

2010 Annual Financial Report

St. Michael's Parish—Farmington

Dear Fellow Parishioners:

The 2010 fiscal year concluded on June 30, 2010, and on behalf of Fr. Dennis and the parish leadership, I would like to report on the financial results for this year, comment on the financial issues and constraints we face and provide a summary of the outlook for our 2011 fiscal year.

Income:

- Total income of \$789,008, was \$27,000 under 2009, and was \$34,000 below our budget of \$823,041.
- Contributions: Regular contributions were \$644,408—a \$14,000 drop from last year.
- Programs: Fees associated with our programs, essentially religious education were \$9,300 less than last year and \$6,700 under our plan.
- Fundraising: \$49,780 in fundraising income was \$130 over plan and \$80 over 2009.
- **Expenses:**
 - Overall expenses of \$745,177 were \$41,275 under budget, and \$88,800 under 2009. Key drivers of the decrease were:
 - Personnel expenses were \$25,000 under budget and \$46,000 less than last year due to staff attrition and adjustments to vacation accruals.
 - Archdiocesan assessment payments were \$59,427-- \$14,000 higher than last year.
 - Utility expenses were \$26,000 under budget due to a credit for overpayment we received from the gas utility company during the year. We will return to our normal monthly budget this year.
 - Off-setting these significant savings were approximately \$11,000 in cost over-runs for unplanned maintenance, repairs and miscellaneous operating costs.

Summary of 2010:

- We ended the year with a net gain of \$7,242 on a budget that was planned to break even for the year. However, we enjoyed significant one-time expense relief as noted above that allowed us to end the year on a positive note. Without these extraordinary items, we would have had a significant deficit at year end.
- We have been able to maintain our cash reserves during the year, and have used these funds to enable us to deal with emergency repairs during the year. Fundraising for major items such as repairs to heating and air conditioning systems has allowed us to minimize depletion of our reserves, which are critical to the financial stability of St. Michaels.
- Revenues have continued to decline, and while we have managed expenses within budget, our ongoing revenue does not support our forecast operating expenses over the long run.

2010 Accomplishments:

- Building debt has continued to be aggressively managed, and is now \$2.1MM. Our ongoing monthly principal and interest payments are now entirely covered within our operating budget, and all contributions for Uniting in Faith are applied to additional principal balance reductions.
- Repairs and upgrades were made to the heating system serving the worship space.
- The sound system was replaced with a digital system, a significant upgrade.

- The parish continued to be blessed by willing and capable volunteers who supplement many activities ordinarily handled by paid staff. This allows St. Michaels to provide a broader array of ministries and services to our parishioners than our operating budget would otherwise allow.

2011 Budget:

In developing a budget for the current fiscal year, the parish staff and leadership needed to deal with a few economic realities:

1. Revenues are not growing as the parish grows, but expenses of operations continue to grow.
2. The debt on the building—while significantly reduced thanks to Uniting in Faith—continues to draw significant amounts of money away from other ministries and needs to be funded from the operating budget.
3. We have growing concern about unplanned maintenance items and our ability to fund a preventative maintenance program that will minimize expensive emergency repairs.
4. The Archdiocese has actively directed parishes to balance their budgets and ensure they are capable of paying their bills.

In this context, we set about to develop and implement a balanced budget for this year, including the assumption that all our expenses, including building debt repayment, would be paid from our operating budget. Our current operating budget is balanced, but the revenue anticipated for the full 2010 year was not received. As our revenue assumptions for this current budget relied on higher revenues than we are currently receiving, we will need to monitor our expenses carefully to avoid a deficit.

2011 Budgeted Income: \$809,082

2011 Budgeted Expense: \$808,956 (includes \$168,000 for our regular loan payments)

The income plan from contributions is \$656,000—even with our forecast for last year. However, we fell \$12,000 short of this number due to a fall-off in contributions over the spring. Our budget depends on meeting this income need. The expense plan will be managed to the budget, and we will be required to act appropriately if our income continues to decline.

While this report is sobering, we are on solid financial footing. We are not operating at a deficit as some parishes are, nor are we delinquent in our financial obligations. We do have limited resources, and we will live within them. It is our hope that as the environment improves, so will our revenues. At that point we will be in a position to revisit adding to our ministries and outreach.

Detailed monthly financial reports and a copy of the current operating budget are available on the parish website. If you have questions or would like additional information, please contact the parish office or send an email to finance@stmichael-farmington.org.

In closing, we need to acknowledge the many generous parishioners who unselfishly give of their time, talent and treasure for the benefit of us all. Thank you to all parishioners who contribute so much to the life of our parish community. For those God has continued to bless with continued employment and economic security, please consider an increase in your contribution for this coming year. Thank you again for your support and continued prayers for the success of St. Michaels parish and its ministries.

Sincerely,

Mark D. Wood, Chairman

Finance Council