

Putting together a vocation budget

Budgeting in 2020 in the Catholic Church:

So, I want to begin by letting everyone on here know that I am not some financial genius. I am speaking to you as one seeking to learn and grow in all types of knowledge and IQ in order to free me to be a priest to the people of God. I seek to learn and grow not because it makes me more intelligent, but that it makes me more humble. The more I learn and encounter, the less I really know about anything. But I also appreciate this pursuit for allowing me to be more and more childlike - willing to fail in order to learn. Not being afraid because I know God is ultimately in charge.

With that said, I also want to say that I have always been fascinated with finances and how money moves. I grew up on a farm in Nebraska, without much financial freedom, but with a willingness to learn, grow and work hard. I received a business degree for my undergrad and have spent countless hours trying to work out business plans with friends. I have recently reengaged this aspect of my life and have decided to really try and understand the changing realities we live in.

My premise for this workshop is that I believe the Church is using a very outdated understanding of money and finance. There are ways we should change in order that we don't become more and more enslaved to money, but rather, that we follow Jesus and allow money to be subservient to the mission we share with Him - the salvation of souls.

To accomplish this, I divided the workshop into 3 parts. I will pause for questions between each part. You may either type your question in the chat box, or write it down and ask when I open up to questions at the end of each section.

First, I will very quickly go over all the basics of reading financial data. It is critical that we be able to quickly look at a set of books and be able to see the financial health of our vocation office. In addition, the better you understand financial data, the easier it will be for you to see opportunities to increase revenue and not have to slash your budget to the bone. Second, I will show specifically how a vocation director can have a big influence over the budget. You may be thinking - I signed up for the wrong workshop, this guy lives in some alternate universe. My chancery sets the budget, I have no say in it. I will show how, even in that case, the vocation director can influence the budgeting for the vocation office in a direct way. Lastly, our favorite topic of 2020 - COVID. I want to propose a bold strategy for navigating through this current pandemic. We stand on the solid rock of 2000 years of the Church. We have been through worse and we will encounter worse. How to navigate this without losing the mission of forming well the next generation of priests.

Let us begin.

All the basics:

In this first section, I would like to first break down the documents and concepts that are important for all of us to have a working knowledge of in order to be effective and efficient when it comes to our budget. Secondly, I would like to show what many don't really understand about the movement of money. I would like to dive a little deeper into the heart of financials, especially for us - cash flow.

Financial documents you need to read in order to be effective and efficient:

So, to begin, we need to understand clearly two words that are used a lot. When you talk to your financial planner, your banker, your accountant - asset and liability. The most basic way to understand an asset is that an asset is anything that puts money into your pocket. A liability is anything that takes money out of your pocket. Understanding this most basic level will allow you to understand the statements you may be presented with in governing the vocation office.

The three basic statements in any financial report are the income statement, the balance sheet and summary of cash flow.

An income statement is a document that allows us to look at the operation over a specific period of time. It can be used to compare data from year to year. It looks specifically at revenue, expenses, net income and earnings per share. The basic formula is Net Income=(Revenue-Expenses). So, when you look at the income statement, the top portion of the report will be all revenue, then the expenses are listed. The net result is your profit or loss for that period.

This is an example of a simple income statement for a vocation office:

Income Statement for Diocese of (x)

			Jan 1-Sept 30 2019
Revenue			
	Diocesan contribution	(appeal, etc)	332,000
	Fundraiser #1		2,500
	Fundraiser #2		5,000
	Other contributions		3,500
	Total revenue		343,000

Expenses			
	Wages - clergy		35,000
	Wages - laity		40,000
	office exp		6,000
	travel		10,000
	seminarian gatherings		2,000
	NCDVD/conferences		5,000
	seminary exp		240,000
	programming		5,000
	Total expenses		343,000
Net Income	(Revenue - Expenses)		0

The income statement is probably the one most vocation directors and others would see when being provided with data about their budget and financial situation. It's main purpose is to convey details about profitability and financial results of activity. It's true value is in period to period comparison - to see trends in the business and how different efforts are working or not working to increase revenue or cut expenses.

The next statement to look at is the balance sheet. This document gives a snapshot in time of a company's assets, liabilities and equity. Just like the name implies, the balance sheet always must be in balance, between assets and liabilities. The balance comes in the equity. A very simple formula is $Assets = (Liabilities + Owner's Equity)$.

The balance sheet is a good way to see how assets are being funded: either with liabilities or with equity. Assets are listed in order of how liquid they are - meaning how quickly they can be turned into cash. Liabilities are listed in order of payment, so they are grouped primarily as short-term (paid in less than a year) or long-term (paid in a period longer than a year).

Examples of assets are cash and cash equivalents (such as checking/savings accounts, treasury bills or CDs), accounts receivables (what is owed to the company) and inventory. Examples of liabilities would be any debt, wages payable or dividends payable. Equity is simply the assets minus the liabilities. it is the amount that could be paid out if all assets were sold and debts were paid off.

This is an example of a balance sheet for a vocation office:

Condensed consolidated Balance Sheet - Diocese of (x)

				Sept. 30, 2019
Assets				
	Current assets			
		cash/cash equivalents		15,000
		notes/accounts receivable		120,000
		other current assets		5,500
			total current assets	140,500
	Investments, advances, long-term receivables			100,000
	Property/plant/equipment			15,000
	other assets			1,500
			total assets	257,000
Liabilities				
	current liabilities			
		notes/loans payable		0
		accounts payable/accrued liabilities		126,000
		taxes payable		2,500
			total current liabilities	128,500

	long-term debt	(seminarians' debt payable)			64,000
	other long-term obligations				5,000
			total liabilities		197,500
Equity					
	earnings reinvested				100,000
	accumulated other income				<40,500>
			total equity		59,500
			total liabilities and equity		257,000

Again, this is a snapshot of the company. It can be quite useful for a parish and a diocese to know where they are currently sitting with assets versus liabilities at all times. a vocation office can benefit from this as well.

Last, but certainly not least is the statement of cash flow. As I will soon get into, the statement of cash flow is actually probably the most useful for a vocation director in terms of planning and budgeting.

A statement of cash flow is simply a measure of how well a company generates cash to pay its debt obligations, fund its operating expenses and funds investments. it is a complement to the balance sheet and income statement. all three must be understood and watched carefully. Cash flow allows one to understand how things are running. It is the best tool to notice quickly where revenue is coming from and how it is being spent.

There are three sections to a statement of cash flow: 1) operating activities, 2) investing activities, and 3) financing activities. The operating activities are just like it sounds - the cash movement on a day to day basis. it shows changes in cash, accounts receivable, depreciation, inventory, accounts payable, wages, income tax, interest, rent and cash receipts. Investing activities would show more long-term uses of cash such as purchase/sale of an asset, loans made or received, or payments due to merger/acquisition. Lastly, financing activities would

include cash change in regard to investors or banks, cash paid to shareholders, debt issuance, equity issuance, stock repurchase, loans, dividends paid, repayment of debt.

As you can probably imagine, the operating activities in a vocation office would be heavily populated and the other two potentially would have very little activity from year to year. However, part of my bold strategy is to seek to notice opportunities that could be captured in order to increase cash flow in these other categories. To conclude this briefest of explanations, most churches operate on a cash basis versus an accrual basis. If that is the case, the cash flow statement is much more valuable because it shows net income in a cash version.

A quick example of a statement of cash flow for a vocation office:

Condensed Consolidated Statement of Cash Flows - Diocese of (x)

				9 months ending Sept 30, 2019
Cash flows from operating act				
	Net income			5,000
	Dep/amortization			0
	Net inc/dec in current assets/liab			500
		total cash flows from operations		5,500
Cash flows from investing act				
	purchase of PPE			(5,000)
	Proceeds from sales of PPE/ROE			0
	additional investments/adva			0

	ncements			
	other investing			0
		total cash flows from investing activities		5,000
cash flows from financing activities				
	additions to L term debt			0
	additions to S term debt			0
	Reductions in S term debt			0
		total cash flows from financing activities		0
Inc/Dec in cash and cash equivalents				500
cash/cash equivalents at beg of period				14,500
cash/cash equivalents at end of period				15,000

Okay, so that was a reader's digest version of the basic statements that help understand where you are currently sitting with the financial health of the vocation office. A quick note here: I am of the firm belief that a vocation office needs to be analyzed independently, as much as possible, from the diocese. It is important for you as you budget and plan for your vocation office to know how you stand without all the other complications of a diocese - that is not our job, the vocation office is.

It's all about the cash flow:

Now, cash flow. As I have said, it's all about the cash flow. We operate on a cash basis. That simply means that we realize income and pay expenses in the month we receive the cash or the bill. We do not accrue debt over the year, nor do we put on the books some receivable for tithing. This makes our budget so much more basic in many ways.

When talking about cash flow, the first thing I want to address is the principle of 'who owes who money'. The reality is, it is very risky for the Church to put herself in a situation where we are the debtors. Any income we have currently, as things are structured, is 100% through tithing, gifts and sponsorship. The generosity of the people of God is incredible. Catholics will give if given a reason to do so. They give faithfully and well. This will always be a necessary part of the life of faith - tithing and gift.

However, the faithful are not debtors to the Church. The faithful are the Church. We have become indebted to ourselves. As costs rise, due to inflation, interest and taxes, so does the need for more money. The trouble is, when you are indebted to yourself, you reach a point of robbing Peter to pay Paul. So a certain aspect will of course always be the tithing and gifts of people working in the secular world who's faith invites them to give 10% to God. If we preach the Gospel and live it as leaders, we can expect the people to hold up their end to provide quick assets in the cash flow of the vocation office.

This is what we call ordinary income - tithing. An area that is very hit or miss in the Church is passive income from real assets. Some institutions do this better than others. Passive income on paper assets would be through investments in stocks and bonds. Still technically a paper asset, an endowment fund is a less risky passive income investment. These can be good ways to create passive income that will provide cash resources to pay quickly any current liability and service long term debt. These have been funded historically in the Church by large gifts, capital campaigns and bequeathments.

When we look at our cash flow, it will tell quickly who owes who money. Is your asset portfolio reliant solely on the indebtedness of the people of God through tithing? Do you have a plan to grow an endowment?

Passive income from real assets is less of a possibility for a vocation office. It usually would mean investment in real estate or the purchase of a company. These are normal ways to create passive income for the cash flow of an organization that are much more reliable than paper assets. Since we cannot invest directly in these ways, we must become more creative and see opportunity. This involves work, but one could find out who they have in their diocese and speak to them about being a spiritual partner in the individual's asset portfolio. So rather than traditional tithing, the church becomes a stakeholder in what that person is doing. Their company that receives passive income from real estate or purchasing of companies is able to

give some of that passive income to the church so it becomes a consistent and reliable asset for the cash flow of the vocation office.

Another aspect of looking at the cash flow is being able to notice 'who gets paid first'. We are taught over and over to pay our bills on time, pay our taxes, put money into savings or the company retirement plan, then pay ourselves so we can invest or tithe. In our personal life, that leaves very little if anything for us to use in order to seize opportunities that present themselves to us.

In a vocation office, who gets paid first? it is important to notice how your bills come in and what takes priority. Of course, there are things that must be paid. The seminary bills, wages for employees - these must be paid. But what is next in the priority? I will talk about this a lot as we think budget, but what about the education of the vocation director? Rose will probably like this, but I am not talking here as just a 'company man'. Investing in NCDVD, attending other trainings and seminars, reading documents, networking around your diocese and the country, spending time with rectors and vice rectors - these are investments that should be budgeted for. They come prior to other things in the budget. The more you can increase your IQ in priestly life, finances, the world around you, the more return you get. The real revenue generation in a vocation office is increasing your IQ - especially priestly and financially. Who gets paid first?

Another principal of cash flow in the secular world is 'how long can you hold onto your money'. When we apply this to the vocation office, it is really about a change in mentality and strategy. There is a shift we need to do as we budget here - budget keeping your real assets in mind. What are the assets of a vocation office?

Remember there are two sides to a balance sheet: assets and liabilities + equity. At first glance, seminarians are assets to a vocation office on one hand, but on the other side the seminarian costs the diocese because of the cost of formation, so by definition is a liability. The immediate problem becomes clear - if you get 1 seminarian into seminary, you now have to form that man so you must either do it yourself or outsource the formation to the seminary. On the seminary's books is a cost of formation, which they charge back to the diocese. The bill is paid, most likely through a diocesan appeal - so through a capital campaign.

This presents a major money problem. As you get more and more guys, the cost goes up and up. The campaign goal goes up and up. The people are excited but feel more and more stretched because the markets are down and the dollar pays for less and less. So, you are told to cut the budget. More and more and more. Soon, all the diocese can cover is the cost of formation and your salary, if that.

What is the solution to the money problem? This is where the principal of 'how long can you hold onto your money' applies to a vocation budget. The liability portion of the seminarians will not go away - formation costs money. Capital campaigns are fine - they raise the money you need today. However, money in, money out. What is more - because the dollar is basically

more of an idea than a reality now - more on that in section 2. The amount of work, time and energy to raise capital increases more and more. We have failed to figure out how to 'hold onto money' in the Church.

Passive income through investment is the way to hold onto money. You pay your bills but the money works for you instead of you working for money. I have mentioned previously about the power of endowments. Another way is through real estate assets, growing your asset portfolio by working with Catholic investors who want to make the vocation office partners of their passive income through real estate assets. Lastly, it is working with the seminarian to talk with people who will support him in his formation. It is transforming the mentality of writing checks to be used on gas and burgers to become investment. I will speak more of this later.

To close out this first section then, the summary point from cash flow is that it helps us in the vocation office become revenue generating versus expense cutting. yes, we have to minimize expenses. But the old system and the rules of money have changed. I will dive more deeply into that later, but suffice it to say - the industrial age is over and so is the budget method of the industrial age. Our primary work on a budget should be to analyze our cash flow so we can first see how efficiently our office moves cash - who owes who, who gets paid first and how long do we hold onto our budget? Our mindset from there should be to say - what do we need? Then we go get it.

I want to pause here for any questions before we move into section 2.

Q&A

How can a vocation director influence their budget:

All that is great, but if I don't have anything to do with the budget, how can I influence it? If I have no influence, why bother understanding it?

Great questions. Here is the thing. Our influence will never be direct, no matter how the finances are handled in your diocese. Why do I say that? The bishop is the vocation director and the governor of the finances of the diocese. We can never forget that. Jesus set that structure as He called the apostles, died on the cross, rose from the dead and ascended back to the Father. That is the reality.

Our influence as vocation director is to educate ourselves. Bishop is in charge, but he assigned us to handle the details of the vocation office so he can be free to make decisions that impact the entire diocese and church. The vocation director's wealth is in his IQ - spiritual, intellectual and yes, financial.

Education:

I think my main point with this whole workshop is coming more and more clear. Education. the best thing we can do for our vocation office in terms of budget is to educate ourselves about financial matters. That means more than listening to Dave Ramsey podcasts. It means to understand how money works and moves. it means having conversations with intelligent people, being a sponge when talking with lawyers, accountants, financial investors. These are good people and they so much want to help us.

The people in our pews are more highly educated than we ever have been. We have a lot of good, holy and intelligent people in the pews. They are an asset. They are not there to do the work for us, but they are willing to help us learn and grow so we can become better and better at noticing opportunities to get the vocation office to become financially healthy.

On the other side of that, they also expect their priest - who is supposed to be highly educated - to be able to engage them in dialogue about how money works. What will turn them off very quickly is to preach that money is evil. to have a flippant attitude that says we are to be poor and dismiss the rest of the workings of a society. We do not have to be a financial analyst, but we should be able to engage the working of money with our people. It opens them up to deeper and deeper conversations about God and what our true mission is - the salvation of souls through the formation of priests.

There are new rules of money. In 1971, the United States went off the gold standard. That means that the dollar went from being money to currency. It became less real, an arbitrary thing. The dollar is an idea, not a reality. The government basically is now free to print as they wish. Need money, print more. The more they print, the less valuable the dollar is. It is to the point of almost being 0. That is all above our pay grade, but it is important to realize. The dollar is a currency, and just like an electrical current, it only works if it is moving. Another point is that it loses value each day. This is why we need more and more to do less and less.

What does knowing that info do for us? It frees us up to realize - we are not being poor stewards necessarily. It means what we are working with is being watered down, less effective. It means that we need to change our mentality on the flow of money, where it comes from and how we should interact with it.

Money, including revenue coming into the vocation office, needs to move. Don't think of hot potato - when I get a donation I need to spend it. Think rather, I need to learn how that money moves. I need to study and learn about the new rules of money.

In the account of Jacob wrestling with the angel, there is a question of name. Why do I reference that scripture account? It is about understanding our role as sons in the Son. It is really all about how God rightly ordered creation. The things of this world serve us because God ordained it this way. We in turn serve God. We don't lord over the things of this world, but they are to serve us. In this passage, there is the establishment of right order. For this Jacob was blessed.

We must continue to study and learn the new rules of money. We need to have a working knowledge of how money moves in order to properly budget our vocation office. We cannot dismiss this as some evil of the modern world. Money is morally neutral in itself - it is a means of trade. Is it your lord or do you have mastery as God's sons and daughters over this aspect of creation and society?

Lastly, we need to understand tithing, gift and investment.

I believe we all understand tithing - the idea of giving to God first. In the principle 'who gets paid first', we obviously state categorically that God is paid first. Love God above all things. Tithing allows us to understand the most fundamental part of creation - God is God and we are not Him. It allows us to stay ordered to Him properly as His adopted sons and daughters. So encouraging, inviting and teaching tithing is appropriate and good.

The issue with tithing: it moves with the markets. So if your parish, diocese or vocations office is in a particularly affluent area, your revenue reflects that. If you are in an impoverished area, your revenue reflects that. Those can shift over time. Maybe not in 3 to 5 years, but in terms of 50 to 100 years. Know where your cash comes from and understand how it moves.

Since tithing moves with the markets, we can preach about it, teach, invite, encourage - but it remains a large variable. There is Gospel poverty in that, letting God provide. It is part of the risk of love and should always be what we are about - relying on the providence of God.

At the same time, is it being a good steward to just say, 'God will provide', then walk away and do nothing on our part?

Another aspect is gift. This would be bequeathments, capital campaigns, Christmas/Easter gift, and the like. This is a great revenue stream for the Catholic Church. It is something that Catholics are very good at, even better than regular tithing. Catholics give to a specific need rather than just consistently giving. I believe that is a practice and mentality rooted in the industrial age. Only buy assets when you have a specific need. Otherwise, save and get by. Therefore, we are very good at this as Catholics - we are sticking to the pattern that has worked for a long time. This is good and can be very beneficial to your vocation budget. It is also very

risky - there is no guarantee that it will be there. It is tied to the markets as well. If the people have, they will give gifts. If they don't, they don't.

This leads into the final piece of knowing where your cash comes from - investment. Investment has its own language. When someone understands the flow of money, they live here, either creating, selling and buying companies; investing and developing real estate; and within the different stocks and commodities that exist.

Again, the rules of money have changed. We no longer live in the industrial age. We live in the information age. Money moves differently, so our mindset needs to change. Getting people to invest into the mission of the vocation office is a way of generating passive income that will allow you to increase your budget. It is understanding what our business is: the salvation of souls through the formation of priests. Our system is our vocation office, seminary structure and formation program. It behooves us to start thinking about how to 'sell' this system to allow others to invest into it.

Example of McDonalds

Some of it is a different label on it. Speaking in terms that people understand from the business world is one small thing. But it is also increasing our understanding of how money moves and where our revenue comes from - so back to the main point. We must educate ourselves on the movement of money so that we can see opportunity and move into it.

Investment is a way that does depend on markets, yes. But less so than the others. This is a way of allowing our vocation office to become a strategic partner in another person's passive income. This is a lot of work to set up, but much less risky. Keep in mind, most of these people are good Catholic businessmen and women who desire to help the Church, but may have not thought of this as an option. I can think of one gentleman here in Nebraska. He gives clerics an opportunity to receive chiropractic care for free. He says this is his gift to the Church. They want to help, we need to see opportunity and connect the two. Know where your cash comes from and how money works - educate yourselves.

Seminarians taking ownership:

Shifting gears a bit now, we turn to seminarians. I would like to talk about how as vocation directors we can influence our budget indirectly in conjunction with our seminarians.

I think there is a lot of pressure on forming men toward priesthood. I feel it, I know vocation directors, bishops, seminary faculty feel it. I know the seminarians can feel it. Part of that pressure has been and will continue to be the cost of formation. To run a program, it takes

money. In justice, we must give workers just wages. In formation, it is no different. Maybe as things shift and engage we can find a way to lower costs - but I have strong doubts. There are ways and models to empower men to take ownership in their own cost of formation. We cannot rely totally on them, but it can be a great formation tool to teach the men how money works, what the formation costs are, and how they can invite people to be intentional contributors to formation.

In the past, the cost of formation would be on the family. This inhibited many men and families, but somehow they made it happen. It is a nice thought that we can just take care of everything for guys, where they can just plug in and do the rest of formation. However, how many of our men have zero financial IQ? Working with them to help them understand where cash comes from would help their gratitude. As they learn that the work of funding formation is something that we all can work toward, they see the value of working with the people toward goals rather than just relying on them. In a word, it is an opportunity to root out any sense of entitlement or clericalism in the man.

What am I saying? My belief is that seminarians should be involved in ways of raising revenue for a vocation budget.

Other ways they can contribute are through video messaging that can be distributed to the people of the diocese to engage people to give more consistently. They can also work to share the message of the vocation office in terms of inviting investors into relationship with the mission of the office.

the last point here is to point out: we have the best product on the market. I say that, translating it into a more secular business term. That 'product' is Eternal Life. Our business system is the Church and the Sacramental life. We must learn to sell or communicate this mission in terms people today can receive that. We need to educate our men in their financial IQ. This is a way of connecting to the secular society, a way to teach our men to encounter where people are at and connect to them.

We hear the words money, finance, cost, income everyday of our life. We must increase our financial IQ so that it does not become a block to relationship and so that we can become masters of this aspect of creation. This very much does not exclude the poor. Our financial IQ can empower the impoverished people in our parish as well. Leadership can draw people out of suffering from being buried in debt and become free financially. This freedom will allow them to focus more on God.

I'll stop there. Any questions on this section of the workshop?

Q&A

Finally, a brief look at our favorite topic for 2020: COVID

I want to end by quickly touching on our favorite 2020 topic: COVID. What is happening and what is coming? If I could answer that, I would have enough to start an endowment big enough to cover all the vocation offices in the Church. So the quick answer: I have no idea.

Three points. First, I believe that money is not disappearing, it is simply transferring. From where to where you may ask. Like I said, fiscal education helps you see where your cash is coming from and where it is going. Unfortunately, dollars really are disappearing. The dollar is losing value quickly. that means paper assets are losing value as well. Something will burst big there.

Wealth is being gobbled up by the super rich. Their assets are real, so they continue to gain more and more of them. The gap between rich and poor is growing to an almost unbridgeable gap. If we don't, as a church, change the way we understand and think about the movement of money, we will not only be poor - but oppressed. I think that day may be coming anyway - but that is a topic for a different day.

The only thing we can do right now is to educate ourselves financially so we can see more and more clearly what is happening with the cash flow of the world and begin to 'invite it' into the hands of those who will do God's will. Education is critical for us as vocation directors if we want to be able to truly focus on formation. Otherwise, we become enslaved to our money problems.

I invite us all to ponder three questions. 1) what is our business? we need to understand our mission very, very well. We are on mission for the salvation of souls through the formation of the priesthood. This is what people will invest in. This is our asset that will draw in capital or revenue into our cash flow. 2) we live in a post christian era, so what is our strategy to communicate our vision? Education. Once we learn the rules of the game that is being played today, we can communicate that mission and draw others into it. Saint John Paul II was an avid reader. He was often accused of reading a lot of secular literature and combing through marxist ideological manifestos. He said, 'if we don't know how the world thinks, we cannot engage it'. I don't think we need to read everything written - but we do need to educate ourselves on how this world thinks. 3) how do we invite others to invest into the vocation office? this is your homework. educate yourself and allow your study and prayer help you notice opportunities to influence your budget and grow your mission. Education will help you not be afraid of any pandemic or obstacle that comes along.

Okay - that is it. any final questions?

Q&A