

ST. THOMAS ANNUAL MEETING – February 1, 2026

FINANCE REPORT – 2025 RESULTS

Good morning, everyone, I am happy to be here today filling in for Anne Bentley who is away this week. While I am the one presenting this financial report, there are many more folks involved and I express my gratitude to all of you that support the finance function, from Jean, our parish accountant, to the Finance Committee led by Brian Evison, the Executive Committee, and to Anne, who spends countless hours each week serving as the Parish Treasurer. We have a vibrant and financially stable parish and I hope you will see this as we go through the numbers. We are here today with a special emphasis on the overall financial position of the parish because we have leadership with the foresight to raise this issue now as we work to prudently manage the resources with which we've been entrusted.

I want to reiterate that the **financial position of St. Thomas is still in good shape** thanks to the positive response to the Forward in Faith Campaign. As you know we are in year 2 of a 3-year focused campaign, and this year we seem to have moved backward a bit. This falling back is related to the annual operating budget and pledging levels. With that said, we have work yet to be done to achieve the financial goal that we have been seeking over the past 3 years.

The Parish's 2025 Income Statement

Today 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 Rector Housing Fund. In addition, the operations of the Music Guild are in the Foundation.

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. And thanks to the Forward in Faith capital campaign we are moving closer to a solution for rector housing within our community as evidenced in the recent pledge of land on which to build a home. As you heard from Tera in the

Building and Grounds report, we continue to work on deferred maintenance in our existing buildings. There has also been significant effort given to consideration of ways to enhance community use of the ELC via revenue generating activities that are supportive of our overall budget.

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 today 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.

This time last year, we presented a Financial Plan for Mission, or budget, that anticipated a net loss in 2025 of approx. \$200K 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 from regular operations of \$150K – a smaller deficit than in 2024 of \$227K. As anticipated, we did transfer funds from 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.

2025 Revenue and Expense Breakdown – SLIDE 1

You can find a summary of the results for last year, please look at page 7 in the Annual Meeting booklet. My report today will focus on operations of the parish. In addition to regular operations, in 2025 there were several special projects in which funds were donated in support of a specific special project or event on a one-off basis. Those collections and related expenditures are included in our books and records although they are not discussed directly in this report as they have minimal impact on the operating results. In addition we have had a couple of projects – like the sound system – for which funds were raised and recognized as revenue but no corresponding expense was reflected as the costs were capitalized – making the net results look more favorable than the cash in and outflows. The impact of that can be seen on this slide with the accounting results showing a much smaller loss of \$69k, however,

that was achieved due to accounting practices and our loss from regular operations was the previously mentioned \$150k.

REVENUES – SLIDE 2

Total Operating revenue for the year was approx. \$1.58M, a 13% increase from 2024.

Pledge revenue of \$1.09 million for the year is the most significant source of funding for the church and represented a significant increase over 2024 – slightly more than 20% growth. These collections are 69% of the total revenue this year. The response to our Forward in Faith campaign in 2024 was tremendous and the faithful fulfillment of those pledges is reflected in our financial results. Appreciatively, we collected just shy of 100% of the total pledged.

Non-pledge revenues, including undesignated gifts and plate contributions were \$267K in 2025. Lease revenues from the school and the cell towers increased slightly due to escalators and contributed about \$184K to our funds. Notably, in 2025 the new Music Academy and Chorister related fees and donations totaled over \$30K. The church also received endowment payments from the Foundation totaling approximately \$39K in 2025. [including the choir risers (capitalized) and a bit towards columbarium hardware).highlighted was for your ref Tim prob not needed to say just so you can answer if asked. 24K policy and \$15K special]

EXPENSES – SLIDE 3

We continue to focus on controlling costs, but many of the expenses, such as payroll and routine building operations, are essentially fixed. Further, inflationary forces have been especially strong over the past 24 months in several significant elements of our budget.

Overall operating expenses in 2025 were \$1.8M, about 16% higher than the aggregate in 2024. As you would expect, wages and benefits continue to be our biggest expense at around 56% for the year. On a line-by-line analysis of expenditures, there was some minor variance, however, overall expenditures were in line with budget, with some net savings.

After compensation, Buildings and Grounds is the second highest spending category and there – as you heard and saw in Building and Grounds update – we had some significant projects this year and made progress in completing the most urgently needed work. Total spending on buildings and grounds was

\$211K which is over \$100K less than spent in 2024.

Our Diocesan Assessment was \$229k – a significant support to their mission. As in prior years, the Diocesan Assessment is computed as 14.5% of the revenues, as adjusted, and is assessed on every parish in the Diocese. Outreach in 2025 was funded primarily from donations and grants.

Total Expenses by Category are included in the booklet on page 8 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 OPERATING LOSS for the parish from regular operations in 2025 was around \$150K, which is a significant improvement from our budget expectations when we started the year. Notably, 2025 was the third year of our expected financial rebuilding period. Through that time, we remained on track or performed better than anticipated. This is a tribute to the faithfulness of parishioners and the management skill of our rector and finance team.

The Parish's Balance Sheet – SLIDE 4

Please look at page 6 in the booklet for the Parish Balance Sheet. In short, the Financial Position is still healthy at Dec 31, 2025.

Bank and investment balances at the end of 2025 total around \$880k. This is a reduction from last year's total balance of \$1.1M, a result of the operating losses incurred. The reserve funds are mostly invested in laddered CDs and generated close to \$27K of investment returns. As I mentioned earlier, we drew from our operating reserves during the year using \$100K to top up our bank account with another small transfer (FYI \$85K) needed in early January of this year. Calculations indicate that we have another approx. \$175k of reserves we can use before we reach the \$500k threshold directed by the Vestry. We will continue to rely on Reserve funds until we can close the deficit gap.

Included in our aggregate cash balance at December 31st is \$142k of prepaid pledges and \$53k of donations collected for the just recently completed stained glass project.

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

Our Reserve Fund – Background – SLIDE 5

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 beginning in 2024 we began to draw down on these reserves as needed for working capital. The Vestry has approved “investment” of reserves via deficit funding but has established a minimum level of \$500K.

FORWARD IN FAITH CAMPAIGN and FINANCIAL PLAN FOR MISSION 2026 -SLIDE 6

Our Pledging Trends are on page 8 and Forward in Faith Summary on page 9 of the booklet.

Thank you everyone for your response to this, our 2nd year, of the Forward in Faith Campaign – a combined campaign for the annual operating fund and capital to establish a Rector Housing Fund.

<u>Operating Pledges</u>	<u>2026 To Date</u>	<u>2025 Total</u>	<u>2024 Total</u>
Number of pledges	137	155	161
Average	\$ 7,086	\$ 7,174	\$ 5,396
Median	\$ 3,600	\$ 3,640	\$ 2,600
Total as of Jan 19, 2026	\$ 970,773	\$ 1,111,910	\$ 868,677
New Pledges since 2025 - 14	\$ 31,120		
Prepaid at Dec 31, 2025	\$ 142,340		

<u>Rector Housing Fund Commitments</u>	
Number of pledges	115
Average	\$ 11,408
Median	\$ 3,600
Total as of Jan 19, 2026	\$ 1,311,919
Increase since initial campaign	\$ 16,440

For our operating fund we have received pledges of almost \$971K from 137 pledgers, down from \$1,112,000 and 155 pledgers last year. We have talked about 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. With great appreciation to those that have generously pledged for 2026, we still have a gap in what we must raise to remain on track with narrowing the deficit while maintaining cash reserves at the prescribed minimum level of \$500k.

For the Rector Housing Fund, pledges have remained steady with fulfillment of those pledges occurring through the year. To date we have pledges totaling \$1.3m and collected a total of almost \$665,000 – great progress toward our goal of \$2.0 m! These funds will be held in the St. Thomas

Legacy Foundation until we have sufficient dollars to build a home on the donated land.

Thank you, everyone for your generosity.

Strategic Plan Update:

The Parish Strategic Plan adopted in 2024 devoted substantial time and effort to financial sustainability. In brief, the 5 Focus Area devoted to Financial Health included:

- 1. Goal: Narrow \$350,000 budget gap over 2024-2025 so that operating expenses and revenue are balanced by 2026.**

Progress Update: January 2026 – We had been making progress on this strategic goal with the gap narrowing, however, we now appear to be moving in the wrong direction with 2026 remaining a challenge and it appears we will require continued investment from our operating reserves.

- 2. Goal: Grow annual Stewardship to sustain the current complement of 3 clergy.**

Update: December 2025 – Met \$1.1M annual fund goal, however, we were not able to retain a third member of the clergy team.

- 3. Goal: Raise \$2 million for the Rector Housing Endowment by 2025.**

Progress Update: December 2025 – Campaign remains active with \$1.3M cash donations pledged to date; along with the pledge of a building site nearby. Outreach is continuing, seeking additional pledges toward the \$2M goal.

- 4. Goal: Increase Endowment to \$7.5 million by 2029 (75th anniversary).**

Update: December 2025 – announced a substantial naming rights gift that will go toward our endowment and operations.

- 5. Goal: Increase Legacy Society membership.**

Update: December 2025 – As of April 2025, we have 32 members of the Legacy Society up from 16 when we started this emphasis in 2023.

As you can see, through the efforts of many in the Parish, there has been substantial and meaningful progress in all of these strategic areas. I express my gratitude to those parishioners and staff that have dedicated time to making these strategic goals a reality.

2026 Financial Plan for Mission (FPM)

Ordinarily this is the point in the financial report where I would present our Financial Plan for 2026 – the budget for what we anticipate receiving, and what we plan to spend. However, due to the current pledge shortfall, the Finance Committee is not recommending approval of a budget and thus the Vestry has not adopted a budget for 2026.

In pulling together this proposed FPM, total revenues were trended down to \$1,462K, a level that is about 93% of the total 2025 collections.

On the expense side, we expect routine expenses in aggregate will remain fairly flat over 2025 actual spending with just a 3% increase overall, despite cost increases in some areas, as the expense budget has been pared down and actions have been taken where possible to reduce costs and spending. In short, the proposed budget is conservatively drawn and takes advantage of the experience and insight of our capable team. Broad input was again sought out in preparation of this year's budget.

As I mentioned a minute ago, our 2026 operating pledges received to date are \$971K, which falls short of our goal of \$1.25m and the basis on which the preliminary budget was prepared. The unfortunate result is that the current working draft of our budget shows a projected deficit for 2026 of -\$362k - which far exceeds the funding available via deficit spending (\$175k). So we are at a cross roads, needing to find additional pledges to support the financial plan as contemplated, or work on substantial changes how we operate the Parish and update the Plan accordingly. When the Vestry met on January 21st, there was considerable discussion about this issue, however, it was concluded more work is needed before moving in any specific direction. It was also agreed that we would bring this circumstance to the entire Parish to foster transparency and support. I know this is tough news to hear and I believe that together we will find the way forward that is right for us. My personal hope today is that pledging will increase to the level needed to stay on the present course.

Part of this year's budget deliberations also included the formation and effort of the previously mentioned special committee formed to study ways of generating more revenue from our current facility. It was the goal of this effort to develop alternative sources of revenue to relieve our heavy reliance on parishioner's pledges and donations. This would also further enliven the vision for greater community involvement in our parish facilities. A copy of the result of this committee's efforts is included in your Annual Meeting packet. While good work has been done, these revenues will take

time to come to fruition – anticipated earliest late 2026 early 2027 and therefore we believe are not available to bridge the gap for this year.

SLIDE 7

The last slide I have for you this morning is a graphical look back to the last 8 years and is a reminder of our past, present and hoped-for future. In this graph, the blue line is operating expenses, and the grey line is total operating revenue. Included in the early years is the Ebsworth donation and a PPP grant during Covid (in 2020). Over the past three years, we have been talking about rebuilding the membership and pledge base with the intent of achieving a convergence of these two lines. After struggling through highly inflationary periods, the growth in operating expenses projected for 2026 finally flattens out a bit. The challenge is that our pledge base and pledge amounts have not grown in a sufficient amount to stay on track, and in fact in 2026 pledges have fallen off significantly. As I've said this situation is not sustainable.

In closing, I will state again where we are today. The Finance Committee did not recommend approval, and the Vestry did not approve, the current draft 2026 FPM as the projected net loss, calculated using current pledging, is at an amount of \$362k, which is untenable. Our focus remains on maintaining the stewardship of the money that you have pledged to the church in 2026 and beyond. Over the past two years, we have moved forward in anticipation of growing our revenues so that we can fully cover the expenditures it takes to operate the parish – resulting in a balanced budget. However, we are not there yet. So what I ask today is that you carefully consider if you have the ability to give more, and if so, please report that update to Jean at the Parish Office sometime in the next week. In this season, everyone's contribution matters...Time, talent and treasure.

Please stay tuned in the coming weeks for more information about next steps toward the goal of discerning our direction; continuing the status quo, or reimagining our budget and how we operate.

Thank you.

QUESTIONS AND ANSWERS