

MINUTES
BOARD OF DIRECTORS MEETING
Wednesday, August 28, 2013

Members

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

Ex Officio

Darren Cushman Wood
Jim Thieman, CBA

Absent

Charles Young, Treasurer
Jacqueline Blackwell (AL)

1. The meeting opened at 5:30 when Pastor Darren led the group in an opening prayer
2. The minutes of July 24, 2013 Board meeting were accepted as revised.

3. **Financial Report and Attendance Report (Jim)**

Income and Expenses

- Year-to-Date (through July), contributions on pledges are \$61,000 below budget at \$580,366 while non-pledged contributions are short \$24,000 at \$85,455. Total revenue is \$74,383 below budget.
- YTD expenses are down \$64,155 at \$782,341. Comparing YTD income and expenses, we are approximately short \$10,000 of being balanced.
- A review of previous finance reports suggests that income in the 4th quarter typically improves; with the summer vacation period behind, people tend to catch up on their pledges. As a result, the current shortfall is not seen as something to be concerned about. We also anticipate the next payment on a large pledge will be made shortly.
- The letter that will accompany the 3rd quarter statements will be important and needs to explain to members that income for the 3rd quarter is usually the lowest of the year. At the same time, however, we need to determine whether the reduction in expenses is temporarily lower or perhaps systemic; we recognize that one major system failure, such as a boiler, will have a significant impact on expenses. However, at this point, at least, Joel doesn't expect any planned expenses that will draw that overage in budgeted expenses down. Jim and the Finance Committee will continue to monitor the situation.

Restricted funds

- Jim noted that while the Parish Development fund was dissolved and rolled into General Fund account last year to help balance the budget, due to lower-than-anticipated expenses, \$39,749 was not used last year. This is similar to \$75,000 used to balance the budget this year. The transfer of funds was approved but not spent; distributed, but as not needed, still sitting in the restricted funds account. Jim noted this is an issue for the Finance Committee: should these funds now be considered general or still restricted?

- The attendance numbers that had been distributed to the Board prior to the meeting were found to be in error in the last couple of months, under-reporting actual attendance. Future reports will correct those numbers as well as update attendance numbers for alternative worship and the nursery.

Interest Rate on Promissory Note

- Following Board acceptance at the July meeting of an offer from the Bank of Indianapolis to lower the interest rate on a promissory note from 4.0% to a minimum of 3.5%, Jim informed members the Bank had taken that step without requiring any additional paperwork on North's part. This means that if the prime interest rate does not rise above 3.5%, our now lowered rate will result in savings of \$7,500 in interest charges each year. See July minutes for additional information.

4. **Update on Stewardship Campaign (Pastor Darren)**

- Pastor Darren provided a general timeline of events and informed the group that the theme of this year's campaign is *Why Give?*
- North will seek feedback in October as to why people give, with a goal of having the "big list" of reasons in time for *Stewardship Sunday*, October 27th.
- Members of the Board and of the Ministries Council will be asked to make their pledges by October 18th with a goal of 100% participation. Having this level of commitment from North's lay leadership will be cited in asking for pledges from all North members.
- The preliminary 2014 budget will be presented by the Finance Committee to the Board at the September Board meeting. Having more concrete budgetary information will be useful in making "the ask" for pledges.
- There have been a number of "generosity tips" in communication with North members over the summer, including a push for electronic contributions. The most recent tip highlighted the option of making one-time gifts of stocks/bonds.

5. **Follow Up on Distribution from Endowment Funds (Jim)**

- At the July meeting the Board voted for a 4.5% distribution from the Endowment. At that time members discussed the fact that we still had significant money in the trustees' account—roughly \$60,000—remaining unspent from the previous year. Before continuing regular distributions members of the Board agreed it was important to have spending plans in place so that funds distributed were, in fact, funds needed.
 - We know we have a long list of deferred items and it would be nice to make progress on those so that things don't pile up. For example, restoring the stained glass windows in the sanctuary would cost approximately \$1.2 million. A failure of the boiler would cost \$800,000 to replace.
 - We have other items that are less expensive and could be addressed sooner, such as modernizing the restrooms on the main floor and making them ADA compliant which would cost an estimated \$125,000. Upgrading all of the restrooms in the building would cost about \$275,000. Tuck-pointing is another area of deferred maintenance.
 - The combination of the current \$60,000 balance and the expected 2013 distribution isn't enough to cover any of these right now. However, anticipating

another distribution in 2014 makes this a good time to get spending plans underway.

- Recognizing that not all of the money distributed from the previous year had yet been spent, members expressed an interest in investigating options that might result in a greater rate of return for newly distributed funds than sitting in a very-low/non-interest-bearing bank account in the period following distribution from the Foundation account but before the funds were spent.
- One question that was raised was whether we could distribute funds from the restricted endowment account, but leave the money with the Foundation. The hope was that keeping the funds with the Foundation would result in a greater rate of return than if sitting in the bank. Following a consultation, the Foundation recommended against taking that step, noting that if North were reliant on a specific distributed amount to cover a specific expense, leaving the money invested may result in a loss to the value of those funds at the time the money is needed, thus leaving us short of what was expected when it was time to pay the bills.
- Instead, the Foundation suggested keeping the money in the endowment fund account, but with the allocation *earmarked*. While we still would face a possible decline in the market and its impact on our overall Foundation holdings, we could still pull out the full value of the specific earmarked allocation to pay the bills rather than a potentially reduced amount if it had been distributed ahead of time into a separate Foundation account. Taking this step would require a change in the verbiage of the endowment policy from “must be distributed” to language such as “allocated, distributed as needed.”
- A draft of the Endowment Policy has been distributed. This will be considered this fall. Please send any comments on the policy to Ann.
- Follow-up on this item will be held over pending changes to the Endowment Policy.

6. **Flower Shop - Draft Comfort Letter (Ann)**

- Ann distributed a draft of the comfort letter from the Indiana Department of Environmental Management (IDEM). She noted that the restrictions for usage are the same as for our other properties on Illinois Street.
- Our agreement with the donor is to accept the gifted property if we are comfortable with phase 2 comfort letter.
 - The former gas station’s underground storage tanks appear to have been removed as they were not identified through use of ground-penetrating radar.
 - IDEM has concluded the Flower Shop property is not the source of the contaminations to area ground water.
- We have asked IDEM to add additional language to the comfort letter.
- We will have follow-up discussions with the current owner’s attorney.

7. **Finance Committee recommendation regarding AC Realty Note for Illinois Street properties (Nick)**

- The Finance Committee previously recommended North go forward and pay off the note on the property. Nick spoke with David Frick to learn if there were other options and concluded the best course is to pay off the note and enjoy the benefit of using the

- low yield (0.25%) CD funds to pay off the note that has an interest rate of 8%. Nick reaffirmed the Finance Committee's recommendation to pay off the AC realty note. The note comes due in 2 years and we would save about \$7,500 if we pay it off now.
- The Board unanimously approved the recommendation. Jim will take the necessary action.

8. **Possible gift of Tarkington Tower condo (Jim)**

- Jim shared additional information regarding the proffered unit, including the current floor plan. Following a review of the space and providing a current market value, a realtor suggested the condo would be more easily sold if split back into two separate units. The realtor also made specific suggestions as to improvements/refurbishments to the units that would be important in helping them meet the current expectations of buyers (kitchen upgrade, new countertops, etc.).
- With such a conversion in mind, a contractor was consulted who provided a projected cost for the work required.
- Jim summarized costs for the unit, including annual taxes, condo fees, etc. The Board recognized that in a still relatively weak real estate market there was a likelihood that the units could be on the market for an extended period and such costs would add up.
- Following a thorough discussion, members of the board concluded that the estimated cost of converting and upgrading the units and the probability of having to carry them for a prolonged period would result in a significant risk of a relatively small profit when sold. As such, the effort and risk involved would likely not be worth the return. Consequently, the Board voted to decline the offer (Custer/Tumminello), but to send a gracious note of appreciation to the gentleman who had offered the gift to North.
- Additional information on the proposed gift appears in the July Board minutes.

9. **Report from Pastor (Darren)**

- Front Office
 - We are still going through transition to new personnel in the front office.
 - To ensure we always have someone in the office, Laura Halt (Communications Coordinator) works Monday, Tuesday, and Wednesday each week while Philip Cleveland works Tuesday, Thursday, and Friday. As there is some overlap in their work, we will be finalizing responsibilities shortly.
- Pastor for Ministry and Outreach
 - We continue to move forward on filling the position with hopes of interviewing candidates just after Christmas
 - If all goes as anticipated, we anticipate having a new person in the position by next summer.
- *Education Sunday* was a success. The publication promoting Fall program offerings and small groups has been launched and promoted and the programs and groups are filling up.
- September 22nd will be *Celebration of Ministries Sunday*. One activity will be encouraging involvement of North Members in other activities and life of the church. Tables will be staffed during Sunday School and after the second service, offering information on different volunteer opportunities, such as being a money counter on

Tuesday morning for Finance Committee. Information regarding the work of the various lay leadership groups also will be available. This will include making handouts available with brief descriptions of each group along with their current membership.

10. **Executive Session**

The meeting ended at 7:05.

Future Board Meetings

- September 25, 2013—budget. Other bodies will be considering this ahead of time.
- October 23, 2013
- November 20 (not 27), 2013
- December 18 (not 25), 2013

Future Topics

- Endowment Policy *Ann*
 - Possible changes in the distribution process
- Flower Shop *Ann*
- Illinois Street Development *Ron*
- 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