

**Diocese of Pennsylvania Finance Committee Agenda – Organizational Meeting
December 15, 2014, 6:30-8:30 p.m., Church of the Redeemer, Bryn Mawr**

Committee members present: Eric Rabe, Chair, Nora Adelman, The Rev. Kirk Berlenbach, Ann Booth-Barbarin, Elise Bowers, The Rev. Dr. Charles Flood, The Rev. Carolyn Huff, John Loftus, The Rev. George Master, Pat Smith

Ex officio present: Rob Rogers, Canon for Finance; James Pope, Treasurer; Margaret Ullman from Commission on Clergy Compensation and Employee Benefits

Committee members not present: The Rev. Adam Kradel

Ex officio not present: The Rt. Rev. Clifton Daniel, Bishop

Guest: Alan Lindsay, Executive Director, Church Foundation (part of meeting)

1. Opening prayer – Rev. Dr. Charles Flood

2. Welcome, introductions – James Pope is now the Diocesan Treasurer; Standing Committee appointees are The Rev. Kirk Berlenbach and Patricia Smith; Diocesan Council appointees are Elise Bowers and The Rev. Carolyn Huff; the Bishop’s appointee is Ann Booth-Barbarin; the representative from the Commission on Clergy Compensation and Employee Benefits is Margaret Ullman; the representative from Church Foundation will be determined after the first of the year - Eric Rabe, Chair from 2014

3. Elections of officers

The Rev. George Master made a motion to re-elect the officers, seconded by The Rev. Carolyn Huff; all in favor, none opposed or abstaining.

- a. **Chair – Eric Rabe**
- b. **Vice Chair – The Rev. Adam Kradel**
- c. **Secretary – Nora Adelman**

4. Report from Church Foundation – Alan Lindsay, Executive Director – The Church Foundation is a Trustee and investment advisor, serving primarily the Diocese of PA and its parishes. The Church Foundation was chartered in 1926. Its purpose is to receive, hold, and manage real property, and it is a 501c (3). The Church Foundation holds title for many of the churches in the Diocese. The Foundation’s responsibility for real estate is one of oversight, not for operations. It holds the titles, but on behalf of the Diocese. When church properties are sold, the funds go to the Diocese with titles turned over to the buyer by the Church Foundation. Parishes that wish to sell properties first present to the Finance Committee’s Property Subcommittee and then to the Finance Committee, which makes a recommendation to Standing Committee and the Bishop (the decision-makers about property sales).

The Church Foundation Board is composed of 3 clergy and 12 laypeople, in addition to the Bishop. Board members have a variety of skills and experiences, including law and business. Bishop Daniel is the President of the Board; Dick Smoot is Vice President; Ed Shiley is Secretary/Treasurer. Board Committees include Investment, Audit, Insurance and Real Estate, and Trusts.

The most recent operating statement showed an operating deficit of \$31,000 (losses in non-operating activity), close to the budgeted deficit of \$31,998. The largest portion of the non-operating revenue/expense is gains or losses on investments. The difference between 2013 and 2014 is investment returns and management fees.

Each year, Church Foundation has two audits – the Consolidated Fund, and all the Church Foundation holdings. Withdrawals from Church Foundation follow a process – notification by the 25th of the month can provide funds to the beneficiary by the 10th of the following month.

Asset management is reviewed on a monthly basis with reports to the Foundation. There is an annual report on asset allocation and changes in investments. The investment goal for the Foundation is to generate income sufficient to provide dividends quarterly and to maintain the principal of each fund. T. Rowe Price is the current asset management firm.

Roughly half of the Church Foundation portfolio is Diocesan funds.

The Church Foundation holds title for 50 parish worship spaces, 45 cemeteries/rectories, and one other institution. It has a real estate subsidiary that owns the company that owns the Maryland property.

Income to investors in Church Foundation is based on a formula in Pennsylvania – the annual distribution rate is based on a three-year rolling average of the December 31 market values. Payments are typically made quarterly.

The Church Foundation's Management Fee is based on assets managed. This approach will be reviewed annually in February at the time asset allocation is reviewed. This approach to management fees was in effect for three quarters in 2014. It uses the concept of total return, with the fee net of assets. The annual fees paid by the Diocese for Foundation and T Rowe Price services total approximately \$650,000/year under the current fee structure.

In 2009, each unit of the Consolidated Fund was worth \$105.8 – in 2013, a unit was worth \$152.8. The Consolidated Fund is exposed to the market, and the investment managers know the Church Foundation's performance goals and consider market risk. Performance has been above benchmarks year-to-date.

A committee member suggested sharing the document with parishes. Another member noted there was an advantage to having the opportunity to ask and answer questions. The Church Foundation is willing to meet with parishes and vestries, if invited.

The Chair invited Alan Lindsay to come back to the Finance Committee meeting in March with a report on 2014 year-end performance.

5. Consent Agenda – The Rev. George Master made a motion, seconded by Pat Smith, to approve the Consent Agenda. All in favor, none opposed or abstaining.

a. Minutes of October 2014 meeting

b. Reaffirmation of policies

i. Conflict of Interest*

ii. Whistleblower

6. For discussion: Subcommittee and task group role descriptions and leadership for 2015 – 2014 leadership continues (see item #8), with no changes suggested to role descriptions.

7. For Action

- **Resolved: that the designation of the following housing allowances shall apply to calendar year 2015 for clergy on Diocesan staff, and clergy at mission parishes (detail was provided in email following the Committee meeting, and was approved by the Committee):**

- **The Rev. Doris Rajagopal \$20,000**
- **The Rev. Jose Diaz Martinez \$25,000**
- **The Rev. Carol Anthony \$28,000**
- **The Rev. Renee McKenzie Hayward \$24,000**
- **The Rev. Lucy Amerman \$43,800**
- **The Rev. Nancy Deming \$16,944**

- Finance Committee meeting times, dates, location(s) – The Finance Committee has been meeting on the third Monday of the month, from 6:30-8:30 at Church of the Redeemer, Bryn Mawr. Does that still work for the membership? The group agreed to continue to meet on third Mondays, same time and location.

8. Questions, discussion of written reports

a. Financial Statements – Rob Rogers, Canon for Finance – Income came in above expectations for December and offset areas where expenses were above budget. Servant Year exceeded budgeted income. Youth program expenses included the July 2014 Episcopal Youth Event that was unbudgeted. Legal expenses are above budget. Travel and entertainment are also above budget.

When Church House was sold, \$2.2 million was put into the Fund for the Episcopate. The new office space build-out expense was \$535,000, with \$35,000 for security and \$100,000 for furnishings and equipment. The monies from the investment in the apartment building will be repaid (\$150,000). There is a five-year lease, and the build-out expenses will be depreciated over five years.

Funds from the sale of St. Philip's (approximately \$220,000) will go into the Property Fund. The salaries for the Property Manager and the manager for the Maryland property come from the Property Fund at present.

Staff encouraged consideration of a human resources professional in the 2016 budget, given that there are 400 retired clergy in the Diocese. Budgetary controls are important, and some hard choices will need to be made for the 2016 budget and

beyond. Previously, people and parishes were falling through the cracks – now, more of the issues are known, and Diocesan assistance is being provided.

When St. Philip's on Wharton Street closed in 2010, the Diocese held onto it to have a presence in that part of Philadelphia. Very shortly thereafter, significant funds were spent on repairs (a total of around \$400,000 between closure and sale in 2014).

The Canon for Finance and new Diocesan Treasurer are discussing how to address the upcoming retirement of a finance staff member.

Concern was expressed about the ability of parishes to pay assessments. Different models of churches, staffing, and creativity about resource uses will be required in the future.

- b. Treasurer's Report – James Pope, Treasurer – no report
- c. Subcommittees
 - i. Diocesan Audit – Rob Rogers – no report
 - ii. Budget – The Rev. Kirk Berlenbach reported for Chair, The Rev. Adam Kradel – In preparation for the 2016 budget, it would be appropriate for the Finance Committee to begin to look at broader budget issues. There are critical issues for parishes. The Rev. Nancy Deming and the Diocesan Consultation Team developed a skills inventory to help Nancy in her role as Canon for Congregational Care and Development. Since finance is a critical issue for many parishes, Finance Committee members will be asked to complete the skills inventory if they are willing to be called upon to assist parishes.
 - iii. Investment – Elise Bowers – no update
 - iv. Parochial Relations – The Rev. Carolyn Huff – no update
 - v. Property – The Rev. George Master
 - 1. The Diocesan office will move into the office space at the Philadelphia Episcopal Cathedral in early January.
 - 2. There has been a proposal from a realtor to market the Maryland property. The Property Subcommittee would consider reasonable offers.
 - 3. The sale of St. Philip's will close next week, with net proceeds of \$220,000.
 - 4. St. John's Huntingdon Valley – There has been a request to allow families of some who are buried in the churchyard to buy the chapel, establishing a preservation trust. There is not yet adequate information to make a recommendation to Standing Committee, so this will be on the January Finance Committee agenda after the Property Subcommittee and other appropriate parties discuss it. Considerations include legal requirements for cemetery funding and the value of the total property and how it might be impacted by sale of part of the property.

9. Closing prayer – The Rev. Kirk Berlenbach

Eric Rabe, Chair

Nora Adelman, Secretary