

Annual Financial Report

September 2008



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*Note: “FY” means Fiscal Year.

Pastor's Letter to Parishioners

Dear Parishioners of St. Thomas More Church,

Once again it is time to present you with the annual report on our financial condition.

In light of our present economy, this very comprehensive report tells a story of good news, but it also issues a warning and raises some challenges.

In this annual report, you will find:

- The Financial Report for FY 2007 – 2008
- The Budget for FY 2008 – 2009
- An Overview of the “Did You Know?” Campaign
- An Update of our Capital Campaign,
“Our Journey Into The Future . . . Together.”

Although our Offertory Income was less than what was budgeted for this year, on a positive note, we were able to end the year “in the black” due to your very significant support of the “Did You Know?” Campaign and the Annual Golf Classic and Dinner Fundraiser.

This is good news for this year, but raises a warning for us. We must find ways to keep our Offertory Collection stable and steady. We begin creating an “unhealthy” budget when we rely on special campaigns and fundraisers to balance our Operations Budget.

This is the challenge that faces the Finance Council in this coming year. This is the challenge that faces our Faith Community in this coming year.


A healthy Operations Budget is absolutely necessary if we wish to proceed with our building plans. We cannot build more if we are not able to take care of what we presently have.

The People of St. Thomas More have risen to previous challenges and have overcome them. I know that we will do so again this year.

Whatever you can do to keep steady or increase your donations to the Offertory Collection will mean much as we move forward in this present fiscal year.

Know that I am very appreciative of your continued support and generosity to this Faith Community!

Sincerely in Christ,

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

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 the 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 13 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.

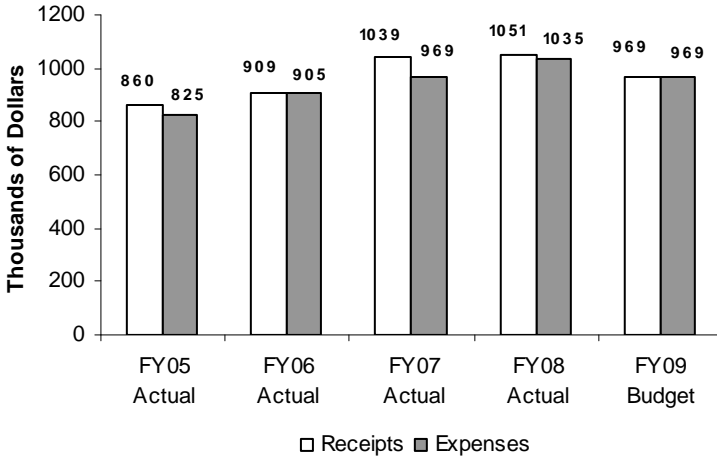
In this Financial Report for Fiscal Year 2007-2008, in the budget for Fiscal Year 2008-2009, and in the future parish expansion/building plans, there is a great deal of good news, and there are still some opportunities for improvement. Fortunately, there is much more good news than the latter, and the latter items are financially manageable at this time.

Among these pages, you should find the following good news: of the 960 registered households, 124 (over 13% of parish households) are now tithing, the parish itself has Diocesan approval to begin the planning phase for the church, and the parish is funding a facility reserve for large-ticket maintenance items.

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 outpaced growth in parish expenses for the years FY05 - FY07. However, in FY08 parish expenses outpaced parish income. This was a result of a decrease in collection revenue compared to the prior year and an increase in certain expenses (i.e. salaries and diocesan tax).

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 2008 Review (July 1, 2007 – June 30, 2008)

For this past fiscal year, parish financial performance was challenged in meeting our needs. The parish ended the year with a surplus of \$16,138 representing 1.54% of the parish's total receipts of \$1,051,920. About 63% or \$657,331 of these receipts comes from the offertory, special collections, or other gifts. Total income increased 1.3% from last year's income of \$1,038,380. Although we experienced a \$27,500 decrease in offertory collection, we realized an increase in income from last year due to \$68,700 in proceeds from the "Did You Know?" Campaign.

St. Thomas More is a relatively large parish, with relatively large expenditures. The increase in expenditures was held to \$67,126 in FY08, or only 6.5%, to \$1,035,782. This increase was primarily driven by increases in salaries and routine maintenance for the facility.

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

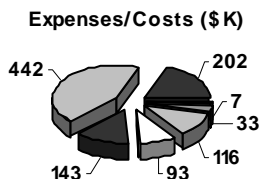
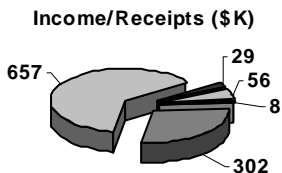
Here are some facts about the cost of running the parish during the past fiscal year:

- Utilities alone for the parish exceeded \$56,000, nearly 54% of which went for electricity.
- Landscaping (both gardening services and irrigation) cost the parish over \$31,000 to maintain.
- Routine repair and maintenance for such things as janitorial services, pest control, waste removal, and elevator and HVAC maintenance exceeded \$49,000.
- 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.

Below is an illustration of the income and expense activity for the fiscal year ending June 30, 2008:

Fiscal Year 2008 Actual



<u>Category</u>	<u>Amount</u>
Total Offerings & Gifts	\$657,331
Catholic Appeal Rebate	\$28,890
Faith Formation	\$55,677
Parish Events	\$7,683
Other Receipts	<u>\$302,339</u>
Total Income ⁽¹⁾	\$1,051,920

Surplus ⁽¹⁾
\$16,138

<u>Category</u>	<u>Amount</u>
Salaries & Benefits	\$442,102
Facility Expenses	\$143,045
Supplies & Services	\$92,701
Diocesan Tax	\$115,538
Faith Formation	\$33,480
Parish Events	\$7,264
Other Expenses	<u>\$201,652</u>
Total Expense ⁽¹⁾	\$1,035,782

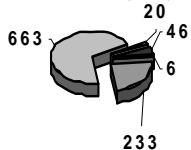
Notes (1) Numbers might not add perfectly due to rounding

Fiscal Year 2009 Budget (July 1, 2008 – June 30, 2009)

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

Fiscal Year 2009 Budget

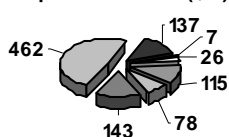
Income/Receipts (\$K)



Category	Amount
Total Offerings & Gifts	\$663,426
Catholic Appeal Rebate	\$20,000
Faith Formation	\$46,165
Parish Events	\$6,252
Other Receipts	<u>\$232,840</u>
Total Income ⁽¹⁾	\$968,683

**Balanced
Budget**

Expenses/Costs (\$K)



Category	Amount
Salaries & Benefits	\$462,229
Facility Expenses	\$143,233
Supplies & Services	\$78,061
Diocesan Tax	\$115,072
Faith Formation	\$25,911
Parish Events	\$6,728
Other Expenses	<u>\$137,449</u>
Total Expense ⁽¹⁾	\$968,683

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:

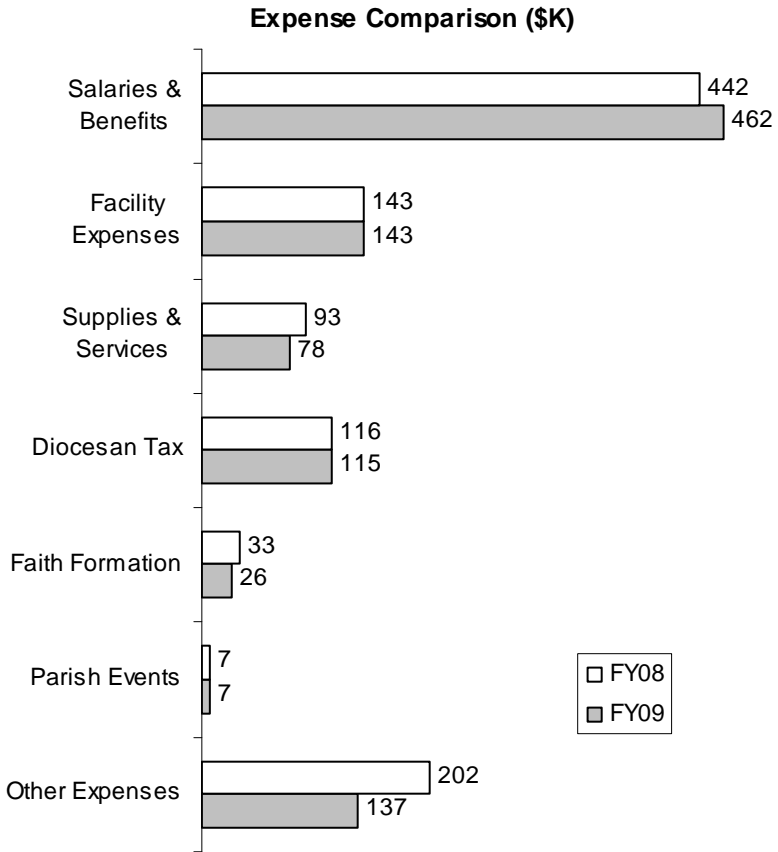
- Managing the amount of these cost increases
 - Planning for necessary as well as unavoidable increases
 - Reducing or eliminating “less necessary” costs
- Anticipating and appropriately planning for increases in our collection / offering and other sources of income

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 FY09 Budget to FY08 Results

There are some notable changes in the FY09 budget compared to FY08 actual results:

- Salaries & Benefits are planned to increase due to increased fringe benefits costs, up over 20% from FY08
- No increases in salaries are planned for FY09



Fiscal Year 2009 Staffing Plan

The parish Staffing Plan for fiscal year 2009 is to have a total of 25 people. Only 5 of these people hold full-time positions. One person is 3/4 time and 19 hold part-time positions. The following list identifies the role that each of these people fills in serving the parish community:

Full Time

Pastor – 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 – 5

3/4 Time

Director of Faith Formation – 1

3/4-Time Sub-Total – 1

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

Faith Formation Office Assistant - 1

Sacristans – 7

Rectory Housekeeper – 1

Part-Time Sub-Total – 19

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, 2008)

The parish balance sheet is healthy. It shows a respectable debt to total capitalization ratio of about 4.6%.

Building Fund	CASH RESERVES		
	Union Bank	\$100,833	
	Parish Reserves	\$42,416	
	Bell Tower	\$179,325	
	Altar and Furnishings	\$115,912	
	2nd Courtyard Fountain	\$23,285	
	Grotto	\$11,633	
	Main Courtyard Fountain	\$29,084	
	New Capital Campaign	\$2,332,421	
	Other Cash Reserves	\$9,448	
TOTAL CASH RESERVES		\$2,844,357	
FIXED ASSETS			
Land	\$2,562,065		
Building & Improvements	\$5,151,375		
Furniture and Fixtures	\$60,611		
TOTAL FIXED ASSETS		\$7,774,051	
TOTAL ASSETS			\$10,618,408
LIABILITIES			
Long-Term Debt	\$465,237		
TOTAL LIABILITIES		\$465,237	
EQUITY			
Prior-Year Fund Balance	\$9,497,831		
Retained Earnings	\$655,340		
TOTAL EQUITY		\$10,153,171	
TOTAL LIABILITIES AND EQUITY			\$10,618,408

Capital Campaign Status as of 6/30/08

“Our Journey Into The Future . . . Together” continues on pace, with 94% of our registered households responding and 78% making pledge commitments.

In the first three and a half years, we’ve made significant progress:

1. We began our Capital Campaign, ***“Our Journey Into The Future . . . Together”*** 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 \$5.76M in pledges**, and \$2.69M on hand at the Diocese in the Parish Savings, Deposit & Loan Trust (PSDL Trust).
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 continue to pay down our Parish debt \$11,000 a month. Our original debt was \$795,000. Our debt to the PSDL Trust is now at \$465,000. Our last payment will be in December 2011.
4. We have started to address our pledge to the Secondary Education Initiative for a new High School in North County. Our Parish pledge is \$1 million. We have now paid \$159,000 toward that pledge.
5. The New Construction Committee, chaired by Brian Leahey, has met several times preparing for the intense work it will do in the next few years as the construction documents are drawn up and, then, as the Church is built. The first major task was to select an architect. Renzo Zecchetto Architects of Santa Monica, California was chosen to carry out the creation of our construction documents.

6. Our Interior Design Team is led by Co-chairpersons, Phil and Pat Goscienski.

Through an interview process, Robert Habiger of Dekker/Perich/Sabatini in Albuquerque, New Mexico was chosen as the Liturgical Consultant for this project.

At this point, we are anticipating that the Church with its Daily Mass Chapel (only the “shell” of the Daily Mass Chapel at this time) will cost \$9.3 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.”

We have certainly come a long way, 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!

With the selection of Renzo Zecchetto Architects and Robert Habiger of Dekker/Perich/Sabatini, we confidently have taken another step in turning our dreams into reality. Since their selections, in the last few months, we continue to move forward step by step!

My heartfelt gratitude is extended to all the members of the New Construction Committee and the Interior Design Team. Much has already been done, and more awaits us.

Regarding the financial support of this endeavor, it must be said that the entire Parish has been extremely supportive of the Capital Campaign. It is because of this support that we are where we are.

The Finance Council continues to oversee the Operations Budget which must be “healthy” in order for us to move forward and add a new building to our Parish Campus. We cannot build more if we cannot properly maintain what we presently have. The offertory income must remain steady and must, realistically, increase over time.

The Capital Campaign income also must continue to be strong. We need to have 1/3 of the total amount of our project on deposit with the diocese in order to secure our Diocesan loan. We are close, but not yet at that projected amount.

We also need to be mindful that we are still paying down our present debt for the building which we now occupy. This payment is \$11,000 per month. Our last payment will be in December 2011.

In light of our present economy, all of this is very challenging indeed! I cannot emphasize strongly enough that we are operating under a “fund line” not a “time line.” We move forward as we can in light of the funds we have on hand. There is no artificial “time line,” just a realistic “fund line.”

The people of St. Thomas More have always risen to the occasion, and I know that you will continue to do so. We are making steady progress.

You are encouraged to continue your patterns of giving, and, if you are able to do so, to increase your giving, to help “cover” those households who may need to give less because of our present economic conditions.

Our dreams are becoming a reality!

This last Christmas, Larry and Betty Dorsa reminded me that we already have a Church, and that the buildings will come in time. That thought is significant!

We always need to keep focused that the Church, ultimately, is a gathering of people in faith, not a building. We are the living stones of which the Church is built. We already have a consecrated Temple that is built with the members of this Parish, the living stones.

Buildings can help us in continuing the mission and ministry of Jesus for this time and place. However, they are a means to an end, not an end in themselves.

Let us be mindful that St. Thomas More is built of the living stones that are this faith community’s members.

We already have a Church! The buildings will come!

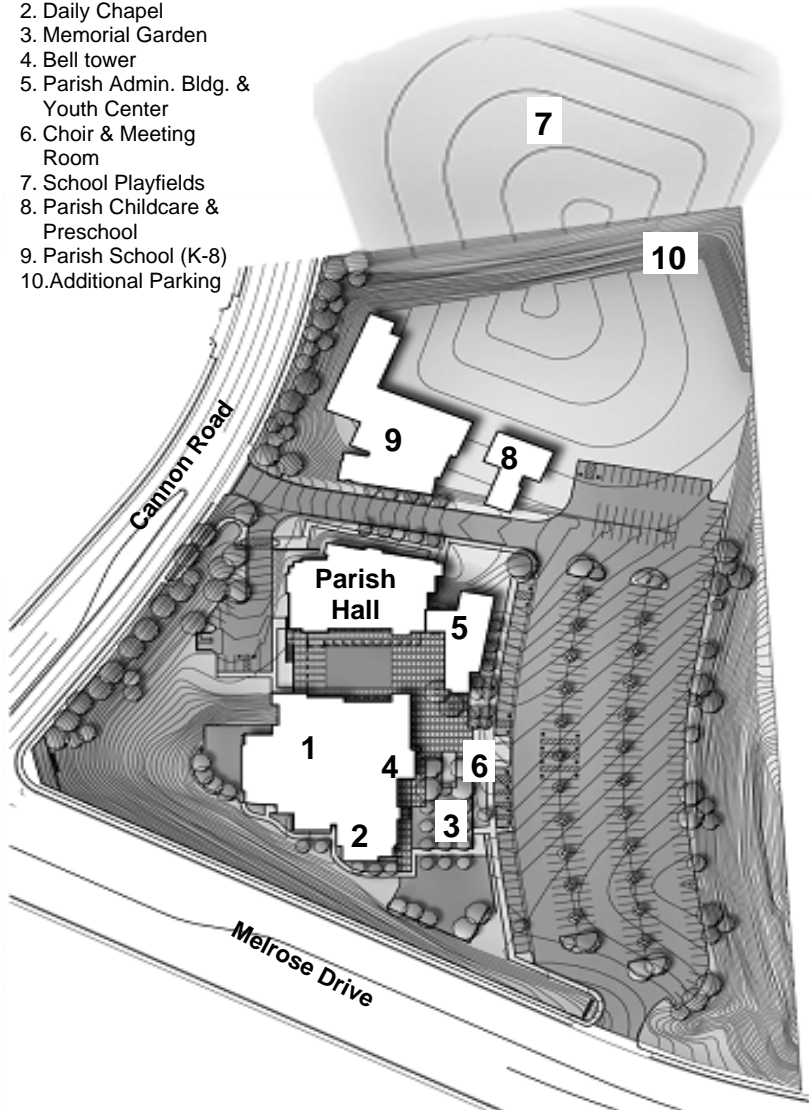
—Rev. Michael Ratajczak

****Pledge detail:**

\$5,000,000	Pledges
260,000	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.)
500,000	Donation of home to the Parish that is now the rectory. (This amount reflects current market value.)
\$5,760,000	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

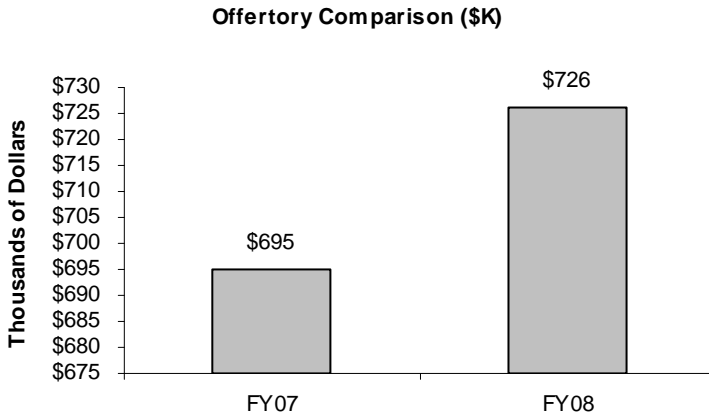


The current Capital Campaign plans to cover everything except the Parish Academy complex (childcare, preschool, and kindergarten through eighth grade).

“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 an expense highlighted in the bulletin along with a monthly envelope attached to the bulletin.

As shown by the chart below, the campaign has been successful in increasing our weekly operations offering.



As of June 30, 2008 we have collected a total of \$117,576 in the special “Did You Know?” envelopes. In FY08, we collected \$62,460 These funds go directly to the daily operating expenses of the parish.

Additionally, we received in FY08 \$6,313 from All Souls’ Day, Mother’s Day, and Father’s Day Novenas which was directed to the operating expenses.

The proceeds of the Golf Tournament held in June 2008 were also earmarked for the operations budget. This year’s tournament generated net proceeds of \$51,000, a \$9,000 increase over last year.

Also, as of June 2008 the operating expenses have also been offset by \$3,030 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)
- Nancy Busse (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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