



SAINT JOHN THE BAPTIST CHURCH

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Comparative Profit and Loss Report & Pastoral Comments Fiscal Year 2015 vs Fiscal Year 2014

1 August 2015

Dear Parishioners,

I am pleased to present you with a comparative Profit and Loss Narrative Report for Fiscal Years 2014 and 2015 along with some pastoral reflections. While I have tried to be detailed in preparing this report, it does not cover everything. In matters of finances and parish sustainability transparency is important. Here there is good news which will be welcomed by some and also information on the temporal realities of the parish that some parishioners may find difficult. I am aware of this and share all this news with great sensitivity. Finally, I welcome any comments or questions from parishioners.

The parish fiscal year (FY) is a twelve month period that runs from July 1st of one year to June 30th of the following year. Looking at the report itself, then, the first column of numbers on the report that refers to FY 2015 covers the time from July 1, 2014 to June 30, 2015. FY 2015 is being compared to the previous fiscal year indicated by the second column titled FY 2014 and the period of time between the calendar dates July 1, 2013 to June 30, 2014. The third column titled "Change" highlights the difference, positive or (negative), between FY 2015 and 2014.

Before delving into this report it is important to recall that in January of this year I shared with the parish that the 2015 FY budget (July 1, 2014 to June 30, 2015) had a projected \$290,000 ordinary loss. Realizing that we could not operate this way and concerned about the sustainability of the parish, I initiated an austerity plan that required the reduction of expenses through more conservative utility use, eliminating some auxiliary maintenance cost, reducing outside contracting services as much as possible, cutting parish programs that were operating at a loss and, most difficult, the reduction in staffing expenses including the elimination of positions, reduction of employee hours, and changes in parish paid benefits.

In general, the parish finished the year with a \$142,714 ordinary loss (FY 2015, reference line #18). However, including extraordinary income, \$157,608 (FY 2015, ref. line # 34) we had a \$14,984 net income (FY 2015, ref. line #35). Studying the numbers demonstrates that the positive net income of \$14,984 is largely the result of an increase in offertory giving and extraordinary income as well as a decrease in spending due to the austerity cutbacks, and vigilant oversight. In addition, the parish did not pay \$81,300 in Archdiocesan assessment. (This is represented by the "-0-" posted under FY 2015 ref. line #6). The Archdiocesan assessment is a sort of tax on certain portions of a parish's income. That income is used to support the central Archdiocesan Office Center operations. Had we paid the \$81,300 assessment the parish would have had a \$66,316 net loss.

ORDINARY INCOME: In general, our "Ordinary Income" tells a positive story even though it was down by \$218,311. Notice that the lower income was mainly due to the loss of significant rental income compared to last year (ref. line #2), a lucky Lottery Jackpot winner (ref. line #3) and more attentive care of the parish cemeteries (ref. line #4). On a very positive development under "Ordinary Income" through "Ministry" (ref. line #1) you will see that there has been a 15% increase in the Sunday offering from the community. That is supported by increased Church attendance and greater participation by parishioners in parish life. In the third column entitled "Change," Ministry income shows as a real increase of \$77,537 for the parish. (Thank you to all who made a conscious choice to participate in parish life and also have been able to increase their offertory giving. Also, many thanks to the faithful individuals and groups, such as the Lottery/Jackpot sellers and workers, the members of Activities Committee who organize various parish fundraising and social events that support the parish and its mission. All of these efforts make a big difference and help the parish in its stewardship and sustainability efforts.)

ORDINARY EXPENSES: Due to the reasons mentioned in the third paragraph above, i.e., austerity measures, we were able to reduce expenses significantly showing a total reduction of \$188,247 comparing FY 2015 to FY 2014 (ref. line #17). Notice the overall reduction in expenses for salaries, benefits, maintenance and utilities (ref. line #'s 8, 11, 14 & 15). Again, be aware that we did not pay for the FY 2015 Archdiocese of Philadelphia (AOP) Assessment of \$81,300. While it seems to help our bottom line, it dose add an additional \$81,300 to the parish debt with the AOP which

is \$1,066,749 as of June 30, 2015.

Of course, with the presence of two priests in the parish as of July 1, 2014, the clergy salary line and benefits line did increase (ref. line #7 & #10). On Line 10, the large \$42,106 change between the FY 2015 and FY 2014 for priests' benefits is due to the fact that the 2014 benefits only included one priest and a significant amount of priest benefits for the last fiscal year were not fully paid. The costs for these unpaid benefits increased the parish's Archdiocesan debt.

Administration (ref. line # 12) is a catch all for things necessary to operate the business side of the parish including everything from telephones, IT services, liturgical supplies, office supplies, professional fees, printing and publications. The FY 2015 increase in this area was mainly due to an increase in IT and professional services, such as, a real estate lawyer to assist with the outstanding city taxes.

OUTSTANDING CITY TAXES: You will notice an increase in expenses for "Property Insurance and Real Estate Taxes" (ref. line #13). It should be noted that in November of 2014, the parish business office became aware of delinquent real estate tax bills for the SMA - Port Royal Avenue property commonly referred to as the "Woods" and for SMA and St. Josaphat (SJ) rectory buildings. Certain areas of all rectories are taxable or non-taxable based on use. For example, places used directly for official church business are non-taxable as opposed to residential areas which are taxable. Also, for many years, SMA parish correctly paid taxes on the Woods property since it did not meet the criteria for tax exemption status, i.e., "used as a House of Worship," according to the City tax code. Unfortunately but understandably, during the upheaval of the 2013 parish mergers the real estate tax bills for 2014 and 2015 for this property went unnoticed. Moreover, it was during this same period of time that the City of Philadelphia conducted a city-wide re-assessment of properties. In November of 2014 it was discovered that the City's reassessment of the Woods seven acre property and the re-valuation of the property increased dramatically from \$125,000 to \$2,793,300. The related annual real estate taxes also increased dramatically from \$5,034 in 2013 to \$38,033.22 in 2014 and 2015. The oversight of not paying the property tax for two years (2014 & 2015) resulted in delinquent tax bills (including liens and penalties) with the City of Philadelphia for \$90,927.07. Presently, the parish has entered into a payment agreement for the 2014 and 2015 taxes on the Woods. Most importantly, the parish is pursuing an appeal of the 2016 assessed value with the City and is concurrently pursuing a petition *nunc pro tunc* in an attempt to receive a retro-active adjustment and reimbursement of the 2014 and 2015 real estate taxes that we believe were inaccurately billed to the parish – the City tax assessor erroneously characterized that property as a commercial "private amusement club".

The outstanding tax invoices are the major reasons we choose not to pay the annual AOP assessment of \$81,300. It is not good parish financial management to let the assessment go unpaid, but I did inform the AOP that the parish could not meet this obligation anticipating the increased City tax bill along with the remediation work needed on the church building. This unpaid assessment having been incorporated into our debt with the AOP, will be paid later when funds are available.

EXTRAORDINARY INCOME: This is definitely the bright spot on the parish's comparative profit and loss report. Please note the extraordinary income \$244,926 (FY 2015, ref. line # 19) that has resulted from the Friends of Saint John the Baptist appeal last fall to a portion of the SJB school alumni, some parishioners, and friends of the parish. (Along with this realized income there are also ongoing pledges of \$100,000.) Included in this line are also the results of two very successful "fund and friend" raising events this past April. The "Take Me Back To Manayunk (TMBTM) All Class Reunion" raised \$18,000.00. In addition, the "Men Who Cook" (MWC) event was hugely successful raising \$46,048. Thank you to the Friends of SJB, Denny Meyers and the TMBTM All Class Reunion Committee and to Fr. John Kelly and the MWC Committee whose hard work made it all possible. This extraordinary income has been a tremendous help with meeting the costs associated with repairing the church building and planning for further extraordinary fundraising efforts.

(NB: The \$157,329.00 figure posted under the "Trust" line (FY 2014 ref. line #23) is a onetime accounting entry that recorded parish assets that are held in trust by the AOP. Because of a change in AOP accounting practices these funds, which were not recorded in the past on the parish books, are now required to be reflected in the parish's financial statements. In the future, only the interest income earned from these accounts will be posted under ordinary income.)

EXTRAORDINARY EXPENSES: These expenses are largely the result of the major capital repairs to the church. The expenses (\$90,766) represented on the line titled "Church Remediation – Exterior" (FY 2015 Ref. line # 26), are the result of the comprehensive efforts now underway to address critical repairs to the exterior of the church building, such as, the repair of the western most transept buttress on Cresson Street, continuing engineering studies and documentation necessary for the more extensive clock tower repairs and the maintenance of the safety scaffolding. Again, all this has been made possible by the extraordinary income, \$244,926 (FY 2015 ref. line 19), raised by the Friends of SJB appeal and other special events. The expense of \$11,808.00 (FY 2015 ref. line #27) for "Church

Remediation – Interior,” is largely for repairs to damaged Church stained glass. The \$15,300 expense (ref. line #28) represents costs associated with real estate appraisals. (Canon Law requires at least two appraisals on every parcel of a parish’s properties under consideration for alienation or development.)

CAPITAL CAMPAIGN: FY 2015 reference line #'s 29 & 30 represent costs associated with the administrative preparations necessary to conduct a major capital campaign for the ongoing remediation work needed on the church. Capital campaigns are not the most welcomed part of my role as a pastor and I would only undertake such an effort when necessary. I do believe a campaign is needed in order to make necessary repairs to the church building and move forward as a parish. I will make every effort to carry out the capital campaign with sensitivity, professionalism, personability, and with a positive and enthusiastic spirit. The “Restore Saint John the Baptist Church” capital campaign will be designed to reach out to the entire parish, alumni, and the broader Philadelphia community in the late summer and fall of 2015. With a successful campaign we will be able to address not only critical structural areas but other necessary repairs to the exterior and interior of the building. It is my firm hope that the response to this appeal effort will also allow us to further develop an endowment plan for the future physical and aesthetic needs of Saint John the Baptist Church.

LOOKING AHEAD

CONTINUED SUPPORT: The support of the parishioners is vital to the life of a parish. The financial support of parishioners provides the skeletal structure that allows the community to give flesh and blood to God’s will and inspiration for our parish. As is evident through this fiscal report, the faith community of Saint John the Baptist, recently comprised of parishioners from Saint Josaphat, Saint Mary of the Assumption and Saint John the Baptist parishes, have shown themselves to be trusting and willing stewards. As mentioned earlier, there was a \$77,537 or 15% increase in Ministry related income for FY 2015. We have budgeted a modest increase of 4.6% in that area for FY 2016. Also very significant, our income from rentals is budgeted to increase by \$110,000 in FY 2016 due to two new leases for parish buildings and space. The Vincentians religious order, formally known as The Congregation of the Missions, have rented Saint Josaphat rectory for five years to house the community’s theologate - a seminary house of formation for priesthood students studying theology at Saint Charles Borromeo Seminary. Also, The Yale School has entered into a one year rental agreement for use of a single floor and partial time use of the gymnasium in the Upper School at Saint John the Baptist. Both these leases began on July 1, 2015.

Of course, the capital campaign, which is budgeted to raise \$1,000,000, will be critical to repairing the church building and ensuring it as a place of worship for the future. With your help and hard work, and God’s grace and guidance we will be able to realize our potential pastoral and temporal goals as a parish.

REAL ESTATE DECISIONS: In my comments concerning “Appraisals” (FY 2015 ref. line #28) under extraordinary expenses, I indicated the need for securing appraisals for parcels of real estate that belong to the parish and under consideration for development or sale. By way of background and explanation: in September of 2014, the SJB Real Estate (RE) Subcommittee of the parish Finance Council was established. It has met several times during FY 2015. Membership on the RE Subcommittee consist of the pastor, the parochial vicar, a parishioner, the parish financial manager and a volunteer who is the managing and founding partner of a real estate private equity firm. The purpose of the committee is to help the pastor and parish Finance Council to assess property belonging to Saint John the Baptist parish and how it can best serve both the temporal and pastoral needs of the parish and its overall sustainability.

The members of the Finance Council and the RE Subcommittee are very aware of the turmoil of the past few years in the parish community. With a heightened awareness and sensitivity to this reality, however, both agreed early on that the parish could not retain all its combined real estate assets resulting from the 2013 merger of SMA, SJ, and SJB. To try and do so would financially cripple the parish and its future pastoral efforts, goals and mission. This deliberation resulted in an agreement to consider looking at repurposing or marketing for sale various parcels of property. In considering this, the RE Subcommittee focused on the following goals: (1) to achieve the best value for the properties in order for the parish to satisfy its combined indebtedness of \$1,066,749. (SMA: \$489,106. / SJ: \$45,845. / SJB: \$531,798.) to the Archdiocese of Philadelphia, (2) to help fund repairs to the church and other buildings, and; (3) to ensure that the timing of such revenue serves the overall current and urgent needs of the parish while remaining mindful of the long-term pastoral needs of the SJB Parish Community.

As a first step, the SJB RE Subcommittee obtained two brokers opinions of value in order to ascertain the highest and best uses for the properties. (There were also other helpful brokers opinions of value acquired earlier by the previous parish administration.) As a result of these studies, the RE Subcommittee recommended to the Finance Council that the Saint Mary of the Assumption property, excluding the Woods / Port Royal Picnic Area, be considered as marketable. After consulting with the Finance Council and the Pastoral Council, I wrote for and received permission from the

Archdiocese to secure two appraisals on the property “for the future purpose of alienating some or all of the property for sale or development.” Following the appraisals, the RE Subcommittee recommended and hired The Flynn Company to act as a licensed broker with exclusive rights to market and sell the property. Before the sale of any parish property in the AOP, there is an extensive process guided by the Archdiocesan Office of Real Estate Services which can take up to 18 months.

Along with the members of the RE Subcommittee, the Finance Council and the Pastoral Council, I know that this is difficult news for some of our parishioners. While preparing these comments, I remembered the words of a recent Sunday Gospel where Jesus summoned the disciples and began to send them out two by two. He instructed them to “take nothing for the journey but a walking stick - no food, no sack, no money in their belts.” Scripture scholars suggest that in these words (Mark 6:7-9) Jesus realizing that the inbreaking of the Kingdom of God was at hand encouraged his disciples, who he is sending out on mission to travel lite and quickly and not to be weighed down by too many possessions. Having been reassigned as a priest several times, traveling lightly and quickly has become a personal goal. However, like many inspired goals that settle easily in the mind and heart, they can be not-so-easy to embrace and achieve in reality. As recently as a year ago when as I was packing up my belongings at my former assignment, and preparing them for shipment, my goal was to lighten the load and give many things away. However, when I began unpacking boxes at my new home on 146 Rector Street, I realized that I still had too much “stuff” and had fallen short of my goal once again.

There are several things I keep packing with every move. Most of them are pieces of furniture gifted to me by my parents, both now deceased. I rarely use any of the furniture (except for my dad’s old recliner) but, because they are associated with the memory of my parents, they are hard to let go of and leave behind.

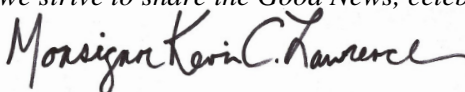
Letting go is difficult. Letting go of what is important to us or what we find meaningful is even more difficult. Still it seems the Gospel guideline “Take nothing with you,” implies that holding on can hold us back from the mission to bring the Kingdom of God into the world - a timely mission that carries with it a sense of urgency. Over time with grace we can realize, however, that when circumstances dictate that we have to let go of cherished possessions, the good memories that make them so meaningful are not lost but remain with us and become the foundation for creating more memorable moments in our life and the life of our parish.

Since the merger of the Manayunk Catholic parishes three years ago, I know that many of you have had to let go of meaningful and cherished relationships, places, events and things. All of this is much more than a simple letting go but involves the loss of what is familiar and much loved along with the uncertainty of what lies ahead. Many have shared with me the grief they feel and how difficult the past few years have been. I have also been encouraged to see how many parishioners are striving to adjust, hoping for a greater unity and a sense of belonging, and are open to God’s grace inspiring in them hope, dreams and ideas about the future, seeing this as a moment of possibilities and new beginnings.

Conscious of both the experience of loss and the desire for newness that is intertwined within our parish journey at this point in time, it is important as a faith community that we continue to root our ongoing transition in open communication and conscious collaboration. Honest communication with each other is important and honest communication with God is even more vital. Prayer is one way we communicate with God. I pray for the parish and all its members daily and I encourage each parishioner to do the same. Remember each other and especially those who may be feeling the grief and pain that come with loss or those feeling uneasy about new beginnings. It is also important that we continue to work together to build up the parish. As we know all too well, one of the only constants in life is change and we can count on more changes down the road. It is only through prayer, cooperation and collaboration with each other that we will know what changes will be best for the parish community in order to move ahead. For my part I will continue to pray, remain committed to communicating with the community, as well as collaborating with the parish Pastoral Council and Finance Council in discerning God’s plan for us, our possessions and the future of our parish.

I leave you with a hopeful, newly proposed parish mission statement which was prepared by the Parish Pastoral Council, and developed from parishioner’s input and responses gathered at the First Parish Assembly on May 2, 2015. The mission statement is tentative since it still needs to be ratified by the parish community at our next parish assembly - something the Pastoral Council will begin working on once the summer months have ended.

PROPOSED MISSION STATEMENT: “*Saint John the Baptist - a multiethnic Roman Catholic Parish, founded in 1831, and rooted in the teachings of Jesus Christ - has a rich history of providing spiritual leadership, education and worship in the Manayunk, Roxborough, and Wissahickon areas of Philadelphia. As a Christian community, united in our commitment to welcome all people - now and in the future - we strive to share the Good News, celebrate the Sacraments, serve others and love God and neighbor.*”

Sincerely, 

Saint John the Baptist Parish
Comparative Profit and Loss Report
Fiscal Year 2015 VS Fiscal Year 2014

Ref. #	Source	FY 2015	FY 2014	Change	Explanation
ORDINARY Income					
1	Ministry	\$587,177	\$509,640	\$77,537	15% Increase in Offertory in 2015
2	Building Rentals	\$134,786	\$322,535	\$(187,749)	Lost Two Tenants /
3	Socials / Donations	\$38,675	\$130,989	\$(92,314)	2015 Lottery Jackpot (\$112,000) Win
4	Cemeteries	\$(27,785)	\$(12,000)	\$15,785	More Attention to Maintenance
5	Total ORDINARY Income	\$732,853	\$951,164	\$(218,311)	
ORDINARY Expenses					
6	AOP Assessments	\$ - 0 -	\$75,790	\$(75,790)	No Assessments Paid in 2015
Salaries					
7	Clergy	\$62,304	\$31,287	\$31,017	Two Priests in 2015
8	Lay Employees	\$212,346	\$275,613	\$(63,267)	Staff Reductions in Mid 2015
Benefits					
10	Clergy	\$53,628	\$11,522	\$42,106	Did not pay all Priest's Benefits in 14
11	Lay Employees	\$84,799	\$102,777	\$(17,978)	Health Benefit Reduced in 2015
12	Administration	\$158,220	\$135,618	\$22,602	
13	Property Insurance & RE Taxes	\$122,115	\$83,777	\$38,338	See Narrative "Outstanding City Tax"
14	Maintenance	\$80,979	\$190,393	\$(109,414)	\$90,766 in Church Remediation Capitalized in 2015
15	Utilities	\$86,051	\$138,887	\$(52,836)	Winterized 2 Buildings in 2015
16	Ed. Subsidy	\$15,125	\$18,150	\$(3,025)	
17	Total ORDINARY Expenses	\$875,567	\$1,063,814	\$(188,247)	
18	Net ORDINARY Income (Loss)	\$(142,714)	\$(112,650)	\$(30,064)	

Saint John the Baptist Parish
Comparative Profit and Loss Report
Fiscal Year 2015 VS Fiscal Year 2014

Continued

Ref. #	Source	FY 2015	FY 2014	Change	Explanation
<u>EXTRAORDINARY Income</u>					
19	Appeal + Events (Friends of SJB, etc.)	\$244,926	\$ - 0 -	\$244,926	New Church Remediation Initiative in 2015
20	Legacies and Bequests	\$955	\$21,764	\$(20,809)	
21	AOP Collections	\$6,196	\$8,705	\$(2,509)	
22	Insurance Loss	\$21,942	\$ - 0 -	\$21,942	
23	Heritage of Faith Trust	\$ - 0 -	\$157,329	\$(157,329)	One Time Accounting Entry to Trust to Record Asset
24	Donor Restricted	\$39,140	\$ - 0 -	\$39,140	One Time Accounting Entry to Record Restricted Assets
25	Total EXTRAORDINARY Income	\$313,159	\$187,799	\$125,361	
<u>EXTRAORDINARY Expenses</u>					
26	Church Remediation - Exterior	\$(90,766)	\$(26,700)	\$64,066	Capitalized in 2015
27	Church Remediation - Interior	\$(11,808)		\$11,808	Stained Glass Window Repairs
28	Appraisal Fees	\$(15,300)		\$15,300	
29	Capital Campaign Consulting	\$(14,871)		\$14,871	New Initiative in 2015
30	Capital Campaign Events	\$(5,133)		\$5,133	New Initiative in 2015
31	AOP Offerory / Collections Remittals	\$(5,743)	\$(6,508)	\$(765)	
32	Insured Loss Payments	\$(11,930)		\$11,930	
33	Total EXTRAORDINARY Expenses	\$(155,551)	\$(33,208)	\$122,343	
34	Net EXTRAORDINARY INCOME (LOSS)	\$157,608	\$154,590	\$3,018	
	Net ORDINARY Income (Loss)	\$(142,714)	\$(112,650)	\$(30,064)	Line 18 / Page 1
35	Fiscal Year Net Income (Loss)	\$14,894	\$41,940	\$(27,046)	FINAL FISCAL YEAR INCOME OR LOSS (Pg. 2)