

Report to the 137th Convention of the Episcopal Diocese of Newark
Statement of Proceedings
of the
Trustees of the Episcopal Fund and Diocesan Properties-2010

Overview of Trustee Operations-2010

The Trustees met formally four times in 2010 (March, June, September, and December) to address issues and review reports from Diocesan Staff related to the assets and properties under their supervision. In addition, at least two special meetings were held to address similar issues related to the review and reorganization of various endowment funds under the care of the Trustees. Between regular and specially called meetings, the Officers met frequently by phone, in person, or by e-mail, as did subcommittees of the Trustees to monitor progress on projects and to attend to matters primarily related to the maintenance and sale of real estate. All Trustees collectively met in special work sessions between the regularly scheduled quarterly meetings to consider specific projects and concerns.

Endowment and Custodial Management of Funds by the Trustees

- Categories: The Trustees are custodians for, and manage funds, which fall into three major categories:
 1. The endowment of the Diocese (unrestricted funds given or left to the Diocese), the income from which by long-standing convention mandate is used “to support the episcopate of the Diocese” (e.g., operating budget, if necessary, or specific programs);
 2. Undesignated funds, the income from which can be used discretionarily by the Trustees (for example, to make repairs at Episcopal House); and
 3. Designated funds held for the benefit of the Diocese, congregations, or other ecclesiastical institutions, for which the Trustees serve merely as custodians.

As part of the Trustees’ responsibility to manage various assets for the Diocese and its member churches and organizations, the Trustees continued a number of long term projects during the 2010 calendar year including:

- TIAA-CREF: The Trustees continue to monitor and evaluate the work of TIAA-CREF as the investment repository for assets under the supervision of the Trustees and the Diocesan Investment Trust. The Trustee-initiated transfer of funds to TIAA-CREF took place in September 2008. In early 2009, customized reporting, tracking mechanisms and investor statements were finalized. As a result of the transition, operations in the Finance Office have been made immeasurably easier and reporting on investments for all entities is now timely, detailed, and reliable. The Finance Office and the DIT Board members are actively focused on investment strategy and supervision, transaction and account security, and customer service for DIT investors. The Trustees continue to monitor the performance of TIAA-CREF and continue to work with the Acting Chief Finance Officer of the Diocese to refine the financial reports provide to the Trustees.

- Fund Study: The Trustees received the initial report of subcommittee consisting of Trustees and appointed advisors created to continue the process of reviewing and reorganizing the many restricted and endowment funds under their supervision. In the fall of 2008, the Trustees established a subcommittee to conduct an analysis of the work initially undertaken for the Trustees by Vice Chancellor Allison Garde concerning some 240 funds of the Diocese. The subcommittee study, which has been a cooperative effort with the Chief Financial Officer of the Diocese and the Diocesan Audit Committee, was audited in 2009 by the new independent auditing firm selected for the Diocese, O’Conner Davies. The purpose of Vice Chancellor Garde’s study was to identify the legal parameters that govern the permissible use of the corpus and the distributions for all funds, and to categorize the funds accordingly. The Trustees are now in the process of reviewing this lengthy and detailed set of reports and recommendations provided by the subcommittee, and upon completion will implement recommendations to consolidate funds and redirect assets/income in accordance with the terms of the original grant or gift. A full report concerning the funds will be made when the collaborative work is completed. The Trustees voted to continue providing support to the 2011 Diocesan budget from various funds at historic levels pending completion of this work.

Audits of Trustee assets for the 2009 fiscal year were received, reviewed, and approved as submitted by the audit firm of O’Connor Davies and approved by the Diocesan Audit Committee.

- “Amalgamated Fund”: The Trustees provide funding for Diocesan projects, commitments, and responsibilities from the income of a general amalgamated fund, whose value as of September 30, 2010, was approximately \$1.6 million. The distribution from the endowment that the Trustees spend *annually* includes paying one half of the compensation for the salary expense related to property management.
- Restricted Assets: All other non-real estate assets that are under the oversight of the Trustees of the Episcopal Fund and Diocesan Properties are held in trust for other entities of the Diocese. These assets, which exclude the “Amalgamated Fund” totaled approximately \$22 million as of September 30, 2010. These assets are legally restricted in their use. Trustees legally cannot use these assets, or income from them, at their discretion. Regarding these assets, the Trustees act only in a custodial capacity. Such assets include endowments pension plan funds, and other vital assets of individual entities within the Diocese.

Management of Real Estate

- Categories: The Trustees hold title to the following four categories of property:
 1. Real property of the Diocese (e.g., the Bishop’s house in South Orange, and Episcopal House at 31 Mulberry Street, Newark).
 2. Aided parishes while they remain in that status.
 3. Mission parishes formerly under the management of the later disbanded Department of Missions.
 4. Real property and proceeds from the sale of the property of extinct parishes (N.J.S.A. 16:12-16).

- Property Management: During 2010, the Trustees continued to work closely with James Caputo, the Diocesan Property Manager, to address concerns on properties under their oversight. This also included Mission Church properties.
- Sale of Property: The closing on the sale of the former St. Mary's Church property in Haledon, New Jersey occurred in early 2010. This was the culmination of an almost four year effort by the Trustees to address the many title and other legal issues associated with this property which had delayed the sale. After the many expenses of holding and selling the property were deducted, the balance was distributed in accordance with the Asset Distribution Plan for the sale of surplus property.

Additional properties are on the market including the former Trinity Church in Irvington. Sale of properties has been difficult because those few that are under present consideration for sale have had either time-consuming legal encumbrances or unqualified prospective buyers. Further, the significant decline of the real estate market has made it difficult to sell commercial real estate.

The Trustees continued to deal with issues involving the attempted condemnation by the New Jersey School's Construction Authority of the property on Cator Avenue in Jersey City acquired some years ago as part of the Jersey City initiative. The Trustees are attempting to resolve various issues with the State so that the property can be sold and the proceeds redirected for other uses in Jersey City.

The Trustees also continue to deal with issues associated with the former St. John's Jersey City property and are attempting to resolve issues there in an effort to redevelop the property for productive use.

The Trustees continue to manage and maintain the former St. Mark's property in West Orange, including the cemetery located in Orange.

St. Gabriel's., Milton Oak Ridge -The Trustees litigated and resolved a tax appeal in the Tax Court of New Jersey involving the tax exempt status of this mission church property resulting in the return of previously paid property taxes of approximately \$30,000.00.

Episcopal House: At the request of the Bishop, the Trustees commissioned a space review and analysis of Episcopal House with the goal of determining whether it was possible to create more revenue for the Diocese by leasing out a portion of the 31 Mulberry Street space to a qualified not-for-profit organization. An architect and space consultant were retained for this purpose. After much consideration it was determined, in consultation with the Bishop and Diocesan Staff, that the 31 Mulberry Street property could be more efficiently utilized if the Diocesan Offices were consolidated onto two floors thereby freeing up space for potential rental opportunities. Consideration was given to the costs involved in the consolidation of office space and the benefits that might arise as a result. The Diocesan Staff was commissioned to interview potential leasing agents and, based upon their recommendation and a thorough review by the Trustees, the Newark based firm of Square Foot LLC was commissioned to solicit potential tenants. This project is ongoing.

A Word of Thanks

- The Trustees also received and accepted with regret the resignations of two long standing members of the Trustees, Mr. John Lynch of St. Mary's Sparta and Dr. Deborah A. Brown, of Trinity, Allendale. Both have faithfully served this Diocese in a number of elected and appointed positions and both have served as President of the Trustees. Resolutions of thanks were issued for their years of service.

The Trustees appointed the Rev. Dean Weber, of All Saints, Leonia, a former Chancellor of this Diocese, to fill one of the open positions until the time of the Diocesan Convention in January 2011.

Respectfully submitted,
John C. Garde, President