

Year End Financial Review – Saint Catherine of Siena Church

To the parishioners, thank you for your loyal support through volunteering in many areas to financial contributions to our Parish, St. Catherine of Siena. With your assistance, we are able to continue our Mission legacy and allow staff and clergy to operate during these challenging times. Peace and blessings to all. Below we have provided our Year End Financial Review for your information. If you have any questions or concerns about this report, please contact **John Emilio, Finance Director** at jemilio@stcatherinesiena.org or **Father Mark** at FatherMark@stcatherinesiena.org.

Summary Overview: [K = \$000's i.e. \$1k = \$1,000]

In April we provided an update regarding the financial impact to the Parish finances from the Covid-19 pandemic. Primarily, collections declined, rental and other income dwindled & we implemented expense control measures as we experienced a cash flow deficit. The Parish had to draw on its Diocesan Savings to assist in covering expenses. To function at a pre-Covid-19 level, annual operating revenue needed to be approximately \$1.7 million, including collections of \$1.5 million. Annualized, last quarter's collections, after adjusting for unusual items, was \$1.2 million. Additionally, the Parish should have, at a minimum, 3 months of operating expenses, or \$375k, as an "Emergency Fund." At month end June, our Emergency Fund is at 40% of that level. There were a number of unusual items that were non-recurring and the parish did have "Net Income" but once the adjustments are made for expenses not incurred and one-time revenue sources, the end result was a Net Loss of **(\$76k)**.

Operations Explained in More Detail:

After publishing the last financial update, some parishioners accelerated their donation by giving a full year amount in one check. These amounted to \$36,300. While collections for March through June totaled \$338k versus \$411k for same period last year, if you adjust for the \$36.3k the quarterly total is \$302k versus \$411k for last year. Also, some parishioners accelerated their planned giving by donating stock, mutual funds or making donations from their charitable trusts totaling nearly \$97k. These non-recurring donations helped us greatly and we again extend our heartfelt gratitude.

To reduce the fixed expenses, we contacted a number of vendors who adjusted their fixed contractual costs. We also were able to make the following adjustments to provide positive impact on the cash flow:

- From April to June, the Diocese did not charge the parish for clergy wage and benefits, saving \$33k of total expense.
- The Diocese put the monthly loan payment of \$16.3k on hiatus for 3 months, providing a \$50k addition to the cash flow.
- We withdrew \$129k from Diocesan savings to help pay operating expenses.
- We applied for and were granted \$106k from the Paycheck Protection Loan program.

With these changes and adjustments, we were able to retain lay staff on the payroll through June 26. Many of the variable expenses also reduced as staff observed the Stay at Home order and the buildings were closed.

So, what does all this mean? The best way to understand our current situation is to look at our Net Income for the year and the impact of the non-recurring items and adjustments:

<u>Net Income Adjustments:</u>		<u>Actual: \$128,558</u>
Interest Expense Not Incurred	20,165	(because diocese granted three-month hiatus on payments)
Staff Wages donated back	18,010	
Clergy Wage Adjustments	33,900	(diocese did not charge for May and June and adjusted one clergy wage)
Planned Giving Donations	96,991	(donations of stock, mutual funds, and trust disbursement non-recurring)
Accelerated Parishioner Donations	36,300	(parishioners who 'moved' up full year donation and made one large donation)
<u>Total of Adjustments</u>	<u>205,366</u>	
Net Loss after Adjustments	(76,808)	(this is the Net Loss without the unusual items listed above)

To address the current trends going forward, the Parish has taken the difficult step of furloughing some staff for the summer, furloughing some staff for longer, and reducing the regularly scheduled hours of other staff.

What are the budget implications? For upcoming year budgeted operating revenue is \$1,134k*. This assumes a \$58k BAA refund and no monthly loan payment of \$16.3k. The staff wage expense is based on the continuation of the adjustments listed above. Other income is extremely limited and budgeted expenses are significantly reduced. With those assumptions, the budget reflects a break-even position at year end [revenue and expenses offset].

Parishioners should know that the revenue level will be reviewed at the end of each quarter. If the trends are such that staff hours can be incrementally increased, we will do so after an Emergency Fund is restored. One additional item we want to mention for future significant financial impact. During the recent heavy rainfall, all three buildings developed significant roof leaks. The Rectory, Stanley Centre, and the Main Church. All three are in immediate need of repair with an estimated total of \$200k+ [Stanley Centre = \$17,845; Rectory = \$41,350 and Main Church = \$149,860].

The Balance Sheet explained:

The Balance Sheet shows

- Account #1001, which is the remaining balance on the Paycheck Protection Loan, could only be used for eight weeks of payroll, the employer portion of payroll taxes, health insurance, pension, and utility costs. These were booked against the \$106k and any residual must be returned to the government.
- Account #1002 is our General Fund from which collection and other undesignated revenue is deposited and from which general bill payment is drawn.
- The remaining accounts #1033 through #1051 are donor designated or internally designated funds which have restricted use. Examples include
 - Donations for El Sitio mission can only be spent for El Sitio mission use.
 - HR Fund is the reserve for accrued, unused staff vacation time the builds over the year.
 - Kitchen Fund represents donations made for the planned remodeling of the Marian Hall kitchen which is on hold.
 - Capital Needs fund is the “sinking fund” that is the designated reserve fund for unplanned major repairs or equipment replacement that costs \$5k or more.
 - Contingency Fund is the parish’s Emergency Fund as policy requires that the parish have three months of operating expenses in such a fund. For us, this amount should be approximately \$375k. We are short that amount due to the pandemic.

On the Liability side, the loan balance is \$1,466,528 with interest rate of 5.50% and monthly payment of \$16,300. There are eleven years amortization left on the loan. As indicated, the Diocese suspended payments due for the April, May, and June. We requested that the diocese include the roof repair costs into our existing loan. The new loan would be \$1,675,400. The loan would be at a rate of 2.5% and the parish would pay interest only this fiscal year and begin a ten-year amortization on July 15, 2021 with new monthly payments of \$15,794. This loan modification is in process.

Balance Sheet:

1001	Paycheck Protect Loan	20,086	this amount will have to be remitted back to government
1002	Parish Checking	197,372	general funds
1011	Petty Cash	41	
1021	Debt Reduction Acct	358	donor restricted donations
1033	Designated Fd- El Sitio	13,873	donor restricted donations
1035	Designated Contingency Fd **	160,993	internally restricted diocesan financial policy
1036	Designated HR Fd Admin -	20,000	restricted for accrued liability unpaid vacation
1041	Designated Fd - Capital Needs	26,498	restricted sinking funds for repairs
1046	Designated Fd- Kitchen MMS	159,469	donor restricted funds
1051	BAA Cash in Transit	1,000	
1102	Diocese of Kalamazoo 'A' **	<u>94,857</u>	parish savings at diocese; restricted
<u>Total Cash Accounts</u>		<u>694,547</u>	

“**” the budget revenue quoted excludes collections that are designated diocesan collections where the monies can’t be used at the parish but are passed through to the chancery. It also excludes mission revenue that are donor restricted.

*** “these two funds represent the Parish’s emergency fund. Per policy, it is the goal that the parish have three months’ worth of operating expenses in reserved. The average monthly expenses are approximately \$125k. Three months would = \$375k.

This information is published on our website at <https://stcatherinesiena.org/finance-council>.