

Annual Financial Report

January 2007

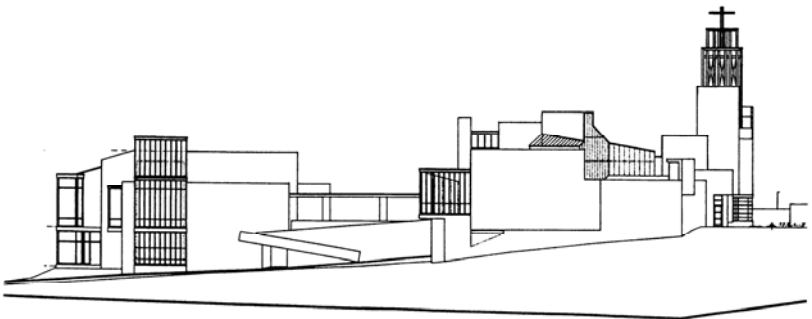


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*Note: “FY” means Fiscal Year.

Pastor's Letter to Parishioners

Dear Brothers and Sisters in Christ,

It is my pleasure to present this annual report on the financial condition of our parish, the Church of St. Thomas More.

This very comprehensive report tells a story of Good News that continues to get better!

In this annual report, you will find:

The Financial Report for FY 2005-2006

The Budget for FY 2006-2007

An Update of our Capital Campaign, "***Our Journey Into The Future... Together.***"

An Overview of the "Did You Know?" Campaign

All the statistics indicate that you continue to deepen your commitment of time, talent, and treasure as faithful Christian stewards.

It is very important to note that you rose to the challenge this past year and responded positively when the Finance Council informed the parish that we were lagging in our Operational Funds, while exceeding our projections in the Capital Campaign.

As a parish, because of the great desire to build our Church, we were "robbing Peter to pay Paul"—parishioners were directing more income to the Capital Campaign, and less to the Operational Fund.

In this past year, this situation has been corrected, and we are back on track. If we continue in this coming year to do the same, we should be able to break ground for our Church in 2008.

Know that I am so grateful for your continued support and generosity to this Faith Community!

May God who began this good work in us bring it to fulfillment.

Sincerely in Christ,

A handwritten signature in black ink, consisting of the letters 'F.' followed by the name 'Mike' in a cursive script.

Rev. Michael Ratajczak
Pastor

Finance Council's Discussion of Financial Condition

As is usual for this time of year, the Finance Council has been actively reviewing last fiscal year's financial performance and preparing this year's budget. As you review this report, please remember the parish fiscal year runs from July 1 to June 30.

For the past 11 years, the Finance Council has worked closely with our pastors to create a comprehensive financial reporting and budgeting system for the parish. This provides the control and balance that ensure financial plans are based on parish need and fiscal prudence and that they are consistent with historical trends in both income and expenditures.

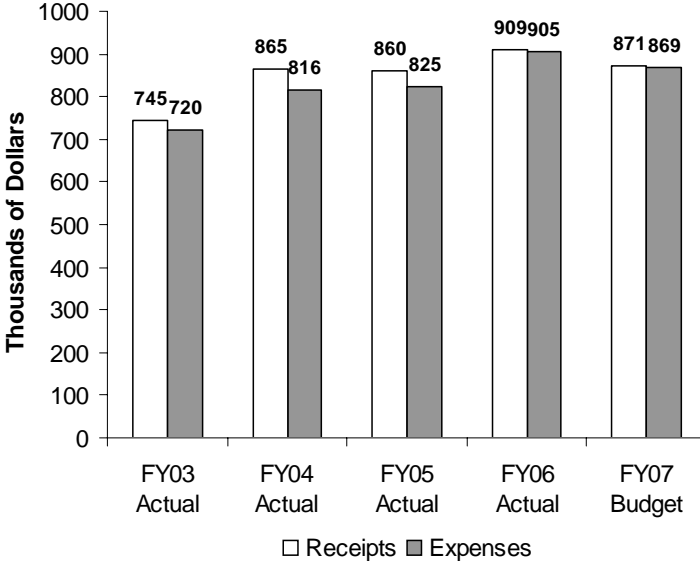
In this Financial Report for Fiscal Year 2006, in the budget for Fiscal Year 2007, and in the future parish expansion/building plans, there is a great deal of good news, and there are still some opportunities for improvement. Fortunately, there is much more good news than the latter, and the latter items are financially manageable at this time.

Among these pages, you will find the following good news: of the 956 registered households, 123 (almost 13% of parish households) are now tithing, the parish itself has Diocesan approval to begin the planning phase for the church, there are plans to fund a facility reserve for large-ticket maintenance items, and we look forward to a balanced budget for the coming fiscal year.

As for opportunities, while a great deal of progress has been made, we must still raise more capital before having sufficient funds to complete the parish expansion goals (i.e., new church, school, etc.), and growth in parish receipts needs to be stronger. By continuing to work together, the Finance Council is confident that the parish of St. Thomas More will maintain its fiscal health and realize its shared parish vision.

Income and Expense Trends

The following chart illustrates the total parish income and expenses since occupying the Parish Center:



It should be noted that growth in parish income has outpaced growth in parish expenses 8% to 7% over the past four fiscal years. This fact is a significant factor in the parish's ability to operate with a surplus and to have funds available when they are needed for extraordinary expenditures.

It should also be noted, however, that while expenses have increased steadily over this period, income growth has slowed. Since it is reasonable to assume that expenses will continue to increase as our parish grows and as inflation affects basic costs of operation, it is more important than ever for parishioners to continue to be generous in their support of the parish.

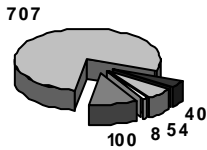
Fiscal Year 2006 Review (July 1, 2005 – June 30, 2006)

For this past fiscal year, parish financial performance was adequate in meeting our needs. The parish ended the year with a surplus of \$4,153 representing 0.5% of the parish's total receipts of \$909,181. About 76% or \$690,825 of these receipts comes from the offertory, special collections, or other gifts. Total income increased 5.6% from last year's income of \$860,288. This occurred despite a small decrease in the regular Sunday offertory. It was mostly due to a significant increase of over \$70,000 in restricted gifts and an increase in Faith Formation Income.

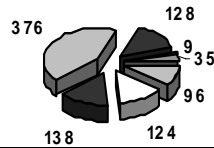
St. Thomas More is a relatively large parish, with relatively large expenditure needs. These increased \$88,450 in FY06, or nearly 11%, to \$905,029. This increase was primarily driven by increases in salaries and benefits for the 22 paid parish staff. Their salaries and benefits amounted to \$375,839 last year.

Fiscal Year 2006 Actual

Income/Receipts (\$ K)



Expenses/Costs (\$ K)



<u>Category</u>	<u>Amount</u>
Total Offerings & Gifts	\$707,143
Catholic Appeal Rebate	\$39,877
Faith Formation	\$54,100
Parish Events	\$8,314
Other Receipts	<u>\$99,747</u>
Total Income ⁽¹⁾	\$909,181

Surplus⁽¹⁾
\$4,153

<u>Category</u>	<u>Amount</u>
Salaries & Benefits	\$375,838
Facility Expenses	\$137,510
Supplies & Services	\$123,613
Diocesan Tax	\$96,152
Faith Formation	\$35,352
Parish Events	\$8,779
Other Expenses	<u>\$127,783</u>
Total Expenses ⁽¹⁾	\$905,029

Notes (1) Numbers might not add perfectly due to rounding

The parish's financial health and solvency are almost entirely dependent on your generosity and support.

Here are some facts about the cost of running the parish during the past fiscal year:

- Utilities alone for the parish exceeded \$50,000, nearly 61% of which went for electricity.
- Landscaping (both gardening services and irrigation) cost the parish over \$35,000 to maintain.
- Routine repair and maintenance for such things as janitorial services, pest control, waste removal, and elevator and HVAC maintenance exceeded \$67,000.
- Over 1 in 7 dollars collected through the parish offering goes to the Diocese for centralized services and support.

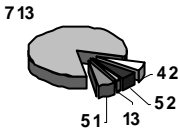
While some of these amounts may seem staggering, they are in line with what it would take to operate a comparably sized commercial enterprise. It is only with the parishioners' continuing support and generosity that the parish is able to operate and make ends meet.

Fiscal Year 2007 Budget (July 1, 2006 – June 30, 2007)

For this current / upcoming fiscal year, the Finance Council has planned a balanced parish budget.

Fiscal Year 2007 Budget

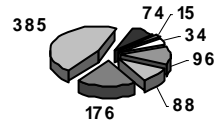
Income/Receipts (\$ K)



Category	Amount
Total Offerings & Gifts	\$713,050
Catholic Appeal Rebate	\$42,000
Faith Formation	\$51,810
Parish Events	\$13,400
Other Receipts	<u>\$51,125</u>
Total Income ⁽¹⁾	\$871,385

Notes (1) Numbers might not add perfectly due to rounding

Expenses/Costs (\$ K)



Category	Amount
Salaries & Benefits	\$385,358
Facility Expenses	\$175,773
Supplies & Services	\$88,261
Diocesan Tax	\$95,744
Faith Formation	\$34,260
Parish Events	\$15,480
Other Expenses	<u>\$74,000</u>
Total Expenses ⁽¹⁾	\$868,876

Surplus
\$2,509

As you can see, most cost categories for the parish are planned to increase. **Just like the expense of running most households goes up from year to year, the cost of running the parish also goes up from year to year.**

Where each new annual budget is concerned, there are several challenges for the parish to manage:

Managing the amount of these cost increases:

- Planning for necessary as well as unavoidable increases
- Reducing or eliminating “less necessary” costs
- Anticipating and appropriately planning for increases in our collection / offering and other sources of income.

This last point is especially crucial to the parish ending its

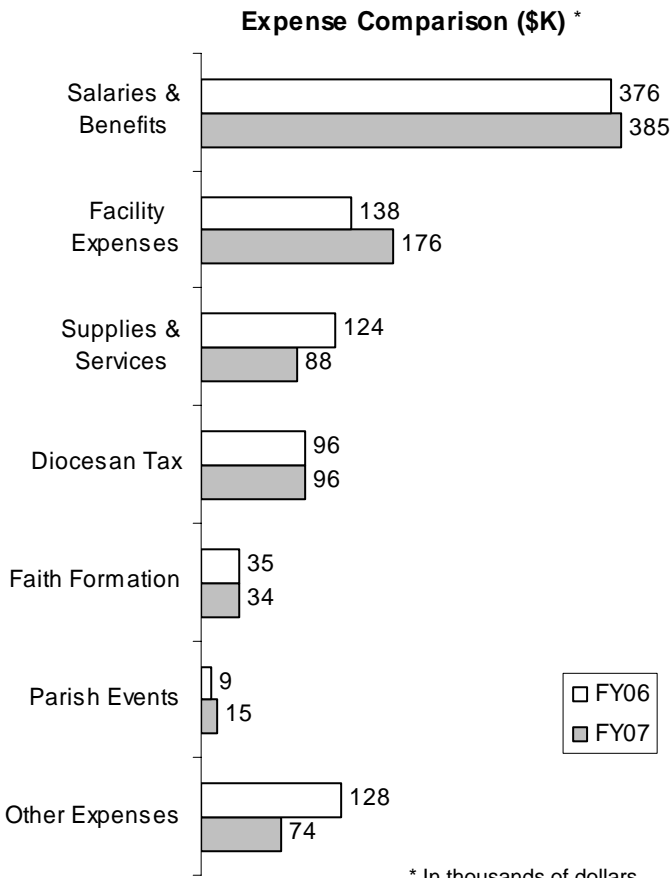
fiscal year with a surplus. As you can see, St. Thomas More needs your continuing, and hopefully increasing, financial support to do just that.

Comparison of FY07 Budget to FY06 Results

There are some notable changes in the FY07 budget compared to FY06 actual results:

Salaries & Benefits are planned to increase due to:

- Planned Cost Of Living Adjustment (COLA)
- Increased fringe benefits costs, up over 23% from FY06.



Fiscal Year 2007 Staffing Plan

The parish Staffing Plan for fiscal year 2007 is to have a total of 25 people. Only 6 of these people hold full-time positions. The remaining 19 hold part-time positions, 3 of which are unpaid volunteers. The following list identifies the role that each of these people fills in serving the parish community:

Full Time

Pastor – 1

Director of Faith Formation – 1

Director of Music /Coordinator of Liturgical Ministries – 1

Director of Stewardship and Development – 1

Receptionist and Parish Secretary – 1

Director of Maintenance – 1

Full-time Sub-total – 6

Part Time

Weekend Associate Priest – 1

Deacon – 1 (unpaid)

Pastoral Associate and Bereavement Facilitator – 1

High School Youth Ministers – 2

Middle School Youth Ministers – 2 (unpaid)

Associate Director of Music – 1

Bookkeeper – 1

Office Technician – 1

Sacristans – 7

Rectory Housekeeper – 1

Part-time Sub-total – 18

It is the point of view of the pastor and parish leadership that each of these positions is necessary and serves a vital role in serving the parish. In so doing, these people contribute to the quality of life in our community of faith. Most, if not all, of the people in these roles could earn more for their time by working for a commercial enterprise. Consequently, their additional contribution of time and talent is greatly appreciated.

Parish Balance Sheet (as of June 30, 2006)

The parish balance sheet is healthy. It shows a respectable debt to total capitalization ratio of about 7.8%.

CASH RESERVES			
Union Bank	\$27,013		
Parish Reserves	\$48,107		
Bell Tower	\$167,202		
Altar and Furnishings	\$108,076		
2nd Courtyard Fountain	\$21,711		
Grotto	\$10,847		
Main Courtyard Fountain	\$27,118		
New Capital Campaign	\$1,119,692		
Other Cash Reserves	\$5,535		
TOTAL CASH RESERVES		\$1,535,301	
FIXED ASSETS			
Land	\$2,562,065		
Building & Improvements	\$5,151,375		
Furniture and Fixtures	\$60,611		
TOTAL FIXED ASSETS		\$7,774,051	
TOTAL ASSETS			\$9,309,352
LIABILITIES			
Long-Term Debt	\$729,237		
TOTAL LIABILITIES		\$729,237	
EQUITY			
Prior-Year Fund Balance	\$7,762,234		
Retained Earnings	\$817,882		
TOTAL EQUITY		\$8,580,116	
TOTAL LIABILITIES AND EQUITY			\$9,309,353

Capital Campaign Status (as of September 30, 2006)

It is a pleasure to report that much progress has been made with respect to our Capital Campaign. Thanks to the generosity of our parishioners, ***“Our Journey Into The Future . . . Together”*** has secured pledges of \$5.55 million against the \$12.4 million goal. Nearly 90% of registered households responded, and 75% have made pledges to the Building Fund. We have collected \$2.56 million in pledges and one time gifts to the Campaign and currently have \$1,700,000 on deposit with the Diocese.

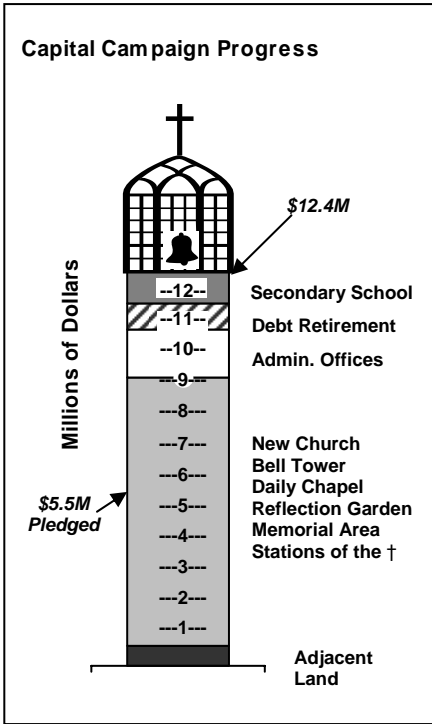
Also, the \$588,594 loan/note on the 5-acre parcel of adjacent land that was purchased recently to allow for additional future expansion was paid in full in August 2005.

We have begun to pay down our original debt with the Diocese. Since beginning the payments in January 2006, we have paid a total of \$99,000. The remaining balance of \$696,000 must be paid by 2011.

Additionally we have begun to make payments towards our \$1,000,000 “fair share” of the Secondary Education Initiative which is funding the building of three new Catholic Diocesan High Schools. One of these schools, Pax Christi, will be located in North County. Each month approximately \$4,000 of interest earned on our deposits is earmarked for the payment. In this way we can meet our obligation to the Diocese with minimal impact on our daily operations.

Because of all of this favorable progress, Bishop Brom and the Diocese gave us Preliminary Approval in September 2005 to begin the construction process of our Parish Church.

Yet, there is still much to be done. ***“Our Journey Into The Future . . . Together”*** is committed to raise \$12.4 million in total to cover all the items listed in the “Bell Tower” graphic.



With our eyes set on the new Church, we are mindful that we still have far to go to meet all the goals of this Campaign. After these goals are met, we envision a “St. Thomas More Academy” (childcare and preschool through eighth grade) complex, which will be addressed by a future Capital Campaign.

As we now begin the many necessary preparatory steps that are essential to such a large and visionary building expansion project, we are

mindful that the parish is operating under a “fund line” and not a “time line.” What this means is that if the parish realizes Capital Campaign contributions that are more than our present projections, it would be possible to begin construction sooner. (Conversely, should contributions fall behind projections, construction could be delayed.)

Registered Households	956 100%
Number of Responses	851 90%
Number of Pledges	722 75%

The table to the left shows some key Capital Campaign statistics. It is not too late to make a pledge! Parishioners’ continued support of this Building Fund is earnestly needed.

With this in mind, those who have not yet pledged are invited to do so. Response forms are available in the Parish Office, on the Plaza at the Information Table after each Mass on the weekend and on our website at www.stmoside.org.

Parishioners should bear in mind that no pledge amount is too small. The table to the right shows the wide range of pledges that have been made to date.

Pledge Range	Number of Pledges
Under \$1,000	169
\$1,000-\$5,000	328
\$5,000-\$10,000	128
\$10,000-\$20,000	60
\$20,000-\$100,000	28
Over \$100,000	9

Like the Operating Budget, the Capital Campaign’s results are entirely dependent on the generosity of parishioners. **The parish needs your continued generosity and support not only to the Operating Budget, but also to our Capital Campaign, “Our Journey Into The Future . . . Together.”**

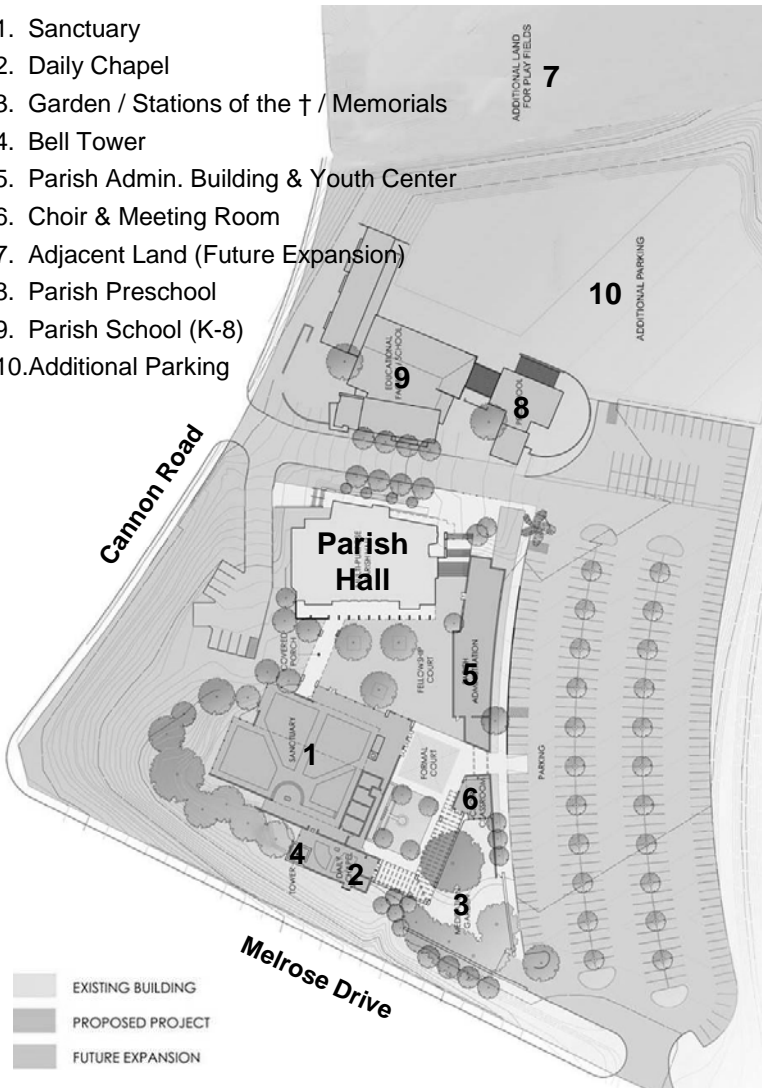
Again, the great news is that we are now under way, and the building process at St. Thomas More officially resumes!

The Capital Campaign portion of this report was amended on 02/04/08.

Site Map

This site map illustrates the anticipated layout for the planned campus vision:

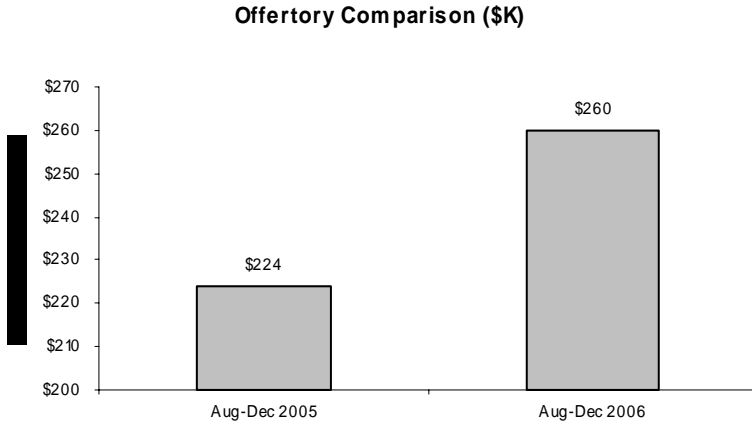
1. Sanctuary
2. Daily Chapel
3. Garden / Stations of the † / Memorials
4. Bell Tower
5. Parish Admin. Building & Youth Center
6. Choir & Meeting Room
7. Adjacent Land (Future Expansion)
8. Parish Preschool
9. Parish School (K-8)
10. Additional Parking



The current Capital Campaign plans to cover everything except the parish academy complex (childcare & preschool - eighth grade).

Did You Know? Campaign

In August 2006, a special campaign was begun to address an anticipated shortfall in our operations income. It is a low key campaign consisting of a weekly expense highlighted in the bulletin, a monthly envelope attached to the bulletin and an occasional pulpit announcement. As shown by the chart below, the campaign has been successful in increasing our weekly operations offering.



As of December 31, 2006 we have collected \$10,657 in the special “Did You Know?” envelopes. These funds go directly to the daily operating expenses of the parish. Additionally, we have received \$40,539 in designated gifts in FY06 and \$6,918 from Mothers’ Day, Fathers’ Day and All Souls’ Day Novena Masses, which was directed to the operating expenses.

The proceeds of the Golf Tournament held in June 2006 were also earmarked for the operational budget. This year’s tournament generated net proceeds of \$32,000 which contributed to our surplus. Also, since June 2006 the operating expenses have been offset by \$4,578 received from the STM Vehicle Donation Program.

Concluding Remarks and Acknowledgements

Dear Brothers and Sisters in Christ,

It is my hope that you have found the contents of this report to be informative and useful in deepening your understanding of St. Thomas More's financial condition and its operations.

Special recognition should be given to the Finance Council members for their contributions

- Paul Ibbetson (Chair)
- Don Eppich (Past Chair)
- Wilma Rolland (Secretary)
- Genevieve Green
- Jim McGlone
- Natalie Provinse
- Charles Salter
- Janice Treat

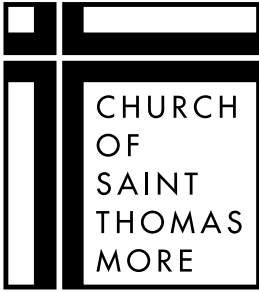
These people do so much to “crunch the numbers” and to make the parish work financially. Should you have any questions about this report, or parish finances in general, please do not hesitate to ask me, or any of the Finance Council members.

This Faith Community has been very generous and responsive, and I know it will continue to be so. With the assistance of the Finance Council and your continued parish-wide support, we will meet our future financial challenges and realize the vision for our parish expansion. For all that you have done and for all that you continue to do – Thank You!

Sincerely in Christ,



Rev. Michael Ratajczak
Pastor



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