

Saint Rose of Lima Parish

Annual Financial Report to Parishioners Fiscal Year Ended June 30, 2020

**Saint Rose of Lima Church
52 Short Hills Avenue
Short Hills, New Jersey 07078**

(973) 379-3912

Overview of Our Current Financial Situation

Beyond the terrible physical and emotional impact it has had on the lives of our parishioners and their families, the COVID-19 pandemic has disrupted the life of our parish as well, and yet, the spiritual life of the parish continued through the creativity and commitment of our pastor, parish staff, and parishioners.

Due to COVID-19, the unprecedented physical closing of the Church for over three months beginning in March put a tremendous strain on our physical resources as we successfully set-up and filmed Masses and provide enhanced communications to our parishioners. First Communion and Confirmation had to be deferred, but were successfully completed in October. Baptism is now ongoing both inside and outside the Church.

While the Church was closed, the planned interior work (painting and completion of the floor) was done. To address social distancing, only 50% of the pews were returned. In addition, a HVAC ultraviolet light system was installed in the church and the church vestibule to sanitize the air 3 times per hour. The church is cleaned including the pews after each use. Following the re-opening of the Church, we are happy to welcome back many parishioners to Mass and sacraments both inside the church and outside the church. However, overall attendance remains well below pre-COVID-19 levels as many parishioners are unable to return due to health concerns and other factors.

There has been a serious financial impact as well.

Prior to COVID-19, the parish was continuing to record an operating deficit resulting from the decline in overall collections. Like any organization, there are fixed costs. The bulk of the church revenue comes from the Sunday, Christmas, and Easter collections. This revenue stream has been highly dependent on people actually coming to church.

As a result of the pandemic, the current level of collections has decreased by approximately \$10,000 per month and remains well below the levels of previous years. Within that figure, the total of cash plus envelopes collections has decreased by approximately \$20,000 per month. This has been partially offset by an increase of \$10,000 per month in the automated offering receipts.

These revenue levels continue to remain low for a parish with our demographics. This is not a new development and this clearly limits virtually all of our pastoral activities, since these activities must be funded from ordinary revenues.

As of October 2020, the automated offering represents approximately 45% of the average monthly collections. A higher participation rate in the automated offering will greatly help to stabilize the finances of the parish, particularly if the COVID-19 pandemic worsens.

Our on-going Stewardship Initiative is designed to address this revenue shortfall. To succeed, however, we will need a sustained increase in the number of families participating in the weekly offertory as well as an increase in the average weekly contribution. Your participation in the automated giving program helps to stabilize our revenues and is very highly encouraged.

Basis of Presentation

Our Parish financial statements are formatted to provide summarized information on operations.

In accordance with strict Archdiocesan requirements, transactions are recorded on a “cash” basis and this may cause fluctuations between accounts on a year-to-year basis. One example is that restricted gifts received in a given year may be paid out as part of expenses in later years.

Routine maintenance and minor capital items are fully charged as operating expenses in the year in which incurred. In accordance with Archdiocesan regulations, there is no “accumulated depreciation” or “depreciation reserve” account to anticipate such future capital expenditures.

Capital expenditures and donations to fund these expenditures are recorded in the fiscal year in which incurred (or received) and are shown separately below the income statement. These capital expenditures are paid with the funds previously received which are held in separate accounts.

Archdiocesan regulations require us to manage our activities within a balanced operating budget.

Operating Revenues

Our principal source of revenues, the Weekly Collection, showed a 10% decrease from our last fiscal year but that trend has unfortunately worsened as we moved into fiscal 2021.

Even with the increase in automated giving, the level of collections thus far in fiscal 2021 has shown further declines with the average Sunday collection down an additional 11% from last fiscal year. The Christmas and Easter collections in fiscal 2021 were up 19% from fiscal 2020 but still remained down 15% from each of the prior three fiscal years.

Operating Expenses

Our largest single expense item continues to be “Salaries and Benefits”. Within Archdiocesan budgetary guidelines we attempt to remain competitive with salaries and benefits paid by neighboring schools, religious education programs and the private sector.

The 36% decline in these expenses over the last three years was mainly the result of reduced staffing levels. This was partially offset by an increase in contracted services as certain activities previously performed by employees have been outsourced. As part of the budgetary constraints we have also had to reduce the hours of a number of previously full-time employees which has reduced the benefits which they are eligible to receive

As previously reported, budgetary cuts were regrettably undertaken at the beginning of fiscal 2018 (i.e. the year ended June 30, 2018) and continued in fiscal 2020. These necessary cuts have reduced salary and benefits expense significantly which had enabled us to submit the required balanced budget to the Archdiocese.

The Archdiocesan Assessment rate was increased from 11% in fiscal 2016 to 18% today and reflects the fact that the Archdiocese now has full operational and financial responsibility for our School. The assessment calculation lags our reported collections and is expected to decline in future years.

Non-Operational Revenues and Expenses

In line with overall economic trends, the rate of interest we are able to earn on some of our restricted gifts has declined as many of the high quality bonds which we previously held have been called for early redemption. While the Finance

Council is continually evaluating our investment strategy, there is little immediate opportunity for improved returns while adhering to Archdiocesan guidelines.

Cemetery Operations

By law, the Cemetery is a separate legal entity and must maintain its own financial records.

Previously, Parish personnel had provided maintenance and other services to the Cemetery. Beginning in fiscal 2017, the bulk of cemetery operating expenses were outsourced to third parties with the approval of the Archdiocese. This cost saving measure resulted in a decrease in Cemetery salaries and benefits combined with a slightly lower increase in contracted services.

Capital Donations and Expenditures

As noted above, capital related donations are recorded in the fiscal year received. Capital expenditures are similarly recorded in the fiscal year in which funds are disbursed.

Expenditures for fiscal 2020 totaled \$1.4 million. The two most prominent projects of the Campaign are the elevator (hopefully to be completed this year) and Ryan Hall (essentially complete and awaiting full connection to the elevator). Both of these projects are fully funded.

Plans for the various necessary physical projects are routinely in various stages of review and approval by parish staff. All proposed contracts are also subject to various levels of detailed review and final approval by the Archdiocese before any funds can be spent.

St. Rose of Lima Academy

As part of its “Lighting the Way” initiative, the Archdiocese took over operation of all the schools in the Archdiocese from July 1, 2015.

Since that date, the Archdiocese has been and continues to be fully responsible for curriculum, salary and benefits administration, and all other operating expenses of the Academy which currently enrolls 196 students. The Archdiocese also sets the tuition rates and administers the programs offering scholarships and tuition reductions.

The parish will continue to provide routine maintenance of the building structure and will charge the Archdiocese accordingly.

Religious Education Program

Due to impact of COVID-19, the Religious Education Program was restructured to an online format with sessions on Zoom.

This Report Has Been Prepared by the Parish Finance Council

It is the responsibility of the Parish Finance Council to advise the Pastor on all financial matters. In addition to reviewing and approving the budgets for each parish entity, the Finance Council is also responsible for long-term planning and the implementation of various parish projects. The Parish uses a variety of modern tools to support the management of the parish and school offices, including gift tracking, mailing lists, budgeting, bill paying, financial reporting, and tracking of student and school family data. Despite the brevity of the summary contained in this report, considerably more detailed reports are provided to the Archdiocese on a regular basis.

Any questions regarding the financial matters of the Parish should be made through the Rectory to the Pastor or to Joe Cantwell (Chairman of the Finance Council) at (973) 379-3912 or info@stroseshorthills.org.

St. Rose of Lima Annual Report - Fiscal Years Ended June 30th
Combined Church and Cemetery
(\$ thousands)

<u>Balance Sheet</u>	6/30/19	6/30/20
Bank Accounts	914	1,471
Restricted Accounts	3,267	1,872
Other Assets	205	57
Physical Plant	0	0
Total Assets	4,386	3,400
Accounts Payable	94	274
Due to RCAN Chancery		130
Additional Liabilities	164	221
Total Liabilities	258	625
Retained Earnings	4,128	2,775

<u>Revenues and Expenses</u>	FY2015	FY2016	FY2017	FY2018	FY2019
Collections					
Sundays	935	875	844	891	798
Christmas and Easter	337	338	334	238	284
Rel. Ed. Program	156	166	139	122	112
Cemetery	43	26	54	76	69
Interest	51	40	48	60	58
Sale of Securities	685	3	(1)	(4)	2
Other Income	168	152	168	86	58
Total Ordinary Income	2,375	1,600	1,586	1,469	1,381
Salaries and Benefits	1,288	1,097	855	834	707
Utilities, Physical Plant, Contracted Services	277	433	491	465	404
Supplies	158	154	144	118	80
RCAN Assessment	272	265	359	224	217
Other Expenses	261	241	242	179	97
Total Expenses	2,256	2,190	2,091	1,820	1,505
Ordinary Surplus (Deficit)	119	(590)	(505)	(351)	(124)
Add: Restricted Income Not Linked to Capital Projects	40	30	425	105	360
Total Surplus (Deficit)	159	(560)	(80)	(246)	236

Capital Projects (not included above):

Receipts	0	2,165	478	385	0
(Expenditures)	0	(108)	(356)	(778)	(1,442)