

Economia[©]

A periodic publication of the Diocese of the South, Orthodox Church in America-Summer 2020

This Extraordinary Time

Dickens wrote of the “best of times and the worst of times” in Tale of Two Cities. While our times are not comparable to his, we might adopt *a tale of two lives* as descriptive of our own times. We are all solitaries now, even while tending to our outer obligations. Our outer activities may be constrained by the pandemic, but our inner life abounds with fresh opportunity for growth.

Although we expected economic conditions to weigh heavily on parish and mission finances, judging by diocesan tithe income our faithful brothers and sisters in Christ have managed to sustain support of their parishes and missions, resulting in our general offering tithes for the first half of the year exceeding last year at this date by nearly \$26,000. Not surprisingly, capital and building fund tithes are down nearly \$70,000, because last year saw exceptional tithes in this category totalling \$91,781.49.

Furthermore, with no specific belt-tightening measures by the diocese, the general shutdown of business-as-usual has reduced operating expenses sufficiently to realize a year-to-date surplus at June 30 of \$18,519.05 — a bittersweet achievement at the ecclesial cost of virtually non-existent travel by our Archbishop and Deans.

Further...

That is not to say that the diocese is falling short of its obligations or in meeting needs as they arise. All other expense categories exceed budget by 6-8% and also last year’s level at the

same date, with the exception of Tithes Credits and Grants. Compared to the first half last year those expenditures and credits are down \$18,204.53 at a total of \$24,259.32, in large part due to the indexed scale adopted four years ago that provides such assistance on a declining scale, necessitating that parishes and missions that receive this support are expected to be self-sustaining without this support by

Diocese of the South
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the seventh year. Parish and Missions Support exceeds last year’s rate at mid-year, totaling \$55,194.17, which includes nearly \$19,000 of seminarian debt reduction, and also exceeds the budget by 6.14 percent.

Although the diocese cannot be strictly compared to a secular business operation, some of its core functions are akin to a banking institution. Therefore, when measuring performance a number of key ratios are monitored for comparison sake. Our results for the first half did not significantly alter those ratios, except for Liquidity and Return on Equity. Two factors have reduced Liquidity this year. The first is the continuation of disbursements from Holy Cross (Greensboro, NC) savings held by the diocese to support its temple building project. In 2019 \$500,000 was disbursed, with an additional \$225,000 disbursed thus far in 2020. Naturally, these disburse-

ments reduce diocesan cash assets. In addition, a loss on the sale of the Moundville, Alabama, property and the Safety Harbor, Florida property last year totaled \$277,148.18 resulting in a charge to earnings. If one were to add back this charge to Current Assets, the current Liquidity Ratio, would be 8.57 percent, whereas that ratio currently sits at 5.54 percent. The goal is to restore that ratio with proceeds from Net Income to 8-10 percent, our target range. Nominal progress was made in the first half with Net Income at 154 percent of forecast.

The Personal Donation Portal set up at the DOS website in late March has demonstrated its value to members of 29 parishes and missions. Since inception the last week of March, nearly \$130,000 has been donated by way of this transaction processing facility. Whether a matter of convenience or necessity during the shelter at home phase, this has clearly been well received, but we will have to address its sustainability when we have a more clear understanding of the course of this contagion and its impact on everyone’s activity.

Beyond the relatively routine functions, this second quarter required attention to the government’s Payroll Protection Program. Numerous clergy sought assistance with questions peculiar to their parishes. To the extent possible, assistance was rendered in a timely manner to help assure that their applications would be submitted on time.

During its February meeting the Diocesan Council requested that Fr. Peter Robichau, Fr. Jason Foster

continued below

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and Noel Busch craft a letter of inquiry to the OCA Pension Plan administrator to obtain data concerning the status and prospects of the plan in view of recent financial reporting and the fact that it is a Defined Benefit plan rather than a Defined Contribution plan. That letter was sent via email to Michael Stieglitz, administrator. A detailed response was received June 29 that will be analyzed and reported to the Diocesan Council at its next meeting.

During the past quarter, there was also mortgage loan renewal assistance provided to St. Symeon the New Theologian in Birmingham, Alabama, and Holy Apostles in Bixby, Oklahoma. Construction and renovation work for St. Andrew the First-Called in New Port Richey, Florida, was finally carried to completion.

In the normal course and as was the case this past quarter, there are any number of transactions for Church Friendly Loan fundings and redemptions, restructurings, estate settlement payouts, disbursements from savings etc. for which Mary Warnky provides very capable assistance over and above her accounting tasks, such as processing checks, and ACH tithe remittances, parish and mission statement production, payables processing, Personal Donation Portal remittances, seminarian and Managed Debt Program loan payments, reconciling parish and mission accounts, and producing periodic and custom reports for the Treasurer.

We are hopeful that our faithful will be able to see their way through the uncertain times that still lie ahead so we might all return to some semblance of normalcy in the not too distant future.

In the corporate world, this is a time of year when so-called 'guidance' is announced to report management's expectations for the balance of the year. Perhaps the balance of the year will not differ significantly from the first half, but we have no illusions that the economy will recover any time soon. **For detailed financials, see the Financial Dashboard at dosoca.org** ☩

Supreme Court Reaffirms and Expands Ministerial Exception

In a 7-2 ruling issued on July 8, 2020, the United States Supreme Court ruled that the "ministerial exception" barred the civil courts from resolving employment discrimination lawsuits brought by former teachers against two Catholic schools.

The Court noted that "in determining whether a particular position falls within the Hosanna-Tabor exception, a variety of factors may be important," and "our recognition of the significance of [the four factors in Hosanna-Tabor] did not mean that they must be met—or even that that they are necessarily important—in all other cases."

What matters, the Court concluded, "is what an employee does" rather than a title. Neither of the ministers in the cases before it was an ordained minister. One's status as an ordained, commissioned, or licensed minister is not determinative or even essential to be a "minister" who is subject to the ministerial exception.

By defining the term "minister" to apply only to "ordained, commissioned, or licensed ministers," the tax code, regulations, Tax Court, and the IRS adopted a definition more restrictive than the analysis applied by the Supreme Court in this decision. This may serve as a future basis for liberalizing the Tax Court's definition to include persons who perform ministerial functions but who are not formally recognized as ordained, commissioned, or licensed ministers.

But it is instructive to consider why a church's independence on matters "of faith and doctrine" requires the authority to select, supervise, and if necessary, remove a minister without interference by secular authorities. Without that power, a wayward minister's preaching, teaching, and counseling could contradict the church's tenets and lead the congregation away from the faith. The ministerial exception was recognized to preserve a church's independent authority in such matters. ☩

What Happens if a PPP Loan is Not Fully Forgiven?

There are three options if a PPP loan is not fully forgiven. First, the borrower may appeal the lender's denial of full forgiveness to the SBA. Second, the borrower can choose to repay the unforgiven part in full. There is no prepayment penalty, although interest will be due at the annualized rate of 1 percent on the unforgiven balance from the date the loan disbursed until the date the unforgiven portion of the loan is paid. Contact the lender servicing the loan for a loan payoff amount. Third, the borrower can choose to pay the unforgiven portion back over the remaining life of the loan.

Required Documentation

The instructions to the PPP Loan Forgiveness Application include a detailed list of documentation that should be gathered in support of the PPP loan forgiveness application. The instructions clarify documentation that must be submitted with the loan application, along with documentation that should be maintained by the applicant but is not required to be submitted. Significantly, applicants are instructed to maintain this documentation for a period of "six years after the date the loan is forgiven or repaid in full." In addition, the documents are to be made available upon request to an authorized SBA representative or a representative of the SBA's Office of Inspector General.

For an extensive explanation of the loan forgiveness process with informative examples go to this link:

<https://www.churchlawandtax.com/web/2020/july/applying-for-ppp-loan-forgiveness.html?>

[The foregoing two columns were excerpted from recent editions of Church Law and Tax with permission]