

Scoring Explanation

Youth Scoring	Adult Scoring	Family Scoring	Attendance Score	Activities Scoring	Facilities Scoring	Seating Scoring	CSA Scoring	P & L Scoring	Balance Scoring
5 450+	5 50+	5 500+	5 90-100	5 21+	5 Excellent	5 90-100	5 Less than \$49	5 Excellent	5 Excellent
4 300-449	4 40-49	4 300-499	4 70-89	4 16-20	4 Good	4 70-89	4 \$50-99.99	4 Good	4 Good
3 100-299	3 30-39	3 100-299	3 50-69	3 11-15	3 Average	3 50-69	3 \$100-149.99	3 OK, could improve	3 OK, could improve
2 50-99	2 20-29	2 50-99	2 30-49	2 6-10	2 Bad	2 30-49	2 \$150-199.99	2 Needs work	2 Needs work
1 0-49	1 0-19	1 0-49	1 0-29	1 0-5	1 Very Bad	1 0-29	1 \$200+	1 Needs lots of work	1 Needs lots of work

YOUTH FORMATION AND YOUTH SACRAMENTS include infant and child baptisms, first Eucharist, Confirmation, faith formation/religious education and total school. This data indicates the longevity of growth in number of parishioners due to the number of families in a parish. There is a decreasing number of youth in our parishes based on religious education and school numbers. Knowing this, parishes have either combined their youth programs with another parish to provide a more vibrant experience or dropped their programming. Unfortunately, many parishes that have no youth programming have not shifted from youth to more evangelical adult formation which can be compared in parish activities.

ADULT SACRAMENTS include – Adult baptisms, professions of faith, weddings and funerals. This data indicates the continual discipleship and evangelization that occurs. This data does show the funeral rate as well, which unfortunately can indicate a high rate of older parishioners. These sacraments indicate sometimes the first opportunities for evangelization and formation of adults. Weddings and funeral preparation also take a great deal of time for the priest. The larger the number, the more time it takes a priest to prepare, thus taking away time for other pastoral and business work. The larger the number, the more need for possibly another priest, depending on the number.

FAMILY UNITS is an indicator of how many families (whether a single individual or a family with children) choose to acknowledge and participate in the life of a parish. This could be simply attending Mass on a weekend or actively participating in the services provided by the parish. The Catholic Services Appeal numbers were used because this number is the most consistently updated and reported.

PERCENT ATTENDANCE is the Percent of Family Units Attending Weekend Mass. The formula to calculate this is Average Mass Attendance from July and October divided by Family Units x 3.05. 3.05 is the statistical number the State of Wisconsin uses for 1 family unit. Mass attendance on a weekend is an indicator for the need for evangelization and adult formation. The driving force of Mass attendance on the weekend is an individual or family relationship with Jesus Christ and his saving presence to us in the Eucharist. A lack of Mass attendance on the weekend indicates a growing need for more evangelization and adult formation. The question arises of what is our ideal attendance of parishioners registered? Are we happy with 50%?

PARISH ACTIVITIES is scored simply on the number of activities a parish offers to its parishioners and greater community as reported by the SAQ (diocesan survey). It would be better to have an actual count of how many people participate in these activities, but that data has not been collected. The more activities a parish provides (ranging from hospital visits, special devotions, parish meals, social events, societies to programs offered) the more indication there is a vibrant parish life. The SAQ includes the categories of: Institutions Served (hospitals, assisted living, etc), Special Devotions, Parish Meals, Invitation of Non-Catholics through evangelization and ecumenical events, Socials of a non-catechetical nature, Parish Societies, and Programs. The numbers submitted to the SAQ could be subjective based on the individual submitting the numbers or could actually be the number of activities that the parish offers – whether people participate or not.

FACILITIES is a ranking based on the Catholic Mutual inspections done yearly and the overall assumption of the Catholic Mutual representative.

PERCENT SEATING/# OF MASSES (formula = average October & July attendance divided by regular church seating). This is a look at the size of the parish and the number of Masses offered based on Mass attendance. If Mass attendance is higher and Masses are fuller, there is the assumption that the liturgy is vibrant, welcoming and a truly holy experience in

which the parish can celebrate Christ's presence. Vibrancy and holy experiences at the Mass encourage more participation, not only in the congregation but also with lectors, musicians, servers and ushers. The percentages over 100 indicate the need for more than 1 Mass. An example of the other percentages influence on number of Masses would be 60% indicates that the church at 1 Mass would only be 60% full. This plays into the time commitment of the priest serving that parish.

CSA GOAL/FAMILY UNIT is the CSA Goal divided by the number of Family Units listed for CSA. The higher the score, the more broadly based the CSA is distributed amongst the parishioners. The lower score indicates that the CSA is disproportionately concentrated on a limited number of households who are shouldering a larger burden OR the parish has to contribute a significant portion of the CSA directly from the parish checkbook. In either case, the lower the number, the more stress on the parish financial capacity.

The parish **FINANCIAL** rating system has two ratings. The rating is 1 to 5 with 5 being the top rating. Ratings are independent related to parish size, income level, and if they have an attached school. The ratings are based on accounting standards that are as objective as possible and based on financial history of the parish. Both a vertical and a horizontal analysis is used. A horizontal analysis looks at the profit & loss (P&L) financial data over 12 years. The vertical analysis looks at Balance Sheet financial statement data as parts of a whole, or assets, liability and equity percentages as they relate to each other. These standards are used in the corporate world to evaluate corporations for banking, investment and management. These ratings do not take into account the parish demographics, any increase or decrease in the number of donors, current management style or financial education levels. Instead, they look at past and current financial data gleaned from QuickBooks from years 2012 thru December 2022. This data can be replicated simply by running two financial reports for a parish.

- The **PROFIT AND LOSS** rating is horizontal and rates the ongoing financial operation. A near one rating would signal the parish is having a Going Concern issues. Going Concern is a fundamental principle of accounting that an entity will continue to remain in business for the foreseeable future. A Going Concern issues means current trends will exhaust resources and the default on liabilities is highly likely. On the opposite end, a high score at or near 5 would mean continued net profits and increases in assets such as saving. The ratings had the number of parishes fall within the following thresholds:
- The **BALANCE SHEET** rating is vertical and rates the current overall financial position. It would look at current and fixed assets, liabilities, equity and annual expenses, their relationship and their percentage of total. Questions here are "Is there savings for those expenses commonly known as rainy day? What about a downturn in the market? What is the current ratio of current assets to annual expenses? Is the parish following standards for accounting for capital expenses? Has the parish reinvested in itself? Is equity growing?" A parish with a low rating of 1 to 2 showed lower ratios of current assets to annual expenses, low or stagnant or declining equity, low or stagnant fixed assets. On the opposite end, a rating above a 4 or above would have shown higher ratios when comparing current assets to annual expenses, fixed assets that show reinvestment in the parish and good equity to current assets ratio. The ratings had the number of parishes fall within the following thresholds:

The **MASS OFFERINGS CHART** indicates a 10-year trend for this parish on how many Masses offered. The blue line indicates the number of Masses offered on a weekend. The orange indicates how many Masses should be offered based on the number of family units x 3.05. The grey line indicates how many Masses should be offered based on the average July and October Mass attendance. The parish needs to consider the ministry of the Mass, the availability of Mass times by other parishes in the vicinity, the time commitment of the priest, and the availability of lay individuals to fulfill the roles needed at the Mass (lectors, servers, musicians, etc.).

The **MASS ATTENDANCE CHART** indicates the number of family units x 3.05, thus the estimated number of parishioners as it correlates to the number of those who attend Mass (grey line). The yellow line gives this same information in a percentage correlated with the right side of the chart. This chart helps to show the need for either more evangelization on the sacrifice of the Mass and/or the availability of individuals to fill the church for a vibrant and holy experience of the Mass.

The **SACRAMENTS CHART** shows the sacramental life of the parish over a 11-year time frame. The sacramental life of the parish is why the Church exists. Beyond the reception of the Sacrament of the Eucharist at Mass, the statistics of the sacraments indicate the growing or lessening work of the laity and priest within the parish.

The **YOUTH NUMBERS** of a parish indicate the life expectancy of youth and families with children in your parish. If the numbers decline, it is due to a community economic situation and/or the vibrancy and support for families with children within the parish.

PARISH FINANCIAL RATING SYSTEM - To our knowledge no one has established a standard to determine a parish's financial health, let alone sustainability or projected future growth. Despite best efforts, the corporate world struggles with evaluating financial fitness and a company's future prospectus. Added to this difficulty is the variation of parish size, changing demographics, school affiliations and varied accounting practices used by parish staff. The rating system used here is lagging indicators based only on the parish's financial statements over the past 11 years. The four main areas of rating financial health are liquidity, solvency, profitability, and operating efficiency. The overall goal of this study was to help the Diocese give an overall rating to each parish. To do so, a requirement was placed to produce two ratings that each ranged from 1.0 to 5.0. This was in order that these rates could be combined with other areas of evaluation.

ANALYTICAL MODELING To evaluate parish finances and the overall financial health of each parish, two overall scores were given to have a broader and deeper appraisal: First, from the Profit & Loss (P&L) statement, the overall profitability, and operating efficiency looked at financial data over time and the general operational direction. The second rate is liquidity, solvency and the parish as a going concern. The data is historical and a lagging indicator that can be placed in a linear regression model to remain as objective as possible.

There are 4 graphs created for each parish. These visual representations help understand much more than looking at the numbers in a table.

- The first graph – **ACCUMULATED YEAR AFTER YEAR INCOME & EXPENSES** - shows each year's income in blue followed by that year's expense in orange. It starts at zero with year 2012. The progression of this graph indicates the overall profitability year after year from that point. This is an indication of the direction a parish is heading with regards to operating income vs expenses, i.e. are they paying their bills and can they save for a rainy day.
- The second and third graph shows the two biggest areas of financial concern for every parish: these are **REGULAR (PLATE) INCOME AND EMPLOYEE COST**. These graphs show the trends over time and by doing a comparison of these two, show the ability to meet obligations. One cautionary item here is a parish with a school will rely on school income to meet school employment obligations and therefore will be skewed in a less favorable direction when only the plate income is used with this report. For this reason, if a parish has a school, school income was included. This report still remains very useful to show trends in parish and school incomes compared to total employee costs. It does not split the employee cost for the school.
- The fourth and last graph is the **EQUITY & CURRENT ASSETS VS ANNUAL EXPENSES** graph. This graph shows progression and several comparisons. The annual expense compared to assets shows how long a parish can survive downturns. A normal increase of all three areas is expected and considered normal. Abnormal trends or extremes in comparison can be a cause for concern. There are other influencers like Covid, which the data reflects more for some parishes than others. There are also management changes that can be pin pointed in this data. The ranking numbers remain as objective as possible but there is subjectivity since there was no exact conversion from these tables and charts.

MODIFIED FINANCIAL REPORTS - Modified Balance Sheet and Profit & Loss reports are used in this evaluation. In general, there were no modifications if a parish adhered to the Generally Accepted Accounting Practices (GAAP) standards. These modifications were deemed the best solution to obtain a level standard and be more like a GAAP comparison. The one exception is PPP income. The PPP income was removed to level the income for cluster parishes that did not have payroll and therefore no pandemic relief income. Modified data was used to better track and compare the underlying profitability and operation. The financial business world widely uses a similar system in the analysis of companies to exclude non-operating and abstruse data. Examples of data embedded in the operational reports that was removed are: gains and losses on investments, interest, capital campaigns capital and capital (fixed) asset expenses Last, non-parish operational asset accounts, like cemetery, perpetual care funds or society accounts were removed and scrip income and expense was converted to scrip net income. The goal here was to get to the operations of the parish and associated current assets.

INACCURATE OR INCOMPLETE DATA

Many parishes grossly departed from GAAP standards and the "Standard Parish Chart of Accounts." It was not always easy to determine exact financial effectiveness and intent. Some cluster parishes handled the PPP income between the cluster in creative ways. Capital campaigns and fixed asset expenditures was another example of ill-advised entries.

Although fixed asset expenditures are part of the normal operation, when they are entered in a non-GAAP they tend to drastically skew net income on the P&L. If financial statements are overly complicated and analysis of these factors and actual dollar amounts cannot be determined with normal customary accounts and accounting standard, a lower rating may be assigned. It should be noted that many parishes did a good job of accounting and for over the first of this study, they did not have access to good sound GAAP advice.