

## Analyzing Financial Data

### I. Group Summary Page

- a. LDP debt, 5 Year comparison
  - i. Indicates whether parish is paying debt or increasing debt
  - ii. Refer to 5 year trend to determine how debt is being paid, i.e. fundraising, sale of assets, withdrawal from savings, operations
- b. AOD and MCC Payables
  - i. Balance does not indicate if payables are current. It may be obvious parish is not paying bills
  - ii. Balance may look high, but could be average bill, depending on parish size and number of employees
  - iii. Balance may also appear high to people unfamiliar with cost of AOD assessment, clergy health/pension and insurances
  - iv. Balance could be timing issue
  - v. See Attachment A for breakdown of MCC bills
  - vi. See Attachment B for breakdown of AOD bills
- c. Savings Balance
  - i. May seem to be a lot of money to those unfamiliar with costs of capital expenditures (refer to class slides to explain various costs)
  - ii. Refer to 5 year trend to determine if parish has been saving or withdrawing. Parishes should save minimum of 3% offertory to be prepared for major capital expenditures/emergencies
  - iii. Savings balance may include prepaid tuition (which will be withdrawn for operations) or funds designated for major renovations.
- d. School Subsidy
  - i. Refer to 5 year trend to determine if subsidy is within AOD guidelines and affordable for parish
- e. Other Operating Expenses, Offertory/Christmas, Other Receipts
  - i. Columns comprised of budget figures. Many budgets submitted are not realistic (Budget column hidden on 5 yr trend, may be able to unhide and show a budget vs. actual- St Anne, Warren may be good example as they have admitted to adding numbers to balance)
  - ii. There is no column to total these items in order to determine if parish has operating surplus or deficit.
  - iii. Refer to 5 year trend for more details on what income and expenses are comprised of

### II. 5 Year Trend

- a. Explain actual, average and budget column
- b. Church
  - i. Top section Receipts
    1. Offertory/Christmas- trending up or down? Does budget follow trends?
    2. Bequests/Donations- Should have conservative budget number, usually the lowest historical amount on the 5 year trend.
    3. Fundraising: Reported as net and commonly over budgeted. If budget materially higher than prior year results, ask for explanation.

4. Rental Income: Reported as net. Is parish relying on rental income for operations/
5. Total Operating Receipts: What is trend? Is budget in line with trend?
- ii. Expenditure Section
  1. Can be very misleading, does not include unpaid bills (prior year or current year)!!
  2. What are expense trends and does budget follow trends?
  3. CE subsidy: Parishes always have subsidy, but sometimes subsidy seems high when parish size and other receipts./expenditures are considered
  4. School Subsidy: Should be within AOD guidelines (40% for one school, 55% for two schools). If parish has can't cover school subsidy, it must be looked at even if within guidelines
  5. Total Operating Receipts- What is trend? Is budget following trend
- iii. Operating Profit/(Loss)
  1. This number can be very deceiving because unpaid bills are not included in expenses. Parish can have what looks like operating surplus but actually have a deficit when unpaid bills are added
  2. If parish had operating deficit, look at receipts and expenditures for reasons
  3. If parish has operating surplus, are savings increasing?
  4. Does budget follow trends? Does the parish appear to be making realistic changes to reduce/eliminate deficit?
  5. Overall, does the budget look realistic? How does the budget compare to trends?
- iv. Capital Expenditures
  1. Are there annual costs for capital projects? How were projects funded- operations, withdrawals from savings, fundraising? It is okay to withdraw for capital expenditures, this is why we save. Refer to costs handout for large projects.
  2. If no capital projects: Is the plant/property being maintained? Are projects being put on hold due to lack of funding?
  3. See Attachment C for common capital expenditure considerations.
- v. PEF Grants
  1. Parish Empowerment Funds- offsets certain programs/positions.
  2. Parishes must reapply for PEF grants annually.
- vi. Insurance Proceeds
  1. Offset by expense of what proceeds are intended for
- vii. Sale of Assets
  1. Proceeds from sales of assets such as buildings, property, possibly vehicles, etc. Proceeds are non-operating and non-assessable
- viii. LDP Activity
  1. Loan Proceeds: Small loan increases are likely unpaid interest.
  2. Savings and Withdrawals- Is parish withdrawing more than saving? Are the amounts withdrawn less than or equal to capital expenditures? Could the withdrawals be for operating expenses?
  3. School savings net: Date of savings balance is 6/30, so account may be prepaid tuition
- ix. Net Diocesan Collections, Even Exchange, Unsaid Masses

1. All should net to \$0, any balance may be timing issues, does not effect operations
- x. Prepaid Tuition
  1. Tuition intended for next fiscal year, should be transferred to LDP and not spent. If spending as receives, indicates a cash flow problem.
- xi. Increase/(decrease) Cash, Beginning and Ending Cash
- xii. LDP
  1. 5 year history of 6/30 balances, plus the balance on the date budget/financial report was processed.
  2. Are loan balances decreasing (loan being paid off) or increasing (unpaid interest, or possibly additional loan)? How long will it take at current rate of payment to pay off loan?
- xiii. CSA
  1. Statistical CSA data, shows changes in data by year
  2. Last line: has parish made CSA target or paid shortfalls?
- c. Schools
  - i. Report format same as church
  - ii. Tuition
    1. Common budget mistakes. Compare number of students and amount of rate increases to tuition increase to prior year (see example),
    2. Did the school lower tuition rates? Was the result an increase in enrollment? If yes, was enrollment increase enough to offset loss of lowering tuition/
  - iii. Fundraising
    1. Reported net.
    2. Commonly budgeted too high.
    3. School fundraisers involving more than students and teachers are reported on the church financial report.
  - iv. Trends
    1. Look for trends: Are receipts and expenditures increasing, decreasing or remaining the same?
  - v. Pre-School, Daycare, Latchkey, Lunch Program and Athletics
    1. Compare receipts to expenses, or net each program and each should break even or be profitable
  - vi. SOF Grants
    1. Typically only eligible to receive grants for 5 years
    2. Grants usually decrease by 20% per year
    3. Grants awarded with a plan, school must be able to afford to continue plan/absorb expense when funds no longer available (i.e. bring teachers to appropriate pay scale. School must be able to afford the higher wages when SOF no longer available).
  - vii. Capital Expenditures
    1. New Buildings and major building renovations and improvements are reported on the church financial report (i.e. school roof, parking lot, windows)
    2. Items that may included on financial report as school capital expenditures: Furniture, tech equipment, cafeteria equipment, music equipment, machinery and equipment.

viii. Enrollment

- a. 5 year history. Is enrollment increasing, decreasing or remaining stable?
- b. Has tuition increased each year? Is tuition increase proportionate to expenditure increases? Tuition tiers, not just the one student rate, should be looked at.
- c. Cost per student (may need to be calculated, not all trends updated to new format). How does cost per student compare to tuition rates?
- d. Out parish tuition rate should be equal to or greater than cost.

ix. LDP

- a. Savings balances may contain prepaid tuition. Prepaid tuition is included in the next year's budget as tuition receipts.
- b. Prepaid tuition may affect withdrawals next year.

## **Attachment A – MCC Payables**

**The Michigan Catholic Conference payables may consist of the following:**

<b><u>Items Billed:</u></b>	<b><u>Billing Fequency</u></b>
Auto Insurance for parish owned vehicles	Semi-Annually January 1 and July 1
Lay Retirement	Quarterly
Protected Loss (Property Insurance)	Semi-Annually January 1 and July 1
Short-Term Disability for parish/school employees	Monthly
Long-Term Disability for parish/school employees	Monthly
Unemployment Insurance for parish/school employees	Quarterly
Flexible Benefits (contributions deducted from parish/school employees' pay)	Monthly
Health Insurance premiums (including dental) for parish/school employees	Monthly
Life Insurance premiums for parish/school employees	Monthly

## **Attachment B – AOD Payables**

**The Archdiocese of Detroit payables are billed annually and consist of the following:**

**Items Billed:**

**Clergy Health Insurance**

**Clergy Pension**

**CSA Shortfall**

**AOD Assessment \***

**\* The Church of the Archdiocese of Detroit provides many services for parishes on the national, state, and local level. In addition, the Central Diocesan Offices have developed various programs in their effort to respond to parish needs. The cost for these services as well as general administrative expenses for the diocese becomes the Archdiocesan Operating Budget for a fiscal year. Each parish is asked to share the cost equitably through the formula for the Diocesan Assessment. The annual AOD Assessment is calculated on parish assessable operating income as follows:**

**4% of the first \$25,000; plus  
7% of the balance over \$25,000.**

## **Attachment C – Common Capital Expenditure Considerations**

### **Roofs:**

**Estimated Service Life – 20-50 years depending on material & pitch/slope of roof**

- Slate, Tile, Copper last the longest, while Shingle roofs are generally replaced most frequently.

**Estimated Cost to Replace – Varies significantly based upon type & size**

- Individual residence - \$2,000 to \$5,000
- School - \$300,000 to \$500,000
- Church - Slate, Tile, Copper are the most expensive  
- Metal is mid-range  
- Shingle is least expensive

### **Boilers:**

**Estimated Service Life – 20 years**

**Estimated Cost to Replace – Varies significantly based upon type & size**

- Small - \$15,000 to \$20,000
- Large - Up to \$150,000

### **Heating & Cooling (HVAC):**

**Estimated Cost to Replace – Varies significantly based upon type & size**

- Recent cost for 40,000 SqFt = \$140,000

### **Refrigerators & Freezers:**

**Estimated Service Life – 10 – 15 years**

### **Parking Lots:**

**Estimated Service Life - At least 10 years**

**- Life depends upon traffic, drainage, and what's underneath**

**Estimated Cost to Replace - \$50,000 to \$250,000**

- Recent cost for 152,560 SqFt = \$250,000