

Faith, Hope and Finances: Stewardship at Sacred Heart

Presented by:

Sacred Heart Finance Committee

*4th Annual Financial Update
November 16, 2008*

Today's Goal

Present the Opportunity for Stewardship

- **Educate and Inform**
- **Announce** plans for the year
- **Answer** questions

Today's Goal

Present the Opportunity for Stewardship

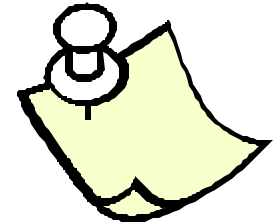
- **Educate** and **Inform**
- **Announce** plans for the year
- **Answer** questions

Contents of Presentation

1. Introduction
2. The bottom line...
3. Operating Budget
4. Offertory Commitment Program Update
5. Capital Budget
6. Financial Assets
7. Finance Committee Goals for FY2009
8. PPC Update
9. Summary & Questions

Finance Committee Charter and Guiding Principles

- *“The responsibility for providing counsel to the pastor concerning the administration of the parish finances, budget, and property is vested in the finance council.”*



Sacred Heart Finance Committee:

Theresa Conway, chair

Brad Curley

Peter Feuerbach

Lou Geoffrion

Brian Kelley

David Przesiek

Finance Committee **Guiding Principles:**

- Be Open and Honest about parish's financial structure to all parishioners
- Endeavor to balance the budget
- Abide by RCAB recommendation to pay operating expenses with operating revenue
- Work collaboratively with Parish Pastoral Council for program budgeting

Operating Budget vs. Capital Budget

Operating Budget

Is composed of:

- Operating Revenues
- Operating Expenses



Capital Budget

Is composed of:

- Non-Operating Revenues
- Capital Acquisitions
- Capital Improvements

The bottom line...

1. Current operating revenues do not cover operating expenses
2. Since 2004, revenues have increased 70% while expenses have increased 33%
3. Costs to maintain 100-year old building are significant
4. Operating deficits + capital costs have impacted value of savings accounts.

Schedule of Revenue and Expenditures (unaudited) - **Summary**

For the fiscal years ended June 30, 2004-2008

	2004	2005	2006	2007	2008
OPERATING ACTIVITIES					
Revenue	\$ 175,123	\$ 210,502	\$ 226,757	\$ 270,185	\$ 293,697
Expenses	<u>(247,363)</u>	<u>(275,907)</u>	<u>(287,752)</u>	<u>(286,455)</u>	<u>(328,299)</u>
Total Operating Income (Loss)	<u>(72,240)</u>	<u>(65,405)</u>	<u>(60,995)</u>	<u>(16,270)</u>	<u>(34,602)</u>
CAPITAL ACTIVITIES					
Revenue	73,331	75,445	126,499	104,597	70,459
Expenses	<u>(37,868)</u>	<u>(56,487)</u>	<u>(25,209)</u>	<u>(23,145)</u>	<u>(205,731)</u>
Total Capital Income (Loss)	<u>35,463</u>	<u>18,958</u>	<u>101,290</u>	<u>81,452</u>	<u>(135,272)</u>
CHANGE IN NET ASSETS	(36,777)	(46,447)	40,295	65,182	(169,874)
Net assets at beginning of year	<u>667,998</u>	<u>631,221</u>	<u>584,774</u>	<u>625,069</u>	<u>690,251</u>
Net assets at end of year	<u>\$ 631,221</u>	<u>\$ 584,774</u>	<u>\$ 625,069</u>	<u>\$ 690,251</u>	<u>\$ 520,377</u>

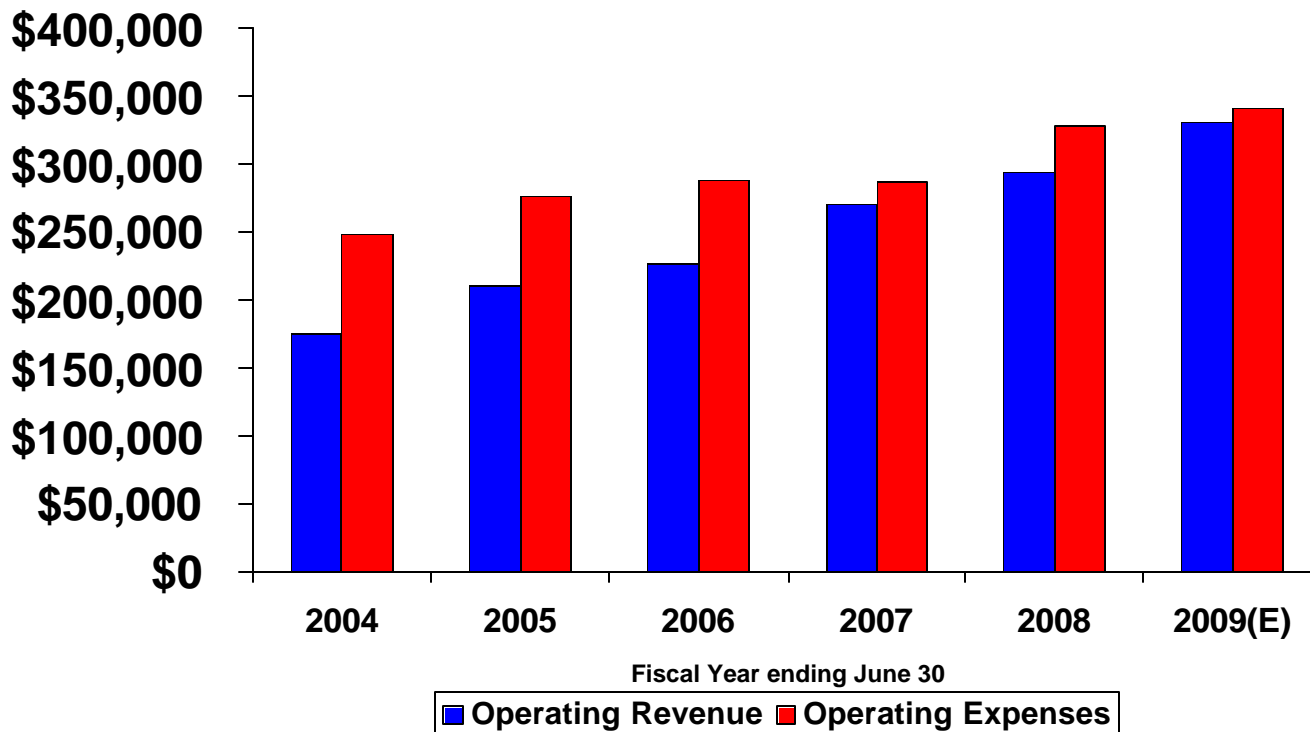
The bottom line...

1. Current operating revenues do not cover operating expenses
2. Since 2004, revenues have increased 70% while expenses have increased 33%
3. Costs to maintain 100-year old building are significant
4. Capital costs + operating deficits have impacted value of savings accounts
5. Stepped-up fundraising efforts are underway to increase offertory revenues; significant response is necessary to balance the budget (\$80,000)
 - OCP Commitment Campaign
 - Reinstatement of Grand Annual Collection
 - Initiate planning for Capital Campaign
 - Develop Gift Planning awareness
 - Launch Memorial Endowment Fund
6. Contingency plans are in discussion to pare back programs if fundraising results are less than projected
 - Suspend all non-emergency capital repairs (in place)
 - Take withdrawals from depository account to pay for balance of window restoration (done)
 - Identify potential cuts in programs

Operating Budget Comparison; FY 2004 – 2009

- *Progress has been made on closing the operating deficit gap; however...*
- While Operating Revenue (excluding gifts) has increased steadily from 2004 to 2008 at an average annual rate of 13.8%, it is still not enough to cover all Operating Expenses
- Operating Expenses for the same period have increased at an average annual rate of 7.3%
- Significant fundraising response is needed to close the gap and maintain current level of programming

FY2004 – 2009 Operating Revenues & Expenses

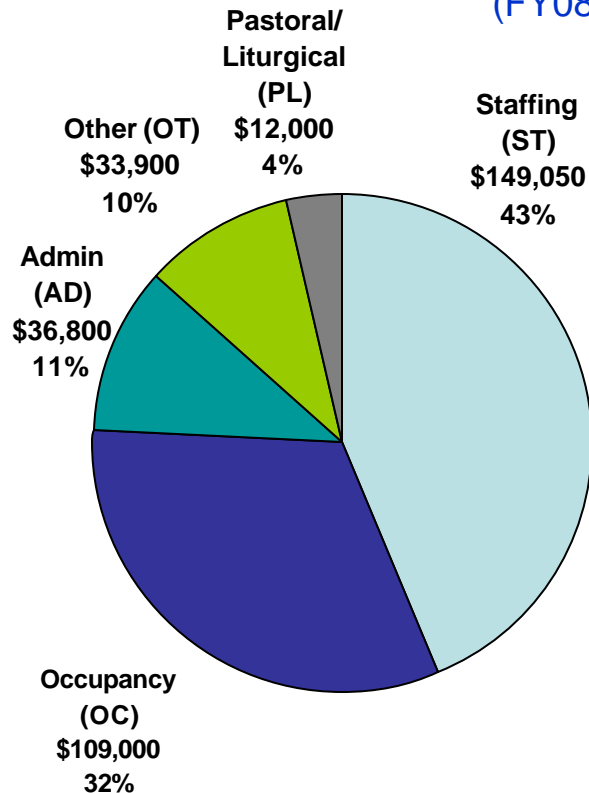


FY 2009 Projected Operating Expenses

- Major contributors to increase in operating expenses since 2004 have been 1) heating oil costs, 2) expansion of music program, and 3) expansion of religious education programs
- For FY2009, all expenses are projected to remain flat except for heating oil

FY 2009 Projected Operating Expenses = \$340,750

(FY08 = \$328,300, 3.8% incr)

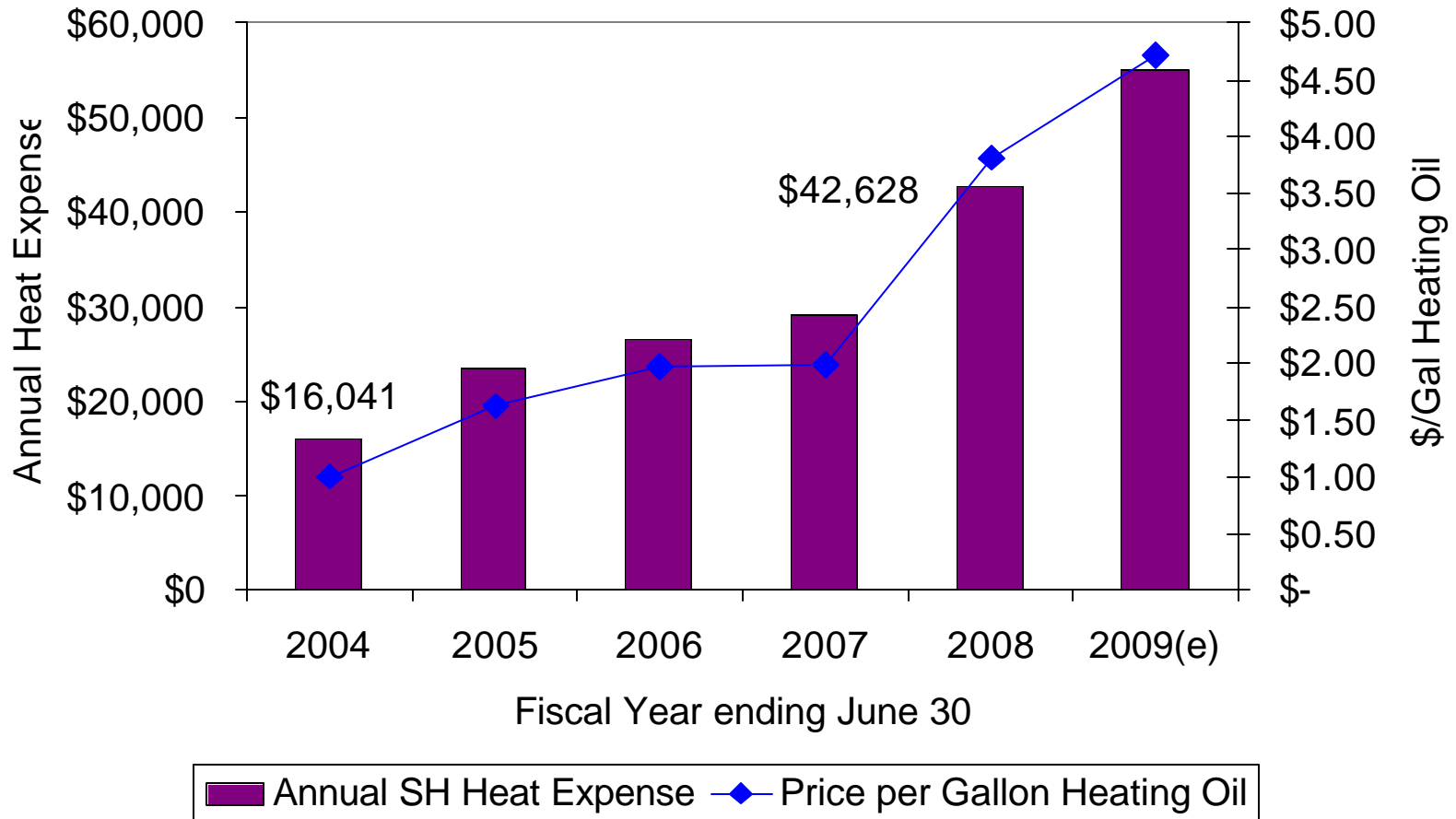


Top 10 Expenses

<u>Expense Category</u>	<u>Amount</u>	<u>% of Total</u>
Compensation (ST)	\$ 105,000	31%
Heat (OC)	55,000	16%
Clergy Stipend & Related (ST)	33,300	10%
Maintenance (OC)	30,000	9%
Office & Related (OC)	25,000	7%
Non-Parish Disbursements (OT)	16,000	5%
Property Insurance (OC)	13,000	4%
School Tax (OT)	12,400	4%
Pastoral/Liturgical (PL)	12,000	4%
Other Utilities (OC)	11,000	3%
Total	\$ 312,700	92%

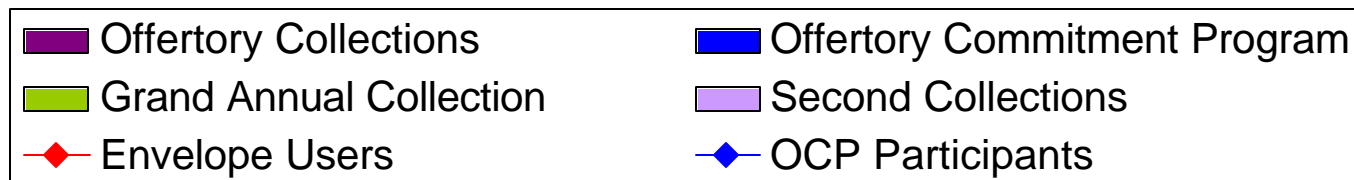
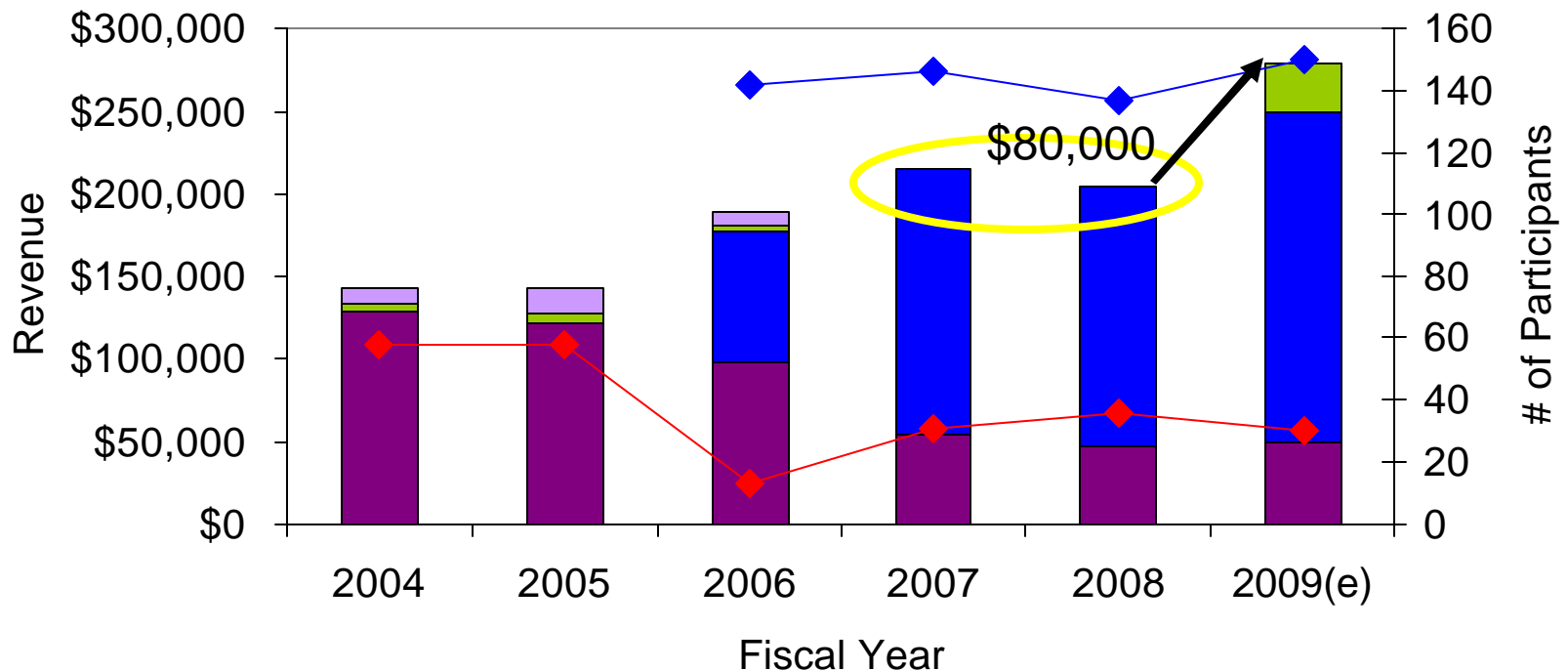
Impact of Heating Oil Price Increases

- From 2004 to 2008, heating oil expense has increased 166% (yearly avg of 28%)
- From 2007 to 2008, heating expense increased 46.4%
- Heating oil prices are projected to increase 24% in Northeast



Major Components of Operating Revenue

- *Offertory Commitment Program was launched 3 years ago – accounts for a 70% increase in annual revenue since 2004*
- In 2008, OCP revenues decreased 1.75%
- \$80,000 increased revenue necessary for FY2009



Offertory Commitment Program (“OCP”)

- Program launched successfully on January 1, 2006
- A giving program that substantially supplements the weekly offertory envelopes/basket
- Second basket collections are incorporated into OCP collections (excluding Christmas and Easter)
- Parishioners are asked to pledge amounts to be given on a regular schedule that best suits them (weekly, monthly, quarterly, semi-annually)
- Creates more reliable, sustainable revenue stream given parishioners' active, mobile lifestyle
- Gives confidence to budgeting process as revenues are more dependable
- Electronic bank transfers are available

Current OCP Profile

• Parish Registrations	542
• OCP Participants/contributors:	142
• % of Registered Parishioners	26%
• % of Religious Education families	48%
• Annualized pledges:	\$157,000
• Average pledge per participant:	\$1,100 pp
• Average weekly pledge	\$3,141
• Weekly amount needed to balance budget ¹ :	\$4,600
• FY2009 Target ²	\$200,000

¹OCP amount in years without Grand Annual Collection

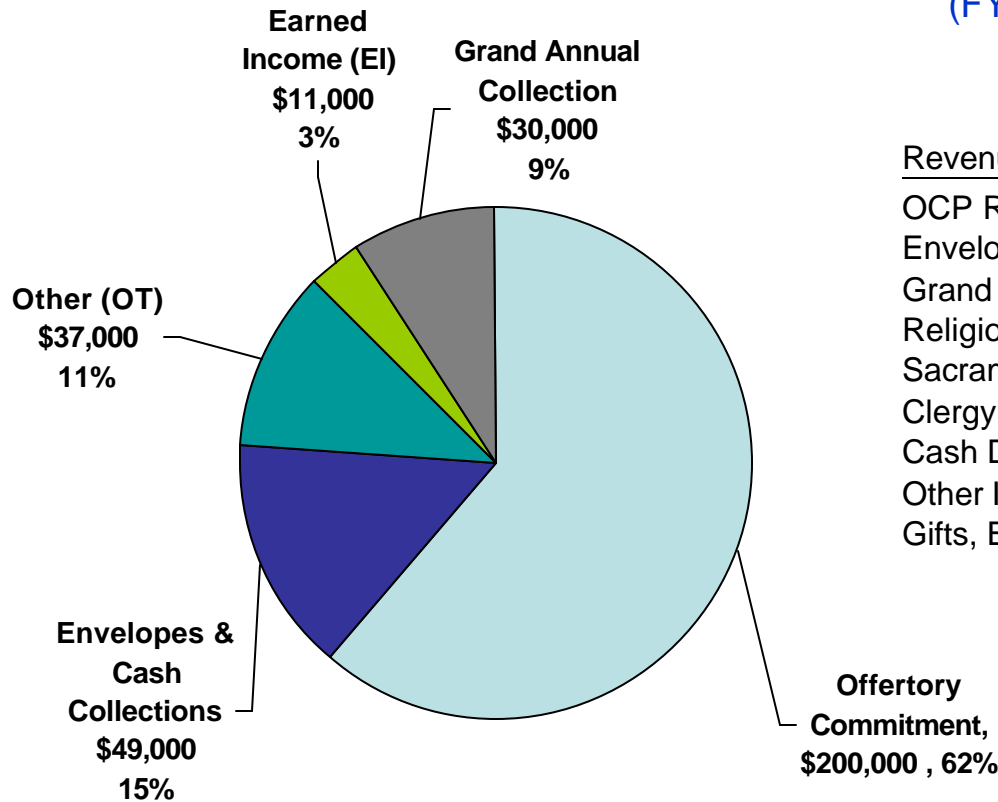
²Grand Annual Collection is planned for FY2009

FY 2009 Projected Operating Revenue

- *Offertory Commitment Program contributes 61% of operating revenue*
- *Two fundraising efforts are underway to help balance the budget*
 - 30% increase in OCP (\$50,000)
 - Reinstated Grand Annual Collection (\$30,000)

FY 2009 Projected Operating Revenue = \$327,000

(FY08 = 293,697, 11% incr)

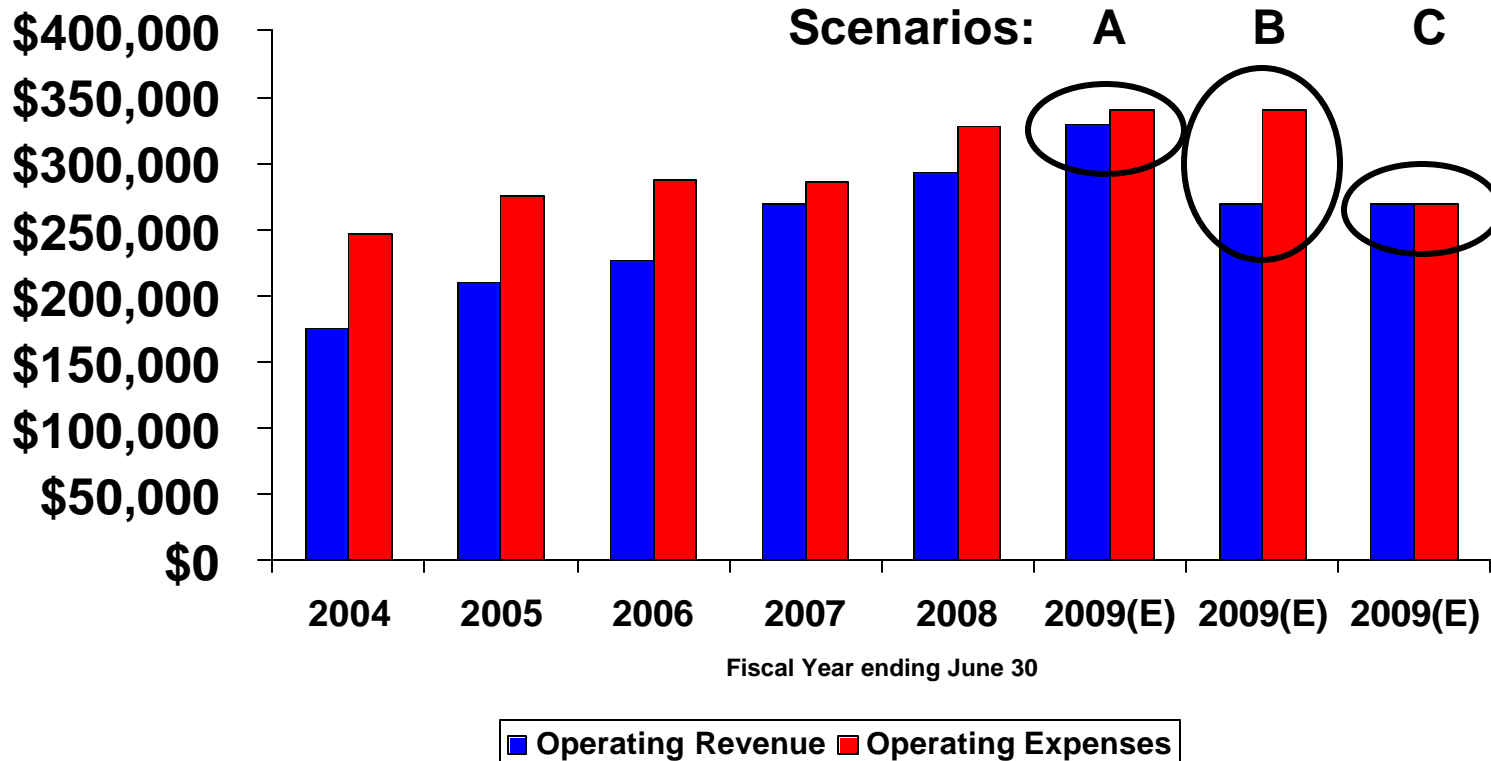


Revenue Category	Amount	% of Total
OCP Receipts	\$200,000	61%
Envelopes & Cash Collections	49,000	15%
Grand Annual Collection (GA)	30,000	9%
Religious Education (OT)	14,000	4%
Sacramental Offerings (OT)	10,000	3%
Clergy & Benefit Trust Collections (OT)	8,000	2%
Cash Disbursement from Depository (E	6,000	2%
Other Income (EI)	5,000	2%
Gifts, Bequests & Donations (OT)	5,000	2%
Total	\$327,000	100%

Operating Budget Comparison; FY 2004 – 2009

- Significant fundraising response is needed to close the gap and maintain current level of programming
- Scenario A: Fundraising results generate needed funds (\$80,000)
- Scenario B: Fundraising results are less than needed
- Scenario C: Program cutbacks are implemented

FY2004 – 2009 Operating Revenues & Expenses



FY 2009 Capital Budget Needs Assessment

- *The capital needs to maintain 100-year old building are significant*
- Capital Needs Assessment was completed Aug. 2007 to help provide greater confidence in projecting capital expenditures
- Planning for capital campaign has started in order to meet these needs
- Two historical windows were repaired in FY2008 for \$244,000,

CATEGORY	Fiscal Year					Not Scheduled
	2007 (actual)	2008 (actual)	2009 (budget)	2010 (projected)	2011 (projected)	
Contingency	\$ 6,000	\$ 2,600	\$ 10,000	\$ 15,000	\$ 15,000	\$ 15,000
Maintenance	9,690	3,950		62,860	22,500	70,000
Replacement		175,684	99,576			214,820
Acquisition	8,695	11,700		47,945	7,500	60,000
Total	\$ 24,385	\$ 193,934	\$ 109,576	\$ 125,805	\$ 45,000	\$ 359,820

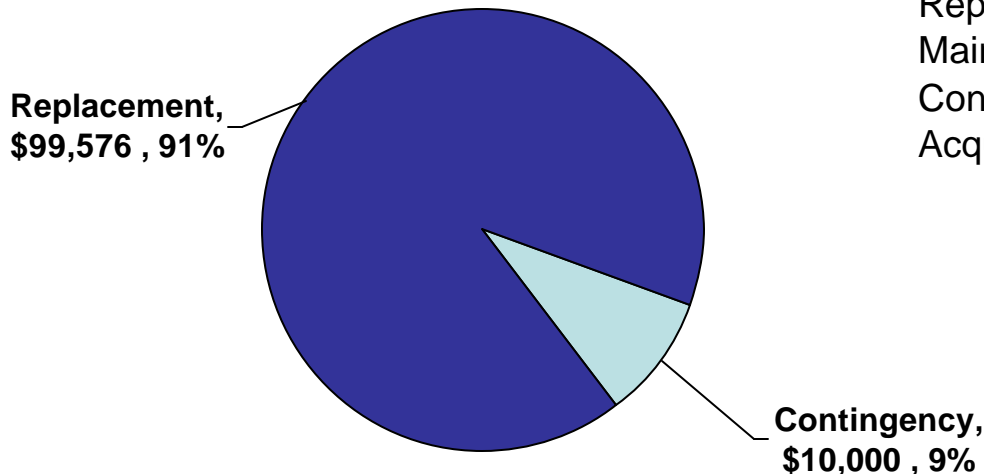
Note: numbers shown do not represent inflationary increases since 8/2007

FY 2009 Projected Capital Expenses

- All non-emergency (but still necessary) capital maintenance projects deferred one year (\$51,500)
- Remaining balance of window restoration paid in FY2009 from Depository Savings Account (as planned)

FY 2009 Projected Capital Expenses = \$109,576

(FY08 = \$193,934, -50% decr)



<u>Expense Category</u>	<u>Amount</u>	<u>% of Total</u>
Replacement	\$ 99,576	91%
Maintenance	-	0%
Contingency	10,000	9%
Acquisition	-	0%
	<u>\$ 109,576</u>	<u>100%</u>

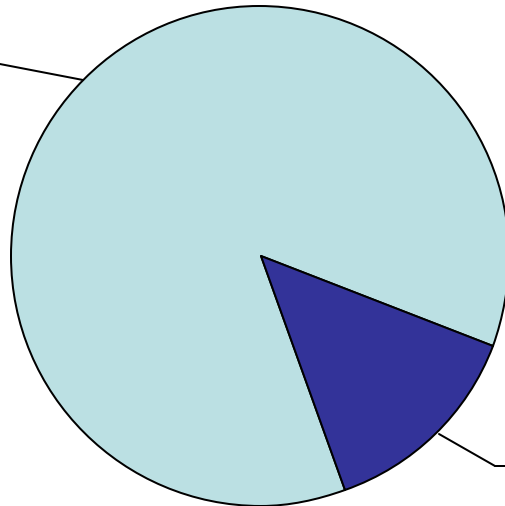
FY 2009 Projected Capital Revenue

- 86%% of FY2009 projected Capital Revenue comes from rental of parish hall
- While non-emergency capital expenditures are suspended, balance of rental income is being diverted to meet operating deficit

FY 2009 Projected Capital Revenue = \$74,000

(FY08 = \$70,459, 5% incr)

Rental
Income
\$64,000
86%



Interest/
Dividend
Income
\$10,000
14%

Revenue Category

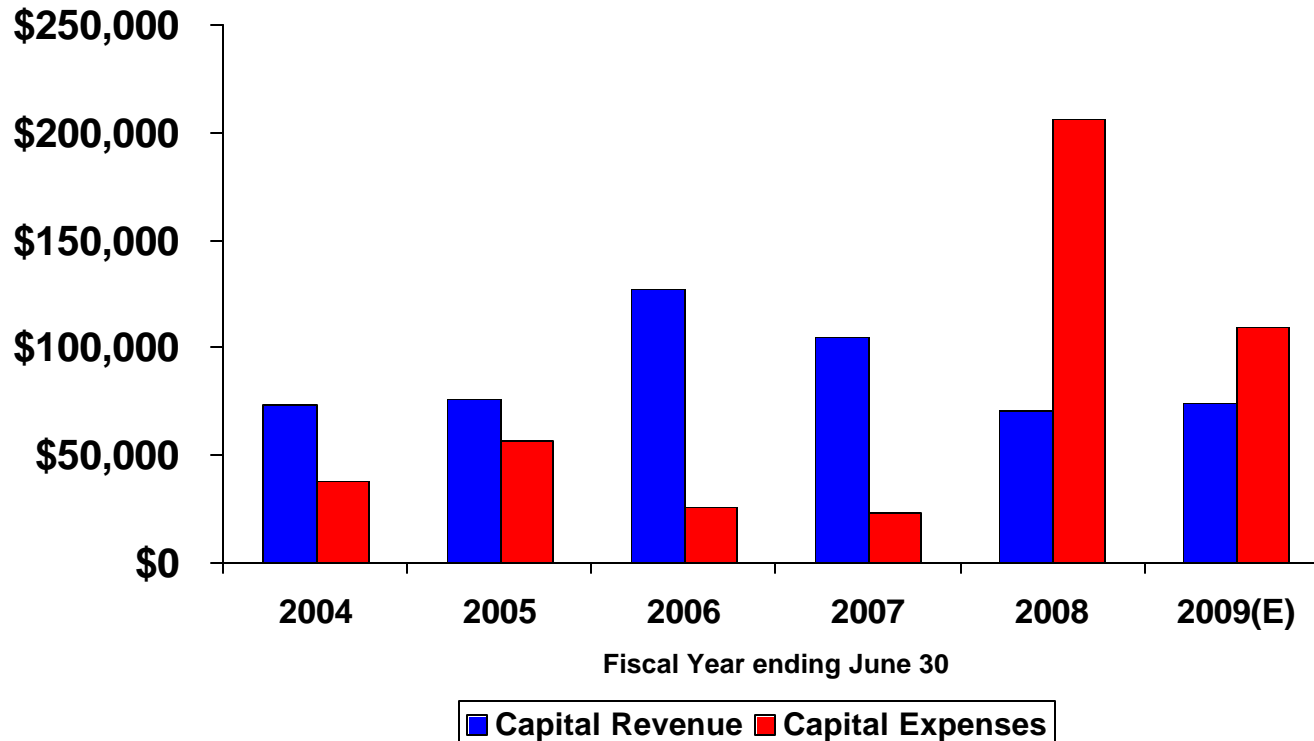
Rental Income
Interest/Dividend Income

<u>Amount</u>	<u>% of Total</u>
\$64,000	86%
10,000	14%
<hr/>	<hr/>
\$74,000	100%

Capital Budget Comparison; FY 2004 – 2009

- *Parish Hall Rental Income is targeted for payment of Capital Expenditures*
- In FY2008 and FY2009, window restoration was paid from withdrawals from Depository savings account, as planned

FY2004 – 2009 Capital Revenues & Expenses

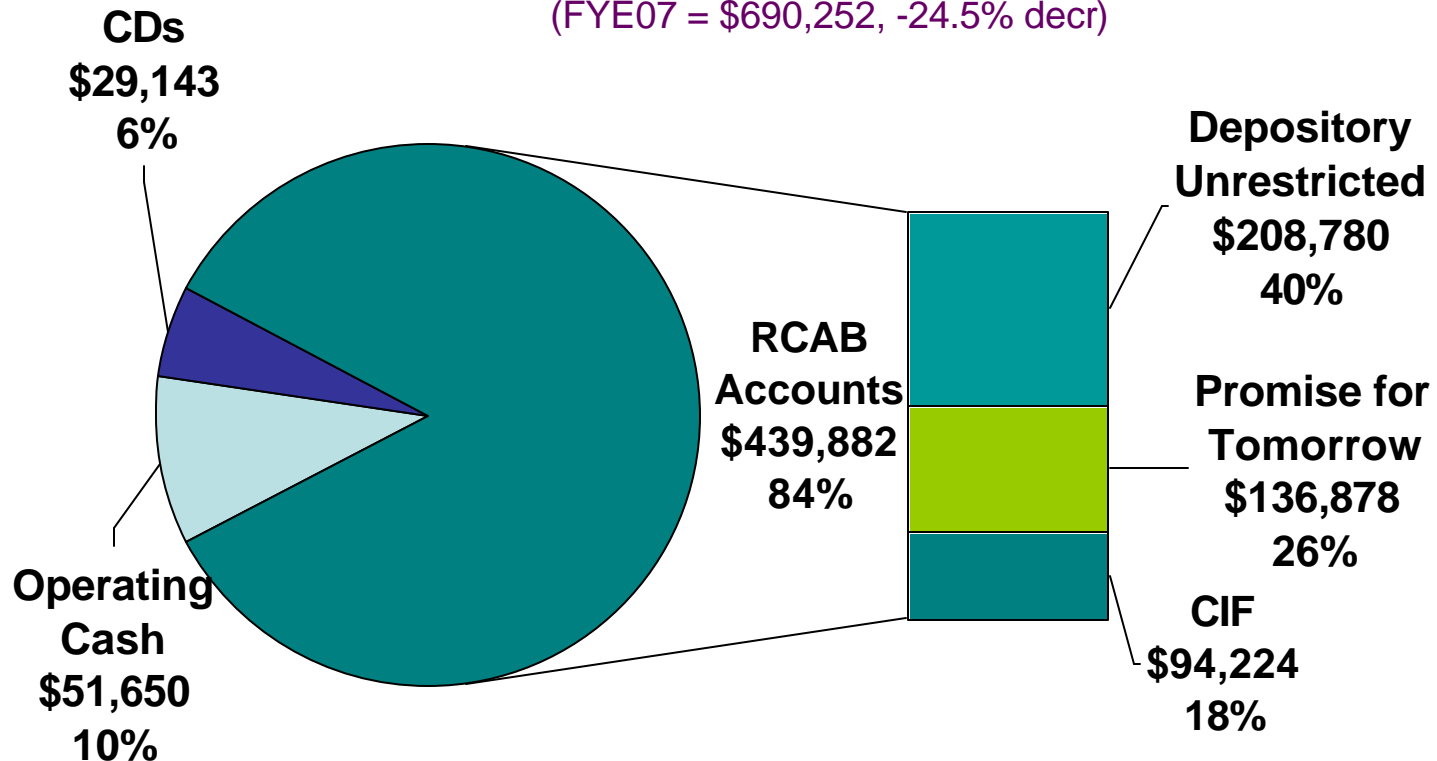


Financial Assets as of FYE 2008

- As of the end of fiscal year 2008, 84% of Financial Assets are reserves held in the RCAB Depository and Common Investment Fund accounts
- Decrease in Financial Assets from FY2007 to FY2008 due to payment for window restoration (~25%); balance paid in FY2009

FYE2008 Total Financial Assets = \$520,378

(FYE07 = \$690,252, -24.5% decr)

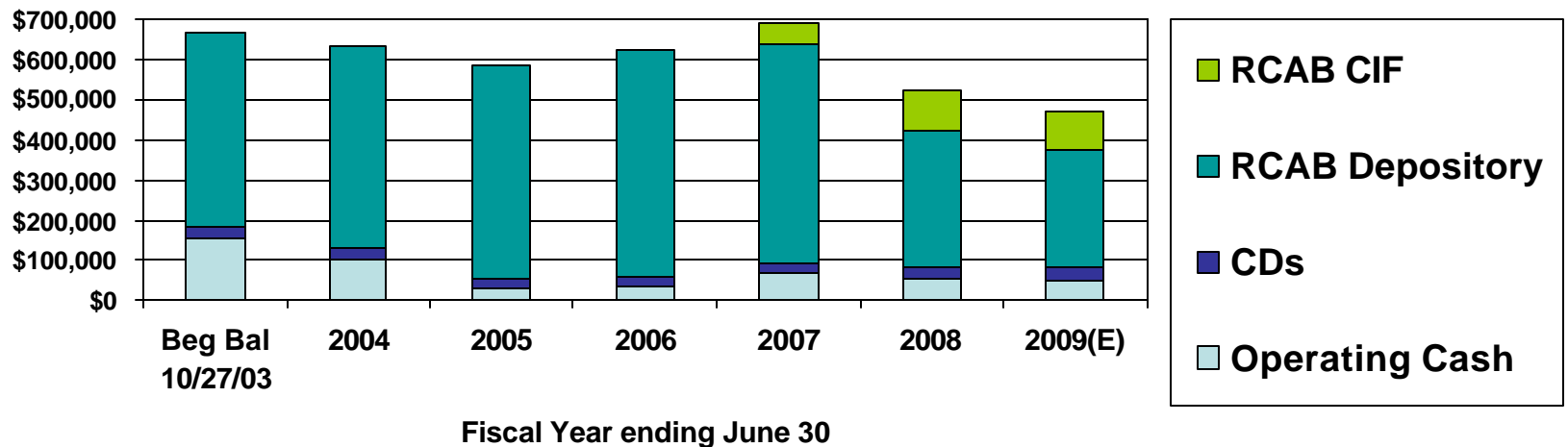


Note: percentages may not add to due to rounding

Schedule of Financial Holdings

(unaudited)

	10/27/03 Beginning Balance	Fiscal Year					
		2004 (actual)	2005 (actual)	2006 (actual)	2007 (actual)	2008 (actual)	2009 (projected)
Operating Cash	\$ 154,994	\$ 102,227	\$ 28,213	\$ 33,247	\$ 66,036	\$ 51,650	\$ 50,000
CDs	30,640	26,007	26,339	26,907	27,000	29,143	30,000
RCAB Depository	482,364	503,161					
Promise for Tomorrow Unrestricted			64,723	104,067	130,513	136,878	136,000
RCAB Common Investment Fund	-	-	-	-	51,250	94,224	95,000
End. Balance for Cash & Investments	\$ 667,998	\$ 631,395	\$ 584,770	\$ 624,867	\$ 690,148	\$ 520,675	\$ 471,000
Decline/Growth in Assets Year over Year		-5.5%	-7.4%	6.9%	10.4%	-24.6%	-9.5%

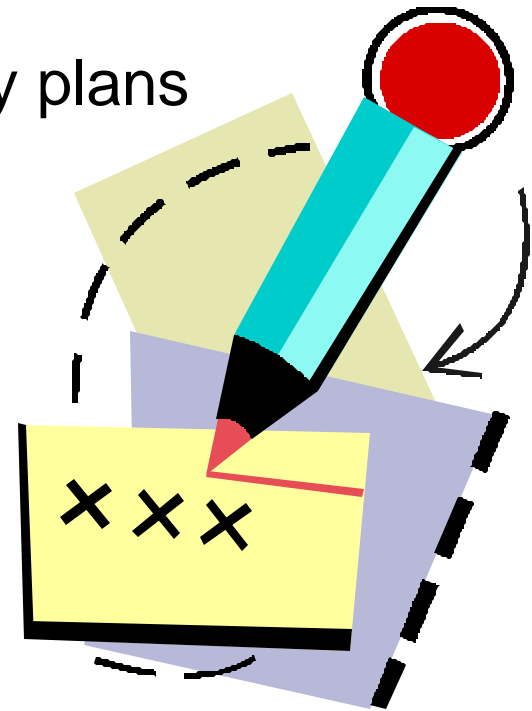


The bottom line...

1. Current operating revenues do not cover operating expenses;
2. Since 2004, revenues have increased 70% while expenses have increased 33%
3. Costs to maintain 100-year old building are significant
4. Operating deficits + cost to maintain building have impacted value of savings accounts.
5. Stepped up fundraising efforts this year include:
 - OCP Commitment Campaign
 - Reinstatement of Grand Annual Collection
 - Initiate planning for Capital Campaign
 - Develop Gift Planning awareness
 - Launch Memorial Endowment Fund
6. Contingency discussions are underway to balance operating budget
 - Suspend all non-emergency capital repairs (in place)
 - Take withdrawals from depository account to pay for balance of window restoration (done)
 - Identify potential cuts in programs

Finance Committee Focus for 2009

1. Implement two major fundraising efforts:
 - OCP Commitment Campaign
 - Grand Annual Collection
2. Initiate planning for Capital Campaign
3. Continue discussion of contingency plans including program cutbacks



Scriptural Foundation for Stewardship

Matthew 22:15-22

- 15 Then the Pharisees went and plotted together how they might trap Him in what He said.
- 16 And they sent their disciples to Him, along with the Herodians, saying, "Teacher, we know that You are truthful and teach the way of God in truth, and defer to no one; for You are not partial to any.
- 17 "Tell us then, what do You think? Is it lawful to give a poll-tax to Caesar, or not?"
- 18 But Jesus perceived their malice, and said, "Why are you testing Me, you hypocrites?
- 19 "Show Me the coin used for the poll-tax." And they brought Him a denarius.
- 20 And He said to them, "Whose likeness and inscription is this?"
- 21 They said to Him, "Caesar's." Then He said to them, "Then render to Caesar the things that are Caesar's; and to God the things that are God's."
- 22 And hearing this, they were amazed, and leaving Him, they went away.

Summary and Feedback

Goals of today's meeting: **The Opportunity for Stewardship**

- **Educate** parishioners as to Sacred Heart's financial picture since Oct 2003
- **Inform** parishioners as to the immediate budget concerns of the parish
- **Inform** parishioners of stepped-up fundraising efforts and response necessary to balance the budget
- **Inform** parishioners as to contingency discussions underway to balance the budget
- **Announce** the Finance Committee goals for the upcoming year
- **Announce** survey and review progress from last survey

We anticipate being here again next year for our fifth annual meeting, **so we welcome your feedback** on today's presentation!

- Please contact any Finance Committee member
- Or email me at theresa.bythesea@verizon.net

Q & A

www.sacredheartmanchester.parishesonline.com