

Immaculate Heart of Mary

Finance Report for Fiscal Years 2022-23 and 2021-22

February 24, 2024

My dear friends,

Attached are the Financial Reports for the Parish (Church, Religious Education Program, Rectory and House of Prayer) and School for the two Fiscal Years from September 1, 2021 until August 31, 2023. They are the income and expense summaries of the most recent two years that followed the reporting of fiscal years 2019-20 and 2020-21. This cover letter seeks to put these attached reports in context, make reference to our current fiscal years projections and then inform you of the plans for the subsequent fiscal year. Details of these years have been reviewed by our parish finance council and this summary was reviewed with the parish council.

Over the past several years, we have experienced issues getting timely reports and clarity on financial trends from our former accountants. Last summer the parish hired a new firm, Jilleba & Co., who came well recommended to us from other peer parishes. The good news is that we now have clarity in our financial position and we understand the drivers of our revenue and expenses. With this clarity, however, we now must deal with the issues posed by the improved reporting and develop a plan to assure the fiscal sustainability of our parish and its important ministries.

During the last several years, both the parish and the school benefited greatly from government programs mitigating the impact of the pandemic. While these programs greatly assisted in carrying us through this period, these programs have now ended and operational income and expenses must be addressed.

Here are the highlights of the parish and school financials for the attached documentation, keeping in mind that the parish and school fiscal years goes from 1 September until 31 August each year:

Parish Financials

Revenue

1. Sunday and Holy Day Collections were up \$164k - 15% year over year.
2. However, non-recurring donations and bequests were down \$115k (70%).
3. Religious Education Revenues were up \$10k, driven by enrollments. However, revenue failed to cover associated expenses of \$252k, contributing \$63k to the parish deficit.
4. Last year we received \$167k in Employee Retention Credit Rebates. This program was eliminated this year.

Expenses

1. Salaries and Benefits were down \$109 driven primarily by the loss of a priest and staffing adjustments to the Religious Education Program. However, savings in salaries were partially offset by increases in benefit costs for the remaining staff.

2. Maintenance was up \$120k (36%). The increase in year-over-year expenses is attributable to the engagement of Parish Property Management at the mid-point of 2022 and the continued projects to confront deferred maintenance on a campus that has buildings 70 years to 100+ years in age.

3. Utilities were up \$36k (40%) driven by inflation in energy costs.

4. The Archdiocese of New York Parish Assessments were up \$12k (9.5%) based on increases in unrestricted donations.

5. From 2020 until the summer of 2023, we have conducted a second collection at Sunday Masses for Catholic Education that has been held in a restricted reserve account on the church side of finances. These monies were transferred in the summer of 2023 to the school side of the financials to cover deficits there. Due to Archdiocese of New York accounting practices, this multi-year accumulation impacted the church deficit line and reduced the school's deficit line for fiscal year 2022-23.

6. Last year, the parish booked \$148k in Capital Improvements. Of this \$137k was attributed to Renew and Rebuild projects. The previous year \$643k was booked to Capital Improvements. Of this, \$606k was related to Renew and Rebuild.

The Bottom Line for the Church: For the 2022-2023 Fiscal Year, the church ran a deficit of \$309,405.

School Financials

Revenues

1. Tuition and Fees increased by \$245k (13%) driven by increases in student enrollments.

2. Fundraising increased by \$56k (86%) due to the great work of our newly formed development committee and the Home School Association.

3. Government grants increased by \$103k (79%). This increase is likely to be temporary as due to staff changes, we may not qualify for the grants in the next few years.

4. In the 2021-2022 year we received Payroll Protection Plan and Employee Retention Credits of \$743k. These programs have expired so we did not receive these payments this year.

Expenses

1. Salaries and Benefits increased by \$278k (15%) driven by staff addition staff additions.

2. Office Expenses increased by \$14k (13%).

3. Education expenses increased by \$50k (19%) driven by increased enrollments and renewed student activities following the restrictions related to the pandemic.
4. Maintenance decreased by \$66k (38%) due to elimination of pandemic related cleaning expenses.

The Bottom Line for IHM School: For the 2022-2023 Fiscal Year, the school ran a deficit of \$274k. This was partially offset by the transfer and use of the restricted reserved Catholic Education Funds from the church to the school of \$138k resulting in a net deficit of \$136,107.

Summary

For the 2022-23 Fiscal year, the parish ran a deficit of \$309,405 and the school ran a deficit of \$274,523. These deficits have been covered by drawing upon parish and school financial reserves, which have now been fully utilized. Significant adjustments are necessary from the perspective of both revenues and expenses.

For the current fiscal year 2023-24, our budget forecasts that both the parish and the school will meet all of our financial responsibilities, even though operating at deficits, due to a significant and extraordinary unrestricted bequest that was received in the Fall of 2023.

As we look ahead to fiscal year 2024-25, therefore, the Finance Council and our accountant are working to eliminate the operational deficits. To do that on the church side of the parish, we are asking parishioners for an increased giving campaign of 10%. We will renew our overtures for people to sign up with WeShare for their weekly/monthly or annual donations. We will also be reinstating the Holy Days of Obligation collections. Religious Education fees will be increased to cover the actual costs of the program. A thorough review of church costs will be undertaken with the goal of financial sustainability. The Parish Council seeks to assist this need by considering various fundraising possibilities.

Working with the Finance Council, our parish school has addressed the goal of financial sustainability by a 9% tuition increase for the school year 2024-25. Projections, therefore, indicate that IHM School will be in the black for the first time in several years. In April of 2022 during the last financial report to the parish, it was made known that IHM School owed the archdiocese \$852,227 accumulated over a period of a number of years. Since then, IHM has applied some of the annual mandated services reimbursements from New York State to this amount, as well as the expected FEMA reimbursement monies owed the school to this bill bringing what is owed to the archdiocese to under \$490k. Over time we expect to address the remainder.

As we move forward, IHM will need to develop a plan for addressing issues with our aging physical plant, and developing associated funding sources. As of August 31, 2023, the remainder in our restricted Renew and Rebuild account was \$550,000 (slated now to address some additional leakage to the church and rectory to finalize Phase I, and for interior church renewal of Phase II of Renew and Rebuild) and our restricted funds for Capital expenditures (the monthly second collection Repair and Maintenance) was \$90,000. I will work with the parish's Renew and Rebuild Committee, Maintenance Committee and our facilities management company, Parish Property Management, to get an updated assessment of the current and future needs of the entire campus, and then take steps to plan accordingly for a systematic restoration of our parish patrimony.

A local parish is meant to be the place where the life of Jesus Christ is communicated and lived, God the Father is glorified and the Christian community is built up in faith, hope and charity. The various facets of our parish life assist in this mission of the Church from Christ and the physical campus is part of the patrimony that has been given to us and that we seek to hand on to the next generation. Thank you for your commitment and dedication to our parish. Knowing our specific needs at this time, I ask that you join me in helping to renew and build up our community of faith.

Sincerely in Christ,

Msgr. Luke Sweeney