

Remarks by the Rector, Senior Warden, Junior Warden & Treasurer

St. Thomas Church Annual Meeting

February 18, 2024

From the Rector

It is incredible to think about where we were last year, compared to where we are this year!

Last year's annual meeting was a marked by a real sense of anticipation.

We acknowledged that we were coming out of a wilderness season. With the church remodel, the pandemic, saying goodbye to a beloved rector, a flood, staff transitions, a new rector call, and parishioners coming back to church – what a year!

We used the Annual Meeting to catch our breath and press the pause button. We processed where we were as a church, in comparison to wider church and societal trends.

It was like our organizational mind was catching up to where our congregational body was.

Emerging out of an incredibly taxing pandemic, we began returning to familiar routines and rhythms – and imagined ways to integrate our wilderness learnings into the next chapter of St. Thomas.

We were honest that what was before us was a season of rebuilding that would be marked by change and transformation.

We recommitted to our mission: “practicing the hospitality of God.” And reminded ourselves, as we will at every annual meeting so long as I am rector here: “Unless the Lord builds the house, we labor in vain.”

Together, with God's help, we accomplished a tremendous amount! Recall with me, what we set out to do at last year's annual meeting.

- 1. We acknowledged the many changes we had at St. Thomas Church and with churches everywhere.**
 - a.* We recognized that we are numerically smaller church, and that we are in a season of expanding.
 - b.* We managing multiple staff transitions. We celebrated outgoing staff and hired new staff and clergy through a collaborative search process.
- 2. We shared our desire to grow spiritually and numerically!**
 - a.* And we did, we grew spiritually by relaunching and continuing to offer formation for children, youth, and adults.
 - i.* For children, we relaunched VBC over the summer and continued offering Godly Play, and the chorister program.
 - ii.* For youth, we relaunched the Youth Acolyte Core and continued offering youth group for middle and high school aged youth.

- iii. For adults, we continued offering formation on Sunday morning and Wednesday evening utilizing guest speakers and bible-based curriculum.
- iv. To build community, we relaunched and added new community life events, which included : Shrove Tuesday Pancake Supper, Vacation Bible Camp, Medina Days Beer Garden, Concert Series, Evensong, Valentine’s Day Fundraiser for Choristers, etc.
- b. We also grew numerically, we welcomed 34 newcomers, and 20 new members.
- 3. We said we wanted to reinvigorate our volunteer-led committees.**
 - a. We did this. Just look at our organizational chart (pictured in the slide) to see all the lay committees that were relaunched and launched!
- 4. We said we wanted to work on ensuring our financial health for future generations.**
 - a. We worked on this. We began the year with a significant budget deficit of \$359,000 and ended the year with a small net income! We did not use any of our operating reserves this year. Anne, our Treasurer, will share more on this during the financial presentation!
 - b. We relaunched our Legacy Society, and began looking into ways to generate revenue from our campus without jeopardizing our property tax exemption status.
- 5. And most importantly, thru it all, we doubled down on our mission!**
 - a. We doubled down on our “why” and worked with our church family to continue in the mission.

Whew! Boy has there been a lot of growth. And as St. Paul once said, “it was God who gave the growth.” Let us give thanks to God, and for the ministry we accomplished together.

There is a real sense that God is up to something at St. Thomas Church. There is great energy and enthusiasm from parishioners. A sense of vibrancy and vitality here.

We are on the cusp of an exciting new chapter here at St. Thomas Church, and I am grateful for the ways that you, as the Body of Christ, have been part of this renewal process.

If I were to have a verse for where I sense that we are right now and where we are headed in 2024, it would be the verse from the book of Isaiah. God speaks to an Israel, emerging from exile, and declares: “Behold, I am doing a new thing; now it springs forth, do you not perceive it.” Isaiah 43:19.

In this next year, we will continue to build on our forward momentum. We will continue the work of rebuilding. We will continue to root down in our relationship with Christ, so we can branch out into our community.

We will continue to build on the strong foundation laid generations ago. We will continue to offer ministries that help us to grow spiritually, as we reach out to our community, inviting them to find their spiritual home with us.

And we will continue to trust in God, for those who trust in God, “are like trees planted by streams of water, which yield their fruit in its season, and their leaves do not wither. In all that they do, they prosper.” Psalm 1:3.

From the Senior Warden

Thank you, Mother Liz for your remarks. Greetings to you all and thank you for making time to participate in this annual meeting!

As you heard from Mother Liz, we have a lot going on! Serving you and this Parish as your Sr. Warden this past year has truly been a pleasure. I have always believed in saying “yes” to a call of service and my term on the Vestry this year as Sr. Warden did not disappoint. Particularly, this past year is memorable for me not so much because of the challenges and hard work, but because of the deeper relationships that were forged with my fellow Vestry members and what we were able to accomplish together.

Looking back on the year I am particularly pleased with the addition of Fr. Edmund, Fr. Shane, Lisalynn, and Jean in new parish roles. These folks jumped-in to join Doug, and Keven & Vel, working with passion and dedication for this parish. I am also pleased with what we accomplished financially. We balanced the budget; I could not believe it at first! We were so blessed, and you will see the numbers here in a few minutes. We have many active and healthy committees working to support the life of this congregation. And we have grown spiritually and numerically welcoming new members that are enriching our parish.

Mother Liz, I am so grateful you answered the Call to join us as Rector. You have put your heart and soul into the past year and at times I know it has not been easy, yet you have persevered and together we stand here ready for the opportunities of another year; full of the blessings we receive each week through worship and fellowship.

As I was preparing for this meeting today, I was looking back through material from my very first Vestry Orientation and I found a copy of something called the Strategic Map for 2020. I’m pretty certain this was developed prior to COVID and so in a way I think it is a reflection of the Parish from that time. Yes, this parish faced challenges and has changed, and yet I believe it has faithfully remained true to its calling. I will recap key elements here briefly for you and as you listen, see if they sound familiar or maybe event still resonate with you:

- **Welcoming All-** we respect the dignity of every human being and welcome all wherever they are on their faith journey.
- **Seeking God** – we seek and share the transforming power of faith in God through Jesus Christ
- **Serving Faithfully** – We serve God by working for justice and peace and by caring for and sharing our resources
- **Building Community** – We share the love of Jesus through sacramental worship, gracious hospitality, and thoughtful outreach

What strikes me is how these stated values from way back, maybe 5 years, is that they still ring true for us. These values have sustained this community and carried us to this moment. What will this next year bring? Only God knows, however I am confident that we will live into the moment together as a welcoming, caring, faith community.

In closing, I acknowledge that there is work to be done; as is always the case with a vibrant organization. Thinking about the opportunities in 2024, I see them as encompassing these themes:

1. Experiencing the blessings of our clergy and staff as their unique gifts become more fully revealed as they grow into their respective roles,
2. Finding the equilibrium of financial resources, staffing, and programming,
3. Continuing the work of outreach and evangelism,
4. Living more fully into our shared mission with St. Thomas School, and
5. Setting a course for sustainability through re-examining our approach to stewardship, finding ways to grow our endowment, and addressing clergy housing challenges.

Finally, thank you Anne and Tera for your help and support this past year. Your work as Treasurer and Jr. Warden illustrated selfless dedication which is so appreciated.

And thank you, Kim, for accepting the call to be Senior Warden in the coming year. I am confident you will pick up where I am leaving off and your love and passion for the Church will serve you and all of us well.

From the Junior Warden

Good morning,

I love to share good news, so the first update I wanted to share is that the new boiler is on track to arrive in Seattle by the end of the week and be installed shortly thereafter. The permit has already been submitted to the City of Medina and preliminary work done in preparation for the installation, so we're looking forward to having heat in the sanctuary again soon. Thank you for your patience! Thank you also to the generous donors who helped us cover the costs for the new boiler as well as repairs we started on the old one, and the broken pipes we encountered during that cold weather in January.

As Mother Liz mentioned, it was a very busy year for the newly resurrected Building and Grounds Committee. When the team first met in June, we identified a list of 27 issues. This number only went up as the year progressed. By the end of the year, we had over 60 items on our list and had completed 27 of them. Issues ranged from fixing the coffee maker - which we viewed as essential (!), to getting electrical problems addressed; audio, video and Zoom functionality working correctly, stabilizing the pews – and just about everything in between.

The initial focus for this year is making sure our sanctuary is warm and the basement is dry – two big projects - and I'm happy to report that we're making good progress on both issues.

A few of the other issues that are on the list for this year include:

- Repairing stucco on the Ebsworth Life Center,
- Repairing and re-painting the columbarium gates,
- Painting the south side of the ELC/walkway
- Continuing to address audio issues in the Sanctuary.

We will also be supporting the installation of the new stained-glass windows which were recently purchased in 2 successful campaigns.

It's hard to believe but the Ebsworth Life Center is already 10 years old. The Church was built 71 years ago, with major renovations completed just a few years ago. The work this team is doing is critical to keeping this campus maintained for years to come.

A few thanks are in order:

Mark Nelson, as Chair of this Committee, deserves special thanks for his leadership and knowledge of this campus. We couldn't have done this without him and his expertise. **Thank you Mark!** Two others that deserve a special shout out include Lisalynn, who in addition to everything else she does, works with vendors, lets people in, and keeps us all apprised of who's doing what on a regular basis. **Thank you Lisalynn!** Kevin (and by extension Velvet) also deserve a special shout out. Kevin is the person that gets to come face to face with these issues and address them until we can get them fixed. He's been known to bail out water from the basement at 2 in the morning – on more than one occasion! **Thank you Kevin!**

Every member of the committee deserves our thanks and is key to getting things done by bringing their own expertise to every situation. The other members of the committee include:

- Fred McConkey (who has commented that we give him more projects to do than Molly... 😊 Thank you Fred!)
- Mike Allert
- Jerry Livingston
- Jerry Angelo
- Sheila Justus
- Haynes Lund
- Lisa Viereck-Breckenridge

Thank you all!

Be sure to let the committee know if you see any issues that should be addressed; we'll be glad to add them to the list! Also, don't hesitate to reach out if you have questions about any of the upcoming projects, or if you have an interest in making a donation to help support this work. Thank you.

I'll hand the microphone back to Anne for the Financial Presentation.

From the Treasurer

Intro

You've heard a lot already from Mother Liz, and Tim and Tera, about what we have accomplished in the last year - some of the many things we can celebrate, some opportunities and a few new projects going forward! It's my turn to try and explain what this means in the numbers. And I'd like to take a minute to thank Jean for jumping in head first to take charge of our financial records and help prepare all the reports.

First and foremost, I am pleased to report that the financial position of St. Thomas is still in great shape thanks to the continued faithful support of our community and careful stewardship of our resources, although I have to reiterate that we do still have some significant challenges ahead - including some big financial hurdles - that I will address in a minute.

The Parish's Income Statement

It's hard to believe that a year ago I stood here and told you we had a deficit of \$359K anticipated in our budget that would have to be funded largely from our reserves. After Dave Katri's call to action at that meeting, we narrowed that gap enabling us to refresh those expectations. And today, I can report that we ended the year with a small net income – quite a turnaround. In fact, we have not used any of our reserves in 2023. I will also discuss next year's budget, which brings a new challenge, and where we go from here. It's been quite a roller coaster journey!

My PSA: to remind you that we have two legal entities - I will address the highlights of the Parish which manages the operations and holds the physical assets - primarily the buildings of our beautiful 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 reserve funds that support the Parish. Tim mentioned in his comments that building these endowment balances is one way we can help reduce our budget deficit in future years and will therefore be a focus in the near future, and you can read more about that in Fred McConkey's Legacy Steering Committee report in the booklet.

But it's also important to remember that while we are not a highly *financially endowed* parish at the moment, we have weathered a couple of major capital campaigns and are now blessed with our amazing campus. Despite a few minor TLC requirements that Tera spoke of, as with all of us who age, we do have two beautiful buildings that enable us to offer flexible space, both modern and traditional, and allow us to provide a very warm welcome to everyone. Not all churches have this luxury.

The annual review of the consolidated financial statements for both entities, performed by Clark Nuber – our Independent Public Accountants, is essentially complete and the financial statement drafts are under review and will be issued shortly. These financial statements are prepared 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.

2023 Revenue and Expense Breakdown

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

Revenues

Total operating revenue for the year was approx. \$1.4M, down from \$1.6M in 2022. Our Pledge Revenues of \$804K for the year are the most significant source of funding for the church, and represent 57% of the total revenue. This was about \$24K over our budget expectation overall, as we collected just over 100% of the total pledged in aggregate. Nonetheless, Pledge Revenues were down by about \$400K from last year, which reflects the final \$325K pledge that we had received from the

Ebsworth Estate in 2022. Excluding that, our operating pledges still declined by about 10% year to year.

Non pledge contributions, including undesignated gifts and plate contributions were \$347K. In context that is more than double the comparable amount in 2022. We are so thankful for the generosity of this community and those who have given so faithfully to support St. Thomas. As you have heard we are seeing a pick-up in new member and in person activity and this momentum has also had a positive impact on plate collections. Lease revenues from the school and the cell towers remain consistent and contribute about \$154K.

The church also received endowment payments from the Foundation totaling approx. \$35K in 2023, comprising annual policy distributions and payments, and special distributions to help defray the cost of the concert series and emergency organ repairs, plus a distribution of \$19K from the Music Reserve to support the music program overall.

Expenses

We continue to focus on controlling costs, but many of the expenses, such as payroll and building costs, are fixed. In 2023 we were able to save almost \$90K net from our initial budget expectations, some of which resulted from a longer than anticipated time to complete hiring the new team, thus payroll did not ramp up as quickly, and some planned spending activities were deferred.

Overall operating expenses were \$1.4M, very consistent with the previous year, despite inflation. We saved – or in some cases delayed – around \$85K in wages and benefits from the later hire dates than planned for in the budget. As you would expect, compensation continues to be our biggest expense at around 53% for the year. Buildings and grounds is the second highest spending category and there – as you heard from Tera – we incurred some unanticipated charges resulting in \$10K over budget in total. This will continue to be a challenge in 2024 and on. We also incurred a bigger Diocesan Assessment by \$28K calculated on higher revenues than budgeted. As in prior years, the Diocesan Assessment of \$204K is computed as 14.5% of the revenues, as adjusted, for every parish in the Diocese.

We currently have \$80K in outreach reserves between the parish and Foundation.

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

NET INCOME for the parish in 2023 was around \$20K, which is a huge change from expectations when we started the year.

The Parish's Balance Sheet

Please look at page 5 in the booklet. **FINANCIAL POSITION** is still very healthy at Dec 31, 2023. Bank and investment balances at the end of year total around \$1.3M of which a little over \$1M is in the operating reserve. We have been able to maintain – and even grow – our operating reserve through the year. This year we have invested a significant portion of the surplus cash in CDs with different financial institutions which benefits us in two ways – first we are able to earn reasonable interest on these balances, and second by spreading the wealth we have greater FDIC protection. Before year end, we received approx. \$103K of prepaid operating pledges for 2024, in addition to the prepayments of \$30K for several of the stained-glass windows. We have approx. \$15M invested in real property, and the church currently has no outstanding debt.

Our Reserve Fund

As we've said in the past, we were able to grow the operating reserve account over recent years in part as a result of the significant Ebsworth gifts over the last 3 years and the PPP Loan received in 2020, together with a combined focus on control of spending. There was a small dip in 2022 when we put \$110K into the Foundation endowments wrapping up the ATBB project. But 2023 shows a moderate increase from investment growth.

We do anticipate using a significant portion of this reserve to invest in the next season of our church. We had initially anticipated starting that investment phase this year – but thanks in large part to your generosity – we have been able to defer the impact.

Annual Operating Fund, Pledge Campaign & Financial Plan for 2024

Our Pledging Trends (page 7 of the booklet)

We discussed extensively last year that we - like other church communities - have seen a decline in the number of families pledging over recent years. And while our number of pledgers has declined slightly again this year, the total \$ pledged has still grown, and therefore the average pledge amount is up. Another focus for the immediate future is to make sure both number of pledgers and \$ pledged increase by growing our membership and pledging base.

2024 FPM

The recently approved Financial Plan for Mission for 2024 can be seen on page 8 of the booklet. Our 2024 operating pledges received to date are \$839K compared to \$795K for last year. In January, the Vestry approved a 2024 FPM based on an assumption of collecting about 95% of these operating pledge commitments from our recent experience. Despite this improvement over last year, total revenues of \$1,250K reflect a decrease of about 12% from 2023 actual results, as we cannot anticipate donations continuing at the levels of 2023.

We now have a full clergy and staff team in place, and therefore our cost estimates – especially wages and benefits – are more objective than last year and with a complete year of the full payroll cost, we expect expenses will increase by about 13% over 2023. In addition, as Tera updated us, there are a number of ongoing lifecycle maintenance items that need to be addressed on our campus. As this is a little outside the routine operations, we have established an estimate for \$55K to help address these issues, and this is captured in other expense below the net ordinary loss from operations. The approved FPM for 2024 contemplates a net loss or deficit of approx. \$358K that we expect to fund largely from our operating reserves.

Deficit Challenge

As Mother Liz and Tim said in their earlier remarks there is a lot going on at St. Thomas, and the Vestry has approved another bold budget to enable us to continue to build on that momentum. But, in order to be sustainable in the longer term and to return to break even in the next year or so we need to rise to the deficit challenge; we need to broaden our membership and pledging base and identify other ways to generate funding, such as increasing the endowments; at the same time ensuring that our expenses are controlled and match the level of programming that is sustainable.

Some people have commented that we could resolve our deficit if we had another Ebsworth level gift. While that may be true numerically, it really does not address the underlying cause of a declining pledge base. And I remind you that over the period we received these gifts – totaling almost \$1M – we did not spend everything we received, but grew the operating reserve by a similar amount. The Parish set aside for a rainy day – and now we can utilize that safety cushion to invest in our future and grow our community.

Summary

To reiterate my comments from last year - even with this aggressive investment in our future, we are focused on maintaining the best stewardship of the money that you have pledged to the church in 2024 and beyond. The finance committee, led by Brian Evison, closely reviews the performance against Plan and reports to the Vestry each month. In addition, last year we implemented a formal reassessment of the Financial Plan for Mission at the end of each quarter, to adjust Plan 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 2024 once again reflects the challenges and opportunities of our current situation.