

Annual Financial Report

November 2007

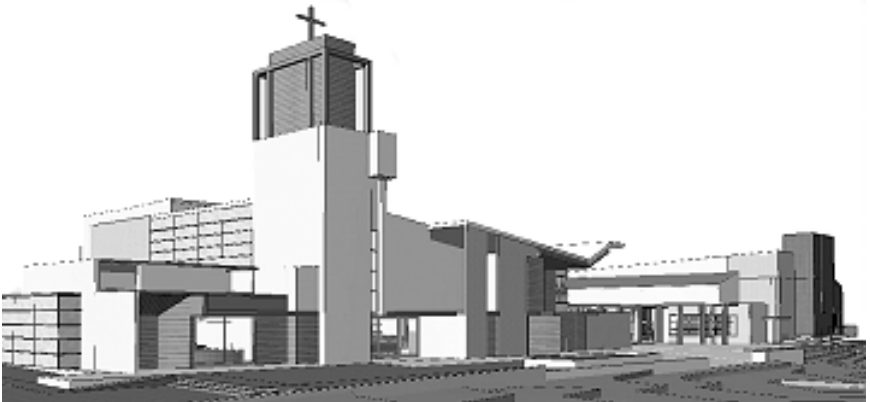


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*Note: “FY” means Fiscal Year.

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 2006-2007
- The Budget for FY 2007-2008
- An Overview of the “Did You Know?” Campaign
- An Update of our Capital Campaign,
“Our Journey Into The Future . . . Together.”

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

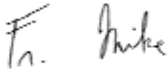
It is very important to note that you rose to the challenge this past year, and responded positively when the Finance Council informed the parish that we needed to increase our Operating Funds. We ended the year with a surplus!

In this past year, our situation has been corrected, and we are back on track. In December 2007, our Parish Leadership will be meeting with the Diocesan Construction Services Committee to determine if we have the necessary resources to begin the construction of the 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 cursive script that reads "Fr. Mike". The letters are dark and fluid, with a clear initial "Fr." followed by the name "Mike".

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 12 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.

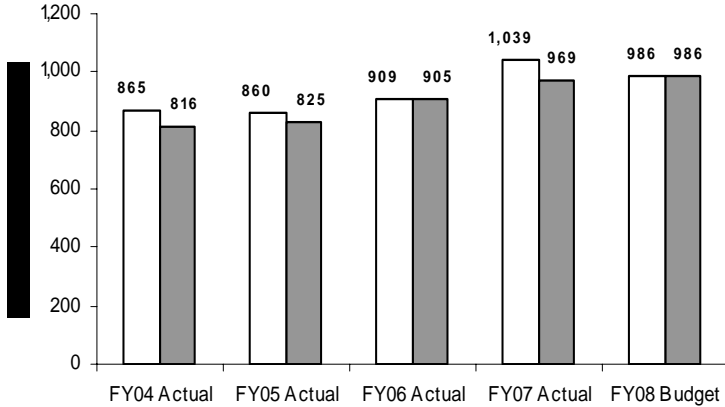
In this Financial Report for Fiscal Year 2006-2007, in the budget for Fiscal Year 2007-2008, and in the future parish expansion/building plans, there is a great deal of good news and there are still some opportunities for improvement. Fortunately, there is much more good news than the latter, and the latter items are financially manageable at this time.

Among these pages, you should find the following good news: of the 966 registered households, 118 (over 12% of parish households) are now tithing, the parish itself has Diocesan approval to begin the planning phase for the church, plans to fund a facility reserve for large-ticket maintenance items, and looks 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, parish offices, 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 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.

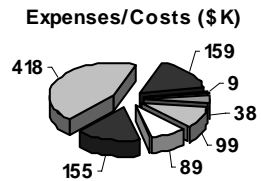
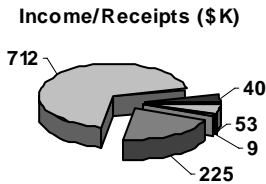
It should also be noted, however, that while expenses have increased steadily over this period, income growth has slowed. Since it is reasonable to assume that expenses will continue to increase as our parish grows and as inflation affects basic costs of operation, it is more important than ever for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

Fiscal Year 2007 Review (July 1, 2006 - June 30, 2007)

For this past fiscal year, parish financial performance was adequate in meeting our needs. The parish ended the year with a surplus of \$69,724 representing 6.7% of the parish’s total receipts of \$1,038,380. About 69%, or \$711,779 of these receipts comes from the offertory, special collections, or other gifts. Total income increased 14% from last year’s income of \$909,181. The increase was attributed to a \$50,500 increase in collection income and over \$48,000 in proceeds from the “Did You Know?” program.

St. Thomas More is a relatively large parish, with relatively large expenditures. The increase in expenditures was held to \$63,628 in FY07, or only 7.0 %, to \$968,656. This increase was primarily driven by increases in utilities and routine maintenance for the facility.

Fiscal Year 2007 Actual



<u>Category</u>	<u>Amount</u>
Total Offerings & Gifts	\$711,778
Catholic Appeal Rebate	\$40,025
Faith Formation	\$53,357
Parish Events	\$8,857
Other Receipts	<u>\$224,812</u>
Total Income ⁽¹⁾	\$1,038,380

Surplus⁽¹⁾
\$69,724

<u>Category</u>	<u>Amount</u>
Salaries & Benefits	\$418,446
Facility Expenses	\$154,845
Supplies & Services	\$88,896
Diocesan Tax	\$99,316
Faith Formation	\$38,471
Parish Events	\$9,353
Other Expenses	<u>\$159,329</u>
Total Expense ⁽¹⁾	\$968,656

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

In the following sections you will learn that: **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 \$60,000, nearly 60% of which went for electricity.
- Landscaping (both gardening services and irrigation) cost the parish over \$38,000 to maintain.
- Routine repair and maintenance for such things as janitorial services, pest control, waste removal, and elevator and HVAC maintenance exceeded \$48,000.
- Over 1 in 7 dollars collected through the parish offering goes to the Diocese for centralized services and support.

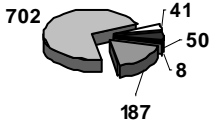
While some of these amounts may seem staggering, they are in line with what it would take to operate a comparably sized commercial enterprise. It is only with the parishioners' continuing support and generosity that the parish is able to operate and make ends meet.

Fiscal Year 2008 Budget (July 1, 2007 – June 30, 2008)

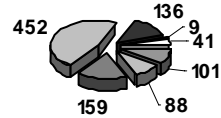
For this current / upcoming fiscal year, the Finance Council has planned a balanced parish budget.

Fiscal Year 2008 Budget

Income/Receipts (\$K)



Expenses/Costs (\$K)



Category	Amount
Total Offerings & Gifts	\$702,331
Catholic Appeal Rebate	\$41,000
Faith Formation	\$49,850
Parish Events	\$8,325
Other Receipts	<u>\$187,100</u>
Total Income ⁽¹⁾	\$988,606

Surplus
\$2,507

Category	Amount
Salaries & Benefits	\$451,756
Facility Expenses	\$158,736
Supplies & Services	\$87,728
Diocesan Tax	\$101,000
Faith Formation	\$41,100
Parish Events	\$9,425
Other Expenses	<u>\$136,354</u>
Total Expense ⁽¹⁾	\$986,099

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

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:

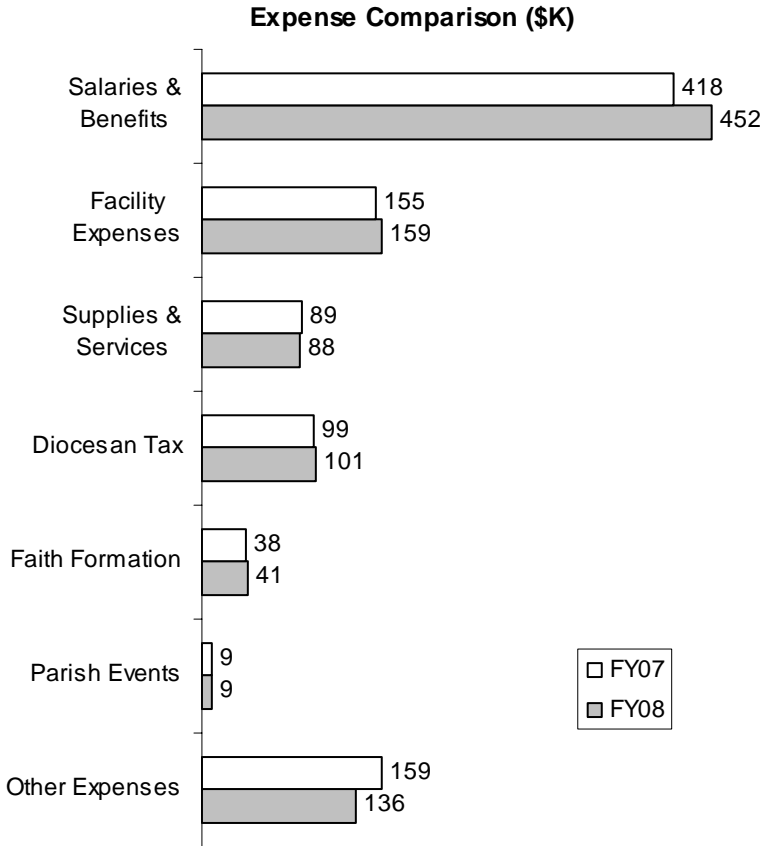
- Managing the amount of these cost increases
 - Planning for necessary as well as unavoidable increases
 - Reducing or eliminating “less necessary” costs
- Anticipating and appropriately planning for increases in our collection / offering and other sources of income

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 FY08 Budget to FY07 Results

There are some notable changes in the FY08 budget compared to FY07 actual results:

- Salaries & Benefits are planned to increase due to:
 - planned Cost of Living Adjustment of 3.5% (COLA)
 - increased fringe benefits costs, up over 20% from FY07



Fiscal Year 2008 Staffing Plan

The parish Staffing Plan for fiscal year 2008 is to have a total of 24 people. Only 6 of these people hold full-time positions. The remaining 18 hold part-time positions, 1 of which is an unpaid volunteer. 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

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, 2007)

The parish balance sheet is healthy. It shows a respectable debt to total capitalization ratio of about 5.9%.

CASH RESERVES				
	Union Bank	\$78,621		
	Parish Reserves	\$58,094		
	Bell Tower	\$173,149		
Building Fund	Altar and Furnishings	\$111,920		
	2nd Courtyard Fountain	\$22,483		
	Grotto	\$11,233		
	Main Courtyard Fountain	\$28,083		
	New Capital Campaign	\$1,828,079		
	Other Cash Reserves	\$9,356		
	TOTAL CASH RESERVES		\$2,321,018	
	FIXED ASSETS			
	Land	\$2,562,065		
	Building & Improvements	\$5,151,375		
	Furniture and Fixtures	\$60,611		
	TOTAL FIXED ASSETS		\$7,774,051	
	TOTAL ASSETS		\$10,095,069	
LIABILITIES				
	Long-Term Debt	\$597,237		
	TOTAL LIABILITIES		\$597,237	
EQUITY				
	Prior-Year Fund Balance	\$8,580,116		
	Retained Earnings	\$917,716		
	TOTAL EQUITY		\$9,497,832	
	TOTAL LIABILITIES AND EQUITY		\$10,095,069	

Capital Campaign Status (as of September 30, 2007)

“Our Journey Into The Future . . . Together” steadily continues, with 92% of our registered households responding and 76% making pledges.

St. Thomas More is now on the December 2007 agenda for the Diocesan meeting of the Construction Services Committee. It will be at this meeting that all of our plans will be reviewed: the approval of the Conformance Review of our Conditional Use Permit, (“CUP”), and our Capital Campaign progress.

With a successful review, we then would have approval to hire an architect, hire a liturgical consultant, and begin the process of construction.

In the last two and a half years, we have made significant progress:

1. We began ***“Our Journey Into The Future . . . Together”*** Capital Campaign with Bill Ipsen as our Chairperson. This Campaign is being directed “in-house” by Chris Smith, our Director of Stewardship and Development, with the technical help of other Parish Staff. To date we have \$5.62 million in pledges**, and \$2.3 million on hand in the Parish Savings, Deposit & Loan Trust (PSDL Trust) at the Diocese.
2. We purchased the five acre parcel of land contiguous to our Parish Campus for \$589,000 and now own it “free and clear.”
3. We are paying down our Parish debt \$11,000 a month. Our original debt was \$795,000. Our debt to the PSDL Trust is now at \$564,000. Our last payment will be in December 2011.
4. We are beginning to address our pledge to the Secondary Education Initiative for a new High School in North County. Our Parish pledge is \$1 million. Presently we have paid \$94,000 toward that pledge.

5. We formed a New Construction Committee with Brian Leahey as the Chairperson. Recently the corner points for the new Church were “staked” out, and poles with STM flags now provide a visible sign to all parishioners and visitors alike, of its size, shape and location. Signs are also up which mark approximate places where the Altar, Baptismal Font, Tabernacle and Memorial Garden will be. It is very exciting to be visualizing our Church! This committee is ready to go forward as soon as we are ready to go.
6. We formed the Interior Design Team with Phil & Pat Goscienski as its Co-chairpersons. This Committee has been meeting for over a year, has interviewed prospective Liturgical Consultants, and is ready to select and hire one of them, once we are ready to move forward.

We have come a long way, but we still have a long way to go!

At this point we are anticipating that the Church with its Daily Mass Chapel and its Memorial Gardens will cost \$8.5 million.

The Parish Office and Administrative Center will cost \$1.5 million.

In order to secure a loan from the PSDL Trust, certain requirements must be met:

- A. “The Parish must have on deposit in the PSDL Trust one-third of the approved cost of the project for which the loan is sought.”
- B. “Indebtedness will not jeopardize pastoral and financial responsibilities, such as:
 - salaries and benefits
 - utilities and maintenance
 - program expenses
 - diocesan assessments
 - participation in special collections.”

- C. “Normally, there will not be approval for a loan repayment plan which provides for annual debt service (principal and interest) from the Parish which would exceed 25% of the ordinary income of the Parish for the prior year as reflected on its financial statement.”
- D. “The amortization period of the debt service will be dictated by the size of the loan and the ordinary income of the Parish...a loan for \$500,000 or more must be repaid within a reasonable period of time. In no case will a loan amortization period exceed 25 years.”

Keeping the “one-third rule” in mind:

1. If we were to build just our Church, the cost would be around \$7 million. We would need \$2.3 million on deposit.
2. If we were to build our Church including the Daily Mass Chapel and Memorial Gardens, the cost would be \$8.5 million. We would need \$2.83 million on deposit.
3. If we were to build our Church including the Daily Mass Chapel and Memorial Gardens and the Parish Office/ Administrative Center and Youth Center all at the same time, the cost would be \$10 million. We would need \$3.3 million on deposit.

In the coming months, as we ready ourselves for the December meeting, I will seek the advice of the Development Council, Finance Council, and the Pastoral Council in regard to what would be the most prudent and cost effective build-out plan for us—piecemeal or, waiting a bit longer, do the entire build-out at the same time.

However one looks at it, we are coming close to what we need on deposit—\$2.3 million, \$2.8 million or \$3.3 million.

The crucial issue, now and into the future, is that Parishioners need to continue to fulfill their pledges and continue to donate to the Capital Campaign.

Everyone is encouraged to continue to move forward in faith, so that we will have the necessary money on hand in the PSDL Trust in order to receive a favorable decision from the Construction Services Committee.

Each Parish Household is crucial. The decision you make today will affect our Parish for years to come. The Parish Build Out is in your hands!

We have come a long way due to it, and we still have a long way to go.

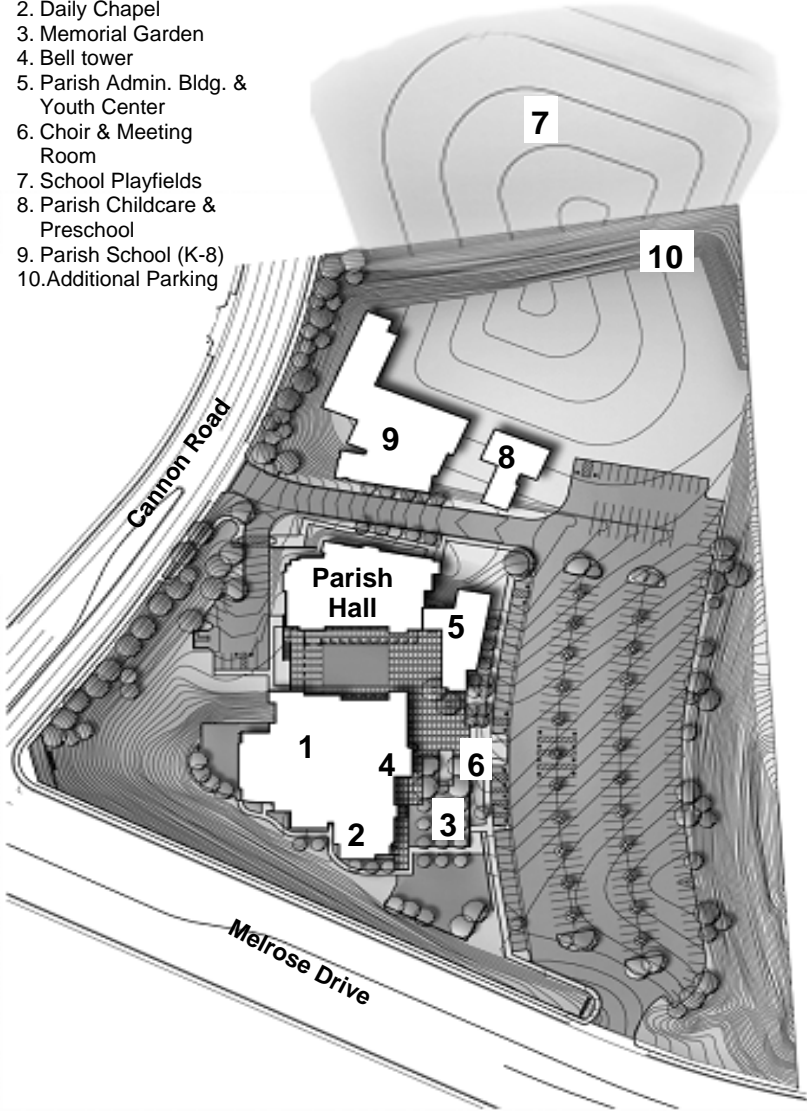
It is just as important now, as it was in the beginning of the campaign, to continue on course. We are in charge of our future!

****Pledge detail:**

\$4,850,000	Pledges
264,000	Investment gifts (i.e., annuities, stocks, charitable remainder trusts, etc.; Note that these gifts are “fluid.” Actual amounts that will be realized by the Parish will not be known until the death of the individual donor.)
510,000	Donation of home to the Parish that is now the rectory. (This amount reflects current market value.)
\$5,624,000	TOTAL

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

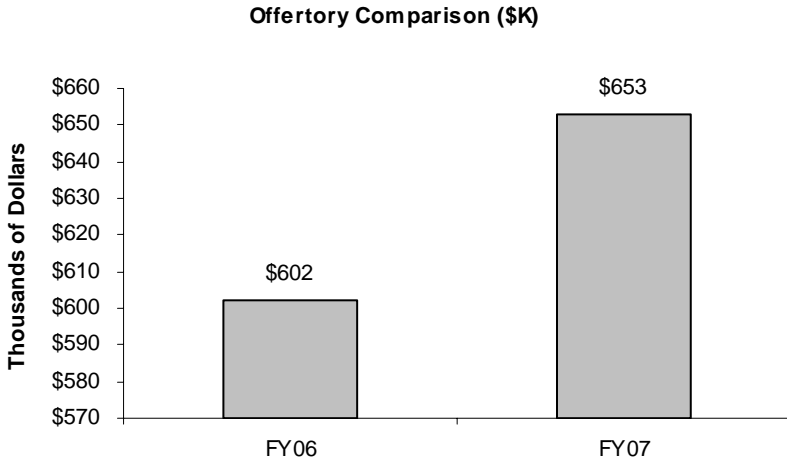
- 1. Sanctuary
- 2. Daily Chapel
- 3. Memorial Garden
- 4. Bell tower
- 5. Parish Admin. Bldg. & Youth Center
- 6. Choir & Meeting Room
- 7. School Playfields
- 8. Parish Childcare & Preschool
- 9. Parish School (K-8)
- 10. Additional Parking



The current Capital Campaign plans to cover everything except the Parish Academy complex (childcare, preschool and kindergarten - 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 June 30, 2007 we have collected \$48,519 in the special “Did You Know?” envelopes. These funds go directly to the daily operating expenses of the parish. Additionally, we received \$33,011 in designated gifts in FY07 and \$6,523 from Mother’s, Father’s and All Soul’s Day Masses which was directed to the operating expenses.

The proceeds of the Golf Tournament held in June 2007 were also earmarked for the operations budget. This year’s tournament generated net proceeds of \$42,000, a \$10,000 increase over last year, which contributed to our surplus. Also, as of June 2007 the operating expenses have also been offset by \$7,858 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.

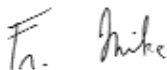
Special recognition should be given to the Finance Council members for their contributions

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

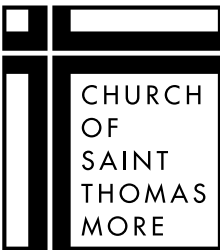
These people do so much to “crunch the numbers” and to make the parish work financially. Should you have any questions about this report, or parish finances in general, please do not hesitate to ask me, or any of the Finance Council members.

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,

A handwritten signature in black ink that reads "Fr. Mike". The letters are cursive and somewhat stylized.

Rev. Michael Ratajczak
Pastor



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