

Key Financial Metrics Every Nonprofit Should Track for Long-Term Success

January 2025



Presented to you by:





What You'll Learn

- What to track—and how to track it.
- Why these metrics are crucial for financial stability and growth.
- How to improve donor confidence through transparent reporting.
- Strategies to diversify revenue and manage cash flow.
- Tips for optimizing efficiency and managing administrative costs.





Enkel

[en-keɪ] Adjective | Simple

Co-founded in 2016 with a simple problem in mind “*You can’t build a great organization without good books*”

- 300 clients
- 100+ NPOs including many member-based associations and charities
- Financial operations support — bookkeeping, payroll, and more
- Strategic Guidance — CFO and Controllershship

Acknowledgement: Enkel would like to acknowledge that our offices are situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Sḵw̓x̓ wú7mesh (Squamish), and səliłwətaʔ (Tsleil-Waututh) Nations.

Today's Speaker



Omar Visram

Enkel Co-Founder and Head of
Growth
@Enkel



Shirley Wolff

CFO & Controllership Services
@Enkel



Polling Question:

How comfortable are you with the financial metrics for your organization?

0 I don't know which metrics matter

1-3 I know which metrics matter, but I have no idea what the metrics look like for my organization.

4-5 I know the metrics that matter, we calculate them regularly, and I have confidence on where we stand overall.



Polling Question:

Which stakeholder(s) review your financial metrics?

Senior Management

Board of Directors

Funders/donors

None

All of the above

Some of the above





Why Financial Metrics Matter

“What gets measured gets managed”

– Peter Drucker (consultant and author)

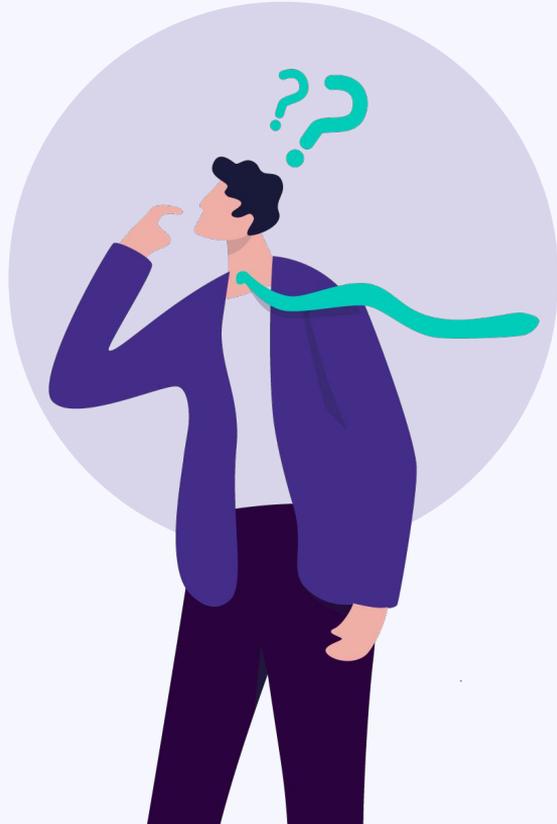


Why Metrics Matter

- Ensuring longevity and sustainability
- Maximizing impact
- Trust
- Demonstrating financial stewardship and transparency
- Program efficiency and effectiveness

Reasons may vary, depending on the nature of the work that you do and your mission!

Important terms



Financial metrics

- Reflect your nonprofit's overall financial stability and resilience.
- Monitoring metrics like cash reserves, revenue diversity, and unrestricted net assets allows you to assess the organization's capacity to weather economic shifts and cover essential costs.

Key Performance Indicators (KPIs)

- KPIs measure the success of specific activities, such as fundraising efficiency, program impact, and donor retention.
- Tracking KPIs gives you actionable insights into the effectiveness of core initiatives, enabling you to refine strategies, set measurable goals, and maximize the resources you have.



Financial Metrics

Profit & Loss Account

MAKING AN IMPACT CHARITY - FINANCIAL REPORT - JUNE 2024

QUARTERLY-PROFIT AND LOSS ACCOUNT

	YTD	Current Quarter Plus Last 3			
	Actual	Jun 24	Mar 24	Dec 23	Sep 23
Revenue					
Grant Revenue					
Restricted Grant	1,184,965	335,102	400,181	300,628	149,054
Unrestricted Grant	25,000	0	0	25,000	0
Total Grant Revenue	1,209,965	335,102	400,181	325,628	149,054
Donations	23,329	1,969	6,254	10,878	4,228
Fee for Services	12,750	9,375	1,875	1,500	0
Fundraising	152,216	0	0	0	152,216
Total Revenue	1,398,260	346,446	408,310	338,006	305,498
Total Expenses					
Program Expenses	1,032,362	243,206	376,370	158,604	254,182
Administrative Expenses	131,225	30,894	50,760	25,045	24,526
Fundraising Expenses	75,113	0	0	0	75,113
Total Total Expenses	1,238,700	274,100	427,130	183,649	353,821
Excess of Revenue Over Expenses	159,560	72,346	-18,820	154,357	-48,323
Excess %	11.4%	20.9%	-4.6%	45.7%	-15.8%



Operating Reserve Ratio



- **What it is:** Unrestricted Net Assets/Average Monthly Expenses
- **Why it matters:** Ensures financial sustainability and crisis preparedness.
- **What questions it answers:**
 - How long can we sustain operations without new revenue?
 - Are we prepared for financial uncertainty?
- **When to look at it:**
 - Quarterly or annually, especially during budget planning and after major expenses.
- **How to access it:**
 - Your accounting software or financial reports can generate this

Operating Reserve Ratio

Operating Reserve Ratio = Unrestricted Net Assets/Average Monthly Expenses

Example:

Average Monthly Expenses (excluding fundraising expenses) = \$96,965

Unrestricted Net Assets = \$169,622

Operating Reserve Ratio: 1.7

Conclusion: Ratio of 1.7 shows that the organization is able to cover less than 2 months of expenses with its unrestricted net assets

Operating Reserve Ratio : 2 out of 3



Program Efficiency Ratio



- **What it is:** Program Expenses/Total Expenses
- **Why it matters:** Demonstrates how effectively your NPO is using its resources to achieve its mission, often scrutinized by donors and stakeholders.
- **What questions it answers:**
 - Are we prioritizing programs over administration?
 - Are we efficiently delivering on our mission?
- **When to look at it:** Annually, and donor reporting periods.
- **How to access it:** Accessible via your month-end and year-end financial statements

Program Efficiency Ratio



Program Efficiency Ratio = Program Expenses/Total Expenses

Example:

Program Expenses = \$1,032,362

Total Expenses = \$1,238,700

Program Efficiency Ratio: 83.3%

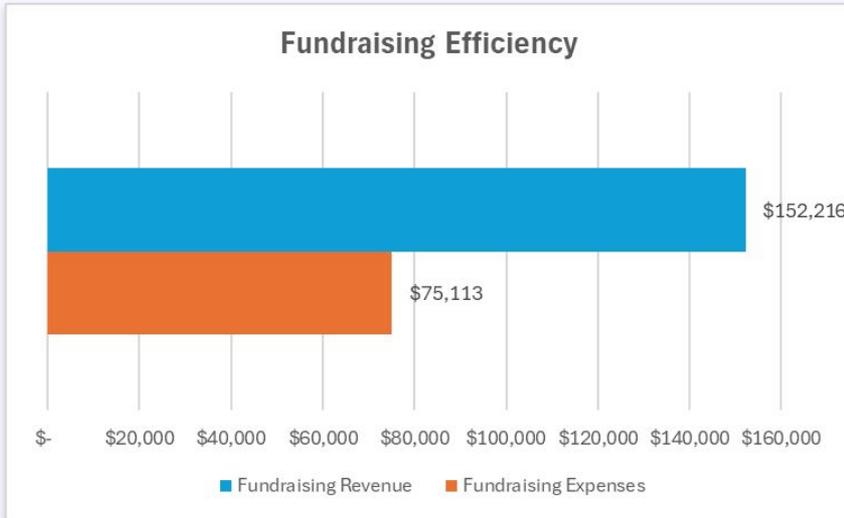
Conclusion: A significant portion of the organization's expenses are related to the delivery of its programs.

Fundraising Efficiency



- **What it is:** Fundraising Expenses/Fundraising Revenues
- **Why it matters:** Evaluates how cost-effective your fundraising efforts are, which impacts donor confidence.
- **What questions it answers:**
 - Are we raising funds efficiently?
 - Are our fundraising methods worth the investment?
- **When to look at it:** After each major fundraising campaign or annually for a big-picture view.
- **How to access it:** Fundraising reports from your CRM and accounting software; Enkel's fractional CFOs can help analyze your ROI for various campaigns.

Fundraising Efficiency Ratio



Fundraising Efficiency Ratio = Fundraising Expenses/Fundraising Revenue

Example:

Fundraising Expenses = \$75,113
Fundraising Revenue = \$152,216

Fundraising Efficiency Ratio: 0.49

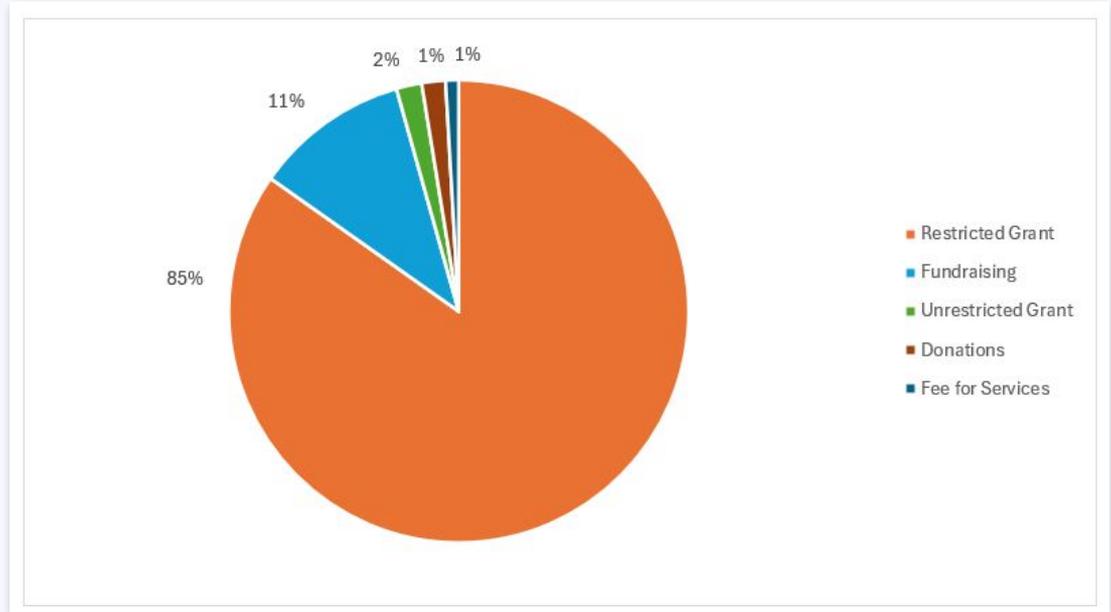
Conclusion: The costs of the fundraising event are high in relation to the revenues raised.

Revenue Diversification



- **Why it matters:** Reduces the risk of being overly dependent on one revenue stream, promoting long-term stability.
- **When to look at it:** Annually, when reviewing financial strategy or planning for future growth.
- **What questions it answers:**
 - Are we too reliant on one source of income?
 - How diversified are our funding streams?
- **How to access it:** Review your statement of operations by source of revenue; Enkel can help build strategies to diversify your income.

Revenue Diversification



Unrestricted Net Assets



- **What it is:** Total Assets - Total Liabilities - Externally Restricted Net assets - Permanently Restricted Net Assets
- **Why it matters:** Represents financial flexibility—funds you can use for operations without restrictions from donors.
- **What questions it answers:**
 - Do we have the flexibility to cover unexpected costs?
 - How much of our revenue is unrestricted?
- **When to look at it:** During budgeting and strategic planning
- **How to access it:** Available from your balance sheet

Unrestricted Net Assets



Unrestricted Net Assets YoY = Total Assets - Total Liabilities - Externally Restricted Net assets - Permanently Restricted Net Assets

Example:

Unrestricted Net Assets - current year = \$169,622

Unrestricted Net Assets - prior year = \$9,207

Increase from prior year: \$160,415

Conclusion: Significant increase over the prior year and trending in the right direction



Contribution to Fixed Expenses



- **What it is:** Fixed Expenses/Total Revenue
- **Why it matters:** Helps you understand whether you're covering essential costs like rent, salaries, and administrative overhead.
- **What questions it answers:**
 - Are we covering our fixed costs?
 - Do we need to adjust our cost structure?
- **When to look at it:**
 - Monthly or during financial review periods.
- **How to access it:** Breakdown from your statement of operations; Enkel can support with cost allocation strategies to ensure fixed costs are properly covered.

Contribution to Fixed Expenses



Contribution to Fixed Expenses = Fixed Expenses/Total Revenue

Example:

Fixed Expenses = \$749,629
Total Revenue = \$1,398,260

Contribution to Fixed Expenses: 53.6%

Conclusion: The organization has sufficient revenues to cover its fixed costs and has the agility to pursue new opportunities and programs

Polling Question:

How high of a priority is financial transparency for your organization in the current economic climate?

1 Not at all

5 Moderate

10 High Priority





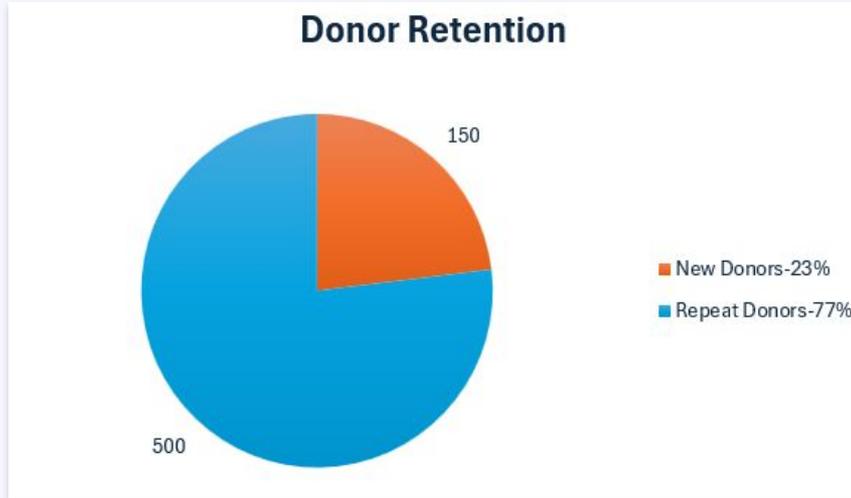
Key Performance Indicators

Donor Retention Rate



- **What it is:** Number of repeat donors/Total donors from previous period
- **Why it matters:** Shows how well you're maintaining relationships with donors, a key driver of sustainable funding.
- **When to look at it:** Quarterly or after major donor campaigns.
- **What questions it answers:**
 - Are we retaining our donors?
 - How can we improve donor loyalty?
- **How to access it:** From your CRM and donor management systems; Enkel can help analyze donor retention data and provide insights on donor engagement strategies.

Donor Retention Rate



Donor Retention Rate = Number of repeat donors/Total donors from previous period

Example:

2024 number of repeat donors: 500

2024 total number of donors: 650

Donor Retention Rate: 77%

Conclusion: The organization has successfully retained > 75% of its donors in 2024

Administrative Cost Ratio

- **What it is:** Administrative Expenses/Total Expenses
- **Why it matters:** Ensures a balance between operational efficiency and maintaining a functional administrative structure.
- **What questions it answers:**
 - Are we spending too much on administration?
 - How can we optimize our administrative expenses?
- **When to look at it:** Annually, when reviewing financial performance or preparing reports for stakeholders.
- **How to access it:** Generated from your statement of operations; Enkel's fractional CFO can provide guidance on optimizing overhead costs.



Administrative Cost Ratio



Administrative Cost Ratio = Administrative Expenses/Total Expenses

Example:

Administrative Expenses = \$131,225

Total Expenses = \$1,238,700

Administrative Cost Ratio: 10.6%

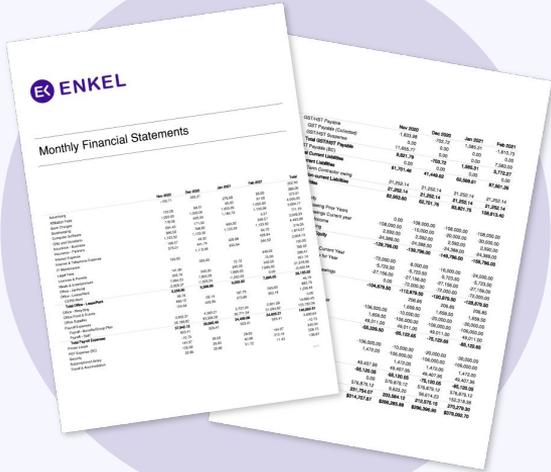
Conclusion: The organization's administrative costs are within the expected range of 10% to 15%.

It all starts with accurate books

Our bookkeeping services now start at
\$500 per month

Why Enkel?

- ✓ **No More Compliance Headaches.** Stay audit-ready and compliant.
- ✓ **Clarity for Your Board & Funders.** Get financial reports that make sense.
- ✓ **More Time for Your Mission.** We handle the numbers, you focus on impact.
- ✓ **Seamless Year-End Process.** Close your books without the usual stress.
- ✓ **Experts in NPO Accounting.** Our team knows your unique requirements.



Package	Scope	Fees
<p>Quarterly Controllership Services</p>	<p>On a quarterly basis, you will get the following:</p> <ul style="list-style-type: none"> ● Custom reporting package with 6-10 visualizations ● Review of financial results with stakeholder, highlighting variances and key expenses ● Mid-quarter check in meeting ● Preparation for stakeholder financial statement/insights review ● Addressing advanced accounting issues 	<p>\$ 750/month</p>
<p>Monthly Controllership Services</p>	<p>On a monthly basis, you will get the following:</p> <ul style="list-style-type: none"> ● Oversight of monthly close process - review of financial statements prior to Client delivery ● Monthly custom reporting package with 6-10 visualization ● Monthly review of financial results with stakeholder, highlighting variances and key expenses ● Preparation for stakeholder financial statement/insights review ● Addressing advanced accounting issues 	<p>\$ 1,800/month</p>

Sign up for our February Webinar

Creating a Bulletproof Budget for Your NPO

In this free webinar, we'll walk you through:

- How to create a goal-aligned, flexible budget that supports your mission.
- Common budgeting mistakes nonprofits make—and how to avoid them.
- Why clean bookkeeping is key to effective budgeting

When: February 27, 2025

[Register Now](#)





Q&A and Interactive Discussion



info@enkel.ca



www.enkel.ca



[/Enkel-backoffice-solutions/](https://www.linkedin.com/company/enkel-backoffice-solutions/)



[/Omar-visram](https://www.linkedin.com/in/omar-visram/)

Strengthen Your Financial Future with Enkel

- Schedule a free consultation with our financial experts.
- Explore how Enkel's Bookkeeping, Controllershship, fractional CFO and QuickBooks Migration services can help you optimize your financial operations in 2025.

Visit: <https://www.enkel.ca/contact-us/>

