

St. John's Episcopal Church



**ANNUAL MEETING
JANUARY 24, 2016**

Praising God, Serving Neighbor

Agenda



- **Appoint Clerk of Meeting**
- **The Priest-in-Charge's Address**
- **Approval of 2015 Minutes**
- **Treasurer's Financial Presentation**
- **Financial Report**

Agenda, continued



- **Old Business**
- **New Business**
- **Adjournment**

Investment Summary Report



Presented by Treasurer, Theodore O'Neill

Investment Summary Report



- **Topics**

1. Review of how endowment has been handled
2. 2015 Results compared to budget
3. Highlight of 2015 variances to budget
4. 2016 Budget compared to 2015 Actual
5. 2016 Budget compared to 2015 Budget
6. Steps taken to position us for 2016
7. Pledge Drive Status
8. 2016 Budget Development

Investment Summary Report



Current Asset Allocation

As of December 31, 2015

Episcopal Diocese of CT



Asset Category	Market Value	% of Portfolio	Total Cost	Estimated Annual Income	Current Yield %
Equities	\$61,846,774	61.0%	\$63,102,843	\$1,242,876	2.01%
Fixed Income	\$24,974,302	24.6%	\$25,453,926	\$948,354	3.80%
Real Estate	\$7,253,118	7.2%	\$7,012,970	\$284,193	3.92%
Tangible Assets	\$3,971,728	3.9%	\$5,766,251	\$0	0.00%
Cash/Currency	\$3,298,693	3.3%	\$3,298,693	\$8,149	0.25%
Total Portfolio	\$101,344,614	100.0%	\$104,634,683	\$2,483,573	2.45%

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 Allocation percentages of charts do not include negative market values.
 Percentages may not sum to exactly 100% due to rounding.

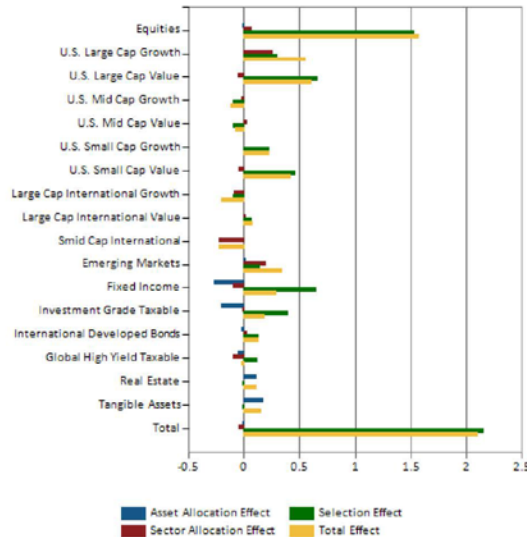
Investment Summary Report



Attribution Analysis (Trailing 12 Months)

As of December 31, 2015

Episcopal Diocese of CT



Asset Class	Asset Allocation Effect (%)	Sector Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Equities	-0.01	0.06	1.52	1.57
U.S. Large Cap Growth	0.00	0.25	0.30	0.55
U.S. Large Cap Value	0.00	-0.05	0.66	0.60
U.S. Mid Cap Growth	0.00	-0.02	-0.10	-0.12
U.S. Mid Cap Value	0.00	0.02	-0.10	-0.08
U.S. Small Cap Growth	0.00	0.00	0.22	0.22
U.S. Small Cap Value	0.00	-0.04	0.45	0.41
Large Cap International Growth	0.00	-0.09	-0.10	-0.20
Large Cap International Value	0.00	0.01	0.06	0.07
Smid Cap International	0.00	-0.22	0.00	-0.22
Emerging Markets	0.01	0.19	0.14	0.34
Fixed Income	-0.27	-0.10	0.65	0.28
Investment Grade Taxable	-0.20	-0.01	0.39	0.18
International Developed Bonds	-0.02	0.02	0.13	0.13
Global High Yield Taxable	-0.05	-0.10	0.12	-0.02
Real Estate	0.11	0.00	-0.01	0.10
Tangible Assets	0.17	0.00	-0.01	0.15
Total	-0.01	-0.04	2.15	2.10

Asset Allocation Effect measures the impact of tactical decisions to overweight or underweight high-level asset classes (i.e. Equities, Fixed Income, etc.), relative to strategic targets.

Sector Allocation Effect measures the impact of tactical decisions to overweight or underweight certain asset categories (i.e. Large Cap Growth, International Developed) within a broad asset class.

Selection Effect measures the impact of manager performance in each category, relative to the policy benchmark for that category.

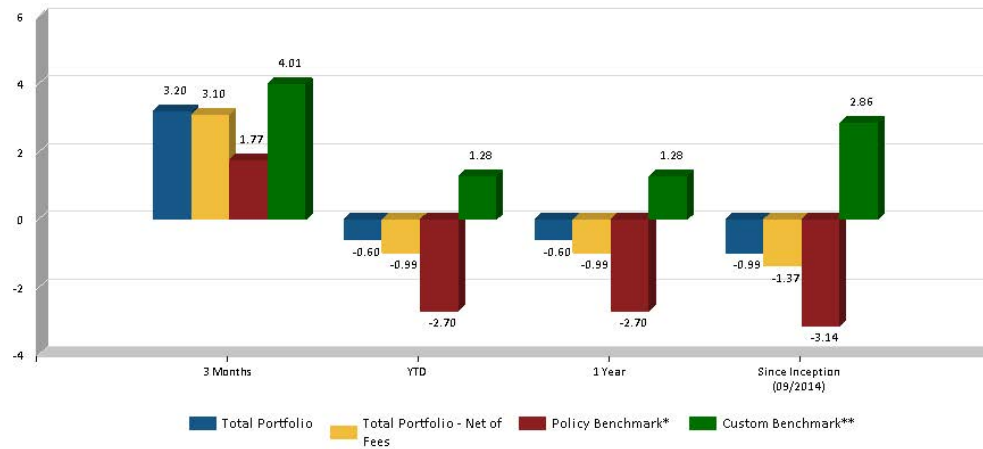
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Percentages are rounded to the nearest tenth.

Investment Summary Report



Investment Performance Trailing Returns Episcopal Diocese of CT

As of December 31, 2015



Confidential. Prepared for U.S. Trust™ Clients.
 Past performance is not indicative of future results.
 All returns are gross of fees unless otherwise noted. For periods larger than one year, the return is annualized. Periods less than one year utilize a cumulative return.
 Returns may include a partial month.
 Benchmark performance returns for the Since Inception period are based on the inception date of the sector or the account under which they are displayed.
 Market value does not include accrued income, but is included in the return calculation.

* Episcopal CT Benchmark*

** 60% S&P, 40% EC Agg

Investment Summary Report



Executive Summary

As of December 31, 2015

*"A pack of lemmings looks like a group of rugged individualists compared with Wall Street when it gets a concept in its teeth."
Warren Buffett*

Volatility can be a wonderful thing regardless of direction. In Q4 of 2015, it was a powerful force for good in the D&B Fund. The Wall Street lemmings that as a group had jumped wildly off the cliff in fear of the Fed through mid-summer, changed direction and just as quickly moved back to buy mode, bidding the market back to its prior levels. The volatility that resulted was harvested by those who kept their head. Active managers, who do well under volatile conditions in both up and down markets by avoiding pitfalls and buying cheaply added considerable value.

The correction experienced starting in August of 2015 made a double bottom for the S&P 500 just as Q3 ended, at around the 1880 level. With the start of Q4 the tone of the market changed, lemmings began to nibble happily at stocks in the afternoons, and soon a rapid retracement of markets began with the S&P back to the 2100 level by Halloween. There was no "Santa Claus" rally this year, but plenty of continued volatility as the S&P traded in a 100 point range for the months of November and December, finishing at 2080. Once again, active managers make money on both sides of the trade, and the D&B Fund was the recipient of this incremental value through year end. For the 4th quarter, the D&B Fund was up 3.20% versus 1.77% for the Benchmark, a difference of 147bp. While the baseline of performance was negative for the full year, the value added by portfolio managers was even greater. In calendar 2015, the Fund returned -0.60% versus -2.70%, a difference of 210bp. Although building from a positive base value makes for a far more acceptable and palatable result, the D&B portfolio was successful in 2015 regardless of the absolute level of return.

The lemmings continued to run as 2016 began, with the worst opening week of trading in years. Fears about a botched currency devaluation in China, combined with a looming war to resolve the 500-year-old question in the Muslim world of the succession to the prophet Mohammed (among other things) led to a precipitous drop in markets. Fear again took hold—and the precipice loomed. We think this is all far overdone.

We expect US GDP to grow by roughly 3% in 2016. This equates to a roughly 7% rise in equity prices, not spectacular but positive. A strong US dollar will have a suppressive effect on manufacturing exports, but not enough in our estimate to markedly change the GDP number. Falling commodity prices have been negative for markets in the short term, but the flip side of such moves in the long term is more money in the pockets of consumers, much of which will eventually be spent. Developed Europe, which entered the quantitative easing cycle later than the US and Britain is also beginning to move out of recession, as measures taken there begin to bear fruit. The only area of concern lies in Emerging Markets nations which trade with China, many of which issued dollar-denominated debt which is now more difficult to service. Growth in China is abating, but we believe China is still growing at a 5% rate—less than previous, but not shabby. We anticipate that the China central bank will get a grip on the value of the Yuan shortly, and in stabilization the Emerging countries will find a way to service their debt without default. Our outlook for 2016 is with the US as leader of a global recovery, at different rates in different regions but with the overall positive direction being clear by mid-2016.

The D&B portfolio is structured with an active focus, but a conservative asset allocation. While it isn't immune to the general direction of markets, it was designed to avoid risk to the extent possible while adding small increments of value from multiple sources to achieve an overall positive return to benchmark. The fact that it did so over the second half of 2015 (a very unusual year) indicates that the structure is both robust and valid. We look forward to what we expect to be a positive and successful 2016.

2015 Actual to Budget



St. John's Episcopal Church

Income Statement comparison of budget to actual 2015

<u>Income</u>	Budget	Actual	Variance favorable/(unfavorable)
Pledges and Plate	\$191,000	\$198,588	\$7,588
Endowment Fund Income	75,000	75,000	\$0
Blackwell Music Fund	12,000	9,000	(\$3,000)
Columbarium Donations	4,000	0	(\$4,000)
Parking Lot Lease	1,900	2,100	\$200
Fall Festival	7,000	6,600	(\$400)
Peet and Gibson Trusts	8,000	2,800	(\$5,200)
<u>Other Income (includes LaBonne's rebates)</u>	<u>14,000</u>	<u>9,858</u>	<u>(\$4,142)</u>
Total Income	\$312,900	\$303,946	(\$8,954)
<u>Expenses</u>			
Personnel	\$224,427	\$217,369	\$7,058
Diocesan Pledge	20,000	29,000	(\$9,000)
Audit	3,500	1,750	\$1,750
Transition	750	0	\$750
Utilities (Oil, Gas, Electric, Sewer, Water)	14,875	18,882	(\$4,007)
Office Expenses	8,260	10,880	(\$2,620)
Property	25,088	12,893	\$12,195
Mission and Program and other	16,000	18,608	(\$2,608)
Total Expenses	\$312,900	\$309,381	\$3,519
Total Surplus/(Deficit)	(\$0)	(\$5,435)	(\$5,435)

2015 Actual vs. 2015 Budget



2015 Summary:

Total Income	\$ 8,954	Below Plan
Total Expenses	\$ 3,519	Below Plan
Deficit	\$ 5,435	

2015 Actual vs. 2015 Budget



Total Income:

Pledges and Plate	\$ 7,588	Above Plan
Trust and Endowment	\$ 8,200	Below Plan
Other Income	\$ 4,142	Below Plan

2015 Actual vs. 2015 Budget



Expenses:

Personnel	\$7,058	Below Plan
Diocesan Pledge	\$ 9,000	Above Plan
Utilities	\$ 4,007	Above ”
Office Expenses	\$ 2,620	Above ”

2016 Budget Compared To 2015 Actual



St. John's Episcopal Church

Income Statement comparison of 2016 budget to actual 2015

Income	2016 Budget	2015 Actual	Increase (decrease) from 2015
Pledges and Plate	\$172,000	\$198,588	-13.39%
Endowment Fund Income	74,000	\$75,000	-1.33%
Blackwell Music Fund	12,000	\$9,000	33.33%
Columbarium Donations	2,000	\$0	NMF
Parking Lot Lease	2,200	\$2,100	4.76%
Fall Festival	4,000	\$6,600	-39.39%
Peet and Gibson Trusts	7,300	\$2,800	160.71%
Other Income (includes LaBonne's rebates)	<u>13,000</u>	<u>\$9,858</u>	<u>31.87%</u>
Total Income	\$286,500	\$303,946	-5.74%
<u>Expenses</u>			
Personnel	\$216,470	\$217,369	-0.41%
Diocesan Pledge	26,000	\$29,000	-10.34%
Audit	2,000	\$1,750	14.29%
Transition	0	\$0	
Utilities (Oil, Gas, Electric, Sewer, Water)	14,000	\$18,882	-25.85%
Office Expenses	10,800	\$10,880	-0.74%
Property	13,500	\$12,893	4.71%
Mission and Program and other	<u>3,500</u>	<u>\$18,608</u>	<u>-81.19%</u>
Total Expenses	<u>\$286,270</u>	<u>\$309,381</u>	<u>-7.47%</u>
Total Surplus/(Deficit)	<u>\$230</u>	<u>(\$5,435)</u>	

2016 Budget vs. 2015 Actual



2016 Budget Comparison:

2015 Actual Deficit	\$ 5,435	
2016 Budgeted Surplus	\$ 230	
2016 Budgeted Receipts	5.7%	Less
2016 Budgeted Expenses	7.5%	Less

2016 Budget vs. 2015 Budget



Receipts:

Offertory Collections	\$ 19,000	Less
Endowment and Trust	\$ 1,700	More

2016 Budget vs. 2015 Budget



Expenses:

Personnel	\$ 7,957	Less
Property	\$ 11,588	Less
Diocesan Pledge	\$ 6,000	More

Steps Taken in 2015 to Position us for 2016



Exceptional Line Items:

2015 Pledges and Plate	\$ 26,588	Less
2014 Staff Expenses	\$ 43,992	Less
2013 Insurance and pension	\$ 17,000	More
2015 Diocesan Pledge	\$ 6,000	More

2016 Pledge Drive Status



2016 vs. 2015 Written Pledges:

2016 Pledging Families to Date	50
2016 Dollars Pledged to Date	\$ 135,000
2016 Average Pledge	\$ 2,700
2015 At a similar date last year	63
2015 Total Dollars Pledged	\$155,000
2015 Average Pledge	\$ 2,460

2016 Budget Development



- **2016 Pledge Drive results show average contributions up but total still down vs 2015 and 2014**
- **To balance budget on 2016 revenue of \$286,500 we had to cut expenses again by 7.5% - part of this is lowered heating oil costs over which we have no control.**
- **Need to retain focus on income – fundraising and activities that interest new members and other ways to use the church facilities.**

Old Business



New Business



Open floor

Adjournment



Request Motion to Adjourn & Second