

Annual Report

"Let all your works give you thanks, O Lord, and let your faithful bless you."

– Psalm 145

In December of 2006, parishioners of Our Lady of Peace received an annual report giving an update on the financial position of the parish for the 2005-2006 fiscal year. Here, we want to update you on our financial position for the 2006-2007 fiscal year as well as provide an update on some of the financials as of December 31, 2007.

More importantly, we want to provide you with a sense of how we, as a parish community, can address the key challenges we face and build off our strengths going forward.

What's inside...

- 2006 – 2007 Financial Highlights
- December 31, 2007 Update – including debt and endowment information
- Going forward, reasons to be encouraged
- Improvement Initiatives
- Financial goals
- Conclusion

2006 – 2007 Financial Highlights

Table A is a complete but abbreviated income statement which compares two fiscal years and lists the variance between the two. While there were some areas of improvement, particularly in the investment income, there were also areas in which we fell behind for the year.

TABLE A • INCOME STATEMENT

GENERAL MINISTRIES INCOME	For The Year Ended		
	June 30, 2007	June 30, 2006	Variance
Sunday Stewardship & Holy Days	634,372	663,564	(29,192)
Special Gifts/Other Income	73,721	50,508	23,213
Hands to the Future	88,368	125,879	(37,511)
Parish Fundraising	20,458	20,491	(33)
Rental Income	15,391	18,511	(3,120)
Total General Ministries Income	832,310	878,953	(46,643)
General Ministries Expenses			
Total Admin Salaries & Benefits	138,595	124,200	14,395
Total Operating Expenses	149,273	169,919	(20,646)
Total Bldg & Grounds Expenses	146,526	152,167	(5,641)
Total Rectory Expenses	16,883	18,333	(1,450)
Total Worship Expenses	65,060	65,360	(300)
Total Faith Formation Expenses	70,925	65,094	5,831
Total Pastoral Care Expenses	16,608	23,628	(7,020)
Total General Ministries Expenses	603,870	618,701	(14,831)
General Ministries Net Income (Loss)	228,440	260,252	(31,812)
School Ministry Income			
Tuition	643,430	653,962	(10,532)
Reg. Fees/Misc. Inc.	9,124	10,391	(1,267)
Tuition - Prior Year	20,773	48,891	(28,118)
Designated Income	-	-	-
Extended Day Program	69,633	67,014	2,619
Hot Lunch Program	51,705	48,951	2,754
Total School Ministry Income	794,665	829,209	(34,544)
School Ministry Expense			
Administration			
Total Salaries & Benefits	801,870	823,081	(21,211)
Total Operating Expenses	118,711	92,176	26,535
Total Building & Grounds Expense	177,071	188,474	(11,403)
Total Extended Day Expenses	45,724	38,731	6,993
Total Hot Lunch Program Expenses	61,922	53,718	8,205
Total School Ministry Expenses	1,205,298	1,196,180	9,119
School Ministry Net Income (Loss)	(410,633)	(366,971)	(43,663)
Net General & School Operating Income (Loss)	(182,193)	(106,719)	(75,475)
Total Other Income and Expenses	250,816	60,875	189,941
Net Income (Loss)	68,623	(45,844)	114,467

General Ministries Income and Expense

While there was an increase in special gifts and other income, overall stewardship from 2006 to 2007 decreased 5.7% due in large part from a 4.4% reduction in Sunday stewardship, but also a 29.8% reduction in our Hands to the Future campaign which came to an end last year. There was also a temporary loss of some rental income due the loss of lessee of the cell towers on the classroom building. The overall General Ministries Expense shows a net reduction of 2.9%

School Ministry Income and Expense

There was an overall reduction in school income of 4.7% primarily due to a decline in enrollment for the 2006 – 2007 school year. There was a slight percentage increase in overall expenses of 1.11% but an overall increase of 13.03% in the school ministry operating loss.

The Income Statement Bottom Line

The good news for 2006-2007 fiscal year was the significant gains made by the St. Kevin's endowment which were 107% higher than 2005-2006 for a net gain of \$362,473. This contributed to an overall net income of \$68,623 for the fiscal year. The challenging news, however, is that the net general and school operating loss increased nearly 71% over 2005-2006 to \$182,193. As we have seen from the markets since the fall, we cannot rely on continued gains in our investment income and so our focus going forward will be to move toward a balanced operating budget. There is more on this below.

December 31, 2007 Income and Expense Update

Since July 1, 2007, the parish has been in a substantial period of transition, and last summer there was a change in the Sunday Mass schedule to one Mass at 10:00. Furthermore, there were twenty two less students enroll than planned, and the actual net income for One Large Party was nearly \$22,000 less than planned. While there are other factors which may exist, the budgeted income through December 31, 2007 was \$64,794 behind plan. We hope to recoup our budget shortfall through a creative springtime stewardship drive.

TABLE B • BALANCE SHEET

ASSETS	For The Year Ended		
	June 30, 2007	June 30, 2006	Variance
CURRENT ASSETS			
Cash	8,144	25,568	(17,424)
St. Kevin Endowment	2,362,105	2,181,629	180,476
Total Cash and Investments	2,370,249	2,207,197	163,052
Accounts Receivable		-	-
Prior Year Tuition Receivable	42,541	37,888	4,653
Total Current Assets	2,412,790	2,245,085	167,705
FIXED ASSETS			
Equipment and Furnishings	72,824	72,824	-
Church Building	1,137,614	1,137,614	-
Rectory	332,582	332,582	-
Classroom Building	2,339,868	2,339,868	-
Land	41,593	41,593	-
Project 2000 Bldg. in Progress	3,572,014	3,572,014	-
Total Fixed Assets	7,496,495	7,496,495	-
TOTAL ASSETS	9,909,285	9,741,580	167,705
LIABILITIES and EQUITY			
CURRENT LIABILITIES			
Accounts Payable	963	-	963
Payroll Withholding	(1,440)	-	(1,440)
Total Current Liabilities	(477)	-	(477)
OTHER LIABILITIES			
Deferred Income - Tuition	37,309	33,790	3,519
Deferred Income -Support A Student	31,751	55,681	(23,930)
Other Deferred Income	6,930	2,810	4,120
Prepaid Expenses	8,362	-	8,362
Prior Year Tuition	42,541	37,888	4,653
Designated Improvements	34,055	(653)	34,708
OTHER FLOW-THRU LIABILITIES			
Archdiocesan Collections	3,368	2,067	1,301
Vacation Bible Camp	3,963	-	3,963
Parish Associations	60,527	61,293	(766)
School Lunch Program	3,625	8,093	(4,468)
Total Other Liabilities	232,432	200,968	31,463
LONG-TERM LIABILITIES			
Notes Payable			
AIB Term Loan	383,185	474,711	(91,526)
AIB Line of Credit	1,499,871	1,499,871	-
ABN AMRO	18,864	42,744	(23,880)
Total Long-Term Liabilities	1,901,920	2,017,326	(115,406)
ARCHDIOCESE PAYABLES			
Parish Assessment	365,158	305,432	59,726
General Insurance	159,620	124,013	35,607
Pension Plan	194,995	148,628	46,366
Employee Benefits	41,803	-	41,803
Total Archdiocese Payables	761,576	578,073	183,503
Total Liabilities	2,895,450	2,796,368	99,083
EQUITY			
Accumulated Earnings	6,945,212	6,991,056	
Current Year Retained Earnings	68,623	(45,844)	
Total Equity	7,013,835	6,945,212	68,623
TOTAL LIABILITIES AND EQUITY	9,909,285	9,741,580	167,706

The Balance Sheet for Fiscal Year 2006-2007

The Balance Sheet Table B (previous page) represents our total assets and liabilities as a parish community. The debt to the archdiocese represents our assessments (a form of tax through which we support the Archdiocesan Chancery), as well as insurance and pension payments for employees. Deferred income under other liabilities refers to money received in one fiscal year that will be expended in the succeeding one, notably advance tuition payments and education grants. The prior year tuition figure is late-collected tuition. The designated improvements figure refers to funds used for special projects and the source of funds came from various gifts by individuals.

Flow-thru liabilities refers to money we hold briefly, like funds for Archdiocesan collections or entities like the Women's Club, the Men's Club and SPA. Our long-term liabilities are interest-bearing debt and the payables due to the archdiocese are non-interest-bearing debt. The variance in the total liabilities and equity figures is due to adjustment made to the statement so it includes all our debt to the Archdiocese. The retained earning figure Table B refers to the net income (loss) figure on the income statement Table A.

As of June, 2007 OLP owes \$1.88 million in debt to Allied Irish Bank, down from \$1.974 million in 2006. The form of the debt is a term loan and a line of credit. There is also \$18,864 of debt left over from an energy efficiency upgrade in our classroom building done in 2000. Monthly payments on the principal and the Hands to the Future, which ended in December, 2006, have helped us reduce the principles of the term loans.

Updated Debt Position – as of December 31, 2007.

For a more accurate picture, the table below gives the most current breakdown of long term debt, including that to the archdiocese.

LONG-TERM LIABILITIES			
<u>Notes Payable</u>		<u>Archdiocese Payables</u>	
AIB Term Loan	\$325,176	Parish Assessment	\$410,533
AIB Line of Credit	1,499,871	General Insurance	182,491
ABN AMRO	8,489	Pension Plan	217,111
Total Long-Term Liabilities	\$1,833,535	Employee Benefits	27,359
		Total Archdiocese Payables	\$837,494

Total Long-Term Liability \$2,671,029

This spring, we are starting a capital campaign which will aim at reducing our interest-bearing and non-interest-bearing debt, including our liability due to archdiocese. A successful campaign will open up substantial funds available to the operating budget to keep current on our obligations to the archdiocese and help us build a more solid foundation for OLP's future.

The St. Kevin's Endowment: Why not use it to pay the debt?

ENDOWMENT	<u>7/1/06 Balance</u>	<u>Earnings</u>	<u>Withdrawals</u>	<u>Fees</u>	<u>6/30/07 Balance</u>
USBank/CCF	2,181,629.30	362,473.12	(175,000.00)	(6,997.10)	2,362,105.32

The majority of our St. Kevin's Endowment came from the sale of the property of St. Kevin's Parish and its purpose is to leave a legacy from decades of parishioners' stewardship and investment. Some may wonder why we simply do not use these funds to pay off the debt. Having a solid endowment better allows a parish to plan for the future, and once an endowment is gone as an asset, it is extremely difficult to grow again, and so becomes an important asset lost. Somewhat analogous to an individual or couple saving for retirement while they still maintain a mortgage, it is important to properly manage these assets and liabilities.

Currently, OLP's endowment charter along with an agreement with the diocese on forgiveness of assessments on withdrawals for debt reduction is the reason why funds withdrawn are marked for debt reduction. The endowment earnings, less fees were \$355,476 this year (but are unrealized until withdrawn). In 2006-2007, we withdrew \$175,000 from the endowment. By moving toward a balanced budget approach, we can better preserve the endowment and help it grow even while still taking some budgeted distribution of funds.

GOING FORWARD....

Challenges remain, but there are many reasons to be encouraged.

As this is everyone's parish, understanding our financial position will help us meet the challenges which we face. Given the right plan and everyone's help, those challenges are not insurmountable. Below are some of the goals and plans for the future which will not only strengthen us financially as a parish, but more importantly strengthen us as a community - in our relationships with one another and in our spiritual lives.

Key to our success as a parish will be to continue to find ways to strengthen the connection people feel with the parish. Yes, there is an emphasis now on shoring up all our financial position since we, like every household have to pay our bills. But in the long run, if parishioners and others feel welcomed and are connected and involved, even in small ways, the financial numbers will fall into place.

Encouraging news

Every parish has its challenges and so does Our Lady of Peace. However, even with all the transition this last year, there is still a good spirit in the house. Even with a tight budget and a relatively small parish staff, one look through the Sunday bulletin reveals how much goes on each week and throughout the year and so the parish is very much alive. We have seen an increase in Mass attendance as indicated by observations, an increase in the number of communion hosts used and also an increase in the plate collection, which through February is ahead of budget. Building off this momentum, some of the following improvement initiatives will help keep us moving forward.

Improvement initiatives

So that we continue to build off of our strength, there are several improvement initiatives planned or already in the works, some of which are the following:

Creating an atmosphere of welcome and participation

Again, if people feel welcomed and are connected and involved in parish life, the finances will fall into place. A focus then is to find opportunities for more people to check us out and once they come for a visit they will want to become part of our community of faith.

- *An example: Improved phone response*

Currently, when someone calls the parish they received an automated voice response which, we have heard is difficult to navigate and so can hinder a sense of welcome. In the next couple weeks, we will begin answering the phone in person while at the same time making improvements to the system so that when someone does receive the automated response it will be easier to use.

Development committee and plans

Recently, a small group comprised of individuals who represent different segments of the parish have come together on a development committee. A key goal is to look at the ways in which we communicate ourselves to each other and to the community around us. An outcome of this group is a game plan for this year and beyond which will coordinate some of our activities so that, overall, parish activities and initiatives support and complement one another rather than have competing priorities.

By identifying our strengths and weaknesses, the plan would consider some of the following: How do we attract others to our community? How do people feel welcome when they visit us in person or via phone even on the website? How are we staying in communication with new parishioners, current and potential parishioners? How can we stay connected with valuable stakeholders such as alumni? If parishioners have left or taken a "sabbatical" from either the parish or their Catholic faith, how do we welcome them back and encourage them to remain a part of our family? Do we communicate and make available every opportunity for people to give their time, talent and treasure? How are we encouraging planned giving and having more families consider us in their estate plans? These are just some of the questions that this group can address and incorporate in a plan since having a good track to run on will help ensure success.

Well articulated financial goals

The financial information above presents some of the challenges we face. In order to address them, clearly articulating our financial goals will be an important step. Some of the highlights of this plan will include:

- *Increasing operating revenue*

In addition to a strong sense of welcome, it will be important to move toward a balanced operating budget so that we are operating "in the black." Hence, we will look for opportunities to contain or reduce expenses and also increase revenue through various development initiatives. For example, one approach will encourage more participation of a \$500 annual contribution. Currently, there are over 800 registered households, but less than 300 contribute more than an average \$40 per month. If more households could participate at this level, which is less than other monthly costs such as cable TV, it is entirely feasible to increase revenue by over \$100,000. For those thinking about how to give their stewardship a little boost or perhaps a jump start, look for more information on what we are calling the "The Power of an Hour." You will receive more information soon, but it is just one way to consider the power of just doing something or a little more.

Certainly we appreciate everyone's contribution and want to encourage those who are already willing and able to maintain and even consider even a slight increase which will go a long way to help us reach our financial goals.

- *Managing expenses*

The other side of the coin is containing expenses and being proper stewards of parishioners' contributions. As we begin the budgeting process, we will look for opportunities to cut expenses or at least maintain them as costs rise. A key goal is to look for larger cost savings which do not affect the ministry we provide. We are exploring areas such as a large credit to insurance program through risk management program, debt financing options, discovering where volunteers are willing to help particularly around our buildings and grounds, and also how we can reduce our high utilities cost.

We also want to be sure to avoid major expenses through proper preventative maintenance of our boilers and equipment. Hence, for the near future, we may see some increase in certain expenses as an investment in reducing expenses long term. Ideally, if we can do a better job at foreseeing major expenses, we can begin to reserve the funds necessary rather than incur more debt. This is another reason for getting the debt we already have off the books.

- *Stabilizing and improving cash flow*

Any parish naturally sees fluctuation in its cash flow throughout the year. For example, it is typical that contributions dip in the summer months and are higher near the end of the year. Expenses, however, do not fluctuate in the same way which presents a challenge when it comes to paying bills. For planning purposes, we will better map out when expenses are due through cash flow projections.

On the contribution side, many parishes and parishioners have discovered the use of automated withdrawals as a way to improve the cash flow. Some parishioners are setting up automatic bill pay through their bank so that a check is automatically cut and mailed without having to think about it. A goal this year, then, is to encourage greater use of automatic withdrawals and automatic payments as safe and easy ways for individuals and families to meet their commitment to stewardship. Any automatic payment option can be easily set up, changed or canceled at any time and are guaranteed by most financial institutions to remain private and secure.

We have also heard feedback that simply sending out a quarterly statement of contributions will remind people of their commitment so that they do not need to wait until the end of the year when there are many other expenses.

Conclusion

Our Lady of Peace is a light to the community around us. Hopefully, this information provides you with the information you need to understand our situation, but more importantly we hope it gives greater confidence about the challenges we face. Building new and strengthening current relationships are the important factors for our long term vitality as a parish. Our two main financial goals are to greatly reduce and eventually eliminate our debt and also to move toward a balanced budget. That way, we would not easily fall back into debt but rather maintain and grow our assets, including the endowment.

We all know that we are in economically challenging times and so while we will be asking individuals and families to prayerfully consider and give what they can, we understand that every family situation is different. So while various initiatives will encourage contributions, we do not want anyone to feel overly pressured. Since OLP is everyone's parish, together we can achieve our financial and, more importantly, our spiritual goals. For your pastor and parish leadership it means properly administering your investment of time, talent and treasure.

It is helpful as in administration to keep in mind the Latin roots of "administer" which are *ad*, meaning "toward" and *ministrare* or "to minister or serve." Therefore, as your pastor, working with parish leadership, we want to properly *administer* people's investment in the parish so that we can all continue to move "toward serving" God and neighbor. That is what it is all about. Our understanding of stewardship of time talent and treasure, our contributions and everything we do is done for the love of God and love and service to neighbor. With this in mind, suddenly even a capital campaign or stewardship initiative or an expense reduction does not seem so bad. It is all done to serve our mission which is to make Jesus Christ known and loved, as we continue to seek ways to always be a people of peace.