

Annual Report 2021 – Board of Trustees

The Board of Trustees is responsible for managing the real and financial property of the Diocese to support the Diocese's LOVE, TEACH, HEAL mission currently and well into the future. The board is currently in the process of transitioning from 16 to 12 lay members plus the Bishop in compliance with the Resolution passed for a second time at the 2020 Diocesan Convention. The service of former trustees Kathy Farrington, Dan Moore and Andrew Thiros is much appreciated. The board also mourns the recent, unexpected passing of Bernie Rottschaefer who served faithfully and enthusiastically as the District 2 representative.

Near the end of 2020 Bishop McConnell appointed Ken Spruill to the board. In January 2021 David Bischoff, Heather McDonald, Jim Neral and Jinny Tuscano all started serving their second successive three-year terms. Much of the board's business is conducted by its internal committees which are effectively chaired by Tom Moore (Finance/Investments), David Bischoff (Audit), Eric Linn (Property), Dana Phillips (ACNA Parish Relations), and Jane Burger (Baur Charitable Trust). Heather McDonald continues as Secretary for the fourth year. Sheila Stagnitta and Florence Atwood serve as the board's representatives to the Growth Fund Committee which Sheila chairs. Again this year the trustees elected Mike Donadee as Assistant Secretary because of his willingness to contribute his legal expertise in real estate transactions. The contributions of all of those mentioned above to the accomplishing the board's business are much appreciated.

Canon Treasurer Kathi Workman, Marlene Rihn and Jo Ann McLaughlin-Klemencic contribute immeasurably by their effective execution of their financial and property management roles. The board also relies heavily on the legal counsel of Chancellor Andy Roman on many complex issues. Undoubtedly the board could not function without them and wishes to express its gratitude.

Diocesan Endowment

Following the market volatility of the first half of 2020, the performance of the diocesan endowment pool has responded well. Under the continued management by Morgan Stanley and oversight by Tom Moore's Finance/Investments Committee, the diocesan endowment pool had grown to \$30.1 million on June 30, 2021 from its value of \$24.4 million on June 30, 2020. In addition to the diocesan endowment funds the pool includes assets held by the Diocese for others, such as member parishes.

With the recent strength of equity investments the asset allocation now stands at approximately 68.5% equities, 18.4% fixed income, 6.7% alternatives and 6.4% cash, all within the ranges recommended by Morgan Stanley. The significant cash position means the board can avoid the need to sell off assets when the market is down.

The trustees continue to use the long-standing policy of calculating the yearly distribution from the endowment funds as 4.5% of the prior 48-month moving average of the pooled endowment value. Distributions from individual funds in the pool are used to fund the operating budget,

distributed quarterly to third-party beneficiaries, transferred to other designated accounts, or reinvested in the funds.

Disposition of property

The ACNA congregations that had been resident in St. Mary's, Redbank and St. George's, Waynesburg disbanded and returned their property to the Diocese near the end of 2020. Both properties have now been sold. The Redbank Church and Cemetery Association, a non-profit organization headed by an individual with many family members buried there, has assumed responsibility for the cemetery maintenance.

The board has also sold the Church of the Epiphany, Avalon property consisting of the church and adjoining rectory. Epiphany had been inactive since 2003 but the widow of the former Rector had been living in the rectory until early this year.

Support for Parishes

Since the last Convention the trustees have approved Growth Fund grants and/or loans as recommended by the Growth Fund Committee for these parishes: Advent – Brookline, All Saints – Brighton Heights, Redeemer – Squirrel Hill, St. David's – Peter's Township, St. James – Penn Hills, St. Stephen's – McKeesport, St. Stephen's – Wilkinsburg, and St. Thomas – Oakmont.

Distribution of funds from the Robert M. Baur and Barbara N. Baur Charitable Remainder Trust

The trustees were the grateful recipients of \$1.4 million from the Robert M. Baur and Barbara N. Baur Charitable Remainder Trust (CRUT). In compliance with the CRUT conditions one-third of the funds have been deposited in a separate endowment fund named after them in Morgan Stanley Pool 1. The income from this fund is designated to help fund the diocesan operating budget. The CRUT documentation also instructed the board to distribute the other two-thirds of the funds to various non-profit and charitable organizations at the discretion of the board. The trustees have approved distributing \$472,500 to twenty-two organizations suggested by the Baur's CRUT document and \$175,000 to the Iona School of Pittsburgh, a formation program being developed at Trinity Cathedral. A balance of \$286,000 remains for future distributions.

Support for Diocesan Mission

Since a significant portion of the diocesan budget is funded from endowment funds managed by the trustees, the board met with Canon Treasurer Kathi Workman and Bob Johnston, chair of the Budget and Assessments Working Group (BAWG) of Diocesan Council, in June to review the preliminary version of the 2022 diocesan budget that will be presented for approval at this Convention.

Respectfully submitted,
Jerry L. Stephenson
President, Board of Trustees