

Economia[©]

A periodic publication of the Diocese of the South, Orthodox Church in America-Winter 2021

The Stockdale Paradox

"You must never confuse faith that you will prevail in the end – which you can never afford to lose – with the discipline to confront the most brutal facts of your current reality, whatever they might be."

-Admiral James Stockdale

Over the past year the resilience, creativity, patience and survival instincts of our Holy Orthodox Church were all tested by the pandemic. Last Spring, we knew this would not be a long-term problem and we adjusted accordingly. Then, as the pandemic rolled on, reality hit. We did not know how long it would last and the longer it persisted the more profound the potential consequences.

Despite the uncertainties, we endured, which is the point of Stockdale's advice and also the essence of Luke 21:19, to which Archbishop Alexander refers us frequently, *By your patience you will possess your souls.* ☩

Summary of 2020 Results

Surmounting the uncertainties of 2020, many parishes saw increased offerings, contributing to increased general fund tithes to the diocese, which helped to offset the deep reduction of capital/building fund tithes. The net result was Total Income of \$928,410.51, falling short by \$21,589.49 or 2.3% from our Budget & Forecast of \$950,000. On the other side of the financial equation, the savings realized from lack of travel and meetings contributed to Total Expense nearly \$58,000

under the Budget & Forecast, resulting in Net Income for the year of \$12,090.03, versus the predicted loss of \$23,990.00. (Detailed financial statements are accessible at dosoca.org) ☩

Financial Notes

Key financial ratios were well within tolerances, even posting marginal

verage Ratio of 1.59x is well within the commonly acceptable range of 2.25x or less. Finally, the run of deficits has been broken by a modest Surplus which is to be desired and sought as just the beginning of a march toward a substantially strengthened Balance Sheet. ☩

Parish and Missions Support

The diocese is achieving the threshold expressed several years ago that 25% of revenue received from tithe revenue should be made available for assistance and programs that benefit the parishes. Results vary by deanery, but overall the net funds allocated were 27% of funds received. ☩

Konjevich Family Accounts

Since the passing of our long-standing Treasurer Milos Konjevich (Memory Eternal) last year, a thorough review of financial activities was un-

dertaken. Because family monies lent to the diocese were transferred by Milos in 2017 to St. Seraphim, the remaining balances in those accounts reside in the St. Seraphim Savings Account with the Diocese. A concerted effort was made by St Seraphim during the past year to accomplish a forensic analysis conducted by an independent forensic examiner that resulted in an indeterminate conclusion. The diocese cooperated fully with the examination process and will continue to do so in the expectation of a final resolution.

OCA Clergy Pension Plan

At the request of the Diocesan Council, Fr. Jason Foster,
continued below



Final design for All Saints of North America, Albuquerque, New Mexico, now rising from the foundation.

improvement. After substantial withdrawals of savings for church construction, diocesan Liquidity ended the year at 5.6% of assets and trending upward. Among our goals to buttress the Balance Sheet against unanticipated events are increased Liquidity and Equity. Both are trending upward. Operating in the black creates a surplus that translates to greater Equity, providing a buffer to absorb future losses as was experienced with the Moundville, Alabama, property last year. The ratio of Equity to Assets at the end of year was 14.10%, a respectable level but still short of a 20% "comfort" level that will take several years of healthy surpluses to realize. And the current Le-

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Fr. Peter Robichau and the Treasurer embarked on a review and analysis of the OCA Clergy Pension Plan. The initiative was prompted by a concern that the Plan was underfunded without a clear prospect of correcting the condition other than increasing contributions, which are deemed little more than a stop-gap measure. There is no evidence that corrective actions can be taken anytime soon. Archbishop Alexander appealed to the Holy Synod for concurrence in our committee's findings and recommendations. Vladyka requested on our behalf that a pan-OCA task force be established and convened in the first quarter of 2021 to answer, among others, the following questions:

1) What in the history of the fund led to the current under-funded state of the plan?

2) What is required to bring the pension into minimal funding compliance (70%) and full funding (100%)?

3) What are the actuarial projections regarding benefit payout in the coming decades?

4) Has a transition to a defined contribution plan been discussed? What would this option require?

We trust that these questions will be addressed in a timely manner by a task force yet to be named. ✠

St Andrew the First Called New Port Richey, FL

The sanctuary renovation project initiated in 2017 involved an unlicensed contractor whose work was sufficiently defective that a competent, licensed contractor was required to make corrective modifications and completion. Those modifications cost the parish an additional \$89,804.16 over and above more than \$200,000 already paid.

The parish, with diocesan assistance, primarily with the benefit of Fr. Ted Pisarchuk's contracting expertise, enjoined legal action against the unlicensed contractor and the contractor whose license he was "renting" to obtain work. At this writing, the prospect of monetary recoveries is slim, despite a judgment rendered by the court. ✠

Donations Portal

The portal for personal donations to DOS parishes and missions was implemented at the *dosoca.org* website in March of 2020 as a convenient alternative to U.S. Mail when it appeared that church attendance would become minimal and infrequent. The convenience has proved its merit for 35 parishes, facilitating donations totaling \$235,794.45 in 2020. The cost of supporting this convenience has been borne by the Diocese throughout 2020 at considerable expense. PayPal fees alone totaled \$6,277.75 for the year.

Effective January 1, 2021, remittances to the beneficiary parishes are now a net amount after subtracting the transaction cost. An email to each parish differentiates the total donation and the net donation to assist parish treasurers with recording of the correct amounts.



PLEASE NOTE: Based on professional advice, the best course of action to account for these transactions is to record the donation at the gross amount as income. The parish can then expense the Paypal fee as an administrative expense. The same is true for the donor who should report the gross donation. ✠

Savings Account Rate

In accordance with the adopted DOS savings rate policy that pegs the annual rate to one point over the previous year's 52-week average ten-year Treasury Note rate, the rate paid for parish savings accounts in 2021 is 2.50% compounded monthly (2.529% APY), effective January 1, 2021. The only exceptions are accounts tied to a contractual arrangement. ✠

IRS 2021 Mileage Rate Update

Beginning January 1, 2021, the standard mileage rate used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes is 56 cents per mile driven for business use, down 1.5 cents from the rate for 2020. (<https://www.irs.gov/newsroom/irs-issues-standard-mileage-rates-for-2021>) ✠

Managed Debt Program

From time to time, questions arise about the Diocese's Managed Debt Program. While a brief description does not do it justice, in short, the Diocese of the South maintains a cooperative deposits and managed debt program (DMDP), in trust for Diocesan entities, to manage deposits of medium to long term funds, to issue loans for construction projects and property acquisition to participating members, and to assist members with debt service in the first years following a construction project or property acquisition.

The Managed Debt Program (MDP) aspect is a program in which the Diocese agrees to pay a parish or mission's mortgage payments. In return the parish or mission remits approved monthly MDP payments to the Diocese. Note that the parish's underlying obligation to the debt holder is not changed nor does the Diocese incur a legal obligation for payment of the debt solely by virtue of this arrangement.

As a general guideline, parishes entering the MDP should be capable of remitting 25% of their general fund income plus the usual tithe (10%). Each parish's circumstances are evaluated individually, though, and different payment arrangements may be negotiated when appropriate. The payment arrangement must be approved by the Bishop, or by the Chancellor or Administrator on his behalf. Payment arrangements are reevaluated periodically to determine if modifications should be made.

Parishes that have benefitted from the Diocese's programs in the past, whether through planting and transition grants, interest on savings, loans made or guaranteed, tithe credits, or loans forgiven, should consider how the Diocese came up with the funds to provide that assistance. It comes from all of the parishes and the individuals who are part of our communities. Parishes that have received Diocesan assistance in the past are strongly encouraged to participate in the Diocese's savings account program so that the Diocese can continue to help all of its parishes. ✠