



St. Timothy's Lutheran Church  
Columbia Heights, Minnesota

# Financial Statements

For the Years Ended

December 31, 2005 and 2004

**St. Timothy's Lutheran Church  
General Fund Balance Sheets  
December 31,**

	2005	2004	NET CHANGE
<b>ASSETS</b>			
Cash:			
General	\$2,569	\$7,212	(\$4,643)
Memorials	0	2,444	(2,444)
Marketable Securities	43,544	102,904	(59,361)
Prepaid Expenses	1,887	973	914
Dedicated Funds	1,652	1,012	640
<i>Total Current</i>	<b>49,652</b>	<b>114,546</b>	<b>(64,894)</b>
Land	500,000	500,000	0
Parking Lot	43,575	0	43,575
Building	1,555,219	1,395,666	159,553
Furnishings	110,416	87,813	22,603
<i>Total Long Term</i>	<b>2,209,210</b>	<b>1,983,479</b>	<b>225,731</b>
<b>TOTAL ASSETS</b>	<b>\$2,258,861</b>	<b>\$2,098,025</b>	<b>\$160,836</b>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$1,412	\$1,919	(507)
Dedicated Funds	46,294	128,563	(82,269)
Church Mortgage	283,299	291,856	(8,557)
<i>Total Liabilities</i>	<b>331,005</b>	<b>422,338</b>	<b>(91,333)</b>
<b>FUND BALANCE</b>			
Beginning Balance	1,675,686	1,696,280	(20,594)
Current Year change:			
Operations	(10,160)	(33,869)	23,709
Dedicated Funds Released	31,987		31,987
Investing	221,785	5,891	215,894
Financing*	8,557	7,384	1,173
<i>Total Fund Balance</i>	<b>1,927,856</b>	<b>1,675,686</b>	<b>252,169</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$2,258,861</b>	<b>\$2,098,025</b>	<b>\$160,836</b>
<b>FUND BALANCE</b>			
General Fund	\$1,945	(\$15,937)	\$17,882
Invested In Plant	1,925,911	1,691,623	234,288
<i>Total Fund Balance</i>	<b>\$1,927,856</b>	<b>\$1,675,686</b>	<b>\$252,170</b>

**\* Financing:**

Principal payments from mortgage:	\$5,971	\$5,398
Principal payments from Project 2005:	2,586	1,986
	<u>\$8,557</u>	<u>\$7,384</u>

**St. Timothy's Lutheran Church**  
**Dedicated Funds**  
**Year to Date December 31, 2005**

	<b>12/31/2004</b>			<b>01/01/2006</b>
	<b>BALANCE</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>BALANCE</b>
Church Clearing	\$316	\$1,964	\$2,612	(\$332)
Project 2005 (Note 3)	545	2,071	2,586	30
Fellowship	824	196	200	820
Youth	2,833	284	1,219	1,897
Benevolence:				
SACA	0	2,110	2,050	60
Global Missions	5	474	469	10
Hunger	110	1,053	1,106	57
10% Benevolence	2	680	676	5
Other	4,680	4,872	3,715	5,837
Memorials	2,444	25,779	28,681	(458)
Interest	15,957	5,626	21,583	0
Narthex Windows/Furniture	933	5,910	6,844	0
Mini Coach Fund	0	6,021		6,021
Bulding Reserve (Note 4)	83,136	1,794	73,960	10,970
Kitchen Remodeling	7,130	3,979	1,126	9,984
Staff/Program Fund (Note 5)	2,205		0	2,205
Other Dedicated	4,327	7,089	4,090	7,326
Wish List:	0			0
Air Conditioning	10	0	0	10
Office Equipment	1,549	0	1,549	0
Lloyd Retirement	<u>545</u>	<u>1,293</u>	<u>1,638</u>	<u>200</u>
<b>Total</b>	<b><u>\$127,551</u></b>	<b><u>\$71,195</u></b>	<b><u>\$154,104</u></b>	<b><u>\$44,642</u></b>

<b><i>Per Balance Sheet:</i></b>			
Dedicated Funds Payable	\$128,563		\$46,294
Dedicated Funds Receivable	<u>(1,012)</u>		<u>(1,652)</u>
<b>Net Balance</b>	<b><u>\$127,551</u></b>		<b><u>\$44,642</u></b>

**St. Timothy's Lutheran Church**  
**General Fund Statements of Income and Expenses**  
**For the Years Ended December 31,**

	2004 ACTUAL	2005 BUDGET	2005 ACTUAL	2006 BUDGET
<b>INCOME ACCOUNTS:</b>				
<b><u>Offerings and Regular:</u></b>				
General Fund Pledges	\$133,708	\$121,424	\$116,979	\$125,696
General Fund - Unpledged	21,250	27,797	34,736	26,186
Plate - General Fund	3,794	4,000	3,097	3,702
Benovolence	10		8	
Debt Reduction	820		3,065	3,000
Special Gifts	400		300	300
Rent	15,810	16,200	16,884	18,156
Refunds	214		0	
<b>Program Totals</b>	<b>176,006</b>	<b>169,421</b>	<b>175,068</b>	<b>177,040</b>
<b><u>Education:</u></b>				
Sunday Church School	144	90	84	90
Confirmation	220	200	40	200
Vacation Church Sch.	110	150	87	150
Youth			50	
<b>Program Totals</b>	<b>474</b>	<b>440</b>	<b>261</b>	<b>440</b>
<b><u>Festival and Special:</u></b>				
Lenten Services	1,923	1,646	1,110	1,631
Ash Wednesday	437	443	384	437
Maundy Thursday	373	323	265	337
Good Friday	470	365	355	416
Self-Denial	1,064	1,100	1,132	1,185
Easter	1,649	1,650	1,774	1,780
Thanksgiving	484	430	475	471
Christmas	1,390	1,935	1,630	1,529
Initial	180	224	147	181
New Years	142	151	166	163
Savings Account Interest	26		3	
<b>Program Totals</b>	<b>8,138</b>	<b>8,267</b>	<b>7,441</b>	<b>8,130</b>
<b><u>Miscellaneous Income:</u></b>				
Miscellaneous Income	30	50		100
Weddings/Baptisms		300	165	200
Other	109	100	77	50
<b>Program Totals</b>	<b>139</b>	<b>450</b>	<b>242</b>	<b>350</b>
<b><u>Transfer from Other Funds</u></b>				
Reserve		42,674		
Designated Funds-Memorials			5,000	
Endowment Fund				5,000
<b>TOTAL INCOME:</b>	<b>184,757</b>	<b>221,252</b>	<b>188,011</b>	<b>190,960</b>

**St. Timothy's Lutheran Church**  
**General Fund Statements of Income and Expenses**  
**For the Years Ended December 31,**

	<b>2004 ACTUAL</b>	<b>2005 BUDGET</b>	<b>2005 ACTUAL</b>	<b>2006 BUDGET</b>
<b>EXPENSE ACCOUNTS:</b>				
<b><u>Benevolence:</u></b>				
Synod Benevolence	7,215	7,200	7,200	7,200
Lutheran Social Service	804	800	804	800
Hunger		1,200		
Missions & other	850	850	850	850
Pastor Discretionary	650	<b>800</b>	<b>477</b>	600
<b>Program Totals</b>	<b>9,519</b>	<b>10,850</b>	<b>9,331</b>	<b>9,450</b>
<b><u>Salaries:</u></b>				
Salary - Pastor	21,336	14,935	5,833	20,000
Salary - Pastor 2 (Interim)	12,983	11,935	16,524	
Salary - Secretary	17,089	16,800	17,122	18,950
Salary - Custodian	10,815	10,815	10,815	11,356
Salary - Director of Music	15,708	15,708	15,708	16,493
Salary - Nursery	1,010	850	570	300
<b>Program Totals</b>	<b>78,942</b>	<b>71,043</b>	<b>66,572</b>	<b>67,099</b>
<b><u>Payroll Taxes and Benefits:</u></b>				
Pension - Pastor	1,908	2,393	1,684	5,600
Pension - Pastor 2	2,399	2,417	3,080	
Book Fund - Pastor	105	250	170	250
Pastor's Education	1,050	750	61	750
Health Insurance - Pastor	6,341	5,361	3,691	12,540
Health Insurance - Pastor2	935	3,456	1,109	
FICA Expense - Pastor	3,178	1,496	1,021	3,500
FICA Expense - Pastor2	1,591	1,734	2,025	
Auto Allowance - Pastor	2,475	1,350	788	2,700
Auto Allowance - Pastor 2	1,375	1,350	1,575	
Health Insurance - Staff	701	800	658	800
Auto Mileage - Staff		50		50
FICA Expense - Staff	3,414	3,379	3,383	3,603
Visiting Pastor	1,449	500	1,379	500
Misc. Salary Expense		100		100
Visiting Organist	320	500	380	500
<b>Program Totals</b>	<b>27,241</b>	<b>25,886</b>	<b>21,003</b>	<b>30,893</b>
<b><u>Office/Admin Expense:</u></b>				
Office Supplies	430	700	639	500
Kitchen Supplies	280	300	321	300
Misc. Office Expense	37	50	507	300
Computer Supplies	2,208	2,500	2,089	2,300
Postage	1,689	2,000	1,320	1,800
Office Mach Maintenance		100	445	400
Computer Maintenance	919	700	325	400
Interest/Finance Chg	60	45	80	45
Copier Expense	404	250	285	400
Printing Expense	541	650	825	850
<b>Program Totals</b>	<b>6,566</b>	<b>7,295</b>	<b>6,835</b>	<b>7,295</b>

See Accompanying Notes to Financials

**St. Timothy's Lutheran Church**  
**General Fund Statements of Income and Expenses**  
**For the Years Ended December 31,**

	2004 ACTUAL	2005 BUDGET	2005 ACTUAL	2006 BUDGET
<b><u>Committee Expenses:</u></b>				
Stewardship committee Expense	256	500	124	500
Synod Convention Delegates		500	315	500
Church Council Expenses	1,326	1,000	283	1,000
Social Ministry Committee		200		200
Nursery Committee		80		80
Library committee		75		25
Finance committee		100		100
Personnel committee	521	500	263	500
Long Range Planning		100		100
Good Grief Ministry				200
Good Sheppard Guild	514	250		50
Fellowship Committee	50	100		100
<b>Program Totals</b>	<b>2,667</b>	<b>3,405</b>	<b>985</b>	<b>3,355</b>
<b><u>Education Expenses:</u></b>				
Sunday Church School	1,323	3,100	696	1,500
Confirmation	298	415	225	400
Youth	40	400		200
Other Education	285	210	74	210
Vacation Church School	36	900	572	750
Adult Education			48	50
<b>Program Totals</b>	<b>1,982</b>	<b>5,025</b>	<b>1,615</b>	<b>3,110</b>
<b><u>Evangelism:</u></b>				
Evangelism Committee		300	50	300
Web Site		120	115	120
Training				
Advertising	1,588	1,850	2,163	1,850
Rally Sunday	300	300		300
Publications/Brochures		400		1,200
<b>Program Totals</b>	<b>1,888</b>	<b>2,970</b>	<b>2,328</b>	<b>3,770</b>
<b><u>Worship Expenses:</u></b>				
Altar Supplies	109	100		245
Music	28	50		65
Service Supplies	810	750	803	750
Lent Materials	207	500	220	500
Misc. Worship Expense	340	300	427	400
Maintenance: Piano/Organ		250	166	250
Children's Choirs		250		50
Envelopes	493	600	511	600
<b>Program Totals</b>	<b>1,985</b>	<b>2,800</b>	<b>2,126</b>	<b>2,860</b>

See Accompanying Notes to Financials

**St. Timothy's Lutheran Church**  
**General Fund Statements of Income and Expenses**  
**For the Years Ended December 31,**

	2004 ACTUAL	2005 BUDGET	2005 ACTUAL	2006 BUDGET
<b><u>Building and Maintenance:</u></b>				
Maintenance Supplies	952	1,800	864	1,000
Added to Building Reserve				
Building Maintenance	1,859	1,500	513	1,000
Yard Maintenance	495	840	605	1,000
Mechanical Equipment Maint.	2,525	3,400	1,800	3,000
Misc. Building Expense	704	1,200	1,411	2,000
<b>Program Totals</b>	<b>6,535</b>	<b>8,740</b>	<b>5,193</b>	<b>8,000</b>
<b><u>Insurance and Housing:</u></b>				
Housing Allowance - Pastor	13,750	7,500	9,479	32,500
Housing Allowance - Pastor 2	9,625	10,500	12,250	
Building/Liability Insurance	9,350	9,500	10,089	11,500
<b>Program Totals</b>	<b>32,725</b>	<b>27,500</b>	<b>31,818</b>	<b>44,000</b>
<b><u>Utilities:</u></b>				
Minnegasco	8,673	11,905	9,806	12,000
Minnegasco 2	234	500	221	400
Electric	6,479	8,550	7,798	8,500
Telephone	1,216	1,000	1,049	1,200
Cell Phone - Pastor	198		171	600
Telephone - Long Distance	86	144	52	168
Telephone - Equipment		200		300
Telephone - Directory List.	193	168	175	180
Water/Sewer	2,439	2,240	2,545	2,820
Trash Removal	819	900	793	804
Snow Removal	1,405	2,300	923	3,000
<b>Program Totals</b>	<b>21,744</b>	<b>27,907</b>	<b>23,534</b>	<b>29,972</b>
<b><u>Debt Service (Note 1)</u></b>				
Mortgage Interest	21,434	20,967	20,861	20,341
Mortgage Principal	5,398	5,865	5,971	6,491
<b>Program Totals</b>	<b>26,832</b>	<b>26,832</b>	<b>26,832</b>	<b>26,832</b>
<b>Capital Expenditures</b>		1,000		
<b>TOTAL EXPENSES:</b>	<b>218,626</b>	<b>221,252</b>	<b>198,171</b>	<b>236,636</b>
<b>NET INCOME (DEFICIT):</b>	<b>(\$33,869)</b>	<b>(\$0)</b>	<b>(\$10,160)</b>	<b>(\$45,676)</b>

**St. Timothy's Lutheran Church  
Endowment Fund Balance Sheets  
December 31,**

	2005	2004	NET CHANGE
<b>ASSETS</b>			
Cash- Money Market	\$4,900	\$0	\$4,900
Marketable Securities	\$368,953	\$344,263	\$24,689
Unrealized Gain or Loss on Marketable Securities	25,078	17,432	7,647
<i>Total Current</i>	<b>398,931</b>	<b>361,695</b>	<b>37,236</b>
<b>TOTAL ASSETS</b>	<b>\$398,931</b>	<b>\$361,695</b>	<b>\$37,236</b>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>LIABILITIES</b>			
	\$0	\$0	\$0
<i>Total Liabilities</i>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE</b>			
Beginning Balance	361,695	330,000	31,695
Unrealized Gain or Loss on Marketable Securities	7,647	17,432	(9,785)
Current Year change	29,589	14,263	15,326
<i>Total Fund Balance</i>	<b>398,931</b>	<b>361,695</b>	<b>37,236</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$398,931</b>	<b>\$361,695</b>	<b>\$37,236</b>

**St. Timothy's Lutheran Church  
Endowment Fund Statement of Income and Expense  
For the Years Ended December 31,**

	2005	2004	NET CHANGE
<b>Income</b>			
Member Contributions	\$5,000		\$5,000
Dividend & Interest Income	\$18,583	14,487	4,096
Realized Gains on Sales	6,107	0	6,107
<i>Total Income:</i>	<b>29,689</b>	<b>14,487</b>	<b>15,202</b>
<b>Expenses</b>			
Investment Fees	100	224	(124)
Realized Losses on Sales			0
<i>Total Expenses:</i>	<b>100</b>	<b>224</b>	<b>(124)</b>
<b>Net Income</b>	<b>\$29,589</b>	<b>\$14,263</b>	<b>\$15,326</b>

See NOTE 6 regarding establishment of this fund.

**St. Timothy's Lutheran Church**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**1. ACCOUNTING METHOD**

The financial statements are prepared on the cash basis with the land and buildings stated at estimated Fair Market Value, rather than historical cost. A number of capital improvements were made in the last 5 years from dedicated funds, which were inadvertently omitted from the Balance Sheet. These corrections were made in 2005,

**2. CONSISTENCY WITH PRIOR YEARS**

Certain items have not been included in income and expense that may have been included in previous years. These are what are commonly referred to as "Offsets" or "In and Out", such as self supporting activities and events, book purchases, flower donations etc. These are reported under Dedicated Funds. In addition, World Hunger was previously included in the regular budget and is now included with SACA under Benevolence in dedicated funds.

**3. DEBT**

The first mortgage payable to Twin City Federal was paid in full August 1, 1989. In 1991 the Congregation closed a mortgage with Lutheran Brotherhood for \$350,000 for 20 years amortized on a 30 year schedule. The interest rate was 9.5% per annum and monthly payments were \$2,943. The mortgage renews every 5 years, with interest and payments adjusted at that time. It was the intent that at the end of the Building Fund campaign all available Building Funds would be used to pay mortgage principal and the monthly payment will be adjusted in accordance with the remaining balance.

A special fund drive raised \$30,000 to pay down the mortgage when it renewed in March of 1995. The mortgage rate was adjusted to 8.375%, with payments of \$2,444 monthly. It renewed in March of 2000 at 8.25% and payments of \$2,278. **Project 2009** is a special fund created to receive contributions towards the mortgage paydown in the year 2009. Significant roof and boiler repairs have forced us to deal with a major repair plan, and refinance the mortgage to fund them in an era of extremely low interest rates. The financing was completed with Thrivent Financial (formed by merger of AAL and Lutheran Brotherhood) in July of 2002 at an interest rate of 7.25%. Net proceeds were \$104,270 after closing costs were deducted. The interest rate is now protected for 10 years. When the West Property was sold, Thrivent required a portion of the mortgage to be repaid since the collateral was reduced. The West Property Fund repaid \$40,000 from the proceeds of the selling price, reducing payments to \$2,238 month.

**4. BUDGET VARIANCES**

In 2004 we experienced a major shortfall in contributions associated with loss of members after the announcement of Pastor Lyndes' resignation. Pledged offerings were 92% of budget, while unpledged member contributions were only 62% of budget. We also agreed to a career transition package for Pastor Lyndes which created approximately \$8,000 of additional expenses that were not in the budget. However, we were able to manage expenses in other areas so that the total expense for the year was only \$714 over budget. The original budget was based on faith and contained an \$8,676 projected deficit. Combined with the decrease in contributions the net deficit for the year was \$33,868. The beginning fund balance was \$12,000 and we have almost \$6,000 of unrealized gains in marketable securities, leaving approximately \$15,000. The accumulated interest in the dedicated accounts has a balance of approximately \$16,000 to cover this shortage.

In 2005 our expected contributions were more than met by our members. In addition, we received a Bequest from the Gordier family and \$5,000 was applied to the General Budget, which gave us about \$10,000 more income than budgeted. On the expense side we were able to save significant amounts in Building and Utilities, partially because of installing a new boiler and partially because of milder weather. We called a new pastor in 2005 and there was a gap of 6 weeks between the interim pastor leaving and the new pastor arriving, which saved \$8,000 of salary and benefits. Total expenses were reduced by over \$23,000 from our budgeted amounts. The net deficit of \$10,160 was funded from the Building Reserve account.

## **5. FUND TRANSFERS**

In previous years the Building Fund made loans to the General Fund to fund operating deficits. In 1993 a resolution was passed to forgive the loan from the Building Fund to the General Fund in the amount of \$50,164. This was divided 75/25% between the Building and Staff/Program portions of the Building Fund. The Building portion was exhausted in 1994. In 1997, the Staff/Program portion was transferred to the General Fund as a dedicated account. There were no fund transfers in 1999. In 2000 \$6,000 of unrestricted Memorial funds were used for the purchase of the new boulevard sign, and \$10,000 was moved from Accumulated Interest income on designated funds to the Building Reserve account. The net proceeds of the West Property Sale were put into a separate fund, less the \$40,000 used to pay down the mortgage due to the property sale.

At Part I of the congregational meeting in December 2003, the congregation approved a proposal to allocate \$330,000 of the West Property Fund for the formation of the St. Timothy's Endowment Fund. The remainder is to be transferred to the General Fund Building Reserve account. The amount transferred in 2003 was \$62,873.

There were no transfers in 2004. In 2005 \$31,987 of Dedicated Funds were released to General Fund to cover the 2004 and 2005 deficits. The balance of the Interest account of \$21,526 was transferred and \$10,460 of the Building Reserve was transferred.

## **6. WEST PROPERTY FUND/ ENDOWMENT FUND**

Approximately 2 acres of land on the west side of our property was sold to Nedegaard Construction for the construction of 26 town homes for \$442,000. In the past we had attempted to encourage a Seniors' housing project to compliment our ministry in this area. However, favorable financing was not available for interested parties and the market for such housing has been saturated in this area at the present time. It was felt that converting the vacant land to usable funds at this time would allow St. Timothy's to further it's ministry in other areas, and reduce the cost and labor for upkeep on the vacant land.

The net proceeds of the sale were deposited into an investment account with Thrivent Financial. Net proceeds are the gross sales price less closing costs and the required mortgage pay down. A task force was formed to create an Endowment fund to administer the use of the income from the fund.

At Part I of the congregational meeting in December 2003, the congregation approved the formation of the St. Timothy's Endowment Fund and elected members to the Endowment Investment Management Committee. The Bylaws are to be adopted at the Annual Meeting Part II, February 2004. At such time, the Endowment Fund will be empowered to implement investment strategies to attain the distribution goals established in the Investment and Distribution policies. Until the Endowment Fund was created, funds were invested in money market accounts, without risk of loss of principal.

The West Property Fund ceased to exist at the end of 2003 and the Endowment Fund began in 2004.

The Endowment Fund Management Committee assumed control of the Endowment Funds in January 2004. After research and deliberation it was decided to remove the funds from Thrivent and place one third in the ELCA Endowment Fund Pooled Trust, one third in the Fidelity Balanced Fund and one third in Fidelity Funds based on model portfolios advised by Fidelity Insight newsletter.

With the annual change in Congregation Officers, there was considerable delay with Thrivent in releasing the funds due to signature and authorization issues which needed to be resolved. Consequently, none of the funds were invested until late March. The combined return on all investments was 9.6% for the year, including all dividends, income, expenses, realized and unrealized gains and losses.

There were no requests for distributions from the Fund in 2004, therefore the entire Fund Balance was retained for the following fiscal year. The formula for distribution according to the formation documents is: Total Return minus 1% reserve minus inflation = payout. Total return is the average quarterly return for the last 36 months or since inception until we have 36 months of history. The annualized quarterly return is 9.52% and inflation is 3.3%. Therefore the amount available for payout is 5.22% or \$17,600. The target payout is 5% of average asset value.

In 2005 the annualized quarterly return is 10.04% and annual inflation according to the Consumer Price Index for all Urban Wage Earners is 3.4%, leaving 5.64% for payout. Based on the average asset value since inception, the payout for 2005 is \$19,895.