

MINUTES
BOARD OF DIRECTORS MEETING
Wednesday, July 24, 2013

Members present

Ann Mackey, Chair	Mark Grove, Secretary
Ron Gifford, Vice Chair	James Hamstra (SPRC)
Troy Barker (Trustees)	Linda McClain (LL to AC)
Kathleen Custer, LL	Angela Ockerman-Jones (AL)
Eric Galloway (COM /LL)	Charles Young, Treasurer

Members absent

Jacqueline Blackwell (AL)
Bill Groth (AL)
Nick Tumminello (Finance)

Ex Officio

Darren Cushman Wood
Jim Thieman, CBA

1. Ann led the group in an opening prayer.
2. **Approval of Minutes of May 22, 2013 Board meeting**
 - Following two recommended changes, the minutes were approved as amended (Ockerman-Jones).
3. **Financial Report and Attendance Report (Jim)**

Income

 - Current year pledge income is \$23,000 below budget at this point (\$69,062 actual vs. \$95,000 budgeted).
 - Total revenue is running approximately \$33,000 below budget (\$639,082 actual vs. \$672,527 budgeted).
 - Income does not arrive evenly each month; Jim noted that we generally have a larger portion of pledges come in during the 4th quarter.
 - We will use actual income flow for 2012 and 2013 in preparing the 2014 budget. This information and certain modeling software will give us a better understanding of the budget flow and budget process prior to Pledge Sunday in the Fall.

Expenses

 - Expenses are running approximately \$49,000 below budget at this point (\$679,637 actual vs. \$728,916 budgeted).
 - Combined with the income shortfall, we are running about \$16,000 to the good.
 - While we have \$18,500 in legal fees involving the property acquisitions that has not been reimbursed by our insurance company, one family has made a \$14,000 contribution toward those fees.
 - With Brian's departure we are unlikely to spend the full amount allocated for Ministry supplies for the year.
 - Given the lack of predictable expenses, we budget approximately \$40,000 toward Building Repair each year. While we hope that problems don't arise that require significant expense, it is better to have the money allocated and

then not have to use it when needed. While we could take additional steps in anticipated maintenance, such as replacing light bulbs with more efficient ones in one batch, we have decided to replace them as they burn out instead and spread the change over a longer period. This allows the transition to be made while still keeping additional funds on hand in case of an unanticipated repair.

- Jim and the Finance Committee will continue to closely monitor income and expenses.

Designated Funds

- There are some temporary fluctuations in some of the accounts, but nothing of concern.

Attendance Report

- With a spike in June attendance, total attendance for the 2013 is running about even with 2012 at this point.

4. Illinois Street Update (Ron)

- Ron provided a brief overview of discussions that continue regarding possible redevelopment of Illinois Street from 38th street north for several blocks.
 - The area is included in a newly designated Tax Increment Financing district in an effort to encourage development. It would take significant external funding and development going up the street on both sides to provide sufficient density and a “footprint” in order to be attractive to a developer.
 - The Land Use Task is in the process of sharing information and coordinating efforts with our neighborhood partners and has met with representatives of the Mayor’s Office and the Department of Metropolitan Development, among others. At this point possible plans are conceptual only.
 - The Task Force follows the following broad general guidelines:
 - Any development should enhance and strengthen the mission of NUMC.
 - Our efforts should exert a positive, lasting effect on our neighbors and the immediate community.
 - Whatever work takes place should have a material effect on improving the use of our facilities, both in the present and longer term.
 - The Church likely will need to rely on the expertise and resources of experienced partners to make any plan a reality.
- More information will be presented at a future meeting of the Board, perhaps in August or September. Members suggested that the Trustees and Ministries Council be invited to attend the presentation.

5. **Endowment Committee Report** (Ann and Jim)

- The Endowment Committee met June 19th and reviewed the current Endowment Policy that includes a standard 4.5% distribution each year. The Committee had two recommendations for Board action.
 - Give final approval for a 4.5% distribution of the endowment balance for 2012, up from the 3.0% tentative recommendation made last year for 2012. This reflects an improvement in the economy and the markets.
 - Give tentative approval for a 3% endowment for 2013. This is a conservative recommendation for planning purposes and can always be adjusted up, if appropriate, if the economy and markets continue to improve.

Discussion

- In reviewing performance the last 12 quarters were taken into consideration.
- We should continue to examine the Endowment Fund as our investment option, ensuring that we are balancing returns with satisfying an interest in socially responsible investing.
- We already have a significant balance set aside for building maintenance from a 2011 distribution. Do we need to add additional money to that fund where it will make essentially no money? We need more information from the Trustees on projects that North would go with, such as what they do with the 140k rather than 193K. Troy noted that neither amount would cover the cost of a new boiler and related needs.
 - Given the extant balance noted above, if we went with the 4.5% distribution rather than 3%, would it be possible to maintain the allocated distribution within the Foundation where it could earn a better return until needed rather than sit in a cash account drawing no interest? Jim will check with the Foundation.
- Ann reminded the group that endowment funding can't be used toward normal operations.
- Members agreed with Ann's suggestion that we need to spend time reviewing the current Endowment Policy and modify it as needed. For example, part of the endowment distribution is allocated toward program and mission. Eric believes the intent of that line was to support *new* initiatives, serving as seed money that can help North generate fresh ideas and the kind of exciting new programs that would help draw new members to the church. If the Board agrees, that might be made more explicit in the policy lest it be tapped in the future for continuing operations, however worthy.
- In anticipation of that discussion, Jim will pull each endowment fund to review each donor's intent.
- The Board voted unanimously to approve the recommendations for a 4.5% final distribution for 2012 and a 3% tentative distribution for 2013.

6. **Finance Committee recommendation regarding AC Realty Note (Jim)**
 - The original note was written at an 8% interest rate that can be paid off early with no penalty, with the balance forgiven in the event of the passing of the seller. The remaining balance is \$106,000 that is due by May 2015. The note was secured by a CD that is now paying very little interest. If we opt to pay off the note now we would save \$8,300. In Nick's absence, the motion was tabled for further review and possible renegotiation.

7. **Finance Committee recommendation regarding interest rate reduction on Bank of Indianapolis note (Jim)**
 - The Board received the recommendation that North accept a lower rate of interest on a promissory note with the Bank of Indianapolis. This note is the money North borrowed to correct many issues we had with the building a few years ago. At the present time we are paying a variable interest rate of prime with a minimum of 4%. In an outreach to maintain North as a customer, the Bank has offered to lower the minimum to 3.5% leaving all other terms as is. The lower minimum will mean a savings of \$7,500 per annum if the prime interest rate does not increase over 3.5%. Following brief discussion, the recommendation was unanimously approved.
 - Jim will follow-up with the bank to get the process underway.

8. **Conflict of Interest Form (Jim)**
 - Distributed to members for signature.

9. **Audit Report and Management Letter (Jim)**
 - Materials were made available for members.

10. **Possible gift of Tarkington Tower condo (Jim)**
 - North has been offered a gift of a 3,000 square foot condo in Tarkington Tower. The donor also is willing to include the furniture, though he will keep the art collection. The donor has not placed any restrictions on what North does with this gift and is comfortable with the possibility it may be sold.
 - The unit was formed by combining two units. It could be reconverted into separate units without major expense should that make them easier to sell.
 - Following discussion, members recommended action on three tracks:
 - Start the process for accepting the gift.
 - Gather more information regarding the current market value of the property and whether returning it to two units would make it/them easier to sell. Jim will contact a realtor to discuss an appraisal. Members would also like information about the costs of carrying the unit such as property taxes and management fees.
 - Determine whether it may be appropriate/possible/advisable to maintain continuing ownership of the unit. This will include consulting with Darren as to how other churches manage parsonages in cases where the pastor

chooses not to use the church-owned property. Members noted that North maintains an Endowment account for the “Parsonage fund” which may be up for consideration depending on our eventual decision.

- Once we have this additional information, we would involve the Finance Committee and Board of Trustees in determining next steps.

11. Executive Session

Future Board Meetings

August 28, 2013

November 20 (not 27), 2013

September 25, 2013

December 18 (not 25), 2013

October 23, 2013

Future Topics

- Endowment Policy *Ann*
- Illinois Street Development *Ron*
- AC Realty note *Nick and Jim*
- Possible gift of condo *Jim*
- Mechanics and timing of updating North Website with minutes, policies, etc. *Mark & Eric*
- COM Delegation of Authority process *Eric*
- Emergency preparedness plan
 - Operational Review *Darren*
 - Potential liability issues *Ann*
 - Review of Appendix on Disruptive Behavior *Linda on behalf of new task force on special needs*
 - Formalize committee and response team