PRACTICAL STEPS FOR HEALTHY, SUSTAINABLE CAMP FINANCES

KEEPING YOUR MINISTRY OUT OF THE ZONE OF INSOLVENCY

by Sarah Hilgendorf

If the topic of shaky organizational finances is one that hits uncomfortably close to home, you're not alone. According to Ron Mattocks, a past CCCA National Conference presenter and author of *Zone of Insolvency: How Nonprofits Avoid Liabilities and Build Financial Strength*, "About one third of all nonprofits operate in perpetual financial distress." He adds, "That number includes about half of Christian camps and conference centers." Too often, camp ministries find themselves in "the zone of insolvency"—a period of financial distress. ▸

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While many camps believe their financial issues are an unavoidable byproduct of putting ministry ahead of financial considerations, in reality, financial insolvency can have a profound effect on nearly every aspect of a nonprofit's operations and ministry. Greg Anderson, director of operations and member services for CCCA and camp ministry veteran, says, "Continually dealing with insolvency issues creates a distraction from mission, fosters doubt among stakeholders, and ties the hands of the organization when opportunities present themselves."

On the flip side, there is good news. "The decision to relentlessly pursue financial solvency protects a ministry from having decisions made for it, creating instead a unity of purpose in decision making, building the confidence of donors and providing the freedom to pursue opportunities when they arise."

How Did We Get Here?

So if financial sustainability has such far-reaching implications, why aren't more camps relentlessly pursuing it, and how is it that so many camp ministries find themselves perpetually operating in the zone of insolvency? One issue at many camps and conference centers is a disconnect between cost of camp and the amount being charged to campers and guests. Mattocks cites an example of one California camp that did some number-crunching and discovered that while they were charging campers $60 a day, the camp's actual costs were $196 per camper per day. That level of disparity isn't sustainable long-term, and it puts ministry opportunities in jeopardy along with the financial future of the camp.

Additionally, most camps and conference centers offer multiple programs or ministries versus having a single focus. This can be a good thing as it provides alternate revenue streams and varied avenues for appealing to guests' diverse interests and backgrounds. However, Mattocks cautions against the common practice of using one program's income to offset the financial loss or budget deficit of another program.

Anderson agrees: "It is imperative that camps understand what serves as their financial engine and how each program financially either deposits or withdraws from financial operations. I'm not saying that the dollar drives all ministry decisions, but two things happen when programs make withdrawals on the financial operations: 1) That withdrawal has to be made up by another activity or fundraising effort, or 2) If too many programs are not contributing financially, the entire operation suffers."

Mattocks believes that ministries also become at risk of insolvency when they are consistently carrying significant debt.

8 Ways Forward

If your camp or conference center is in the zone of insolvency, there are three ways out: a financial turnaround, a merger and bankruptcy.

A financial turnaround is "the fun option—the one everyone wants to see," Mattocks says. "If you're going to do a turnaround, you have to be bold. Any delay reduces the likelihood of success, and the longer you delay, the fewer options you have."

What does it take to turn around the finances of a camp facing insolvency? "Success depends on changing business practices and realigning to meet market needs," Mattocks says. "Cost-cutting alone will not succeed. Christian camps are the most cost-effective operations in the world to begin with. You'll have to change your business models and build other revenue streams to make you long-term sustainable."

"A camp must take action and relentlessly pursue financial health," Anderson says. For organizations prepared to do just that, Mattocks outlines eight practical actions to help your ministry get out of the zone of insolvency and on the path to financial viability and sustainability:

1. Reduce sales projections for the coming year.

"Underutilization is the biggest foe we have right now in terms of long-term business viability," Mattocks says. To account for this, he suggests creating three budget scenarios: one reflecting reduced utilization rate by 15 percent, the second by 20 percent and the third by 25 percent. Then make continuous adjustments throughout the year, moving between the budget plans as needed.

2. Review projected charitable giving.

Reach out to donors about commitments for the coming year, and be cautious about adding in projections of money from new donors. Mattocks says to keep this in mind: Your pitch to donors must include plans for your business modifications to improve cost-effectiveness and enhanced sustainability. "Don't go to them and say, 'We're in trouble,' he says. "Say, 'We're in trouble, here's what we're doing; can you help us?' " Your pitch should also include measurable outcomes, which foundations and donors want to see.

3. Do not agree to a deficit budget.

Mattocks acknowledges there's a difference between *planning* for a deficit budget and having one, but he says if you start with a deficit budget in place, you're typically not going to do better than that. Instead, he advises, "Fight to find some way of writing a balanced budget; then fight to achieve it."

4. Delay major expenses.

If you have a building project, plans to acquire vehicles or other major equipment, delay the expense if it means you'll be taking on new debt in order to see it through. ▸

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EXTRA INFO

WHEN TO CALL THE EXPERT

by Gregg Hunter,
president and CEO of CCCA

Over the years, my wife and I have purchased a couple of old, beaten-down homes. I've gotten pretty good at doing all manner of repairs—but I avoid electrical and plumbing. I prefer not to burn my house down, electrocute myself or cause extensive damage through flooding. On those tasks, I call an expert.

I've met many leaders in ministry, people with great hearts and passions for ministry that make them effective in drawing campers and guests into deeper relationships with God. But they were never trained in business practices—like I wasn't trained in electrical work. I'm talking about strategic planning, budgeting, market analysis—even standard accounting practices. Some have tried to fill in the gaps without investing in professional services in these areas, and some do it remarkably well. But for those trying to scrape by on a do-it-yourself budget, there is a risk that what they're trying just won't work. They need an expert.

The board is a great place to start, asking board members with specific skills to volunteer their expertise for a time, or to make the request of an expert they know.

Sometimes it only takes an expert a few minutes to diagnose the problem, like an electrician or a mechanic who says, "You put that in backwards. If you do it this way, it'll work just fine." Other times, the fix is more extensive, and at that point, one is often better off letting the expert run the process.

If cash is tight, board members and other donors are often sympathetic to helping build a foundation of solid business plans and practices. They are willing to help pay for a consultant because they expect a good return on that investment—one that will positively impact the ministry for years to come.

5. Establish a system for cash flow projections.

"Managing cash is the most important thing you can do in a crisis situation, so if you're just depending on your financial statements, which tend to be accrual based, you really don't know what your cash position is [on a daily basis]" Mattocks says. If you already have a cash flow projections system, consider tightening up the intervals so you can stay even more on top of your cash flow.

Anderson has seen the impact of sound cash management firsthand. "Many years ago, our camp committed to building a cash reserve dedicated to addressing the need for cash during two months in the early winter, and providing funds in case of an emergency," he says. "[The camp is] no longer threatened by cash flow issues and does not have to rely on a line of credit to get us through slower months."

That was true in 2011 even when the lake flooded and nearly caused a cancellation of the summer season. "Because we had cash on hand, though, in the fall we were able to construct a wall and raise the level of our ground around the lake, paying cash for the $175,000 project and eliminating any future threat of flooding," Anderson says.

6. Manage your liquidity ratio.

"Ideally your current assets divided by your current liabilities would equal 2.5 or more," Mattocks says. "For many camps, you've got the asset, but it's tied up in land, which isn't liquid, so you're cash poor."

7. Get strategic with pricing.

Mattocks suggests this is the time to radically redesign your packages and be strategic about your pricing in a way that lowers the out-of-pocket cost to customers but increases your net—and you can only do that by changing the package dramatically.

Maybe you offer a three-day package instead of a four-day package, or a six-day instead of seven, Mattocks says. Look for ways to keep costs low, but increase perceived value. For example, say you add lunch to a day camp package. The perceived value may be $10, but the actual cost to your ministry is much lower.

Most critically, Mattocks says, "Never set a price without understanding the cost you need to really understand your direct and indirect costs. But having said that, you never set a price based totally on the cost because the price has to do with what the market will bear." Price resistance comes when you try to have one price and say one price fits all. If you can do tiered pricing and offer many options, you'll find that your consumers can pick the package that fits their needs and budget.

The camp Anderson led for 25 years is a good example: "We made a conscious move toward charging campers and guests what it costs to attend camp, thus allowing contributions to fund scholarships and capital projects," Anderson says. "The camp still subsidizes camper registrations, but to a minimal extent." But he's quick to point out that the success of increasing prices had a great deal to do with proactive communication. "Critical components in making that move included progressing incrementally and communicating more than we thought was necessary, so that our constituents understood the 'why' behind what we were doing."

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8. Maximize your bookings—enforce nonrefundable deposit policies.

Make sure groups are fully educated on your deposit enforcement policies before they make a group reservation so everyone is on the same page about what is due regardless of how many campers or guests actually show up for camp. If you aren't enforcing your policies, you're letting guest groups put you at financial risk, says Mattocks.

Finally, Mattocks says, "For every decision you make as a management team or board, I'd like to think someone is standing in the corner with a little sign that says 'Will this action move us further into or further away from the zone of insolvency?'"

LOOK FOR WAYS TO KEEP COSTS LOW, BUT INCREASE PERCEIVED VALUE. FOR EXAMPLE, SAY YOU ADD LUNCH TO A DAY CAMP PACKAGE. THE PERCEIVED VALUE MAY BE $10, BUT THE ACTUAL COST TO YOUR MINISTRY IS MUCH LOWER.

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Ron Mattocks is a former CCCA board member and conference presenter with many years of consulting for camps. He is currently CEO of CASE (Council for Advancement and Support of Education), a professional association serving 3,700 educational institutions in 80 countries.