

Treasurer Notes Improvements in Fiscal Management

Recently I had the opportunity to meet with several vestrypersons of a congregation who had concerns about several aspects of diocesan fiscal management: first, the handling of the congregation's pledge and assessment payments and second, the proper use of diocesan endowments. My response to these concerns is described below.

The Diocese now has a process in place to see that congregation payments are used only for the purposes for which they are given. First, we have a published accounting policy which provides that if the congregation specifies allocation of its payment the Diocese will follow that instruction. Second, we maintain a temporarily restricted bank account to hold any surplus of the Retired Clergy Medical Account (RCMA) and the Clergy Financial Assistance Fund (CFA) activity and other non-budgeted activities such as Episcopal Church Women. Third, each fiscal quarter we analyze these activities and add any surplus to the restricted account (or deduct any deficit to the extent available). Finally, the Commission on Clergy Salaries and Pensions monitors these activities. We provide a monthly financial statement for each activity. The Reverend Tom Wand, who is a member of that Commission, is also a member of the Committee on Finance and Property.

A concern of many in the Diocese has been the proper use of diocesan assets. There are really two issues. The first is the view that principal should never be used to fund operating deficits even if the restrictions on the use of the assets would allow such use. The second issue relates to the authority of the Bishop, the Standing Committee, and other oversight bodies to authorize the disbursement of endowment funds. During the last year the Diocese has "come to grips" with both of these issues. First, the 2007 budgets do not allow for any use of principal. Second, an agreement has been reached between the Standing Committee, the Bishop, and Church Foundation which precludes either the Bishop or Standing Committee, acting alone, from authorizing any expenditure of endowment principal. The agreement also calls for quarterly reporting of all endowment fund activity.

These are just two of the areas in which I have witnessed progress in financial stewardship in the 12 months I have been treasurer. Below is a short description of those I described above and several others. I would be happy to fill in the details on any of these issues. I also think any who wish seek the view of current or recent members of the Committee on Finance and Property or the Standing Committee.

Kylius J. Jones, Treasurer

Diocese Fiscal Improvements June 2006 to July 2007

1. Monthly financial statements improved

- * a. All Episcopate, RCMA, CFA, Program and Non-budget activities fully disclosed each month
- * b. Non-budget guide published (includes purpose, controlling Committee/Person, income sources, expense types and operating cash impact)
- * c. Accounting principles and practices for monthly reporting published
- * d. Quarterly analysis and settlement of temporarily restricted cash activity
- * e. Periodic analysis of DCMM actual expenses versus budget by congregation
- * f. Cash flow projections published as needed - this critical given no UNA withdrawal possible for 2007

2. Fiscal discipline improved

- * a. Non-budget activities negatively impacting operating cash identified and addressed with controlling parties:
 - o i. Servant Year – Leadership has addressed issues which led to substantial deficits in 2005 and 2006; operating at break-even in 2007
 - o ii. Cathedral Campus apartment operating deficits – Comprehensive financial statements now prepared quarterly by Church House. Cathedral Campus project moving forward under Finance and Property leadership as voted at June 2007 Diocesan Council meeting
 - o iii. Closed Church expenses – agreement reached with Standing Committee to fund expenses from proceeds of sale of closed churches
 - o iv. Retired lay Church House employees life and health insurance expenses identified and moved from non-budget to budgeted expense category to assure future funding
- * b. Cash forecast prepared in March 2007 identified cash deficit built into the Diocesan budgets for 2007; action taken by Finance & Property Committee and Diocesan Council to address major components before crises arose. Department heads agree to raise funds to replace reduced budget spending:
 - o i. Youth
 - o ii. Education
 - o iii. Campus Ministry
- * c. Written agreement with Standing Committee and Church Foundation on procedures for reporting and control of endowments. Procedures finalized at July 2007 F&P meeting.
- * d. Process for 2008 Program budget improved
- * e. Legal expense reserve established and funded with excess 2006 Episcopate Assessment and 2007 insurance claim recovery
- * f. Organization of financial oversight bodies improved
- * g. F&P and Standing Committee now have several common members including the president of the Standing Committee
- * h. New F&P chairman elected
- * i. F&P Committee orientation meeting held

3. Audit management letter for 2005 shared with Standing Committee

4. Financial “Summit” meeting held 3/27/07 and Steering Committee established to address issues identified as a result of the special audit procedures conducted in 2006 by CBIZ:

- * a. Management responses to 2005 audit management letter reviewed at 3/27/07 meeting. Corrective action in process or completed on 10 of 11 reportable conditions.
- * b. Agreement to improve control over endowment funds (see item 2.c. above)
- * c. Agreement to restore, in part, endowment funds whose income is dedicated to specific ministries. \$417,000 restoration from closed church assets not yet dedicated to a specific purpose. This accomplished in June. Ministries impacted:
 - o i. Philadelphia Theological Institute – 50% restoration
 - o ii. All Souls Church of the Deaf – 100% restoration
 - o iii. St. Mary’s Bainbridge – 50% restoration
- * d. Agreement to review historical activity in endowments not covered by CBIZ audit procedures. Data provided to interested parties in early June.