

Annual Financial Report

October 2009



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*Note: “FY” means Fiscal Year.

Pastor's Letter to Parishioners

My Dear Brothers and Sisters in Christ,

It is time once again to present the annual report on the financial condition of our Parish, the Church of St. Thomas More.

This very comprehensive report gives you detailed information regarding the finances of our Parish!

In this annual report, you will find:

The Financial Report for FY 2009

The Budget for FY 2010

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

An Overview of the "Did You Know?" Campaign

An Overview of the Vehicle Donation Program

An Overview of the Annual Golf Classic Tournament/Dinner

All the statistics indicate that we are rising to the challenge and meeting our financial goals in a very difficult economy. You continue to be faithful to your commitment of time, talent, and treasure as good Christian stewards.

Thanks to the "Did You Know?" Campaign, the Annual Golf Classic Tournament/Dinner, and the Vehicle Donation Program, we have been able to meet the needs of our Operations Budget.

The challenge continues though! We need to increase our Offertory Income through tithing and sacrificial giving. We need to depend less on these "extracurricular" activities to balance the Operations Budget, and instead, direct the income from these activities to the Building Fund.

I am so grateful for your continued support and generosity to this Faith Community, and I know that you will continue to rise to the occasion to meet the challenges that lie ahead.

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

Sincerely in Christ,



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 14 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.

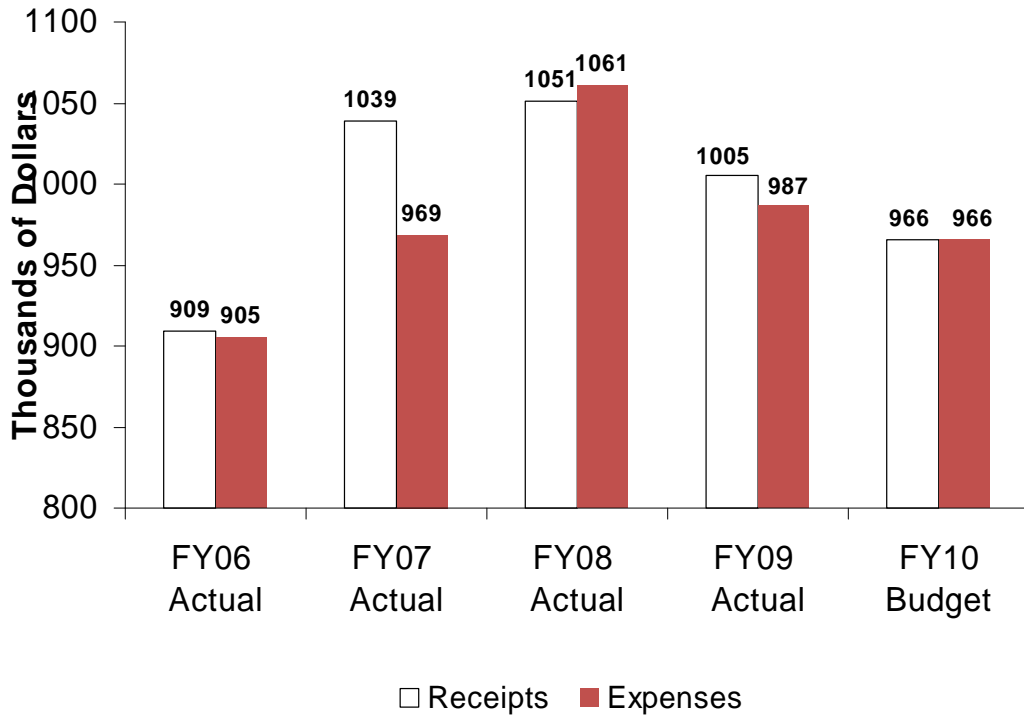
In this Financial Report for FY 2009, in the budget for FY 2010, and in the future parish expansion/building plans, there is a great deal of good news, and there are still some opportunities for improvement. Fortunately, there is much more good news than the latter, and the latter items are financially manageable at this time.

Among these pages, you should find the following good news: of the 1,004 registered households, 120 (over 11% 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 for the last four years:



It should be noted that growth in parish income outpaced growth in parish expenses for the years FY 2006, FY 2007, and FY 2009. However, in FY 2008 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 employee benefits).

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.

FY 2009 Review (07/01/08 to 06/30/09)

For this past fiscal year, parish financial performance was challenged in meeting our needs. The parish ended the year with a surplus of \$17,035 representing 1.70% of the parish's total receipts of \$1,004,943. About 65% or \$657,685 of these receipts came from the offertory, special collections, or other gifts. Total income decreased 4.5% from last year's income of \$1,051,920. Although we experienced no increase in offertory collection, we realized income of \$69,733 from the "Did You Know?" Campaign.

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:

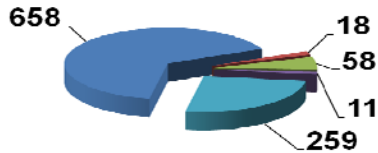
- Utilities alone for the parish exceeded \$59,000, nearly 54% of which went for electricity.
- Landscaping (both gardening services and irrigation) cost the parish over \$36,000 to maintain.
- Routine repair and maintenance for such things as janitorial services, pest control, waste removal, and elevator and HVAC maintenance exceeded \$51,000.
- 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 06/30/09:

FY 2009 Actual

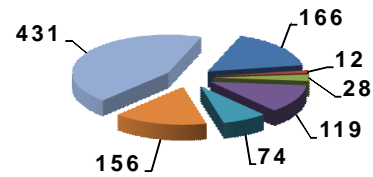
Income/Receipts (\$K)



Actual 2009	
Total Offering & Gifts	\$657,686
Other Receipts	\$259,587
Faith Formation	\$58,489
Catholic Appeal Rebate	\$17,900
Parish Events	\$11,281
Total	\$1,004,943

Surplus
\$17,035

Expenses/Costs (\$K)



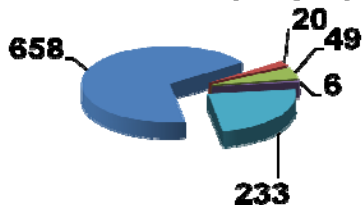
Actual 2009	
Salaries & Benefits	\$431,440
Other Expenses	\$166,079
Facility Expenses	\$156,386
Diocesan Tax	\$119,338
Supplies & Services	\$74,249
Faith Formation	\$27,975
Parish Events	\$12,443
Total	\$987,908

FY 2010 Budget (07/01/09 to 06/30/10)

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

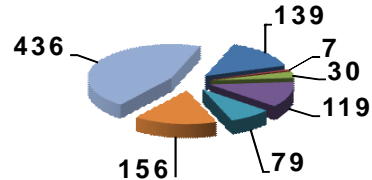
FY 2010 Budget

Income/Receipts (\$K)



Budget 2010	
Total Offerings & Gifts	\$658,110
Other Receipts	\$232,840
Faith Formation	\$49,170
Catholic Appeal Rebate	\$20,000
Parish Events	\$6,250
Total	\$966,367

Expenses/Costs (\$K)



Budget 2010	
Salaries & Benefits	\$436,292
Facility Expenses	\$155,824
Other Expenses	\$139,200
Diocesan Tax	\$119,100
Supplies & Services	\$78,650
Faith Formation	\$29,955
Parish Events	\$6,728
Total	\$965,749

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

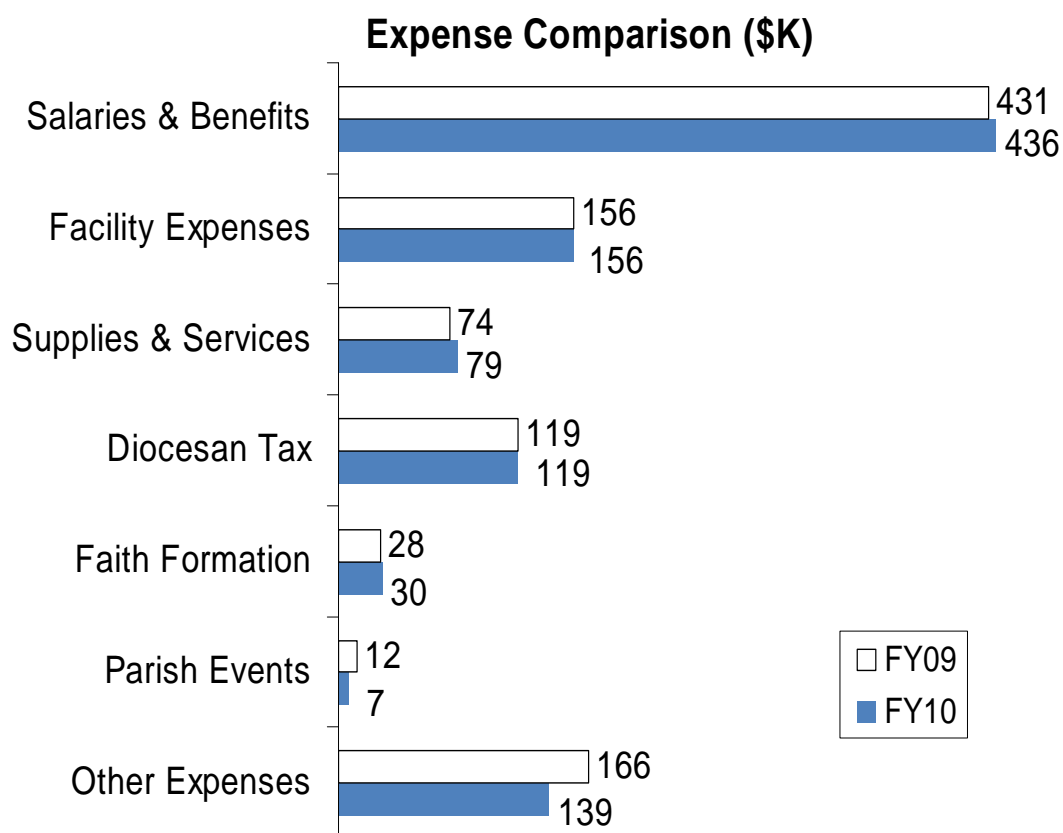
- Managing the amount of these cost increases
 - Planning for necessary as well as unavoidable increases
 - Reducing or eliminating “less necessary” costs
- Anticipating and appropriately planning for increases in our collection / offering and other sources of income

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 FY 2010 Budget to FY 2009 Results

There are some notable changes in the FY 2010 budget compared to FY 2009 actual results:

- Salaries & Benefits are planned to increase due to increased fringe benefits costs
- No increases in salaries are planned for FY 2010



FY 2010 Staffing Plan

The parish Staffing Plan for FY 2010 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

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 - 8

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 06/30/09

The parish balance sheet is healthy. It shows a respectable debt to total capitalization ratio of about 2.9%.

CASH		
Union Bank of California	\$41,953	
Parish Reserves	\$21,592	
Bell Tower	\$185,437	
Altar & Other Furnishings	\$119,862	
2nd Courtyard Fountain	\$24,079	
Grotto	\$12,030	
Main Courtyard Fountain	\$30,076	
New Capital Campaign	\$2,714,762	
TOTAL CASH		\$3,149,791
CASH RESERVES		
For the Poor	\$160	
Fraternity House	\$630	
STM Library Fund	\$1,854	
Youth Group	\$1,681	
Young Adults	\$145	
Sister Parish Program	\$5,040	
Blessed Sacrament Chapel- Remodel	\$616	
TOTAL CASH RESERVES		\$10,126
FIXED ASSETS		
Land	\$2,562,065	
Buildings	\$5,067,245	
Furniture & Equipment	\$122,611	
Real Property - Donated Rectory	\$206,857	
Fixtures	\$602,941	
TOTAL FIXED ASSETS		\$8,561,718
TOTAL ASSETS		\$11,721,635
CURRENT LIABILITIES		
LONG TERM LIABILITIES		
Long Term Debt	\$333,237	
TOTAL LONG TERM DEBT		\$333,237
TOTAL LIABILITIES		\$333,237
EQUITY		
Prior Year Fund Balance	\$10,941,287	
Retained Earnings	\$447,110	
TOTAL EQUITY		\$11,388,398
TOTAL LIABILITIES AND EQUITY		\$11,721,635

Capital Campaign Status as of 6/30/09

As we continue to move forward with the build-out of our Parish campus and focus upon our new sanctuary, Aesop and one of his tales comes to mind: *The Tortoise and the Hare*.

The finish line, the beginning of construction is approaching, and like the tortoise, we are slow and steady. In light of the current economic climate, we are deliberate and cautious, as we make sure that all the pieces of the puzzle fit into place.

When we begin to build, we want to be confident that we have the resources and elements in place to build the sanctuary we have desired for so long.

It is my hope that we build a Church that will be with us for at least the next century. This will become a religious landmark for those of us who will worship in it, as well as for those in our community who may only witness it from its exterior.

The cost of the Church is estimated at \$9.3 million. In order to obtain a loan from the Diocese, we need to have one-third of the cost of the project on deposit with the Diocese.

That means we will need a loan of \$6.2 million. This loan needs to be repaid in 25 years or less. Also the debt service cannot exceed 25% of the annual total income of the Parish (excluding building fund contributions).



As of July 2009, we have the necessary \$3.1 million on deposit.



A \$6.2 million loan, repaid in 25 years at present interest rates, would mean a monthly mortgage payment of \$55,000.

From January 1, 2008 to May 30, 2009, we collected \$840,000 in Building Fund money, an average of \$49,400 per month.

In order for us to manage a new mortgage, we need not only to sustain, but we also need to increase the amount of Building Fund revenue by almost \$6,000 a month or \$72,000 a year. But, we must also remember the requirement that debt service can not exceed 25% of the annual total Parish income (excluding building fund contributions).

Our present Parish operational income would limit us to a loan of just over \$2 million with a monthly payment of \$13,000 over the 25 year term. This loan amount would not be enough to begin the project.



We presently have a mortgage on the building we now occupy. Our debt stands at \$333,000. Our monthly payment is \$11,000. Our last payment will be in December 2011. Without an immediate and profound increase in our Building Funds and an increase in our Offertory

Income, there is no way that we could manage a new monthly loan payment which would be significantly more than what we are presently paying.



Our present economy also causes concern. We are working very hard to maintain our present Operations Budget. Funds from the "Did You Know?" campaign, the Golf Classic, overage from the Annual Catholic

Appeal, and the Vehicle Donation program are all channeled into the Operations Budget in order to keep us “healthy.”

Ideally, all these funds should be going into the Building Fund, and the Operations Budget should be supported and maintained only by your Offertory Donations and Tithes. The economy needs to “turn-around,” and hopefully we will see an increase in offertory donations.



Our Liturgical Program for the Church created by the Interior Design Team and our Liturgical Consultant, Robert Habiger, is almost complete.

Renzo Zecchetto, our architect, is ready to create the detailed schematic plan and draw up the construction documents. All he needs is our “ready, set, go.”



Three of the six puzzle pieces do not yet fit!

So we have taken the advice of Aesop. We are not sleeping on the job. We are awake and persevering.

Slow and steady will win the race!

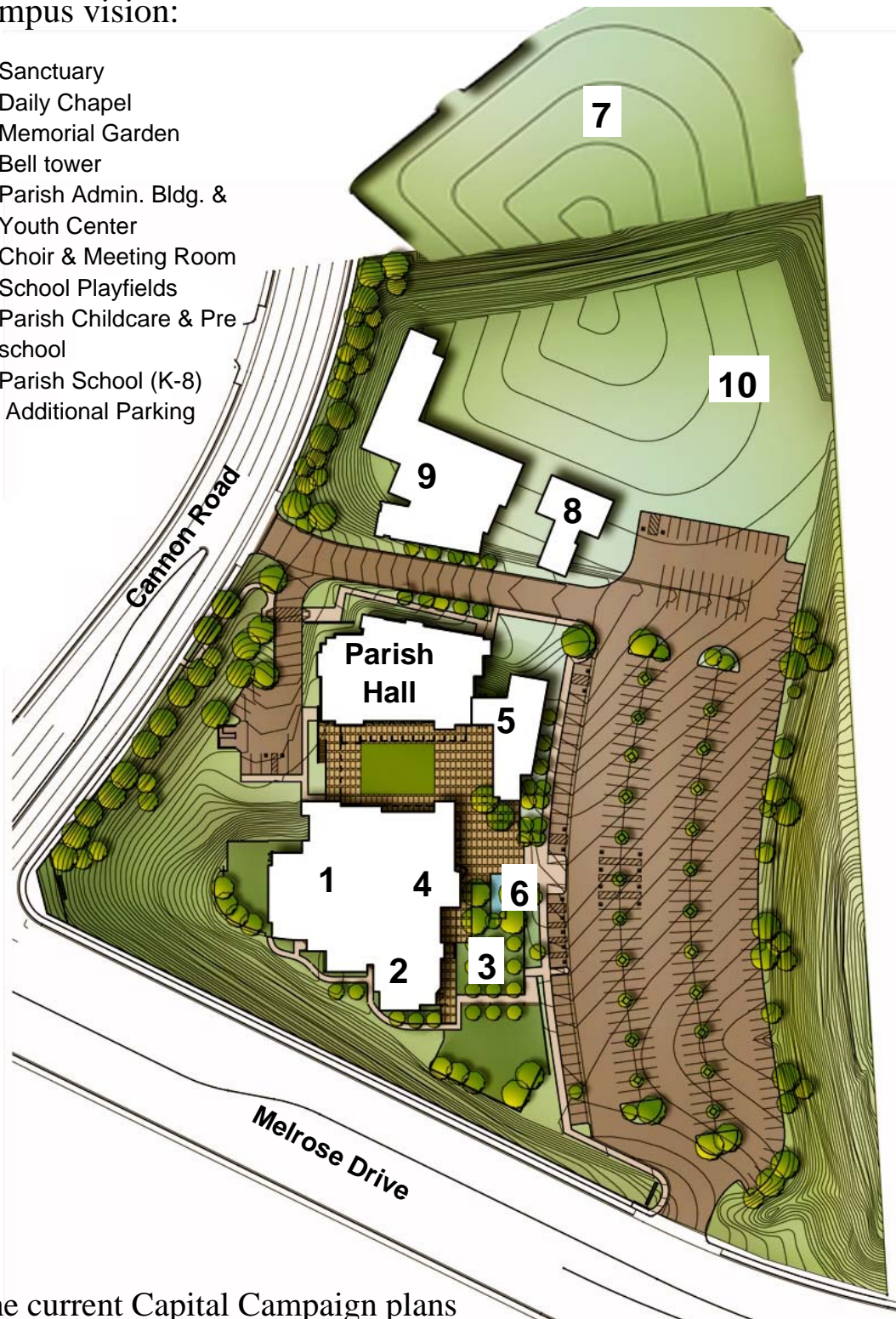
— *Rev. Michael Ratajczak*

Pledge detail:	
\$5,100,000	Pledges
250,000	Investment gifts (i.e., annuities, stocks, charitable remainder trusts, etc.; These gifts are “fluid” and the actual amounts realized by the Parish will not be known until the death of the individual donor.)
475,000	Donation of home to the Parish that is now serves as the rectory. <i>(This amount reflects current market value.)</i>
\$5,825,000	TOTAL

Site Map

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 & Pre school
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 Status

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 of June 30, 2009, we have collected a total of \$187,310 in the special “Did You Know?” envelopes. In FY 2009, we collected \$69,733. These funds go directly to the daily operating expenses of the Parish. A breakdown of our total funds collected follows:
For Finance Report FY 2009:

FY 2007	\$48,519
FY 2008	\$69,058
FY 2009	<u>\$69,733</u>
Total	\$187,310

Vehicle Donation Program

As of June 2009 the operating expenses have also been offset by \$3,307 from the STM Vehicle Donations Program. Our cumulative total for this program since it began in 2006 is \$15,647 and the breakdown follows:

FY 2007	\$ 7,858
FY 2008	\$ 4,482
FY 2009	<u>\$ 3,307</u>
Total	\$15,647

Golf Classic Proceeds Review

The proceeds of the Tenth Anniversary Golf Classic held in May 2009 were also earmarked for the operations budget. This year's tournament generated net proceeds of \$54,000, a \$3,000 increase over last year. A breakdown of our total funds collected for the last ten years of Golf Classic follows:

November	1999	\$51,000
November	2000	\$57,000
November	2001	\$24,000
November	2002	\$38,000
November	2003	\$36,000
April	2005	\$11,000
June	2006	\$32,000
June	2007	\$42,000
June	2008	\$50,000
May	2009	<u>\$54,000</u>
Total		\$395,000

Other Income

Additionally, we received \$6,019 from All Souls' Day, Mother's Day and Father's Day Novenas, which was directed to the operating budget.

Concluding Remarks and Acknowledgements

Dear Sisters and Brothers in Christ,

Hopefully you have found the contents of this report to be informative and useful in deepening your understanding of St. Thomas More's financial situation.

A special "Thank You" is extended to the Finance Council Members for the gifts of their time and talent.

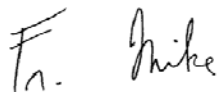
- Paul Ibbetson (Chairperson)
- Nancy Busse (Secretary)
- Don Eppich (Building/Maintenance)
- Jim Mc Glone (Inventory)
- Charles Salter (Legal)
- Nina Woodard (Personnel)
- Natalie Provinse (Bookkeeper)
- Doug D'Agrosa (Pastoral Council Chairperson)
- Ron Briseno (Development Council Chairperson)

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 financial challenges and realize the vision for our build-out.

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 "Fr." is written in a cursive style, and "Mike" is written in a more casual, slightly slanted cursive.

Rev. Mike Ratajczak
Pastor

Church of St. Thomas More

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