

Economia[©]

A periodic publication of the Diocese of the South, Orthodox Church in America-Fall 2017

FINANCE & DEVELOPMENT

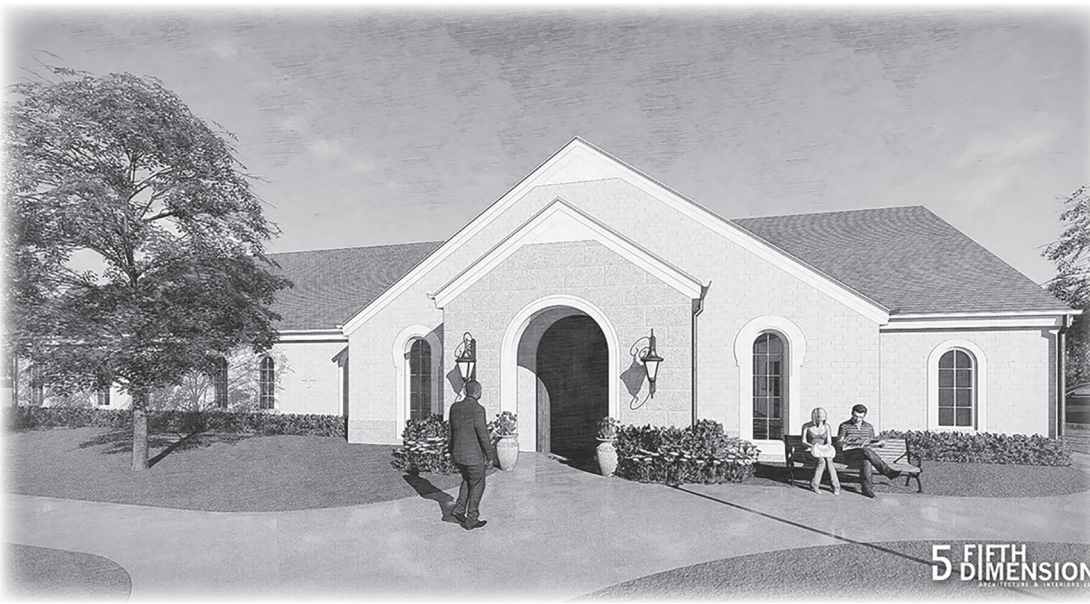
Economia is a new periodic bulletin published on behalf of the Diocese of the South to inform parish clergy, council members and the faithful of the finance and development work of the diocese.

The bulletin's name, which is the anglicized spelling of the Greek, *oikonomia*, is a word that classically refers to the management of a household (*oikos*/house; *nomos* law or rule). In pastoral parlance, the term generally refers to diligence in the application of canon law to particular persons and conditions. Like this pastoral counterpart, the application of diocesan finance and development principles may be either quite literal or, in appropriate circumstances, may be applied with some discretionary latitude. The 'household' comprises seventy-eight parishes and missions.

RESOURCE MANAGEMENT

Therefore, *economia* as it is used here implies calibrating diocesan participa-

tion in support of parish development to the particular conditions presented by a parish, while also avoiding undue stress or hardship on the diocese as a whole (i.e. *the household*). In short, it is to be understood that the diocese possesses limited resources and,



Rendering of planned St. Innocent Orthodox Christian Church Parish Hall in Macon, Georgia.

therefore, must limit its participation in parish purchase or building projects to a prudent, manageable level. At present, those resources are of three kinds: parish tithes, parish savings accounts and loans offered to the diocese by the faithful. But the most significant resource is the dedication of the faithful who *share of their substance* to make possible diocesan assistance for the development of missions and parishes above and beyond maintaining ordinary operating expenses.

PRINCIPLES

There are several funds management principles that are of utmost importance. First, the diocese must maintain adequate **liquidity** to meet unexpected or unplanned withdrawals, whether from savings accounts or loaned funds. Secondly, there should be a prudent limit on **leverage**. That is, no more than a defined percentage of liquid assets should be loaned at any one time. Excessive leverage ultimately creates a liquidity problem. Thirdly, given that resources are limited, prudence dictates that parish support should be limited as to **duration**.

At the Diocesan Council meeting convened in conjunction with the July Assembly, a resolution was adopted to provide qualified parish construction debt service support, whether in the form of tithe credits or grants, at the rate of 100% of tithes for the first two years and then stepping down by a third in each of two additional (over)

biennial terms, with the parish assuming 100% responsibility for debt service in the seventh year. This declining support scale serves two purposes, ultimately removing dependence on the diocesan subsidy while also progressively freeing up diocesan funds for other worthwhile projects.

CRITERIA

Qualifying for diocesan assistance, whether for property acquisition or a construction project imposes an expectation on the parish that, at a minimum, it meets or exceeds a few basic criteria:

- project enjoys whole-hearted support of priest and parish;
- a detailed financial review was conducted by the diocesan treasurer;
- parish expenses compare favorably to these ratios: Personnel -50%; Occupancy-25%; Tithe -10%; Other -15%;
- in addition to tithes there is free cash flow (unrestricted income) available of approximately 25% of income;
- parish has received commitment from third party lender (financial institution or other);
- project has been approved by the diocesan administrator and chancellor, and receives the blessing of Archbishop Alexander.

Given the foregoing, the diocese may in some instances manage the debt service, with the parish remitting 25% of revenue monthly, in addition to the 10% tithe (also described as *The 35% Solution*). The latter procedure relieves the parish of timely debt service payments and places the responsibility to meet all payments on the diocese, regardless of the ebb and flow of parish revenue. As outlined above and

limited accordingly, during the initial six years, the diocese may also supplement occasional payment shortfalls.

THIRD QUARTER RESULTS

Tithes for the year-to-date at September 30th were well ahead (by 15%) of 2016 at the same date, contributing the bulk of Total Income equaling \$583,174.

Expenses varied among categories but were generally lower and well contained where most controllable. Personnel, Travel, Office & Administrative, and Meetings & Conferences were substantially under Budget. Building & Grounds was higher due primarily to Chancery building improvements. Total Diocesan Administration Expense was \$179,154 on the year-to-date, compared to \$196,911 at the same date last year and just shy of \$80,000 under budget.

Diocesan Sponsored Activities, including Missions & Parish Support, also tracked a slower pace at \$69,877, which was \$60,451 less than last year at the same date. OCA Assessment payments were \$160,248 versus \$158,396 last year. Both Interest Expense and Loans Forgiven /Tithe Credits substantially exceeded last year at \$160,712 and \$200,428 respectively.

The net result was a loss of \$187,245, compared to \$108,710 last year at the same date, although less than \$214,815, the expected loss assumed by the 2017 Budget. Despite the continuing loss from financing operations, the financial condition has been marginally improved with expense containment, increased liquidity (up 10%) and decreased leverage (72% versus 75% Loans to Deposits and Borrowed Funds). Although Church Friendly Loans (CFLs) were down due

to maturities and requested refunding, a significant amount of the refunds remained with the diocese in the form of savings, resulting in less than a 7% reduction of total savings and loaned funds on hand. Total Liabilities & Equity were \$10,372,471 at September 30, down 8% from the previous year. [Note-Complete financials may be found at the Diocese of the South web site:<https://www.dosoca.org/>]

Among the challenges of managing the diocesan finance & development activities is sustaining a prudent balance between invested funds and funding resources, while also preserving the capacity to meet unexpected draws on available funds. Growth is the strategy that will preserve the capacity of our diocese to be a source of ongoing support and will enable continued parish development.

That strategy is not a product of command decisions but rather the product of clergy and faithful members' confidence in the diocesan commitment to their needs and in the management of resources provided. Tithes, parish savings and church friendly loans are the sole origin of those resources, all of which originate at the parish level. We are grateful for your past support and blessed to receive your continued support.

COMING PUBLICATION

Within a few weeks, a new publication will be made available to all parishes to foster intentionality of financial support for the church. In the form of a brochure, entitled "...the Tithes that bind", the publication will briefly highlight how material support for the church is consistent with the very heart of Orthodox Christian understanding and practice.