



Immaculate Heart of Mary Church

13505 Excelsior Boulevard Minnetonka, Minnesota 55345

Immaculate Heart of Mary is a community whose members, called by Baptism and formed by life long education, grow in faith and holiness through worship, prayer, and service guided by the Gospel and traditions of the Catholic Church.

MASSES

DAILY: 9:15 am (Monday-Friday)

SATURDAY: 4:30 pm

SUNDAY: 8:30 am and 10:30 am

PARISH OFFICE—952-935-1432

HOURS: 8:30 am—4:30 pm (Monday-Friday)

Parish Website: www.ihm-cc.org

Stay informed of parish events and news by following the bulletin which is always online at www.ihm-cc.org.

Fiscal Year 2012-2013 Audit Results & Parish Updates

January 30, 2014

Dear Parishioners of
Immaculate Heart of Mary,

On behalf of the staff, Finance Council and Trustees of the IHM parish, I am pleased to inform you that the audit report by the firm of CliftonLarsonAllen, LLP is complete. As required by the Archdiocese every five years, an audit provides an examination of the financial report of the parish by someone independent of the parish. In November you received the financial report for the fiscal year July 1, 2012 to June 30, 2013. The auditors examined in detail that report to form an opinion on whether the information presented in the financial report reflects accurately the financial position of IHM parish for that fiscal year.

To see the full audit report with the auditor's commentary, you may go online to www.ihm-cc.org or visit the parish office to review a hard copy.

I am pleased that the audit results found that the financial statements were fair and truthful. Most importantly the audit shows there is no evidence of fraud or theft with parish or school finances.

While personally we are not happy when the IRS asks for an audit of our personal finances, an audit of parish finances should be a welcomed and cooperative event. We requested CliftonLarsonAllen, LLP to provide assurance to parishioners of our accountability for their donations and to review our internal controls for the management, handling and recording of money and assets. In other words, an objective of the audit is to minimize the risk of any material misstatements in the annual financial report. Furthermore, an audit assures the financial officers of the Archdiocese that proper procedures and policies regarding parish finances are being followed. Finally, an audit provides a measure of feedback to those at the parish who are responsible for all money matters that they are doing what is expected, and also recommends to management where additional control improvements can be made.

As I said in my letter to you in November, the finances of IHM parish and school were complex in nature this past fiscal year (July 1, 2012-June 30, 2013) for a

variety of reasons. The letter that follows, from the Finance Chair, Tom Singsank, provides additional comments on the audit, explanations on the changes in 2013 and on the current position of the parish at mid fiscal year.

I want to thank CliftonLarsonAllen, LLP for their work. I am grateful to Business Administrator Scottie Bahr and other staff and consulting CPA's that assisted in any way. I am very appreciative in the name of the parish to our Trustees and Finance Council for their consultative leadership. Finally, my sincere thanks to all IHM parishioners who attend Mass faithfully, give of their time and are financially generous to the parish. With this report you have my continued assurance we will be good stewards with all you share with the parish.

God Bless You!

Fr. David Ostrowski, Pastor

Fr. David Ostrowski, Pastor
January 30, 2014

COMMENTARY ON FINANCIAL AUDIT BY

Tom Singsank,
Chair of Finance Committee,
January 2014

The 2013 audit was completed by CliftonLarsenAllen LLP. The parish received an unmodified opinion from them. An unmodified opinion means that, given the information the auditors reviewed and with the changes we made in presentation and accounting methods, the financial statements fairly reflect the financial position of the parish at 6/30/13. Their opinion is not as to whether the results look great or not so great, only that results are presented fairly. The audited financial statements for the fiscal year ending 6/30/13 are now available on the Parish website www.ihm-cc.org or by stopping at the office.

This was the first year that we conducted a full audit of the financial statements. As Fr. David commented, we have had outside audit engagements about every five to seven years in the past, but those audit engagements were limited in scope to *Agreed Upon Procedures* reviews, which are less broad and more focused on controls than presentation of financial results. Controls are still reviewed and are an important part of this type of audit. CliftonLarsenAllen LLP has provided a list of items to management that we need to work on to improve our controls and oversight. We have already addressed most of those and will continue to make additional improvements in the next few months.

In fiscal year 2013, we made several changes, including the conversion in accounting methods, changing from cash based accounting to accrual based accounting. Accrual based accounting (to summarize and not to get too into the weeds), is the method used under generally accepted accounting principles in the U.S. to more fairly match revenues and expenses to the financial period to which they relate, including recognizing expenses that relate to the current period even if not yet billed to or paid by the parish. In 2013, examples of these accrued expenses included accruals for the Archdiocesan Assessment for 2014 which is to be based in part on IHM school tuition for 2013 and expenses for severance payments for IHM teachers displaced at the time of the closure of IHM School. Accrual accounting also matches the expense for fixed assets, like the building and furnishings, to the periods over their expected useful lives. The result

of this change was the recognition of depreciation expenses, the estimated portion of the fixed asset used in this period. This also resulted in the removal of many old items from the parish books, that had this accrual accounting method been used historically, would no longer have been on the books.

In the audited statements, Note 10, refers to accrued assessments related to the school. There are certain expenses that are payable to the Archdiocese, including the annual assessment, which are calculated for the current period based on prior periods activity. These expenses include the annual assessment, which is a fee paid based on prior years receipts. \$62,000 was included as expense in 2013 for the portion of the assessment for the 2014 and 2015 fiscal years, which was based in part on the IHM School tuition for 2012 and 2013. In addition to the annual assessment, there are also fees calculated for the funding of the pension fund and workers comp insurance, which are also based on compensation paid in prior periods, including compensation paid to teachers of IHM School. Due to the inestimable nature of these expenses and other factors that could impact the estimates, the auditors suggested that we not include in 2013 expenses, but that we include them as operating expenses on a go forward basis. These expenses will probably be \$30,000-\$50,000 in each of the next 2 years. We will track these separately so that you will have a clear picture of what are expenses related to the parish.

The financial statements, in addition to being converted to accrual accounting are also presented in standard format for nonprofit organizations. The "Income Statement" you previously saw is called the "Statement of Activities", and "Net Income (Loss)" is referred to as "Change in Net Assets", and there is further definition of contributions to the parish as to whether they are Unrestricted or Restricted, and if Restricted, whether Temporarily or Permanently Restricted. Generally, contributions are Unrestricted, but if Contributions are made for a specific purpose designated by the donor, then those funds are restricted until used for that purpose. Capital Campaign contributions, designated for a particular purpose will remain as "Temporarily Restricted Net Assets" until used for the building project. On the Statement of Financial Position, the cash related to this is reflected in "Cash Restricted for Capital

Campaign" and "Investments" and is held in segregated bank accounts at First Minnetonka City Bank and Capital One. Contributions restricted for endowments are held at Catholic Community Foundation. These funds are funds for which the parish is a beneficiary of any distributions, but for which the principal balance is not available to the parish. These are reflected as "Permanently Restricted Net Assets" with the corresponding asset account being "Interest in Net Assets of Catholic Community Foundation".

At the end of Note 1 to the statements, you will find a liquidity section, which reiterates what we presented in the last pastor letter, regarding actions we have taken to address the temporary cash flow issue we experienced last year as we moved to the regional school and funded remaining obligations after the tuition revenues had stopped. As noted, we now have a \$100,000 line of credit to help us deal with short term funding needs. We are working with the mortgage company and the Archdiocese to work through any past due items. As of this writing we are current on all accounts payable except with those two parties, and have begun paying and catching up on those invoices. We reduced expenditures and have formulated a budget for fiscal year July 1, 2013-June 30, 2014. Through December 31, 2013, our midpoint for fiscal year 2014, we are ahead of our budget by \$55,000, this includes parish ordinary income ahead of budget by \$34,000 and expenses less than budget by \$5,000, and Capital Campaign income ahead of budget by \$16,000. There will be some spikes in this as we move through the rest of the year, including expected spikes in utility bills, etc., but we hope that through continuing efforts to manage expenses and your continued support, that we will get through the year in a positive position to continue allowing us to catch up with last year's accounts payables.

This is a high level overview of what you will find in the statements, and hopefully helps you understand them as you read them. Please feel free to ask questions by sending an email to financecouncil@ihm-cc.org or checking at the office. We will respond as soon as possible.



Tom Singsank
Finance Chair



Organization

Immaculate Heart of Mary ("the Church") is located in Minnetonka, Minnesota, and is affiliated with the Archdiocese of St. Paul and Minneapolis. Its activities are governed by the Board of Directors which consists of the Archbishop and the Vicar General of the Archdiocese, the Pastor of the Church and two lay trustees. The Church is a religious parish corporation and is organized as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code by reason of a Group Ruling. The Church's activities are primarily supported by member offerings and program fees.

FOR CATHOLICS, THE LOCAL SPIRITUAL HOME IS CALLED A PARISH.

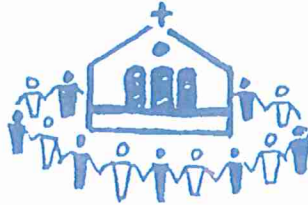
It should be a place where a person can find hope, learning, and love. The memories and lessons from our spiritual home help us on the journey of life toward holiness. As a large family we gather together to worship, to learn about our faith, to extend pastoral care to each other and those in need, and to celebrate our life together. It is important that all parish members care for their parish community through gifts of time, talent, resources and prayer!

The parish is managed by various lay committees and the pastor is assisted by employed staff personnel.

• **A FINANCE COMMITTEE** is required by the Code of Canon Law for each parish, and is consultative to the pastor in all matters relating to major expenditures of money, acquiring or selling property, and other matters requiring a vote by the parish civil corporation. The pastor seeks advice from the Committee to oversee the financial welfare of the parish and to help set a budget.

• **A PASTORAL COUNCIL** is consultative to the pastor to help set a vision for the parish especially in pastoral matters. It is important that the Council meet regularly and that it include a wide variety of representatives from the parish. It should publish minutes of its meetings to the parish.

• **OTHER COMMITTEES** might also be established in a parish, including Buildings and Grounds, Faith Formation, School Advisory Board, Vocations, Pastoral Ministry, etc. There also may be groups that do not belong to the parish but have an affiliate group in the parish. All should report about their work to the Pastor and Pastoral Council, and all volunteer leaders are consultative to the Pastor. All must cooperate with financial policies established by the Pastor and Finance Council. At IHM, all volunteer groups are linked to the parish organization through a staff liaison. You can see a listing of various ministries enclosed in this mailing, along with a letter from the Pastoral Council.



Immaculate Heart of Mary Parish Church offers a large variety of liturgical opportunities and a full spectrum of Faith Formation education to students of all ages from children through adults in a number of different programs.

• The Church offers **Sunday School** (ages 3 - Grade 1) designed to provide a warm and welcoming first experience within the Church. It is an opportunity to experience faith beyond the family. Sunday school is available during the 8:30AM Mass for preschoolers through first grade.

• **Sacramental Preparation and Celebration** is comprehensive at IHM, and includes Baptism, Reconciliation, Eucharist, Confirmation, Anointing of the Sick, education on Religious Vocations, and Marriage Enrichment.

• **Grades 2-9 Religious Education** is open to parish children who do not

attend Catholic school. Classes are held on Wednesday nights from 6:30-7:30 p.m., late September through mid-April. The entire program from Grade 2 through Grade 9 is designed to provide children with a comprehensive experience and knowledge of the Catholic faith. Curriculum and materials have been carefully selected to provide developmental catechesis based on the current teaching documents of the Church in accordance with the policies of the Archdiocese of St. Paul and Minneapolis.

• **Adult Faith Formation Programs** are offered often and include speakers, Bible Study and other programs, and a library is available for parishioners convenience.

• **IHM is a sponsoring parish for Notre Dame Academy**, a Pre-K - 8th grade regional Catholic school serving families in the western suburbs of Minneapolis, MN. Notre Dame Academy fosters an education rooted in the Catholic tradition. As a community of educators, staff, parents and parishioners, they challenge their students through academic excellence, spiritual formation, social development and moral growth.

IHM Church offers many other outreach programs through the Pastoral Care Department, touching areas relating to the Corporal and Spiritual Works of Mercy and the Social Justice teachings of the church. We offer services to the sick and homebound, those who have lost a loved one, and those looking for spiritual direction. In addition, there are activities and community programs including:

- Sponsorship, along with six other Catholic Churches, of a speaker series for persons who are recently separated and divorced.
- Programs for 55 and older
- ICA Food Shelf support
- Sponsorship of The Sacred Heart Seminary & Archbishop Harry Flynn School in Gulu, Uganda
- Participating sponsor in the *Loaves and Fishes* program at the River of Life Church in north Minneapolis
- St Jude's quilting group provides blankets and other needs to St Joseph's Home

How can you help?

Going forward I would ask all registered parishioners to:

- attend Mass at IHM as often as you can to ensure our community is well represented. While I understand from time to time you must attend Mass elsewhere, if you are registered at IHM then as a parishioner please try to attend Mass on Saturday 4:30PM or Sunday at 8:30 AM and 10:30AM. It is important that we pray together as a community.

- support the parish financially by using the envelopes sent to your homes. Many are now choosing electronic giving so that even when not able to attend Mass at IHM, the parish receives financial support.


- give your time and gifts to a ministry at IHM. Enclosed with this update is a letter from the Pastoral Council and a list of all the many ministries at our parish.

Whatever you can do to help keep our parish healthy and strong is most appreciated. We have been so blessed at IHM and the question we must always ask is: "How shall I repay the Lord for his goodness to me?"

God Bless You!

Fr. David Ostrowski, Pastor

Fr. David Ostrowski, Pastor



Complete Audit
Report available at
www.ihm-cc.org or
the parish office.

PASTOR'S ADMINISTRATIVE UPDATE

An update on some current changes and challenges – and a THANK YOU FOR EVERYONES WORK IN SUPPORT OF OUR PARISH NEEDS AND CHANGES, especially your help in various areas including finances, communication, volunteer leadership development, etc.

- Pace – Prism completed on time.
- Green Sheet Financial Summary for the Archdiocese completed.
- Finances... improving, and budget in place for fiscal year 2013-14. Department chairs will be able to receive a copy of their department budget and ask for monthly or quarterly updates to share with the department members. Cathy Bohnen, CPA from Mazanec, Bauer & Associates will be with us through June.
- **Personnel:** Revised Personnel Policy Handbook complete. Revised job descriptions completed. Personnel Performance Reviews will begin to be conducted in March 2014 by interaction of supervisors and employees, based on the content of the job description. Some departments have Work Charts showing specifics of work assignments and some new responsibilities that will assist the whole parish. **Training in Personnel Performance Evaluations and Reviews** (In January for all staff, presented by Mary Bosscher, Administrative Consultant).
- **Policies and Procedures:** Some changes include Maintenance and Support Staff Work Requests. To still complete: Calendar Call Process; Budget Call Process; Internal Control Financial policies review and revision with auditors. Setting of clear policies on building hours, Security for all facility and Employees ID badges.
- **Volunteer Committees and Action.** Pastoral Council newly functioning. Stewardship and Ministry Fair in September. Parish phone directory for all parishioners in process.
- Staff heard a brief presentation by Brad Anderson, retired police officer and currently manager of a security firm, regarding **Building Security and Personnel Safety**. Brad has conducted a study of our facilities, as have the Police and Fire Chiefs of Minnetonka. They will be making recommendations for our improved facilities safety management.
- We need to continue to pray and work together for the success of our parish.



MARK YOUR CALENDAR LENTEN FISH DINNERS

hosted by the IHM Men's Club are back by popular demand! This year there will be 3 Friday night dinners from 5:30 to 7:00 pm in the cafeteria:

- March 7th,
- March 21st
- April 11th

This meal is a great way for parishioners and their families to share the season of Lent. The meal includes baked fish, au gratin potatoes, beans almondine, mac 'n cheese, cole slaw, rolls, cookies and a beverage. Tickets will be available for purchase in the Parish Office during normal business hours. Walk-in guests will also be accepted.

Finance Council

financecouncil@ihm-cc.org

Fr. David Ostrowski, Pastor
Scottie Bahr, Business Administrator
Tom Singsank, Chair

Rob Barniskis
Geraldyn Barone, Vice Chair
Mary Jo Dickinson, Trustee
Larry Hruby, Trustee
Anne Koss
Kristin Stanley