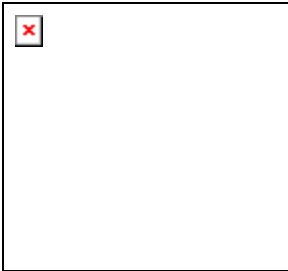


ARCHDIOCESE OF DENVER MANAGEMENT CORPORATION

PARISH BUDGET DEVELOPMENT MANUAL

OFFICE OF PARISH FINANCE AND PARISH CONTROLLER



OVERVIEW

In Luke 14:28, Jesus counseled, "*For which one of you, desiring to build a tower, does not first sit down and count the cost whether he has enough to complete it? Otherwise, when he has laid a foundation, and is not able to finish, all who see it begin to mock him.*"

A budget is the financial expression of a parish's vision, the short term implementation of the long term direction of the parish. A budget establishes financial targets and becomes the road map for expenditures. Robert N. Gray, in Managing the Church wrote, "Although past performance is certainly an important factor in budgeting, a more important consideration is *what the church expects to accomplish* in the budgetary period, the resources necessary, and the availability of such funds." A budget is the parish's plan to quantify the available resources and focus their use to accomplish the *Mission of the Church* as expressed through the ministries in the parish.

GENERAL GUIDELINES/ SUMMARY

This manual is designed to review the elements of effective budgeting. Many parishes already implement some if not all of the concepts noted in the following pages. The following summarizes many of the key concepts explored throughout the manual.

- < Parish budgets should be submitted to the Office of Parish Finance by June 1st of each year.
- < Parish budgets must be balanced. The only exception is for parishes with large capital projects financed through future pledge payments and loan proceeds (debt financing).
- < Parishes should build savings and investment targets into their balanced budget.
- < Parishes should build capital replacement savings into their balanced budget. Parishes need to save money today for future capital repairs. (Roofs, parking lots, etc.)
- < Parishes should consider multi-year budgeting to better forecast the financial future, budget trends and align the budget with the long-term objectives of the parish.
- < Parish finances and reporting needs to be "up-to-date" before effective budgeting can be accomplished. Complete financial statements need to be given to the parish finance council within 30 days of the close of a month. It is strongly recommended that parishes provide their department heads (director of religious education, youth director, principal, etc.) with departmental financial reports, including detail transaction reports within 30 days of the close of a month (although we encourage parishes to complete financial reports within 10 days of the close of a month).

GENERAL GUIDELINES/ SUMMARY (CONTINUED)

- < All schools must calculate the actual per pupil cost. Such information should be compared to the tuition rates and communicated to parents.
- < School budgets and financially related decisions are made in the same manner as other parish departments, the information is reviewed and considered by the parish finance council and parish business manager (if one exists) and ultimately a decision is made by the pastor.
- < A budget is a working document and should be adjusted to particular events throughout a year. However, no one has authority to spend without the pastor's approval. Even when a department receives an approved budget, the authority to spend is reserved to the pastor and is dependent on the parish achieving the income budgets. When emergency or unexpected expenses or revenue losses occur, all of the parish budget may need to be reviewed and curtailed to maintain a balanced budget.

BUDGET PROCESS

Each parish should develop its own specific budgetary process, incorporating the following:

1. Develop a long range vision (Mission).

The pastor along with the Pastoral Council and the Finance Council and the parish staff should consider:

the teaching, sanctifying and service mission of the Church, the changing demographics, needs of the parish community, growth in parish membership, future staffing, facility and land needs, future building repair and renovation, etc.

2. Develop a plan, goals and actions steps to achieve the mission and vision.

Quantify, rank and determine the order in which the components of the vision will be implemented. Consider launching the less expensive options first to build momentum and help fund the larger components. Identify the specific steps, income, hiring, and programs necessary to achieve the vision.

3. Maintain timely financial reporting.

Budget management depends on two things, good planning and timely information. A parish cannot budget effectively if it is without current financial reports. In addition, parish personnel and committees cannot monitor revenue collection or control spending

unless they receive timely financial reports. Monthly financial reports must be completed within 30 days of the close of a month and be supplied to the pastor, parish finance council and archdiocese. Before budgeting begins, analyze current year financials in relation to the budget, investigate budget overages and shortfalls.

BUDGET PROCESS (CONTINUED)

4. Develop a realistic assessment of sources of income.

Consider historical offertory trends, mass attendance and changes in parish membership. If the parish receives funds from parish organizations, ask the organizations to commit to raising a specific amount in order to facilitate budgeting. Since church giving is voluntary and uncontrollable, be conservative in your estimates.

5. Utilize zero-based budgeting.

A zero-based budget process should be utilized although with some accounts this may not be practical. Zero-based budgeting requires that each dollar requested be supported and justified, e.g., school teacher salaries would be based on the accumulation of teacher salary positions on the salary scale as opposed to simply increasing the total teacher salary expenditures from the prior year. The perfect department budget would be zero-based, with specific stated objectives that support the overall parish goals and include criteria to evaluate the department's success in achieving the objectives.

6. Encourage department level budget development (See 'Involvement' section).

Involve those who are closest to generating the revenue or spending to assist in budget preparation. Principals, youth and religious education directors and other staff and committees often are in the best position to identify budget revenue and expenses and to effectively control budget line items.

7. Balance the budget.

Carefully pare the expenditure budgets in light of the parish vision and goals in order to insure an overall balanced or surplus budget. The income budget, since it has been developed before consideration of expenses, becomes the *maximum expense budget cap*.

8. Draft a cash flow projection.

Once the budget has been finalized, consider breaking the budget into projected monthly components. This cash flow projection will help parishes insure monies are being reserved for those months, particularly in the summer, that encounter cash flow difficulties.

INVOLVEMENT

Ultimately the responsibility for parish finances rests with the pastor. Larger parishes hire business managers to assist the pastor with financial management of the total parish. The Archdiocese of Denver has also established the need for parish finance councils who along with the parish business manager are the primary advisors to the pastor for budget development.

Although the pastor, parish business manager and parish finance council are primarily responsible for budget development, in practical terms many others are involved either by the impact of budget decisions or in determining particular budgetary needs.

It is a common belief that the best control rests at the lowest possible level. Initial budget development is best accomplished at the department or sub-department level. For example, the religious education director may be assigned responsibility for the department budget or, the cafeteria manager would develop the cafeteria budget that the principal would incorporate into the overall school budget. *Not only should the principal, youth director, director of religious education, cafeteria director, etc., be involved in developing and monitoring the budgets for their areas, they should also be held responsible for collection of the budgeted revenue and to insure that expenses do not exceed the amounts budgeted.*

COMMUNICATION

People often have misconceptions about the cost of operating a church, its programs and ministries. Without adequate information, parishioners may not support a parish effectively. (One of the prime reasons Catholics cite for not donating to churches is a lack of information about the use of parish money.) This manual is not suggesting that parishes utilize financial information to promote ‘need-based’ giving. On the contrary, recognizing that we are *STEWARDS* of monies given by our parishioners for the benefit of the Church, we should be unafraid to report both the budget and the state of the parish finances. When sharing financial information, it is also important to stress the vision and direction of the parish, the demographics of the parish community and the wonderful ministries provided through parishioners’ generosity.

In school parishes, the actual per pupil cost information should be given to all school parents and parishioners. Determining actual per pupil cost is essential to building a financially stable school and is a significant step toward establishing effective tuition rates.

BUDGET AUTHORITY

Once a budget has been established by a pastor, ***no one*** has authority to spend beyond budgeted amounts without the pastor’s approval in advance. ***A budget is not a license to spend.*** A parish committee or staff member may never assume that because the budget contains allocations for specific ‘line items’, they have carte blanche to spend those amounts. (For example, if a parish encounters a large emergency or unexpected expenditure, the balance of the budget expenditures may need to be reduced to maintain an overall balanced budget.) In order to control spending, some parishes have implemented specific spending approval processes such as purchase orders. (Some parishes require a purchase order for all expenditures exceeding \$50.) Spending control processes, such as purchase orders, are good fiscal policy and highly recommended.

Remember, the expenditure budget is a projection based on anticipated revenues. Therefore, the expenditures should be viewed as if we ‘hope’ to be able to spend this much money but only if we receive the budgeted and anticipated revenue.

(When this manual refers to parish staff, department heads or committees managing a budget or having budget authority, they do so within the parameters established by the pastor.)

ALLOCATIONS

Allocations is the process by which individual invoices or charges are divided between different accounts. For example, a parish might receive one utility bill and divide the total charge between the church (department 10) and the school (department 30). Allocating costs to departments is a proper budgetary technique. Some parishes allocate by square footage or by the amount of time used. When considering allocating costs to various departments there are two issues: first, the purpose of allocating is to accurately identify the department that contributed toward creating the cost or expenditure and secondly, always consider if the effort to allocate (time and effort required to track, monitor and determine the proper allocation) is worth the amounts that are being allocated.

When allocating costs, evaluate whether the facility or costs to be allocated would exist if not for its primary ministry. Consider the following examples:

School: Operating a school requires a building which must be heated throughout the day (and night in the winter) regardless of any other uses. There are 168 hours in a week. If religious education uses the school four hours per week, would it make sense to allocate $4/168 = 2.4\%$ of the school utility bill to the religious education department?

Church: Does it make sense to allocate the cost of operating the church building to the school just because the school may hold occasional liturgical events in the church? The church building exists because of the liturgical life of the parish regardless of whether a school exists.

Office Staff: The parish bookkeeper produces the payroll for the entire parish, does it make sense to allocate this time to the school, which typically has the largest number of employees? The bookkeeper would be producing payroll whether the school exists or not. If the majority of school payroll results from teachers who are salaried (therefore routine from month to month), it probably doesn't make sense to allocate the bookkeeper's time. However, if the school employs a large number of part-time, and/or hourly personnel, it may make sense to consider some allocation. The key would be the amount of time the bookkeeper spends on the school payroll as a % of the total time worked (typically 40 hours per week).

Phone System: The cost of a phone system is often driven by its size, the greater the number of extensions or telephone lines, the larger the cost. The cost of purchasing a phone system can be divided among the departments based on the number of extensions or phone lines used by each department.

ALLOCATIONS (CONTINUED)

Copier: Maintenance and supplies can easily be divided amongst departments based on the number of copies made by each department.

Maintenance Personnel: Occasionally ask the maintenance personnel to keep track of their time for a week. Identify the number of hours dedicated to the various department needs. Determine the % of time spent on each department and allocate cost based on this %.

Gym: Schools are heavy users but many times other departments also use the gym, particularly at night. Consider allocating the utilities based on the hours the gym is used by each department.

Property Insurance: Property insurance is generally driven by the size, age and quality of a building. Property insurance can easily be allocated based on the square footage of the building. If the church and school are connected, divide the property insurance by the relative size of school or church in relation to the total square footage.

HISTORICAL INFORMATION

Due to the regular turnover of committees and staff, many parishes have been unable to maintain long-term financial information. Such information often proves invaluable to good financial management. Some of the exhibits in this manual are designed to help you begin collecting information. The following lists some of the information a parish should consider tracking throughout its life:

Weekly offertory, mass attendance, average giving (per capita) per family, number of registered parishioners, monthly utilities by building, capital projects and repairs, school & child care enrollment, school tuition rates, the percentage of unpaid tuition, the amount of tuition assistance awarded, the gross revenue and expense for annual or regular fundraisers (bingo, auctions, carnivals, etc.).

When the Office of Parish Finance assists a parish with evaluation of budget difficulties, it does so by collecting the annual parish financial reports into one spreadsheet for easy analysis. Consider maintaining such a spreadsheet that lists the annual income & expense for every line item used in a given year. As various years are added, one can quickly see where parish spending and revenue has occurred, grown, declined, kept pace with or exceeded inflation.

BUDGETING SPECIFICS

Personnel: Personnel costs (salary and benefits) typically make up the largest percentage of a parish's budget. In addition, creating positions for new departments generally also necessitates additional program monies. When creating positions, remember the following:

Benefits: Full-time employees (those who work in excess of 30 hours per week) are entitled to health insurance, life insurance, disability, retirement, sick pay and vacation benefits. Employees who work less than 30 hours per week are not entitled to benefits but the parish must still pay and withhold payroll taxes, regardless of the number of hours worked. Therefore, determining the cost of an employee means we must add the salary, the payroll taxes, the retirement and the health, life, disability and in some cases the dental insurance cost. (See the attached compensation schedule, Exhibit 3.)

Retirement: A parish is obligated to pay 6% of an employee's salary to the Archdiocese of Denver which is credited to the employee's retirement account.

Payroll Taxes: Parishes are required to withhold and match payroll taxes for all employees regardless of the number of hours worked. While a parish must withhold state, federal and social security (and Medicare) taxes, it only has to match the amount withheld for social security (and Medicare). This amounts to 7.65% of an employee's gross wage.

Raises: Each year the Archdiocese adjusts priest compensation for cost of living (COL) inflation. In the past few years the COL in Colorado and particularly in metro Denver has exceeded the national inflation indexes.

Remember, a COL adjustment, is not technically a raise. A COL adjustment maintains a person's level of earning, adjusted for inflation. If a parish wants to give employees an increase or raise, it would need to increase wages an amount above the COL adjustments. (Keep in mind that parishes are not required to increase compensation, for either COL or raises. Individual parishes must analyze their income and ability to increase compensation. However, parishes are obligated to pay just and liveable wages and should consider whether their pay structure will attract and retain competent personnel.)

BUDGETING SPECIFICS (CONTINUED)

Offertory: Be conservative in budgeting offertory. A good approach is to budget offertory at the same amount as actually collected the prior year. In this approach, any increase in the budget year allows additional flexibility (and margin of error) in the new budget.

Savings: Always build contributions to savings into the budget. Parishes should create and build several types of savings:

Cash Flow: Plan to save sufficient savings to cover six months of operating expenses. Six months of operating expenses would enable a parish to pay summer salaries or withstand the loss of a Christmas or Easter collection (in the event of severe weather). These monies should be invested in cash or certificates that could easily and quickly be converted to cash without loss.

Emergency: Emergency monies should be accumulated. Most parishes have experienced some type of expensive emergency, sewer problems, boiler failure or leaking roofs. Emergency monies do not need to be separate and can be included in capital savings. These monies should be invested in cash or cash equivalents.

Endowment: Many parishes experience various growth cycles, for example, a parish may have grown rapidly but now has a fixed or stable number of parishioners. It makes sense to save money during the high growth days to help support the parish when the number of parishioners stabilizes. Parishes should build savings and investment funds when they want to generate income that will support a program(s), the church in general or, future capital needs.

The term endowment generally refers to monies set aside in a separately incorporated fund for a specific purpose(s). This discussion is intended to broaden our understanding of endowment-type monies. Creating an endowment fund can be as simple as establishing an investment or savings fund and internally restricting use of the fund or income for specific purposes. The parish may put surplus cash in these type funds or seek donations. (Remember, donations received for a specific purpose *must* be used for that purpose.) Creating endowment-type monies does not require that parishes create separately incorporated endowment funds. (Creating a separately incorporated fund requires the Archbishop's approval and due to the extra reporting and management required, are discouraged.) Endowment monies should be investment in highly liquid, long-term investments that will create interest, dividend and capital gain income.

BUDGETING SPECIFICS (CONTINUED)

Capital: Parishes should also accumulate capital or maintenance savings. The cost of construction, renovation and repairs continues to escalate, sometimes at rates that far exceed normal inflation. Roofs, parking lots, heating/air conditioning units, carpets, chairs and even bathrooms are examples of capital items that have a finite life. Parishes should begin saving today so that when replacement or repair is necessary, the money will be available. Parishes should begin a listing of large capital items, their remaining life and the future cost of repairs. Such a schedule will allow parishes to determine how much money needs to be set aside today for these future repairs. These monies can be invested in liquid, long-term instruments that have an ability to increase in value at a rate that exceeds inflation. The duration of the investment could be tied to the future date the repairs would be made.

Depreciation: Since the parish accounting system is on a cash basis, most parishes never consider the impact of depreciation. Depreciation at its simplest is a recognition that capital investments (buildings, furniture, parking lots, heating/air-conditioning units, etc.) do not last forever. When income exceeds, expenses some parishes will be lulled into a false sense of security. However, a parish that has a small cash surplus (cash income exceeds cash expenses) may be headed for severe financial difficulty. This is because the parish may not be saving money to fix the large capital items in the parish (roofs, buildings, furniture, etc.) This is why it is critical that every parish in the Archdiocese of Denver begin accumulating substantial reserves for future capital needs. (See Exhibit 9.)

Expenses: When developing the parish budget, it is important to compare the actual expenses in the current year to the projected budget in the next year. Too often, the Office of Parish Finance has encountered parishes budgeting an amount less than was actually spent in prior years. The *Parish (Non-School) Budget* attached as Exhibit 2 will allow a parish to compare its actual budgetary experience with the future budget.

SCHOOL BUDGET

The plans, decisions and commitments incorporated in a school budget impact much more than the school parents, teachers and students. In almost all instances, schools require some subsidy from the home parish. Decisions about the school budget cannot be based solely on the input from the school but must consider the overall impact on the parish. Therefore, school budgets and the components of a school budget (e.g., tuition rates, projected enrollment, staffing, classroom size, operating expenses, etc.) are never considered finalized until the parish business manager, the parish finance council and the pastor have reviewed the conditions, estimates, projections and needs of the school budget and have either accepted or modified the budget.

Staffing: The largest percentage of school operating costs is for personnel. Staffing, classroom size and teacher aides are all examples of issues that must be reviewed from several perspectives including, quality of education, financial impact and tuition affordability. Parishes with long and stable enrollment trends and full classrooms can often commit to staffing size, whereas schools with low enrollment or excess classroom capacity should closely monitor actual enrollment before adding teaching staff. The selection of an individual teacher is certainly the domain of the principal, although the pastor may choose to be involved. The decision to add, retain or eliminate staff positions must be made through consultation with the parish business manager, finance council and the pastor (who makes the decision).

Monitoring: Since school budgets are such a large component of the overall parish budget, it is critical that the principal and parish business manager closely monitor school finances and the budget throughout the year. Departments can never assume that a budget shortfall in income or overage in expenses will simply be funded by the parish. First, the parish may be unable to fund the budget shortfall and secondly, to do so contradicts the authority and responsibility of the pastor in administering the parish. If a school encounters budgetary difficulties, it must bring them to the attention of the parish business manager, finance council and pastor immediately. In order for the principal to fulfill their responsibility to monitor the budget, the parish business manager must insure that the school receives timely financial reports.

Support: In order to effectively manage and monitor the school budget, the principal and business manager must work closely together. This can only be accomplished if there is mutual respect and support for each other. Successful parishes and schools exhibit business managers and principals that support one another and respect the unique challenges of each position. ("Turf battles", withholding information or undermining another's position has no place in the church and does not model "Christ-like" behavior.) In a similar manner, the school committee and finance council should consider a collaborative approach to developing the school budget. The finance council should consider sending a representative to school committee budget deliberations.

SCHOOL BUDGET (CONTINUED)

Financial Policies: Review school policies and identify those with a financial impact. These "financial impact" policies should be reviewed annually by the principal, school committee, parish business manager, finance council and pastor. Some of the financial impact policies would be:

Collection of past-due tuition, admissions policy for those with outstanding tuition balances at any Archdiocesan school, the amount and awarding of tuition assistance, pre-paid (lump sum) payment discounts, the amount and uses for parish subsidy, collection and policies surrounding inter-parish subsidy, enrollment priority (siblings, pre-school and child care students, parishioners, etc.), class size (should not exceed 30 students), admittance of "special needs students", addition of a second class for a grade, on-going maintenance, etc.

Budget Process: When budgeting school income, we are tempted to begin by asking a simplistic question: how much can people afford in tuition? Although this is an important question, it is far from the beginning of the budget process. Before tuition can be established, all those involved in school budgeting must know the actual per-pupil cost. The following is a guideline to school budgeting:

1. **Analyze** current year financial statements, identify reasons for budget overages or shortfalls
2. **Update** enrollment spreadsheet, project enrollment for the coming year and based on enrollment, project staffing required and complete school staff compensation schedule
3. **Complete** the school expenditure budget, use zero-based budgeting
4. **Estimate** fundraising and non-tuition revenue, obtain commitments from parent organization(s) for fundraising amounts
5. **Calculate** per pupil cost and compare to prior year tuition; Propose tuition rates:
 consider parent's ability to pay the new tuition rate, the availability of tuition assistance funds, the differential between parishioner, non-parishioner and non-catholic tuition rates
6. **Identify** potential home parish subsidy, either direct cash contributions or scholarship funds
7. **Submit** the budget to the parish business manager, parish finance council and pastor for review

8. *Consider* the school subsidy request and financial policies impact on the parish budget. If modifications are necessary, engage the principal and school committee in budget reduction discussions while considering the impact on school quality and overall parish finances.

PARISH (AND SCHOOL) BUDGET CALENDAR

December	Review parish financial information and investigate budget anomalies. Update historical information. Distribute budget forms to the school and school committee. Form budget sub-committees if necessary. Complete school enrollment projections. Parish business manager and principal should schedule meetings (to discuss budget process and information needs and review budget development progress) throughout the budget process. Parish finance council representative should begin attending school (budget) committee meetings. Review school financial impact policies.
January	School budget development continues and budget proposal is prepared. Calculate per-pupil cost and use to establish proposed tuition rates. Identify parish subsidy or tuition assistance needs. Contact school fundraising groups and ask for fundraising commitments.
February	Proposed school budget is sent to the business manager, finance council and pastor for review. Finance council and business manager make recommendation to the pastor. Pastor makes a decision and tuition rates are established. (School enrollment can begin once tuition rates are set.)
March	Parish business manager should meet with department heads to review budget process and information needs. Non-school departments receive budget information and begin budget development.
April	Finance Council receives combined budgets from the parish business manager, reviews budget, parish financial reports for the current year-to-date (July 1 - March 30) and makes recommendation for acceptance or departmental budget modification.
May	Budget is finalized by the finance council and submitted to the pastor for approval.
June	Final balanced budget is submitted to the Office of Parish Finance at the Chancery along with the following school forms: Per-pupil Cost Determination, School Budget, School Enrollment & Tuition.

SPREADSHEET EXHIBITS

The exhibits attached are provided to assist you in collecting the information necessary for good budgeting. Since budgeting is a process by which we collect data to use as a basis for making informed projections and plans, it is vital that the information be collected in a concrete, logical and historical manner. The overall parish budget will consist of three basic forms (two if there is no school), a Summary Budget Report, a Parish (non-school) Budget and a School Budget. All other spreadsheets are developed to help provide the information needed for these three reports.

Exhibit 1: Offertory History

Many parishes already keep a record of each week's collection. This spreadsheet is an easy way to record monthly offertory over time. Expand the spreadsheet as needed so that for every year the parish can identify its monthly offertory.

Exhibit 2: Parish (non-school) Budget

This spreadsheet is condensed for ease of viewing. A parish should expand the lines in order to show every line item in a parish's (non-school) budget. If a parish chooses, it can establish several departments, for example, youth, religious education, liturgy, maintenance, adult education, etc. If you look at page two of the exhibit, you will see "Extraordinary Capital Expense". Routine capital expenses, replacing carpet, painting, repairing a bathroom, would not be included in Extraordinary Capital Expense. Extraordinary Capital Expense is for large building projects, land purchases or large repair/renovation projects.

The parish budget is analyzed before including the school for several reasons: most parishes subsidize their schools, therefore the non-school budget must run a substantial surplus; most non-school departments are almost totally subsidized by parish offertory; if the school achieves its budget and the rest of the parish does not adhere to its budgets, the school may be adversely impacted (and the opposite is also true).

Exhibit 3: Compensation Schedule

Employees should be listed by department. As each department is subtotaled it can be easily transferred to the particular budget. If a position is hourly, fill in the hourly rate and the estimated/budgeted total compensation this position will receive.

Exhibit 4: Historical School Enrollment & Tuition

This exhibit combines several spreadsheets. First complete the *Enrollment By # Of Students*. Second, complete the *Enrollment By # Of Families*. The second page asks for the tuition rates and then calculates the total tuition. The tuition rates should not be established until the school budget and per-pupil costs have been determined. These forms must be submitted with the school budget to the Office of Parish Finance.

SPREADSHEET EXHIBITS (CONTINUED)**Exhibit 5: School Budget**

School budgets rely on tuition and fees for the bulk of their income. Enrollment and tuition accounts should be budgeted conservatively and cautiously. Budget for anticipated, collectible, tuition in the tuition accounts. All available school accounts are listed on the budget form. The form is constructed to allow a uniform methodology for determining per-pupil cost. This form must be used by every school when finalizing its budget.

Exhibit 6: School Per-Pupil Cost Determination

Actual per-pupil cost determination is one of the most important aspects to good school budgeting. The intent of this form is to identify those costs that should be borne by tuition payments. For example, gross cafeteria expense should not be included in tuition. Therefore, we add back the revenue generated by the cafeteria and if the cafeteria income doesn't cover all the cafeteria expense, then the net cafeteria expense must be subsidized from somewhere, probably tuition.

Exhibit 7: Summary Budget Report

This spreadsheet is used to collect the totals for every department in the parish. Here you will be able to see a comparison of those departments that generate surplus monies and those that require monies. The non-school department surpluses or deficits are added to determine the Total (Non-School) Surplus, <Deficit>. This total is added to the School Surplus, <Deficit> line to equal the Total Parish Surplus, <Deficit>. This total is then added to the Extraordinary Capital Expense line to determine the overall Cash Surplus/ <Deficit>.

Exhibit 8: Cash Flow Projection

This spreadsheet is not required and would be the last completed. It's purpose is to help a parish analyze potential cash flow difficulties. (In a school parish the late spring and summer months typically are the most difficult.) Simply divide the total income and expense budget into monthly amounts to identify potential cash flow difficulties.

Exhibit 9: Capital Repair

This spreadsheet is used to identify the annual savings needed to insure that monies will be available for future capital repair. The last column is for the Annual Savings Target, the amount to be set aside each year (month) to accumulate enough money for the future repair. The Annual Savings Target is a complicated mathematical process that can be easily determined through use of a financial calculator or the = FV command in Excel. The following example demonstrates the process: The church just finished repairing its parking lot for \$25,000. The work should last 20 years. If inflation is 3% per year, the same work will cost \$45,153 in 20 years. If a parish can earn 6% per year on its investments, it would need to deposit \$1,228 per year to accumulate the required funds.