

Catholic Finance Corporation

Financial Advisor to Catholic Institutions

Financial Best Practices for Catholic Cemeteries Annual Meeting Presentation

August 14, 2014



Agenda

- Introduction – CFC’s Mission and your Needs
- Operations (Budgeting)
- Capital Improvements
- Care Fund/Master Plan
- Review of Governance

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CFC’s Mission

As good stewards, we will provide direction and counsel to Catholic institutions guiding them to an improved position of financial strength and security so that they may freely and faithfully fulfill their mission through their various ministries.

CFC's Structure

- CFC is a 501(c)(3) nonprofit corporation
- CFC is an independent Catholic corporation
- CFC was created in 2000 at the direction of the Archdiocese of St. Paul & Minneapolis
- Board of Directors – five lay people, three clergy
- Nine on staff – over 150 years experience in various areas of finance and administration

CFC's Services

- Long-Range Financial Planning/Model
- GROW Initiative
- Excellence in Catholic Education (ECE)
- Regional Shared Resource Discussions
- Originating/Facilitating Loans
- Cooperative Purchasing
- Information Clearinghouse

By a show of hands

- Cemetery Committee Members?
- Parish Business Administrators?
- Parish Cemeterians?
- Pastors?
- Others?

**What did you come
here hoping to learn?**

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- Introduction – CFC’s Mission and your Needs
- **Operations (Budgeting)**
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Budget

“A budget is simply a plan in dollar terms. The budget becomes the basic document for checking operations against plans and taking corrective action where appropriate, by either revising the plan or controlling operations to agree with the plan.”

Finance and Accounting for Nonfinancial Managers,

William G. Droms

Questions

By a show of hands, how many of you have a strategic business plan for your cemeteries for the next 3-5 years?

If so, does your stewardship of resources follow?
If not, how do you allocate dollars? Do you ask 'what did we do last year?'

Common Budgeting Problems

- Focus on one year
- Little or no connection between budget and mission of cemetery
- Disregard for current economic/demographic realities, changes in funeral practices
- No provisions for care fund/operating reserves
- No capital improvement plan (C.I.P.)
- Separation of operations from capital projects
- Unrealistic revenue and expenditure assumptions

Understand “Key” Drivers

- Revenue Drivers
- Expense Drivers

Key Revenue Drivers

- Lot sales/additional right of burial
- Fees for services (e.g. grave opening/closing, gate fees, marker fees)
- Interest income from savings/endowments
- Donations
- Above is about 90% of total

Key Expense Drivers

- Contractor fees
- Employee salaries and benefits
- Repairs and maintenance
- In-kind services chargebacks
- Expansion costs/debt payments
- Above is about 80% of total

Be Realistic . . .

- It means that the income projections include only sources and amounts that are certain or reasonably certain
- The budget is balanced by decreasing and controlling expenses rather than making unrealistic assumptions about income
- Face income realities as you prepare your annual budget, rather than scrambling for a solution after the fact

Contingencies

- Planning for contingencies is one of the first signs of smart management
- It is a good business practice to see that a surplus is included as part of your written annual plan and then budget for it
- Recognize the value carryover surpluses add to fiscal stability and plan them into annual budgets

Operating Reserves

- Does your cemetery have a policy to establish some minimum level of cash as an operating reserve (i.e. => 30 days)
- Reserves should be used to solve timing problems, not deficit problems
- Reserves should not be used to make up for income shortfalls if the cemetery does not have a plan to replace the income or reduce expenses in the near term future

Assess Your Current Reality

- Changing priorities/burial practices
- Strategic/long term plan
- Fill rate (rate at which current cemetery fills) and/or expansion plans
- Competition from other providers: capture rate (percent of cemetery funerals/total number of parish funerals)
- Financial/demographic trends specific to your area
- Actual results vs. budget

A Model for Long Range Forecasting

- Track actual historical revenues and expenses by major category
- Determine the percentage of change for each budget category from one actual year to next
- Determine the projected change for future years

Long Range Forecasting

- Base your projections on the reality of the actual numbers:
 - What you know, think, hope, guess
- The percentages convert to dollars in the budget forecast
- Project out at least 5-10 years - projection should extend at least a few years past the point where cemetery is full
- Reviewed and amended periodically - living document

The Importance of Financial Reports and Data

- Timely collection and review
- Focus on big picture
- Review budget assumptions
- Without accurate historical reporting, it's difficult to project future needs

**To disregard the facts
doesn't change the facts**

Potential Effects of Disregarding the Facts

- Drain reserves (debt, CIP, and operational) to meet obligations
- Cut services and related staff
- Sale of assets at potentially inappropriate times and at unfavorable terms
- Inappropriate use of operating line of credit/
dependence on parish for operational support

**You may be a “not-for-profit”
But are you also a “not-for-loss”**

Questions?
Comments?

Table Discussion #1

- Review the scenario
- Appoint a scribe to record answers
- Answer the questions, with scribe recording answers
- Share answers with the larger group when requested

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The Capital Budget

Outlines, typically on a multi-year basis, the expenditures *and the corresponding income* required to replace or acquire fixed assets or to keep them in good repair.

The Capital Budget

. . . . and the corresponding income required is paid from:

- Accumulated surpluses
- Memorials and donations
- Funding for future development

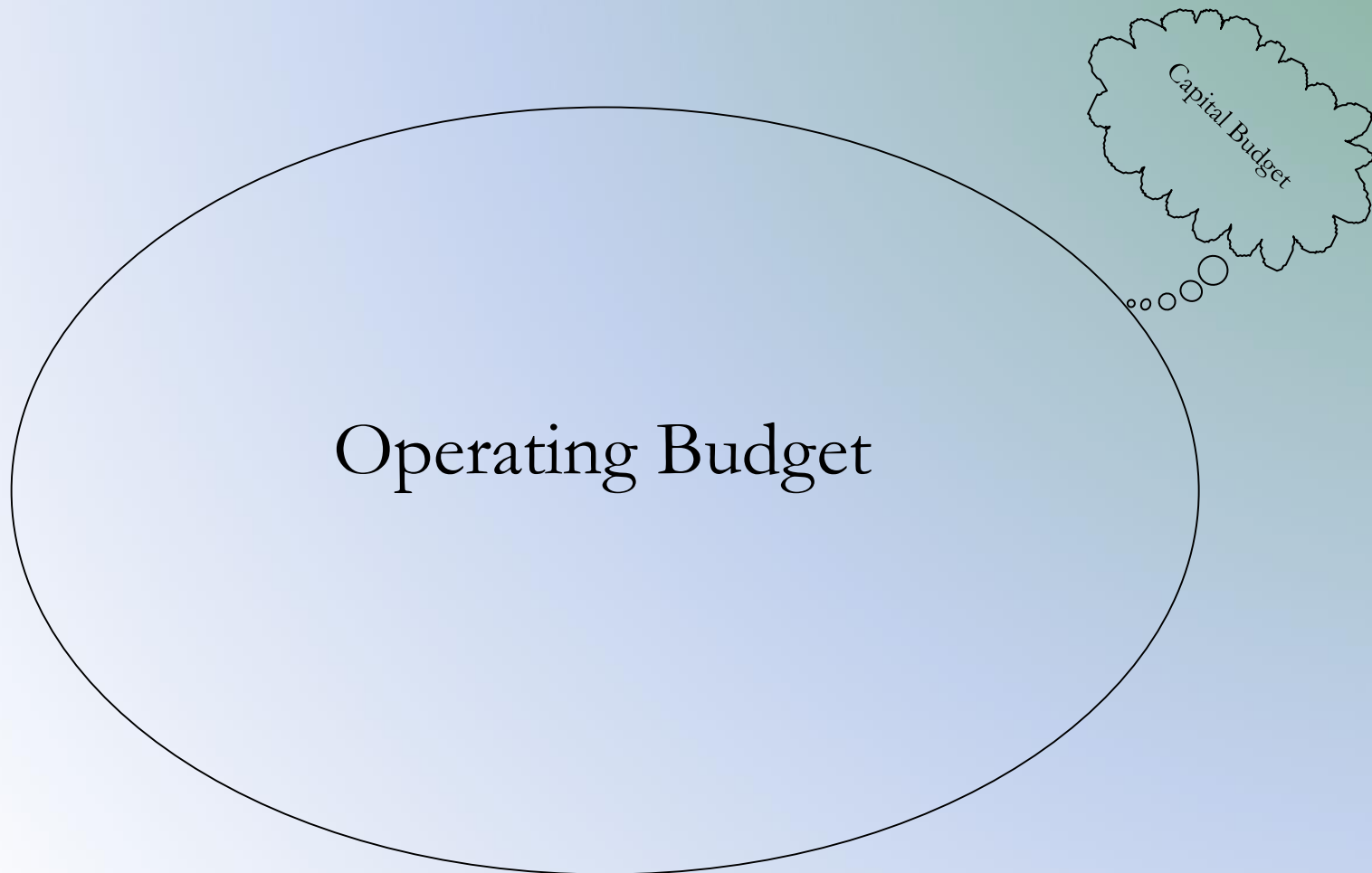
Similarities to Operating Budget

- Same methodology to develop and maintain
- Annual and multi-year components

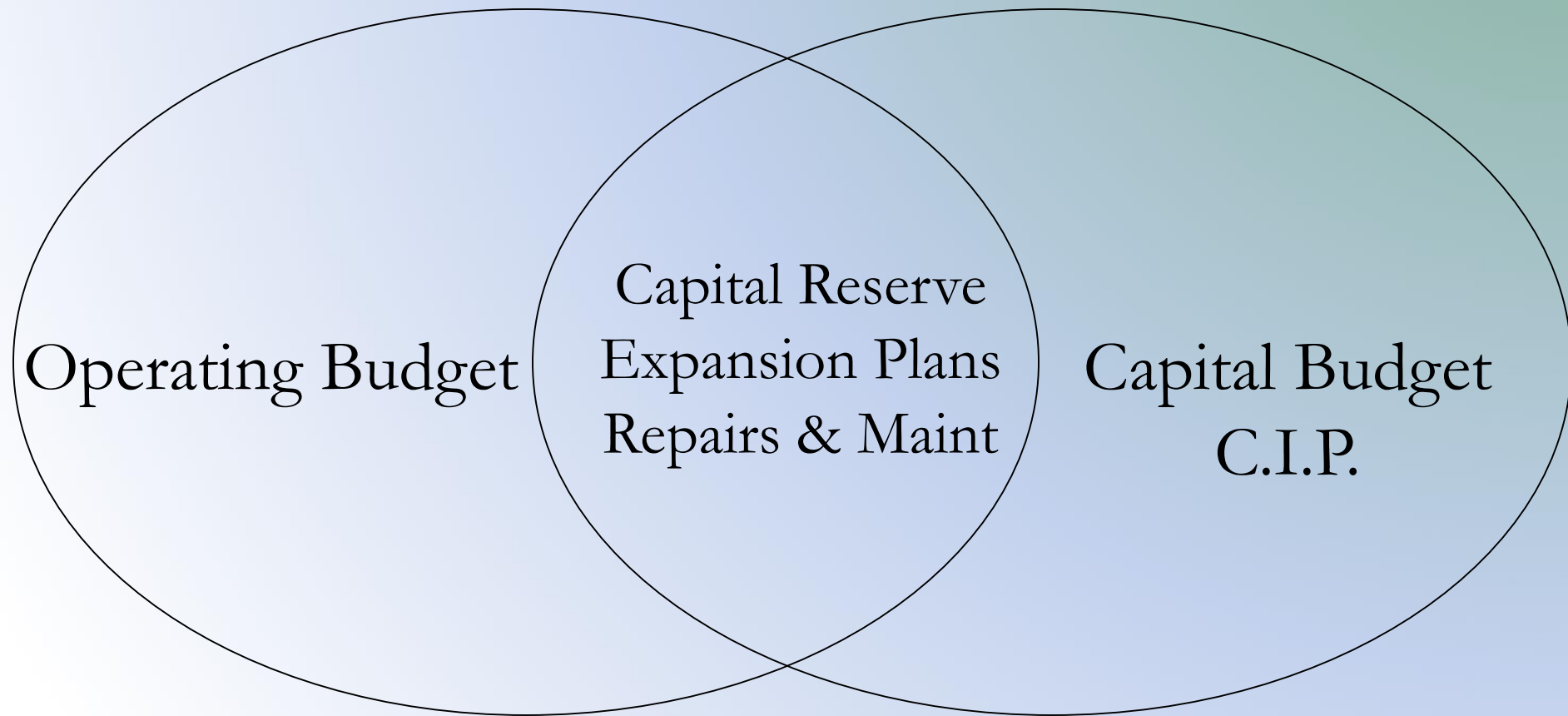
Differences from Operating Budget

- Capital needs not always evident
- Timing for repairs/replacement not always obvious
- Special expertise could be required (outside help)
- Long-term thinking required

Common Capital Budget Thinking



Recommended Capital Budget Thinking



Capital Reserve

- Discipline to set aside % of operating surplus
- Use of extraordinary revenue sources (bequests/donations)
- Use for large repairs
- Use for unexpected repairs/replacements
- Separate bank/investment account segregates funds

Why Prepare a CIP?

Capital Improvement Plan

- Provides a comprehensive picture of your capital needs in one document
- Helps you prepare well ahead of time for large projects
- Combined with your operating budget, gives you a better overall picture of your finances



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Care Fund/Master Plan

A Perpetual Care Fund is the fund that provides money to care for graves, crypts and niches that have been used, purchased, or developed/prepared for purchase.

The fund also may provide for grounds care, especially at such time as there may be little or no operating income, i.e. cemetery is at capacity.

Who has a Master Plan?

What is included?

What Items are Typically Included in a Master Plan?

- New buildings, plots, columbaria
- Different equipment
- Major renovations to existing buildings/expansion
- Major grounds maintenance (e.g. roadways, fences, drainage, irrigation)

How did you develop it?

**How has it
changed over time?**



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Benefits of Preparing a CIP/Master Plan

- Good financial planning
- Forward thinking
- Creates a manageable process
- Guides future decision making and makers
- Prevents surprises

**A care fund may be different
from your savings account**

Care Fund Elements

Care Fund plans should be based on the following:

- Assumed fill rate of cemetery based on mix of types/frequency of sales
- A reasonable annual rate of return on Care Fund investments
- A set or variable percentage of each lot/niche sale dedicated or allotted directly to Care Fund

Care Fund Issues

- Assure that Care Fund is adequate for long-term maintenance of cemetery beyond the projected date of reaching capacity.
- Pay attention to risk/return issues, seeking professional advice where appropriate
- Review sales frequency/types and cemetery expenses annual to determine match to history/budget/projections
- Adjust both revenue (prices/rates) and operating expenses as needed to insure continued care

**How do you fund the
Care Fund?**

How do you use it?

Table Discussion #2

- Review the scenario
- Appoint a scribe to record answers
- Answer the questions, with scribe recording answers
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Other Questions? Comments?

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Governance

Relationships between Parish cemeteries and sponsoring parishes

Policy

“Parish cemeteries are to be administered with the same diligence as the balance of the parish, mission or station to which a pastor/ parochial administrator is assigned.”

From *Handbook for Parish Cemeteries*, Vol. I-7, referencing 1983 Canon Law Book IV: Part III Title I Canon 1243

Procedures

“Because Canon Law clearly establishes lines of responsibility to the pastor, the pastor is ultimately responsible for the local administration of the parish cemetery. Because pastors must handle many administrative matters, the necessity to delegate is recognized. Pastors may delegate the administration of parish cemeteries to either parish business administrators or parish sextons/managers.”

Procedures (continued)

“The operation of a parish cemetery in today’s environment is a very complex matter. An Advisory Board, able to assist the pastor/ parish administrator in the establishment of procedures for the operation of the parish cemetery, is earnestly recommended.”

From *Handbook for Parish Cemeteries*, Vol. I-9, referencing
1983 Canon Law Book IV: Part III Title I Canon 1276

In Summary

- The Pastor is canonically responsible for the parish cemetery operations
- The Pastor may delegate to and seek the advice of others, including administrators, employees and boards on the operation of the parish cemetery.
- All work together to provide a valuable ministry to church and community

**How can
Catholic Cemeteries
and
Catholic Finance Corporation
continue to help you?**

Questions & Answers

We're here to help!

Call us at (651) 389-1070

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