

Catholic Finance Corporation

Financial Advisor to Catholic Institutions

Dealing With Capital Improvements:

A Field of Dreams?

A Presentation to:

Association of Parish Business Administrators

January 08, 2015

Agenda

- Introductions
- Where Are We Now With Operations and Capital Improvements?
- What's Important About Capital Improvements?
- How Do You Budget For Capital Improvements?
- How Do You Account For Fixed Assets?
- Wrap up

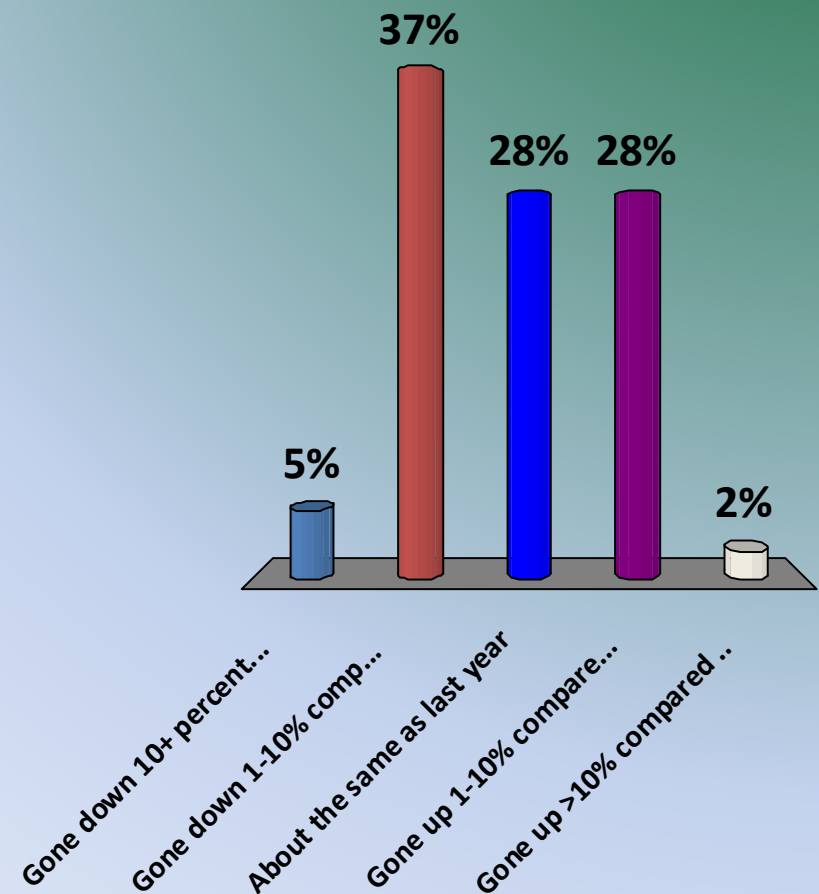
Where Are We Now With Operations and Capital Improvements?

What's happening this year in.....

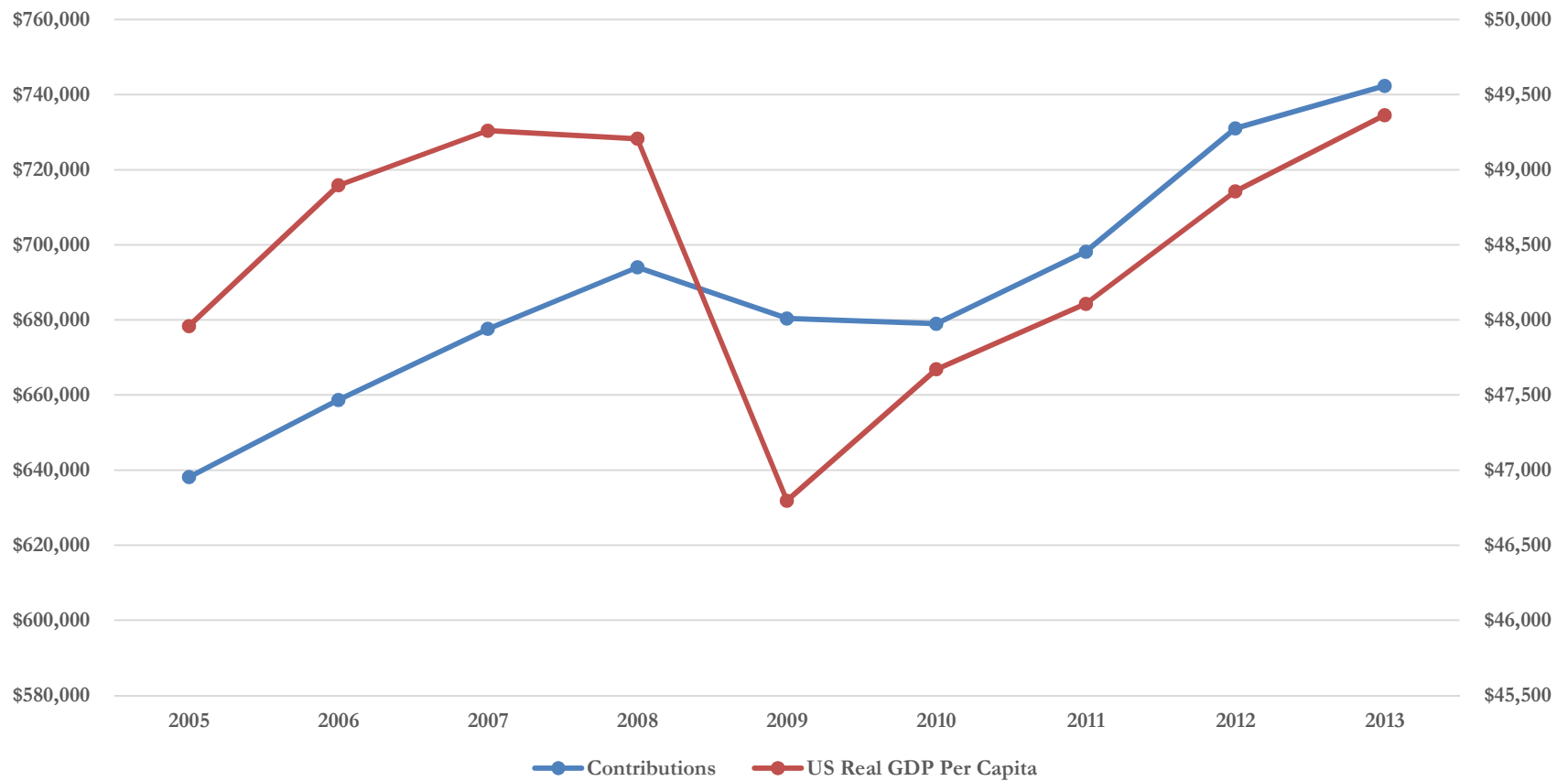
- Offertory?
- Capital Improvements?
- Capital Campaigns?

The First Six Months of FY 2014 (through December 2013) Our Plate and Envelope has:

- A. Gone down 10+ percent compared to last year
- B. Gone down 1-10% compared to last year
- C. About the same as last year
- D. Gone up 1-10% compared to last year
- E. Gone up >10% compared to last year



ASPM Average Contributions vs. US Per Capita Real GDP



What's Important About Capital Improvements?

Deferred Maintenance-Asphalt

- Pay me now, or pay me later
- 2013 49 parking lot assessments/17 parishes did work
- 2014 43 parking lot assessments/15 parishes did work

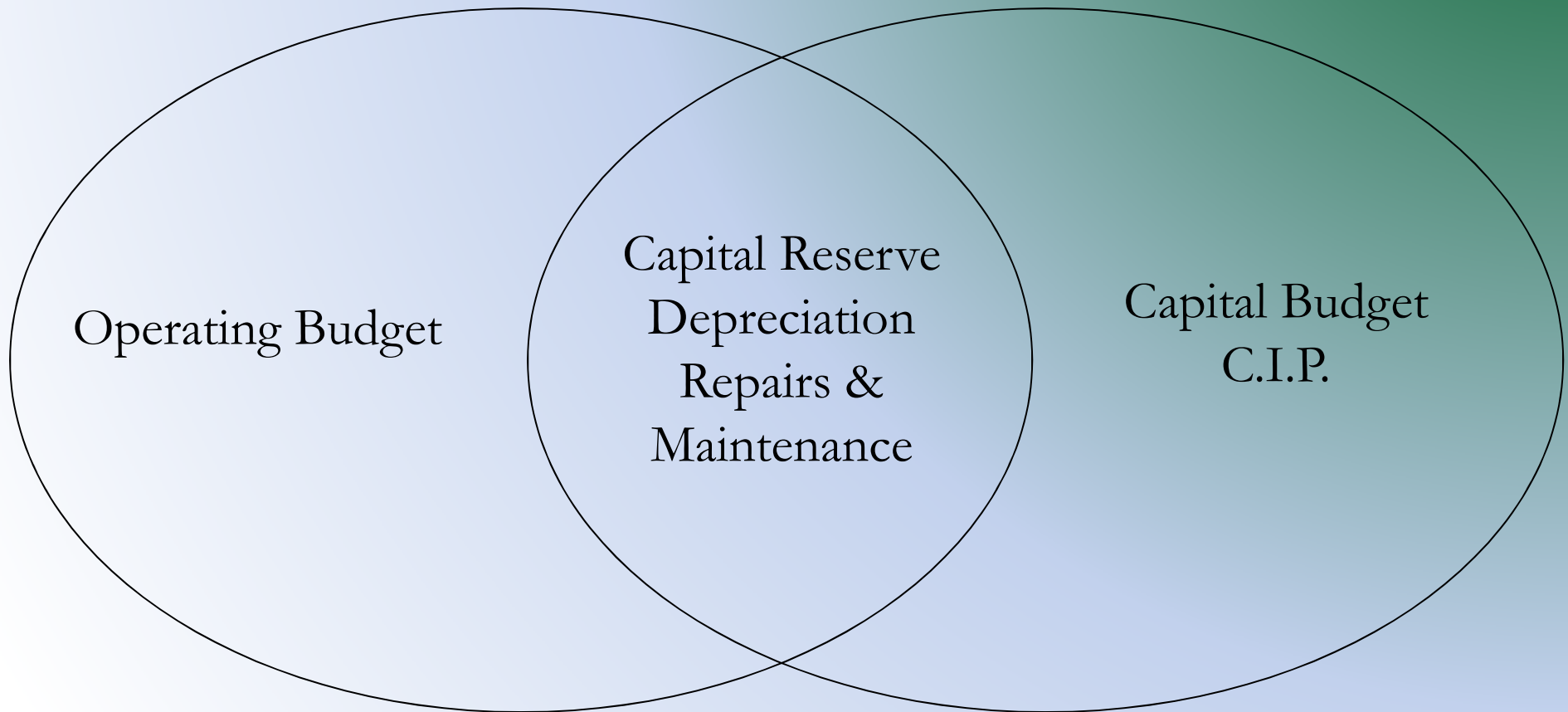
Deferred Maintenance

- Roofing
- HVAC
- Tuck-pointing

How Do You Budget for Capital Improvements?



Recommended Capital Budget Thinking



The Capital Budget

The expenditures *and the corresponding income* required to replace or acquire fixed assets or to keep them in good repair (typically over multiple years) and the corresponding income required is paid from:

- Accumulated surpluses
- Fundraising campaigns
- Funding depreciation

Why Prepare a C.I.P.?

- 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
- Eliminates tendency to live with “uncared for” facilities

What is a Capital Improvement?

An expenditure for the improvement or acquisition of facilities or equipment that would have a useful life of greater than 3-5 years.

What Items are Typically Included?

- New buildings and vehicles
- Major renovations to existing buildings
- Roof replacements or major roof repairs
- Replacement of boilers
- Tuck-point and other major exterior building repairs
- Maintenance items that are significant in size and greatly extend useful life

What Items are Typically NOT Included?

- Computers
- Most replacement furniture for existing buildings
- General vehicle repairs
- Regular facilities and grounds maintenance

Process for Preparing a C.I.P.

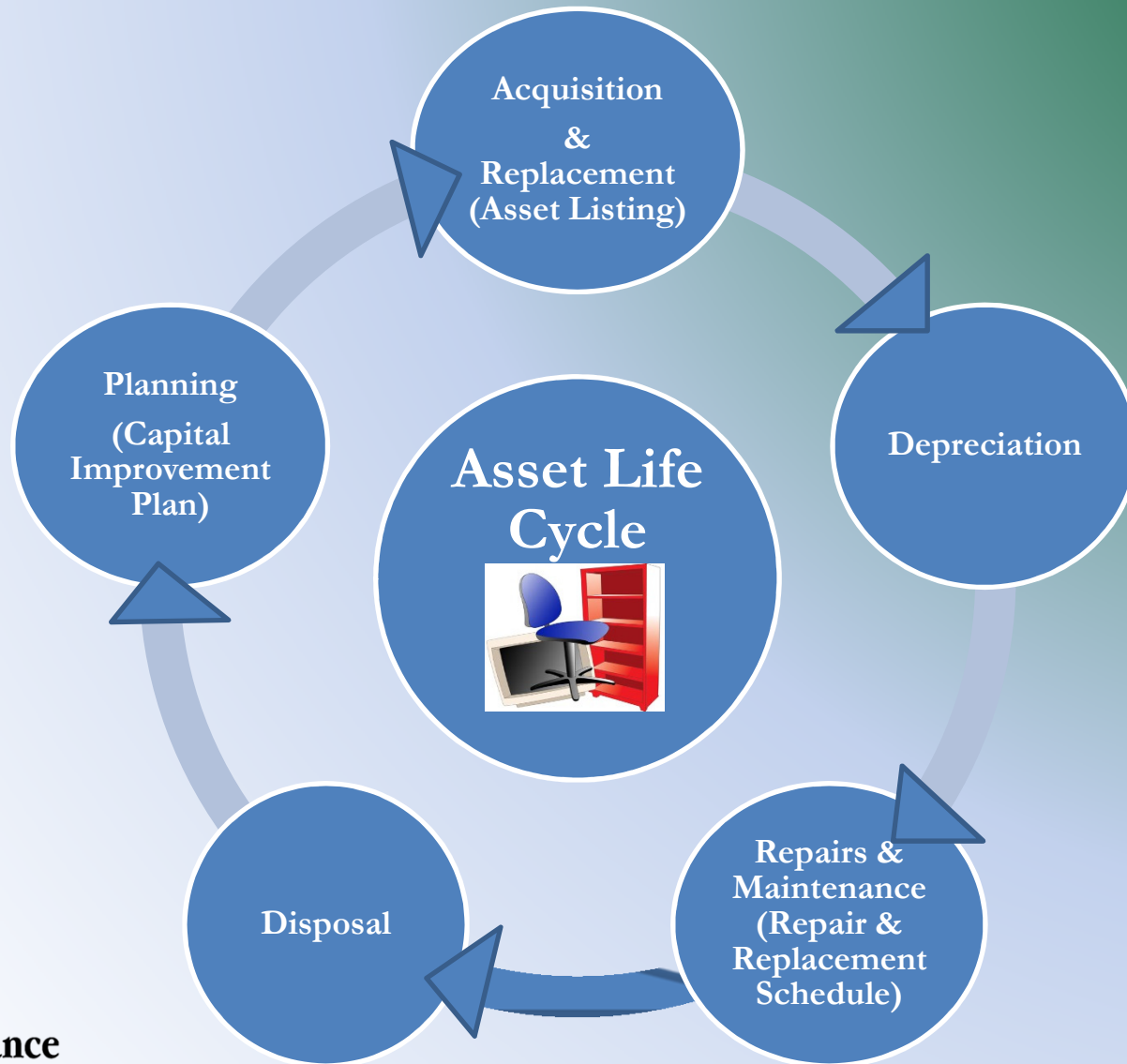
- Coordination and oversight by Finance Committee
- A separate plan, but created at the same time as the operating budget
- Identify sources of funding
- Current year of the C.I.P. merged into annual budget
- Follows same approval process as an annual budget

How Do You Account for Capital Improvements?

Fixed Asset Policy Elements

- Documenting existing fixed assets
- Recording fixed assets at cost
- Calculating depreciation
- Calculating funding reserves
- Establishing effective date

Fixed Asset Life Cycle



Asset Listing

Asset Listing

Item	Asset Class	Purchase Date	Asset Cost	Depreciation Cost Base	Useful Life	Yearly Depreciation	FY2014 Current Year Depreciation
100 Main Street	Land		100,000	-		NA	NA
200 Main Street	Land		200,000	-		NA	NA
Total Land			300,000	-			
Office Computer	Equipment	12/1/2013	2,250	-	3	NA	NA
Forklift	Equipment	1/1/2000	20,000	20,000	15	1,333	1,333
Floor cleaner	Equipment	10/31/2012	10,000	10,000	10	1,000	1,000
Total Equipment			32,250	30,000		2,333	2,333
Church Carpet	Buildings	6/24/2007	10,000	10,000	7	1,429	1,429
Parish Boiler/Furnace	Buildings	6/6/1984	50,000	50,000	30	1,667	1,667
Parish Office HVAC	Buildings	6/6/1984	20,000	20,000	30	667	667
Church Roof	Buildings	6/27/2005	15,000	15,000	20	750	750
Parish Office Windows	Buildings	6/29/2007	65,000	65,000	30	2,167	2,167
Total Buildings			614,000	614,000		28,912	27,812
Office Bulletin Boards	Furniture	6/22/2000	3,500	-	15	NA	NA
Parish Office Lighting	Furniture	6/27/2005	1,250	-	10	NA	NA
Office Mail Shelving	Furniture	6/30/2012	1,800	-	10	NA	NA
Total Furniture & Fixtures			91,550	43,000		3,583	7,083
Grand Total			1,037,800	687,000		34,829	37,229
Accumulated Depreciation				(313,329)			
Net Fixed Assets				373,671			

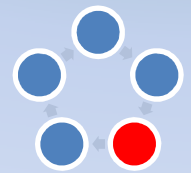


Repair & Replacement Schedule

Repair and Replacement Schedule

1.8% - Annual rate of inflation

Building	Type	Year Installed	Expected Life - Yrs	Replacement Year	Est Cost - Today's \$	Adjust for Inflation
PARISH OFFICE	Equipment	2013	3	2016	2,400	2,532
CHURCH (building 1)	Equipment	2000	20	2020	15,000	21,431
SCHOOL (building 2)	Equipment	2012	13	2025	15,000	18,915
					32,400	42,878
CHURCH (building 1)	Building Interior	2007	7	2014	10,000	11,330
CHURCH (building 1)	Mechanical	1984	30	2014	50,000	85,389
CHURCH (building 1)	Mechanical	1984	30	2014	20,000	34,156
CHURCH (building 1)	Building Exterior	2005	10	2015	15,000	17,930
CHURCH (building 1)	Building Exterior	2007	30	2037	65,000	111,006
					614,000	1,018,184
PARISH OFFICE	Furniture	2000	15	2015	4,000	5,227
PARISH OFFICE	Furniture	2005	10	2015	1,750	2,092
PARISH OFFICE	Furniture	2012	10	2022	2,000	2,391
					52,750	65,452
Grand Total					699,150	1,126,514



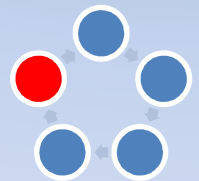
Capital Improvement Plan

Capital Improvement Plan

	Planned Purchase Year	Amount Required
Office Computer	2016	2,532
Forklift	2020	21,431
Floor cleaner	2025	18,915
Total Equipment		42,878
Church Carpet	2014	11,330
Parish Boiler/Furnace	2014	85,389
Parish Office	2014	34,156
Church Roof	2015	17,930
Parish Office Windows	2037	111,006
		1,018,184
Office Bulletin Boards	2015	5,227
Parish Office Lighting	2015	2,092
Office Mail Shelving	2022	2,391
		65,452
Grand Total		1,126,514
New Assets:		
Sprinkler System	2016	25,000
Statue	2018	10,000
Total New Assets		35,000
Grand Total Including New Assets		1,161,514

Annual Capital Funding Requirements

2014	130,875
2015	226,760
2016	27,532
2017	24,774
2018	42,799
2019	-
2020	137,735
2021	-
2022	38,250
2037	111,006
2038	-
Total	1,161,514



Wrap Up

- Assess the situation
- Create visibility with parish leadership
- Develop a plan
- Take action

What's in it for me?

Thank You

We're here to serve!

Call us at (651) 389-1070

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