

## Tips for Mid-Course Corrections

In our last newsletter, we discussed the need to make adjustments to your financial plan given the current state of the economy. Since many people are wrestling now with budget preparation, we thought it would be a good time to share some tips for making those budget adjustments.

First, you need to get an accurate picture of where you are, not only in relation to your current budget but also in relation to your results from the previous year. Knowing exactly where you are will help you begin to determine whether you are experiencing a short-term cyclical problem, or a long-term structural problem. Your answer to that question will guide you in making any plan adjustments.

If your problem is short-term in nature, adjustments may be as easy as deferring discretionary expenses (e.g. certain capital items) or judiciously using reserves that you feel can be safely replaced at a later date. Make sure that you base this adjustment on accurate and timely financial reporting. Also, it is advisable that you incorporate any seasonal budget adjustments into your process.

A structural imbalance in your budget requires more thought and more extensive use of adjustment items in your financial tool box. When contemplating structural budget adjustments, remember to stick to your essential ministries. This, of course, assumes that you have defined your essential ministries and that the parish has prioritized them. In a crisis, many people are

tempted to cut costs across the board. However, this often causes the most important ministries to downsize, while lower priority items continue to be funded. In the long run, this could be extremely detrimental to the overall delivery of parish ministries.

Carefully reviewing staff attrition is one means to address a structural imbalance in the budget. As staff members retire or leave, each position should be looked at closely to determine whether it should be filled in the same manner, or whether tasks can be redistributed among remaining staff. Once you have prioritized the delivery of parish ministries, this analysis should be easier to complete.

Sharing programs with nearby parishes is another means of maintaining programs without being burdened by the full cost. Whether it be the parish faith formation program or the art program at the school, creatively sharing resources, including staff, is a cost-effective means of retaining some programs.

Examining and improving your equipment and facilities can often lead to savings over time, yet the proper maintenance of facilities often is jettisoned at budget crunch time. Failure to perform necessary maintenance can lead to serious and costly problems in the future. We have seen some parishes ignoring leaks in their roof only to have to pay for extensive repairs of their ceilings and walls a few years later. In a like manner, long-term energy cost savings can be achieved by

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working with your local power supplier to examine ways you can use technology or common sense to save energy and money.

Whatever adjustments you may decide upon, make sure that you avoid employing strategies that are at odds with Catholic social teachings. Avoid deferring legitimate payments beyond their due dates, don't neglect to pay your creditors (including your diocese), and remember that charging for sacraments is never appropriate!

If you are interested in discussing the tips addressed above, or many others that may apply to your circumstances, give us a call or contact us through our web site. We would love to talk with you about your particular situation.

## Audit Preparation Reminder

If you will be having a financial audit performed this year and your fiscal year ends this June, now is a good time to do some preliminary preparation work. Reviewing entries to your general ledger to make sure they are properly recorded, ensuring that subsidiary ledgers for accounts payable and accounts receivable are current and correct, and catching up on bank account reconciliations are all important items to address as the fourth quarter of the fiscal year begins.

Keeping current with your accounting processes and procedures during the year and being prepared well before your auditors appear will save you a great deal of time and money during the actual audit.

## Out & About with CFC

CFC met with business managers and school officials in the Diocese of Orange on January 6 to present the topic "Budgeting During Difficult Economic Conditions." The presentation was conducted in the Diocesan Center in Orange, California.

"Budgeting During Difficult Economic Conditions" was also presented to parishes of the New Ulm Diocese in Redwood Falls, Minnesota on February 24.

Staff members from CFC made three presentations of "Effectively Managing Budgets" to parishes in the Winona Diocese. The presentations, conducted on February 17 and 18, were in Rochester, Mankato, and Worthington, Minnesota.

During April and May, CFC will be making eight presentations on "Being Good Stewards in Challenging Financial Times" to all of the Deaneries in the Archdiocese of St. Paul and Minneapolis. The dates of these presentations will be April 15, 22, 23 and May 5, 6, 7, 12 and 13.

CFC is available to make a similar presentation in your diocese. Please contact us if you are interested.

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