
MEMORANDUM

TO: PRIESTS, ADMINISTRATORS, AND BUSINESS MANAGERS
FROM: TRACY LOCKWOOD, FINANCE OFFICER
SUBJECT: COVID-19 FINANCIAL ADMINISTRATION ISSUES
DATE: MARCH 25, 2020

As we join the rest of world in confronting the COVID-19 pandemic, we want to provide financial and administrative recommendations for parishes and schools during this challenging time.

While managing limited resources is clearly not new to any of you, the challenges in the weeks ahead will be significant. There are no easy answers and no one size fits all recommendations. This memo is not all inclusive and will not be able to answer every question. We hope that is helpful in developing a plan for your specific situation.

Finance and Administration:

Should the community and liturgical restrictions continue for an extended period of time, we expect that all of our locations will experience financial stresses that have not been experienced in the past. In light of that possibility, we recommend the following:

- Engage your Parish Finance Council to assist you in reviewing cash flow projections, strategy, and outreach to parishioners.
- Keep as much cash on hand as possible. Having cash on hand is critical especially in tough times. Thus every dollar must be stewarded carefully. Every expense must be highly scrutinized. Use your Parish Finance Council to create a cash flow forecast either on a weekly or monthly basis.
- Alert your Parish Finance Council and the Diocesan Finance Office if you think you will run into cash problems.

Revenue Management

Revenue Management for Parishes

It will be a challenge to maintain pre-crisis giving levels during this period of no Mass attendance. Especially since many of our parishioners are facing their own financial stress and challenges in their personal situation. Some suggestions are:

- Work with your parish council to create a parish communication plan highlighting the nature of the challenge facing the parish without Mass attendance and the need to support the parish nonetheless.
- Encourage electronic giving during this time. If you do not have electronic giving set up for your parishes, your parishioners can give directly to your parish through the Diocesan on-line giving platform. Additional information will be forthcoming. Please contact Kevin Ostdiek in donor relations with any questions.
- Encourage parishioners to mail in a weekly check even though they are not at Mass.

Revenue Management for Schools

School revenue generally takes three forms: tuition, parish investment (or parish assessments), and other (fundraising, fees, etc.). The focus needs to be on cash coming into the school. Some key considerations include:

Tuition – Actual cash collected from student’s families

- For some families, paying tuition they committed to will be challenging if not impossible. But we need to be slow to say, “that is OK”. While that may seem harsh, acting in the long-term health of the school is in everyone’s best interest. Can they pay something? Can they pay something in the future? Next week? Next month?
- Fortunately, some families will not be directly affected. In a crisis, it is too easy to make blanket statements thereby relieving them of their commitments. We need to ensure those that can still pay meet their obligation. Could they do even more? Could they support a child from another family? Even for a short time?

Parish Investment or Assessments

- Without Mass attendance this will come under pressure. Keeping schools funded is necessary for the long-term health of the Church. Please communicate frequently with supporting parishes. Schools need to be aware of supporting parishes financial situation and vice versa, so that the community can work together during this crisis. Schools may need to plan for a scenarios if a parish will not be able to pay its assessment. Kevin Ostdiek is working on online giving options for parishes and schools that do not already accept online gifts.

Program and Expense Management

There will be a strong desire to keep all programs and ministries intact. That may not be possible and several questions should be explored:

Program and Ministry Expenses

- How can we manage ministries differently? Which ministries would be least affected by a funding gap for a period (i.e. are there some that are easier to stop and start back up again than others?) Which ministries need to remain ready for when we are able to resume public Mass and the unrestricted offering of Sacraments? Which ministries can be reduced for a period?
- Are there parish programs that perhaps should have been changed or ended years ago, where this crisis brings that conclusion into focus and is the cause for such a change? How and who will we consult in our parish and school in making this decision?

- Are there creative ways to use technology to do ministry differently? Maybe reach a larger audience?

People Related Expenses

Wages and benefits are obviously the largest expense of parishes or schools. We should do everything possible to retain our employees to maintain the long-term viability...Please consider:

Payment for exempt and nonexempt employees under FLSA rules (Please see page 7 of the attachment for more detailed information.):

Information from the attached document prepared by HUB:

Fair Labor Standards Act (FLSA)

One of the most important questions asked by employers is, "If my business is shut down in response to the Coronavirus (or any sort of medical outbreak) do I still have to pay my employees?" The answer depends on the status of the employee as exempt or nonexempt under the Fair Labor Standards Act (FLSA), which in turn depends largely on the work he or she performs.

The general answer is that employees that are exempt under the FLSA must be paid an entire week's salary if they perform any work during the workweek. Conversely, nonexempt employees must be paid only for the hours actually worked. Because this is a generalization and because there are many exceptions and wrinkles that could apply to any particular situation, make sure to contact your legal counsel for help.

Nonexempt (usually hourly) employees

An hourly employee must only be paid for work he or she actually performs. Therefore, if your business is shut down (or your non-exempt employee does not perform any work) as a result of an outbreak, you generally do not have to pay nonexempt employees for any hours not worked (with a few exceptions). However, if your employee handbook contains any language or policies to the contrary, then you may be obligated to follow those policies. Likewise, be sure to review your policies and handbooks to ensure they do not contain anything that could give rise to a contract or quasi-contractual claim. Finally, make sure that you do not have an actual employment contract with the employee that could govern the terms of his or her wage payments.

Exempt (usually salaried) employees:

The general rule for salaried/exempt employees is that they are required to be paid if they perform work at some point during the workweek. Unless your business is shut down (or an employee does not perform any work) for more than an entire workweek, your exempt employees are generally entitled to be paid for the entire week in which they worked.

One approach employers have considered is to require salaried employees to apply vacation or leave balances for the days not worked. However, the DOL has disapproved of this practice, so employers will do so at their own risk.

Another approach could be to lower your exempt employees' salaries on a go-forward basis if you reasonably anticipate those employees will be working reduced weeks for an extended period of time. This, of course, could create morale issues, so this option should only be implemented after careful consideration. Additionally, if you have a contract with a salaried employee where the salary term is definite, you will not be able to adjust the salary downward without the employee's consent.

Other compensation options:

- Are voluntary leaves of absence an option? Some employees may welcome an opportunity to take a sabbatical of sorts and come back to parish or school work after the Pandemic has ended.
- Should all non-contract employees take a reduction in compensation to avoid layoffs? Other large businesses in Lincoln are furloughing employees one day per week or one week per month. Exempt employees need to take a minimum of one week off at a time and can't work during this time period. This may be a viable option so that all are sharing in the pain for the common good.

Families First Coronavirus Response Act - The USCCB is clarifying whether or not this applies to our locations. We will get the appropriate guidance out to you as soon as possible which is likely to be Friday.

Other Expenses

Every dollar given out is a dollar you cannot get back. Stay in communication with your vendors. Let them know what financial constraints you are facing and talk to them about modifying payment terms so that you may pay more slowly.

Capital Projects

Locations will need to consider whether or not to move forward with capital projects, even if they have been approved. Just because a corporate resolution has been obtained does not mean the project must go forward. In many cases, donors have given funds for specific capital expenditures and a parish cannot use those funds for operations. However, given the uncertainty of our current situation careful consideration should be given to putting those projects on hold. In the end, a remodel or a new piece of equipment may not be as important down the road as it was once thought and if necessary, donors could be asked to switch gears on the use of those funds. Please note, it is illegal to borrow from donor restricted funds without donor permission to reallocate the funds.

Conclusion

Hopefully, these are some helpful thought starters as you develop your plan for the current situation. We will add more thoughts and comments as we move forward together. Please share with us what you are experiencing and recommend any additional best practices so that we can share them broadly.

Remain optimistic. Know that you are not alone. First, a reliance on prayer and trusting in God's help in making wise decisions is essential. Also know we are here to help where we can.