

Report to the 138th Convention of the Episcopal Diocese of Newark
Statement of Proceedings
of the
Trustees of the Episcopal Fund and Diocesan Properties-2011

Overview of Trustee Operations-2011

The Trustees met formally four times in 2011 (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, a number of special meetings were held to address similar issues related to the review and reorganization of various endowment funds under the care of the Trustees and to address property matters. 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.

The Trustees welcomed three newly elected Trustees: the Rev. Fairburn Powers of, St. Agnes, Little Falls, R, John Cooper, Esquire of Christ Church, Short Hills and Carol Harrison-Arnold of Church of the Incarnation, Jersey City.

Endowment and Custodial Management of Funds by the Trustees

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 2011 calendar year including:

- Endowment and Fund Analysis and Consolidation: The Trustees substantially completed a multi-year review and reorganization of all fund accounts under their care as custodians. This included funds held for the use of the Trustees, the Office of the Bishop and the Council as well as funds held by the Trustees for other organizations related to the Diocese and some of its member churches. Management and oversight of these funds is one of the core responsibilities of the Trustees. Our review has allowed us to have a better understanding of the legal and permissible use of these various funds and to insure that allowable distributions were being made to the correct institutions of the Diocese. This multi-year effort has also allowed for the consolidation of various disparate funds that at one point numbered in excess of 270 individual

funds into a more manageable number that allows for better oversight by the Trustees and easier management by the Diocesan Staff. The Trustees express their thanks to Linda Curtiss, the former Chief Financial Officer, and to Vice Chancellor Allison Garde for their efforts in bringing this review to closure. The Trustees are in the final stages of documenting the results of this review for future use by the Trustees, staff, and auditors.

- Coordination with the Diocesan Investment Trust. As the largest shareholder in the Diocesan Investment Trust, the Trustees of the Diocese take an active role in coordination of investments with the DIT. The completion of the Endowment review has allowed the Diocesan Trustees and the Trustees of the DIT to consider changes to the manner in which investments are managed with TIAA-CREFF as the fund manager. Further discussions and coordination between the two bodies will continue in 2012. One of the Diocesan Trustees, the Rev. Lauren Acklund also serves as Trustees of the DIT.

Audits of Trustee assets for the 2010 fiscal year were received, reviewed, and approved as submitted by the audit firm of O'Connor Davies.

The Trustees provide support for various institutions of the Diocese from two separate groups of funds:

- Trustees Unrestricted Accounts: The Trustees provide funding for Diocesan projects, commitments, and responsibilities from the income of a series of unrestricted funds that as of September 30, 2011, had a combined value of approximately \$3.4 million dollars. The Trustees provide funding for the preservation of the assets under their care as well as provide support for the Diocesan operating Budget. In the fiscal year 2012, the Trustees will provide approximately \$110,000 in support to the Diocesan operating budget through direct contributions and the payment of the salary and benefits package for the salary expense related to property management.
- Trustee's Restricted Accounts: A second series of accounts are held by the Trustees as custodians for other Diocesan entities. As of September 30, 2011, the restricted accounts held by the Trustees were valued at approximately \$4.4 million dollars. From these accounts the Trustees provided funding for a variety of institutions including:

The Bishop's Church Extension Fund

The Bishop's Supplementary Fund

Crossroads Camp

Theological Education

Outreach Activities

Maintenance and operating budget of Episcopal House

Ministry in the Oranges – to name but a few.

The Trustees also hold funds for a number of churches in the Diocese, both Parishes and Missions, and, during the course of 2011, have considered and approved a number of requests for

distributions from these funds for churches in Jersey City, Woodbridge, Hope, Union City, and Kearny to name a few. Significant among the assets held by the Trustees are the various funds held for ministry in Jersey City, which as of September 30, 2011, had an approximate value of \$3.5 million dollars.

The Trustees also act as the custodians for various dedicated funds such as the Marge Christie Fund, the New Ministry Initiative Fund, the Lay Pension Fund to name a few. These assets have a combined value as of September 30, 2011 of approximately \$2.3 million dollars with income used to fund and support various initiatives under the supervision of the Diocesan Council and other Diocesan Entities.

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 2011, the Trustees continued to work closely with James Caputo, the Diocesan Property Manager, to address concerns on properties under their oversight, including Mission Church and closed church properties. During the year 2011, the Trustees spent approximately \$115,000 on various projects related to the management and maintenance of properties under their care and in fees expended for the disposition of surplus assets.
- Sale of Property: During the year 2011, surplus church property located in Livingston, New Jersey was sold for \$35,000 and the proceeds distributed after reimbursement of expenses to various funds pursuant to the asset distribution policy.

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.

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 are entering into a Joint Venture with Jersey City Episcopal Community Development in an attempt to expedite the disposition of this property.

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: The Trustees approved the rental of excess space at Episcopal House to the Sadie Nash Foundation with proceeds added to the Diocesan operating Budget. Additional opportunities for the rental of excess space at Episcopal House are being explored through the use of retained real estate brokers.

Congregational Issues: The Trustees have been actively involved in several congregational initiatives undertaken in 2011.

First the Trustees have provided assistance for the move of the St. Peters' Korean Episcopal Church from their prior home in North Bergen to the former All Saints Bergenfield location. The property in North Bergen is now on the market for disposition.

Second, the Trustees have been involved along with the Standing Committee and Office of the Bishop in the efforts by Christ Church, Belleville and St. Peter's Clifton to consolidate. The Trustees have assumed responsibility for the maintenance and operation of the Christ Church Bellville cemetery.

A WORD OF THANKS

In March, the Trustees accepted with regret the resignation of Carlotta Budd, of Grace Church, Madison. Ms. Budd has served as a Trustee for some twenty-two years, including a term as President. Her wisdom as an attorney specializing in real estate and real property matters has proven invaluable to the Trustees in countless ways and her presence will be missed.

Respectfully submitted,

John C. Garde, President

December 31, 2011