

**ORTHODOX CHURCH IN AMERICA  
DIOCESE OF THE MIDWEST 46<sup>TH</sup> DIOCESAN ASSEMBLY  
OCTOBER 1-3, 2007  
CLEVELAND, OHIO**

**REPORT OF THE TREASURER  
MR ROBERT KONCEL - TREASURER**

The primary responsibilities of the Treasurer are to oversee the financial affairs of the Diocese; monitor Diocesan investments, together with the Diocesan Council and Finance Committee; oversee the distribution of funds and judiciously invest Diocesan funds; and convene and chair regular and special Finance Committee meetings. The members of the Finance Committee currently are: Dr. Richard West, Mr. John Sedor and Mr. Sam D'Fantis. The Finance Committee also receives input from our Chancellor Fr. John Zdniak and our Bookkeeper Fr. Luke Nelson.

Attached to this report is a summary of: (All in Attachment "A" unless noted)

- a) Actual receipts/disbursements for 2006 compared to the 2006 budget and totals as of June 30th, 2007 compared to the 2007 budget
- b) Proposed budget for 2008

**Recap of major events since the last Diocesan Assembly:**

- The Mission Endowment Fund was created to provide additional funding to the Mission Department through its earnings on interest. The money is invested in both a Portfolio Fund (approximately 60%) and an Income Fund (approximately 40%) in an account with Salomon Smith Barney. We consider the Mission Endowment fund to be a long-term investment fund. As such, investment history has shown that having a mix of funds in equities and income funds provides the highest returns in the long term. While the market has improved, it still remains volatile. As of June 30<sup>th</sup>, 2007, the total in the Endowment Fund is \$300,184.52. As you can see in Attachment B, the monthly totals have risen and fallen quite dramatically. Since we are in it for the long term, we are not looking at the short-term variations that the market will inevitably experience.

The proceeds from the sale of St. Theodore of Tarsus (Independence, Missouri) in 2005, \$68,500 was deposited into the Mission Endowment Fund in June of this year. In addition to this amount, \$3,000 earmarked from the 2006 budget was deposited along with \$119 from St. Nicholas parish from Mentor Ohio. The deposits made to date in the Mission Endowment Fund total \$71,619. The total increase in the fund as of 6/30/07 is \$81,081.83 as a result of these deposits and interest earned.

- In March of 2007, a new Chrysler Pacifica car was purchased for Archbishop Job for

\$22,673.48.

- As a result of the June 2006 Diocesan Council Meeting, it was voted to resolve many major, needed renovations/repairs on the Church and the Residence that have been causing continual maintenance problems. To recap, below is a summary of these repairs:
  - All new windows for the residence, Church altar area, offices and glass block windows in the basement of the residence and Church.
  - Glazing/painting and clear protective covering for the large stained glass window in the front of the Church.
  - New rear doors and screen doors for the residence.
  - New roof for the church and flat roof over the office behind church.
  - Church Dormer repair
  - Residence roof repairs and gutters along with a code allowable deck area with protective handrail for the third floor.
  - Tuck pointing of the residence, church and office area.
  - Air conditioning and heat for the office
  - Repair of residence and church main front doors.
  - Plaster and drywall repairs in the residence, Church and office due to water damage from leaking roof and windows.
  - Painting as required.
  - Electrical Work as required.

Prior to proceeding with any of the above work, multiple estimates were received in order to select the best contractor. The total cost for all of the above items was estimated to be in the range of \$330,000. In order to pay for this, \$50,000 was utilized from the Maintenance Endowment Fund, \$30,000 will be utilized from the existing balance in the Operating Fund and the balance of the money was obtained via. a \$242,740.60 loan secured thru LaSalle Bank. The loan is amortized over a period of 20 years at an interest rate of approximately 8%. Monthly loan payments are \$1,814.81 (\$21,777.72/year) and are factored into the 2007 and 2008 budgets.

## **FINANCIAL RECAP OF 2006:**

The total **Operating Fund income** received from assessments in 2006 was \$451,891.26 (Attachment "A", page 1). To summarize the income, we received **\$66,678.75** less in assessments, \$385,646.25, than was budgeted \$452,325. This was due to not receiving assessments from parishes and for paying for more members than we actually had. Please see the discussion on parish assessments on the following page. We received \$2,450 from donations, \$8,012.89 from the OCA for Missions, \$450 from Vigil Donations/subscriptions, \$3,709.85 from Miscellaneous income, \$1,032.27 from Interest income, and \$8,590 from the Clergy Convocation. Our total income was **\$88,833.74** less than anticipated considering all of our income sources (see Attachment "A", page 1).

To summarize the disbursements, (see Attachment "A", page 5, **Summary**)

Diocesan Departments:	\$ 36,063.03	under budget
Diocesan Travel:	\$ 8,408.29	under budget
Diocesan Center Expenses:	\$ 20,254.94	under budget
Diocesan Bishop and Diocesan Staff:	\$ 4,304.42	under budget
The Diocesan Office Expenses:	\$ 1,346.20	over budget
*LaSalle Street Property	\$143,525.48	over budget
The Other Expense Category:	\$ 2,755.09	under budget

\*These were funds used to pay for the major renovation/repair work that was started in 2006 and described above.

The total **disbursements** in 2006 for the **Operating Fund** were **\$611,810.91** (Attachment "A", page 5). Due to the expenses for the major maintenance/renovation work and the shortfall in our assessments, we had a **deficit in the Operating Fund** of **\$159,919.65** at the end of the year.

When taking into consideration the additional income (Attachment A, page 56) from the Mission Endowment Fund (\$35,850.72), the interest earned for the Maintenance Reserve Fund (\$1,919.33) and the Operating Fund (\$3,822.50) we ended the year with a total net deficit of **\$118,327.10**.

## **SUMMARY OF CURRENT STATUS AS OF JUNE 30<sup>TH</sup>, 2007:**

In order to make the following comparisons, the numbers under the 2007 budget column were divided by two in order to come up with the 6-month budget totals and then compared to the actual income and expenses as of 6/30/07. The total **Operating Fund income** received from assessments as of 6/30/07 is \$199,825, (Attachment "A", page 1) which is **\$34,175** less than the estimated income from assessments of \$234,000 (\$468,000/2). In February of this year, a loan of \$242,740.76 was secured to pay for the major maintenance/renovation work. This amount was deposited into our Operating Fund. Discounting this loan received, as of 6/30/07, we have **\$55,212.74** less income than anticipated for first six (6) months of this year.

The funding for the position of the Parish Health Facilitator came from a surplus of funds from the year 2005. The total amount allocated for this position was \$27,000 for one half year for 2006 when it was first instituted and \$54,000 for the current year 2007. Therefore, it is important to realize that this was a special position created from funds over and above from what we are budgeted for based on our assessments. See page 9 for more information on this position.

The majority of our expenses are fixed meaning that they cover stipends, salaries and bills. When we do not receive the anticipated revenue from assessments, our basic costs do not decrease accordingly, they stay the same and more likely than not, increase due to cost of living increases and increases from the institutions we do business with. If we do not receive the planned assessments from every parish, then we will operate in the red. This has happened in the past and we have been able to recover. However, it is a dangerous precedent to follow and we cannot allow this to become a trend. If this trend is seen and cannot be reversed, then the only recourse will be to start cutting funding wherever it is possible.

As mentioned above, we have \$55,212.74 less income than anticipated for the first six (6) months of this year. One of the major reasons for this is the fact that as of 6/30/07, parishes were behind a total of \$81,357.50 in their OCA and Diocesan Assessments. This total includes funds not received from early as 2004. It should be noted, even if the parish did not pay their OCA assessment, the Diocese has been obligated to pay it, and we have paid it to the OCA on time out of our Operating Fund. The amount we are obligated to pay the OCA is based on the membership numbers submitted to them by our Diocese which is based on the membership numbers provided to the Diocese by each and every parish. Even if a parish loses members through the course of the year, the Diocese is still obligated to pay for the total members given to the OCA at the beginning of the year.

This \$81,357.50 shortfall is projected to reach over \$100,000 by the end of this year, due solely by parishes not paying their assessments. Given this fact, we are on track to a deficit by the end of this year.

The **disbursement** total in the **Operating Fund as of 6/30/07 is \$356,111.50** (Attachment “A”, page 5). Discounting the loan proceeds of \$242,740.76, this has left us with a **deficit in the Operating Fund of \$117,524.24 (\$242,740.76 loan - \$125,216.52 surplus)** for the first six (6) months of this year.

To summarize the disbursements, (see Attachment “A”, page 5, **Summary**)

Diocesan Departments:	\$ 18,182	under budget
Diocesan Travel:	\$ 10,282	over budget
Diocesan Center Expenses:	\$ 9,166	over budget
Diocesan Bishop and Diocesan Staff:	\$ 2,064	over budget
The Diocesan Office Expenses:	\$ 3,165	under budget
*LaSalle Street Property	\$ 64,270	over budget
The Other Expense Category:	\$ 815	over budget

\*These were funds spent this year to pay for the major maintenance/renovation work that was started in 2006 and has continued into this year. It includes actual expenses related to the work in addition to the start of loan repayments.

#### **WITHHOLDING OF OCA ASSESSMENTS:**

As of August, our Diocese has begun withholding assessments to the OCA as a result of a requirement of the amended version of the “Palatine Resolution” of October 2006 not being met. Even though this action has been taken, it does not mean that the parishes should not send in their portion of their OCA assessment to the Diocese. The OCA assessment should still be paid with a check made out to the Diocese of the Midwest. It is preferable for bookkeeping purposes that a separate check be issued for the OCA assessment payment. Once received, the assessments will be placed in escrow until such time that they can be released.

## **BANK ACCOUNT AND INVESTMENT SUMMARY (6/30/07)**

### **LASALLE BANK:**

**Now Account (Checking):** (Operating Fund). The total in this fund as of 6/30/07 was **\$140,287.66**. The total in this fund as of 8/31/07 was \$138,671.06 .

### **GOVERNMENT SAVINGS BONDS:**

(Operating Fund) The estimated value as of 6/30/07 is **\$33,541.97** (based on 5 ½% growth) (Three \$10,000 Series EE Savings Bonds were purchased for \$15,000 on October 27, 1992)

### **MISSION ENDOWMENT FUND: See Attachment B.**

**Salomon Smith Barney: Total Fund value as of 6/30/07 was \$300,184.52.**

Note; please be advised that the total in the fund as of 7/31/07 is \$291,289.06.

### **FIDELITY FUNDS: See Attachment C, pages 1 and 2.**

### **Spartan Money Market Fund:**

***OPERATING RESERVE FUND:*** The total in this fund as of 6/30/07 was **\$96,904.51**.

See Attachment C, page 2, for a pie chart breakdown of the various components of the Operating Reserve Fund. Note; please be advised that the total in the fund as of 8/31/07 is \$ 97,735.15.

### **Spartan U.S. Govt. Money Market Fund:**

***MAINTENANCE ENDOWMENT FUND:*** The total in this fund as of 6/30/07 was **\$8,742.01**.

Note; please be advised that the total in the fund as of 8/31/07 is \$8,815.29. Note, last year, \$50,000 was transferred into the LaSalle Bank account to assist in paying for the major repair/renovation work on the Church and the Residence.

**The total amount of all the funds listed above in the various financial institutions as of 6/30/07 is: \$579,660.67.**

## **YEAR 2008 PROPOSED BUDGET:**

Due to the known fact that the proposed 2008 budget is essentially the same as the 2007 budget, there was not a special meeting of the Finance Committee to prepare the budget for 2008. The budget presented reflects the current needs and supports the future needs and direction of the Diocese.

## **RECEIPT SUMMARY:**

The anticipated membership for 2008 is again 6,000. This is only an estimate at the writing of this report and is used for determining the estimated income for the Diocese.

Based on a motion at the 1995 Diocesan Assembly, the annual parish assessment for each adult shall be the current assessment plus an amount based on the previous 12 month Consumers Price Index (CPI), rounded up to the nearest dollar. Based on the report from the U.S. Department of Labor, Bureau of Labor Statistics, the CPI for the latest one-year period available to us was 3.63% (July 2007). The 3.63% multiplied by \$78.00 is \$2.83. Rounding this up to the nearest dollar gives a \$3.00 increase. **Therefore, the yearly assessment for 2008 will be \$81.00 per adult member.** The \$81.00 assessment multiplied by the projected membership of 6,000 is \$481,000. The balance of the income is derived as follows:

1. \$3,000 is estimated to be received from donations
2. Due to the fact that no funds have been received from the OCA for our percentage of the contributions received from our Diocesan yearly Mission Appeal for several years, no income has been projected in this area.
3. \$10,000 will be taken from the Mission Endowment Fund.
4. \$500 is estimated to be received from individuals contributing to the Diocesan Publication.
5. \$500.00 is estimated to be received from miscellaneous sources.
6. \$600 is estimated to be generated from interest earned on our Operating Fund Money Market Account.
7. \$9,000 is estimated to be received from the yearly Clergy Convocation. Note; the income from the Convocation is balanced with its expense listed under Diocesan Travel and Meetings.
8. For this year, \$54,000 was allocated for the position of the Parish Health Facilitator that was funded from the surplus from the 2005 budget. However, for the 2008 budget, this position is not funded. (See page 8 for further description)
9. The \$42,000 income is reimbursed housing expenses from the Bishop and the Property Manager.

The sum of all of these additional anticipated receipts is \$65,000 to bring the total estimated income for the year 2008 to **\$546,500**

## **DISBURSEMENT SUMMARY:**

*All budgeted amounts remain the same as 2007 with the exception of the following:*

### **Diocesan Departments:** (See Attachment "A", page 2)

- \$64,000 total decrease for the position of the Parish Health Facilitator and associated expenses. (See page 8 for further description)
- \$6,000 increase for the Mission Department restored to the 2006 level due to the position of Parish Health Facilitator being unfunded.

### **Diocesan Travel:** (See Attachment "A", page 2) No Changes

### **Diocesan Center:** (See Attachment "A", page 2)

- \$6,208 increase for our Insurance Policy (23%), from \$26,996 to \$33,204.

### **Diocesan Archbishop and Staff:** (See Attachment "A", page 3)

- General increases for Stipends/Salaries of 3.58% (Cost of Living) that affects Social Security and Pension payments.
- \$2,705.41 total increase for Diocesan Archbishop and Staffing positions.

### **Diocesan Chancery Office:** (See Attachment "A", page 4)

- \$1,500 increase for telephone, from \$11,000 to \$12,500.
- \$500 increase for CPA (Bookkeeping)

### **LaSalle Street:** (See Attachment "A", page 4)

- \$3,789.28 decrease (\$25,562 to \$21,772.72) due to the known cost of the loan (\$1,814.81/month) for loan taken out earlier this year cover the cost of the LaSalle Bank mortgage loan payments for major repair and maintenance items for the Church and the Residence.

### **Other Expenses:**

- \$13,477.80 to be deposited into the Fidelity Operating Reserve Fund.

**DISBURSEMENTS: Total is equal to \$546,600.** (See Attachment "A", pages 2 - 4) This balances with our anticipated receipts for a balanced budget.

### **PARISH HEALTH FACILITATOR POSITION:**

This continuation of this position was discussed at the June 26<sup>th</sup> Special Diocesan Council Meeting. As mentioned before, the funding for this position for this year came as a result of a surplus in our 2005 budget. This position was created specifically as a way to utilize the excess money in a way that would be able to benefit all of the parishes in our Diocese. The work of Joe Kormos, our Parish Health Facilitator, was recognized at this meeting.

However, in order to keep this position staffed and the work to continue in 2008, it would require more money than is available in the current 2008 budget. This is estimated to be an additional \$64,000.

After a thorough discussion, the following motion was presented by Fr. Andrew Clements and was seconded by Fr. John Adamcio.

***"The Diocesan Council, endorsing the work of the parish health facilitator, recommends that delegates to the October 2007 Diocesan Assembly approve a one-time \$10.00 per adult member increase in the diocesan assessments to provide appropriate funding for the facilitator's work for 2008 and 2009."***

The motion passed with 10 voting in favor of the motion, three voting against it, and two abstentions.

This \$10.00 increase, if passed, would be a separate \$10.00 increase for 2008 and then continue at \$10.00 for 2009. With an estimated membership of 6,000, this would bring in an additional \$60,000 per year to fund this position. Any additional funding for this position for each year will be covered through our operating budget. In 2009, the position would be reevaluated again by the Diocesan Council and a decision made if it should be continued based on the results of the program.

**The above motion as made by the Diocesan Council is being presented to the Diocesan Assembly by the members of the Finance Committee.**

## **CLOSING:**

I would like to welcome to the finance committee our newest member, Mr. Sam D’Fantis, and the experience he brings to this committee. I also would like to take this opportunity to thank Fr. Luke Nelson, our Bookkeeper, for all of his hard work throughout this year and for his continuing efforts to maintain the financial records of the Diocese. Also, I would like to thank our Diocesan Accountant, Sue Young, who has been very helpful in providing the information and services we need. The members of the Finance Committee, our Chancellor, Fr. John Zdniak, Mr. John Sedor and Dr. Richard West along with Mr. Sam D’Fantis deserve a big thanks for the extra time and effort they put in throughout the year and once again, for their valuable advice and ideas presented throughout the year. Finally, I would again like to thank my wife Karen for her patience and support during this past year.

It has been a pleasure serving the Diocese as Treasurer this past year.

Sincerely,

Robert A. Koncel, Treasurer  
Diocese of the Midwest

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ATTACHMENT A: Receipt/Disbursements: 2006, 2007 AND 2008 PROPOSED BUDGET  
ATTACHMENT B: Mission Department Fund Summary  
ATTACHMENT C: Fidelity Operating Reserve and Maintenance Endowment Fund Summaries  
(Page C1)  
Operating Reserve Fund Breakdown (Pie chart on Page C2)