All ratios as defined by the Capin Crouse Church Financial Health Index Report

Percent of Cash Expenditures (excluding depreciations but including debt principal) to Total

#17a Personnel Only (Salaries & Benefits) 45.5%

Salaries and benefits represent significant resource outflows from the local church. Therefore, it is essential to continually monitor these levels as a percentage of cash expenditures. It is also important to promptly follow up on changes in trends or unusual variances from peers to ensure that your ministry resources are continually maximized. This ratio allows your church to look at one of its largest expenses and determine the portion of the operating budget that will be used.

This result indicates that the present level of personnel to total cash expenditures (excluding depreciation but including current debt principal) are within the recommended limits.

#17 Mandatory Debt Service Payments, including Interest 6.9%

Interest and debt service payments (which are not an expense but rather a reduction of a liability) can represent major resource outflows from the local church. Therefore, it is essential to continually monitor these levels as a percentage of cash expenditures.

This ratio allows your church to look at two of its largest outflows and determine the portion of the operating budget that will be used. Often a growth cycle results in an amount of debt the church anticipates being able to pay off as more people are able and encouraged to attend. However, the church needs to be able to pay the bills and provide the services that will allow for growth with the current budget. Reviewing this measure in advance of any major debt decisions will help you analyze the feasibility of any facility expansion goals.

This result indicates that the measure is within the recommended benchmark, and mandatory debt service payments to total cash expenditures
(excluding depreciation but including current debt principal) are within the recommended limits.

#18 Total Missions Categories to Total Cash Expenditures 17.8%

Churches may find this ratio useful in benchmarking their total outreach expenditures with other churches. When a church experiences economic difficulties, ministry and outreach expenses are usually the first to be decreased, as debt service payments are not discretionary and personnel costs are difficult to reduce. Monitoring this measure over several years will allow the church to spot any percentage changes over time.

This result indicates that the measure is within the recommended benchmark, and total outreach expenses are within the recommended limits.

#22 Facilities Expenses as a percent of Total Cash Expenditures 6.5%

Facilities expense measures can vary, depending on whether the church has new or older facilities. This measure is categorized by churches less or greater than 10 years old to ensure that your church is compared to churches of a similar age. A few churches choose to rent rather than own. Some do a combination of both. And many churches meet in community venues such as local schools and invest the money that would have been used for facilities back into ministry. Finally, with the recent trend of establishing multiple campuses versus one large location, it is important to realize that these decisions will impact this amount. Monitoring this ratio over several years will allow the church to monitor any percentage changes over time.

This result indicates that facilities expenses to cash expenditures are within the recommended limits.

#10 Debt Coverage: Good: 2.4

This ratio is used to determine how many times a church would be able to cover its current annual debt obligations from current operations. This is a very common debt covenant ratio used by lenders to monitor the ability of a church to make annual debt service payments. The results could change dramatically between years based on swings in the change in net assets without donor restrictions.

**For example, if a church used its reserves to perform more repairs and maintenance to its facility than normal, the increase in expense could cause a much lower positive or even negative change in net assets without donor restrictions. This would adversely affect the ratio and could unexpectedly violate a debt covenant, potentially requiring the church to obtain a bank covenant waiver and pay related fees. The benchmark agreed to by the lender is a key negotiation point, especially with a new lender. It may also factor into the amount of reserves the church leadership deems necessary*

This result indicates that the church has an amount within or above the recommended benchmark and is able to cover its current annual debt obligations from current operations.