

Our Lady of Perpetual Help Parish Financial Overview – Capital Accounts

Early in this decade, OLPH was bursting at the seams, and had run out of space to serve our rapidly-growing parish. Recognizing this, the Parish enlisted the Archdiocese's assistance and began the process of master-planning our campus, ultimately leading to the decision to design and build a new parish center. To pay for this work, a capital campaign was initiated, which, in conjunction with OLPH's operating reserves, generated the requisite financial resources to commence with the project. The Archdiocese lent OLPH the money needed to fund construction payment obligations as capital campaign pledges were collected.

During construction of the parish center, the real estate boom in Howard County led to an opportunity to sell a portion of OLPH's property that was not currently in use, and was not programmed for use in the master plan. Archdiocesan legal and development staff negotiated an agreement with the Buyer, which resulted in a June 2004 contract, executed by Cardinal Keeler, to sell 7 acres of property for \$2.1 million. It was determined that the anticipated land sale proceeds of \$2.1 million made the capital campaign unnecessary, so it was halted and the land sale proceeds were pledged to repay any funds due to the Archdiocese.

With no capital campaign funds to make annual interest payments of over \$100,000 to the Archdiocese, however, those expenses fell to the parish's general operating account, which then began to fall into a significant deficit. Nonetheless, it was hoped that the land sale would be completed in short order and therefore the situation would shortly resolve itself.

In early 2006, following 1) a review of the documents, 2) talks with the Buyer and Howard County planning authorities, and 3) follow-up discussions with Archdiocesan staff and legal counsel, Pastoral Council leadership correctly determined that the land sale would not be completed until September 2010.

Our financial condition was deteriorating rapidly, and we were forced to defer payments on some bills, which led to the implementation of a new capital campaign, called *Honoring our Past, Preserving our Future* (HOPPOF). The documents prepared to support this campaign disclosed that the land sale would be delayed until 2010, and that we needed to raise money to repay our debt and make other capital improvements and repairs to our campus. But HOPPOF was barely underway when Monsignor Smith was removed from ministry, throwing OLPH into turmoil for many months until Father Arnold was appointed our new pastor.

Parish finances were a primary concern, and shortly after his arrival, Father Arnold formed a Finance Committee to help him manage that long-neglected situation. On the operating side, charts of accounts were established, financial statements produced, controls initiated, and a comprehensive budgeting process implemented. On the capital side, the Finance Committee began its review of capital campaign pledge data, and grounds and maintenance needs, to build a financial model to evaluate capital inflows and outflows.

During the process of assessing the condition of our buildings, OLPH was appraised by its structural engineers that the school had experienced significant degradation, and was in jeopardy of posing a safety hazard to students and staff without substantial improvements. Given the financial situation of

the parish, all options were considered – including abandoning the building – but ultimately the decision was made that the school building was integral to the life of the parish. In order to pay for this, Father Arnold worked with the Archdiocese to re-instate the HOPPOF capital campaign, which succeeded in raising 2.8 times our annual offertory in total – a remarkable achievement in a difficult economy, and testament to the generosity of our parishioners. Nonetheless, this left us about \$700,000 short of our total goal, which, in conjunction with an Archdiocesan commitment to allow us to carry \$1 million in permanent debt, would enable us to complete all the sanctuary, parking lot, and school repairs and improvements. Father Arnold re-committed himself to raising that final \$700,000.

As this was unfolding, the Finance Committee began investigating how the collapse of the local and national real estate market might impact the long-delayed consummation of the land sale. In October 2009, we received word that Howard County had finally released the lots for development, which would trigger the closing in mid-2010. Unfortunately, the buyer simultaneously informed us that the real estate crisis meant that the property could not be profitably developed, and following several meetings and discussions with OLPH and the Archdiocese, the contract has been terminated. For a variety of technical, engineering and property control reasons, it is now unlikely that the land sale can be resurrected at any price, let alone the previously-agreed \$2.1 million.

Our present capital accounts situation is as follows:

Debt Payable to the Archdiocese of Baltimore:	\$2,598,386
Remaining Repairs and Improvements:	\$1,400,000
Estimated Interest Payments on Debt (2010-2014):	<u>\$ 582,000</u>
Total Cash Needs	\$4,580,386
Uncollected HOPPOF Pledges:	\$1,120,057
Campaign Cash On Hand:	<u>\$ 453,543</u>
Total Projected Capital Deficit	\$3,006,786

The Archdiocese has recently been completely integrated into this process, and has indicated to Father Arnold that it will work diligently with OLPH to resolve our financial challenges, including the restructuring of our debt as necessary.

**Our Lady of Perpetual Help Church
Capital Campaign Summary
As of December 31, 2009**

Total Pledged To Date **\$2,697,013**

Proceeds To Date

Total Pledges Collected To Date	\$1,576,956
Loan Advances from Archdiocese	3,003,916
Campaign Interest Paid from Operating Funds	514,410
Total Proceeds To Date	<u>\$5,095,282</u>

Expenditures To Date

Phase I Improvements ⁽¹⁾	\$1,564,236
Phase II Capital Improvements ⁽²⁾	2,068,217
Phase II Campaign Administration Expenses	89,345
Interest Expense(Paid From Operating Funds Noted Above)	514,410
Loan Payments to Archdiocese	405,530
Total Expenditures To Date	<u>\$4,641,739</u>

Current Campaign Proceeds In Excess of Disbursements **\$453,543**

Future Expenditures

Capital Improvements ⁽³⁾	\$1,400,000
Interest on Debt(\$9,700/mo for 5 years)	582,000
Total Future Expenditures	<u>\$1,982,000</u>

Total Pledges Remaining To Be Collected **\$1,120,057**

Additional Amount Required to Cover Future Expenditures ⁽⁴⁾	\$408,400
Repayment Of Archdiocesan Loan	2,598,386
Total Additional Amount Required	<u>\$3,006,786</u>

⁽¹⁾ Represents Phase I Parish Center Costs in Excess of Campaign Pledges Funded by a Loan From the Archdiocese anticipated to be repaid from proceeds of land sale

⁽²⁾ Education Center Emergency Repairs	\$1,984,884
Rectory Repairs - 2008 & Prior	31,018
Parking Lot Repairs	41,910
Church Window Tinting & Walkways	7,195
Cabling between Rectory & Ministry Center	2,760
Land Sale License Extension	450
Total Phase II Capital Improvements	<u>\$2,068,217</u>

⁽³⁾ Additional Phase II Education Building Repairs	\$1,000,000
Church Interior Improvements	400,000
Total Future Capital Improvements	<u>\$1,400,000</u>

⁽⁴⁾ Additional Amount Required to Cover Future Expenditures	
Total Future Expenditures	\$1,982,000
Current Campaign Proceeds In Excess of Disbursements	(453,543)
Total Pledges Remaining To Be Collected	<u>(1,120,057)</u>
Additional Amount Required to Cover Future Expenditures	\$408,400

**OUR LADY OF PERPETUAL HELP PARISH
OPERATING REPORTS
FOR THE YEARS ENDING JUNE 30,**

	<u>2010 FORECAST</u>	<u>2009 ACTUAL</u>	<u>2008 ACTUAL</u>
RECEIPTS			
Offertory Collections	\$1,115,082	\$1,143,941	\$1,146,119
Investment Income	10,716	12,156	10,925
Restricted /Unrestricted Gifts	49,626	60,716	126,962
Tuition and Fees	80,205	89,603	67,186
Other Income	<u>42,206</u>	<u>33,067</u>	<u>42,012</u>
TOTAL RECEIPTS	1,297,835	1,339,482	1,393,203
DISBURSEMENTS			
Salaries	394,937	392,765	346,952
Benefits	128,325	109,500	115,808
Utilities: Electric, Gas, Water	93,879	89,134	100,082
Building Maintenance & Insurance	96,639	98,555	121,681
Administrative Expenses	81,019	76,913	60,571
Worship Expense	39,173	40,127	34,910
Other Program Expenses	121,183	94,330	99,757
Bulletins, Votive, Special Collections	6,142	2,914	15,504
Catholic Review	20,066	20,032	22,774
Donations	31,236	28,583	61,931
Student Services	50,000	50,000	50,000
Archdiocesan Assessments	166,263	180,688	177,168
Interest on Debt	118,949	126,978	86,176
Capital Expenditures	<u>23,816</u>	<u>0</u>	<u>0</u>
TOTAL DISBURSEMENTS	1,371,628	1,310,518	1,293,313
SURPLUS(DEFICIT)	<u>(\$73,793)</u>	<u>\$28,964</u>	<u>\$99,890</u>

Our Lady of Perpetual Help Parish

.....the Rest of the Story

The report you have been given by Todd Arterburn and Al Brasauskas is a factual statement of the historical events that have led to our present situation and an accurate statement of our capital campaign and the operations of our parish. It reflects the efforts of a highly-qualified group of parishioners who comprise the parish Finance Committee to ascertain those facts and to assist our pastor, Father Arnold in his efforts to guide the parish in these difficult times and to represent our interests in discussions with Archbishop O'Brien, Bishop Rosansky and members of the Archdiocesan administration.

It is so true that crisis can and often does lead to opportunity. Notwithstanding the financial stress experienced by the parish over the past several years, Our Lady of Perpetual Help parish has been blessed in so many ways. To put our financial situation in context, we need to also focus on some of the blessings Our Lord has bestowed upon Our Lady of Perpetual Help parish:

1. Our parish is particularly blessed to have a Pastor such as Father Arnold who has led this parish into a new era of spiritual growth and an enriched liturgy. At the same time, and as discussed by Todd Arterburn, Father Arnold has demonstrated a remarkable business-like approach to the administration of the daily affairs of the parish. Not only has he made himself knowledgeable in the many facets of the parish, he has recruited capable and experienced staff in all positions. In addition, Father Arnold has enlisted the talents of literally scores of parishioners in areas such as Christian Formation, finance, building and grounds maintenance and capital improvement planning.
2. Last Spring, we were shocked and saddened to learn that Father Larry Adamczyk was to be transferred and we pondered a future without an associate pastor. However, God bestowed another blessing on Our Lady of Perpetual Help parish with the arrival of Father McLean Cummings. Father McLean immediately set about to contribute to the spiritual life and health of the parish and he has developed a very good working relationship with Father Arnold.
3. Another rich blessing.... With the aid of dedicated staff and a host of volunteers, our parish is providing a comprehensive program of religious education and programs of sports and fellowship for literally hundreds of our younger parishioners. In addition, adult parishioners are now able to participate in a continuing series of religious education and formation programs. These programs are conducted practically every evening and fully utilize our parish center and the school facility. In fact, we are meeting in the church this evening because every other possible meeting space is occupied by regularly scheduled activities.
4. Within the confines of our newly-repaired educational building, Our Lady of Perpetual Help School is providing an excellent faith-based education to more than two hundred grade school

children. Operation of a parish school is difficult and requires a considerable investment of money – and time – by the parents of those children. Maintaining sufficient enrollment is a continuing concern and costs of staff and operations are being kept to a minimum. At the same time, our students are receiving a quality education and instruction in a religious atmosphere provided by a group of highly-trained and devoted staff and faculty.

5. And yet another blessing..... While the expense associated with the repair of the school has been, to say the least, substantial, our overall campus is now in better condition than at any time in recent memory. Kirill Gorbachev and volunteers such as Bill Donahue, Tom Gregorini, Patty Babcock, my wife Sue and literally dozens of fellow parishioners have devoted countless hours toward the repair, restoration and modernization of the Rectory, the Parish offices, the grounds and the church itself. Obviously, a lot of the work within the church, such as systems improvements, has not been highly visible and more improvements are scheduled this year.
6. To assist Father Arnold in organized and systematic maintenance of parish facilities, an expanded Facilities Committee will be activated within the next month. A program of planned maintenance and scheduled capital improvements is in final stages of development. These steps will ensure that Our Lady of Perpetual Help parish will not be faced with another unexpected massive repair project in the future. One of the important tasks of the Facilities Committee will be to develop and recommend a budget for annual maintenance and repairs.

The parish is now paying for the years of neglect of the school building and, for that matter, all of our buildings where the costs of maintenance were deferred for years. The effect of that practice was to simply defer the costs associated with using these buildings and now we have to pay for that deferral. The good news is that we can avoid substantial repair costs with good maintenance and budgeting practices.

7. Finally, yet another blessing. Under the leadership of Crissy Reid and Lisa Sliker, a new census of the parish and an inventory of our parishioners' talents and skills are planned. This will be followed by the development of a master email address list that will permit much improved communications with our parishioners.

In conclusion, with the blessings of Our Lord, the leadership of Father Arnold and Father McLean and the help of many members of this parish, Our Lady of Perpetual Help is moving in the right direction. As we ponder our own problems, keep in mind that we have the long-term resources to solve them. Consider the scope of our situation in comparison with the crises in other parts of the world. What we are talking about in this meeting pales in comparison. Our Lady of Perpetual Help parish will continue to face – and meet – our challenges.

There's much to be done and there's a need for the talents of many more members of the parish. As you leave here tonight, please consider contributing your time and talent and feel free to contact the parish staff or any member of the Pastoral Council to express your interest.