



BENCHMARKING YOUR ASSOCIATION

Former New York Yankee and Baseball Hall of Famer Yogi Berra once said, “If you don’t know where you are going, you might not get there.” As a 501(c)(6) organization, you have the benefit that many small to mid-sized for-profit organizations do not have, that is, the ability to benchmark your organization against other organizations in your sector. There are services offered by Guidestar and ASAE at a significant cost that will provide key benchmarking data, but at best, this is offered by geographic location and not broken down by sector. The data may not be as meaningful or relevant as you would prefer. Save yourself the money and invest a little time in benchmarking your organization’s financial performance against others in your sector using publically available IRS Form 990’s. This article will provide areas within the IRS Form 990 that you should consider measuring when benchmarking your organization.

What Data to Extract and From Where on IRS Form 990

The IRS Form 990 contains a wealth of information since its revision in 2009. While the form contains detailed governance information from which comparisons between organizations can be drawn, this article focuses solely on financial information. Below are key data items that you would want to extract from your organization and others in your sector to build comparison metrics, ratios, and trend analysis.

- Part I – Summary
 - Number of voting members of the governing body, i.e., board members
 - Total number of individuals employed
 - Total unrelated business income (UBI)
 - Net gain or loss, i.e., total revenue less total expenses
- Part VII – Compensation of Officers, Directors, Trustees, Key Employees, etc.
 - Reportable compensation and title for key employees, officers, and highly compensated employees
 - Estimated amount of other compensation from the organization for key employees, officers, and highly compensated employees
- Part VIII – Statement of Revenue
 - Program service revenue breakdown by grouping and contribution amount
 - Investment income
 - Other revenue
 - Total revenue
- Part IX – Statement of Functional Expenses
 - Compensation of current officers, directors, trustees, and key employees
 - Other salaries and wages
 - Fees for services (non-employees)
 - Occupancy
 - Travel
- Part X – Balance Sheet
 - End of year cash on hand
 - End of year investments
 - Short term (Line 2)
 - Long term (Lines 11-13)



- End of year accounts receivable
- End of year accounts payable

Key Performance Ratios and Measurements to Use as Benchmarks

With the economic downturn in recent years, many associations are experiencing tighter budgets as their membership manages their own financial house with increased fiscal discipline. As a result, dues and membership may be flat at best and attendance at association events has become a harder sell. Benchmarking your association against others in your sector may provide the reference point from which you can implement and manage changes to your organization.

Below are some key performance ratios and measurements you should consider when benchmarking your organization against other peer organizations. While the data provided is factual, the interpretation of the data in regards to trends and changes in the specific industry is up to the management and board of the association.

- Dues Reliance – Dues revenue contribution as a percentage of total revenue.
- Non-Dues Revenue Sources as a Percentage of Revenue:
 - Meetings and Conventions
 - Trade Shows
 - Educational Programs
 - Certification and Accreditation
 - Grants
 - Unrelated Business Income (UBI)
- Total Revenue per Staff
- Average Salary per Staff
- Average Benefit Cost per Staff
- Annual Occupancy per Employee
- Annual Travel per Employee
- Professional Fees in Aggregate and as a Percent to Revenue
- Government Affairs in Aggregate and as a Percent to Revenue
- Balance Sheet Data – Measure the following as a percent to total assets
 - Cash
 - Savings & Temporary Investments
 - Total Investments (Total of rows 11-13)
 - Accounts Receivable
 - Fixed Assets (Row 10c)
- Basic Ratios:
 - Current Ratio – Current Assets / Current Liabilities
 - Quick Ratio – Current Assets less Inventory / Current Liabilities
 - Leverage – Total Liabilities / Total Assets
- Reserve Amounts
 - Months of Cash on Hand
 - Months of Cash & Investments on Hand