

Report of the Board of Trustees (As of April, 2022)

As of April 28, 2022, the Board of Trustees consists of President Tom Loder, Vice-President and Secretary Andy Snover, Treasurer John Bustard, and Members Barbara Mitchell, Ray Torres, Wayne Varnadore, Marion Brown, Bonni Zetick and Jim Ruff. Jim is the most recent Board member, having joined as of May 2021.

Since the last Annual Report was submitted in June 2021, the following are the main issues the Trustees have addressed and would like to highlight:

A. Socially Responsible Investing:

The FUMCOG Endowment. As part of the Trustees' investment management responsibilities, the Trustees engage an investment advisor, Prudent Management Associates (PMA), and the Trustees continue to work with PMA to analyze the FUMCOG endowment portfolio (which includes the Julia Morgan Fund and Helen Arthur Fund assets). In 2021 and 2022, the Trustees continued to examine the endowment holdings to determine how FUMCOG could better contribute towards protecting and improving the environment - - after having worked in 2019 and 2020 to reduce **to app. 1%** (down from the prior app. 6% - 8%) the proportion of the endowment's overall investment in companies engaged in the production and delivery of energy from fossil fuels.

Specifically, the Trustees undertook to determine whether, in addition to reducing the FUMCOG endowment's investment in fossil fuel industry companies (to 1%), there were ways in which FUMCOG could affirmatively and responsibly invest companies engaged in the development of alternate energy sources such as solar, wind, electricity and the like - - meaning environmentally friendly investments that help to reduce the effects of global warming - - commonly referred to as "carbon solutions" sources of energy.

Working closely with PMA in 2021 and 2022, the Trustees (as of April 2022) elected to invest 5% of the endowment's equity holdings in "carbon solutions" company stocks. By investing the energy sector piece of the FUMCOG endowment portfolio in "carbon solutions" stocks, the endowment's investment in those environmentally-friendly energy sources increased significantly - - while only minimally increasing the endowment's total exposure to fossil fuel sources (due to fund and company fuel source diversification strategies from the app. 1% achieved in 2020 in the current endowment portfolio now (with this latest change) having a significantly greater emphasis on "carbon solutions" investments.

The Trustees are monitoring the effect of this change in investment approach to determine if greater "carbon solutions" investments (i.e., more support for alternate energy sources) might be justified based on fiduciary and diversification principles (according to which energy sector stocks generally make up no more than 10% of an endowment's equity holdings).

The Trustees are also evaluating an increased investment in Philadelphia-area companies that would strengthen Philadelphia's economy and make it more economically just. In 2020, the Trustees reported having invested \$100,000 towards that objective in the form of making an interest-bearing loan to the Philadelphia Impact Fund, which supports indigenous business and community organizations. The Philadelphia Impact Fund is a subsidiary fund managed by, and under the same standards, as the Reinvestment Fund ("TRF"), a national fund focused on making and managing loans to support the growth and success of socially responsible community businesses and organizations - - and in which FUMCOG had previously maintained an app. \$30,000 investment for several decades. The amount of FUMCOG's investment in those Philadelphia Impact Fund loan investments is now \$100,000 and the interest return to the FUMCOG endowment on those loans has been consistent and stable (both since 2020 and for the app. three to four prior decades in the parallel Reinvestment Fund loans supported by FUMCOG at the prior \$30,000 level).

1. **Julia Morgan Fund.** Many years ago, a teacher at Germantown High School surprised the church with a request to establish a special fund to support mission work in memory of a friend (Dr. Julia Morgan) who had served as a Methodist medical missionary in China. Each year, the Trustees continue the long tradition of making grants from the Julia Morgan Fund to support local, national, and international organizations providing innovative community services. This year, we approved eight (8) grants **totaling \$34,000** as follows:

- **\$9,000 to the FONDWA Peasant Association for distribution to Local Development Committees** working with the Peasant Association in the earthquake region for hurricane relief as well as long term recovery to support (1) Temporary jobs (cash for work); (2) Housing (repair and rebuilding); (3) Access to basic health care; and (4) Access to water (assessment, basic needs, replacement/repair of destroyed water tanks).
- **\$5,000 to Philadelphia Interfaith Hospitality Network (PIHN)** to fund a solar initiative at PIHN's Northwest Day Center, a Germantown home owned by PIHN used to house large families, and a rented parsonage used as a year round static shelter site (allowing PIHN to save up to \$5,000 annually in electric bills and to act as a model for other organizations to initiate their own solar installation projects).
- **\$1,500 grant to the Scouts** sponsored at FUMCOG for the construction of storage units in the Church's interior courtyard.
- **\$3,500 to PA Interfaith Power and Light (PA IPL)** for two projects: (a) \$2,000 for its "Tree Tenders" project, to organize and plant trees in urban spaces otherwise consisting of mostly cement (e.g., the school f/k/a Pickett Elementary at Wayne and Cheltenham Avenues in Germantown; Juniata Park Elementary School); and (b) \$1,500 for educational programs to promote "environment climate awareness" under the direction of Director David Menendez.
- **\$10,000 to Urban Resources Development Council (URDC) grant request** consisting of (a) \$6,000 - - to be matched by other donors - - for a "Home Strong Program" designed to work with homeowners to promote awareness of how to preserve their property-based wealth and pass it on to next generations; and (b) \$4,000 for home repair and property maintenance, consistent with past years and URDC's traditional objectives. (the success of which was underscored in a late-2021 Adult Academy presentation by URDC staff).
- **\$5,000 to Community Basketball Enrichment (CBE)** (including dedicating a separate \$3,000 gift to JMF by a 1980's-era recipient of a JMF grant to support a journalism internship) for program operations and recruitment/scholarship awards to female participants at Germantown Summer Camp held at Germantown Friends School (which donates its 4 gyms, the classrooms needed, and coordination with staff at and use of the Friends Free Library) for 4 weeks each Summer enrolling app. 85-100 "campers" per week to play basketball but also to promote reading, math and computer skills and academics in an environment having a very favorable 6 to 1 instructor to camper ratio, and a computer training program that FUMCOG member Ann Perrone directed this past Summer.

The Trustees thank John Riggan for his great leadership for many years in bringing JMF grant applications to the Board and for his work both in maintaining close relations with the grant recipients over the years and in building a network of worthy organizations through which JMF grant funds have been to work for good causes.

The Trustees are committed to focusing grants on Germantown-area organizations and affirms that FUMCOG's legacy for its commitment in Germantown has been an important feature for attracting new members and should be made more visible in the Philadelphia community. This would follow a tradition of FUMCOG's many

decades of support for URDC, Covenant House, After School Tutoring, Head Start and other commitments to lifting up the educational, health care and housing opportunities available to Germantown residents.

2. **Helen Arthur Fund**. The United Methodist Women are responsible for administering the Helen Arthur Fund (with assets of app. \$286,000 as of March 31, 2022) and making Fund grants - this Fund has its own account that is invested through the Trustees with the same investment manager (PMA) we have chosen to invest the Endowment. This is done to gain the benefit of lower investment fees and for efficiency of investment decision-making and oversight. The Helen Arthur Fund has been used in a wide variety of ways to enhance the FUMCOG environment and use of Church facilities.

B. Building Preservation and Maintenance:

The Board of Trustees is responsible for the overall preservation, maintenance and care for the Church's buildings and physical assets. The Property Committee (Jim Ruff, Alan Ankeny and John Bustard) is extremely generous and diligent in its oversight and handling of most of the maintenance and repair needs of the church. While the operating budget can absorb small or routine repairs or replacements, large expense items require that the Trustees find and dedicate the needed funds – either from cash reserves, by arranging a loan of Trustee funds, initiating Administrative Council approval of a capital fund campaign, or by obtaining outside financing. Several highlights:

First, with Ad Council approval, the Trustees approved the resumption of Worship Services in the FUMCOG Sanctuary beginning on June 13, 2021; continuing with some exceptions through 2021; and continuing each week to date in 2022.

Second, work was completed in 2021 to install a **Sprinkler fire protection system** in the Loder Education Building (both floors, and the entire building “this side” of Pilling Hall, including the gymnasium and bathrooms and stairways, and excluding only the Chapel). The work was completed within the very attractive \$137,000 bid framework with no apparent issues with the quality of the work done by an extremely reputable construction company. All work was fully permitted and inspected as required. The work protects our Sunday School program and our day care building tenants. Adequate fire protection is a state and city building codes requirement related to services for children. The state Department of Human Services which regulates child care requires that the facility be in compliance with the city and state building code requirements. We are continuing to seek the Certificate of Occupancy required by the City and day care regulators. Trustees have engaged legal counsel and architectural assistance in pursuance of the required Certificate of Occupancy which will reflect the enhanced safety of the building now that the installation of the sprinkler fire protection system has been successfully completed.

Third, the Trustees, with Administrative Council support, funded the installation of the new **live stream video** system in the Sanctuary, with two large mounted screens on the facing walls of the altar and cameras to broadcast Church services and events on a FUMCOG site carried on a YouTube of our own. The system was initially installed for app. \$58,000, and upgraded in 2022 for an additional \$17,000 to add additional mobile microphones and cameras - - for a total system cost of \$75,000. The Trustees funded \$66,000 and \$9,000 came from donations. The live stream has allowed FUMCOG to include many FUMCOG Members and friends in our services and events “live” from anywhere in the country, and ALSO to access and retrieve (or re-watch) recordings of any prior service or event at their convenience. The Livestream platform not only allows us to include our friends from other states, who are in recovery or receiving in-patient care, traveling for whatever reason or otherwise unable to attend in person, but ALSO for us to share special events (as with Memorial Services) with guests and potential new members by copying any link from YouTube (by going to YouTube and then typing into the YouTube “search box” the word FUMCOG or other words identifying a particular date or type of service - - e.g. Easter, Christmas, Lent, Memorial or other service type)).

Fourth, the process and planning is underway for the Trustees to arrange the repair of the **Tiffany stained glass windows in the Sanctuary as well as the stained glass windows and chafed walls in the Chapel**, for which we anticipate obtaining a Partners for Sacred Places grant to be matched by the Church (for which two Members have indicated an intention to match).

Fifth, Trustees have completed an **Accessibility audit**. That audit has been submitted to the conference office the required annual accessibility audit in November, 2021. Based on this audit, FUMCOG is at the bronze level and making significant progress toward the silver and gold levels. The bronze level indicates that FUMCOG is "welcoming and offers basic amenities for a person with a disability to participate."

Finally, taxes: The Trustees funded a challenge to the City of Philadelphia's imposition of a newly-imposed **real estate property tax** of approximately \$18,400 annually on the Church property. Since the last Trustee report, we received a decision on FUMCOG's favor and FUMCOG is now NO LONGER subject to this real estate property tax.

C. Tenant Management and Oversight:

Our Church halls and classrooms are full of life and spirit all day, almost every day, all week, all year - - and most evenings too. The Trustees have worked with our mission-consistent tenants, and continue to supervise and address all of the issues necessary to coordinate flexible and efficient building use. Miss Marty's Daycare, Alcoholics Anonymous, and Women of Faith are all long-term paying tenants in the Loder Education Building; and Northwest Victim Services occupies the Green Tree Building (our former Church Office). Natural Creativity, our tenant since 2015, vacated the Curry Forum Room space in September 2021 (including one adjacent administrative office room); and we are currently looking for a new tenant. If anyone knows of a good **new potential tenant** for that space, please advise a Trustee!! Until we find a new Curry Forum Room tenant, our lease revenues will reduce from app. \$112,000 in 2020 to app. \$97,000 in 2022.

The long-term lease the Trustees negotiated in 2018 with T-Mobile (which thereafter merged with Sprint) for a Tower Antennae relay station did not materialize - - Sprint did not exercise its option to continue with that project. Disappointingly, this eliminated what had been anticipated as a possible new source of long term revenue (in excess of \$25,000 per year, with cost of living increases over 30 years).

D. Support/Contribution to Annual Church Operating Budget:

Each year, money is allocated from the Endowment Fund to support FUMCOG's annual budget. Next to pledges, contributions from the Endowment Fund (\$196,000 for Budget Year 2022) are the second-highest source of church income. Third is tenant income (\$112,000 in 2020).

The Endowment contribution to the 2022 Budget is \$196,000; and its dedication of tenant rent payments in 2022 is expected to be app. \$96,000). All told then, the total Endowment and rental contribution amount to the Budget is app. 42.5% of the Church Budget (\$291,000/\$684,000).

Investment advisors usually recommend that non-profits spend not more than approximately 4.0 to 4.5% of fund value each year. For the 2022 Church operating budget, the Trustees have dedicated app. 4.55% of its 3-year average year-end endowment fund total - - *before* an additional 0.48% investment expense for fund management fees is factored into the account.

E. Endowment Management:

As of March 31, 2022, FUMCOG's endowment asset value stood at app. \$4,232,343 (this amount does not include approximately 980,435 as of 3/31/2022 of restricted funding invested with PMA and overseen by the Trustees for distribution under the Julia Morgan Fund and Helen Arthur Fund pursuant to the criteria described above).

Net of withdrawals for church budget and preservation work, and notwithstanding an app. 10% downturn in the S&P stock market index in 2022, this represents a \$241,773 gain in the Endowment's value from December 31, 2020 through March 31, 2022.

The Trustees encourage gifts to the Endowment (including tax advantaged and estate-related gifts) to support Church mission. One Church member made a mission-enabling legacy gift of \$480,000 in 2016; other gifts since 2016 have totaled \$93,577.

The Trustees have, since 2006, pursued a "total return" investment philosophy through its portfolio Manager, Philadelphia-based Prudent Management Associates ("PMA"). In 2020, the Board negotiated a 25% reduction of PMA's fees (from a base 0.60% to 0.45%, representing a savings of app. \$1,500/yr. on each \$1 Million invested. A small service fee from the account custodian, Fidelity Investments, of 0.03% brings our total investment expense to 0.48%

Once a year, PMA's management team meets with the Trustees and other church leaders (for example, Faye Ross and Barbara Sveen, overseeing the Helen Arthur Fund for the UMW) to discuss the endowment's performance.

The Trustees are proud and relieved to report that we have now come through two years of the pandemic in relatively good condition, and that we as a Church can continue to look forward to spreading our spirit and mission in our community. As we stated last year at this time, and can say in faith once again, the FUMCOG "Ark keeps bobbing along."

If you have any questions about this report, please ask me or one of the other Trustees - - or send an e-mail to ttloder@duanemorris.com for clarification (or Board consideration and response).

Tom Loder, Trustee President

For the Board:

Andy Snover, Vice President and Secretary, John Bustard, Treasurer, Ray Torres, Wayne Varnadore, Barbara Mitchell, Marion Brown, Bonni Zetick and Jim Ruff

