

**Diocese of Pennsylvania Finance Committee Minutes**  
**February 23, 2015, 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, The Rev. Adam Kradel, John Loftus, The Rev. George Master, Pat Smith

Ex officio present: Cliff Kozemchak from Church Foundation; James Pope, Treasurer; Margaret Ullman from Commission on Clergy Compensation and Employee Benefits

Ex officio not present: The Rt. Rev. Clifton Daniel, Bishop; Rob Rogers, Canon for Finance

Guest: Peter Wilmerding, Cathedral Village Board

1. Opening prayer (6:30) – The Rev. Carolyn Huff
2. Welcome –Eric Rabe, Chair (6:32-6:40) – Committee members introduced themselves and welcomed new representative from Church Foundation Cliff Kozemchak and guest Peter Wilmerding from the Cathedral Village Board
3. For discussion (7:15-7:35)

- a. Cathedral Village, a 501c3 of which the Diocese is the sole member, seeks to enter into an agreement under which the sole member will become Presbyterian Senior Living (PSL), a Dillsburg, Pennsylvania not for profit. (Rabe/Master)

Peter Wilmerding joined the Board of Cathedral Village after it had been in operation for ten years. He noted that the community grew through the 1990s and early 2000s, and had strong occupancy. In 2008, Cathedral Village was impacted by market events and declines in real estate values, which led to affected prospective residents wary about resale values of any homes purchased. At that time, there was not a strong waiting list, and overall occupancy declined to less than 70%. Since 2008, many similar single site organizations have affiliated or otherwise connected with multi-entity systems. After due diligence, the Cathedral Village Board chose to pursue affiliation with Presbyterian Senior Living (PSL), which has a presence throughout Pennsylvania (affordable housing, continuing care communities, and other services for older adults). PSL offers centralized services and capital improvements to help to address deferred maintenance costs. Cathedral Village would become part of the PSL obligated group and would get a BBB+ bond rating as a result of affiliation.

When Cathedral Village was incorporated in the 1970s, the Diocese of Pennsylvania was set up as the sole corporate member in the Articles of Incorporation. There was no Diocesan financial stake in Cathedral Village. A loan of \$1 million was made from and repaid to the Diocese long ago. The Houston Foundation offered retired clergy financial assistance with entry fees to Cathedral Village, which will continue after affiliation with PSL. The Articles of Incorporation currently specify that if the Cathedral Village Corporation is dissolved, funds after payment of debts and obligations would be paid to the Diocese of Pennsylvania.

Points of the discussion included:

- Value that the Diocese has in Cathedral Village. The sole member of a nonprofit doesn't own an equity interest like other corporations. The appraised value of the property is not what would be received by a sole member if the Cathedral Village corporation dissolved –

there are obligations to the residents with whom Cathedral Village has contracts and to employees and other creditors.

- Ownership of Cathedral Village. Cathedral Chapter owned realty and sold it to Cathedral Village.

Nora Adelman noted her conflict of interest due to employment by a competitor of PSL. The Rev. George Master made a motion, seconded by The Rev. Adam Kradel, to recommend approval of the proposed change in Cathedral Village's corporate structure by Standing Committee (11 in favor, none opposed, one recusal) subject to obtaining any appropriate documentation necessary to preserve the Diocese' residual rights in Cathedral Village.

- b. Maryland Property inquiry from Redeemer, Springfield. (Rabe) – Eric referred to the letter received from the rector of Redeemer Springfield inquiring about the sale of the property in Maryland. Eric responded to report on the status of the sale.
- c. Parishes in Philadelphia have received notices from the city regarding the qualifications of rectories and other properties for tax exempt status. (Rabe) Diocesan Property Manager Sean McCauley, Treasurer James Pope, CFO Rob Rogers, and Chancellor Mary Kohart will communicate with churches that are in the city, indicating where to get certain documents, such as 501c3 documentation, and how to respond to questions in an accurate and clear manner. It is important to communicate with the churches quickly.
- d. Unbudgeted requests to finance new projects. (Elise Bowers) – Diocesan Council has had conversation about a request from a parish to set up a program, but the program required funding that was not in the budget. What might be the source of funding for such program requests? Perhaps a discretionary fund for Diocesan Council in future budgets? This will be considered by the Budget Subcommittee as it works on the 2016 budget.

#### 4. Consent Agenda

- a. Minutes of January 2015 meeting – The Rev. Dr. Charles Flood made a motion, seconded by The Rev. George Master, to approve the consent agenda (10 in favor, 2 recusals due to absence from the meeting: The Rev. Kirk Berlenbach and James Pope).

#### 5. For Action

- a. Resurrection Rockdale seeks to spend money from its endowment for capital improvements. The endowment is largely the proceeds from the sale of St. James Aston Church and has been restricted by Standing Committee. (Rabe) The church sent a letter to the bishop, asking Standing Committee to release a portion of the restricted endowment for capital repairs (\$25,000). The parish will raise a portion of the funds (\$20,000). The Rev. Adam Kradel made a motion, seconded by The Rev. George Master, to support Standing Committee's approval of this request (all in favor, none opposed or abstaining).

- b. St. Martin's, Radnor, seeks to enter into an exclusive catering agreement with Catering By Design for management of the first floor of St. Martin's Parish House, Bolingbroke Mansion. It would be a five-year agreement. The arrangement calls for monthly payments by the catering company to the church. The preschool that formerly rented the upper floors of the building has withdrawn, decreasing the church's income. Chancellor Mary Kohart reviewed the agreement and will refine to cover issues such as performance measures. The Rev. Dr. Charles Flood made a motion, seconded by The Rev. George Master, to approve the concept, with additional refinements as suggested to the contract (all in favor, none opposed or abstaining).

6. Questions, discussion of written reports

- a. Financial Statements – Rob Rogers, Canon for Finance, was not able to attend, however, statements were distributed electronically in advance of the meeting.
- b. Treasurer's Report – James Pope, Treasurer – Financial statements for January show a solid cash position. The payment from Church Foundation was received in January.
- c. Standing Committee Report – Kirk Berlenbach & Pat Smith – The group is working on putting together the search committee and transition committee for identifying next Diocesan Bishop. The goal is to identify membership that represents the diversity of the Diocese. Property issues at Church of the Crucifixion in Philadelphia led to closure of the buildings until repairs are completed. The parish is worshipping with St. Mary's Bainbridge. The issue of guaranteeing via letter of credit for PGW at Church of the Advocate is on the agenda for SC meeting tomorrow – with more research into the matter, the complexity has increased. Finance Committee does not support such a letter of credit and the precedent it sets, as previously indicated in the minutes of the October meeting.
- d. Subcommittees
  - i. Budget – The Rev. Adam Kradel will chair the subcommittee, assisted by The Rev. Kirk Berlenbach. Recruitment for subcommittee members is underway, and the hope is to accomplish the work in four meetings. There are increased expenses that must be included in the budget: \$125,000 for the Canon for Pastoral Care has been subsidized for the past two years but will be in the operating budget in 2016; the formula for the pledge to TEC is on the agenda for Convention, and it could result in a requirement for a larger amount; two staff positions have been paid from the Property Fund, which has been expended and sales of properties are uncertain (addition of \$150,000). The total is \$275,000 in hard costs plus the pledge increase. In 2016, there may be an overlap in bishops and therefore two salaries for a period.
  - ii. Investment – Elise Bowers – The report that was distributed noted that issues include transparency and fees charged by Church Foundation. The Finance Committee will receive quarterly reports on investments and a fuller report twice a year. Representing the Investment Subcommittee, Elise went to a T. Rowe Price meeting in Baltimore with Church Foundation to meet asset allocation and portfolio managers.

- iii. Parochial Relations – The Rev. Carolyn Huff – The Subcommittee will be meeting this week to plan an education session on things financial for vestries and other interested parties.
  
- iv. Property – The Rev. George Master
  1. Calvary Germantown – An offer to purchase was received from an organization that would like the Diocese to hold the mortgage and be the guarantor (The Rev. Adam Kradel made a motion, seconded by The Rev. Dr. Charles Flood, to reject the offer and the structure of the deal – all in favor, none opposed or abstaining). Another offer was received for a very low amount, and negotiations continue.
  2. St. John’s Huntingdon Valley progress report – Sean McCauley continues to work with the group that wishes to purchase and preserve the old church building and cemetery.
  3. Status of Church of the Crucifixion – Bishop and Standing Committee required the congregation to relocate while safety repairs are made. The parish is required to resolve financial issues and develop a plan to address outstanding issues before it is permitted to reopen.
  4. Property Insurance: At least one church has been notified that its insurance is in jeopardy of being cancelled. Rob Rogers asks for copies of insurance certificates when parishes send financial reviews. A thorough review of insurance was completed a few years ago; it is time to review this again.
  5. Cemeteries in PA are required to have perpetual care funds of 15% of sales. The Diocese needs to know the status of these funds in Diocesan parishes.

7. Other business - none

8. Closing prayer – The Rev. Dr. Charles Flood

Eric Rabe, Chair

Nora Adelman, Secretary