

FINANCE COMMITTEE
MINUTES
October 16, 2017

The Finance Committee held its September meeting at Church of the Redeemer, 6:30 PM on Monday, October 16, 2017.

Present: Norman McClave, Doug Horner, Dana Hall, Eric Rabe, Rev. George Master, Rev. Sarah Hedgis, Rev. Charles Flood, Rev. Mike Rau, James Pope and Ann Booth-Barbarin.

Absent: Doug Sisk, Rev. Deirdre Whitfield, Canon Shawn Wamsley, John Loftus, and Bishop Daniel Gutierrez.

1. Adam Watson from BBD, our auditors, presented the 2016 Audit
 - a. Highlights
 - i. Clean opinion – qualified only to the exclusion of ECW and the Cathedral in the report
 - ii. The Diocese continued to operate with a deficit in 2016, \$(891k)
 - iii. Total Other Changes to Net Assets (non-operating) were \$6.8m. Primarily made up of \$1.6m from unrealized gain on the Endowment portfolio and \$5.1m from the booking the values of closed churches as fixed assets.
 - iv. The letter to Management contained no material weaknesses or significant deficiencies.

1. Opening Prayer (6:30 PM) The meeting opened with a prayer by Rev. George Master.

2. Opening Comments: There were no opening comments.

3. For Action: (6:35 PM) Consent Agenda

- Minutes of September 2017 meeting of the Finance Committee. Upon motion duly made and seconded, the minutes were unanimously approved.

4. Discussion: (6:40 PM) 2016 Audit of the Diocese of PA (Adam Watson of BBD and James Pope)

The highlights of the discussion and presentation included the following:

- Financial statements include the accounts of DIOPA, DHWBT and the Church Foundation.
- Do not include the accounts of the Cathedral or ECS and thus the opinion is qualified. (consolidated)
- Statement of Financial Position
 - Investments increased \$600 K (150,000 in deposits, \$1,115,000 in withdrawals) Investment income of \$4,020,000 and Income distribution of \$2,450,000.
 - Real estate held for sale increased \$120 K (see note 8 - page 15)
 - Loans receivable increased \$795 K (note receivable from the Bishop)
 - Property and equipment increased \$4.67 M (See note 5 - page 14). Below are closed churches added in 2016)
 - St. Stephen's - \$2.3 M
 - St. Philip's - \$1 M
 - Crucifixion - \$850 K
 - St. Faith's - \$360 K
 - St. Mary's Warwick - \$300 K
- Statement of Activities
 - Contributions increased \$190 K (\$180 K from St. Philip's when it merged with St. Peter's)
 - Congregation assessments increased \$230 K
 - Other changes
 - Realized and unrealized gains increased over \$4 M (gains of \$1.6 M in 2016)
 - \$5.2 M in revenue from closed churches added to the books in 2016
 - Operating loss of \$585 K before other changes (unrestricted column)
- Statement of Functional Expenses
 - Employee benefits increased \$110 K (higher premiums and a \$66 K increase in the postretirement actuarial assumption)
 - Grants and scholarships increased \$95 K (\$50 K to both ECS and Trinity, Boothwyn)
 - Meeting expense increased \$70 K (event in July 2016 for the new Bishop)

- Professional fees decreased \$200 K (2015 included salary for Lucy Amerman)
- Repairs and maintenance increased \$80 K (closed church costs; repairs to St. Steven's before sale of the rectory)
- Notes to the Financial Statements
 - Changes to note #4 (loans receivable) for the new note to the Bishop and note #5 (property and equipment) for the closed churches added in 2016
- Consolidating balance sheet and income statements on pages 20 & 21. Pages 22 and 23 show the statement of activities and functional expenses of the Diocese only for 2016.

Internal Control

Significant deficiencies were identified during the audit concerning the following areas:

- Bank reconciliations
- Cash receipts
- Vendors

5. Discussion: (7:30 PM) Property Matters:

- Church of the Crucifixion Rev Master discussed that the church is in bad repair. Bishop does not want to sell. Rev Flood added that the building was not built well in its inception. Possibility of searching for another location within the area.
- St. John the Evangelist, Essington: Lease of Rectory: Rev Master advised of the possibility and property committee recommended moving ahead with negotiation of a lease subject to approval of the lease document by Mary's firm. Upon motion duly made and seconded it was agreed that the property committee continue to negotiate and arrange a lease subject to final approval of the form.
- Church of the Advent, Hatboro: Easement issue. Recommendation is to allow an easement with respect to the driveway of the neighbor that is on a part of the property in the amount of 10 feet. Upon motion duly made and seconded allowing the easement was unanimously approved

- Church of the Resurrection, Rockdale: Rev Master recalled for the committee that this was two churches put together. Cellphone Tower Easement was put on another property. Property committee thinks that either an easement or lease to allow access to the cell tower. The neighbor has offered \$5000 for the access and property committee is suggesting annual lease. Work with Diocese and chancellor's office and the parish to get the best possible compensation. Upon motion made and seconded it was unanimously agreed to support the recommendation of the continued negotiation for lease subject to working with Sean, Chancellor's office and parish.
- St Andrew in the Field: Discussed the payment for removal of trash. Property committee recommends this path forward proceed and renting space in the church to the school for use. After discussion, upon motion duly made and seconded the recommendation was unanimously supported.

6. Discussion: (7:45 PM) Forthcoming Policy on Property Sales or Encumbrances Norm advised that a policy would be forthcoming on property sales and encumbrances which is being shepherded by Canon Berlenbach. The policy would come to the property committee and then the Finance committee. Part of the purpose would be to ensure review and oversight as warranted and to ensure that there would be some insight to property issues, the availability of support and resources, and consideration of possible disposition alternatives.

7. Discussion: (7:50 PM) Program: Diocesan Grant for Church Building Improvements

- Norm explained that there was a need to re-Approve the process for diocese grants for Church building improvements. The Standing Committee wanted this to be fast and efficient, it felt there were controls in place and as approval was a precursor consideration of the fact that at the time of the need for such grants it is generally an emergency in most cases. Norm followed stating that the Diocesan Council and Deans are in good position to know the church, needs and value of the proposed grant. There will need to be a developed process, including applications content and submission, review and assessment and vestry support. The Committee discussed that a process could include that the church

receiving the grant makes a two year report on the effect and benefit to the church as a result of grant which could increase accountability. After discussion, it was agreed that the process for grants for Church Building Improvements should progress as discussed.

8. Discussion of Reports (7:55 – 8:10 PM)

- a. Financial Statements –Doug Horner. Statements were distributed. Doug reviewed the statements distributed. He started with review of the assessments status. There are 8 churches remaining to make arrangements for assessment payments. Discussions have been ongoing. There is a good practice for making the arrangements for payment even without written documentation. The conversations have been going well as the list is substantially diminished from previous review. There is a greater amount collected in assessments over last year. Doug then reviewed the Statement of Activities. James discussed the fact that there was review of non-distributed accounts as discussed in audit that could help meet budget. With the amount of travel of staff and canons the variance on travel for this year will likely be more of a baseline and representative of that line item going forward.
- b. Treasurer’s Report – James Pope, Treasurer noted that most had already been covered. He then recalled the earlier discussion, review and analysis of non-distributed funds. Church Foundation has agreed to change how it calculates units under unit accounting which will make accounting much easier.
- c. Standing Committee Report –Eric Rabe had nothing new to add.
- d. Subcommittees
 - i. Investment – Dana Hall reported that the investment committee will meet October 31 and all have been invited to attend.
 - ii. Parochial Relations – Rev Flood noted that this subcommittee will be removed going forward as discussed at the last meeting.

9. Other business (8:10 PM)

- **Closing prayer** was offered by Rev. Rau

- **Go forth**