

# Economia<sup>©</sup>

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

## A Perfect Storm?

Who would have imagined a few weeks ago that a tempest was brewing on the horizon...a strange, contagion transported from another land; a gas price war precipitated by competing foreign powers; a deep stock market retreat from unrivalled heights; a rush of money seeking safe harbor into U.S. Treasury securities driving yields to near zero?

Owing to the swift onset and recency of these disruptive forces, we could easily be lulled into believing they are temporary. While it is reasonable to think, *This too shall pass*, the turbulence left in their wake might not subside anytime soon.

All the more reason why observance of hierarchical guidance and the advice of clergy and public health officials is imperative. Extraordinary conditions require extraordinary measures. ☩

## Parish Finances

While a couple of weeks might not result in adverse consequences to your parish, an extended departure from regular order can have an impact. A period of several months' reduced cash flow could become especially challenging. **Many parishes already routinely remind the faithful that Summer vacations notwithstanding parish expenses do not take a vacation. The same advice should apply in this case.** Although the federal government is taking significant steps to aid individuals who live paycheck to paycheck, **those who are able might also step up their giving in the interim to help mitigate a serious cash flow shortage.** ☩

## Diocesan Finances

Keeping diocesan financial operations on an even keel is also of utmost importance. At present, the Diocese of the South is well-positioned to manage expected cash flow needs and planned fundings. The past year realized substantially increased liquidity from new loans by individuals,

**“...the Diocese stands ready to assist with a short-term cash infusion to defray necessary operating expenses on a case-by-case basis.”**

from tithe revenue and stable church savings, despite significant withdrawals for building projects.

The diocese was also presented with the opportunity to dispose of the St. Gregory, Moundville, Alabama property and to write off the remaining balance of a loan to the former Holy Trinity parish, Safety Harbor, Florida. The disposition of these two unrecoverable assets resulted in a non-operating charge to income of \$277,148.18, driving a posted deficit to \$314,780.34 and, not too inci-

**MILOS KONJEVICH**

February 8, 1940 - February 2, 2020

Former Treasurer

Diocese of the South

Memory Eternal

dentally, resulting in the first 'clean' Balance Sheet in years. That is to say there are no known distressed or unrecoverable assets remaining on the \$9.7 Million Balance Sheet.

Moreover, the deficit from operations of \$37,722.16 was similar to the previous year and substantially better than forecast. That result was primarily due to increased interest expense paid on new money without offsetting Interest Income. For reasons that are now apparent, the Diocese has no Diocesan investments other than long-standing church properties and loans receivable from parishes and missions. Current operating results are at a virtual breakeven level.

With the exception of the 2019 Deficit all operating ratios were within targeted ranges. The cash position remained strong in the face of substantial withdrawals for building projects. The largest of those withdrawals were \$328,657.38 by All Saints of North America, Albuquerque, New Mexico and \$500,000 by Holy Cross, High Point, North Carolina, both to fund church construction.

These large withdrawals were made possible by continuing strong savings balances and increased loans by individuals (CFLs). In addition, after scrutinizing our financial operations, the Diocese of Philadelphia and Eastern Pennsylvania established a "patient money" Savings Account in the amount of \$200,000.00. With its strong cash position, difficulty meeting cash flow needs and planned disbursements is not foreseen.

**Given the current circumstances and the likelihood of more**

continued below

*Economia #6 is published by the diocesan office of the treasurer- Noel Busch, treasurer*

*Email: treasurer@dosoca.org*

stringent constraints on mobility, some parishes and missions might not have sufficient reserves on hand to cover cash flow shortfalls resulting from reduced offerings. In that event, the Diocese stands ready to assist with a short-term cash infusion to defray necessary operating expenses on a case-by-case basis. If your parish or mission encounters such difficulty, please notify the diocesan administration.

At the same time, your Treasurer's Office is working to quickly develop a digital platform for lodging at the Diocese of the South web site that will allow individuals to transfer their offerings to the Diocese, which would then remit to the parish under the individual's name to enable the parish to properly account for their offering. This facility will be particularly helpful for parishes or missions that do not have the resources to do it on their own. Many already provide such a convenience, eliminating the need for unnecessary handling of paper checks and currency.

The most consequential event of the year from a purely financial viewpoint was the sale of St. Gregory the Theologian Orthodox Church property in Moundville, Alabama. The diocese originally guaranteed a loan of \$300,000 to the church in March of 2008. Subsequent events, including the death of St. Gregory's Rector, Fr. Demetrius Edwards (of blessed memory), led to the demise of the parish and the assumption of costs and expenses by the diocese. The parish had been falling behind on debt service coverage and became, for all intents and purposes, no longer viable. The diocese stepped in and continuously met the debt service obligation, plus insurance, maintenance and utilities expense and also refinanced the mortgage loan in 2018 before engaging a commercial realtor to sell the property. Needless to say, the charge-off of this asset not only relieves the diocese of a financial and oversight burden but also reduces diocesan operating expenses going forward. ☩

## Parish Operations Support

In addition to financial support, the Diocese is called upon frequently to assist parishes and missions with everything from repairs and renovations to insurance bids, financial planning and refinancing. Depending on the request and circumstances, the Treasurer either provides the requested assistance or calls upon knowledgeable clergy and individuals who are most suited to assist. ☩

## Seminarian and Clergy Support

Central to our mission, the Diocese extends financial resources to qualified Seminarists and Clergy. In the past year, direct assistance to mitigate the debt obligations of Seminarists totalled \$64,886.45. In addition, assistance to assigned Clergy totalled \$45,121.48. The Carolinas Deanery Fund added over \$30,000.00 to those totals with its own assistance effort. ☩

## Savings Account Interest Rate

Consistent with the Savings Account Interest Rate Policy, the effective rate for such accounts not associated with any related contractual or other agreements was adjusted to 3.50% for 2020. ☩

## Parish Surveys

A year ago, we embarked on a parish survey endeavor to learn more about the contours, so to speak, of our varying parishes and missions, and also to more precisely identify the compensation components actually in place throughout the diocese. The returns have now accumulated to a point which enables the drawing of some conclusions and also the potential to pitch insurance companies to offer a discounted diocesan-wide program.

The surveys returned totalled 46, deemed representative for our purposes. The Priest Compensation portion of the survey revealed Total Median Compensation of \$61,566, with the Mean (i.e. arithmetic average) being \$53,602. Of that total, the Housing Allowance comprised 29.2%

at a Median of \$18,000. Health premiums were 10.7% at a Median of \$6,600 annually. The next highest component at 7.8% was Pension contributions with a Median at \$4,803. Salary plus Housing Allowance (the two Direct Compensation components) totalled 81.9 % at a Median of \$50,400 annually.

Both the SECA and Car Allowance produced data of little value or puzzling at best. Only 12 respondents reported having received a SECA Allowance. The survey form itself was clearly a factor in this outcome as it offered no optional fields for clergy who assume personal responsibility for the SECA payment regardless of whether there is an Allowance provided by the parish as a compensation factor. The same holds true for the Car Allowance to which only 9 respondents replied as having received that Allowance as a compensation component. We can speculate that reimbursement at an agreed mileage rate accounts for the other 37 respondents.

Although there is as much variability as there are differences from one parish and mission to another, there is nonetheless a quite high correlation at 0.79 in the relationship of Median Total Compensation to average Sunday attendance of 66 faithful. This can be understood as a 'strong' linear relationship between these two variables. That might not be surprising, but we would certainly not want it to be otherwise.

The insurance portion of the survey produced results of value for the evaluation of a potential for a diocesan-wide discount program. Premiums paid by the 46 respondents totalled \$189,483. If extrapolated to represent the entire Diocese of the South, the premiums contributed to the insurance industry total more than \$350,000. At a Median Total Premium for General Liability and Property Damage of over \$4,000, this single expense is one of the largest operating costs for every parish and mission. ☩