



Being a Better Consultant

Key Performance Indicators

Benchmarking and Trend Analyses



CliftonLarsonAllen

Nat Bartholomew, CPA

Partner in Charge

Associations and Membership Organizations

CliftonLarsonAllen



Agenda

- ▶ Define benchmarking and trend analyses
- ▶ Why benchmark (quick summary)
- ▶ What tools are available (benefits / limitations)
- ▶ Identifying key performance indicators (KPI)
- ▶ What stories do YOUR numbers tell?

Benchmarking – Internal and External

- ▶ **Internal = Trend Analyses**

Utilizing historical financial and non-financial information from your organization to spot trends

- ▶ **External = Benchmarking**

Utilizing financial and non-financial information from peer organizations to evaluate performance, financial condition, etc.

Why Benchmark?

- ▶ **To compare like attributes or metrics from similar demographic data samples**
 - To uncover business processes, practices, and strategies
- ▶ **To provide a baseline for performance improvement**
- ▶ **To gain best practices**
 - Measure by fact rather than intuition or opinion
- ▶ **Benchmark when you want to ...**
 - Make better-informed decisions
 - Answer the question
 “how do I compare?”
 - Take pulse of your financial health
 - Obtain a single version of the truth

Why Benchmark?

As a way to **share and collaborate**, stimulate **conversation and reflection**, **advocate** for yourself, and **take pulse** of environmental trends.

What Tools Are Available – Benefits/Limitations

- Similar organization's Federal Form 990
- Annual reports or published financials
- GuideStar – Lots of information stemming from filed Federal Form 990s
- ASAE's *Operating Ratio Report (ORR)*
- ASAE's *Association 990*
- NTEN – IT statistics
- NCCS – Operating reserves

What is ASAE's ORR

- ▶ **Compilation of financial data from participating associations (all ASAE members)**
- ▶ **First published in 1953**
- ▶ **Collected via Federal Forms 990 and survey supplements**
- ▶ **512 valid surveys utilized in 14th Edition – along with 2,824 Federal Forms 990**
- ▶ **Issued '12 with 2011 data**

ORR – Respondent Profile

- ▶ 52% were professional associations and 44% were trade associations. The balance were undetermined.
- ▶ 65% were 501(c)(6) / 32% (c)(3)
- ▶ 54.2% reported total gross revenue < \$5M
- ▶ Typical or median organization was \$4.1M (\$3.8M in 13th edition.
- ▶ 76.5% were international or national in scope
- ▶ Largest concentrations
 - DC 30.8% / Chicago 10.4% / NY 3.7%

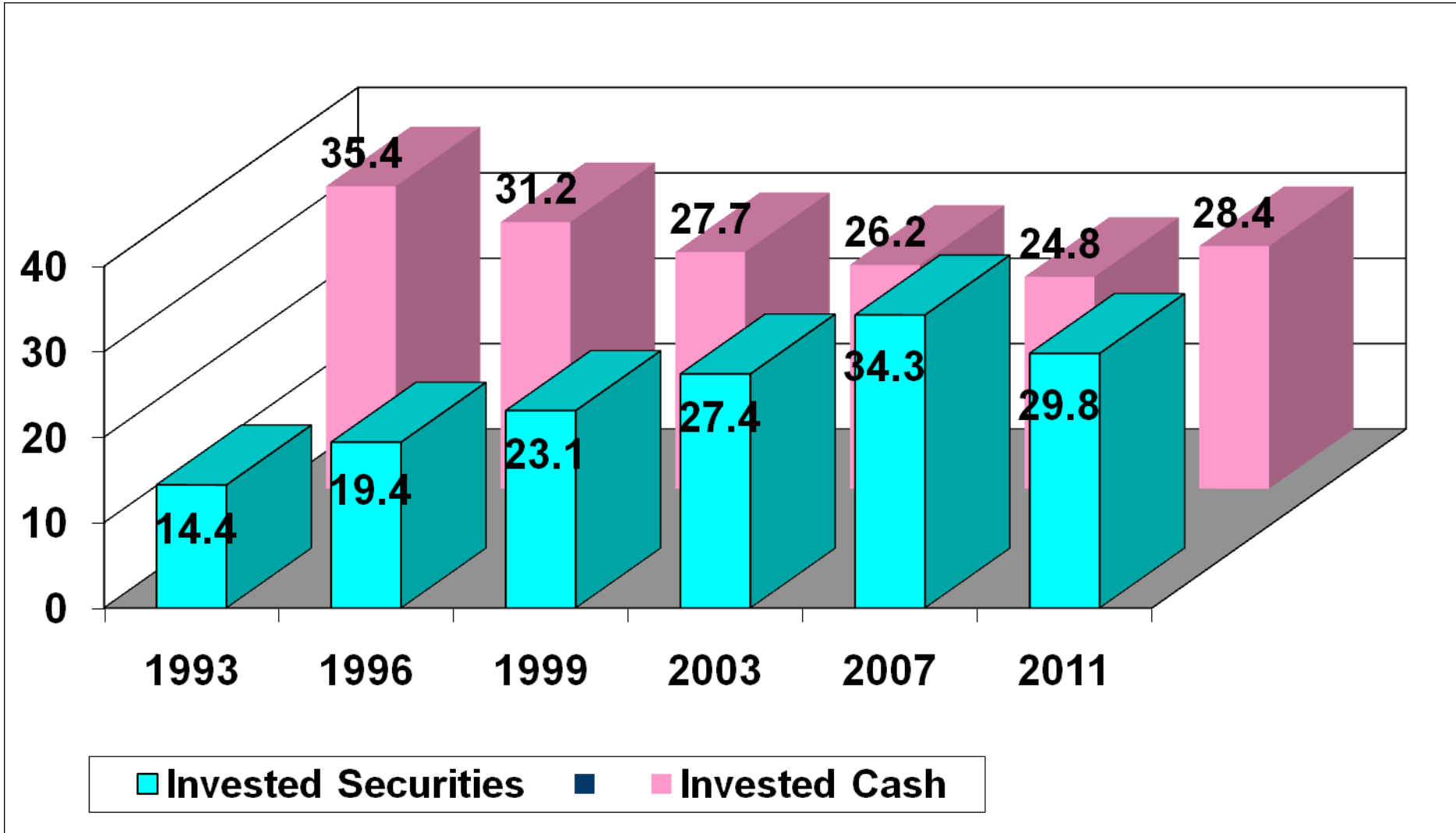
Extracting Relevant Data

ORR Cuts Data By Several Categories

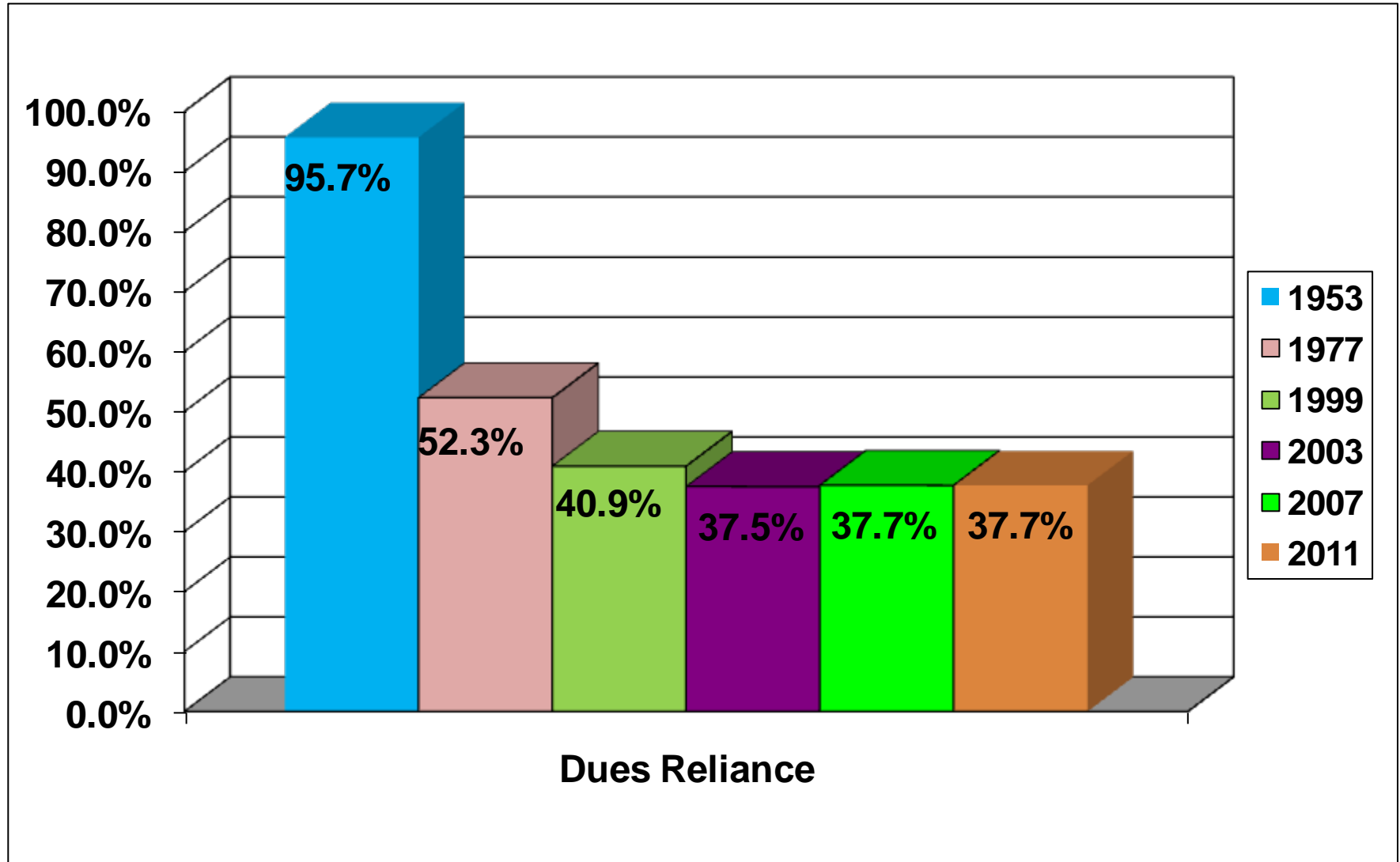
- ▶ **Total Revenue (Six Tiers)**
- ▶ **Membership Type – Trade vs. Professional**
- ▶ **IRS Tax Status (c)(6) vs. (c)(3)**
- ▶ **Geog. Scope (Int'l/Nat'l or Regional/State/Local)**

Trend Analyses - Investment Composition

(as a percentage of total assets)



Trend Analyses – Dues as a Percentage of Revenue (Dues Reliance)



ASAE Foundation's "Association 990"



ASAE Foundation's “Association 990”

- ▶ **Federal Form 990 – core form only**
- ▶ **18,972 '08, 19,814 '09, 34,287 '10 and 4,971 '11 990s**
- ▶ **Functionality allows data sorts on the year and ...**
 - 501(c) class (9 choices)
 - Number of employees (6 tiers)
 - Total revenue (8 tiers) and total expense (8 tiers)
 - Membership revenue (8 tiers)
 - Investment asset balance (8 tiers)
 - Unrelated business income (7 tiers)
 - Accounting method (accrual, cash or other)
 - ASAE member (yes/no)
 - State (52, includes DC and PR)
 - Metropolitan area (36 different areas)

ASAE Foundation's "Association 990" *Suite of Tools*

▶ Association 990 - Key Ratios

- Predefined reports – key ratios, revenue and expense detail, and balance sheet detail
- Generated online
- Sort functionality enumerated on the prior slide
- Ability to export to Excel, Word or Adobe
- Ability to print PDF copies of any Assn's 990

▶ Association 990 - Agenda Items

- Drawn from the aggregate data, these slides (PDF and PPT) provide comparative data on policy, procedure and certain organizational measures

Example Queries - Various

Demographic	2008	2009	2010	2011
All Associations	18,972	19,814	34,287	4,971
501(c)(3)	6,845	7,845	13,896	1,509
501(c)(6)	4,993	4,991	8,214	1,173
DC Area	1,166	1,195	1,938	174
New York Area	604	570	988	65
Chicago Area	562	602	978	149
LA Area	349	404	590	79
Dallas Area	146	154	251	34

Example Queries – Number of Employees

Employees	2008	2009	2010	2011
All	18,972	19,814	34,287	4,971
</= 5	5,423	5,983	11,877	1,878
6 – 10	3,039	3,462	6,185	923
11 – 20	3,241	3,226	5,481	827
21 – 50	3,125	3,213	5,085	805
51 – 100	1,675	1,629	2,451	325
100+	2,469	2,301	3,207	212

Example Queries – Size (Revenue)

Total Revenue	2008	2009	2010	2011
All	18,972	19,814	34,287	4,971
<= \$1M	9,407	11,005	21,594	3,674
\$1 - \$2M	3,818	3,452	4,943	650
\$2 - \$5M	3,262	2,993	4,213	474
\$5 - \$10M	1,357	1,264	1,820	124
\$10 - \$20M	605	582	893	36
\$20 - \$30M	199	172	292	5
\$30 - \$50M	138	147	225	4
Over \$50M	186	199	306	3

Best “Average” Measure

Median – ½ respondents above; ½ below

Mean – sum of all cases / total # of respondents

Median is a better measure for average when the upper limit is theoretically infinite (e.g., number of members in reporting associations, annual budget for reporting associations), as the mean can be strongly affected by very high values.

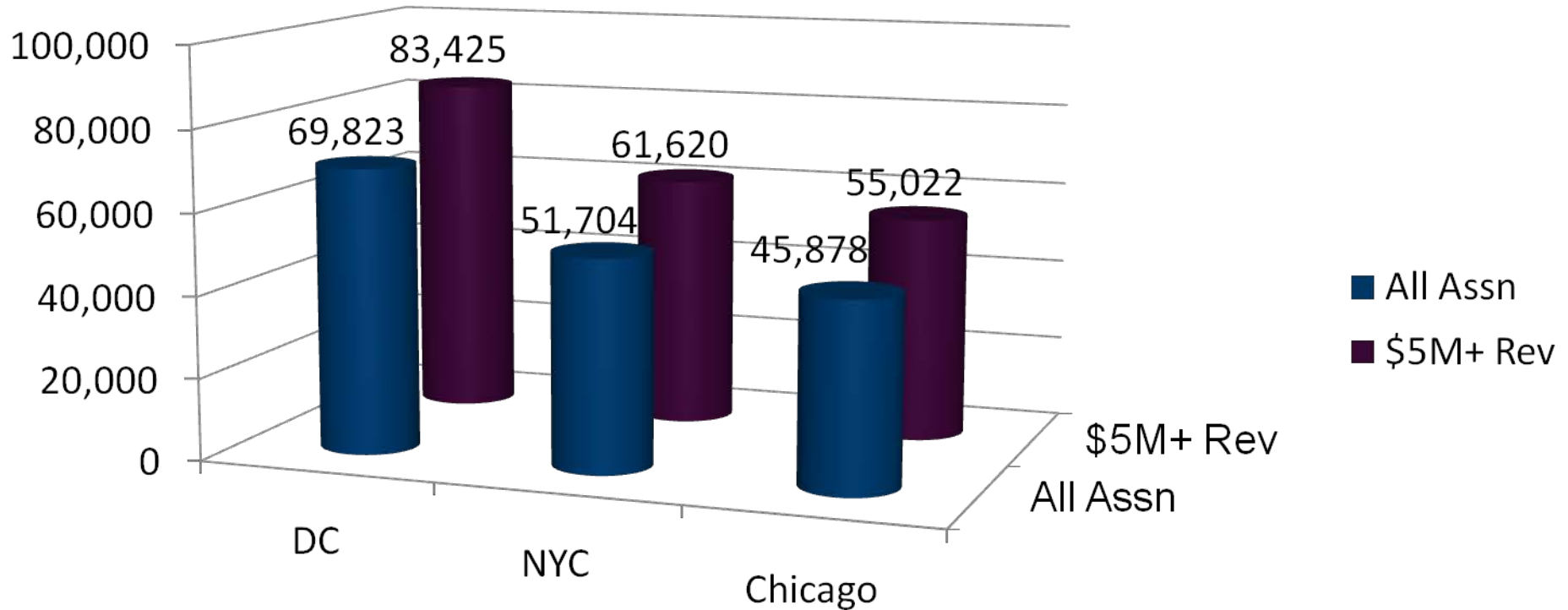
2011 # Employees (Mean = 22.9 / Median = 8.0)

2011 Total Rev. (Mean = \$1.2M / Median = \$431K)

2011 Compensation Geographically Median / Mean (Total Revenue >/= \$1M)

Demographic	Chicago	NYC	DC
# Associations	53	25	91
Median Revenue	\$2.2M	\$2.9M	\$3.0M
Average Revenue	\$3.5M	\$3.8M	\$9.7M
Median Compensation	\$49,090	\$52,726	\$70,980
Average Compensation	\$53,970	\$61,788	\$86,342

2010 Average Compensation Geographically



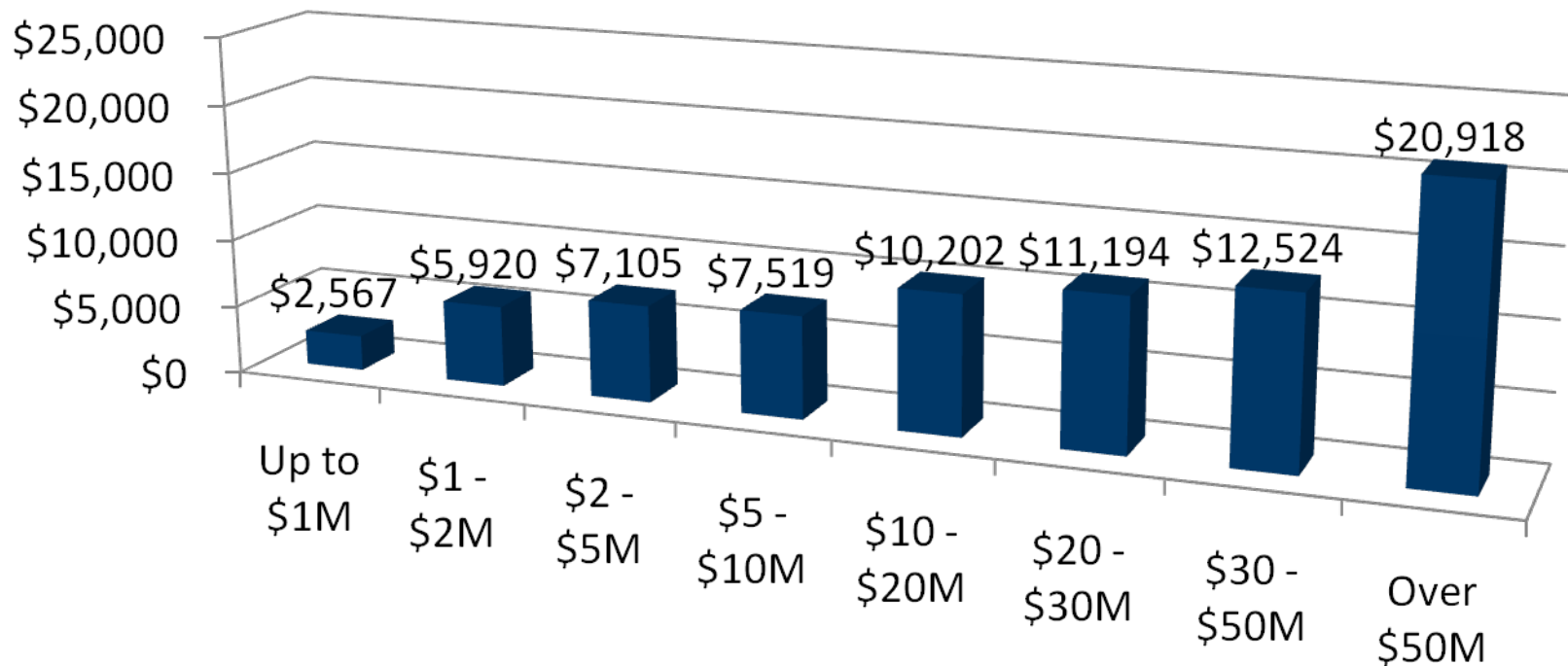
Dues / Total Revenue = Dues Reliance

Gross Revenue	2008	2009	2010
< \$1M	35.9%	36.1%	36.8%
\$1 - \$2M	40.8%	40.3%	40.9%
\$2 - \$5M	43.9%	43.4%	43.4%
\$5 - \$10M	41.5%	41.0%	42.5%
\$10 - \$20M	36.0%	34.8%	35.6%
\$20 - \$30M	29.0%	32.1%	31.5%
\$30 - \$50M	32.1%	28.4%	33.6%
Over \$50M	28.4%	28.1%	28.8%

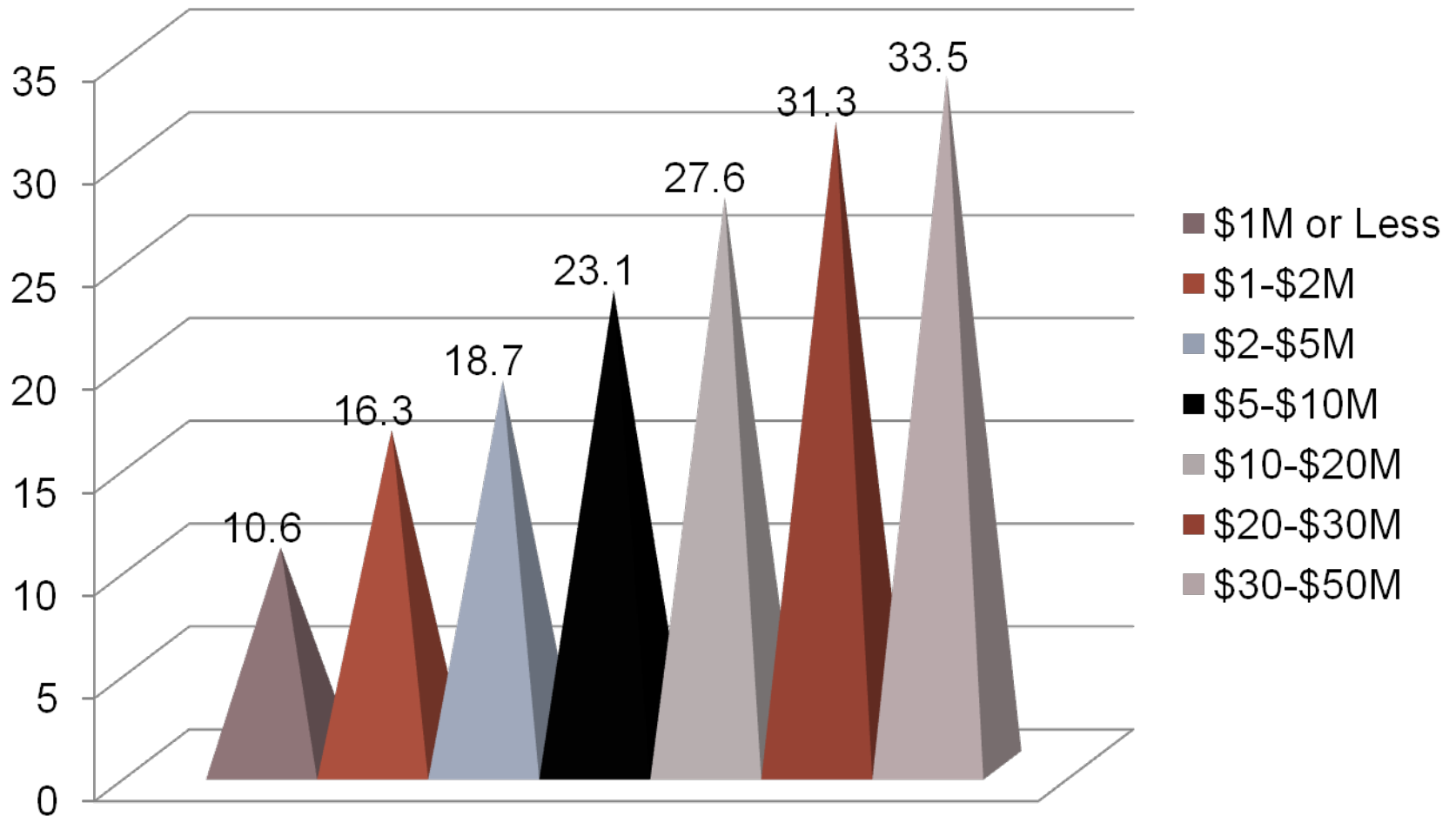
2010 Average Benefits by Size (based upon total revenue)

Average Size (Revenue)	Pension	Benefits
</= \$1M	\$766	\$1,801
\$1 – \$2M	\$2,194	\$3,726
\$2 - \$5M	\$2,585	\$4,520
\$5 - \$10M	\$2,599	\$4,920
\$10 - \$20M	\$3,321	\$6,881
\$20 - \$30M	\$4,522	\$6,672
\$30 – \$50M	\$5,381	\$7,143
>\$50M	\$6,762	\$14,156
All	\$1,399	\$2,773

2010 Average Pension and Benefits by Size (based upon total revenue)



2010 Investments as a % of Total Assets



Identification of Key Performance Indicators

■ **Financial Metrics**

■ **Non-Financial Metrics**

What Are Your Key Performance Indicators

Net Assets /
Total Expenses
(Reserves)

Return on
Investments

Unrelated
Business Income

Dues /Total Revenue
(Dues Reliance)

Training \$
Special Event \$
Publication \$

For-Profit
Subsidiary
Dividends

What Are Your Key Non-Financial Metrics

Member Satisfaction

Number of Members
Number of Attendees
Number of Donors

Diversity

Number of CPE
Hours Delivered

Member Retention

Market Share
(Membership)
(Education)

Metrics Make Money Too - What Do You Market & How Do You Market It

▶ **Who Buys What, Tells You What to Market to Whom**

- Are you tracking sales through the database?
- Could you send a semi-personalized “Hope to see you again this year” to attendees of last year’s holiday party?

▶ **How Your Members Find the Services They Consume from You Should Dictate How You Market to Them**

- E.G., Website, E-Mails, Magazine, Newsletters, Mailers or the Dreaded Phone Call
- This sort of research is common in development activities, but do you do it for your products and services, as well

▶ **Get the Data and Crunch the Numbers**

Basic Ratios

- ▶ **Current = Current Assets (CA) / Cur. Liabilities**
- ▶ **Quick = CA Less Inventory / Current Liabilities**
- ▶ **Leverage = Total Liabilities / Total Net Assets**
- ▶ **Dues Reliance = Member Dues / Total Revenue**
- ▶ **Inventory Turnover = Sales / Inventory**
- ▶ **Avg. Collection Pd. = AR / Sales Per Day**
- ▶ **ROI = Income / Avg. Investment Balance**



What Stories Do YOUR Numbers Tell?

Who Are You?

- ▶ No 990s for one state society for any years
- ▶ No 990s for two other organizations for 2011
- ▶ Removed organizations that filed a 990-EZ
- ▶ Removed organizations without any staff
- ▶ Removed organizations without any dues revenue
- ▶ Could not include foreign organizations
- ▶ Total organizations captured each year

2011 = 32

2010 = 33

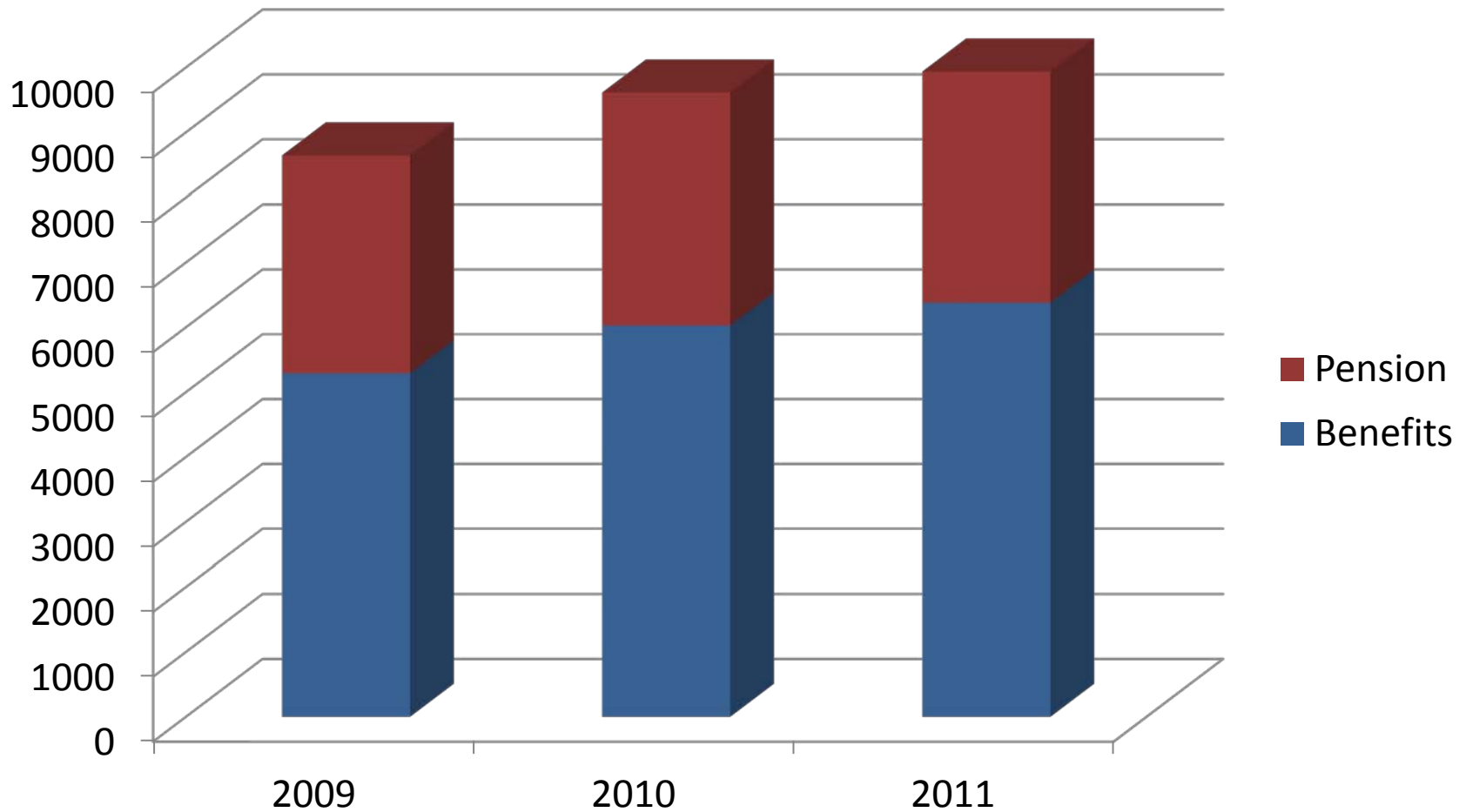
2009 = 31

Who Are You?

2011 Figures Tell The Story

KPI	High	Average	Median	Low
Total UBI	\$695,766	\$92,402	\$47,987	\$0 (5/32)
Total Revenue /# Employees	\$378,121	\$184,142	\$166,707	\$95,080
Profitability	14.95%	2.65%	3.14%	-12.59%
Compensation /# Employees	\$91,395	\$56,700	\$55,166	\$35,506
Dues Reliance	102.8%	48.2%	38.8%	25.8%
Accounting Expense	\$95,576	\$27,215	\$21,689	\$5,123

Average Pension and Benefits



Reserves and Investments (2011 Data)

KPI	High	Average	Median	Low
Reserve Ratio (Net Assets / Total Expense)	147.20%	68.41%	61.64%	10.09%
Return on Investments	8.1%	3.5%	3.5%	0.9%

Number of FTEs (Full-Time Employees)

	2009	2010	2011
Median	26	23	22
Average	32	30	29

Questions?

