



December 7, 2008

Dear Parishioners,

Finance Council

Ralph Schramp

Chris Abbick

Steve Clifford

Lenette Crawford

Anne Harrison

Tim Kane

Gary Kilkenny

Nancy Streit

Rick Weller

The staff and parish Finance Council have prepared the following financial summary of our fiscal year ending June of this year, with a breakdown of the principal areas of this fiscal year's budget. You will note that, unless contributions and tithing increase more than estimated, for the first time in recent memory, the parish anticipates an operating deficit (prior to non-funded depreciation) for this current fiscal year.

The additional funds needed to balance this year's budget deficiency and to meet operational expenses will need to be drawn from the restricted Nativity cash reserves on deposit with the Archdiocese. Until this most recent fiscal year, Nativity has been able to build cash reserves. Currently we have on deposit with the Archdiocese approximately \$4.3 million held on reserve in Nativity's name. This reserve was built through a cost conscious approach to spending and a decision to defer maintenance on our facilities while the parish considered future renovations, additions and upgrades to the Parish campus. It is estimated that the planned renovations, currently underway, will use up to \$1.5 million of these reserves.

Several years ago, the Finance Council established a plan to maintain at least six months of operating expenses as a cash reserve to be held on deposit with the Archdiocese. It is the belief of the Finance Council that cash reserves should not be used to offset operational expenses, however an exception was agreed upon by the Finance Council for this fiscal year. It is the Finance Council's intent to use a portion of these reserves to complete the much needed deferred maintenance items, renovations to the Church interior, lighting and sound improvements, roof repairs, and provide seed money for future unforeseen expenses or emergencies.

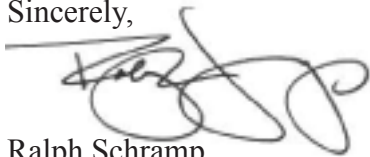
During the past summer months, significant repairs and upgrades were completed in our school facility. Also much needed repairs to curbs, the parking lots and the entrance to the Church are now finished. Within the last month, a roofing specialist has been challenged with the task of developing a strategy outlining steps and approaches to solve the long plagued leaks in the Church roofing system. While no concrete solutions have been approved, the Parish anticipates a written outline of potential solutions within the next several weeks. The Finance Council realizes that there have been numerous unsuccessful attempts to repair the roof in the past, and understands these future attempts bring no guarantee. However, doing nothing is not a viable option. It is our hope that a methodical, professionally thought-through, stair-stepped approach will have success in addressing this issue.

In addition to the roof, professional lighting and sound consultants have been retained and have been in the Church surveying our lighting and sound infrastructure. If our schedule goes as anticipated, we will be making repairs to our sound and lighting systems during January, February and March, 2009. Also repairs and upgrades to the Church's heating and cooling air distribution systems have been ordered.

The Finance Council has concerns regarding today's economy, our changing parish demographics and the potential impact this will have on yearly collections. Without proper funding, it will be difficult to provide the services and programs you have come to expect in our Parish. Knowing the generosity of our parish members, I feel confident that our parish will find a way to provide the support needed to continue its leadership role in our community.

We have also asked our Parish staff to continue scrutinizing expenses and seek ways to operate our facilities and programs more efficiently. Over the next several months your Finance Council will be holding discussions to seek ways to maintain a balanced parish budget for the current and future years. Discussions like these are never easy, but with your continued generous support and involvement, I am confident our operational expenses will be met.

Sincerely,



Ralph Schramp
Chair, Finance Council

On the next several pages we have included an abbreviated income and expense report for the Parish's most recently completed fiscal year ending June 30, 2008. Key points of consideration concerning this report are:

Church Income: During budget meetings this past spring, the Finance Council advised parish staff to lower estimated annual envelope collections (tithe) from \$3,931,479 actual to \$3,850,000.

School Activities: Fewer Nativity and St. Michael's student's enrolled results in lower registration and reimbursement fees. St. Michael's had seven (7) students enrolled at Nativity last year and reimbursed the Parish approximately \$40,000 for educating these students. This current school year, St. Michael's has one (1) student enrolled at Nativity. The parish anticipates it will receive \$353,000 in school registration fees this year.

Archdiocese Rebates: The Archdiocese provides Nativity a 50 percent rebate on funds received over targeted fund-raising amounts for Call to Share and Future Full of Hope. As our five-year Future Full of Hope pledges from Nativity parishioners conclude, fewer rebates are anticipated. Call to Share is an annual Archdiocesan campaign. 2008/09 Archdiocese rebates are estimated to be \$80,000.

Church Personnel: Actual 2007/08 year-end personnel costs were \$23,000 lower than budgeted and are budgeted to increase by three (3) percent for the 2008/09 fiscal year.

Parish Operations: This \$145,000 line item is for on-going maintenance, utilities, supplies, insurance, etc. Funds for capital repairs for items such as the Church roof, sound, lighting, parking lots, etc., are funded from cash reserves.

Administrative Expense: During a normal operating year, the parish incurs roughly \$75,000 to \$100,000 in expenses for contracted expenses such as snow removal, turf care, audits, copier leases, printing expenses, etc. During the 2007/08 fiscal year, the parish incurred approximately \$200,000 for architectural, engineering and feasibility studies for building additions and renovation estimates in connection with the Next 20 Committee considerations.

Programs and Services: This \$133,000 line item covers all liturgical supplies, \$37,000 for parishioner subscriptions to the Leaven and all seasonal Church liturgical decorations, etc.

Archdiocesan Assessments: Every year the Archdiocese assigns an assessment to parishes in Johnson County based on parish census and income. Nativity's share this year is \$357,000 (roughly 10%) to help fund priest retirement, high school subsidies, regional programs, Archdiocesan operations, Pastoral Center support and seed funds to assist with the opening of potential new parishes.

Church of the Nativity - Parish Financial Report

	2007-2008 Actual	2007/2008 Budget	2008-2009 Budget
INCOME			
Church	4,361,728	4,158,475	4,207,115
School Activities	413,274	378,843	353,520
Archdiocese Rebates	153,130	70,000	80,000
	\$4,928,134	\$4,607,318	\$4,640,635
EXPENSES			
Church Personnel	446,579	469,624	457,533
Parish Operations	147,441	136,932	145,850
Administrative Exp.	281,595	98,355	77,900
Programs/Services	122,473	122,800	133,600
Archdiocesan Assessments	364,860	318,339	357,780
Asset Improvements	123,401	51,000	185,000
Social Concerns	106,684	102,000	99,000
St. James I	70,934	37,000	73,000
CFO Personnel	283,107	287,729	282,362
CFO Programs	47,893	81,633	67,700
School Personnel	2,185,212	2,228,254	2,190,705
School Operations	608,259	673,652	706,265
Depreciation	424,545	400,000	400,000
	\$5,212,988	\$5,007,318	\$5,176,695
NET INCOME/LOSS	\$(284,854)		

----- Nativity by the Numbers -----

	04/05	05/06	06/07	07/08
Number of registered families	2,055	2,184	2,156	2,128
Number new registered families	165	146	86	62
Number contributing families	1,401	1,457	1,485	1,461
Average weekly collection	\$70,123	\$71,654	\$75,103	\$73,799
Average annual tithe	\$2,506	\$2,452	\$2,462	\$2,517
Number Nativity school families*	331	307	303	284
K - 8 student enrollment	580	537	543	520
Estimated cost to educate one student	\$4,049	\$4,321	\$4,513	\$5,000
Average student/teacher ratio	22.3/1	20.6/1	20.1/1	19.2/1
Number school full time equivalent staff	42.4	43.3	47	45.9
Number Parish full time equivalent staff	15	15	14	13
RCIA enrollment	6	14	10	13
Religious Education enrollment grades 7-8	150	144	125	111
Religious Education enrollment grades 1-6	273	269	277	228
Confirmation	130	161	140	130
First Communion	103	134	120	138
Baptisms	67	74	62	52
Funerals	14	21	20	41
Prepared marriages	55	40	34	27
Ministry sign-up (households)	426	596	494	560

Year Parish established: 1986
Year Church opened: 1992
Year School opened: 1991

Peak registered families (1998): 2,458
Peak student enrollment (1993): 703

Asset Improvements: This year the parish has budgeted \$185,000 for physical improvements to parish facilities, including new siding and roof for the parish rectory. In addition, laptops, Smart Boards and nearly \$70,000 in other computer enhancements for the school have been purchased.

Social Concerns: For the past several years the parish contributed approximately \$100,000 each year to organizations such as Operation Uplift, Duschene Clinic, Sister Servants of Mary, Crisis Pregnancy Center, Touching Tiny Lives Foundation and Kindness Connection-Peru, etc. A parishioner-based committee screens these grant applications each year and makes recommendations to the Finance Council for approval.

St. James Academy: When St. James was constructed, all parishes within the Johnson County region were assessed a portion of construction costs based on census and income. Nativity's 15-year annual assessment is \$73,000 per year.

CFO Personnel: Director of Christian Formation, Director of Ministries, Parish Liturgist, two parish Youth Directors and one Religious Education Coordinator are included in this personnel total.

CFO Programs: \$67,000 has been budgeted to produce RCIA programs, Religious Education programming for 335 students, youth programs and Sunday Little Church.

School Personnel: Salaries for teachers under annual contract is determined by region and approved by Priests in Johnson County. Teacher salaries normally are stair-stepped according to tenure and formal education levels. On average, the past several years, individual salaries for teachers and employees have increased about three (3) percent each year.

School Operations: The School has budgeted \$706,000 for textbooks, office supplies, instructional materials, annual maintenance, printing, utilities, staff continuing education, field trips, sports programs, insurance, cafeteria operations, art and music programs, etc.

Depreciation: Based on a pre-determined schedule, every year Nativity's Auditor (Louis F. Drees & Co. P.C.) assigns a depreciation expense to parish facilities.

Annual Audit

Every year, for the past 18 to 20 years, an outside independent audit of parish finances has been conducted by Louis F. Drees & Co. P.C. The audit is conducted in accordance to generally accepted auditing standards. It is the auditor's opinion, as in past years, that the financial statements from the most recent fiscal year accurately reflect the financial position of the Parish. It should be noted that Nativity is one of two Johnson County Parishes that conducts an annual audit. A copy of the annual audit is available in the Parish office for review.

Year End Charitable Giving

Year End Contributions

As the end of the calendar year approaches, the parish office wishes to remind you that in order for your charitable tithing contributions to be credited toward the 2008 tax year, they must be received in the parish office no later than December 31, 2008. Gifts received after this date will be credited to the 2009 tax year.

Gifts of Appreciated Stock

There are many advantages to donating closely-held stocks as a method of completing your annual tithing pledge to the Church of Nativity. If you have owned publicly traded or closely-held

stocks for "more than one year", they are considered appreciated assets and can be transferred directly to the Church of Nativity. In return, you as the donor can receive an immediate income tax deduction for the current fair market value of the stock no matter what you originally purchased the stock for. In addition, you may avoid paying capital gains tax on the gift. To complete a gift of stock to the Church, the stock must be transferred (not sold) to Nativity's brokerage account.

Direct IRA Transfers

Tax-free distributions from IRAs to

qualified charities, such as Nativity, are available through December 31, 2009. Donors must be at least 70.5 years old and distributions are limited to \$100,000 per year with no minimum. All charitable distributions count toward required minimum distributions. The distribution generates neither taxable income nor a tax deduction, so even if you don't itemize your tax return, you can receive the benefit.

To complete a transfer of stock or an IRA, please contact the parish office at 491-5017.