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The Evaluation of Resource Usage in the Not-For-Profit Environment

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The author describes how the concept and procedures of program evaluation can be applied to a non-profit organization, such as a church. The article is adapted from a panel presentation given in April 1974 at the Southeastern Regional meeting of the American Accounting Association.



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Americans are becoming increasingly resource-use conscious, and managers are being called on to account for the effective use of resources, as well as for custodianship over assets. Operational audits in addition to financial audits are recognized as relevant to such an accountability, especially in the public sector where the profit measurement is lacking.

Many accountants are members of not-for-profit organizations and are involved either directly or indirectly with their financial operations. Such accountants increasingly are asked to evaluate the use of resources in accomplishing objectives through programs¹ and other courses of action.

The purpose of this article is to suggest program evaluation (described below) as one approach to the assessment of the use of resources. The church organization is used as an illustration, although concepts presented for churches are not basically different from those applicable to other

organizations in the public sector. While operational auditing includes a consideration of effectiveness, efficiency, and economy of operations, program evaluation focuses on effectiveness.

Program Evaluation

Program evaluation is part of the feedback within the management information system. Simply stated, program evaluation is results-oriented. It attempts to determine whether programs are achieving the results for which they were authorized and for which funds were made available. It provides desirable information for decision making and control purposes, i.e., for assessing the status of programs and their relative desirability, detecting departures from plans, keeping current programs headed in the right direction, planning future programs, and establishing priorities in the allocation of resources.

In contrast to other selected not-for-

profit organizations (such as governmental agencies), churches do not have the power to force contributions. When pastors find themselves sitting in empty church buildings with no one attending Sunday School and worship services and with no contributions flowing into the church bank account, it would appear the former congregation had evaluated the church's programs as inadequate for its needs. Hopefully, a pastor's information and control system will provide useful feedback on church programs prior to such a widespread, adverse evaluation.

Environment of Church Programs

Several problems arise in evaluating a church program (or many of the programs in the public sector), e.g., in comparing inputs with outputs or in attempting cost-benefit analyses. First, consider outputs. The primary outputs (services) of a church usually are not tangible products or services, but are intangible, fee-free

spiritual ministries intended to fulfill a social need. Outputs, therefore, generally are not susceptible to objective valuation or quantification. For example, it is difficult to impute a dollar value for the spiritual revival experienced during the worship service, and the "value" of comfort to the distressed is difficult to measure.

Members' contributions do not necessarily indicate the value of output, since no direct relationship exists between members' contributions and services received. Members may make relatively large contributions, but avail themselves of services to a limited degree; or, they may make relatively small contributions and use services extensively.

Next, consider inputs (operating costs). Inputs also are not necessarily indicative of the value of outputs. In some cases it may take only weeks — but in other cases, years — for various persons to respond to and benefit from church ministries. Additionally, managed or discretionary costs are typical in the church environment making it difficult, if not impossible, to determine the optimum input cost of providing general religious services.

To reduce the amount of subjective value judgements needed to assess the success or failure of particular programs, evaluation normally is based on the degree of accomplishment of stated goals — comparison of what happened with what should have happened. Under such circumstances, program evaluation *appears* to be a relatively simple matter: merely compare the objectives of the program with the degree of accomplishment of those objectives.

But what if the program has not been clearly defined and objectives established? What if objectives are not quantifiable? What if objectives have not been stated, even in narrative form? What if the objectives of the program (or, on a broader basis, of the church itself) are never expected to be fully attained? Such questions are indicative of problems encountered when attempting to evaluate church programs (or many of the programs in the public sector).

Meeting of Poor-Program-Evaluation Church

Consider a meeting of the governing board of Poor-Program-Evaluation Church. The chairperson begins: "The meeting will come to order. We have only one hour before Monday Night Football to approve budget requests for the coming year and to review program status reports supporting such requests." (Program chairpersons are asked to prepare

annual reports concerning results of programs for the current year to date, variances from plans, estimated consequences of such variances, and plans for the coming year.)

"The chairperson of Project A requests a 10% increase over last year's budget. He failed to submit a report on goals for his project and results of last year's activities. Oh well, we know the problem everyone is having with inflation; let's approve the request

"The director of Program B requests \$28,000. She supports her request with an evaluation of last year's results and with a description of activities for the coming year. She lists her program objectives and the results desired by accomplishing the objectives. I don't think I'll take time to read this report. She used \$25,000 last year; let's give her the same and let her delete the least important activity as she sees it

"Program C requires \$50,000 for next year's activities — \$1,000 for literature, \$3,000 for new robes, and \$46,000 for miscellaneous. Let's cut the \$3,000 for new robes to \$2,000

"Now here's a new project — funds needed to promote A. Person for mayor. This raises a question concerning the church's participation in such an activity. A. Person is a member of our church; let's approve it, even though I'm not sure this is one of the purposes of our church

"Workers with Program E request an increase over last year's allowance. The committee did not engage in any activities last year. Should we allocate funds to this project? Let's hold them to last year's budgeted amount; maybe they'll do something this year

"The chairperson of Program F says she wants to encourage participation of members in church training. She'll try sometime during the year to gather ideas and find a way to increase members' involvement. If successful, she'll need a little money; she doesn't say how much. Let's approve \$500; it seems like a worthy project

' Objectives of Program G appear the same as those for Program B. Even though there's an overlap of coverage, I feel we should approve the request. After all, it gives us two chances for success in this area

"The director of Program H says he can't submit a list of goal accomplishments because he forgot to remind the secretary to collect data each month. Nevertheless, he feels the program was worthwhile. I'm sure he knows what he's talking about

"One objective of Program I is to secure

100% worship attendance by all members of the church during the coming year. I'm not sure such a goal is realistic, but it sounds good. . . ." (And so the meeting goes until members rush home to watch Monday Night Football.)

Approach to Program Evaluation

As pointed out by Dr. Knighton,² it may be desirable to evaluate the outputs of programs at several levels: (1) work accomplished and products produced, (2) benefits accomplished, and (3) impact achieved. Work accomplished and products produced concern the level of work accomplished — activities engaged in, or "what was done." Examples would be the number of persons visited as part of the proclamation program, number of members served in Sunday School, and number of baptisms during the year.

In many cases such statistics are only surrogates for measuring the effectiveness of the programs themselves, i.e., benefits accomplished and impact achieved. Benefits accomplished relate to the extent to which program objectives are attained. (For example, one objective may be to proclaim the gospel to the church community, not merely visit a certain number of residents.)^{*} Impact achieved concerns the extent of change in the quality of life of society.

Steps in Evaluation

A first step necessary for program evaluation is identification of the church's overall purpose for existence. Its purpose perhaps may be to improve the quality of life of society (impact achieved) by ministering to the spiritual needs of the community. The church may never be able to evaluate objectively the impact achieved, yet it needs indicators (discussed below) to help assess movement toward the purpose.

After identifying its overall purpose, a church should identify its areas of concern, such as worship, proclamation, education, and ministry, and should define specific purposes for each area. Assume two selected purposes within the education area of concern are: (1) to guide pupils in spiritual growth, and (2) to teach general Christian principles and church policy. Such purposes are timeless intentions, involving personal experiences that ordinarily cannot be directly observed, quantified, or evaluated, although these purposes are somewhat more tangible than the previously mentioned broad purpose of the church (to improve the quality of life of society). Again, indicators are needed to help assess whether activities directed to each area of concern

are leading the church toward attainment of its purposes.

Performance indicators normally concern results of activities perceived by the church to be conducive to accomplishing its purposes. For example, it seems reasonable to assume that attendance at Sunday Bible study would promote, though not guarantee, spiritual growth and the learning of Christian principles. Knowing that attendance in worship services is conducive to a worship experience, attendance may be used as an indicator of effectiveness in the area of worship.

In selected cases it may not be appropriate to use only one indicator. In addition to counting the number of persons attending a particular worship service, for example, it may be desirable to accumulate data on those who attend on a regular basis and not just at special occasions such as Easter.

After identifying its areas of concern and purposes, the church normally should establish programs, program organizations, and projects for the conduct of activities. The church should state the long-range objectives and short-range goals for each program (benefits to be accomplished). As noted above, before program evaluation can be undertaken, or — indeed — before the first step is taken in program design, the overall purpose of the church and the purposes within the areas of concern must be determined and clearly stated. The purposes may not be measurable or even completely attainable, yet they should be stated. Such statement focuses attention on legitimate activities and provides a guide for the types of programs needed and the results desired.

At the same time that program objectives are determined, evaluation criteria should be specified for assessing the merits and accomplishments of the programs. Agreement should be reached on the types of indicators to be used to judge satisfactory performance.

Goals — defined as intentions to accomplish a *measurable* quantity and/or quality or results within a specified time period — commonly are stated for each program or project. For example, goals of the education program for a one year period may include:

1. To enlist and secure attendance of a certain percentage of members in regular Sunday Bible study. (100% may be unrealistic.)
2. To enlist a specified percentage of members in daily home Bible study.
3. To provide a definite number of

special Bible studies for all members.

4. To conduct a certain number of training classes for potential Bible teachers.

Such goals are realistic and can be attained. Their degree of attainment would indicate work accomplished and could be used to evaluate the program, as well as to provide surrogate measures (indicators) of the movement toward attainment of church purposes.

Assessment of Goals and Objectives

Periodically, judgments are needed to assess whether program objectives and goals are leading the church toward its broadly stated purposes. Questions such as the following should be considered:

1. Can the program accomplish its objectives with its current goals?
2. If it accomplishes its objectives, will it help move the church toward its purpose for existence?
3. Are programs with similar objectives coordinated?
4. Have priorities in the use of resources been established?
5. Were budget requests submitted with a statement of goals and plans for attainment of goals?
6. Have plans been made for collecting data for evaluation purposes?
7. Have deviations from last year's plans been determined and variances explained?

Caution always should be exercised in using statistical growth figures to measure the attainment of objectives. Continual reconsideration of desired achievements must be made where changes in the church's market (i.e., its community and community residents) affect membership, attendance, and offerings. For example, membership in suburban churches located in new and growing communities usually will increase regardless of church programs.

In rare cases, comparisons of plans with accomplishments are not appropriate because accomplishments are affected by variables which cannot be controlled and anticipated — such as might occur in an inner-city church. Accordingly, it may be necessary to present the results of the program to the congregation and let it decide whether the program is worth the budgeted resources used. In the final analysis, the congregation receives the bulk of the spiritual ministry, and, if benefits are received, the congregation normally will provide support in the form of money and/or attendance.

Conclusion

Evaluation of the effectiveness of resource usage in the not-for-profit environment focuses on what are considered "management controls" within the framework of overall internal control. Objectives should be clearly stated, a plan of action should be devised, procedures should be specified and adhered to, evaluation criteria should be developed, and control should be exercised through periodic review and assessment of accomplishments against objectives. Although a church organization was used in this article to illustrate basic concepts, similar procedures are applicable to all not-for-profit organizations in which outputs are difficult to quantify and to match against inputs.

Footnotes

¹A program is defined as a course of action for which activities are directed toward the accomplishment of common objectives.

²Lennis M. Knighton, "Accounting for the Benefits of Public Programs," *The Federal Accountant*, (March, 1972), pp. 4-19.

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