

ST. THOMAS ANNUAL MEETING – February 2, 2025

FINANCE REPORT – 2024 RESULTS

As Mother Liz said we have a lot to celebrate as we wrap up 2024 – and I hope you will also see that when we go through the numbers.

The **financial position of St. Thomas is still strong** thanks to the very positive response to the Forward in Faith Campaign. We have made progress toward balancing our budget, although the work is not done, and there are still many people involved in the ongoing activities identified in our Strategic Plan, as Kim has mentioned.

The Parish's Income Statement

This time last year, we presented a Financial Plan for Mission, or budget, that anticipated a net loss of approx. \$358K as part of our intentional investment in the future. Thanks to the ongoing focus on managing the resources we have, and in large part due to the generosity of you - our members - we finished the year with a smaller actual net loss of \$227K. As anticipated, we did transfer \$150K of our operating reserves into the day-to-day checking account and anticipate that we will need to continue to utilize our reserves to get through this upcoming year and possibly beyond.

I will address the highlights of the Parish which manages the operations and holds the physical assets - primarily the buildings on our campus. In the St. Thomas Legacy Foundation Annual Meeting immediately following, Fred Barkman will present a few comments about the St. Thomas Legacy Foundation which holds and manages the investments of the various endowment and special reserve funds that support the Parish, including the newly formed Rector Housing Fund. In addition, the operations of the Music Guild will be in the Foundation going forward.

To reiterate what we said last year, we are not a highly *financially endowed* parish at the moment, but we are blessed with a great campus that gives us a lot of flexibility. We enjoy a beautiful, updated sanctuary, a chapel which is unbelievably 25 years old, and all the different spaces within the Ebsworth Life Center. And we have had a very successful capital campaign that is bringing us closer towards a resolution for rector housing within our community. As you heard from Barbara, we continued to invest heavily in our existing buildings in 2024, catching up on some overdue maintenance items and tackling some unexpected issues and repairs. And we are looking at ways to further open the ELC to the community and make it more self-sustaining.

The annual review of the consolidated financial statements for both entities, performed by Clark Nuber, our Independent Public Accountants, is in progress and any financial data presented is subject to completion of the review and presentation of the final published consolidated financial statements. Our financial records are maintained on a modified cash basis and will be made available for anyone who is interested. We have included financial information for both the Parish and Foundation separately in our Annual Meeting Booklet and I encourage you to take a look at that detail.

2024 Revenue and Expense Breakdown

To summarize the results for last year, please look at page 6 in the Annual Meeting booklet.

REVENUES

Total operating revenue for the year was approx. \$1.4M, comparable to 2023.

Pledge Revenues of \$886K for the year are the most significant source of funding for the church and represent 64% of the total revenue this year. This was about \$86K over our budget expectation overall, as we collected just over 100% of the total pledged in aggregate, in addition to a growth in the pledge base during the year as we added new members. Total pledge revenues grew by 10% from 2023.

Non pledge revenues, including undesignated gifts and plate contributions were \$227K in 2024 compared to \$348K in the prior year. As a reminder, Dave Katri's call to action in 2023 generated approx. \$110K of additional donations. Excluding these non-recurring items the non-pledge revenues were relatively consistent. Lease revenues from the school and the cell towers remain consistent and contribute about \$155K to our funds.

The church also received endowment payments from the Foundation totaling approx. \$28K in 2024, including annual policy distributions and \$6K reimbursement of costs incurred by the parish for the Columbaria. The Foundation also remitted \$5K to the Church from the Outreach Reserves balance, and approx. \$16K for expenses.

EXPENSES

We continue to focus on controlling costs, but many of the expenses, such as payroll and routine building operations, are essentially fixed.

Overall operating expenses were \$1.5M, about 9% higher than the aggregate in 2023. As you would expect, compensation continues to be our biggest expense at around 51% for the year. Excluding the Diocesan Assessment on our revenue, and the overall spending on our facilities, in 2024 we were able

to save, net, \$38K from our initial budget expectations for ongoing expenses. But there were a couple of areas where we overspent.

After compensation, Buildings and Grounds is the second highest spending category and there – as you heard and saw in Barbara’s update – we had some big and often unexpected projects this year. This time a year ago we were waiting on the final inspection of the new boiler in the sanctuary. And we knew there were water issues in the basement of the ELC that needed attention. Total spending on buildings and grounds was \$321K in 2024, or almost 20% of our total expenses for the year. This total includes both the routine operations of \$190K (typically 12-15% of spending) and the deferred maintenance and unexpected repair charges incurred in the year. We were extremely blessed to receive donations from a couple of parishioners totaling \$48K which helped defray the unanticipated costs of the boiler replacement.

Music was another challenging area in 2023 and 2024 as many of the music costs were significantly higher than Doug had originally budgeted, generating overruns of \$9K in the early part of the year. Specifically, the high cost of the concerts in late 2023 and early 2024 impacted our ability to provide guest musicians for liturgical music, and did not allow us to continue with the concert program originally planned for the summer. The Music Guild was established to build relationships and enrich the artistic life of the community through regularly scheduled musical offerings, and has assumed the planning for the concert series, working with our Interim Director Paul, including budgeting and fundraising for the costs anticipated as well as managing the spending levels. This segregates the operational costs of music for the parish from the costs of the concerts so beloved by the broader community. The funds will be *held by* and *disbursed from* the Foundation going forward. The gala in September and donations have generated a little over \$28K of funding for the concert series going forward, and we have been treated to a couple of amazing offerings already under their remit – Faure’s Requiem and the NY eve concert. We also implemented a modest fee for the choristers program which has offset much of the costs of Jacki’s salary and other chorister expenses. As you heard from Mother Liz the music program is thriving and we are excited for the choir and chorister trip to London St. Paul’s in summer of 2025, some costs of which are generously underwritten by a parishioner.

Our Diocesan Assessment was \$15K higher than in the budget, as it was assessed on higher revenues than budgeted. As in prior years, the Diocesan Assessment of \$196K is computed as 14.5% of the revenues, as adjusted, and is assessed on every parish in the Diocese.

Outreach in 2024 was funded primarily from donations and grants. We still have approx. \$80K in outreach reserves between the parish and Foundation.

Total Expenses by Category are included in the booklet on page 7 if you're interested – these include personnel costs that are allocated based on a % of time and effort, and building costs based on the sq. footage of the space.

NET LOSS for the parish in 2024 was around \$227K, which is a significant improvement from our budget expectations when we started the year.

The Parish's Balance Sheet

Please look at page 5 in the booklet. The Financial Position is still very healthy at Dec 31, 2024.

Bank and investment balances at the end of 2024 total around \$1.1M of which approx \$917K is in the operating reserve and \$200K in our checking account. This is a reduction from last year's total balance of \$1.3M as a result of the operating losses incurred. However, the reserve funds are mostly invested in laddered CDs and generated close to \$36K of investment returns, while diversifying the financial institutions holding our assets. As I mentioned earlier, we drew from our operating reserves during the year using \$150K to top up our bank account. We will continue to need to utilize these funds as our spending exceeds our income until we can close the deficit gap.

Before year end, we received approx. \$180K of prepaid operating pledges for 2024 up from \$103K in 2023 (highest since before 2016 excluding the Ebsworth Estate pledge), in addition to the prepayments of \$53K for the series of stained glass windows currently in the design phase that we hope to install later this year. January has also been a very cash positive month with additional receipts of approx. \$130K.

We have approx. \$15M invested in real property, and the church currently has no outstanding debt.

Our Reserve Fund

As a reminder, we were able to grow the operating reserve account over previous years in part as a result of the significant Ebsworth gifts over 3 years, and the Covid era PPP Loan received in 2020, together with a combined focus on control of spending. In 2022 we put \$110K into the Foundation endowments wrapping up the ATBB project, and now in 2024 and beyond we will continue to draw down on these reserves as needed for working capital. The Vestry has approved investment of reserves in our future but has established a minimum level of operating reserves of \$500K.

FORWARD IN FAITH CAMPAIGN and FINANCIAL PLAN FOR MISSION 2025

Our Pledging Trends are on page 7 and Forward in Faith Summary on page 8 of the booklet.

As we have shared the results over the last several weeks, we had an outstanding response to the Forward in Faith Campaign – a combined campaign for the annual operating fund and capital to establish a Rector Housing Fund. Here again are the latest totals.

<u>Operating Pledges</u>	<u>2025 to Date</u>	<u>2024 Total</u>
Number of pledges	150	161
Average	\$ 7,085	\$ 5,396
Median	\$ 3,620	\$ 2,600
Total	\$ 1,062,760	\$ 868,677
Number of New Pledges to date in 2025 (not in 2024)	18	
<u>Rector Housing Fund Commitments</u>		
Number of pledges	111	
Average	\$ 11,865	
Median	\$ 4,650	
Total	\$ 1,305,179	

For our operating fund – traditionally our stewardship campaign – we have received pledges of almost \$1,063K from 150 pledgers, down from 161 last year. Mother Liz referenced the trend of declining church sizes in the US, and for us the number of pledgers is going down - addressing this remains a huge priority. But thanks to the generosity of those who pledged for 2025 we have achieved a 22% increase in the total \$ raised.

The 3-year capital campaign to raise funds for the Rector Housing Fund is off to a tremendous start with pledges exceeding \$1.3M. As of December 31, we had received over \$290K of this total, and another \$42K has come in in January. These funds will be held in the St. Thomas Legacy Foundation until we have sufficient to deploy for a housing solution, hopefully sooner rather than later.

Thank you, thank you everyone for your generosity.

2025 Financial Plan for Mission (FPM)

And so to our Financial Plan for 2025 – the budget for what we anticipate receiving, and what we plan to spend. The final Financial Plan for Mission for 2025, which your Vestry recently approved, can be seen on page 8 of the booklet.

Our 2025 operating pledges received to date are \$1,063K compared to \$839K when we prepared the budget for last year. On January 21, the Vestry approved a 2025 FPM based on an assumption of collecting \$1,067K of operating pledges (including a couple of prior year catch up payments) based on

the campaign totals at that time. In recent years we have assumed only 95% fulfillment of the total, although in both 2023 and 2024 we have actually achieved just over 100%.

Total revenues of \$1,569K reflect an increase of about 12% from 2024 actual results.

We expect routine expenses will increase by about 16% over 2024 actual spending primarily due to cost increases across the board. This does not include the \$40K estimated for the anticipated 2025 deferred buildings and grounds maintenance projects Barbara mentioned. Compensation is estimated at about 55% of that total.

On the recommendation of the Finance Committee, the Vestry has approved this FPM with a target net loss of just under \$200K. This is a significant reduction from our net loss expectations at this time last year and also represents a lower net loss than we ultimately achieved in 2024. We have made good progress in narrowing our budget deficit, but the work is not done. The Vestry has approved additional investment of our operating reserves to support the planned operating loss for 2025, but our goal is to be at, or near, break-even for 2026 – a key objective of our 5 year strategic plan. As you have heard from Mother Liz and Kim, there are a number of initiatives underway to keep moving towards this goal.

To reiterate my comments from last year - even with this continued investment in our future, we are focused on maintaining the best stewardship of the money that you have pledged to the church in 2025 and beyond. The finance committee, led by Brian Evison, closely reviews the performance against Plan and reports to the Vestry each month. In addition, we continue to do a formal reassessment of the Financial Plan for Mission at the end of each quarter, to recommend adjustments to spending accordingly if pledge revenues grow or if spending needs to be curtailed. We are also committed to transparency in our quarterly reporting to the Parish community.

The FPM that has been approved for 2025 once again reflects the challenges and opportunities of our current situation.