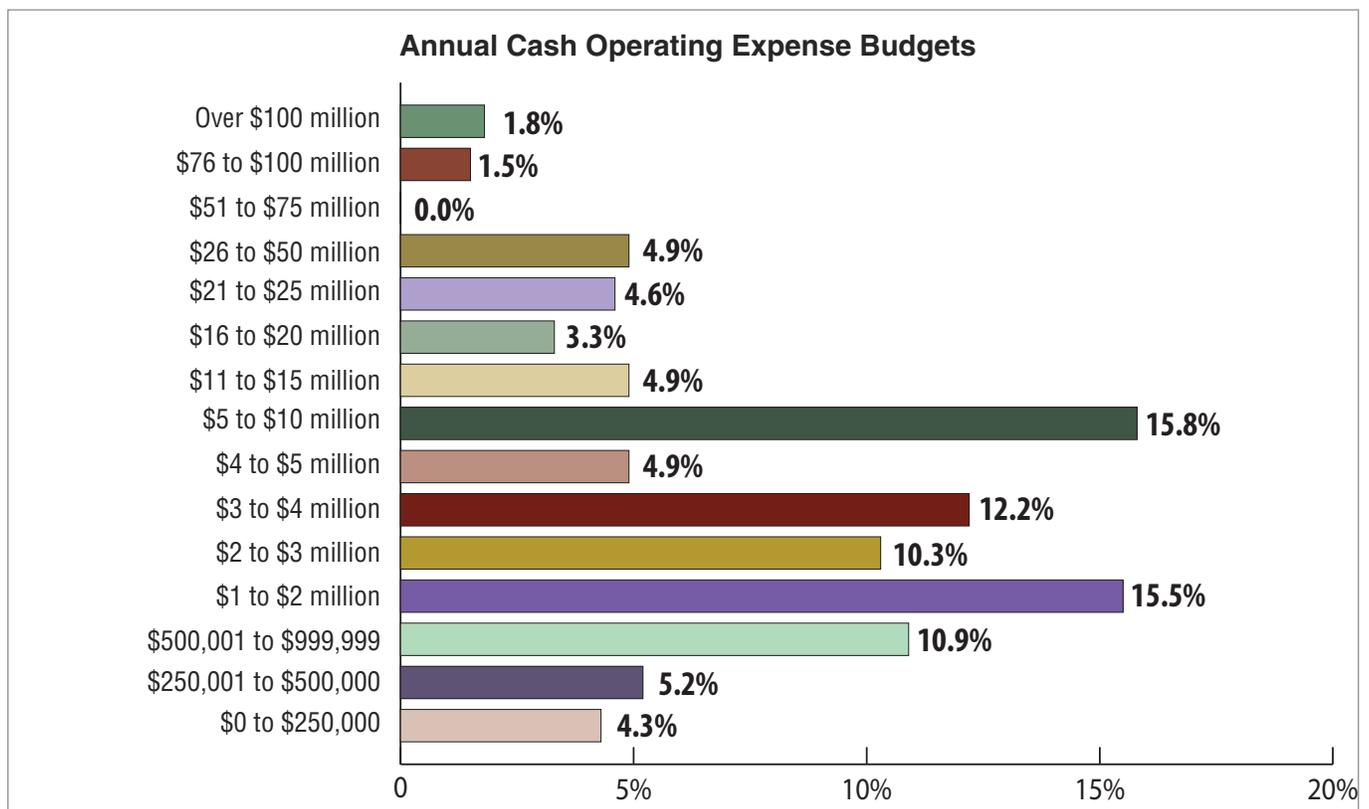
***Note:** Average ages above were adjusted up by two years for CDOs and one year for CEOs, based on when the surveys were completed.



Annual Budgets



Survey Responses from 328 ECFA-Accredited Organizations



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.

Years of Operation

How many years has your organization been operating?	Average Years Operating
	<p>48 Years</p>

Full-Time Equivalent Employees (FTEs): Organization

How many total full-time equivalent (FTE) employees are in your entire organization?	Average Number of Employees
	<p>134 Employees</p>

Full-Time Equivalent Employees (FTEs): Finance Department

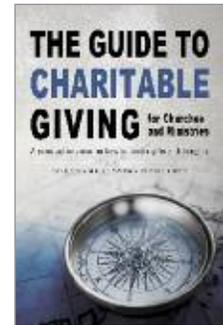
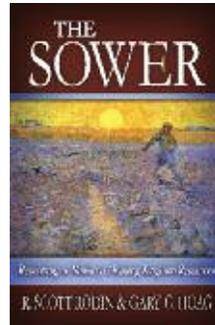
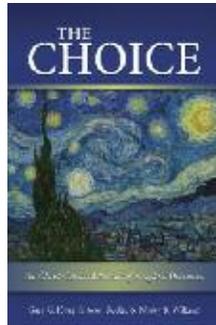
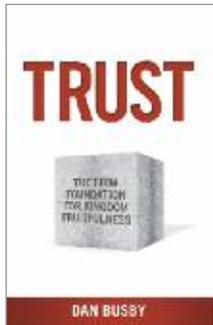
How many total full-time equivalent (FTE) employees are in your financial management department?	Average Number of Employees
	<p>4.3 Employees</p>

Section 6 | Financial Management Resources from ECFA

ECFA provides this Executive Summary of the *ECFA Nonprofit Financial Management Survey 1.0*, as well as other resources, to inspire and equip CFOs, financial management staff, CEOs, senior team members, and board members in their important work and responsibilities. Other ECFA resources include

- ❑ Books on Financial Management, Governance, and Fundraising/Stewardship
- ❑ ECFA Financial Management Knowledge Center
- ❑ ECFA Webinars and Webinars-on-Demand
- ❑ Other ECFA Surveys (*Nonprofit Fundraising, Nonprofit Governance, Church Stewardship, Church Financial Management, etc.*)

YOUR ESSENTIAL RESOURCES from ECFA



➤ ECFA Books, Publications, and Other Resources – www.ecfa.org/ECFAPress.aspx

- ❑ *TRUST: The Firm Foundation for Kingdom Fruitfulness*, by Dan Busby
- ❑ *The Choice: The Christ-Centered Pursuit of Kingdom Outcomes*, by Gary G. Hoag, R. Scott Rodin, and Wesley K. Willmer
- ❑ *The Sower: Redefining the Ministry of Raising Kingdom Resources*, by R. Scott Rodin and Gary G. Hoag
- ❑ *The Guide to Charitable Giving for Churches and Ministries*, by Dan Busby, Michael Martin, and John Van Drunen
- ❑ More than 40 other books and resources available

➤ **ECFA Governance Toolbox Series – ECFA.org/ToolboxSeries.aspx**

Short Video + Read-and-Engage Viewing Guides = Board Engagement!

- ❑ **SERIES NO. 1:
RECRUITING BOARD MEMBERS**
Leveraging the 4 Phases of Board Recruitment: Cultivation, Recruitment, Orientation, Engagement

- ❑ **SERIES NO. 2:
BALANCING BOARD ROLES**
Understanding the 3 Board Hats: Governance, Volunteer, Participant

- ❑ **SERIES NO. 3:
CONFLICTS OF INTEREST**
Addressing Board and Organizational Conflicts of Interest: Avoiding Trouble, Trouble, Trouble With Related-Party Transactions



ECFA.org/toolboxseries.aspx

➤ **ECFA Webinars and Webinars-On-Demand – ECFA.org/WebinarRecordings**

- ❑ Order the pizza and gather your financial management team, or your board's finance committee, for a live ECFA webinar. Or create your own niche training, on your schedule, with ECFA Webinars-On-Demand.
- ❑ Dozens of topics are available including a webinar on internal controls, “Would You Leave Your Car Running?”



Question:

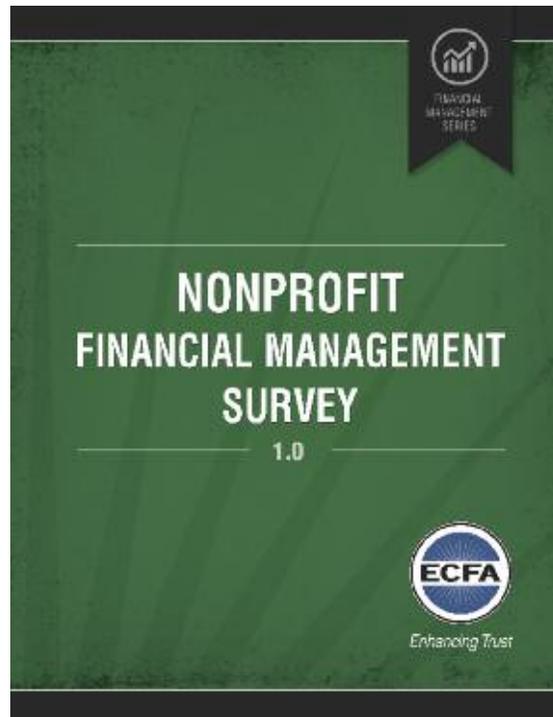
In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

“Hire the best people and delegate day-to-day jobs.”

➤ [Click to Download](#)

**Download the
Executive
Summary**



**Contact ECFA for More Information and Download Options
Email: survey@ECFA.org**

AREAS NEEDING GREATEST IMPROVEMENT

CFOs said that the Top 5 areas that need the greatest improvement in their ministries were:

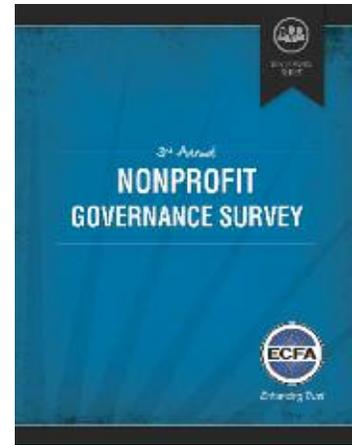
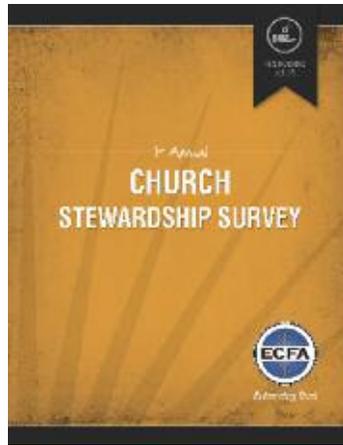
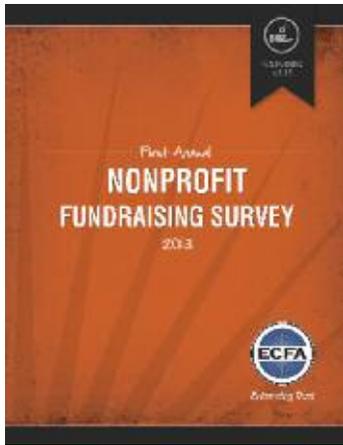
- 1) Fundraising
- 2) Marketing & Public Relations
- 3) Strategic Planning
- 4) Achieving Mission Results
- 5) Programs, Products & Services

CEOs, Chief Development Officers, Board Chairs, and Board Members (in previous ECFA surveys) all affirmed the same Top 4 needs.

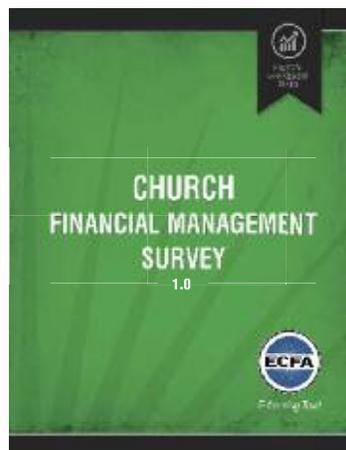
➤ **ECFA Surveys**

Download digital copies and/or order print copies at ECFA.org/Content/Surveys

Available Now – Digital and Print



Available Soon



Download only

Survey Inquiries:
survey@ECFA.org

Section 7 | Appendix

This appendix includes:

- ✓ **Survey Methodology:** how and when ECFA conducted this *Nonprofit Financial Management Survey 1.0*
- ✓ **The Strategic Role That Trust Plays in the Financial Management of Nonprofit Ministries**

“When a serious breach of trust occurs, givers flee as surely as leaves fall from the trees in autumn. The losses will not be limited to dollars—they will be in terms of time, talent and treasure.”

TRUST: The Firm Foundation for Kingdom Fruitfulness



Survey Methodology and Responses

On March 25, 2015, ECFA emailed this survey to 1,378 people—the chief financial officers of ECFA-accredited organizations. (ECFA-accredited churches were not included.) A second reminder email was sent prior to the deadline.

ECFA Survey Emailed to:	Total Recipients	Total Responses	Percentage Response
CFOs	1,378	383	27.8%

Response Rate Comparison. The survey received almost a 28% response. By comparison, 27.2% of CEOs of ECFA-accredited organizations responded to the ECFA 3rd Annual Nonprofit Governance Survey, conducted in 2014. CFOs were just slightly more responsive than CEOs.

Survey Software. The emails were sent under ECFA President Dan Busby’s name. The survey included a link to the online survey. “Survey Monkey” was the online survey software used.

Question Types and Numbers. The survey asked 48 questions and included “optional questions.” The survey included the following question types:

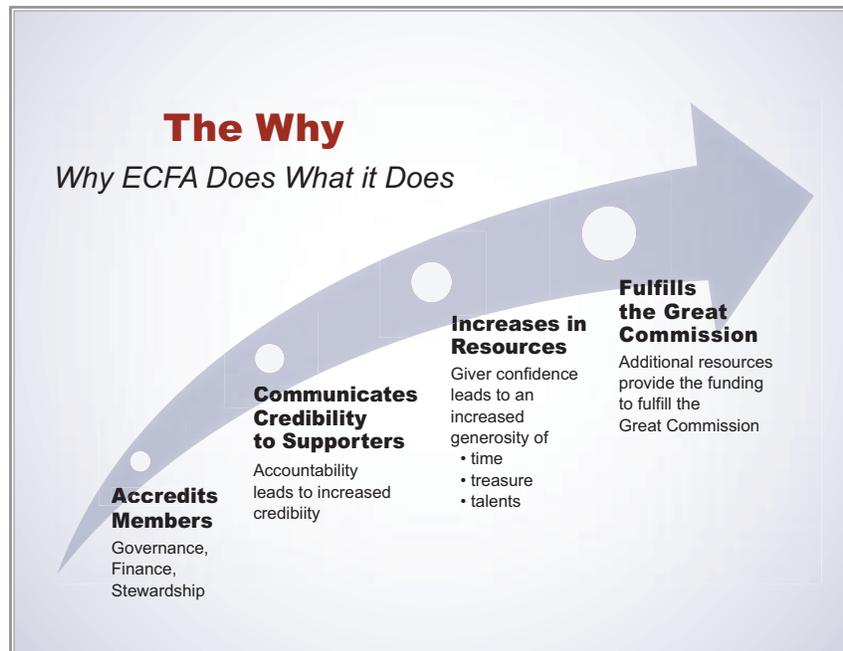
- Multiple choice
- 5-point Rating Scale (Example: Strongly Agree to Strongly Disagree)
- Top 5 Options (limited to 5 choices from a longer list)
- Open-ended

The Strategic Role That Trust Plays in the Financial Management of Nonprofit Ministries*

ECFA serves its accredited organizations in three strategic areas:

- Governance
- **Financial Management**
- Fundraising/Stewardship

Consequently, ECFA conducted this comprehensive survey to discern the current financial management practices, needs and challenges of ECFA members.



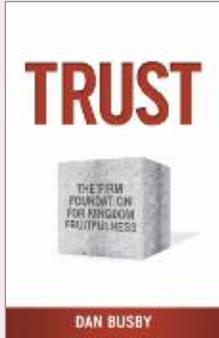
This survey is one of several projects initiated by ECFA in order to assess current needs and to address the scope of future ECFA products, programs and services for both current and future ECFA-accredited organizations.

In ECFA’s publication, Focus on Accountability (Fourth Quarter 2010), ECFA President Dan Busby articulated the “Why, What and How” of ECFA in the president’s column, “Much More Than a Seal.”

This chart, “The Why: Why ECFA Does What it Does” was included in the article—and documents the foundational role of governance, finance, and stewardship in ECFA’s mission.

When ministries earn the public’s trust through appropriate transparency and the God-honoring stewardship of resources, Kingdom fruitfulness results!

***See the next page for a “Trust Exercise”
to continue the trust conversation with your financial management team,
your senior team, and/or your board of directors. ⇒⇒⇒**



TRUST Exercise

“TRUST is the starting point for all healthy relationships, the fuel for team ministry, and the cornerstone of group effectiveness.”

– Stephen Macchia

INSTRUCTIONS:

- [Click here to download](#) Chapter 13, "Trouble Avoidance," from *TRUST: The Firm Foundation for Kingdom Fruitfulness*, by Dan Busby.
- Ask each participant to read the chapter before you meet—and complete this “Trust Exercise.”
- You may prefer to order several copies of *TRUST* and assign selected chapters to several participants—and ask them to give 5-minute chapter reviews at your meeting.
- At your meeting, invite each participant to share their thoughts and recommendations from the questions and directions below.

Engagement Questions:

- 1. Visit the “[Quotable Quotes](#)” webpage for the book, *TRUST: The Firm Foundation for Kingdom Fruitfulness*, and list two quotations you appreciate—and why.

- 2. Why is trust so important in Christ-centered ministries? And why are conflicts of interest so important to avoid?

3. In your opinion, what “Trust Score” would the following groups give our ministry?

<input checked="" type="checkbox"/> Check one box in each row (1 to 5) for each group below:	Extremely Trustworthy 5	Very Trustworthy 4	Moderately Trustworthy 3	Slightly Trustworthy 2	Not at All Trustworthy 1
Donors view us as:					
Volunteers view us as:					
Vendors view us as:					
Staff view us as:					
Our community views us as:					

4. As a result of reading and reflecting on “trust,” do you have any recommendations?

FOR MORE ON CONFLICTS OF INTEREST: Order the ECFA Governance Toolbox Series No. 3: *Addressing Board and Organizational Conflicts of Interest—Avoiding Trouble, Trouble, Trouble With Related-Party Transactions*. Visit: ECFA.org/ToolboxSeries.aspx

Question:

In coaching a CFO (new to nonprofit ministry), what important principles or axioms would you share about financial management in a Christ-centered organization?

Answer:

**“Use metrics to track effectiveness and trends.
We instituted a dashboard 18 months ago and it is very helpful.
What gets measured is what gets done.”**



Enhancing Trust

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ISBN 978-1-936233-30-4



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