Guidelines for Interpreting and Scoring Benchmarks

10.5: *Current and projected budgets include a statement of the actual and projected revenue sources, indicating an appropriate balance among revenue sources, and a statement of actual and projected expenditures including the actual cost per child, benchmarked compensation/salary scales, and other health benefits and retirement costs.*

I. What does this benchmark indicate for school performance?

Benchmark 10.5 speaks to the need for a complete picture of school revenues and for a robust understanding of the relationship between revenues and costs. Excellent Catholic schools understand that multiple revenue sources are typically necessary to fund schools' missions, and they take a "portfolio" approach to planning for and pursuing different types of revenue. The school is aware of the current "mix" – that is, the percentage of revenue that comes from each source – and they have established a target mix aimed at reducing overall risk and ensuring long-term revenue stability.

- For example, if a school's revenue is 75% tuition, 20% parish subsidy and 5% donations, the leadership team might set a long-term goal of reducing parish subsidies to 5% by increasing donations to 15% (recognizing that this implies a need to invest in an advancement function) and looking for opportunities to create a new income stream (5%) based on renting the building during non-school times.

Schools understand that neither revenue nor costs remain fixed over time, and have incorporated reasonable assumptions into the plan regarding growth, with particular attention paid to areas that are expected to grow most swiftly (e.g. healthcare costs).

They are careful to articulate how this portfolio relates to the aggregate cost per child, and are particularly attentive to the relationship between tuition and costs (see Benchmark 10.6).

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II. As a review team member, what evidence do I look for?

These are some questions which will help to frame this item:

- First and foremost when you look at the actual financial plan and financial statements is the revenue categorized by type, and are multiple forms of revenue recognized appropriately?
- Are the revenue types described by some of the following suggested (but not limited to) categories: tuition, current-use donations (restricted and unrestricted), donations to endowment funds, payout from endowment funds, transfers from other linked organizations (parish funding), gifts in-kind, contributed services, fund-raising revenues (minus fundraiser costs), rental income, fees for non-core services provided (e.g. after-school care) and probably others?
- Is there evidence that these revenue sources are considered as a portfolio – that is, the leadership team is aware of the percentage of income that comes from each source, and has set a target "mix"?
- Are there established action plans to move the school towards that mix?
- Are these plans based on a robust understanding of the current situation, and take growth factors into account as well?
- What is the availability of this data? Is this data available in the financial plan or via interviews with key personnel?
- Is there indirect evidence that might include any records of actions taken to adjust the mix: increased or decreased reliance on tuition, investment in advancement/development resources, etc…
- Finally, is there evidence that revenue and cost information have been compared effectively, and that comparisons are being used to strengthen the entire community's awareness of the portion of costs covered by tuition.

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III. What are the key differences between the levels of the rubric?

At level **3-Fully Meets Benchmark**,

the school will recognize a portfolio of revenue sources in current and projected budgets, and will articulate these as a percentage of total revenue. In future projections, both revenue and cost information will be grown appropriately, taking particular note of the higher growth rates associated with healthcare and retirement benefit costs.

At level **4-Exceeds Benchmark**,

in addition to a revenue portfolio, the school will have a "target mix" portfolio, and will have action plans in place to increase or decrease reliance on specific sources as required. Assumptions about growth / change in revenue or costs will have been developed by a comprehensive team, including experts in the field of nonprofit management.

At level **2-Partially Meets Benchmark,**

the school recognizes multiple revenue sources, but does not consider them to be a portfolio that can be "rebalanced" to reduce risk and increase long-term sustainability. The school may be highly dependent on a single revenue source, such as tuition or a parish subsidy. Future projections do not take growth into account, or do not include a full accounting of costs and revenue sources

At level **1-Does Not Meet Benchmark**,

school leaders do not have a handle on school revenues, or revenue information is not incorporated into financial plans in any effective way. The school may be wholly dependent on a single source of revenue, such as tuition, with no awareness of the risks involved in such a model.

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IV. What are some key suggestions for improvement?

To move from level 1 to level 2,

- Capture and report all revenue information in accordance with basic non-profit accounting principles.
- Utilize cost data (see benchmark 10.4) so that an effective comparison can take place.
- Use this data at the leadership team level for planning.

To move from level 2 to level 3,

- Report complete revenue data (regularly) as a portfolio whose relative percentages are analyzed.
- Project into the future in more sophisticated ways, taking into account economic growth factors.
- Seek and utilize assistance from an expert in nonprofit management or finance.

To move from level 3 to 4,

- Work as school leaders with peers and experts in the field to establish short, medium and long-term goals for the revenue mix.
- Work as leaders to develop action and investment plans necessary to support movement towards those goals.
- Revisit and review the financial plan regularly, and cost / revenue growth projections should be updated based on the most current available economic data.

V. What are key terms for common understanding? (Refer to NSBECS Glossary for terms listed below.)