

**Minutes of the
Diocesan Council
Cross Roads Camp and Retreat Center
Saturday, September 10, 2016**

Officers: The Rt. Rev. Mark Beckwith [*President*], Mr. John A. King [*Secretary*]

Present: The Rev. E. Michael Allen, The Rev. William Allport, Mrs. Sheila Barcus, The Rev. Sheelagh A. Clarke, Mrs. Debra Cook, Mr. Dale Ellis, Ms. Janelle Grant, The Rev. Canon Gregory Jacobs, Ms. Roxanne Johnson, Ms. A. Lorraine Jones, Ms. Sue Morgan, Ms. Nina Nicholson, The Rev. Margaret Otterburn, The Rev. Susan Saucedo Sica, Ms. Mary Sundin, The Rev. William Charles Thiele, Ms. Lynn B. Tyler, The Rev. Diana Wilcox

Absent: Mr. Robert Bogert, The Rev. Rosa Brown, The Rev. Tim Carr, The Rev. Kevin Coffey, The Rev. Virginia Dinsmore, The Rev. Charles Hatfield, Ms. Kay R. Lark, Ms. Laurie Piccirillo, The Rev. Juan Rosario De La Cruz, Diane Sammons Esq., Mr. Paul R. Shackford, Mrs. Suzanne Willian, Mr. Timothy Wong

Introduction

The Bishop invited Council into our business session during the Council Retreat at Cross Roads Camp. A few items to note that Bishop Beckwith related to Council:

The Walk across the Diocese was a very successful 88 mile journey, showcasing the hospitality and efforts of 20+ congregations, and countless numbers of individuals to make the event happen. A wonderful event with lots of blisters and logistics. Thanks to Church Hatfield & Engaging team & John Mennell for the efforts in coordinating the event.

He recently returned from the House of Bishops in Detroit. Spoke about Presiding Bishop Curry's new video of the Jesus Movement.

The Rev. Bob Morris has been called as interim at St. Peter's Essex Fells, The Rev. Joy Rhodes as PIC at St. Luke's Haworth, and The Rev. Deb Wilson as the Rector of St. Mary's Sparta.

The Diocese is in final negotiations with the Hispanic/Latino Missioner to join the Episcopal House staff on a part time basis.

The Rev. Dcn. Nate Huddleston has been called to serve as its new Assistant Rector for Youth Ministry and Outreach. Susannah Cates as Assistant in St. Peter's Morristown, And The Rev. Bowie Snodgrass as Curate at Christ Church Short Hills.

The Diocesan Listening Tables are underway, with 77 attending Thursday Night in Ridgewood. Two more are scheduled for Episcopal House (9/13) and Denville (9/17).

Financial Report

The Council voted to receive the Financial Report from the Treasurer, who was absent from the retreat weekend.

Diocesan Council

Finance Report

for the Year-to-Date Period Ended August 31, 2016

Enclosed is the financial report for the eight-month period ended August 31, 2016. The budgeted amounts reflect the budget that was adopted at the Annual Convention in January 2016.

Details of Information Reflected on the Financial Statement

There are a number of variances in actual results as compared with the budget.

Income

Pledge Revenue (line 1)

The methodology used to create the monthly budget was to base estimated 2016 monthly pledge income on the actual pattern of pledge receipts in 2015. Historically, a significant portion of the full year's pledges occurs in December of the budget year as well as in the subsequent months of the following year.

A number of churches had fallen behind in payments towards their pledges earlier this year, and notices were sent to them; this led to an increase in payments from those churches. Through August, pledge receipts are \$46,323 ahead of budget.

Alleluia Fund (line 2)

We have received donations to the Alleluia Fund in the first eight months totaling \$71,243 which is \$3,519 higher than budget. The initial promotion of this fund was from Easter and continued through Pentecost, with additional promotion during the summer. This fund will also be promoted during the month of December.

New Ministry Initiatives Fund (line 7)

This is the source of funds to pay the expenses related to the Missional Church Initiatives (included in lines 14 and 15) and Fund Development (in line 18). Income is higher than budget by \$2,390 to pay the corresponding expenses which are also slightly higher than budgeted through the first eight months and as a result of the timing of expenses.

Missional Church Grants (line 8)

We had budgeted to receive \$40,000 from a foundation that had supported our missional church initiatives at that level in prior years; we received \$25,000. However, we submitted a grant request to a second foundation and received a grant of \$15,000. Therefore, actual receipts equal the amount budgeted for 2016.

Bishop's Circle (line 11)

The income from the Bishop's Circle is to be used to partially fund the expenses for a Hispanic/Latino Missioner (in line 16). It had been anticipated that that the Missioner would have begun as an employee by this time; however, that has not yet happened, leading to an unfavorable variance of \$8,333.

Expenses

Staff Compensation (lines 14, 23, 33, and 50)

Compensation expense, which includes salaries and benefits for employees at Episcopal House, is lower than budget due to changes in staffing and benefits.

Missional Church Initiatives (line 15)

Spending in this area is \$9,145 greater than budget through the first eight months of the year reflecting increased spending for consultants.

Hispanic/Latino Missioner (line 16)

As noted above regarding income in line 11, the Hispanic/Latino Missioner has not yet been hired, leading to a positive variance in this account. Expenses in the amount of \$549 have been incurred, relating to the search for the Missioner.

Fund Development (line 18)

We are ahead of budget by \$6,755 in this area.

Diocesan Convention (line 25)

The net cost of the 2016 Diocesan Convention exceeded budget by \$7,140. This was principally the result of increased costs of meals and the service charge.

Domestic and International Outreach Grants (lines 35 and 36)

The budget assumes that these grants will be paid in December 2016.

Net Results

Through the end of August, the favorable variance between actual and budgeted results is \$60,978. It is too early to tell the impact of this favorable variance for the full year.

Paul R. Shackford

Treasurer of Convention

Diocesan Chief Financial Officer

September 7, 2016

Consolidation of Entities

Annual audits are performed for the accounts of the Diocesan Council and the Trustees. Historically, the accounts of the following entities have been reported on the books of the Council:

1. Diocesan Council (the operating entity of Convention with responsibility for the operating budget)
2. Ward J. Herbert Fund
3. Episcopal Capital Loan Fund
4. Bishop's Church Emergency Fund
5. ACTS/VIM Fund
6. Bishop George E. Rath Educational Fund

Issue Regarding Consolidation of Entities

Should Entities 2-6 (the "Entities") more properly be consolidated with the existing accounts of the Trustees instead of the Diocesan Council?

Background

The decision to report the Entities on the books of the Council appears to have been made based on how the entities were established. For example, Convention in 1988 directed Council to raise funds to establish a capital fund to be called the Ward J. Herbert Endowment Fund, which may have led to the decision to consolidate it with Council. However, the investment of the funds was to be administered by a different organization and not the Council. The following Convention created a board to oversee how the funds were to be distributed.

However, where the entities are consolidated should reflect the facts regarding which entity should be the holder of the assets.

Diocesan Council is the entity that has responsibility for the annual *operating* budget of the Diocese which is adopted at the annual diocesan convention and overseen between conventions by Council. Other than capitalized assets and minor amounts of fixed assets needed in the ongoing operations of the diocese, it does not have title to capital assets. Canons empower Council to oversee distribution of grants from the Ward J. Herbert and other funds, but the management of the funds, including the determination of how much money is made available for such programs as well as managing the investments themselves, is beyond the scope of their canonical responsibility.

The Trustees were initially created to own, manage and protect the *capital assets* of the Diocese including real and personal property of the diocese, including closed and mission church properties, Episcopal House, and the Bishop's residence. The Trustees hold and manage approximately \$30 million of investments and are set up to manage the assets through their oversight. The Council currently holds investments of approximately \$11 million for the Entities, but it is not equipped to nor does it see its role as being responsible for the oversight of these investments.

Conclusion Regarding the Consolidation of Entities Previously Consolidated with Diocesan Council

The Trustees are the entity with the responsibility for oversight and management of the capital assets of the Diocese. It is, therefore, more appropriate that the Entities be considered assets of the Trustees. Accordingly, it is concluded that the Entities, previously consolidated with Diocesan Council, would more properly be consolidated with the Trustees.

This is not intended to change the current responsibilities of Diocesan Council. Diocesan Council would continue to review and approve grants and other distributions of the Entities.

Paul R. Shackford

August 3, 2016

Resolution (first reading)

EPISCOPAL DIOCESE OF NEWARK

RESOLUTION OF THE DIOCESAN COUNCIL

BE IT RESOLVED that the Diocesan Council approves the transfer of custody, management, and investment control and oversight of the following funds currently in the custody of the Diocesan Council to the Trustees of Episcopal Funds and Diocesan Properties of the Episcopal Diocese of Newark:

1. Ward J. Herbert Fund
2. Episcopal Capital Loan Fund
3. ACTS/VIM Fund
4. Bishop George E. Rath Education Fund
5. Bishop's Church Emergency Fund

This transfer of custodial management shall not alter any existing resolutions of the Diocesan Convention or of the Diocesan Council regarding the purpose, use, method, and process of application or ultimate approval of grants or distributions made from these funds by the Diocesan Council to the extent that existing resolutions of the Convention or Council make such provisions.

This transfer shall take place as soon as reasonably possible in consultation with the Chief Financial Officer of the Diocese and the Trustees of Episcopal Funds and Diocesan Properties of the Episcopal Diocese of Newark:

Moved, Seconded and Approved for first reading.

Questions for Paul Shackford:

1. Where do admin costs for granting funds then fall? Will that money not be included in the diocesan budget?
2. Would like to know the origins of each fund and how they were set up.
3. Concern being currently all governing bodies are working well together, what could happen if one entity (Trustees) decides they don't agree with direction of funding boards, could they restrict financial resources?

Ward J Herbert Cycle 2 Recommendations

The following recommendations were presented by Roxanne Johnson on behalf of the Ward J Herbert Board for the second cycle of 2016.

WJH-16-10	Upper Montclair, St. James' Church	RE - Rectory roof repair	\$7750
WJH-16-11	Little Falls, St. Agnes' Church	RE - Broken Sewer Pipes	\$3612
WJH-16-12	Hawthorne, St. Clement's Church	RE - Rectory furnace	\$2400
WJH-16-13	Milton / Oak Ridge, St. Gabriel's Church	PH - Electrical repair	\$675
WJH-16-14	West Orange, Church of the Holy Innocents	CH - Repairs	\$3596
WJH-16-16	Livingston, St. Peter's Church	CH/PH - Church & hall roofs	\$10000
WJH-16-17	Montclair, St. Luke's Church	PH - Parish Hall Roof & Masonry	\$16100
WJH-16-18	Mt. Arlington, St. Peter's Church	CH - Church Roof Repair	\$1825

The recommendations were Moved, Seconded and approved.

New Business

On the afternoon of September 19, 2016, The Diocesan Council met in a joint session with the Lutheran Synod Council. Discussions & presentations were made by Anthony Briggs of Cross Roads Camp & Retreat Center about their strategic plan going forward as well as by the Rev. Sara Lilja, Director of the Lutheran Episcopal Advocacy Ministry of New Jersey. After both sessions, a brainstorming opportunity was shared in which all present were invited to share ideas of where the two bodies may find some areas to collaborate in the future. The suggestions were as follows:

Where else can we collaborate?

- An Asset Map of Churches, Communities and Ministry Sites
- Young Adult/Youth Group Collaboration
- Resources for LGBTQ Youth
- Elder & Senior Ministry Opportunities
- Church Planting
- Sharing of Ministries (Demographic-Based Efforts i.e. Hispanic&Latino)
- New, varied forms of ministry
- Shared Prayer Groups
- Network of Group Leaders (Property Managers, Communications, Youth Groups, Musicians)
- Cross Generational Opportunities
- More shared Meeting Time & Space
- Special Needs Services & Ministries.