

Christ Church's Finances

How We Build, Invest and Use Our Endowment

The first part of this mailing looks at our parish endowment, the fund that is made up of bequests and gifts from parishioners.

Brief History of the Endowment

Christ Church's endowment is a substantial financial asset. A few parishes in our diocese have larger endowments; most have endowments far below the value of ours, or no endowment at all. The value of the endowment was less than \$50,000 when David Hoag was called to the parish as rector in 1966. It grew thanks to some substantial gifts, including a bequest from Christopher Cheney, the owner of the racehorse Secretariat, and from many smaller gifts and bequests. The endowment is made up of unrestricted funds that can be used for any parish purpose the vestry deems necessary, and several restricted funds, dedicated to specific parish ministries: music, buildings and grounds, the Garden of the Resurrection and Christian education. The value of the endowment reached an all-time high of \$3.8 million in 2007. At the present time, the value of our endowment is approximately \$3.4 million.

How We Manage the Endowment

The vestry has delegated oversight and management of our parish endowment portfolio to the Investment Committee. The committee is governed by policies and operating principles established by the vestry. These policies were thoroughly reviewed and updated by the vestry and the investment committee in 2014. The resulting document, which is available to all parishioners through the rector's office, provides specific guidance to the fiduciaries who manage the parish investments and have the responsibility to hand over to their successors a financially healthy and vital institution. Key investment committee responsibilities include:

- Establish risk and return objectives
- Set performance benchmarks
- Determine asset allocation
- Select investment vehicles
- Perform tactical rebalancing
- Conduct performance monitoring
- Report to the vestry

The Investment Committee's mission states that it is to "safeguard the funds to ensure they are available not only as financial reserves for the future of the parish, but also to provide income for the annual parish operating budget." Income from the invested assets of the endowment has been critically important to managing our budgets for many years. This year, funds from the endowment will provide about 23% of our parish operating expenses.

The Endowment's Purpose

While most of us probably view our endowment as a wonderful blessing, we need to acknowledge that church endowments are not easy. Some people question whether churches should have endowments at all. Some worry that parishioners will start to take endowment

income for granted and become complacent about making an annual pledge to the church. It's important that clergy, vestry and all parishioners are sensitive to both the blessings and the responsibilities of our endowment.

The vestry's policies and principles statement is clear about our approach to the endowment. The vestry tasks the investment committee to "...invest the endowment to achieve growth in principal value over time sufficient to preserve or increase the purchasing power of the endowment... **The endowment has a long-term, indefinite time horizon that runs concurrent with the endurance of the parish, in perpetuity.**" This policy requires the vestry to:

- tightly control the amount of the endowment we use to assure the short-term necessity of a balanced operating budget
- analyze all financial options the parish has before drawing on the endowment for unexpected major expense
- make certain all parishioners understand that the presence of an endowment should not be a factor in determining how we pledge to our church
- set clear parameters for what capital projects are worthy candidates for the use of endowment funds

Building Our Endowment

Many of the major gifts and bequests to our endowment were made several generations ago. Parishioners have continued to remember the church in their wills and make gifts to the endowment. In the recent past we established the Bolton Cornerstone Society to recognize parishioners who have expressed their Christian stewardship through planned giving.

We are grateful to the members of the investment committee for the expertise, wise council and hard work they bring to the management of our endowment.

The Financial Challenge of Maintaining Our Buildings and Grounds

Our church complex comprises three buildings – the old Parish Hall (which now houses the nursery), the Rectory, and the main church building, which has five distinct sections that range in age from 1843 (the original church building) to 1966 (the Ranck Building, which houses our classrooms, offices and library). Maintaining these buildings and adjacent grounds takes a significant, ongoing investment of time and money.

Who manages our large building complex?

Christ Church has always relied on the Rector, staff, vestry, and dedicated parishioners to plan and manage the upkeep and repair of our buildings. Some parishes with extensive building complexes outsource this work. We've been fortunate over the years to have parishioners with professional experience to serve on our buildings committee. For the past ten or so years an active buildings committee has tried very hard to put 5, 10 and 20 year planning in place. Building committee members support Father Matt and the staff in all aspects of our buildings. In addition, we have engaged the services of Parish Property Management (PPM) to assist and supervise this process. They together:

- Develop and update the long-term and annual buildings maintenance and repair plans
- Create requirements and specifications for projects
- Solicit bids, interview contractors and award contracts
- Manage restoration and repair projects to meet specifications and stay on budget

How do we pay for the ongoing maintenance of our buildings?

Every year, the vestry commits significant funds to the ongoing upkeep of the buildings. This year we will spend about \$150,000 for building, grounds, utilities and snow plowing. This budget line covers routine maintenance services, supplies, scheduled improvements such as painting, emergency repairs and smaller capital projects if there's room in the budget. The vestry believes that it's critical to maintain or gradually grow this level of funding to support an ongoing preventative maintenance plan. As we've pointed out in our first article, our annual pledges cover about 60% of our operating budget.

How do outside tenants' use of our buildings impact expenses?

Use of our buildings by outside groups and income from their rental fees have grown significantly over the past several years. Rental income grew from about \$50,000 in 2007 to \$90,000 this year. We have successfully grown our tenant base and ensure that they pay fair, market-based rents. However, more tenants mean more wear and tear on our facilities. Keeping up with the necessary repairs, as outside use of our buildings increases, is one factor that is driving our annual building maintenance budget higher.

How do we fund large capital projects?

As you know we are in the middle of a major capital campaign to fund various levels of building needs. These funds are being used **solely** for capital improvements. They do **not** include ongoing maintenance which is funded from our annual operating budget. The fact that we have

all committed to the capital campaign should not be seen as a substitute for our ongoing operations of the parish. Put **bluntly** it is important that we understand that the Capital Campaign was **not** a substitute for the Stewardship Campaign which generates the majority of the income we need to run the parish.

There are several key elements of our capital project planning and funding that deserve some explanation:

Project selection. Projects are selected based on a number of factors. Some projects are rushed to the head of the line when we become aware of situations that present a safety hazard or a condition that could either become a much larger and costlier repair or could result in damage to a precious church asset if we were to wait. The current roof replacements on our church buildings are good examples. Projects sometimes are designated by individuals or families making bequests, such as the new organ. And some we do simply to keep the basic church plant functioning safely and reliably.

Funding sources. Thankfully, Christ Church has a range of sources we've been able to rely on to fund capital projects. The successful 175th Anniversary Capital Campaign went a long way towards funding some critically needed capital improvements. In addition, one-time sources like private source grants or Diocesan grants are always actively sought. However, ongoing projects and unexpected building repairs will always be a part of our parish life. We will continue to need to pay for those through operating funds.

A final mailing next week will include a discussion of how we give, together with an Estimate of Giving card. We urge all parishioners to prayerfully consider their 2019 pledge to our church.

Everyone then who hears these words of mine and acts on them will be like a wise man who built his house on rock. The rain fell, the floods came, and the winds blew and beat on that house, but it did not fall, because it had been founded on rock.

Matthew 7: 24-25