

**Translating Financial Realities:  
Reporting the “Numbers”  
for Various Audiences**

**2007 NATRI CONFERENCE**

**Miami, Florida**

**Sr. Carol Lichtenberg**

Sisters of Notre Dame de Namur, Ohio Province

**Mr. Keith Zekind**

The Congregation of the Passion, Holy Cross Province

**...There are three cardinal rules—  
don't take somebody else's boyfriend  
unless you've been specifically invited  
to do so, don't take a drink without  
being asked, and keep a scrupulous  
accounting in financial matters.**

**W.H. Auden, Poet**

## **Agenda**

- **Reasons for reporting**
- **Groups**
  - **Leadership**
  - **Membership**
  - **Other Audiences**
- **Assumptions**
- **Concepts**
- **Examples**
- **Questions/Comments/Reflections**

## **Reasons for Reporting**

- **Stewardship**
- **Transparency**
- **Best Practices**

## Stewardship

- A mission-based steward is a person who consistently leads the organization in managing the resources of the community in a manner that maximizes its mission-effectiveness.
- Who should stewards be accountable to?
- *Nonprofit Stewardship* by Peter Brinckerhoff, 2004.

## Transparency

- In financial reporting, it is the ease of understanding, made possible by the full, clear, and timely disclosure of relevant information.
- What needs to be reported to our publics?
- *Internal Financial Controls in the Catholic Church*, West and Zech, Villanova University

## **Best Practices**

- The idea that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications.
- Sarbanes-Oxley (SOX); US Senate Finance Committee Hearings on Nonprofit Accountability, June 2004
- *Sarbanes-Oxley for Nonprofits*, Jackson and Fogarty, 2005.

## **ASSUMPTIONS: Leaders**

- Leaders have a responsibility based in Civil and Canon law to manage the assets of the congregation.
- Leaders must be engaged in the financial issues and trends affecting the congregation.
- The finance officer has information that must be shared with leadership.

## **ASSUMPTIONS: Leaders**

- **Leaders must use this information to make the best informed decisions in the best interest of the congregation.**
- **Leadership makes the ultimate decision regarding financial matters. Remember, your input does matter – whether you agree or disagree with their decision.**

## **CONCEPTS**

- **Get on the leadership/council agenda regularly. Persuade them to always assume there is financial business that you need to do with them.**
- **Develop and implement a list of recurring issues which you bring to the regular meetings with leadership. We suggest monthly meetings.**

## CONCEPTS

- If you cannot get on the agenda monthly, provide to leadership timely monthly financial statements.
- Take the time to educate leadership on financial matters, but it does not have to be all at once. You can do it in a series of sessions.

## AGENDA WITH LEADERSHIP

### 1. MONTHLY: Financial Statements

- Bottom line this YTD, last YTD, compared to budget
- Major factors affecting bottom line: find them, point them out and explain
- Comment on effects of recent major decisions on the finances
- Comment on unexpected factors showing up in the numbers

## 2. ANNUALLY: Members Costs of Living

	2002	2006	Change/Yr
<b>Housing</b>	<b>697,400</b>	<b>600,800</b>	<b>- 2.9%</b>
rent/utilities/plant/furniture			
<b>Living</b>	<b>436,400</b>	<b>409,500</b>	<b>- 1.3%</b>
general/food/hospitality/charity/gifts			
<b>Personal</b>	<b>281,700</b>	<b>247,600</b>	<b>- 2.5%</b>
budgets/vacation/retreat/professional			
<b>Travel</b>	<b>239,900</b>	<b>268,100</b>	<b>+ 2.2%</b>
auto/other travel /auto insurance			
<b>Medical</b>	<b>133,900</b>	<b>155,300</b>	<b>+ 3.0%</b>

## 3. ANNUALLY: Budgets

- Local house budgets: spending trends – outliers that need attention - chart of all per capita for comparison – group v. single costs – formal approval
- Central office budgets: fit with strategic priorities – is all the information assembled

#### **4. ANNUALLY: Auto Accident Data**

- Total Number
- Number which are members' fault
- Types of accidents and re-education opportunities
- Names of drivers with multiple at-fault accidents in last 3 or 5 years
- Congregation costs of accidents

#### **5. ANNUALLY: Other Areas**

- Insurance coverages and costs
- RNA and cost of care data
- TRENDS – including assumptions
- Fair Market Value
- Capital improvement budget
- Operating policies such as where large unbudgeted gifts go
- Development income v. costs

## **ASSUMPTIONS: Members**

- **Members cannot live their vow of poverty in a vacuum. We must lead them to ownership of the financial situation of their congregation through education in finance.**
- **Members must understand that their individual decisions, when aggregated with all others, have a large impact on the corporate financial reality.**

## **ASSUMPTIONS: Members**

- **Members do not need to know all of the nitty-gritty details down to the last dollar and cent. They need to have an easy to understand report that has an overview of the congregation.**
- **Members must be held accountable, too, for their actions. This must be made clear to leadership and their roles in being good stewards for the congregation.**

## CONCEPTS

- Find ways to tell the story behind the numbers so that members can relate.
- Illustrate how the numbers are proportional i.e., millions makes sense for a large group.
- Make repeated efforts so that members learn over time to grasp the complex financial realities.
- Translate the numbers so that they pertain to aspects of member's' ordinary lives.

## ANNUALLY

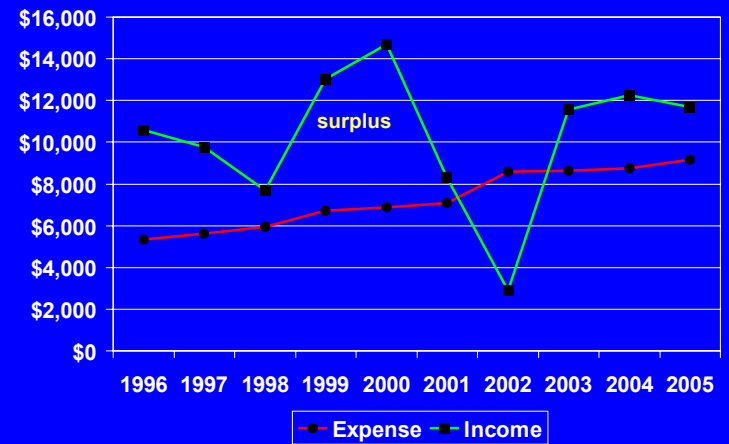
### Overview Of Year: 10 Ideas

- **Income:** regular sources separated from extraordinary amounts
- **Expense:** regular uses separated from extraordinary amounts
- **Excess/Deficit: Regular vs. Unusual**
- **Excess/Deficit: ALL**

## Regular Income v. Expense



## All Income v. Expense



## INVESTMENT RETURN %

	'01	'02	'03	'04	'05
Portfolio	2.8	-13.2	18.5	10.0	3.8
Stocks	0.2	-26.7	31.4	14.0	4.5
Bonds	8.8	10.2	3.9	4.7	2.5

Investment Return was 34% of Income in 2005

## INVESTMENT RETURN

### RETURN PER YEAR

1 YR	3.8%	2 YR	6.8%
5 YR	3.8%	10 YR	8.5%

RETURN used in our projections = 7%

## Changes in Wage Earners

	'01	'02	'03	'04	'05
<b>Salaried</b>	81	74	72	72	67
<b>Internal</b>	30	28	25	22	20
<b>Other</b>	21	17	20	22	23
<b>Retired</b>	104	115	100	95	96
<b>Census</b>	<u>236</u>	<u>234</u>	<u>217</u>	<u>211</u>	<u>206</u>

## Other Changes

2001      2005

### LIVING ARRANGEMENTS

<b>Groups</b>	27	24	14 fewer
<b>Singles</b>	54	43	households

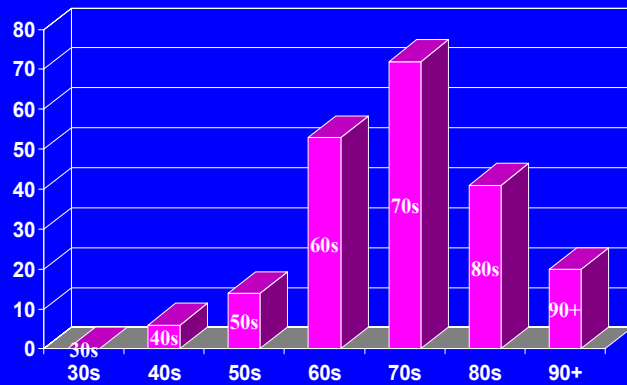
### AUTOS AND DRIVERS

<b>Vehicles</b>	151	125	26 fewer
<b>Drivers</b>	164	140	cars

## CENSUS: Historical

Total = 206

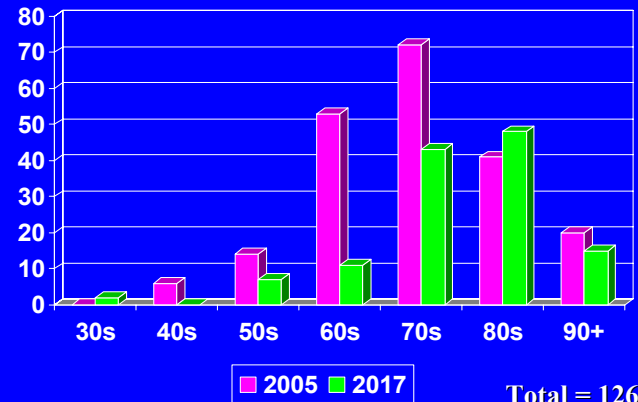
Median = 73



## CENSUS: Projected

12 Year Projection

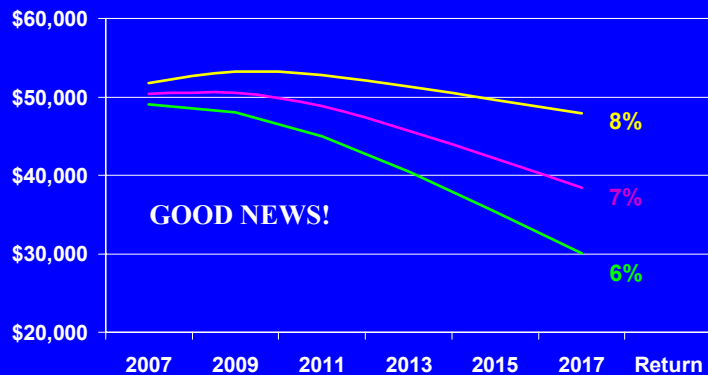
Median = 80



Total = 126

+2: net enter & leave

## 12 YR PROJECTION: ALL ASSETS If TRENDS Assumptions Hold True



## ASSUMPTIONS: Other Audiences

- **Governing or Advisory Boards have been asked to assist us with our fiduciary responsibilities. They must have the whole picture to do this.**
- **We ask others to invest in us through donations and grants. We need to prove to them that we are a viable entity.**
- **Some special circumstances require full disclosure, e.g., borrowing.**

## **ASSUMPTIONS: Other Audiences**

- We ask people to invest in us, sometimes without money, but with their time and talent. We need to show them we have the ability to make a difference for the future.
- We need to show our publics that we are spending their donations for mission and ministry and not all on administration.
- It is okay to share information with the public, and we do not need to be secretive on our financial outlook.

## **CONCEPTS**

- Find a way to boil down the complex picture of one year's financial results to a simple and clear spreadsheet.
- Develop per capita analyses to give appeals to donors some concrete targets.
- Prepare a simplified TRENDS results sheet for any group that assists with investment oversight.

## SAMPLE OVERVIEW

In 000's	Oper	Min	Retire	Elim	Total
Salaries & Benefits	2,866			(508)	2,358
Contributions	819	443	465		1,729
Investments	418	170	2,443		3,031
SS & Medicaid			3,459		3,459
Other	47		28		75
<b>Total INCOME</b>	<b>4,150</b>	<b>613</b>	<b>6,395</b>	<b>(508)</b>	<b>10,650</b>
Active	2,040	343		(343)	2,040
Retired			1,584		1,584
Lay Salaries	347		3,129		3,476
Administration	975			(165)	810
Professional	111		91		202
Other	59	181			240
<b>Total EXPENSE</b>	<b>3,532</b>	<b>524</b>	<b>4,804</b>	<b>(508)</b>	<b>8,352</b>
<b>EXCESS</b>	<b>618</b>	<b>89</b>	<b>1,591</b>		<b>2,298</b>

**The prudent heir takes careful  
inventory of his legacies and  
gives a faithful accounting to  
those whom he owes an  
obligation of trust.**

**John F. Kennedy**

## **Translating Financial Realities: Reporting the “Numbers” for Various Audiences**

- **Sr. Carol Lichtenberg**

**[caroll@ohsnd.org](mailto:caroll@ohsnd.org)**

- **Mr. Keith Zekind**

**[zekindke@visioni.com](mailto:zekindke@visioni.com)**