

The Joint Standing Committee of the Executive Council on Finance

**October 18-21, 2019
Montgomery Alabama**

Minutes of the Meeting

Attending: Mally Lloyd, Diane Pollard, Anne Kitch, Andrea McKellar, Mike Ehmer (PB&F), Patrick Haizel, Cornelia Eaton, Holli Sturm, Margareth Crosnier de Bellaistre, Kurt Barnes, Nancy Caparulo, Patrick Haizel, Mark Stevenson, David Paulson, TJ Houlihan, and Cecilia Malm.

Regrets: Anne Hodges Copple, Patty Downing.

Guests: Kirk Petersen from *The Living Church*.

The Agenda was reviewed, moved, seconded, and approved.

Anne explained that the budget subcommittee had asked for an hour to present the budget process and, because of time shifts, was asked to do it on Monday. The intro piece was done today but another piece calls for a presentation from the PHOD and the PB. Feedback will be reported out on Monday.

Mally began the session with an opening prayer.

The Minutes from June 2019 were considered, moved, seconded and carried as presented.

Check-ins were done around the room responding to “what did you leave behind to come here?”

Resolutions involving the establishment of new trusts were considered. The following resolutions were approved and placed on the consent calendar: FIN-043, FIN-044, FIN-045, FIN-046, FIN-047, FIN-048, FIN-050. FIN-049 was temporarily tabled for clarification purposes.

FIN-056 (revised travel guidelines) was considered. Kurt explained the changes requiring the update, that of the difference between mileage compensation for volunteers and staff. The business rate is adjusted yearly but the volunteer rate has not been changed since the 1980s. Altour, our travel agent, continues. Language on page four was added for clarifying purposes. FIN-056 was moved, seconded, and carried, then moved, seconded and carried to place on consent, seconded and carried.

FIN-066 (accept the 2018 audit and approve Grant Thornton as auditors for 2019). Requests for Proposals (RFP) are done every 3-4 years. The audit partners rotate regularly. The next RFP will go out in 2021 but the independent auditors are voted annually. Diane spoke to the value of looking at other auditors from time to time. New standard accounting principles were highlighted because the trusts have had to be categorized according to donor restrictions. The decrease in the value was owing to market activity. Discussion in some depth of the audit

findings followed. Kurt explained that because of the trusts the new audit partner wanted the accounts to be tracked in the financial system another way. Various ways were looked at. Ultimately, the auditors agreed that because of the complexity of the trusts, they agreed that it was okay to keep the Excel Spreadsheets. FIN-066 was Moved, seconded and carried.

The Audit Committee reports directly to Executive Council (EC). Audit resolutions come through FIN. Ongoing discussions are about risk and reputation management. There is conversation about travel security for those who go into dangerous parts of the world. There is concern about the security of the church center IT Department, the DFMS's responsibilities as a landlord, and Cuba property matters.

FIN-055 (clergy housing) was moved, seconded, carried and placed on consent.

FIN-054 (Haiti financial request) The standing committee of the Diocese of Haiti asked the PB for a pathway to enable themselves to be ready for an election. They are behind in their pension contribution payments. There is a trust fund that can be used to make those contributions whole. Agreement was made to budget for regular contributions in future. This trust has existed for 60 years or so and the bishop has never accessed it. \$145K of \$1.2 million in the trust will be used. The resolution was moved, seconded, carried, and placed on consent.

FIN-058 (language change for TF#691) was moved, seconded, carried and placed on consent.

There was quick discussion about a combined meeting with the Committee on Mission Beyond the Church concerning a request from the Church in Liberia and when and whether there is financial responsibility to covenanted dioceses.

FIN-059 (thanks for gifts to the endowment) was moved, seconded, and carried.

A recess was taken at 2:45 before meeting with Mission Beyond at 3:00.

The joint session was focused on a Liberia withdrawal and the status of other covenant partners. There is interest by FIN in the ministries with the entities where FIN knows dollar amounts and further interest in what the covenant folks are doing in these covenant areas. David Copley discussed the Province of Mexico, whose covenant ends this year. David, Chuck Robertson and Glenda McQueen visited recently. The Province is coming together and working toward sustainability with some support from Trinity Wall Street.

IARCA has a 40-year covenant that ends in 2037. The challenge is that of having dioceses in different countries. David feels they're working toward financial sustainability. The covenant amount decreases over time, about \$21K per year.

Liberia is a partner of concern. They have made two significant withdrawals over the past couple of years after suffering from civil war followed by the Ebola crisis. There are still significant challenges with infrastructure and needs for repairs of assets that could be earning for them. Strengthening support to the diocese is needed, perhaps with more guidance and support. They are fully independent, but TEC holds their money, part of the historical relationship.

Liberia fell behind in pension contributions and those are now paid from the block grants by the TRO. A visit to Cuttington University is planned to look at remarketing and rebranding the school next year. The covenant ends in 2030.

The covenant committees can meet once in the triennium. \$30K per year for travel and expenses is budgeted. Who serves on a covenant committee? Each covenant committee has an EC member, a lay person, a clergy person, and a staff person.

A bilateral committee is in place for a diocese that has moved beyond financial support, for which there is no budget implication. Philippines, for example, was independent before their covenant agreement ended. David described the diocese as the poster child for other covenant locations. They'd put money aside because they knew the covenant was ending. Brazil is another bilateral area. Block grants are provided for provincial office support.

The Mexico conversation concerns a bilateral agreement that has been written by the Province and the agreement must be approved by Executive Council.

Chuck Robertson, who attended the meeting by phone, added that with Mexico and IARCA relationships are more important to them than money. Connection is crucial as they have been left out of the Anglian loop. There may be ramifications for how we look at our Province IX dioceses. It is important to keep connections and strengthen sustainability at the same time.

An overview was done of various grant line items in the budget. Grants provide some financial support for the provincial offices in the neediest areas, especially dioceses in Africa.

The Church in Cuba will become a domestic grant once it comes back into TEC if GC agrees to provide funding. It is in Province II and will appear with Haiti and the Virgin Islands. Mally observed that small increases can do tremendous work in the neediest areas. David advocated for adding a line for sustainability across the communion and Chuck added that there is much to be learned about how they stretch a dollar. A comment was made that Province IX should be Mission Within, not Beyond.

Chuck raised the work of EMM, where there is cooperation with OGR and global mission on refugees, border issues, asylum seekers, etc. Thinking about budget moving forward, he suggested these considerations need to be factored in.

The joint session having concluded, the committee reconvened at 3:47 with the Treasurer's Report.

Kurt went through the report that he'd posted to the Extranet. Income is slightly down owing to changes in tenant income. Expenses are within budget. Both income and expense are in line with budget. Kurt anticipates an increase in the expected excess at the end of the year. Investment income is sharply up.

Byron Rushing joined the meeting.

Development Office members were on hand to discuss the part of the Treasurer's Report pertaining to their office. T.J. discussed fundraising priorities: the annual appeal, Cuba, Navajoland, HBCUs, Fort Worth, church planting, Haiti and the Archives. An additional staff officer is about to be hired.

Annual appeal is in its second year and is doing "fairly well." A year-end appeal will go out at end of October/early November. The Cuba campaign is a little short but will hopefully close before year-end. EMM is having challenges so a year-end appeal will be mounted for them. More e-blasts are being done to raise money. Regarding Navajoland, they are working a little differently to build capacity for giving locally and they are keeping an eye out for specific grant opportunities. They are raising endowment for Navajoland as well as identifying major gifts.

HBCUs benefit from the Absalom Jones appeal. A meeting for the Voorhees College leadership and Trinity Wall Street was hosted to discuss funding and grant proposals.

Discussion looked at purposes for an endowment for Navajoland: operational costs, repairs, leadership training, etc. They are looking at ways to continue mission and ministry and work is needed on buildings. There are areas where income is realized. Ministry is going toward healing and reconciliation. Concerns are that mines will close, and many jobs will be lost. Sustainability is a big issue. They are looking at new ways of becoming who they are as a people.

The Way of Love (WOL) campaign was brought up and many questions arose concerning the name and the time line and what is expected of the Finance Committee. There was a big discussion about the wisdom behind "souls to the polls" and what can be done realistically over what period of time that doesn't throw staff into a quagmire. What are the priorities?

Stephanie Spellers joined the meeting to talk about this matter in greater depth. She is already doing *souls to the polls* in partnership through the OGR and other organizations. Stephanie said that each revival (there have been eight) is conceptual. They have attracted from 800 to 4000 people and are not intended to get people to church but, instead, having Episcopalians move more deeply into their own faith. Social media is widely used. Each diocese sets goals for mission engagement after a revival. 4000 Episcopalians have been trained in evangelism with an aim to extroverting our faith. A revival in NYC would be in partnership with ELCA, two dioceses and the ELCA New York Synod. That revival committee is gathering on Monday. They're looking at having dioceses host down-links to share the revival. The ELCA NY Synod asked to do something with Michael Curry. \$333K has already been raised (soft commitments). October 25, 2020 is the proposed date for the revival. The podcasts have already begun.

Questions were raised about the future budget, how the WOL stacks up against church planting. Christian formation leaders across the church have provided their expertise in creating materials. The effort is a less centralized/internal process than the way other things were done in the past. Open sourcing is hoped for. The question is how this whole proposal is funded. Will it impact the 2020 and 2021 budget? Stephanie responded that \$1.3 million is spread over two years but is heavily front-loaded. EC must approve fundraising.

Byron suggested tightening up the language in the presentation document. FIN-069 was created for EC to approve the fundraising request. The document concerning the focus for fundraising was to be corrected and posted for EC to see.

A break for dinner was taken at 6:05 PM and the session reconvened shortly after 7:30. Zena Link had joined the meeting. Warren Wong was present as well.

FIN-049, which had been deferred from earlier in the day, was clarified. A motion and second had been made, which then carried. It was moved, seconded and carried to place on consent.

FIN-039, having to do with the CCSR response to B017, was considered. Kurt reviewed the CCSR plan on gun manufacturers. The resolution was moved, seconded and, after clarifying discussion, motion carried without opposition.

FIN-052, also concerning CCSR matters, was reviewed, moved, seconded, and carried.

FIN-061 about the investment screens for Israel/Palestine was thoroughly reviewed. EC needs to approve the no-buy list. The approval was moved, seconded and carried without opposition.

FIN-062, implementation of the investment screens for FIN-061, was discussed, moved, seconded. After a language amendment was made it was moved, seconded and carried.

FIN-063 concerned funding for continued monitoring of HR Screening and asked for \$15K in funding to come from the trust. TRO pays for Mercy Investment Services from its own budget. MSCI could be asked for a price for them to do the work. The resolution was thoroughly vetted and edited and then moved, seconded and approved.

Having concluded business for the evening the committee went on to do an exercise on personal experiences with money. The session was recessed at 9:07 PM.

Saturday, October 19, was spent in pilgrimage in Montgomery at the Legacy Museum and the Memorial for Peace and Justice.

Sunday, October 20, 2019

Mally called the session to order at 1:15 PM with TJ Houlihan, Cecilia Malm, and Byron Rushing present. The committee debriefed the prior day's pilgrimage.

FIN-064 and FIN-067 were considered (Trust Funds #1211 and #1212), moved, seconded and carried without opposition and then moved, seconded and carried to be placed on consent.

FIN-060 CETALC grants was moved and seconded. The background of the funding was given and clarified. Motion carried without opposition and voted to be placed on consent.

BBC grants totaling \$350K were approved (see line 84 in the budget).

Constable Fund grants were reviewed as were the requests in detail for church planting that totaled \$714,500 (budget line 36). Molly James came in to talk about the Constable grants. There was some question about an interim body being awarded grant money whose work had already been funded by the GCO Executive Officer. The grants are administered by the GCO. A thorough look was taken at the church planting grants – Fond du Lac and Cuba likely will have to reapply owing to the status of each diocese. Llamados para Mision, a request for \$5K, was removed from the list, reducing that total to \$709,500. Finally, Care for Creation Grants concerning carbon tracking were agreed.

Cuba Task Force – Kurt explained how the bishop asked to use funding from what she thought was a custodial account to buy a house for a retiring priest. She could make a request from other trust funds where the diocese is beneficiary. Back story was given along with what plans might be put in place going forward. The members of the Cuba Task Force agreed that Kurt's negative response to the bishop was appropriate.

Kirk Petersen from *The Living Church* joined the meeting.

Geof Smith and Nancy Davidge joined the meeting to discuss FIN-053, the request for funding for construction on the 5th floor of the ECC. Geof gave a slide show that was put together by the ECC property manager, Bill Savarese, providing historical background. Improvements were made to upgrade the building. In 2007 the Ad Council came in as a tenant. Until recently there was adequate conference space, but leasing of the book store, mezzanine and 7th floor took away large conference capacity. and there is a continuing need for dozens of meetings per year. The chapel is being used from time to time for conference purposes. Geof explained that so few staff members are in residence on the 5th floor the space is essentially wasted on a day-to-day basis. Two conference rooms are planned for the space where individual work stations will be eliminated. The pantry will be enlarged to accommodate caterers, when necessary. Work stations will be set up for staff when they are in the building. The rough estimate for construction is \$590,161.60, which includes a contingency line. Supplementary HVAC is planned for the conference room so that the whole building doesn't have to be heated or cooled for an isolated weekend meeting.

A studio is also planned for the 5th floor for video or podcast productions. It could double as meeting space when not in use as a studio. Possibly one freelancer can be eliminated for photo shoots, yielding a saving. A secure room on the mezzanine level can be used to store equipment.

Nancy spoke to the advantages of having the studio, pantry and staff lounge space, one of which is the more efficient use of the PB's time. The studio will be made available to dioceses who might want to produce something or learn the technology. Further, it might earn rent income. Geof explained that the build-out will be done before summer. \$750K is asked. It was learned that \$180K savings has been realized on health care costs in the budget. Other savings are being realized elsewhere in the budget. The proposal is to fund this construction from operating cash and earnings in short-term investments.

Nancy talked about the video and podcast team and owning rather than renting equipment. And, probably one less production person will be needed as lighting will be in place permanently. She

said there will be opportunities to accept interview invitations that can't be accepted now. Staff interviews can be done via video for PB&F's work on the budget. Possibilities include web-casting. Closing in on a website improvement by the end of November.

FIN-053 to fund the construction was reviewed. Cecilia said this plan would be helpful for the Development Office. One concern expressed was that whatever is done should be done well, quality-wise. Interest from the short-term trust funds can be used to fund the expense. In the last 4 months, short-term reserves have been increased by \$1.5 million.

The resolution was moved, seconded and carried without opposition. It was considered a good thing to have a schematic of the church center distributed so the EC members could see how the building is being used.

FIN-051, the dividend pay-out rate, was considered. The 5% pay-out rate was approved for the triennium. Kurt explained why the resolution was split into two resolves: we are trustee for main trust as well as custodians for co-investors, who can take more or less than the dividend itself. The resolution was perfected, moved, seconded and approved.

The Budget changes were reviewed for 2020. Kurt led the committee through the document.

- Diocesan income is somewhat increased
- Waivers necessary are lower as more dioceses increase towards the full assessment
- EJLC income is lower owing to lower interest rates
- Rental income is lower because of abatements given to new tenants
- Income is up about \$2.3 million from original budget
- Best guess is looking at \$1.1 million deficit for 2020

Variations are anticipated during the triennium.

FIN-057, the budget for 2020, was moved, seconded and carried without opposition.

Holly had reported on the IC meeting shortly after its meeting had taken place. The IC asked to have its material posted to the finance committee for informational purposes. Again, they made a request to decrease the annual draw.

FIN-065 (Manual of Business Methods) was taken up. Kurt pointed out that the manual had been vetted by accounting professionals. Formatting issues have yet to be cleaned up, but the most recent iteration of the manual is ready for distribution. Anne mentioned that the document might be looked at from the standpoint of language rather than the content. Anne was invited to do the editorial work to streamline the introduction. All agreed that it should be in one voice. Anne will edit the introduction and summary pieces. Nancy Caparulo will look at the rest of the document for continuity of language. The resolution was moved, seconded and carried without opposition.

FIN-068 (waiver recommendations) Mally talked about the work of the Assessment Review Committee. Now 86 dioceses have committed at 15%, 10 were granted waivers, three are in the works, one will not apply, and 8 are to be approved. Rio Grande hasn't completed a plan as yet. Albany and Florida are both in conversation. Florida's diocesan council voted to move toward

15% and contacted Mally. The bishop's chancellor insisted that their convention vote on 15% - they're going to put forth two resolutions at their convention in January. Alabama does not reply to attempts to contact. They're at 12.8% for 2019, down from 14.3% in 2018. Andrea will contact the Canon to the Ordinary and ask that diocese to be in touch with Mally. Dallas applied and were denied a waiver. Springfield will not apply; they're not interested in grants and are at 3.5%. Albany is in conversation with the bishop's knowledge. The resolution was moved, seconded and carried without opposition and with kudos to the Assessment Review Committee.

The session broke for dinner at 5:57 PM and was reconvened at 7:30 with Steve Nishibayashi, David Paulsen, Geof Smith, Bronwyn Skov, Molly James, Sarah Stonesifer, George Wing, Devon Anderson, Julia Harris, Angela Goodhouse-Mauai, Stephanie Spellers, Rose Sconiers, Jack Cobb, Noreen Duncan, Chuck Wynder, and the Presiding Bishop present.

The PB noted that *sharing* the way of love is new language agreed upon for the thrust of the campaign for evangelism. How can we make the way of Jesus part of what it means to be a Christian in this culture? A contribution to the culture is to get the reflection of the face of Jesus into the work of the church. Bishop Curry sees the effort as a way to have an impact on a divided nation. What does it mean to be Christian when many Christians are not living those values? He said *the way of love* (WOL) is an honest way of living the life of Jesus in this moment of history.

Stephanie talked about the way the church has taken on the notion of the WOL. She focused particularly on connecting with a bigger circle of people and discussed the planning process for a revival in New York City.

Geof followed on the revival concept and the podcast and opined that it is important to try. Lead gift possibilities are being explored. The PB was clear that nothing will be done until it is sure that there is funding to do it. Funding is sought to develop a pilot for a streamer (e.g., Netflix), who would then fund a series.

Discussion then focused on the Development Office, where there are a number of focal points for the work being done there. Cecilia allowed as how their office will focus on where the priorities fall – the annual appeal, Cuba pension fund, EMM for refugee assistance, HBCUs, Navajoland, the Archives and Haiti – the latter two currently on hold. WOL becomes a priority as well but where in the list is the question. Cecilia talked about the DO approach for the WOL, targeting high worth individuals, who would be engaged in ways that have not been done in the past. It will be a national thing, not a New York thing, including foundation/corporate aspects into the funding thrust. This is new to Development. Questions arose about crowd-funding and the 'band width' of the office to deliver a quality product with so much in its portfolio.

Stephanie ran through the list of staff members involved in the WOL and BBC (Becoming the Beloved Community), who work with local teams and planning groups. 25,000 people have participated in revivals. They work with the local teams. A professional marketing firm would be key in the revival campaign's success. There are partnerships with two dioceses, a synod and the ELCA.

Bronwyn talked about the consultation she and her staff have provided to the WOL and the value of volunteer time. She said, “We have made incredible strides, there’s no question about that,” but she also worries about attrition.

Those present contributed the following observation/comments:

- The royal wedding being a gift in raising the PB’s recognizability.
- The PB is not just a voice for The Episcopal Church but for the country
- We can provide a truer moral voice across the wider church
- Concerns were about the ‘band width’ of the PB, which must be protected.
- The impact should be a long-term consideration beyond Michael Curry’s episcopate.
- This is something exciting to offer people who have been waiting long time to have something to get excited about - the time is right.
- Streaming is very attractive.
- Concern that the revival date is 8 days before the 2020 election and that it could be overshadowed by a larger story.
- 1/3 of the money is for an event in NYC and NYC doesn’t have a great reputation in many parts of the country, so the optics of it are difficult.
- Satellite gatherings might happen in places where revivals have already taken place.
- We should be rigorous about intellectual property, making sure the contracts are clear about who owns the materials.
- Maybe the timing is good. People will be tired of election and need a positive message.

PB talked about the use of social media to get a message out that parallels the news media.

The ELCA will participate financially. Of the total \$1.3 million, soft asks have identified \$500K. Discussion occurred around the question of what the real number is.

Mally asked for input from Mission Within the Church committee members. Concern was aired that the spending didn’t outrun the funding. According to the timeline, there will be a need to spend money before it is in hand. Malley said Finance would expect a status report in February about what is happening.

Devon asked about what conversations might have been had about the optics of raising this money when promises have been made in other areas (Haiti, HBCUs, Cuba, etc.). She also asked how we communicate internally about what is being done. The response was that the messaging would be clear that this is not a churchwide campaign but a very targeted ask.

It was noted that the DO has asked for an annual resolution from EC concerning the funding priorities for its work.

Budget Process Task Force

Anne discussed the budget process and what it is all about. The PB’s priorities and those of the PHOD will figure prominently. The post-it notes from the plenary exercise will be used for the presentation slide show. Additional questions will be asked and post-it responses will be collected, collated and a profile of priorities made.

Task Force on the Budget Process

Mike talked about this task force and the budget process. PB&F is too large, and proposal has been made that it be reduced to 5 bishops, 10 deputies and 1 member from each province. PB&F should do the budget. They will design a budget process to get input from interim bodies and others. PB&F would present its draft to EC. An inclusive process is needed to get input from the wider church. There is much support for only one committee doing the budget. As much combination of FIN and PB&F as possible is desired to experiment with communication around the budget.

FIN-069 to approve WOL and fundraising was moved, seconded and carried without opposition.

Motion was made and carried to adjourn the meeting 9:35 PM. Mally concluded with prayer.

Respectfully submitted,
Nancy Caparulo
Staff support to the committee