

Minutes
North United Methodist Church
BOARD OF DIRECTORS MEETING
May 24, 2017
5:30 p.m.

Members

Shannon Priddy, Chair
Ron Gifford, Vice Chair
Mark Grove, Secretary
Richard Kluger (Finance)
Eric Oehler (Trustees)

John Drake, Treasurer
Mark Foglesong (AL)
Jacqueline Blackwell,(LL to AC)
Kathleen Custer, LL

Ex Officio

Darren Cushman Wood
Josh Jordan

Absent

Jim McDonald (SPRC)
Jeff Eggert (AL)
Faustin N'tala (AL)
Eric Galloway (MC/LL)

Guest

Tom Welch, Chair, Endowment Committee

1. Devotional (Shannon)
 - Shannon opened the meeting by sharing a [Persistent and Audacious Prayer](#).
2. The minutes of the April 26th meeting were approved unanimously.
3. Stewardship Update (Darren)
 - The Stewardship Committee has established a theme of *Expanding Our Reach* for the Fall 2017 campaign.
 - The campaign will feature a goal of increasing the portion of our income that goes to the church tithe.
 - Recognizing we can't move from our current contribution percentage to a full tithe in a single year, the Stewardship Committee will consult with the Finance Committee as to a reasonable goal for this year's campaign.
4. Land Development (Darren)
 - Two forums related to the development were held in May.
 - The first provided an update on where we are in the process and approximately 30 North members attended.
 - The second featured a discussion on affordable housing and drew about a dozen attendees. Representatives from [Coburn Place](#), [Nurse-Family Partnership](#), and [Fathers & Families](#) served as panelists who described the kinds of problems the lack of affordable housing poses for their clients.
 - We have had meetings with some of these groups regarding the proposed project and possible partnerships, but have been careful not to raise expectations that the development is assured.

- Darren told members the Flaherty & Collins has shared a draft of what the development footprint would look like.

Communications plan for the proposed development

- In addition to finances and practicalities, the communications plan should help congregation think about how we can reconfigure space.
- Pablo Svirsky will start issuing a monthly newsletter from the Task Force on the status of the project as well as related information.
 - While some of this information may not be new, it is another opportunity to reach church members regarding the proposal.
 - Darren suggested that one approach to take in discussing the proposal is to begin to think about North as a cathedral *vis-à-vis* the community. It functions and serves in different ways than a traditional congregation, including a forum and locus of civic leadership.
 - The Task Force will begin to meet monthly rather than its current *ad hoc* schedule.

5. Endowment Update (Tom Welch)

- Josh shared descriptions of the fifteen different Endowment Funds. These descriptions briefly summarized the intent of their donors (where appropriate), such as:
 - to provide funding for capital improvements, including the cost of renovation and major repairs
 - to provide adequate housing for the pastor.
 - to provide funding for ministry and mission programming of the Church.
 - to support, address, and understand issues of the 3rd world specifically, Latin America.
- While North's [Endowment Policy](#) now requires a minimum gift of \$100,000 to establish a new separately named endowed fund, there are a number of older, smaller funds still in place intended to meet such targeted needs as providing medical care and purchase of bibles for 3rd grade Sunday School students.
- At the [April 2017](#) meeting, Board members had discussed whether there would be any benefit to combine some of the separate endowment accounts for ease of tracking and to allow greater flexibility in funding church initiatives.
 - Tom told the group that he and other members of the Endowment Committee recommend against consolidating these accounts.
 - The reports from the Foundation already break these subaccounts out for easy tracking.
 - If we wanted to modify funds, Indiana Code has required steps in place, including consulting with the original donor.
 - The Endowment Committee believes that not honoring the original donor intent (through consolidation) makes the likelihood of receiving such future gifts less likely.

- There is not enough money involved in the current smaller endowment accounts to risk alienating future donors who would prefer to see their gift as continuing.
- **Endowed Funds** should not be confused with **Designated Funds** that exist separately in the budget. While distributions from the fifteen *Endowed Funds* are included in the “temporarily restricted funds” portion of the budget, there are 48 other *Designated Funds* that were established by different groups within the church and are more operational in nature.
 - These subaccounts allow deposits from fundraisers and other sources and payments for specific activities. These sometimes are pass-through in use and are better managed through the church than by individual members of those groups.
 - Some funds are very small (including some below \$100) and having met their initial goal (or not) have since been abandoned. These may be candidates for consolidation and possible change of use.
 - The Finance Committee will discuss establishing a policy for periodic review of non-endowment funds below a fixed amount and which have been inactive for some period as candidates for a budgetary sweep into a cash line for other use.
 - The fifteen designated funds that are tied to Endowed Funds will not be included in this review.
 - The Finance Committee will bring this proposed policy/process back to the Board at a future meeting.

6. Staff Update (Darren)

- We have three positions that are currently vacant or will be soon.
 - The Building Manager will remain as is and will be filled first. Joel O’Neil is helping get the word out to possible candidates.
 - The position of Minister of Youth and Young Adults will have an interview team that will include Ashley Monroe and Jeff Eggert, representing the Youth Council. There have been a couple of inquires so far and good leads.
 - While we will look for a Parish Nurse, we also will look beyond that more specific role and seek someone, perhaps retired clergy, to serve as a part-time *Minister of Visitation*.
 - SPRC will actively participate in filling these positions.

7. Committee/Board/Senior Pastor Reports

- Finance (Richard)
 - Audit
 - The auditors have submitted their draft audit report and governance reports. The Finance Committee has reviewed these documents and copies were shared with the Board.

- Richard led the group through both documents, highlighting a number of findings/recommendations in the Governance Report and how North will respond. These include:

Weaknesses or Deficiencies

- *Review and Approval of General Journal Entries.*
 - The auditors recommended this be performed by someone not involved in preparing and posting the entries. This role will be undertaken by North's Treasurer and as such appropriate budget analysis skills will be required in filling this Board position in the future.
- *Endowment Accounting*
 - The auditors found that the procedures North uses to report quarterly earnings from endowment funds as well as the annual distribution are not in compliance with GAAP. The auditors will consult with North soon on more appropriate ways to track these data.
- *Pledges Receivable Reconciliation*
 - While the auditors initially recommended reconciling pledges received on a monthly basis, following conversation with North they agreed that such would require excessive effort and that the current annual reconciliation is satisfactory.

Best Practices Recommendations

- *Authorized Individuals on Accounts*
 - Auditors found an account statement addressed to someone no longer employed by the church. The recommendation is for regular review of all such accounts to ensure that distribution lists are current.
- *Maintaining Minutes for Board of Trustees Meetings*
 - The auditors apparently believe the Trustees is North's governing body. North will communicate with the auditors to clarify the different roles and point them to the [readily available minutes](#) from the Board of Directors.
- *Documentation of Approved Wage Rates and Paid Time Off (PTO) Accrual*
 - In two related findings, the auditors noted insufficient documentation of current wages/salaries and PTO terms/records in each employee's file. In addition to taking that step, North will provide this information in an annual notification to each staff member annually at the start of the calendar year.
- As a term of its bank loan, North is required to demonstrate it maintains a cash flow sufficient to cover the loan.
 - The church is supposed to have a cash flow ratio of at least 1.05 to make the loan payments. This past year we came in slightly below (1.01) that requirement (\$2,000 short).
 - This does not include funds we receive from the endowment.

- Some of our expenses are not in operational funds, such as HVAC. This is included in the debt covenant, but it does not show up in normal monthly reports.
 - Perhaps once a quarter we should make sure such expenses are reflected and reconciled.
- As we are below the required cash flow ratio, we need to secure a covenant and waiver that the bank is satisfied with the shortfall and that North is in a position to continue to adequately cover its loan. Josh and Richard do not anticipate a problem with securing this, but Board members agreed we need to cover that ratio going forward by reducing the gap between expenses and revenue.
 - In addition to continue to try to attract more members (and donors), we might consider a campaign to help build a cushion to retire the loan (currently \$1.2 million). Where there is a penalty for early pre-payment of the loan, we could keep the funds raised in a separate line and draw on it as needed.
- The Finance Committee recommended acceptance of the audit report *provided* the waiver from the bank is secured and that the auditors accept our proposed explanation of the governance roles of the Board of Directors vs. Board of Trustees.
 - The recommendation was approved unanimously with those conditions.

Budget

- Revenue is up \$75,000 year-to-date. However, a large contribution came in during May last year that we've already received this year so actually we are much closer to the budgeted amount.
 - Expenses are based on past history. As a result, they are sometimes subject to differing weather, equipment failure, and related events and circumstances that aren't easily predicted.
 - Grounds upkeep was expensive this month with the purchase of lots of mulch.
 - Easter Sunday required additional wages.
 - While Fees/Registrations are running well below the annual budget, it was noted that we had a similar income at this point last year and for some reason October (rather than June) has been a strong month for space rental for weddings.
 - We will finish paying for the audit this month.
 - Overall we had a good month and are in reasonable budgetary shape year-to-date.
- Trustees (Eric O.)
 - Boiler replacement will start soon.

- Staff Parish Relations Committee *SPRC* (Jim)
 - At our last meeting, we discussed the clarification of the role of SPRC in being responsible for all receptions related to staff at North Church. It is desirable to spread out these responsibilities to other North Church groups to a degree, although not withdrawing SPRC participation by any means. SPRC is looking for help from separate ministries.
 - Darren noted that Ministries Council will begin developing standardized guidelines and recognize SPRC's subordinate role in planning and managing such events.
 - Pastor Darren is exploring options to help in honoring Anne Brock on June 11. The Youth Group will be holding its own event for her earlier in June
 - SPRC continues discussions and actions regarding potential changes in staff benefits in general, and PTO policies specifically. We hope to complete this process at the June meeting.
- Ministries Council (Eric G.)
 - No report
- Lay Leadership (Kathleen)
 - Lay Leadership has developed some good ideas for the next *Celebration of Ministries*.
 - The group is beginning to look at names for different areas and Board members and other committee members were encouraged to pass along any suggested names to help fill leadership positions.
- Senior Pastor/Administrative (Darren)
 - Rather than continue to contract with an outside firm, North will hire our own security staff.
 - This change will save the church money and be more efficient. The staff will report to the Building Manager.

8. Pastor Darren led the group in a closing prayer.

9. No Executive Session was held.

See [January 2015 minutes](#), page 6, item 7

Upcoming Meeting Dates

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| • June 28 | • October 25 |
| • July 26 | • November 15 (3 rd Wednesday) |
| • August 23 | • December 20 (3 rd Wednesday) |
| • September 27 | |