

**THE DIOCESE OF NEW JERSEY
JOINT TASK FORCE ON PROCESSING, MANAGEMENT, AND REPORTING OF DIOCESAN TRUST FUNDS
BACKGROUND**

ISSUE & PURPOSE

Concern within the Diocese about the processing, management, and reporting of Diocesan Trust Funds, which when combined with issues raised at the 225th Annual Convention in 2009, suggested that a complete review of records, documentation, process, reporting and accounting was in order with respect to the trust funds and other accounts held by the trustees of the six corporations named in Canon 13, as well as those held by Diocesan Council (as trustees) and outside trustees.

- At the 225th Annual Convention in 2009, the president of the Convention, Bishop Cuncill, referred Resolution 2009-6/7 (see attached Appendix A) to the Finance and Budget Committee for consideration and to report back to the 226th Annual Convention in 2010.
- In June 2009, a joint committee meeting of both the Trustees of Diocesan Trust Funds and the Finance and Budget Committee met to review Resolution 2009-6/7 and in July 2009, Bishop Cuncill formed a Joint Task Force Committee comprised of members of the Trustees of Diocesan Trust Funds, the Diocesan Council and the Finance and Budget Committee (the "Joint Task Force" or "JTF").

RESPONSIBILITIES OF THE JTF

- Validate the following, if possible:
 - i. The donor or other source of the trust and the date of the original document, together with any amendments;
 - ii. Identify the original corpus of the trust (cash, securities, real property, etc.);
 - iii. Who (what committee or specific person(s)) the trustees are and how many – if stated;
 - iv. Identify if there are restrictions on how the funds (principal and income) are to be invested and/or used (for what purposes are disbursements made);
 - v. Identify if there is a mechanism to amend the trust document, if necessary.
- Complete a guidebook setting forth the requirements of each of the trusts for trustees in order to satisfy accounting and auditing issues including the TEC, Title I Canon 7 Sec. 1 and 2., the Constitution and Canons of the Diocese of New Jersey and the Revised Statutes of New Jersey, Title 16 Corporations and Associations, Chapter 12 Protestant Episcopal Church, Article 1 Congregations or Parish.
- Support the Standing Committee on Constitution and Canons in its review of Canon 13: Diocesan Trust Funds.
- Examine whether Financial Exhibit III: Comparative Report of Trust Funds of the Diocese, and Financial Exhibit III-1: Addendum: Catalog of Funds Report, have the appropriate content to meet the Trustees reporting requirements of the applicable Canons of the Diocese of New Jersey.

For reference purposes, at the 226th Annual Convention, the Finance & Budget Committee reported on Resolution 2009-6/7 under Document 36-1 as amended March 1, 2010. That report set forth the above responsibilities.

PROGRESS REPORT

In March 2011, the JTF filed a status report known as Document 31 with the 227th Annual Convention. Document 31 went into a detailed account of the records reviewed by the JTF, as well as the decisions made regarding the historical search of old Diocesan Journals and other records and the process to be used where no documentation was available. The JTF had also begun to establish its recommendations upon which the appropriate Diocesan entities, including the 228th Annual Convention could act.

FINDINGS

As a result of this work over the last several years, the JTF, together with the help of Canon Phyllis Jones and Father Elmer Sullivan, discovered that there

- Is a very inconsistent and incomplete system of filing and storage of trust fund papers;
- Are several sets of critical incorporation papers that have apparently not been filed;

- Is no process with regard to the handling and disposition of certain bequests;
- Is a lack of transparency in trust fund accounting;
- Are numerous funds for which no documentation could be found in files, Diocesan Journals, safes, minute books, etc.;
- Are many smaller funds with common usage restrictions or with no restrictions that could be consolidated;
- Is no process whereby future bequests could be consolidated;
- Has been some misunderstanding and/or a lack of understanding with respect to the existence of the six corporations which are the owners/holders of the six Canon 13 trust funds;
- Has been little attention paid to educating the trustees of the six Canon 13 trust funds and the Diocesan Council with respect to their responsibilities;
- Has been less than satisfactory understanding and application of the differences between fund ownership and the authority to disburse fund principal and/or income.

CONCLUSIONS/RECOMMENDATIONS

- Considering that the JTF was unable to find any documentation for some of the trust funds, the JTF relied on historical data and reporting in order to complete its research.
- The JTF is compiling and completing the guidebook referenced above as the second item under "RESPONSIBILITIES OF THE JTF" (sample pages included as part of this report).
- Pursuant to its mandate, the JTF has prepared a detailed set of policy and housekeeping recommendations to eventually be presented to the 228th Annual Convention (hereinafter the "JTF Recommendations". The JTF Recommendations attempt to address the findings set forth above.
- To provide the reader with some help in understanding the need for the JTF Recommendations, particularly those which may not be self-explanatory, further detail is provided below.
 1. Recommendation #1 covers times when money is left to the Diocese or to the Bishop in a way that is unclear and Convention needs to provide an official procedure for dealing with such bequests.
 2. Recommendation #2 seeks to establish precedent for handling of those trust funds where no documentation could be found, other than past practice as evidenced by old Diocesan Journals or other Diocesan records. It should be noted that in these cases, the JTF did not uncover any mishandling or misreporting of such funds.
 3. Recommendations #5 and #14 both address the consolidation of smaller trust funds which do not need to be separately reported but could be consolidated into a larger general fund held by the trustees of Diocesan Trust Funds. Recommendation #5 speaks to future funds and Recommendation #14 covers existing funds.
 4. Recommendation #16 focuses on the need to maintain a tracking mechanism between the old and new fund structures.
 5. Recommendations #6 & 7 deal with the need for greater transparency, clarity and descriptive detail in reporting.

The JTF believes that this report addresses the issues raised under Resolution 2009-6/7 and therefore fulfills its responsibilities. We respectfully request Convention's approval of the resolutions and canonical changes presented later in this report and in the report of the Constitution and Canons Committee, which, if approved, would enable implementation of our Recommendations by the appropriate parties.

Appendix A – Resolution 2009-6/7

The following document references may be helpful for anyone seeking further background:

- Canon 13, Sections 1 and 5
- Canon 15, Section 2 (c)
- Canon 18, Section 2 (a)
- Canon 19, Sections 1 and 7
- Canon 21, Section 4
- Canon 22, Section 3
- Canon 25
- Canon 76
- 226th Annual Convention Document 36-1
- 227th Annual Convention Document 31

THE DIOCESE OF NEW JERSEY
JOINT TASK FORCE ON PROCESSING, MANAGEMENT, AND REPORTING OF DIOCESAN TRUST FUNDS
APPENDIX A

RESOLUTION 2009-6/7:

Subject: Financial Reports for Diocesan Trusts

Be It Resolved, That the 225th Annual Convention of the Diocese of New Jersey direct the Trustees of the six trust funds of the Diocese named in Canon 13 to prepare forthwith full and complete financial reports for the years 2007 and 2008, covering both the capital accounts and the income accounts of each and every trust fund for which they have fiduciary responsibility; and be it

Further Resolved, That Convention direct the members of the Diocesan Council to prepare forthwith full and complete financial reports for the years 2007 and 2008, covering both the capital accounts and the income accounts of each and every trust fund for which they have fiduciary responsibility; and be it

Further Resolved, That those sections of the reports that show the disbursements from the income accounts of each fund provide sufficient detail to demonstrate that the funds were expended in a manner that is in accordance with the stated purposes and restrictions set forth in the trust documents by which the trusts were established; and be it

Further Resolved, That copies of these reports be distributed promptly to every member of the clergy canonically resident in the Diocese and to each congregation of the Diocese.