



# Financial Management for Religious Institutes

*Some Thoughts, Suggestions, and Ideas  
to Help Steward your Community's Resources*

Linda M. Birochik



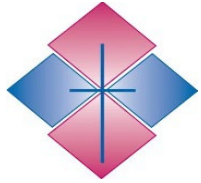
# Financial Practices to Consider

- ❖ An institute-specific estimate of current and future retirement costs (the NRRO Retirement Needs Analysis is a “one-size-fits-all” estimate).
- ❖ Periodic analysis of institute cost patterns to identify potential savings.
- ❖ Regularly updated cash flow projection to determine adequacy of savings.
- ❖ Development efforts and/or identification of other sources of funds for reducing retirement funding shortfall.



# Financial Practices to Consider

- ❖ Social Security and/or Supplemental Security Income (SSI).
- ❖ Medicare and/or Medicaid benefits and other available government programs.
- ❖ Written investment policies that clearly state investment objectives, liquidity needs, risk tolerance, performance measurement, social responsibility concerns, etc.
- ❖ Qualified personnel to oversee financial management.



# The Mantra of the NRRO

**Increase Income**

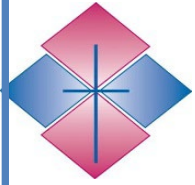


**Decrease Expenses**



**How do you do that?**

**???**



# What are Your Sources of Income?

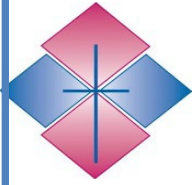
## MEMBER WAGES / STIPENDS

Are you able to dialogue with your Diocese about religious stipends and benefits?

Members who may be in ministries that cannot provide any type of financial support

food pantry or along the border

*Can any of your donors partner with you?*



# What are Your Sources of Income?

## MEMBER WAGES / STIPENDS

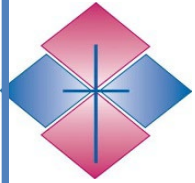
For members who work in an entity NOT listed in the Official Catholic Directory---

state prison

soup kitchen run by the city

state or local college

Are they taking full advantage of all benefits available to them?



# What are Your Sources of Income?

## MEMBER WAGES / STIPENDS

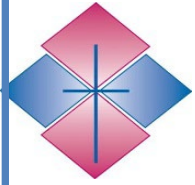
Retirement Plan with employer matches

Even if Employer does not match, run the numbers to see if it is beneficial tax-wise.

Contributions to a retirement plan MAY lower a member's taxable income.

Ask the question –

Is it better to have the money now or later?



# What are Your Sources of Income?

## INVESTMENTS

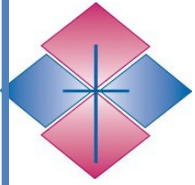
Allocated Correctly to ride the “Ups and Downs” of the Market?

Do you know what your risk tolerance is?  
Does your investment manager know?

## Timeline

Younger Community VS Older Community





# What are Your Sources of Income?

## PROPERTY

Most institutes are already looking at their buildings and land.

### **Other Resources:**

The Facilities & Property Session in this video series.

“Tending the Vineyard” video series on the NRRO Website.



# Retirement Needs Analysis

- ❖ An institute-specific estimate of current and future retirement costs.

The NRRO Retirement Needs Analysis  
“one-size-fits-all” estimate.

What is important about the Retirement Needs Analysis?



# Retirement Needs Analysis

When your institute applies to the NRRO for direct care assistance at the beginning of the year, you will receive a Retirement Needs Analysis around May.

Even if you do not apply for a grant, providing the NRRO with your expenses is helpful.

The more statistics

The better the picture of the costs of care of members

The NRRO uses the national weighted average for the distribution of the grant.

The NRRO will provide your Unfunded Past Service Liability (UFPSL) based on your cost of care and assets available for retirement needs.



# Retirement Needs Analysis

## NRRO Forms: A, B, C, Short Form

Tool to calculate your cost of care.

Based on your financial snapshot.

What did you spend to care for your members?

Make sure expenses are grouped into the correct categories.



## **How Does Your Weighted Average Cost of Care Compare to the National Weighted Average?**

Is your weighted average cost of care increasing at a higher rate?

How much more is it?

What expenses are driving the increase? Or is there a decrease?

Are there programs and services other communities use that could help you?



## **How Does Your Weighted Average Cost of Care Compare to the National Weighted Average?**

If you are below the National Weighted Average

or

If there are decreases in your expenses

Is it intentional?

Result of strategic planning?

If not, are your members receiving appropriate care?



# Use Charts and Graphs

*A Picture is Worth a Thousand Words!*

Created by your Finance Office staff.

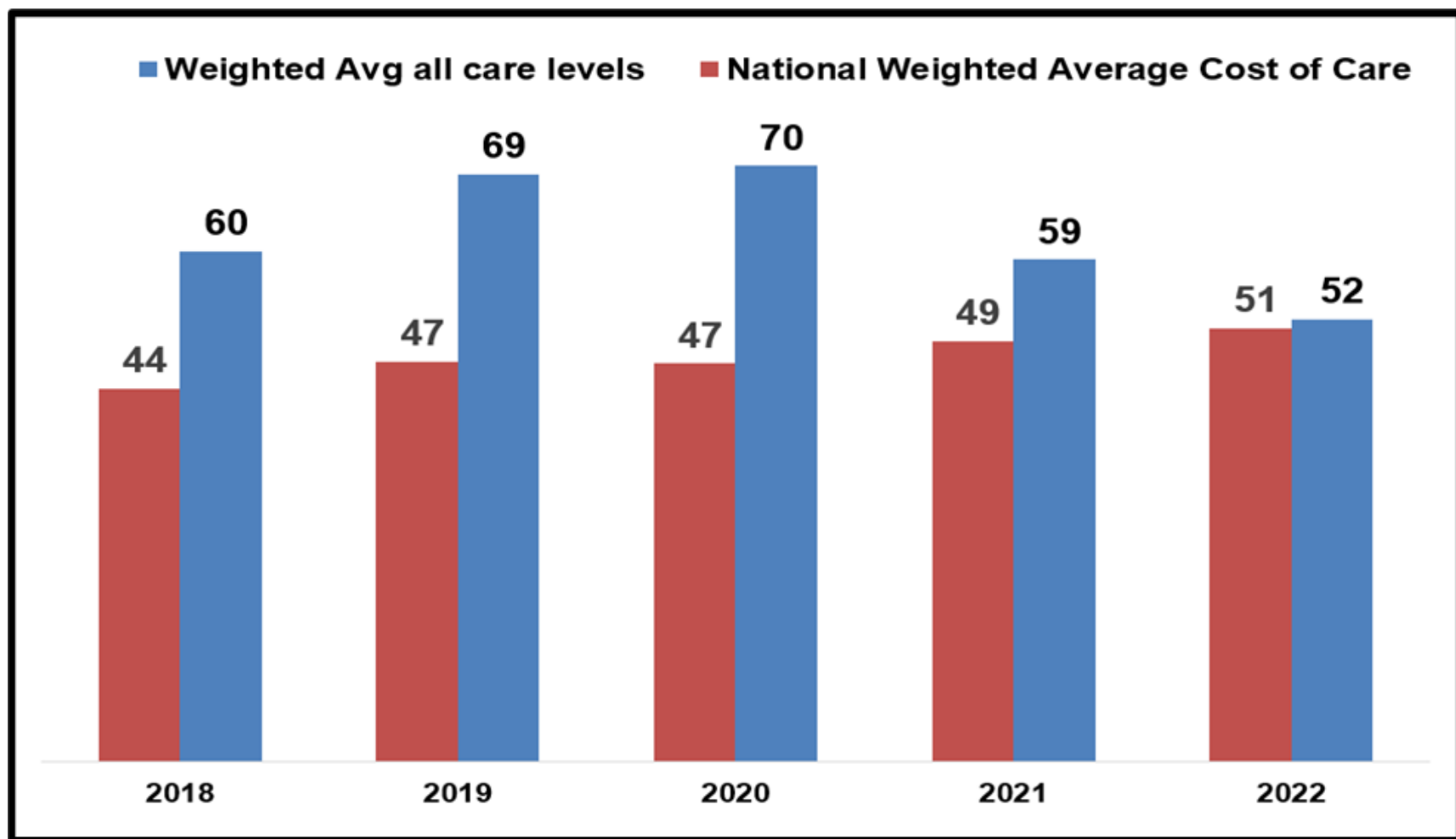
See trends in income and expenses.

A Fictitious Community's Chart → → → →

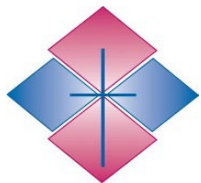


# Use Charts and Graphs

## *A Picture is Worth a Thousand Words!*

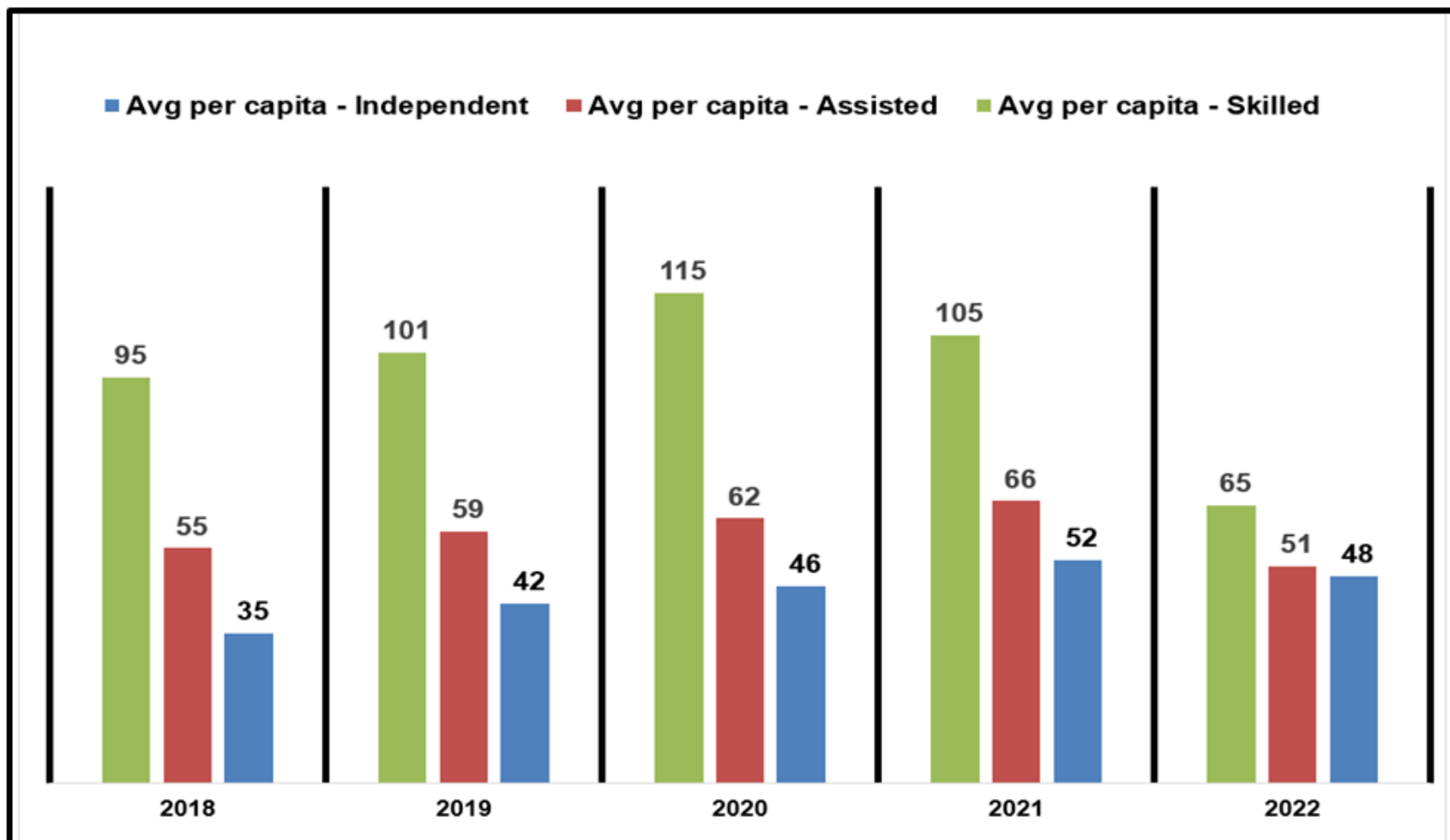






# Use Charts and Graphs

## *A Picture is Worth a Thousand Words!*





# Cash Flows

*Where can we save?  
What are we spending?*

- ❖ Periodic analysis of institute cost patterns to identify potential savings.
- ❖ Regularly updated cash flow projection to determine adequacy of savings.

## **NRRO Forms: A, B, C, Short Form**

- The information entered yearly can give you a good idea of annual costs.



# Cash Flows

*Where can we save?  
What are we spending?*

## Looking at Your Trends ...

Program developed by the Resource Center for Religious Institutes (RCRI) is also called **TRENDS**.

To be useful and reasonable – prepare annually

Things change

Projections are just that: Estimates of Future earnings and expenses

The further out you go, the less reliable the information can be

A projection from 2018 that has not been updated

Could have “stale” information.



# What do you need to do?

Review your larger expenses.

Notice any increases in expenses

What is causing the increases?

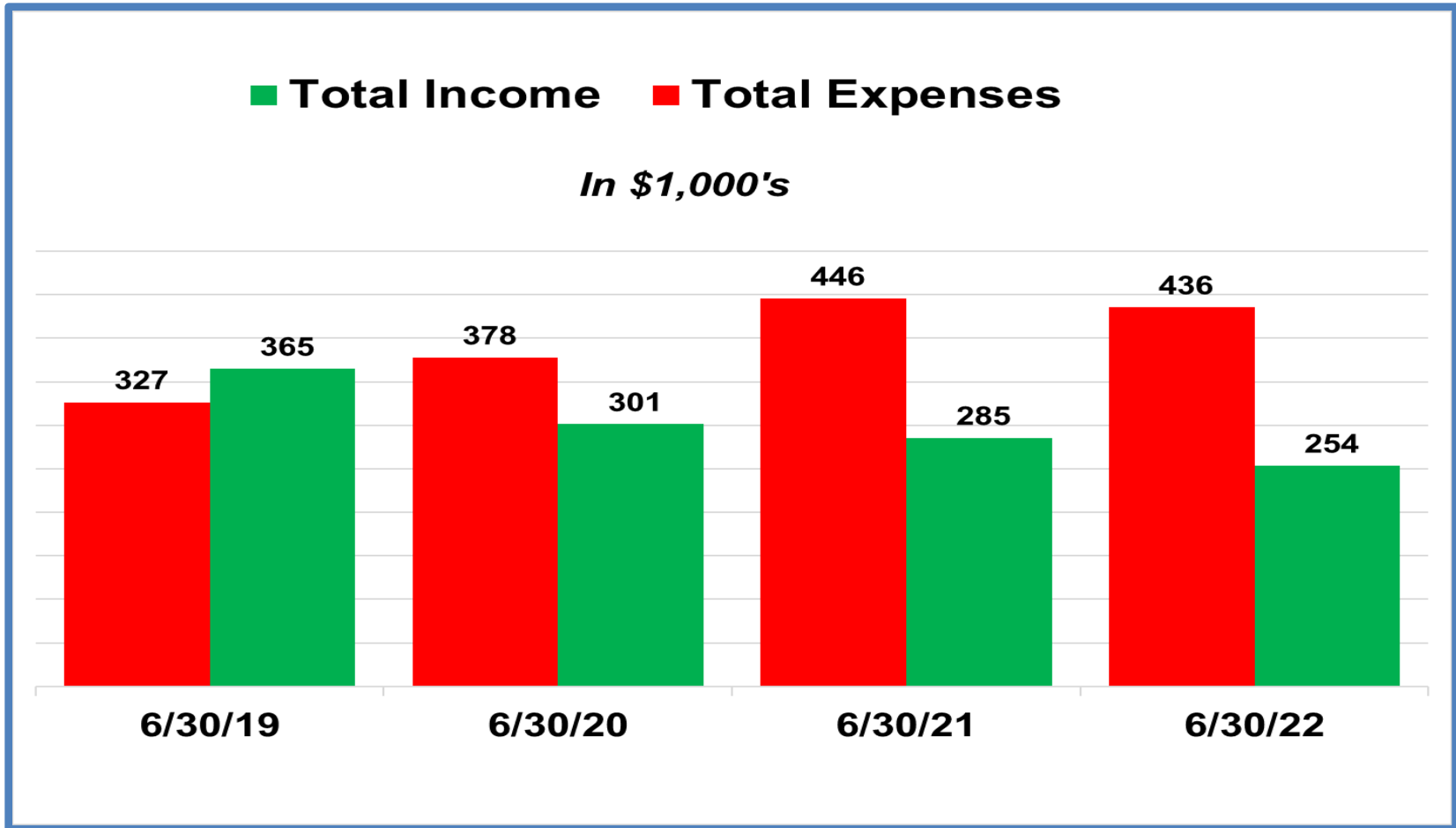
For history use your financial data

Future Projections use TRENDS



# Cash Flows

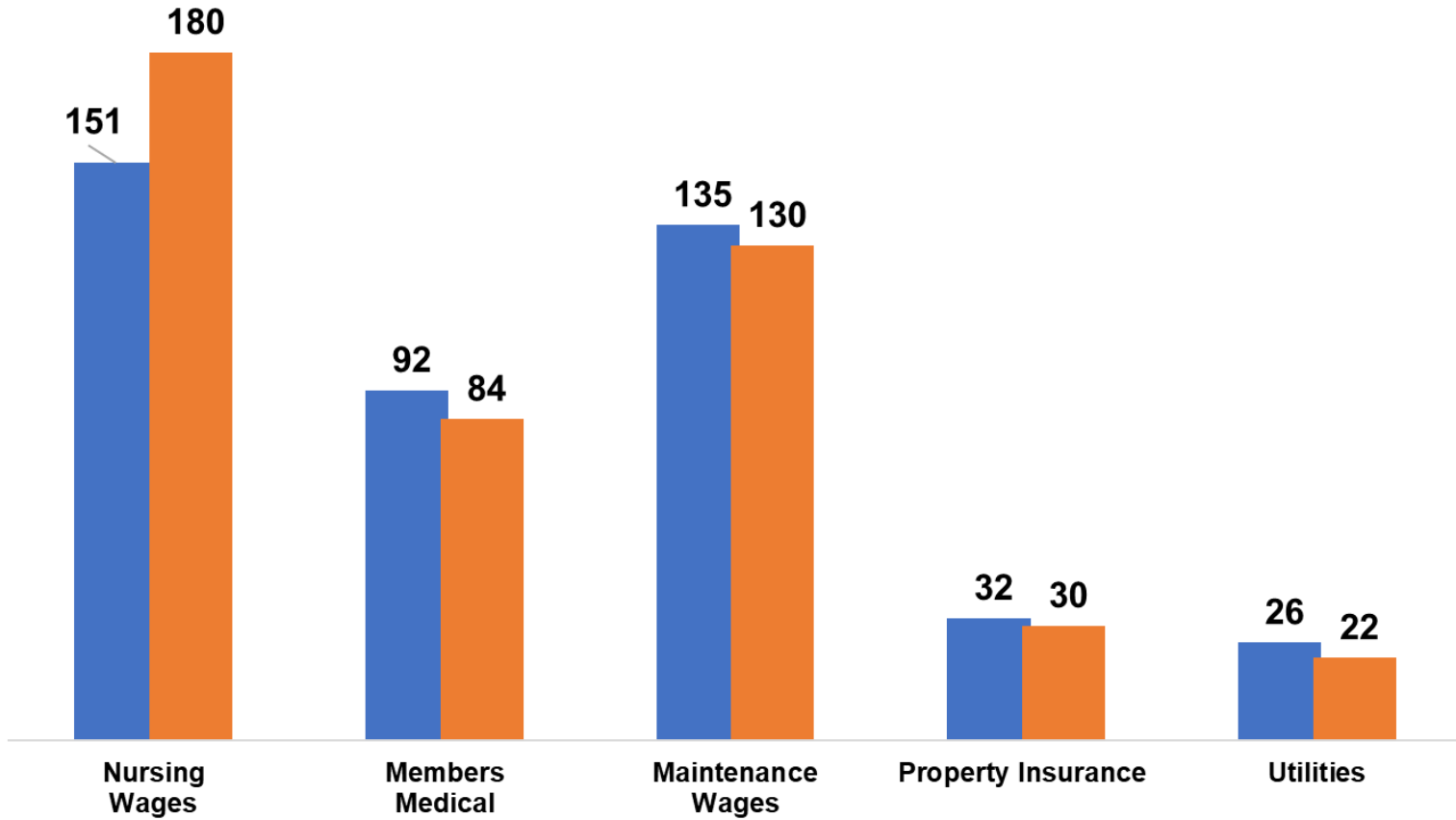
Again, charts and graphs are a great way to see expenses over several years:





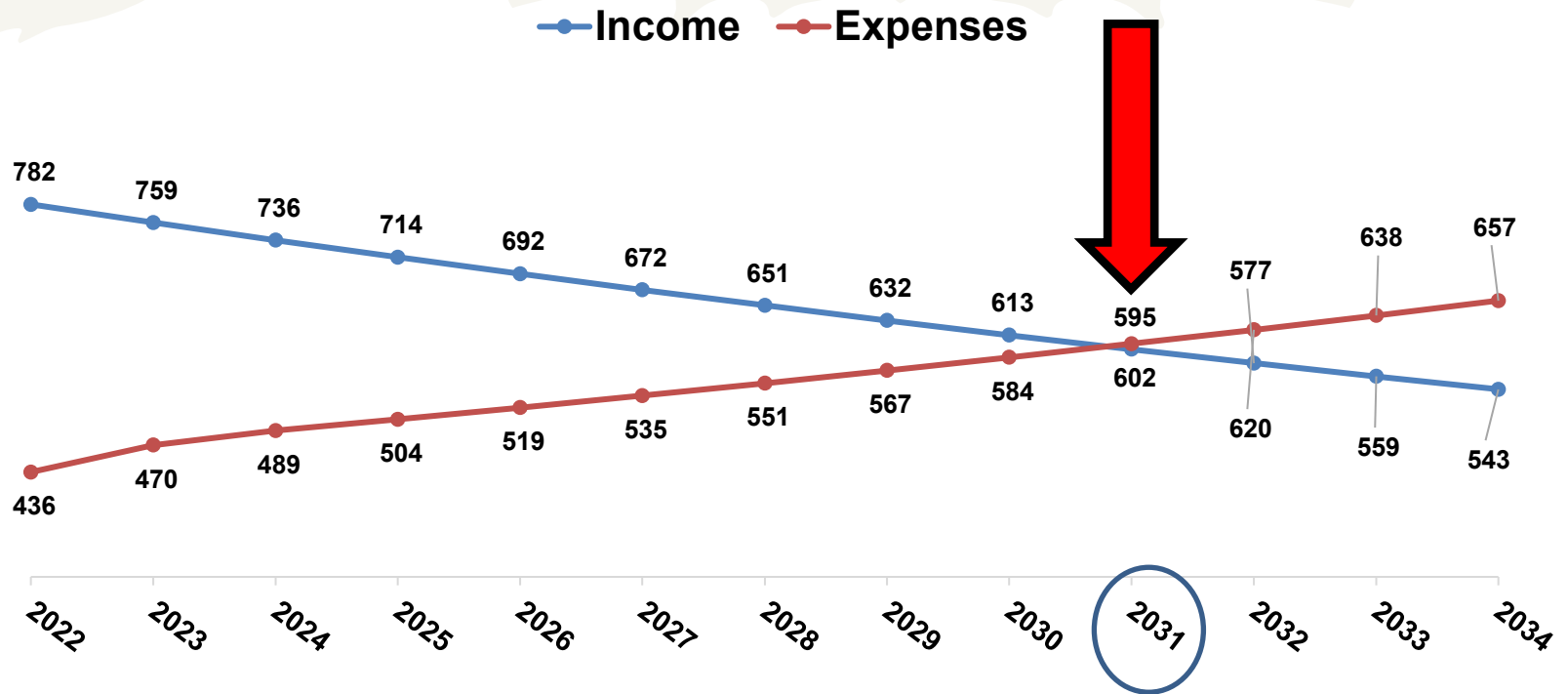
# EXPENSES

■ 6/30/22 ■ 6/30/21





# The Future





# What are we spending?

## Largest Expense for Most Institutes?

### Employee Costs

Is your staff “right sized”?

When was the last time you evaluated the number of employees you have?

Do you still need as many now as you did in the past?

Can positions be combined or even eliminated?

The perfect time to look at staffing needs and structure:

***When an employee retires or resigns***





# What are we spending?

## Employee Benefits

Have benefits increased?

Medical Insurance Premiums:

When did you last use a broker to find less expensive health care coverage?

Look at the employee's contribution and the institute's contribution.

Are there other ways to provide benefits?

Such as a lump sum to each employee that they can use however they wish.



# What are we spending?

## Employee Costs

Do you provide your employees with an annual report of the total cost of their wages and benefits?

Wages

The community's portion of health dental and life insurance

Do you contribute to a retirement plan? Is it a pension or a 403(b)?

If it is a pension, you may want to look at other options.

Do you provide meals? What does that cost?

Do you have a good handle on overtime costs?

How well are employees managed?



# What are we spending?

## Review Other Larger Expenses

- ✓ Service Contracts
  - ✓ lawn maintenance, snow removal, elevator maintenance, food service
- ✓ Property & Liability and Vehicle Insurance
- ✓ Utilities

When was the last time you went out to bid for different service providers and insurance carriers?



# What are we spending?

## Review Other Larger Expenses

Do you still need the same insurance coverage on your property?

Do you review your property listing annually?

Is your premium based on replacement cost?

If something catastrophic happened ---

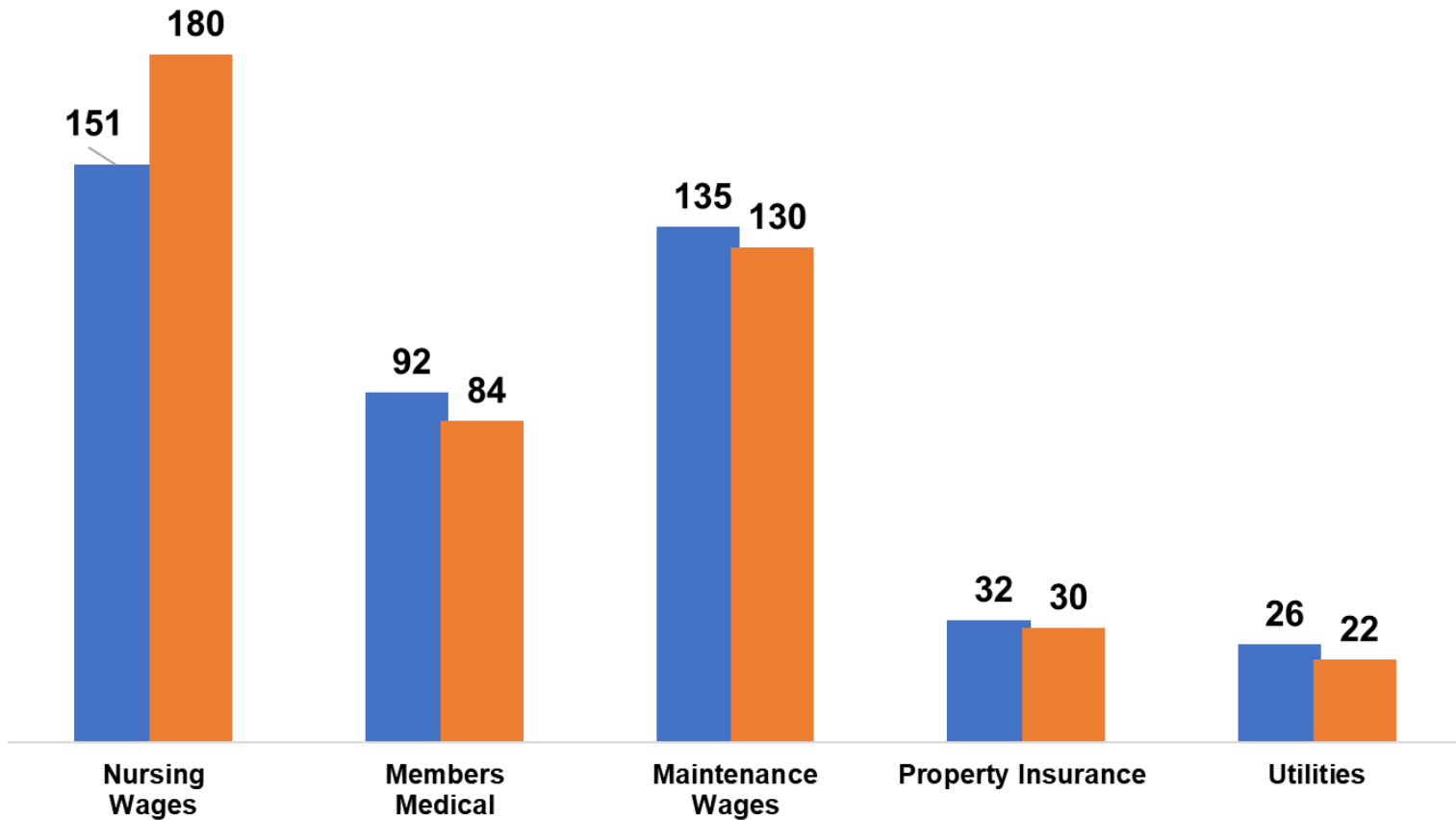
Would you rebuild the same size and type of building?





# EXPENSES

■ 6/30/22 ■ 6/30/21





## Reports for your Council / Leadership

Concise and in an easy-to-read format.

Don't overwhelm them with a lot of numbers.

Use Charts and Graphs.

Have detail ready if explanations are needed.

***Don't put the burden on them to sift through a lot of data.***



## **Reports for your Council / Leadership**

**Ask them**

**They may not know**

**Offer suggestions**





# Development Efforts

**Are you competing with your other sponsored ministries?**

**How visible are you?**

**Do you know who your donors are?**

**How do you communicate with your donors?**

**Do you have a Development Director?**

**Has he / she been proactive?**

**Meeting with current as well as potential donors?**

**Are they up to date with donation and tax laws such as the Qualified Charitable Distributions?**



# Development Efforts

**What have your donations been for the last x years?**

**What type of donations are they? A one-time bequest?**

**Can your members be involved, e.g., telephone calls thanking people for their donations?**

**Ultimate question is -**

**Do you want your donors to share in your mission?**

***That should define all development efforts.***



# **Government Programs**

*Social Security and/or Supplemental Security Income (SSI)*

*Medicare and/or Medicaid benefits and other available government programs*

**Consider enrolling your members.**

**Federal Programs**

**State Programs**

**County Programs**

**The Department of Aging can help.**



# Government Programs

*Social Security and/or Supplemental Security Income (SSI)*

*Medicare and/or Medicaid benefits and other available government programs*

Consultants - - -

Well-versed in the law and with the nuances of the vowed religious

**E.G.** Patrimony, excess funds, etc.

Of course, all consultants charge fees.

Management and Continuing Education Assistance grants are available.

Apply through NRRO: **[www.usccb/nrro](http://www.usccb/nrro)**.



# Investments

Investment advisor or Investment Manager or Money Manager – “IA”

It is highly recommended that you have a well written investment policy.

Your IA may be able to help with the technical aspects of the policy.

Be mindful of “Boiler Plate” policies

Make sure they understand

your time horizon

your needs

your member population



# Investments

Once a policy is drafted,

Form an investment committee of professionals

- Wide variety of experience

- No direct relationship with your IA.

These are people who can hold the IA accountable.



# Investments

## Questions to Consider

Are you receiving timely, useful reports?

Do they compare your returns to appropriate benchmarks?

How has the portfolio performed over  
3 years?  
5 years?  
since its inception?



# Investments

## Questions to Consider

What are the fees?

How do they compare to a benchmark of fees?

Never accept the “They are reasonable” response.

Is the information in a format that is easy to read and understand?

Is there a lot of “Fluff”?





# Investments

**DO NOT BE AFRAID TO ASK  
QUESTIONS  
IF  
YOU DO NOT UNDERSTAND  
SOMETHING**



# Investments

## **Socially Responsible Investing (SRI)**

Start with the USCCB guidelines

Add / define more of your own

SRI Policy ??

Make it clear what you will or will not be invested in.



# Investments

## **Socially Responsible Investing (SRI)**

Having percentages provides some guidance to the IA.

*For Example* – You do not want to be invested in companies that have 10% or more from income derived from the manufacture or sale of weapons.

Do you want to participate in Shareholder Advocacy?

Do you vote your Proxies?



# Investments

## **Socially Responsible Investing (SRI)**

Ask what tools the IA uses to flag Socially Responsible Investing issues.

E.G.

The MSCI ESG and Business Involvement Screening Research chart  
→ screening service for ESG standards and restrictions

Hold your IA accountable

Do you have members or staff to monitor?

Consider forming an SRI Sub-Committee.



# Qualified Financial Personnel

Have a clear idea of the type and level of individual you need.

What is the number of people needed to sufficiently staff your finance office?

***Remember my earlier comment  
about right-sizing your staff.***



# Qualified Financial Personnel

Do you have complex finances?

Is there a way to simplify your finances?

Do you prepare the finances for your sponsored ministries?

Are you a simple, small office?

Do you really need a CFO?

Many share this role with other institutes.

Full-time or part-time?



# Qualified Financial Personnel

Always perform a Background and Credit Check as well as a Drug Test

*Verify with your State when these can be requested.*

Make sure they sign a confidentiality agreement.

Are they willing to attend the RCRI conferences and webinars?

Webinars are free if your community is a member of RCRI (if you need financial assistance with membership dues, contact RCRI).

NRRO has Management and Continuing Education Assistance grants for the annual RCRI Conference -  
*(check the NRRO website for details).*



# Qualified Financial Personnel

Just because someone went to a Catholic grade school or has an aunt or uncle who is a religious ---

Does not mean they understand religious life!

Offer Mission Integration sessions for new staff.

Educate staff on your Mission, your ministries, and your needs.





# Qualified Financial Personnel

Once you hire a person, let them do their job.

Supervise them

Don't Micromanage them



# Disclaimer

*I am sharing my thoughts and experiences on various financial topics of interest. I am not an attorney, nor do I give legal advice.*

*Please consult your accountant for advice regarding your particular financial needs and your attorney for legal advice.*

*Be certain to check the particulars of your state's laws.*