

## **Loan and Grant Committee Report to the 228th Annual Diocesan Convention**

2011 was the busiest year in at least the last decade for the Loan and Grant Committee. We had eight meetings (an unusually high number), held at applicant churches across our diocese. As it happens, loans or grants were drawn down in 2011 by churches in every Convocation in our diocese except Watchung (where, it happens, I live), though geographic diversity is not a criterion for approval! It is a testimony to the willingness of many churches to seek strength for their needed projects from the larger Church ("Faith is a team sport") -- and of the willingness of members of the Committee to travel! This, if you will, is our diocese's "stimulus" program, without which a number of congregations would have been in dire straights.

The Loan and Grant Committee is governed by Canons 20 and 21 of the Diocese of New Jersey. Its members are appointed annually for one year terms by our bishop. As approved at the Committee's April 14, 2004 meeting, "The mission of the Loan and Grant Committee is to provide congregations with financial support through loans and grants to help them carry out their missions as servants of Christ as part of the Diocese of New Jersey." Loans and grants are considered by the Committee only for capital projects (not operating expenses) for building, land and/or building acquisition, replacement or repair projects which congregations would not be able to undertake on their own with available cash.

Loans may be recommended by the Committee to Diocesan Council, which serves as the officers and trustees of the Venture in Mission Loan Fund (V.I.M.), the Capital and Revolving Fund, and the R. Bowden Shepherd Trust Fund, and now of the Shannon Trust. Applicant churches must fill out in a complete and satisfactory manner the two page application form and include all extra documents specified on the form, which is available on the Diocesan website or by mail from the Diocesan Finance Office, and include the plan for repayment of a loan. V.I.M. and Shepherd Fund loans are interest-bearing; Capital & Revolving Fund loans are, by canon, non-interest-bearing. In recent years loans from the Capital and Revolving Fund have been made only in conjunction with a loan from the Shepherd Fund for a mission church (a "blended" loan, which bears a lower interest rate than that for parishes) or as a "bridge" loan for a church which is applying for a matching grant for a historic preservation project from the New Jersey Historic Trust and needs the assistance of a short-term loan for cash flow purposes. The Committee usually serves small to medium-sized churches in our diocese, as it has not made any loan from any fund of over \$300,000.

Diocesan Council has clarified and strengthened the procedures to be followed in case a church becomes seriously behind in a loan. Our bishop and staff have met with the leadership of churches with whom they need to meet on such matters to make appropriate arrangements.

Grants may be considered only for Mission churches, which must also submit the same application form and satisfactory supporting documents (including an up-to-date audit). Once an application for a grant is deemed "complete" by the Chair of the Loan and Grant Committee

(“complete” is not the same thing as ‘approved’), the application is forwarded to the Board of Missions for its consideration at a regular monthly meeting. As part of its evaluation of the grant request, the BOM evaluates the current stewardship and evangelism activities and plans of the applicant Mission congregation, the urgency of the matter, and how the application fits with diocesan mission strategy in the light of limited funds. If (and only if) the BOM endorses the grant application, it is then considered by the Loan and Grant Committee. If the grant application is endorsed by the Committee, the application then goes (just like a loan application) to Diocesan Council for its consideration.

To this date, any grants have been made only from the Capital and Revolving Fund (Canon 21, section 2): “no grant shall be made for a sum larger than \$10,000 without the approval of Convention.” (It is canonically possible to make modest grants from the Shepherd Fund, but this has not yet been done.) Research into the history of the Capital and Revolving Fund reveals that the recently revived practice of making grants (always permitted by Canon) is a revival of the original intent of the Fund when created by Diocesan Convention. The Minutes of the June, 1950 Diocesan Convention include the following (page 69): “the distribution of such capital and revolving fund, either as loans or gifts, be decided after study by the Board of Missions.” The Fund was raised by subscription across our Diocese in 1951-52 in response to a 1949 report on the need for major repairs and improvements to Mission churches, a need which once again exists today (see below).

One very significant development in 2011 was a result of the diligent research by the diocesan financial team which catalogued all of the diocesan Funds. The Shannon Trust, established in August, 1992 with a bequest of \$149,628, was established to do substantially the same work as the Capital and Revolving Fund and is available to make grants as well. The bequest had been left invested in the Diocesan Investment Trust and no disbursements had been made. As of December 31, 2011, the Shannon Trust had a balance of \$446,591, more than the total assets (including outstanding loans) of the Capital and Revolving Fund (see financial statements). This Committee is grateful for the donor’s generosity and for the financial researchers who recognized that this fund is also available to strengthen the work of the missions of our diocese.

Applicant churches, whether Missions, Chapels or Parishes, are advised to recognize the time involved in the application process and to study the application and the need for supporting documents carefully, and preferably to consult with the Chair of this Committee before proceeding. Typically, a capital campaign may be needed to underwrite a loan, so a church seeking a loan is advised to consult both with the Chair of this Committee and with the Stewardship Committee of this Diocese and (if appropriate) with the Commission on Church Architecture of this Diocese.

Loans from the R. Bowden Shepherd Fund are, by canon, set at 5% and are only available for “missions and assisted parishes.” Loans from the Capital and Revolving Fund are

interest-free by canon and are available, by canon, to “parishes, organized missions, chapels or other entities in union with or part of the Diocese of New Jersey.” By creating a loan split between these two Funds (a “blended” loan), this Committee has been able to offer loans at 2 1/2% to Mission churches.

Loans from the Venture in Mission Fund (raised by that Diocesan fund-raising program in the early 1980’s) are for Independent Parishes. In accordance with canon, the interest rate must be no lower than 4% and no higher than 12% and is set by Diocesan Council upon the recommendation of this Committee. (When this Committee was established, prevailing interest rates were a good deal higher than they are at this writing.) The “best-available rate” is currently 4%.

Payments on loans are usually made monthly, and for a total amount and length proposed by the Committee and approved by Council. The Committee’s policy is not to consider applications from parishes to re-finance an existing bank mortgage which the parish may have, but to use its funds for new work. The Committee always reserves the right to reject loan or grant applications, and the fact that the Committee schedules consideration of an application does not mean that approval is assured. The Committee meets on demand (not on a certain day of each month), and strives to meet at the applicant church so as to see the project under consideration and the congregation’s ministry context. The Chair calls the applicant church to discern possible meeting times, and then sets the day and time so as to ensure the greatest possible attendance by members of the Committee. (In the interest of time, more than one application may be considered at a meeting, in which case it may not be possible for the whole Committee to see every proposal in person.)

In all cases, principal and interest payments on loans go back to the respective fund(s) from which the loans were drawn, thus making possible future loans for churches. In addition, income from the balances not currently loaned out is reinvested in the respective funds. Any church which currently has a loan and which is experiencing financial hardship should immediately contact the Chief Financial Officer (C.F.O.) of our Diocese to discuss the church’s circumstances.

Actual and potential borrowers and grant recipients should note that this Committee now requires that the financial officers of a church be bonded for the full financial assets of the church before a check for a grant or loan is remitted. Please contact the C.F.O. with any questions.

In recent years, this Committee has become increasingly concerned about the buildings used by Mission churches (to which our Diocese has title and therefore has a special responsibility). With the full support of Diocesan Council, diocesan staff, and the BOM, this Committee funded (as small grants from the Capital and Revolving Fund) full, professional inspections (such as one might have done for a house under contract) of every mission building in our diocese in 2006-2010.

In 2010, our Bishop responded to the resulting collection of data about the true state of these buildings by holding a “Property Summit” to which he invited over 20 representatives of key diocesan bodies. A Property Task Force (chaired by yours truly) was subsequently formed to follow up with the mission churches, each of which had received copies of its own inspection report (as did diocesan staff), to see what they had been able to do and what they might want help with. The principal of the Task Force is that every congregation should worship and serve in buildings which are “*safe, sound and sustainable*” and every priest who lives in a church-owned building should live in one which is safe and sound. We now know, due to the inspection reports, that not all of these buildings are safe, sound and sustainable, and some of them are or were far from that.

Some Mission churches have been diligent about doing repairs that they can do themselves; some have been eager to get help from the larger diocesan community; some have not been responsive to the urgent need for safety of members of their own congregations and/or their own priests revealed by their reports. In 2010, I compiled a list of the “10 worst mission buildings or sets of buildings in our Diocese”. Two of those congregations (Grace Church, Elizabeth and Christ Church, South Vineland) have since been closed. One (St. Luke and All Saints’, Union) had applied for and received a grant for a new furnace, taking care of one of its building issues. Two churches have had preliminary discussions with me but have not yet filed complete applications. Five of the churches have not sought this Committee’s help at all.

While this Committee was unusually busy in 2011, I am still surprised by the number of churches, especially mission churches, which have not yet sought to partner with us to empower their missions and ministries by fixing some of the issues with their properties. We continue to be open to working with churches of any size and situation anywhere in our diocese.

We celebrate that St. Mary’s Church in Clementon paid off its 10 year loan in full and on time in 2011. Christ Church, New Brunswick drew down its one year loan in January, 2011 and paid it off in full and on time in January, 2012. One church which is delinquent is Church of the Holy Communion, Fair Haven, which is closed; the loan will be paid off when the property is sold. St. Simeon’s, North Wildwood, is paying in keeping with the arrangement made with our bishop. Christ Church, South Amboy and St. Mark’s, Williamstown are delinquent. The remaining 12 churches with outstanding loans are current on their payments; two of those are ahead of schedule.

The Committee met eight times in 2011: March 30 at Church of the Ascension, Gloucester City; June 2 at St. Mark’s, Keansburg; June 16 at San Andres, Camden; June 17 at Church of the Holy Spirit, Tuckerton; September 13 at Grace Church, Merchantville; September 28 at St. Clement’s, Belford; October 17 at Holy Trinity Summer Chapel, Spring Lake; and October 24 at Trinity Cathedral, Trenton. (“Join the Loan and Grant Committee and see New Jersey.”) If we were naming years as the Chinese do, 2011 was “the year of the roof.” As a result of these meetings:

-- On April 12, Diocesan Council approved a five year loan to Church of the Ascension, Gloucester City for \$15,000 at 4% interest from the Venture in Mission Fund, with pre-approval of up to an additional \$5,000 if needed, for roof repair.

-- On June 21, Diocesan Council approved a \$10,000 grant from the Capital and Revolving Fund to St. Mark's Church, Keansburg for the replacement of the roof on the vicarage, with any balance left to go toward all necessary replacement of gutters and leaders on the church's campus and then towards the replacement of storm windows in the vicarage. The church expected to raise the rest of the money needed for these projects.

-- On June 21, Diocesan Council approved a \$10,000 grant from the Capital and Revolving Fund to San Andres Church, Camden for the expansion of its food pantry. At that time, the church had already raised another \$10,000 for this project and expected to raise the remaining \$7,000 needed.

-- On June 21, Diocesan Council approved a \$10,000 grant from the Capital and Revolving Fund and a \$25,00 loan for 15 years at 2 1/2% interest, split between the Capital and Revolving Fund and the R. Bowden Shepherd Fund, to Church of the Holy Spirit, Tuckerton for the roof repairs to the sanctuary and parish hall building.

-- On June 21, Diocesan Council approved a \$10,000 grant to Trinity Church, Swedesboro from the Capital and Revolving Fund to assist with the cost of removing or remediating underground gasoline storage tanks in its property in accordance with a municipal mandate.

-- On October 26, Diocesan Council approved a \$10,000 grant for St. Clement's, Belford, to be spent on repairs to the roof as per the contract endorsed by that church and presented to the Committee, with the \$750 balance of the grant to go towards repair or replacement of the rear steps to the vicarage.

-- On October 26, Diocesan Council approved the consolidation of the two current loans of St. Stephen's Church, Beverly into one new, 10 year loan at 4% from the Venture in Mission Fund, combining the remaining \$45,000 balance on its (no interest) "bridge" loan from the Capital and Revolving Fund and the balance of its loan from the Venture in Mission Fund (\$17,340 as of 8/31/11), after one year's simple interest on the \$45,000 overdue loan be paid at the signing of the Promissory Note for the new loan. St. Stephen's had completed an extensive and needed repair of its tower, with the assistance of a grant from the New Jersey Historic Preservation Trust and a capital campaign from its members, now supplemented by a Planned Giving campaign.

-- On October 26, Diocesan Council approved a loan of \$65,000 for five years at 4% interest from the Venture in Mission Fund to Holy Trinity Church, Spring Lake, to cover part of the cost of the replacement of its slate roof, most of which had been covered by an extensive fund-raising campaign by this Summer Chapel.

-- On October 26, Diocesan Council approved a loan of \$103,000 for 10 years at 4% interest from the Venture in Mission Fund to Trinity Cathedral, Trenton, for its new heating system.

I give great thanks for the work on our Committee of the Rev. Phil Kasey, who retired and moved out of our diocese in November, and of our newest member, Mr. Juan Delgado, and of our other continuing members: Mr. Ed Filipski, Secretary, Mr. Jay Ham, Mr. John Holt, the Rev. Ellen Rutherford, and also for the indispensable work of our Diocese's wonderful CFO, Ms. Phyllis Jones, who serves as staff to the Committee.

Respectfully submitted,  
(The Rev. Dr.) Francis A. Hubbard, D.Min.  
Chair