

Chamber Operations Benchmarking

Research Monograph I ♦ September 2005

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Executive Summary:

ACCE has been a source for “best practices” in chamber management for many years. Word-of-mouth or scrutinizing chamber entries into our awards programs was how ACCE would identify “best practices” among the chamber community nationwide. Although we will continue find leads to best practices in that regard, we believe benchmarking financial and operational functions in chambers will unveil a plethora of “best practices” that will help all chambers improve their organization’s health.

Benchmarking chamber operations allows chambers to replace anecdotal information with sound, statistical data for better decision-making. Benchmarking offers factual performance appraisals of the effectiveness of management and operational processes common to all chambers. ACCE collects operational data annually each January via an online survey tool. All chambers are invited to participate, and each year the response rate has risen, with the most recent at a healthy 20% of ACCE members participating in the 2004-05 survey.

A task force of ACCE members is guiding annual improvements to the survey, such as developing a standard set of definitions as well as 32 key indicators of organizational and financial reporting (“generally accepted chamber practices”) will help all chambers compare their operations with the confidence that they are comparing “apples to apples.” It is incumbent upon the chambers participating in the survey to adhere to the standard definitions.

The intent is to use the survey results to help chambers understand their individual operations; determine how they compare against like chambers; identify superior operational, membership and financial performance; identify national performance benchmarks for groups of like chambers; and recognize that performance with a new awards program to be launched in 2006-07.

Currently underway are investigations into the specific chamber practices that lead to superior performance. These practices, once discovered, will be documented and shared with the chamber community. The initial focus of the study is on chambers in very large metropolitan areas, but if and when additional funding is identified, the scope of the study will be expanded to include chambers in smaller-sized communities.

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Why Benchmark?

ACCE has been a source for “best practices” in chamber management for many years. Word-of-mouth or scrutinizing chamber entries into our awards programs was how ACCE would identify “best practices” among the chamber community nationwide. Although we will continue find leads to best practices in that regard, we believe benchmarking financial and operational functions in chambers will unveil a plethora of “best practices” that will help all chambers improve their organization’s health.

Benchmarking will help us replace anecdotal information with sound, statistical data for better decision-making. Chambers will have a better understanding of their own operations and how they differ from other chambers. Benchmarking offers factual performance appraisals of the effectiveness of management and operational processes common to all chambers. Apples-to-apples comparisons can reveal who has truly found a better way to do something.

Once statistically proven superior performance is identifiable, ACCE will not only share the practices behind it but is making plans to formally recognize those chambers with a new awards program.

Accomplishments

ACCE is striving to identify chamber management standards for the statistics most chambers track in their organizations. The ACCE Chamber Operations survey will be conducted annually in January and includes a full glossary of terms to ensure apples-to-apples comparisons.

Survey invitations were emailed to the 1,300 chambers of commerce across the United States and Canada who belong to the American Chamber of Commerce Executives in early 2005. The survey was administered online, and data from completed surveys was compiled by ACCE staff. The Membership Development Division advisory board and a task force of chief financial officers at several member chambers reviewed data.

All survey participants were offered to be included in and see the results anonymously or collaboratively. If a chamber chose “collaboratively,” it would see data results attributed to specific chambers for all other chambers that chose that same option. Chambers participating anonymously did not see individually-identified chambers’ data.

Although most of the same questions will be on the ACCE Chamber Operations Survey in subsequent years to allow long-term benchmarking, the glossary of terms will continue to be fine-tuned and enhanced with examples as ACCE learns from each study.

This survey will also continue to identify the qualifiers for the Membership Development (formerly NAMD) Division Award for Excellence (AFE) program, which recognizes top membership and operational performance.

Creating an “Industry Standard” for Reporting

A standard set of 32 key indicators of organizational and financial reporting (“generally accepted chamber practices”) was developed and promoted to chambers as the normative method of sharing data and benchmarking between comparable chambers in the ACCE Chamber Operations Survey. A glossary of standard definitions of those key indicators, how to collect the data needed to calculate those indicators and how to report them is in this monograph.

It is anticipated that promoting key indicators and the standardized use of sources will evolve into an “industry standard” for reporting organizational data. ACCE utilized specialists to develop the Standardized Definitions. ACCE requested input from chamber CFOs, membership professionals and ACCRA (chamber/community researchers) while developing set of key indicators, the glossary and the survey questions.

These definitions are available to the chamber community on ACCE's website in the surveys & research section. Also see Appendix A for the standard definitions currently in use.

The Chamber Response

273 chambers of commerce responded to the survey, yielding a 20% response rate. It is the most comprehensive survey of chamber operations. [Click here](#) for a list of participating chambers. Two-thirds of the respondents chose to be identified with their data in online results and will have access to results where other collaborative survey participants are identified. Benchmarks are most valuable when you can contact the chamber with impressive numbers to find out more about their operations.

The respondents were group by chamber size, using the data point, annual dues volume. The numbers and response rate are as follows:

Annual dues volume of responding chambers:

- 67 chambers have less than \$200,000 (11% response rate)
- 86 chambers have between \$200,000 and \$499,000 (30% response rate)
- 58 chambers have between \$500,000 and \$1,000,000 (61% response rate)
- 62 chambers have over \$1 million (76% response rate)

Lessons Learned

ACCE has summarized an analysis of each of the 32 measure in the 2004-05 ACCE Chamber Operations Survey Results Section of this monograph.

Beyond that summary ACCE's research partner, Dale Emerson from Transformation Consulting, Inc., has come up with the following hypotheses for which he is collecting data and studying the practices behind the data.

Hypothesis 1 – Businesses are motivated to join a chamber for different reasons but chamber's tend to treat them as if they join for the same reason:

Businesses join chambers for different reasons. In our research to date we have found three primary reasons businesses will join a chamber. First, we see a "transactional" motivation. The business member is conducting a transaction with the chamber. They pay money and in return they expect certain things such as attendance at networking events, exposure to other chamber members, a mention in the newsletter, etc. Basically, they are motivated to join based on the perceived value they will obtain from their membership.

The second motivation is based on "relationships". Chambers can provide access for the member to people in the community with whom they may wish to associate such as political figures, larger business decision makers, and other movers and shakers in the local community. These businesses join based on the perceived value they can obtain from the relationships the chamber can facilitate for them.

The third motivation is "philanthropic". Usually, these businesses are normally the largest in the community and have been in business for a long time. They join the chamber and contribute a significant amount of revenue because they see the value the chamber adds to the community. They know the chamber helps create a livable community by addressing key issues that impact both the company and their employees. These companies tend to need an attractive community to retain the type of talent they need to be successful. Therefore, good schools, good regional infrastructure, and other community amenities are important to them so they can attract and retain good employees.

No single business can be neatly segmented into only one of these three categories so it is useful to examine them as a continuum. Smaller businesses with few employees tend to be found more towards the transactional end of the continuum. Mid-size businesses tend to be more focused on relationships

and the largest businesses tend to be more philanthropic. In many ways this makes complete sense. However, we are finding chambers tend to treat all businesses except the largest ones as if they had more of a transactional motivation.

The six to twelve largest business member relationships tend to be specifically managed by the chamber executive officer. Nearly all other businesses tend to be managed by the membership department. Benefits are designed so that as the amount paid to the chamber increases, the benefits to the business tends to increase as well. However, most of these increases tend to be transactional in nature (ability to attend more events, more and bigger exposure in the newsletter, etc.). Only at the upper end does the relationship benefit increase (more committee memberships, more seats on committees, etc.).

ACCE and chambers in general have tracked and measured membership retention rates as one combined metric regardless of the relationship level. We see a real difference in retention rates based on the structure described above. In the current project, we are asking chambers to compute and report their retention rates individually for each different membership level. We are beginning to see that retention varies greatly as you move along the continuum. Our goal is to isolate not only the retention rates at various levels but also the costs associated with recruitment and retention at each level. When we complete the analysis, we will be able to calculate the costs to raise a dollar for each membership level and hopefully design a methodology to increase retention and lower overall operating costs.

Hypothesis 2 – The business world is changing but the chamber structure is not changing as fast.

For purposes of our benchmarking work and analysis, we are separating the business words into two segments. The first segment is the traditional model of business. In this world, business is a place (property, plant, and equipment). Customers tend to be geographically local or regional. Businesses tend to produce a product or service. Employees live in the community. It's the traditional model we are used to and comfortable with. It's the foundation that chambers are built to serve.

The other segment contains the emerging businesses that don't look like the traditional model above. The business may be virtual. Customers may be global. Employees can live anywhere. Customers may or may not come from the region or even the United States. These businesses tend to be knowledge-based and may not offer a product per se. They are often founded by women, minorities, and the relatively young. They are difficult for chambers to identify until they become very large, yet they may be a major employers when aggregated. One chamber told us that in the last decade, the traditional businesses in their community lost over 10,000 jobs while emerging businesses added over 50,000 new jobs.

We are collecting data on the makeup of the chamber itself. We want to know what the people that serve on chamber boards and committees look like and whom they represent. We will be looking at the demographic makeup of all boards and committee by such factors as gender, race, age, and ethnicity. We will compare this data to the demographics of the community to determine how well the chamber reflects the community and the business world of tomorrow. Once we can determine the relative structures of the chamber, we can recommend practices that will increase membership.

Hypothesis 3 – Successful chambers share these characteristics.

In our benchmarking work, we have identified at least ten factors that are common to successful chambers. The chambers that have higher performance also have these characteristics in common:

1. An excellent vision statement – They know where they are going
2. A cohesive board structure – Everyone is pulling in the same direction
3. An annual work plan with a clear mission statement, a well defined strategy and annual operating goals – People know what they are expected to do
4. Financial stability – The organization regularly operates in the black
5. Strong member relations program – The chamber understands customer relationship management

6. Alignment – Strategy ties to vision; goals tie to strategy; budget ties to goals; and staff performance plans tie to goals
7. Highly trained and capable staff – Staff knows how to do their jobs well
8. Supportive culture – Board and senior management have created the right environment for staff to be successful
9. Excellent tools – Chamber has the right tools to perform work assignments including state of the art, integrated software applications
10. Leadership and a willingness to tackle tough community issues – Ability and willingness to take a potentially controversial stance and make something positive happen

Hypothesis 4 – Current “best” practices are not necessarily what will be needed in the chamber world of tomorrow.

Chambers have been serving the business community for over 150 years. Over that time period they have developed certain ways of performing their primary role. We have observed that some chambers have perfected their practices to a very high level. If the world were going to stay the same, these would be the chambers we would point others towards. However, as pointed out above, the world of business is changing, maybe very rapidly. That being true, implementing a practice that works well in the old model is not nearly as useful as identifying and implementing a practice that will work well in the new world.

As an example, in the traditional world many large local companies were family owned and operation was passed down from generation to generation. The owners felt a real connection to the community, knew the other important families in the community, were born and raised there so they were deeply invested in what happened to the community. Over the past decade national and international companies have acquired or merged with these local companies and now they are simply corporate locations. The local CEO has been replaced with a corporate division director or plant manager. These new people are from somewhere else, on a corporate assignment for 3 – 5 years, and are relatively more interested in their careers than in the local community.

The ramifications of this change are becoming clear as we conduct our study. Three important trends are emerging. First, the large, annual cash contribution made to chambers when the company was locally owned is coming under increasing pressure to decrease. Chambers face a real threat of losing a primary source of annual income unless they develop new practices for selling these corporate managers on the value of the chamber in the local community. Second, tackling tough community issues is increasingly difficult because this new type of manager is concerned about his/her career. They do not want to assume any risk on their shift that could possibly come back to haunt them as they climb the corporate ladder. Therefore, exerting leadership in the community becomes more difficult. Finally, getting these corporate managers to participate in chamber activities is more difficult. Engagement is often the result of commitment. If the member is not invested in the community, they will not be committed to the important issues in the community so the chamber will not get their engagement. Without their engagement in chamber activities, making a true difference in the community is made increasingly more difficult.

If we were to simply identify those practices that have been successful in getting the family-owned business to make significant contributions to the chamber, it would be completely outdated before we could publish our findings. Therefore, we are looking for the ways chambers are getting the new corporate managers engaged and to continue to make large contributions. These practices are very different, so we want to identify those that will work in the new model as opposed to those that worked well in the traditional model.

Key Issues Facing Chambers Today

Expected leadership – CEOs are expected to know what to do and how to do it. They are placed in their roles precisely because of their knowledge. It is often difficult for someone in this very responsible position to reach out for information on how to do things better. They are expected to already possess that knowledge and reaching out can be seen as a sign of weakness. However, it is usually the strongest leader that reaches out the most. They do this as a way to connect with others and to find ways of

improving their own operational performance. Seeking assistance through a benchmarking project is a sign of strength, not weakness.

Risk aversion – Chamber CEOs tend to be risk averse so adapting a new practice is difficult. Any new practice will require change; people will resist change; there is no accountability mechanism in many chambers so the primary change process is not in place; therefore, change doesn't happen and the chamber continues to move along the same old tired path with the same old results. Implementing new practices takes some risk.

Annual mentality – CEOs are frequently measured by the annual budgeting process. If they finish the year in the black, they are much more likely to be judged as successful. Therefore, they tend not to want to tackle any issue that transcends a fiscal year. Changing practices can take time and an investment of resources. If the CEO is simply eying the fiscal year boundaries, they will be less inclined to make investments that have a payback outside the current fiscal year. The expected result is lower than expected operating performance. Bridging the “annual” thinking trap is critical to achieving high levels of operational performance.

Understanding practices and why they matter – Practices are simply those day-to-day work activities that are the essence of how we accomplish things. A practice can be as simple as entering a new member into our database or as complex as developing a brand for the chamber. They matter because they are how we do things. If ways can be designed to produce better results with the same or less investment of time and resources, the organization benefits. Seeking methods for improving our performance is always beneficial.

What do I do and how do I do it – If performance can be measured and tracked and my operation is found lacking, what can I do to improve performance? The advantage of this project is not in the measurement of performance but in the identification of those practices that directly lead to the level of performance. The final report becomes the “how-to” manual for changing practices and provides examples of what successful chambers are actually doing to achieve that performance.

Chambers' Role in Improving Benchmarking

These are the areas ACCE sees as the individual chambers' role in implementing and improving benchmarking in their own operations and across the chamber profession.

- Using the ACCE Chamber Operation Survey Results
 - Fully understand the survey results
 - Determine your own cohort group
 - Compare your performance to all chambers as well as to your cohort group
 - Analyze the results of the comparisons.
 - Pay close attention to the Analysis/Interpretation section of the report
 - Adjust your results as appropriate
 - Identify best practices across your cohort group.
 - Adjust your own chambers operations accordingly

ACCE's Role in Improving the Benchmarking Tool

These are the areas ACCE sees as its role in implementing and improving benchmarking in their own operations and across the chamber profession.

- Fine-tune glossary terms
- Educate chambers using the benchmarking tool.
- Expand key indicators into chamber functions, i.e.
- Membership, Economic Development, Government Affairs, Events, Programs and Publications, Affinity Programs, and Contracts and Grants

- Identify the best practices directly attributable to high performance
- Identify key issues that negatively impact performance achievement
- Data collection and analysis of operational performance metrics and practices
- Development of a measurement methodology to track and report performance improvements



2004-2005

CHAMBER OPERATIONS SURVEY RESULTS

This first annual ACCE Chamber Operations Survey is our baseline edition. Though this survey builds on over a decade of collecting data from and about chambers of commerce, the 2004-5 edition represents significant strides forward to ensure chambers have better data to use in evaluating their operations. Financial, membership and staffing statistics have been calculated from 273 chambers' 2004 program year data.

273 chambers of commerce responded to the survey, yielding a 20% response rate. It is the most comprehensive survey of chamber operations.

Annual dues volume of responding chambers:

- 67 chambers have less than \$200,000 (11% response rate)
- 86 chambers have between \$200,000 and \$499,000 (30% response rate)
- 58 chambers have between \$500,000 and \$1,000,000 (61% response rate)
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Financial Measures

13 measures were used to benchmark revenue sources and general financial stability. On average, taking campaign revenue out of the picture, a chamber's total gross unrestricted revenue comes from the following sources:

Member Dues	45%
Events	22%
Contracts/Grants	20%
Publications/Programs	7%
Affinity	3%
Other (investment & rent)	3%

Although about 18% of the responding chambers reported a negative net income in 2004, the average net income and the average current ratio indicate most chambers are just staying ahead of their liabilities and are experiencing relatively small profits. Chambers with the healthiest bottom line for the year showed revenues from fundraising campaigns.

1. Dues Revenue to Total Unrestricted Revenue

Total member dues ÷ Total unrestricted revenue

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	19%	43%	74%
\$200,000 - \$499,999	18%	43%	71%
\$500,000 - \$1,000,000	18%	43%	64%
Over \$1,000,000	25%	47%	79%

Analysis: Membership dues contribute less the 50% of the chamber's total unrestricted revenue for chamber groups of all sizes. There are conflicting opinions on the decrease of dues as part of the budget. Some are more concerned about declining membership dues support because the services that provide

their non-dues revenue are now facing stiffer competition. Others believe the decrease in reliance on dues is healthy, keeping diversity in the revenue stream sources.

Action: Chamber's on the high end should consider adding different revenue streams, while those on the low end should consider if they could obtain more revenue from membership dues.

2. Event Revenue to Total Unrestricted Revenue

Total event revenue ÷ Total unrestricted revenue

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	4.6%	23.9%	49.3%
\$200,000 - \$499,999	4.9%	24.5%	50.8%
\$500,000 - \$1,000,000	5.9%	20.5%	37.3%
Over \$1,000,000	5.7%	16.5%	31%

Analysis: On the average, event revenue is the number one non-dues money-maker in chambers. With over 95% of all participating chambers reporting event revenue, events provide chambers with an average of 21% of their total unrestricted revenue. Chambers with the highest event revenue were successful in generating exhibitor, advertising and sponsorship dollars. With almost the entire chamber's having event revenue.

Action: Those on the low end should consider benchmarking chambers from the high end, learn some best practices, and find ways to increase their event revenue.

3. Event Net Income

Total event revenue – Total event expense

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	\$3,924	\$39,127	\$95,053
\$200,000 - \$499,999	\$4,891	\$80,721	\$225,856
\$500,000 - \$1,000,000	\$8,536	\$138,526	\$336,134
Over \$1,000,000	\$28,180	\$333,080	\$1,008,534

Analysis: Clearly chambers rely on events to support other non-event operating costs. This is evident in 63 chambers where event net income is higher than the total net income for the year.

Action: Those chambers with lower or negative net event income may look hard at those events as events tend to be very staff intensive.

4. Program & Publication Revenue to Total Unrestricted Revenue

Total program/publication revenue ÷ total unrestricted revenue

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	0.2%	7.0%	21.7%
\$200,000 - \$499,999	0.5%	6.5%	17.9%
\$500,000 - \$1,000,000	1.1%	8.3%	22.2%

Over \$1,000,000	0.5%	5.3%	17.9%
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Analysis: 95% of the participating chambers of all sizes reported some revenue in this area. On the whole revenue from programs and publications pales in comparison with events, averaging 7% of chambers' total unrestricted revenue.

Action: Those chambers at the high-end of program revenue include programs such as economic development revenue and programs funded by education grants.

5. Program/Publication Net Income

Total net program/publication income for the fiscal year ending in 2004

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	(\$2,764)	\$10,703	\$38,514
\$200,000 - \$499,999	(\$9,772)	\$27,627	\$117,748
\$500,000 - \$1,000,000	(\$17,510)	\$72,733	\$292,080
Over \$1,000,000	(\$74,996)	\$118,097	\$488,209

Analysis: Clearly more chambers support programs and pubs with revenue generated from other areas as the net income in this area is relatively low on the average. 27 of the 252 chambers reporting revenue in this area lost money in this area. There is a direct correlation with the lows, highs, and spread based upon chamber size.

6. Annual Campaign Revenue to Total Unrestricted Revenue

Campaign revenue ÷ Total unrestricted revenue

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	1.6%	11.6%	22.4%
\$200,000 - \$499,999	2.7%	13.4%	25.5%
\$500,000 - \$1,000,000	2.8%	9.5%	16.2%
Over \$1,000,000	8.0%	20.9%	35.8%

Analysis: An average of 36% of the participating chambers reported campaign funds as unrestricted revenue in 2004. On the average those funds made up about 13% of their total revenue. The largest chambers average almost doubled the smaller chambers percentage of campaign funds to total unrestricted revenue.

7. Affinity Revenue to Total Unrestricted Revenue

Affinity revenue ÷ Total unrestricted revenue

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	0.53%	4.30%	9.04%
\$200,000 - \$499,999	0.09%	1.94%	5.66%
\$500,000 - \$1,000,000	0.16%	2.09%	5.23%
Over \$1,000,000	0.21%	4.75%	16.83%

Analysis: Close to 65% of the participating chambers reported affinity revenue as being a small percentage (averaging around 3% of total unrestricted revenue).

Action: Chamber's without affinity revenue or on the low end of the benchmark and who are also have a low fund balance or low net income should consider adding revenues in this area.

8. Contract/Grant Revenue to Total Unrestricted Revenue

Contract revenue ÷ Total unrestricted revenue

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	4.4%	22.8%	48.6%
\$200,000 - \$499,999	1.5%	18.7%	49.5%
\$500,000 - \$1,000,000	4.0%	22.5%	47.3%
Over \$1,000,000	2.2%	12.9%	29.4%

Analysis: Close to 70% of the participating chambers reported grant/contract revenue, which on the average made up around 19% of their total unrestricted revenue.

Action: Contract revenue is an excellent way to fill a need within your community and help in making your chamber more visible within the community.

9. Other Revenue to Total Unrestricted Revenue

Other non-dues revenue ÷ Total unrestricted revenue

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	0.3%	8.1%	29.7%
\$200,000 - \$499,999	0.4%	9.1%	30.7%
\$500,000 - \$1,000,000	0.7%	9.6%	32.6%
Over \$1,000,000	0.3%	9.9%	35.0%

Analysis: Over 95% of the participating chambers could not fit about 9% of their total revenue into any of the following categories: dues, events, programs/publications, affinity, contract/grant. Examples of revenue in this area include rental revenue and interest income, and investments gains and dividends.

10. Net Income

Net income for fiscal year ending in 2004

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	(\$13,776)	\$27,210	\$129,729
\$200,000 - \$499,999	(\$41,116)	\$94,659	\$675,762
\$500,000 - \$1,000,000	(\$106,705)	\$138,582	\$720,327
Over \$1,000,000	(\$200,732)	\$171,000	\$823,880

Analysis: Over 80% of the chambers finished their fiscal year 2004 in the black. The timing of receiving and spending campaign funds or other large amounts of money earned in one year with the intention of drawing down on it over several years will result in inordinate net income figures. The year the funds come

in will result in a very high net income and in subsequent years, as the chamber draws down on those same funds, the net income is often in the red.

11. Current Assets/Current Liabilities

Current assets ÷ Current liabilities

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	0.5	15.8	77.5
\$200,000 - \$499,999	0.9	9.9	53.4
\$500,000 - \$1,000,000	0.7	8.3	38.7
Over \$1,000,000	0.8	4.4	17.5

Analysis: This is a test of a chamber’s financial strength. It calculates how many dollars in assets are likely to be converted into cash within one year in order to pay debts that come due that same year.

Action: Slightly above 1.0 indicates the chamber is prepared to meet all current financial obligations. Ratios much larger than 3 could indicate the chamber needs to convert some of its liquidity to mid or long-term investments.

12. Net Assets

Total assets – Total liabilities

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	(\$16,244)	\$169,361	\$499,997
\$200,000 - \$499,999	(\$8,299)	\$477,543	\$2,199,771
\$500,000 - \$1,000,000	(\$42,702)	\$1,112,255	\$3,475,217
Over \$1,000,000	\$119,618	\$2,832,138	\$8,203,761

Analysis: This number shows the chambers with deep pockets and those that live year-to-year without reserves to fall back on. Those chambers that have little to no long term liabilities and had a successful capital campaign will show very high net assets.

13. Net Assets/Total Annual Expense

Net assets ÷ Total annual expense

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	-7.1%	47.9%	140.7%
\$200,000 - \$499,999	-1.8%	58.0%	216.6%
\$500,000 - \$1,000,000	-2.8%	49.4%	136.3%
Over \$1,000,000	3.1%	57.3%	173.4%

Analysis: May be indicative of how long a chamber could survive bringing in little to no revenue. The average across all chamber sizes is about 6 months. On the higher side some chambers could meet their obligations for 2 to 5 years without bringing in significant revenue. This is also indicative of how well prepared a chamber is to handle an economic downturn or unexpected financial loss.

Customer Measures

7 measures were used to benchmark member satisfaction by the numbers. For chambers with **less than \$500,000** in annual dues revenue, retention numbers and dollars have been stable the last five years, **hovering between 85 and 90%**. The largest chambers have weaker retention numbers than smaller chambers, with a percent average in **the low 80s**. The same holds true with net gain/loss of members and dollars.

The larger the chambers, the higher the average amount of dues they receive from each member. The largest chambers averaged three-and-a-half times more than the smallest chambers in average dues investment per member.

The largest chambers make three times more average revenue earned per member than smaller chambers.

The smaller chambers seem more apt to stick to their published dues schedules. An average of 96% of their members pay according to schedule, while an average of 83% of the largest chambers' members pay according to a published dues schedule.

14. Retention – Member Accounts

(Total number of member accounts 2003 – Total number of cancelled member accounts 2004) ÷ Total number of members accounts 2003

Year	Under \$200,000	\$200,000 - \$499,999	\$500,000 - \$1,000,000	Over \$1,000,000
2000	87.3%	85.7%	77.7%	86.2%
2001	87.8%	86.2%	86.8%	82.5%
2002	88.0%	84.3%	83.7%	81.4%
2003	86.6%	84.0%	84.6%	79.5%
2004	88.6%	85.6%	82.6%	81.0%

Analysis: We had a few drastic minimum retention numbers in the year 2000, but the average and high numbers in years 2000-2004 do not fluctuate much. The smaller chambers have consistently higher retention rates than the chambers in the larger groups. There was inconsistency in the definition of retention and which chambers reported retention numbers from year to year.

15. Retention – Dollar Value of Accounts

(Dollar value of the chambers total member accounts 2003 – Dollar value of the total cancelled member 2004) ÷ Dollar value of the chamber's total member accounts 2003

Year	Under \$200,000	\$200,000 - \$499,999	\$500,000 - \$1,000,000	Over \$1,000,000
2003	86.7%	85.4%	86.3%	85.2%
2004	90.1%	87.6%	86.1%	82.7%

Analysis: Retention dollars track with retention numbers; however in all cases the dollar figure is a bit more positive. With retention dollars being higher than member retention, this implies that generally retention is higher with those paying higher amounts for dues and lower for the basic memberships. There was inconsistency in the definition of retention and which chambers reported retention numbers from year to year.

16. Net Gains/Loss – Member Accounts

(Total new member accounts 2004 – Total number of cancelled member accounts 2004)

Year	Under \$200,000	\$200,000 - \$499,999	\$500,000 - \$1,000,000	Over \$1,000,000
2001	8.9%	3.2%	3.6%	3.0%
2002	15.1%	3.3%	4.1%	-8.2%
2003	1.0%	8.4%	-2.7%	-3.5%
2004	5.2%	3.7%	1.4%	0.0%

Analysis: The recession seems to show more in the net gain/loss figures and seems to effect the largest chambers the most.

17. Net Gain/Loss – Member Dollars

(2004) new member dues – Dollars lost from 2004 Canceled) ÷ 2003 Total Member Dues Collected

Year	Under \$200,000	\$200,000 - \$499,999	\$500,000 - \$1,000,000	Over \$1,000,000
2001	3.7%	3.4%	2.9%	3.2%
2002	-1.5%	-2.9%	0.4%	-0.8%
2003	2.8%	4.0%	0.3%	-3.6%
2004	5.2%	3.8%	0.9%	-0.6%

Analysis: The recession seems to show more in the net gain/loss figures and seems to effect the largest chambers the most.

18. Member Paying According to Dues Schedule

Percentage of total member accounts that pay according to a published dues schedule

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	79%	96%	100%
\$200,000 - \$499,999	53%	92%	100%
\$500,000 - \$1,000,000	66%	91%	100%
Over \$1,000,000	35%	83%	100%

Analysis: Around 90% of chamber members pay according to the published dues schedule. However a few chambers report a much lower percentage of their members pay according to their dues schedule. One of the explanations for this is that a volunteer contribution is requested on the chamber member's dues bill and everyone gives something. So for those chambers technically most renewals are not paying the published amount, but rather an odd amount based on the voluntary increase which is subject to their years as a member.

19. Member/Total No. of Businesses in Service Area

Total number of member accounts 2004 ÷ Total number of businesses

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	14.2%	36.1%	63.1%

\$200,000 - \$499,999	6.0%	27.2%	51.5%
\$500,000 - \$1,000,000	6.3%	20.8%	41.0%
Over \$1,000,000	1.6%	8.9%	20.6%

Analysis: The market penetration rate from this graph and the average member dues investment in slide 20 can be used to analyze potential membership dues. Being on the low end of market penetration for your peer group may mean you are missing membership revenue opportunities from non-members, while being on the low end of the average member dues investment among peers may indicate you are missing membership revenue opportunities from current members.

A few non-performance factors influencing a chamber's market penetration rate are:

1. Local competition – The chamber with a 92% market penetration has 320 members in a county with 348 non-farm businesses. Areas with so few businesses could not likely support more than one business-based nonprofit and this chamber has done a great job of involving most of the businesses in their area.
2. Chamber strategy – Some chambers are more targeted in their membership recruitment verses going after any and all businesses in their service area.
3. Definition of business in service area – Chambers use different sources to distinguish the number of business in service area.

20. Average Member Dues Investment

Dollar value of the chamber's total member account 2004 ÷ Total number of member accounts 2004

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	\$151	\$245	\$372
\$200,000 - \$499,999	\$207	\$356	\$601
\$500,000 - \$1,000,000	\$276	\$459	\$721
Over \$1,000,000	\$379	\$890	\$1,836

Analysis: Suggests the difference in dues volume among chambers is not just the number of members paying, but that the more dues volume raised by the chamber the more each member is paying. Many of the largest chambers have successfully catered to their largest businesses with the result of those businesses paying inordinately more in dues. Of course they could be subject to the all-eggs-in-one-basket issue.

21. Revenue per Member

Total unrestricted revenue ÷ Number of members in 2004

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	\$297	\$667	\$1,260
\$200,000 - \$499,999	\$459	\$1,005	\$2,610
\$500,000 - \$1,000,000	\$637	\$1,252	\$2,441
Over \$1,000,000	\$848	\$1,966	\$3,751

Analysis: The largest chambers generate three times more revenue per member than the smallest chambers.

Internal Process Measures

Seven measures benchmark productivity and efficiency. The average total expense per full-time equivalent (FTE) staff in chambers with an annual dues volume under \$200,000 is about one-third the cost of chambers with an annual dues volume over one million dollars.

On average, chambers of all sizes spend about 50% of their total expenses on personnel. The average expense per member is 30% in the largest chambers, yet the average revenue per member is only 20% higher when comparing the largest chamber group with the smallest.

22. Expense per Member

Total annual expenses ÷ Total number of member accounts 2004

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	\$302	\$646	\$1,246
\$200,000 - \$499,999	\$372	\$880	\$2,179
\$500,000 - \$1,000,000	\$643	\$1,182	\$2,251
Over \$1,000,000	\$801	\$1,943	\$4,058

Analysis: Chambers making more revenue per member can budget more expense per member. Generally, most chambers will plan to limit the expenses to a level at or below what they can afford to do and what will deliver the most “bang for the buck” spent. Also relevant is the expense per FTE from graph #25. It shows a higher expense for the larger chambers. Since personnel is the highest cost for most chambers, it makes some sense the expenses per member are also higher for the larger chambers.

23. Member/Staff FTE

Total number of member accounts ÷ Full-time equivalent

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	81	151	270
\$200,000 - \$499,999	61	141	245
\$500,000 - \$1,000,000	53	106	184
Over \$1,000,000	40	85	169

Analysis: On average larger chambers have fewer members to staff than the smaller chambers. According to this study those chambers with smaller dues volumes have considerably more members per staff person than the largest chambers.

24. Revenue/Staff FTE

Total unrestricted revenue ÷ Staff FTE

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	\$43,945	\$89,481	\$147,730
\$200,000 - \$499,999	\$66,690	\$115,298	\$188,183
\$500,000 - \$1,000,000	\$72,679	\$112,067	\$152,520
Over \$1,000,000	\$80,270	\$112,317	\$221,246

Analysis: Revenue does not track proportionately with chamber size when determining revenue per FTE. Factors that might influence this ration would be the number of management to support staff. This also

could be viewed as an efficiency ratio. Those on the lower end of their peer group should undertake a process review to determine if staff is being utilized in a manner to most efficiently meet the needs of the organization and members.

25. Personnel Expense per Staff FTE

Total personnel expense ÷ Full-Time equivalent

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	\$26,212	\$41,215	\$60,901
\$200,000 - \$499,999	\$33,118	\$48,997	\$70,353
\$500,000 - \$1,000,000	\$36,113	\$52,249	\$66,929
Over \$1,000,000	\$47,976	\$64,952	\$90,709

Analysis: The cost per employee does track proportionately with chamber size.

26. Personnel Expense/Total Expense

Total personnel expense ÷ Total annual expenses

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	31.5%	51.1%	71.1%
\$200,000 - \$499,999	30.1%	48.9%	68.6%
\$500,000 - \$1,000,000	36.5%	50.1%	64.4%
Over \$1,000,000	37.5%	51.2%	66.4%

Analysis: An overall average of 52% of a chambers' expense is personnel expense

27. Marketing Expense/Total Expense

Total direct cost of marketing and advertising ÷ Total annual expense

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	0.5%	6.5%	24.0%
\$200,000 - \$499,999	0.4%	7.4%	34.1%
\$500,000 - \$1,000,000	0.5%	6.4%	17.8%
Over \$1,000,000	0.8%	5.1%	15.9%

Analysis: On average chambers spend between 6-7% of total expense on marketing the chamber and its programs and services. Chamber size does not seem to have a bearing on this percentage.

Growth & Stability Measures

Seven measures benchmark the growth and stability for a chamber's resources (money and staff) over time.

Chamber size does not seem to impact how long staff stays at that chamber. The average employee turnover rate, 15%, and the average tenure of a chamber employee, 5 years, is the norm for chambers of all sizes. A healthy majority of the chambers have deeper pockets today than they had five years ago. The average gain for the smallest chambers was close to \$100,000 and for the largest chambers the average gain was over \$3 million in net assets.

28. Employee Turnover Rate

Respondents calculated employee turnover rate.

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	0.0%	15.1%	53.2%
\$200,000 - \$499,999	0.0%	16.5%	58.3%
\$500,000 - \$1,000,000	0.2%	13.1%	31.9%
Over \$1,000,000	3.6%	18.8%	40.5%

Analysis: The average chambers' staff turnover rate is 15%. This is lower than other non-profit organizations according to an ASAE Policies and Procedures in Association Management Benchmarking Guide (2001). The book reports a median turnover rate for associations was 20%. Non-profits do tend to have higher turnover rates than government or private sector for-profits, which are down around 3-6% according to the Bureau of Labor Statistics.

29. Average Employee Tenure

Respondent calculated average employee tenure.

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	1.52	5.47	12.28
\$200,000 - \$499,999	1.86	5.60	10.95
\$500,000 - \$1,000,000	2.83	6.00	10.75
Over \$1,000,000	3.39	6.33	10.92

Analysis: The average chamber employee tenure is 5.8 years. However, along with the turnover rate there is a wide gap between those at the low and high end of the scales.

Action: Those on the low end should consider benchmarking chambers from the high end, learn some best practices, and find ways to increase their average employee tenure.

30. Net Assets 2004 – Net Assets 5 years Ago

(Total assets – Total liabilities) – Net assets 5 years ago

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	(\$215,556)	\$15,449	\$213,978
\$200,000 - \$499,999	(\$1,053,830)	\$39,498	\$1,232,661
\$500,000 - \$1,000,000	(\$1,403,471)	\$73,892	\$1,640,144
Over \$1,000,000	(\$2,633,984)	\$625,643	\$5,295,002

Analysis: Chambers cite several factors for the net change in assets. A drop in assets doesn't necessarily mean trouble and the need to dip into reserves. A chamber's planned spending of campaign funds, endowments or grants would also cause a decline in net assets. On the other hand receiving grants, endowments or merging with another organization could cause a large increase in net assets. Understanding the change in net assets for both a single year and over a period of time for your particular chamber is critical to your chamber's financial health. The average slight change in net assets

is likely representative of chambers building reserves solely from end to the year net income going into reserves over the years.

31. Current Income – Average 5-year Income

Net income 2004 – Average net income for years 1999-2003

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	(\$50,347)	\$5,594	\$72,904
\$200,000 - \$499,999	(\$112,706)	\$47,502	\$413,636
\$500,000 - \$1,000,000	(\$107,014)	\$76,489	\$462,572
Over \$1,000,000	(\$336,895)	\$115,904	\$670,077

Analysis: This indicates if fiscal year 2004 was a better than average year for the chambers in general. Again capital campaign, grants or merging with other organizations tend to be reasons for the highs and lows.

32. Number of New Initiatives

Number of new chamber initiatives for fiscal year ending in 2004

Dues Volume Range	Average of the Lowest 10	Overall Average	Average of the Top 10
Under \$200,000	0.2	2.9	7.5
\$200,000 - \$499,999	0.0	3.3	8.3
\$500,000 - \$1,000,000	.04	4.4	11.2
Over \$1,000,000	.07	4.5	10.5

Analysis: Some chambers interpreted “new initiatives” as overhauling old programs and others counted only programs never done before. The chamber with the most new initiatives had many overhauled programs as a result of going through the US Chamber of Commerce Accreditation process.

Appendix A: Glossary of Benchmark Definitions

This glossary was developed for the chamber profession by members of the ACCE Board of Directors as well as CFOs serving on a benchmarking task force, with significant input by the NAMD (Membership Development) Division advisory board.

ASSETS (CURRENT) are those assets that are expected to be realized in cash during a specified fiscal year. Such assets include cash, accounts receivable and money due usually within one year, short-term investments, US government bonds, inventories, and prepaid expenses.

ASSETS (TOTAL) are all assets (reserved and unreserved) as reported on the financial balance sheet, also called statement of financial position.

AUDITED FINANCIAL STATEMENTS are organization financial statements which have been prepared and certified by a Certified Public Accountant (the auditor). In the U.S., the auditor certifies that the financial statements meet the requirements of the U.S. Generally Accepted Accounting Practices (GAAP).

BUSINESSES IN THE SERVICE AREA is the number of businesses physically located in a chamber's service area. Chamber use a variety of sources to determine this number, including the number of business licenses issued by the city(ies) or county(ies) in their service area, or "private non-farm establishments" as counted by the US Census Bureau, (<http://quickfacts.census.gov/qfd/>), for example.

CHAMBER SERVICE AREA is the geographic area a chamber either actively recruits members from or provides service to. Chambers use a variety of sources to define their service area, including city, county, MSA, or other political lines. Data sources include the U.S. Census Bureau (<http://quickfacts.census.gov/qfd/>).

DUES SCHEDULE is the published rate schedule for becoming a member of the organization.

EMPLOYEE (AVERAGE TENURE) is the average number of years the current employees have worked at the organization. It is calculated by adding the total number of years each current employee has worked for the organization, then divide by the number of current employees. As an example, Susie has been employed 5 years, Tom has been employed 15 years and Sally has been employed 2.5 years. $(5 + 15 + 2.5) \text{ divided by } 3 = 7.5$ average employee tenure.

EMPLOYEE TURNOVER RATE is the percentage of employees who left the organization during the fiscal year ending in 2004. As an example, if you have 25 employees at the end of fiscal year 2003, and 22 of the same employees are still employed at the end of fiscal year 2004 calculate: $(25 - 22) \text{ divided by } 25 = 12\%$ employee turnover rate.

EXPENSE (ADVERTISING AND MARKETING) is the total direct cost of marketing and advertising the organization and its efforts. Includes ads, brochures, videos, radio spots, TV commercials, market research, PR Campaigns, website maintenance, newsletters, magazines, promotional emails etc. Does NOT include personnel expense in this area. Does not include expenses supporting restricted income generators, i.e. some contracts or grants.

EXPENSE (PERSONNEL) is all personnel expenses for the fiscal year ending in 2004, including salary, bonuses, payroll taxes, insurance, retirement. Not including training or other perks. Does not include expenses supporting restricted income generators, i.e. some contracts or grants.

EXPENSE (TOTAL ANNUAL) is the total amount used during the fiscal year ending in 2004 that directly supported the day-to-day operations such as personnel, training, programs, products, promotions, maintenance, office supplies, depreciation, lease or mortgage payments, utilities, etc. This total should be on your 2004 year-end income and expense statement, also called the statement of activities. Does not include expenses supporting restricted income generators, i.e. some contracts or grants.

FULL-TIME EQUIVALENT (FTE) represents the total staff size of the organization for full-time and part-time staff. Calculated by totaling the number of hours that all part-time employees work for the year and divide it by the number of hours that a full-time employee works. Then add that number to the number of full-time employees. For example, a organization has 7 full-time employees working a 40-hour week and 3 part-time employees working a 20-hour week. $(3 \times 20) \div 40 = 1.5$. Adding 7 full-time + 1.5 part-time = 8.5 FTE.

LIABILITIES (CURRENT) are liabilities to be paid within a specified fiscal year.

LIABILITIES (TOTAL) are all liabilities reported on the balance sheet, also called the statement of financial position.

MARKET PENETRATION RATE is the number of chamber members divided by the total number of businesses in the service area.

MEMBERSHIP is the total number or dollars of member accounts at the end of the specified fiscal year. One company = one member regardless of the number of branches, locations, or associate members affiliated with the parent company.

MEMBER RETENTION RATE is the percentage of members who maintained their membership with the organization during a specified completed fiscal year. It is calculated as:

- Number of membership accounts at the end of the previous fiscal year minus the number of cancellations at year end, divided by the number of membership accounts at the end of the previous fiscal year.
- For example, number of 2003 membership accounts minus number of cancellations in 2004, divided by the number of 2003 membership accounts. To calculate dollars retained substitute dollar value of membership accounts for number of membership accounts and dollar value of dropped accounts for number of cancellations.

MEMBERSHIPS (CANCELED) is the number of canceled (for any reason – out of business, moved out of the area, etc.) member accounts at the end of a specified fiscal year.

MEMBERSHIPS (NEW) is the number of member accounts that joined the organization in the specified fiscal year.

NET ASSETS (i.e. NET WORTH) is calculated by subtracting total liabilities from total assets as reported on the financial balance sheet , also called statement of financial position.

NET GAIN/LOSS OF MEMBERS is the number of new members minus the number of canceled members in a specified completed fiscal year.

NET GAIN/LOSS OF MEMBERS (5-YEAR AVERAGE) is the number of new members minus the number of canceled members during fiscal years 1999,2000,2001,2002,2003. To calculate, add the net gain/loss of members for each of the five fiscal years, then divide by five.

NET INCOME (TOTAL) is the difference between total organization revenue and total organization expenses for the fiscal year ending in 2004. Also called net profit or change in net assets.

NET INCOME (5-YEAR AVERAGE) is the average of the net income booked in the fiscal years 1999, 2000,2001, 2002 and 2003. To calculate, add together the net income reported on each end of year financial statement for each of the five fiscal years, then divide by five.

NET INCOME (EVENTS) is the difference between total event revenue and total direct event expenses (excluding overhead and personnel expenses) for the fiscal year ending in 2004.

NET INCOME (Programs/Publications) is the difference between total revenue for all programs and publications and the total of the respective direct expenses (excluding overhead and personnel expenses) for the fiscal year ending in 2004.

NEW CHAMBER INITIATIVES are those programs/products/publications/events/services initiated and budgeted for the first time in the fiscal year ending 2004 and remain a budgeted item in your current fiscal year.

REVENUE (AFFINITY) is the total un-restricted money or in-kind service, recognized in the fiscal year ending in 2004 by the organization for all programs and products sold through an affinity relationship with an outside vendor, i.e. insurance, maps, coffee table books, etc.

REVENUES (CAMPAIGN ANNUAL RECOGNIZED) is the annual un-restricted amount recognized from a single or multi-year fundraising campaign as 2004 un-restricted revenue on the income/expense statement, also called financial statement of activities.

REVENUE (CONTRACT/GRANT) is the total un-restricted revenue recognized through contracts or grants during the fiscal year ending in 2004 from outside entities which require the organization to perform specific services, for example, industrial recruitment, tourism development, downtown development, festival promotion, etc. It does NOT include organization revenue from projects and programs performed by outside vendors, for example, map or directory publishing, seminar promotion or affinity programs.

REVENUE (EVENT) is the total un-restricted money or in-kind service recognized during the fiscal year ending in 2004 by the organization for the sponsorship or participation of all organization events.

REVENUE (OTHER INCOME) is the total un-restricted money or in-kind service recognized in the fiscal year ending in 2004 by the organization that was NOT included in this survey as revenue from dues, campaign, events, program/publication, affinity, contracts or grants. This includes un-restricted interest from investments, rental income, etc.

REVENUE (PROGRAM/PUBLICATIONS) is the total un-restricted money or in-kind service recognized during the fiscal year ending in 2004 by the organization for all non-event programs or publications, i.e. newsletters, magazines, relocation materials, incubator programs, small business training, Washington fly-ins, Leadership programs, etc.

REVENUE (TOTAL UNRESTRICTED) is the total money or in-kind service, received in the fiscal year ending in 2004 which is not restricted for use by legal or contractual requirements and may be used for any purpose.

SURVEY PARTICIPANT (ANONYMOUS) Those chambers choosing anonymous participation in this Chamber Operations Survey will not be specifically identified with their data in any of the published (either online or hard copy) survey results. In turn, anonymous chamber survey participants will only see results where data is never attributed to specific chambers.

SURVEY PARTICIPANT (COLLABORATIVE) Those chambers choosing collaborative participation in the Chamber Operations Survey will be identified with their data in online results and will have access to results where other collaborative survey participants are identified.