

Greater New Jersey Annual Conference
Question of Law
1022-04

Question Part A

In reference to the budget and finance report, found on pages 29- 30 and 80 of the 2022 pre-conference booklet and presentation by a chair of CFA during the annual conference on Monday, May 23, 2022, does the GNJAC have the right to redirect any portion of funds resulting from the sales of closed church properties to other purpose/s, such as subsidizing local church billings and the annual conference operating budget?

Question Part B

And does the GNJAC have the right to repurpose any portion of funds, the proceeds from the sales of church buildings and property, that are the product of restricted donations/gifts to the particular church by the congregation/s and/or donors, without first obtaining the donors' removal of the restriction?

Submitted by
Gyuchang Sim
Lay Member-At-Large
Tenafly UMC



JUDICIAL COUNCIL OF THE UNITED METHODIST CHURCH
 CONSEIL JUDICIAIRE DE L'ÉGLISE METHODISTE UNIE
 RECHTSHOF DER EVANGELISCH-METHODISTISCHEN KIRCHE
 CONSELHO JUDICIAL DA IGREJA METODISTA UNIDA
 CONSEJO DE LA JUDICATURA DE LA IGLESIA METODISTA UNIDA



Report by Bishop on Decision of Law

This form is to be used for (please check one):

- Reporting of decisions of law made by bishops in response to questions of law submitted to them in writing during the regular business of a conference session (§ 56.3 Const. and ¶ 2609.6 *The Book of Discipline 2016*).
- Reporting of episcopal decisions on questions of law when such decisions are appealed by one-fifth of the members of the conference (§ 56.2 Const. and ¶ 2609.7 *The Book of Discipline 2016*).

Name of Bishop: John Schol

Address: 205 Jumping Brook Road City: Neptune

State/Province: NJ ZIP/Postal Code 07753 Country: USA

Phone: 732/359-1010 Fax: 732/359-1019 E-mail: bishopjohnschol@gnjumc.org

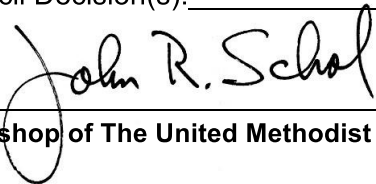
Annual Conference: Greater New Jersey Date of session: 5.23.2021 (month/day/year)

Question(s) of Law: Please see attached

Authorities Cited (indicate paragraph or decision number where applicable):

Constitution: _____ Book of Discipline: ¶ 212, 2549, 2610

Judicial Council Decision(s): _____

Signature:  Date: 06/15/2022
Bishop of The United Methodist Church (month/day/year)

The following must be attached:

- Decision of Law, including facts, rationale and ruling
 - Text of the written request for decision
 - Minutes of annual conference proceedings (relevant portions only)
 - List of names and addresses of interested parties
 - Other relevant materials (e.g. conference rules, resolutions, policies, reports)
- Eight (8) hard copies must be submitted via USPS or other delivery service to:
**UMC Judicial Council, c/o LaNella Smith, Assistant to the J.C. Secretary,
 1215 Shady Lane, Durham, NC 27712**
- Electronic copies in both Word and PDF (with security features disabled) must be submitted to: secretary@umcjudicialcouncil.org.

The United Methodist Church

Greater New Jersey

Decision of Law Request May 23, 2022

John R. Schol, Bishop

STATEMENT OF FACTS

Statement of Facts

On May 23, 2022, the first day of the Greater New Jersey Annual Conference Session during the approval of the budget, Mr. Gyuchang Sim submitted the following questions of Law:

Question Part A

In reference to the budget and finance report, found on pages 29- 30 and 80 of the 2022 pre-conference booklet and presentation by a chair of CFA during the annual conference on Monday, May 23, 2022, does the GNJAC have the right to redirect any portion of funds resulting from the sales of closed church properties to other purpose/s, such as subsidizing local church billings and the annual conference operating budget?

Question Part B

And does the GNJAC have the right to repurpose any portion of funds, the proceeds from the sales of church buildings and property, that are the product of restricted donations/gifts to the

particular church by the congregation/s and/or donors, without first obtaining the donors' removal of the restriction?

Submitted by Gyuchang Sim

Lay member-at-large

Tenafly UMC

JURISDICTION

The Judicial Council has jurisdiction under Par. 2610 of the 2016 Discipline.

ANALYSIS AND RATIONALE

The annual conference approved the budget which included how the funds of closed churches were to be allocated. In part, the proceeds from the sale of closed churches were to be allocated to assist congregations with health insurance billings. For more than 20 years, the Greater New Jersey Annual Conference subsidized clergy health insurance and other direct billing from the annual conference. In 2021, it reached levels that were unsustainable. In a special called session of the annual conference in January of 2021, a plan was passed to phase out these subsidies over five years through the sale of any closed churches through 2026.

RULINGS OF LAW

As to **Question A**, the board of trustees may or as directed by the annual conference dispose of the real and personal property of a closed church (paragraph 2549 (5) and (6)), and if it is the sale

of an urban church property, as directed in paragraph 2549.7, any proceeds of the sale of its property may be used for new and/or existing ministries within urban transitional communities as describe in paragraph 212.

As to **Question B**, the board of trustees may or as directed by the annual conference dispose of the real and personal property of a closed church (paragraph 2549 (5) and (6)), and if it is the sale of an urban church property, as directed in paragraph 2549.7, any proceeds of the sale of its property may be used for new and/or existing ministries within urban transitional communities as describe in paragraph 212.

When a congregation member gives money designated to build a building, those funds are restricted to build the proposed building. When the building is built, the member's gift restriction has been fulfilled. If the church is closed, there are no restrictions on the use of the proceeds from the sale unless there are deed restrictions, or the closed church is in an urban area.

Submitted by: John R. Schol, Bishop

ANNUAL CONFERENCE 2022

Deliver

Luke 4:17-18

The Spirit of the Lord is on me
and anointed me to bring good news to the poor,
proclaim release to the captives and recovery of sight to the blind,
to let the oppressed go free and to proclaim the year of the Lord's favor.

THE UNITED METHODISTS OF GREATER NEW JERSEY
PRE-CONFERENCE WORKBOOK
MAY 23 - 24, 2022

1 provides an annuity arising from benefits accrued under a Wespath plan, annuity, or fund authorized under
2 the *Discipline*, that result from any service a clergyperson rendered to this Conference or that an active, a
3 retired, a terminated, or a disabled clergyperson of this Conference rendered to any local church, annual
4 conference of the Church, general agency of the Church, other institution of the Church, former
5 denomination that is now a part of the Church, or any other employer that employed the clergyperson to
6 perform services related to the ministry of the Church, or its predecessors, and that elected to make
7 contributions to, or accrue a benefit under, such a plan, annuity, or fund for such an active, a retired, a
8 terminated, or a disabled clergyperson's pension, severance, or disability plan benefit as part of his or her
9 gross compensation.

10
11 NOTE: The rental/housing allowance that may be excluded from a clergyperson's gross income in any year
12 for federal (and, in most cases, state) income tax purposes is limited under Internal Revenue Code section
13 107(2), and regulations there under, to the least of: (a) the amount of the rental/housing allowance
14 designated by the clergyperson's employer or other appropriate body of the Church (such as this Conference
15 in the foregoing resolutions) for such year; (b) the amount actually expended by the clergyperson to rent or
16 provide a home in such year; or (c) the fair rental value of the home, including furnishings and
17 appurtenances (such as a garage), plus the cost of utilities in such year. Each clergyperson or former
18 clergyperson is urged to consult with his or her own tax advisor to determine what deferred compensation is
19 eligible to be claimed as a housing allowance exclusion.

- 20
- 21 1. That clergy retiring before July 1, 2023, be reimbursed for one-time moving expenses up to
22 \$5,000.00 incurred while moving from church-owned housing to personal housing. This
23 reimbursement is limited to actual moving expenses, not to include moving company packing costs.
24 Clergy are required to make every effort to obtain three bids to the Board of Pension & Health
25 Benefits prior to final approval. The same benefits and restrictions shall also apply to a surviving
26 spouse moving out of the parsonage upon the death of a pastor while in active service in the Annual
27 Conference, and to those entering disabled relationships.
 - 28 2. That the Conference Board of Pension and Health Benefits be authorized to make modifications to
29 the current Insurance Plan as the health care market demands. In addition, modifications to the Plan
30 that could reduce premium costs to local churches and Annual Conference are to be studied and
31 enacted as the Board determines appropriate. These changes might include increased participant
32 deductibles, co-payments, greater use of generic medications, and other avenues of cost saving and
33 sharing. Such changes will be subject to prior review of CFA and the Cabinet.
 - 34 3. That the Guidelines for Health Insurance Participation, below, be approved and upon approval
35 printed in the 2022 Conference Journal and Yearbook.

36
37 Submitted by Jennifer Cho
38

39 **2023 Budget Recommendation**

40
41 Whereas in 2021, the world and GNJ continued to go through an unprecedented COVID-19 pandemic that
42 negatively impacted the ministry of our churches and their spending; and

1 Whereas normally the 2023 Shared Ministry Apportionment for each GNJ congregation is determined by
2 multiplying the congregation’s spending in 2021 (inputted by each congregation in the GCFA Ezra database)
3 by a percentage set by the annual conference; and

4 Whereas the 2021-year spending was dramatically impacted by the pandemic and the spending is
5 significantly different than normal trends; and

6 Whereas the strength of giving expected of a congregation for 2023 is not reflected in the 2021 Statistical
7 Report numbers;

8 Therefore, be it resolved that the 2023 Shared Ministry Apportionment for each congregation be calculated
9 using the average of the 2019 and 2021 Statistical Report data; and

10 Be it resolved that the Greater New Jersey Annual Conference adopt the 2023 Budget that includes the
11 following:

- 12 1. A consolidated budget that includes all billings to congregations, GNJ ministry and mission,
13 administration and property, and general church apportionments.
- 14 2. 15.3% shared ministry apportionment, 12.3% for GNJ shared ministry and 3.0% for general church
15 apportionment.
- 16 3. Salary and support for six district superintendents.
- 17 4. \$1.185 million from property sales and \$200,000 from 2021 surplus to support congregations with
18 their billings.
 - 19 a. Additional property sale proceeds beyond the \$1.185 million budgeted to support
20 congregations with their billings (“investable proceeds”), will be deposited into the approved
21 designated funds according to the plan developed by CFA so that all funds except the four
22 listed below reach their targets by 2026, or sooner; after which, funds will be deposited in
23 accordance with the annual conference policy to allocate property sale proceeds to the
24 Harvest Mission Fund (50%), Strategic Disciple Making Fund (20%), Retiree Health Care Fund
25 (15%) and Property Redevelopment Fund (15%).
 - 26 b. For 2023, the investable proceeds will be deposited as follows: 92% to Retiree Health Care
27 Fund and 8% as directed by CFA to funds as needed to achieve the goal amount.
- 28 5. \$449,394 from GNJ designated funds.
- 29 6. Qualifying congregations identified according to the Journey of Hope Equity Shared Ministry
30 legislation will be apportioned as approved by previous annual conference legislation according to
31 the formula outlined in the A Journey of Hope report and legislation
32
- 33 7. The monthly statements provided to congregations include the following.
 - 34 a. The total apportionment to the congregation for GNJ shared ministry.
 - 35 b. The total apportionment to the congregation on behalf of the general church.
 - 36 c. Direct billings to the congregation from GNJ, which include but is not limited to, blended rate
37 for active healthcare and incremental contributions for self-elected benefits (health, dental,
38 vision, and health reimbursement accounts) for active pastors/lay employees, workers
39 compensation, property insurance and back payments for past billings
40

41 Submitted by Vasanth Victor

42
43

	2023	Approved 2022
Income		
GNJ Shared Ministry Apportionment	6,852,258	7,129,164
GNJ portion of General Church MEF	67,918	67,171
Local Church Billing Revenue	15,723,542	13,908,578
Centenary Fund	700,000	700,000
Designated Funds	449,394	578,535
Property Sale Revenue	1,185,000	1,732,000
Grants and Donations	148,205	110,470
Registrations	269,750	163,500
Shared Services	45,000	45,000
Total Income	<u>25,441,067</u>	<u>24,434,419</u>
Expenses		
Personnel		
GNJ Staff	5,008,124	
Clergy Benefit Billings	8,807,394	
Retiree Health Insurance	2,037,175	
Total All Personnel	15,852,693	15,668,304
Leadership Development	175,318	185,800
Congregational Development	1,068,250	1,016,500
Mission and Justice Ministries	1,283,000	1,027,842
Agency Budgets	70,100	76,300
Administration	428,750	392,120
Communications	551,000	554,500
Property	6,203,140	5,457,270
Bridge Fund	0	50,000
Total GNJ Expenses	<u>25,632,251</u>	<u>24,428,636</u>
GNJ Income Over / (Under) Expenses	<u>(191,184)</u>	<u>5,783</u>
2021 Surplus funds	<u>200,000</u>	
Net surplus / (deficit)	<u>8,816</u>	
<u>General Church Apportionments</u>		
Apportionment Base	63,963,783	66,264,500
General Church Apportionment \$'s	1,924,950	1,924,950
General Church Apportionment %	3.0%	2.9%



GNJ FINANCIAL POSITION

INTRODUCTION

The leadership of GNJ and its congregations are called to:

Recruit and develop transformational leaders to make disciples of Jesus Christ and grow vital congregations for the transformation of the world.

Essential to the mission is faithful stewardship of all GNJ resources.

GNJ has stewarded faithfully its resources – leaders, disciples, shared ministries and property. Regretfully there has been a breakdown in our financial stewardship of billings to congregations for health and property insurance and stewardship of GNJ reserves. If immediate action is not taken to address a \$6 million budget shortfall by balancing the 2021 budget, future ministry, mission and congregations will be impacted. As part of this report, we are recommending actions that GNJ must take for the health and strength of the mission.

THE CHALLENGE

In July 2020, a new CFO/Treasurer assumed responsibility for stewarding the financial resources of GNJ. During a comprehensive review of the accounts, it became apparent that churches were underbilled for health and property insurance. Reserve funds and property sales were being used to subsidize billings and general church apportionments. These practices depleted GNJ's reserves by as much as \$10 million, and the practices are no longer sustainable.

Billing

1. Healthcare insurance in 2021 was approved to be billed to churches at \$15,000 per policy, when in reality the health insurance program costs \$23,000 per policy.
2. In a review of just the last six years, the gap in active clergy/lay employee healthcare insurance billings averages \$1.6 million per year.
3. Some congregations do not pay their full billings, leaving a 7% shortfall in collections.
4. The billings to churches did not include the full cost of the policy, uncollected billings and charges to cover the cost of administering the benefit programs.
5. All clergy and lay employee pensions and healthcare and congregations' property insurance are paid in full.

Reserve

1. GNJ reserves were reported as \$20.5 million, but in reality, the cash investments were \$7.5 million at the end of October 2020. Two of the funds important to GNJ's ministry were reported at that time as the following.
 - a. The Harvest Mission Fund was reported at \$11.1 million, when in reality there was only \$2.4 million of cash investment.
 - b. The retiree health reserve was reported at \$4 million, when in reality there was only \$1.6 million of cash investment.
2. The difference between reported and actual reserve balances were recorded in accounting documents kept by the treasurer as being backed by GNJ property or internal loans. Current GNJ leadership indicated that the reporting of the use and accounting of reserves was not accurate. An independent team comprised of church, nonprofit, and business accounting

leaders including a forensic auditor and a lawyer will review these accounting documents and any actions that led to this discrepancy in the finances of GNJ and report to the 2021 May Annual Conference Session. In order for the team to do a comprehensive and accurate review, GNJ must not speculate nor make accusations about the rationale or the actions that created the discrepancy in GNJ's reserves and billings. Based on this independent team's report when it becomes available, further actions will be taken as appropriate.

3. GNJ mission partners, A Future with Hope, Centenary Fund, Next Gen and the Stewardship Foundation (including congregational investments) are independent nonprofit corporations that operate with separate boards, and their reserve funds are separately invested and are at the levels reported.
4. *It is believed that with the strong shared ministry giving we are seeing this year end and recent property sales, cash investments will be in the range of \$10-\$12 million at the end of the year.*

Budget

1. GNJ was collecting 88% in shared ministry apportionments and yet giving 100% apportionment to the General Church. This difference appears to have also been covered using GNJ designated program reserves and property sales.
2. GNJ's 2021 budget has a \$6 million shortfall created by the following.
 - a. Congregations were to be billed \$12 million for benefit and property insurance when the program costs are closer to \$15 million, which led to \$3 million of the \$6 million shortfall.
 - b. Unrealized shared services income and other income led to the additional \$3 million of the \$6 million shortfall. "Shared Services" are the cost of services to be paid to GNJ from billing programs and services provided to mission partners. Shared services are staff time, accounting services, office space, communications, fundraising, etc.
3. There were similar shortfalls in past GNJ budgets but were unreported and undetected because GNJ does not have a consolidated budget that shows all income and expenses. Further, no one group monitors all of GNJ's finances, but they are separated into three groups--Board of Trustees, Board of Pensions and CFA.

THE PATH FORWARD

Understanding how this occurred, the challenges GNJ faces and related actions are all critical next steps, which are discussed in more detail in the appendix at the end of this document. A fuller plan and policies will be brought to the May 2021 Annual Conference Session concerning reserves and financial management.

Our immediate focus is on balancing the 2021 budget by January 22 and outlining a clear path forward that includes the following.

- \$4.9 million in revenue:
 - \$3.2 million in property sales
 - \$1.0 million increase in church billings
 - \$550,000 from reserves
 - \$120,000 increase in Centenary Fund donation
- \$1.1 million in net expense reduction from budget adopted in October 2020.

This will require the following sacrifices and commitments across GNJ.

1. GNJ Shared Ministry Budget
 - a. Reduce personnel costs by \$1 million by not hiring open positions and laying off staff. This will create 13 open positions of 47 staff positions or a 28% reduction in staffing.

- b. Additional spending will be identified through a zero-based budget process by elected leaders and program leaders responsible for the mission and ministry program of GNJ. Because there is insufficient detail in previous budgets and accounting records, the individuals will have until January 31, 2021 to set new balanced program and mission budgets.
- 2. Mission Partners
 - a. GNJ mission partners, A Future with Hope, Next Gen and Stewardship Foundation will pay \$195,000 for shared services (shared services include accounting, administrative support, office and communication).
 - b. The Centenary Fund will contribute an additional \$120,000 toward 2021 retiree health expenses.
- 3. January 22, 2021 Special Annual Conference Session
 - a. Approve a revised consolidated budget.
 - b. Increase the clergy and lay employee healthcare billing from the previously approved \$15,000 to \$16,500. The actual cost to GNJ of the program is \$23,000 per policy. A five-year plan for making up the underbilling is below on page 8.
 - c. Add administrative and uncollectable billing expenses of 5% and 7%, respectively to all billings.
 - d. In general, set aside the October 2020 Annual Conference Session approved distribution percentages of closed churches' property sale proceeds and use the proceeds to support the five-year billing plan and other budget items.
 - e. Specifically, in order to achieve a balanced budget in 2021, allow the use of property sales and reserves as proposed in the new 2021 consolidated budget. If an unexpected issue arises and a balanced budget cannot be achieved, CFA, Board of Pensions and Board of Trustees may jointly approve the additional use of reserve funds to achieve a balanced consolidated budget once other methods such as budget cuts have been exhausted. The chairperson of CFA is to report to the next annual conference session any use of reserve funds or property sales that were not included in the budget.
- 4. Local Churches
 - a. Pay 100% of shared ministry and billings, recognizing that some congregations in low-income communities will be billed and apportioned at a lower rate approved by the annual conference as per A Journey of Hope Plan.
 - b. Each congregation with health insurance and each congregation that is not paying all of its billables and/or shared ministries shall respond with a congregational plan by March 1, 2021 outlining how they will achieve full payment of billables and shared ministry apportionments. While we need to assess these issues now, the billable plan found on page 8 will decrease in 2022-2025 as the board of pensions and the board of trustees make changes to the billing programs. A printed guide and GNJ staff will be provided as needed to assist congregations in their planning and reporting.
- 5. Boards of Pensions and Trustees
 - a. Review current benefit and property insurance programs to identify \$3 million in savings to be recommended to the May 2021 Annual Conference Session for the 2022 consolidated budget.

These combined sacrifices and commitments will close our \$6 million gap in 2021 and are captured in the proposed budget and legislation below for the Special Annual Conference Session on January 22, 2021. The plan to rebuild the reserve funds and the policies and procedures for use of reserve funds will be presented for action to the May Annual Conference.

LEGISLATION - SPECIAL ANNUAL CONFERENCE SESSION--REVISED

The world needs GNJ, its congregations and connectional mission, to experience God's saving, merciful and just grace. God's grace works through GNJ as it recruits and develops transformational leaders who make disciples and grow vital congregations for the transformation of the world. With God's help and working together, we will meet our challenges, grow our mission and create a sustainable ministry to meet future challenges.

Whereas there is shortfall of \$6 million in the 2021 budget that has created both a financial challenge and opportunity to refocus and organize for GNJ's future mission; and

Whereas to meet a balanced budget, GNJ must bill congregations for the full cost of benefit programs and include 5% for administrative costs and 7% for uncollected billings; and

Whereas GNJ needs to rebuild its reserves and assist congregations financially to meet the full billings over five years; and

Whereas GNJ projects an 88% collection rate for shared ministry and a 93% collection rate for billables to fund the mission and ministry of GNJ;

Therefore, be it resolved that the Special Annual Conference session adopt a revised budget to sustain the mission and support its congregations and clergy based on the following.

1. Approve a revised GNJ consolidated budget of **\$24,880,133** income and **\$24,849,672** expenses.
2. Apportion congregations 15.2% for shared ministry.
3. Bill congregations the blended health insurance rate of \$16,500 per insured and add to a church's billing any additional expenses selected by the clergy/lay employees over and above the supported plan (churches will withhold this amount from a pastor's or layperson's salary unless the churches specifically elect to make these additional payments on behalf of the aforementioned persons)Set aside the distribution percentages of property sales as approved by the October 2020 annual conference session until 2026 or sooner in order to fund the transition to full billing of congregations while simultaneously growing our reserves.
4. Use property sales and draw on reserves as approved in the budget. If a balanced budget cannot be achieved, CFA, Board of Pensions, Board of Trustees and the Cabinet may jointly approve the use of additional reserve funds to achieve a balanced consolidated budget once other methods such as budget reductions have been exhausted. The chairperson of CFA is to report any additional use of reserves to the next annual conference session.
5. GNJ will give to the general church what it receives toward general church apportionments and CFA may add additional dollars if there is income over expenses in the shared ministry receipts and expenses.
6. Apportion churches **\$1,850,316** for general church apportionments.
7. The Connectional Table, CFA, Board of Pensions, Board of Trustees and Cabinet will review the following schedules and make the necessary reductions to achieve the approved consolidated budget line items by January 31.
 - a. Mission, Justice and Agency Schedule (A Journey of Hope will not be reduced)
 - b. Communications and Fundraising Schedule
 - c. Administration Schedule
 - d. Property Schedule

CONSOLIDATED GNJ BUDGET

Budget Assumptions

1. 15.2% apportionment percentage – no change
2. 88% shared ministry giving rate – no change
3. 93% billable collection rate – no change
4. 20% personnel spending reduction
5. No decrease in A Journey of Hope Program and Grants
6. No decrease in grants to congregations
7. Carry over \$500,000 in Covid Funds for grants in 2021

Income

Shared Ministry Receipts		7,253,387
Centenary Fund		770,000
Insurance, Pension and Billable Income		12,113,241
Reserve		550,500
Property Sales		3,182,000
Grants		
Episcopal Office	85,470	
Lilly Grant	112,000	
Covid Grant Carry Over	500,000	
Additional Grants and Donations	25,000	
Total Grants		722,470
Registrations		41,400
Shared Services		195,000
GNJ Staff Healthcare Contributions		52,136
Total Income		24,880,134

Expenses

Personnel		
GNJ Staff	4,256,275	
Clergy and Laity Health and Dental Insurance	6,100,368	
Clergy and Laity Pensions	2,838,707	
Staff and Elected Leadership Development	35,000	
Severance and Unemployment Self-Insurance	184,096	
Total Personnel		13,414,445
Mission and Ministry		3,187,175
Retiree Healthcare		2,887,734
Communications		131,500
Administration		509,196
Property		
Congregations' Property Insurance	4,379,582	
GNJ Property	352,223	
Total Property		4,731,805
Total Expenses		24,861,856

Income Over (Under) Expenses **18,278**

APPENDIX

HOW DID THIS HAPPEN

There will be a full investigation by an independent group into what occurred and how it occurred. It appears that funds from reserves and the sale of property were being used to make up the shortfalls in billings to churches, the budget and general church apportionments. The difference between reported and actual reserve balances were recorded in accounting documents kept by the treasurer as being backed by GNJ property or internal loans. Current GNJ leadership indicated that the reporting of the use and accounting of reserves was not accurate. An independent team comprised of church, nonprofit, and business accounting leaders including a forensic auditor and a lawyer will review these accounting documents and any actions that led to this discrepancy in the finances of GNJ and report to the 2021 May Annual Conference Session. In order for the team to do a comprehensive and accurate review, GNJ must not speculate nor make accusations about the rationale or the actions that created the discrepancy in GNJ's reserves and billings. Based on this independent team's report when it becomes available, further actions will be taken as appropriate.

It is also important to understand that while there has been underbilling and spending down reserves,

ALL CLERGY PENSION AND HEALTH INSURANCE, AND ALL CONGREGATIONS' PROPERTY INSURANCE WAS PAID IN FULL AND ALL PAYMENTS ARE UP TO DATE. NOONE'S PENSION, BENEFITS OR PROPERTY INSURANCE HAS BEEN COMPROMISED.

While there were discrepancies due to how billings and General Church Apportionments were handled, GNJ's shared ministry budget and the amounts apportioned to congregations align.

In part, the challenges occurred because of systemic issues of how our denomination organizes its boards and agencies. The three bodies, CFA, Board of Pensions and Board of Trustees by The Book of Discipline have independent authority and autonomy for decision making and budgeting, and there is not one body overseeing all finances. This allows for each group to only be given a piece of the information.

CHALLENGES AND ACTIONS

While an independent team will do a complete review of GNJ's reserves, policies, procedures and individual actions that created the challenge, there are things that are apparent, and immediate action will be taken to address the issues.

An Impartial Financial Review and Recommendations

Challenge

1. GNJ has a 2021 \$6 million budget shortfall and \$9 million reduction in investments.

Action

1. An independent team has been appointed to complete a review and report directly to the May 2021 Annual Conference Session and sooner if necessary, of their findings and recommendations. The team will consist of people with expertise in finance, personnel, the law, audits, and non-profit organization. **Completed by March 10, 2021. Responsible – CFA Chairperson and Bishop**

Budget

Challenges

1. There is a \$6 million budget shortfall for the 2021 budget.
2. The costs for healthcare and property insurance programs were not billed at the full costs. The 2021 costs for pension, health insurance, property insurance and other insurance to be billed to congregations is \$14.6 million and congregations were only to be billed for \$12 million, a loss of **\$2.6 million** that will be incurred if there is no change in the billings. Of this variance, \$2.1 million was for health insurance, \$400,000 was for property/workers compensation and \$100,000 was for pension related billings.
3. Income for administrative expenses was budgeted but not included in calculations used to determine church billings, creating budget income not tied to any actual income source.
4. Different groups that oversee financial matters saw parts of the entire budget but not the entire budget's income and expenses.

Actions

1. The 2021 budget's \$6 million shortfall will be reviewed for budget spending reductions, and income sources will be adjusted so that GNJ has a balanced budget for 2021. **Completed by January 8, 2021 and voted on by a special annual conference on January 22. Responsible – chairperson of CFA.**
2. CFA shall present a balanced consolidated budget to be acted on each year by the annual conference session. The budget shall include income and expenses for CFA, Board of Pensions and Board of Trustees. The following schedules shall also be included with the printed budget presentation.
 - a. Mission, benevolences and ministry schedule
 - b. Benefit billings schedule including administrative costs and uncollectables
 - c. Property and other billings schedule including administrative costs and uncollectables
 - d. Property sales revenue and reserve balances schedule that shows the amounts of all property sales and reserves balances anticipated to be used in the unified budget.
 - e. Communications schedule
 - f. Administration schedule
 - g. Property schedule

2021 Schedules completed by January 31, 2021. Responsible – bishop to convene the Connectional Table, CFA, Board of Benefits and Pensions, Board of Trustees and Cabinet.

Completed by March 15 for the 2022 and subsequent years' budgets. Responsible – CFA Chairperson

3. The general church will receive what congregations give toward the general church apportionments and if and when there is a surplus, CFA will review the amount and allocate the surplus as long as all GNJ expenses are paid and reserve funds are at the agreed upon levels. **Implemented for 2020 general church apportionments by January 15. Responsible – CFA Chairperson.**
4. CFA, Board of Pensions, and Board of Trustees shall meet at least twice a year to prepare a consolidated budget for the annual conference session's consideration and to review year end income and expenditures. The three groups shall be convened by the bishop and led by the chair of CFA. **Implemented by March 1, 2021. Responsible – the bishop.**

5. The boards of GNJ’s three financial bodies will receive orientation on GNJ’s reports, what to monitor and necessary questions to govern GNJ’s finances. **Implemented by March 1, 2021. Responsible – CFA budget chairperson.**
6. Develop calculators for pension, health insurance, property insurance and all other billings. These were completed in late December 2020 for clergy and lay employee healthcare, pensions, property insurance and other billings to ensure the full and fair costs for billings are billed to congregations. **Finalized by January 8, 2021. Responsible - CFO**
7. A five-year billing plan will be developed so that over time, congregations will be billed for actual costs of benefit and insurance programs. During the transition, GNJ will subsidize congregations’ billings. **Completed by January 8, 2021. Responsible – CFO**

This schedule is for the current billing programs. The Board of Trustees and the Board of Pensions will be reviewing the programs to reduce costs, and the boards will present new insurance programs to the May 2021 Annual Conference Session that will provide appropriate coverage and reduce costs. The new programs as passed by the annual conference session will reduce the costs in years 2022-2025.

	<u>Original</u> <u>2021</u>	<u>Revised</u> <u>2021</u>	<u>Increase</u> <u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Avg Cost per Insured:</u>							
Health Care	15,000	16,500	1,500	18,500	20,500	22,500	25,500
Dental	2,424	2,714	291	2,782	2,852	2,923	2,996
	<u>17,424</u>	<u>19,214</u>	<u>1,791</u>	<u>21,282</u>	<u>23,352</u>	<u>25,423</u>	<u>28,496</u>
<u>Avg. Cost per church:</u>							
Pension/UMPIP/Umlife	5,944	6,657	713	6,823	6,994	7,169	7,348
Property Insurance Revenue	6,904	7,233	329	7,413	7,599	7,789	7,983
Workers Comp	1,249	1,249	0	1,280	1,312	1,345	1,378
MinistrySafe	0	48	48	49	50	51	52
	<u>14,096</u>	<u>15,186</u>	<u>1,090</u>	<u>15,565</u>	<u>15,955</u>	<u>16,353</u>	<u>16,762</u>

8. Congregations will pay their full billings - recognizing that some congregations in low-income communities will be billed and apportioned at a lower rate approved by the annual conference as per A Journey of Hope Plan. All congregations will review their budget and project a two- to five-year plan to meet full billings and shared ministries. Congregations that do not submit a plan or do not carry out their plan will be referred to the cabinet to better align clergy salary, or a study of the congregation’s sustainability. **Congregations complete their review and plan by March 1. Responsible – dean of the cabinet.**
9. The Boards of Pensions and Trustees will fully review all benefit and property programs and recommend to the May 2021 annual conference session savings for the 2022 budget – target savings of \$3 million annually. **Completed by March 1, 2021. Responsible – boards of pensions and trustees’ chairpersons.**
10. To the extent the Wespath actuarial reports indicate excess pre-82 pension reserves, these funds will be dedicated to the retiree health insurance program. We have requested a long-term view from Wespath. **Wespath complete their assessment by March 1, 2021. Responsible – Chair of the board of pensions.**

11. A 2022-2025 budget and forecast will be developed to identify and address future budget opportunities and challenges. **Completed by March 15, 2021. Responsible – CFA chairperson.**

Accounting

Challenges

1. Inter-company balances within GNJ financials (“Due to / Due From GNJ”) were not discussed in meetings.
2. The chart of accounts is cumbersome and does not easily provide clarity on income and spending and does not allow for basic management reports.
3. The accounting software is not used to its capabilities and therefore computer-generated reports were non-existent or inaccurate.
4. Except for the cabinet, GNJ has operated without management budgets.
5. There was not a full separation of duties so that one person was making general entries, preparing reports, overseeing reserve funds and investments.

Actions

1. Discuss with the auditor appropriate separation of duties and rewrite job descriptions and procedures as necessary. **Completed by February 15. Responsible – CFO**
2. Assess computer system capabilities, upgrades to more recent versions and provide additional training to staff in use of the software. **Completed by July 1. Responsible – systems manager**
3. Develop and begin to implement a new chart of accounts. **New chart of accounts completed by February 15. Responsible – accounting manager.**
Develop management budgets and each staff member and GNJ organization is to manage to their budget. **Completed by January 31. Responsible - CFO**
4. Develop a delegation of authority procedure for making financial decisions. **Completed by January 31. Responsible – CFA budget chairperson.**
5. Any inter-department or organization borrowing is to be reported to CFA with a timeline for repayment. CFA is to monitor any interdepartmental and organization borrowing until it is repaid within a year. **Completed by January 15. Responsible CFO.**
6. Board reports will be simplified and/or more clearly explained for individual boards to have a holistic view of GNJ’s financial position. **Completed by March 1, 2021. Responsible – CFO and the chairpersons of CFA, board of trustees and board of pensions.**

Reserves

Challenges

1. Designated GNJ reserve funds were being used to meet cash flow needs without approval by appropriate bodies or the annual conference. For instance, it appears the Harvest Mission Fund was being used to subsidize billings and general church apportionments.
2. Reserves and property sales were used for cash flow needs and thus not allowing them to grow as investments. This meant that withdraws from the Harvest Mission Fund and other reserves were drawing down principle rather than using market gains to the fund mission and ministry.
3. “One-time” insurance dividends were used to cover shortfalls in church billings. Dividends are not guaranteed income each year and cannot be factored into long-term planning.

Actions

1. Policies will be reviewed and rewritten as necessary and published yearly in the pre-conference journal to clearly state the purpose and how the reserve funds are to be used for each reserve. **Completed by March 1, 2021 and presented to the 2021 annual conference session. Responsible – chairperson of the investment and audit committee.**
2. An operating reserve fund will be established to manage cash flow during the year and shall be separate from all other reserves and only used to manage cash flow. **Completed by January 8, 2021. Responsible – CFA Chairperson**
3. Develop polices, set goals and timelines and prepare legislation to rebuild reserve funds and present to the May 2021 Annual Conference Session. **Completed by March 1, 2021. Responsible – CFA chairperson.**

Designated GNJ Reserve Projected Plan 2021-2034 To be Reviewed at May 2021 Annual Conference Session

GNJ has three types of funds.

1. GNJ Designated Reserve Funds – funds designated by GNJ for particular purposes. The funds may only be spent according to how GNJ designates their spending. These funds are listed in the chart.
2. Donor Restricted Reserve Funds – funds designated by the donor with specific written instructions on how the funds are to be used. GNJ has \$1 million in donor restricted funds. These funds are not listed here.
3. GNJ Surplus Reserve Funds – funds used for cash flow or an emergency. These funds are not listed here.

Numbers highlighted in the darker green indicates the goal has been reached

	Annual Return	7%	Annual Draw	5%	
	Year	2021	2022	2023	2024
Reserve Funds	Property Sales	3,700,000	3,700,000	3,800,000	3,800,000
	To Budget	3,182,000	2,442,000	1,748,000	988,000
Mission and Ministry Reserves	Fund Goal				
Harvest Mission Fund	25,000,000	21,423	47,817	91,082	150,793
Strategic Disciple Making Fund	20% of Prop	21,423	47,817	91,082	150,793
Mosaic Ministries Fund	1,000,000	1,070,000	1,087,655	1,105,601	1,123,844
GNJ Reserves to Other Organizations					
St. Johns Native American Preservation	1,000,000	1,070,000	1,087,655	1,105,601	1,123,844
Next Gen Fund	1,500,000	1,605,000	1,631,483	1,658,402	1,685,766
Benefits Reserves					
Benefits Operational Reserve	750,000	802,500	815,741	829,201	842,883
Retiree Health Reserve	5,000,000	2,173,140	3,406,864	5,416,992	5,506,372
Property Reserves					
Property Operational Reserve	6,000,000	21,423	47,817	91,082	2,828,380
Redevelopment Reserve	5,000,000	21,423	47,817	91,082	150,793
Superintendent Parsonage Reserve	1,000,000	1,070,000	1,087,655	1,105,601	1,123,844
Episcopal Residence Reserve	1,000,000	1,070,000	1,087,655	1,105,601	1,123,844
Episcopal Office Reserve	150,000	160,500	163,148	165,840	168,577
Total Invested Reserves	47,400,000	9,106,830	10,559,123	12,857,168	15,979,731

	2025	2026	2027	2028	2029
Reserve Funds	3,900,000	3,900,000	4,000,000	4,000,000	4,000,000
Mission and Ministry Reserves		Resume % AC Policy			
Harvest Mission Fund	342,997	3,174,206	6,124,581	9,123,636	12,172,176
Strategic Disciple Making Fund	305,054	915,562	1,551,669	2,198,271	2,855,543
Mosaic Ministries Fund	1,142,387	1,161,237	1,180,397	1,199,873	1,219,671
GNJ Reserves to Other Organizations					
St. Johns Native American Preserve	1,142,387	1,161,237	1,180,397	1,199,873	1,219,671
Next Gen Fund	1,713,581	1,741,855	1,770,595	1,799,810	1,829,507
Benefits Reserves					
Benefits Operational Reserve	856,790	870,927	885,298	899,905	914,754
Retiree Health Reserve	5,597,227	5,689,581	5,783,460	5,878,887	5,975,888
Property Reserves					
Property Operational Reserve	6,138,155	6,239,434	6,342,385	6,447,034	6,553,410
Redevelopment Reserve	342,997	954,131	1,590,875	2,238,124	2,896,053
Superintendent Parsonage Reserve	1,142,387	1,161,237	1,180,397	1,199,873	1,219,671
Episcopal Residence Reserve	1,142,387	1,161,237	1,180,397	1,199,873	1,219,671
Episcopal Office Reserve	171,358	174,185	177,060	179,981	182,951
Total Invested Reserves	20,037,707	24,404,829	28,947,509	33,565,143	38,258,968

	2030	2031	2032	2033	2034
Reserve Funds	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Mission and Ministry Reserves					
Harvest Mission Fund	15,633,267	19,151,466	22,727,715	26,828,723	30,997,397
Strategic Disciple Making Fund	3,601,284	4,359,331	5,129,885	6,146,028	7,178,937
Mosaic Ministries Fund	1,239,796	1,260,253	1,281,047	1,302,184	1,323,670
GNJ Reserves to Other Organizations					
St. Johns Native American Preserve	1,239,796	1,260,253	1,281,047	1,302,184	1,323,670
Next Gen Fund	1,859,694	1,890,379	1,921,570	1,953,276	1,985,505
Benefits Reserves					
Benefits Operational Reserve	929,847	945,189	960,785	976,638	992,753
Retiree Health Reserve	6,074,490	6,174,719	6,276,602	6,380,166	6,485,439
Property Reserves					
Property Operational Reserve	6,661,541	6,771,457	6,883,186	6,996,759	7,112,205
Redevelopment Reserve	3,642,463	4,401,188	5,172,433	5,257,778	5,344,532
Superintendent Parsonage Reserve	1,239,796	1,260,253	1,281,047	1,302,184	1,323,670
Episcopal Residence Reserve	1,239,796	1,260,253	1,281,047	1,302,184	1,323,670
Episcopal Office Reserve	185,969	189,038	192,157	195,328	198,551
Total Invested Reserves	43,547,741	48,923,778	54,388,521	59,943,431	65,589,998

Personnel

Challenge

1. To balance the budget, of the 45 full time and four part time GNJ positions, 10 full time and three part time staff will be reduced via layoff, retirement or open positions, and 14 additional staff roles will change to manage unfilled positions. The following are the retirements, layoffs and open positions not to be filled.
 - 2 – district superintendents (Gateway South and Palisades)
 - 1 – director of connectional ministries
 - 1 – director of communications
 - 1 – central region resource director
 - 1 – director of new disciples
 - 1 – director of fundraising
 - 1 - administrator
 - 1 – program associate
 - 4 – administrative assistants

All staff layoffs were for financial reasons and were not performance based.

Actions

1. Staff will be organized into four teams.
 - a. Episcopal Team – Oversight of the mission and strategic plan of GNJ and provide the human resource functions so that GNJ *recruits and develops transformational leaders to make disciples of Jesus Christ and grow vital congregations for the transformation of the world.*
 - b. Cabinet Team – superintend and resource clergy and congregations *to recruit and develop transformational leaders to make disciples of Jesus Christ and grow vital congregations for the transformation of the world.* This includes A Journey of Hope and Leadership Academy. The cabinet team will be responsible for four goals outlined in our strategic plan and subsequent A Journey of Hope Plan.
 - i. Grow the percent of vital congregations from 38% to 51%.
 - ii. Facilitate for 150 congregations A Journey of Hope Plan.
 - iii. Grow 100 congregations to the next worship band level.
 - iv. Increase shared ministry and billable giving to 98%.

There will be four sub-teams that includes superintendents and resourcing staff.

- i. Southern Region
- ii. Central Region
- iii. Northern Region
- iv. Leadership Development
- c. Communications and Fundraising Team – communicate and raise funds to grow and engage more people *to recruit and develop transformational leaders to make disciples of Jesus Christ and grow vital congregations for the transformation of the world.*
- d. Administration Team – steward the financial, benefits and property resources of GNJ so that GNJ *recruits and develops transformational leaders to make disciples of Jesus Christ and grow vital congregations for the transformation of the world.*

GNJ also has four mission partners who supplement and extend the mission of GNJ.

- a. A Future with Hope – develop and resource Hope Centers through which GNJ engages congregations with their community in mission.
- b. Centenary Fund – financial support for clergy retirees and widows and widowers.

- c. Next Gen Ministries – develop the next generation of disciples through camping, campus ministry, Ignite and growing and strengthening congregation’s youth ministry.
- d. Stewardship Foundation – Assist congregations in growing financial assets through investments and planned giving.

Staff will be reoriented and trained for their role and work so they can excel in their role and work. **Completed by October 1, 2021. Responsible – director of human resources and personnel chairperson.**

- 2. The cabinet will review and recommend a plan for superintending and resourcing clergy and congregations. **Completed by March 10, 2021. Responsible – dean of the cabinet.**

TIMELINE

- December 16 – Meeting with CFA, Board of Trustees, Board of Pensions, Cabinet and Executive Team to review billing and budget challenges.
- December 17 – A high level letter to clergy and congregational finance leaders to alert them of the challenge and that they will receive a full detailed report on January 8.
- December 21-28 – Work team works on revised budget and billing plans for 2021. December 28 – Independent team appointed
- December 28-30 – Personnel chairperson, director of human resources, CFO and bishop work on personnel changes.
- January 4 – Bishop meets with the cabinet to go over the plan and receive input and modifications.
- January 6 – Director of human resources and bishop meet with each supervisor and staff person about personnel changes.
- January 5-7 – Board of Pensions, Board of Trustees and mission partners meet to review and approve their budget adjustments.
- January 7 – Bishop meets with staff to share with them the plan and its impact on the mission and staffing of GNJ.
- January 7 - Meeting with CFA, Board of Trustees, Board of Pensions, Cabinet and Chairpersons of the Connectional Table, Episcopacy Committee and Mission Partners.
- January 8 – Send report and legislation to clergy and congregational leaders.
- January 12 – Two information sessions with congregational leaders, clergy, and annual conference members to go over the proposed plan and budget. These gatherings will be similar to past information sessions and one will be held at 8:30 a.m. and one at 6:30 p.m. Information for registering and participating will be provided in early January.
- January 19 – An FAQ and final legislation sent to annual conference members for the January 22 special annual conference session.
- January 22 - A special annual conference session will be held to review the plan and adopt any necessary budget changes. Information for registering and participating will be provided in early January.
- January 31 – Budget schedules and management budgets are completed. February 1 – Billing statements emailed to congregations.
- March 1 – Congregations respond with their billing plan.
- March 10 – Independent team completes preliminary or final report.
- May 24-25 – Annual Conference approves reserve funds and policies to govern reserve funds.

GNJ Designated Fund Legislation

Whereas, the world needs a strong GNJ to transform lives and communities as we recruit and develop transformational leaders to make disciples and grow vital congregations to transform the world. Key to this mission are strategic funds that help fund present vital ministry and ensure a sustainable future mission and ministry.

Whereas, the Council of Finance & Administration has adopted a Designated Fund Policies, Processes and Procedures:

Therefore, be it resolved that the Greater New Jersey Annual Conference session adopt the following fund names, respective purpose and 2021 beginning balances in the chart below:

GNJ Designated Funds

1. Operating Reserve Fund – each year, CFA will establish a surplus needed to manage cashflow during the year. It shall be set at 10% of the consolidated budget approved by the annual conference. If more than 10% is needed, CFA is to examine structural reasons why the problem exists and address it. The fund shall be invested in short term instruments as identified by the CFA Investment Committee.
2. Harvest Mission Fund – supports leadership and congregational development and mission engagement. Impact – meet current goals of 51% vital congregations, enable 150 congregations to engage in A Journey of Hope plan and allow GNJ to achieve a 98% giving rate for shared ministry and billables. May receive a 0-5% disbursement per year as set by CFA.
3. Strategic Disciple Making Fund – funds new faith communities (congregations, second sites, new worship services) so that we increase the number of new disciples and vital congregations. Impact – more new disciples and vital congregations. May use up to 80% of the fund balance.
4. St. John's Native American Historic Preservation Fund – fund the preservation of the St. John's building as a historical site and the Native American burial ground. Impact – preserve the only Native American Church in GNJ and serve as a cultural site for the people of New Jersey.
5. Next Gen Ministries Fund (formerly known as Tumetheca & Time is Now funds)– fund ministries of young people between 12 and 30 that may include camping, Ignite, youth ministries, campus ministries and other ministries to form and shape young people's commitment to and faith in Jesus Christ. Impact – increase in the number of young people participating in young people ministries in GNJ congregations. May receive a 0-5% disbursement per year as set by CFA.
6. Pension and Benefits Operational Fund – fund the administrative work of the Conference Board of Pensions and Health Benefits and up to \$ 30,000 billing gap shortfall in collections. May receive a 0-5% disbursement per year as set by CFA.
7. Retiree Health Fund – fund payments for retiree health care and secure retiree health care. The fund will be funded with pre-82 pension surplus as available and property sales of 15% starting once the "fund allocation steady state" has been reached. Impact – we will ensure retiree health care funding and back the funds appropriately. May receive a 0-5% disbursement per year as set by CFA.

8. Property Operational Fund - funds maintenance and equipment purchases for the GNJ Mission and Resource Center, closed church property and cemeteries owned by the annual conference so that property is self-funded rather than funded through shared ministries and property sales. Impact – more shared ministry funding to mission and ministry and property sales to funds that will fund present ministry and sustain future mission and ministry. May receive a 0-5% disbursement per year as set by CFA.
9. Property Redevelopment Fund – funds redeveloping GNJ congregational property. Our first priority is for congregations in low-income communities to be able to increase income for ministry and mission in low-income communities. Impact – redeveloping church properties that can no longer be maintained by congregations so that they can continue to have a vital congregational ministry in GNJ’s low-income communities. May receive a 0-5% disbursement per year as set by CFA. Up to \$500,000 per project may be borrowed for viable redevelopment projects. At no time may more than 50% of the fund’s balance be in loans. When this fund is reported it must include the cash balance and the amount in loans. Loans may be approved by a majority vote of each of the following agencies: Board of Trustees, CFA and the Cabinet.
10. Superintendent Housing Fund – funds the purchase and maintenance of superintendent parsonages or provides a housing allowance for one or more district superintendents. The fund shall be adequate to purchase and maintain district parsonages or provide housing allowances for district superintendents. Impact – reduce the amount needed from shared ministries so that more funds are available for mission and ministry and/or eliminate the amount needed from church property sales so that more money may be added to the ministry funds. May receive a 0-5% disbursement per year as set by CFA or by a 75% approval of those present at each of the Board of Trustees and CFA for the amount needed to purchase of a district parsonage.
11. Episcopal Residence Fund – funds the purchase and maintenance of the bishop’s residence or provides housing allowance. Impact – reduce the amount needed from shared ministries so that more funds are available for mission and ministry and/or eliminate the amount needed from church property sales so that more money may be added to the ministry funds. May receive a 0-5% disbursement per year as set by CFA or by a 75% approval of those present at each of the Board of Trustees and CFA for the amount needed to purchase of an episcopal residence.
12. Episcopal Office Fund – funds discretionary fund and scholarships to the bishop’s clergy convocation. Impact – supports emergency needs of clergy and ministry and assists pastors who need financial support to attend the bishop’s convocation on ministry.

Be it further resolved, in order to rebuild the funds, the distribution of the **Investable Property Proceeds** (proceeds above and beyond the operating budgeted amount) to the various funds will follow the plan established by CFA until the funds other than the four funds listed below have reached their targets (“**Funds allocation steady state**”). After that the allocation of property proceeds shall be as follows:

- Harvest Mission Fund – 50%
- Strategic Disciple Making Fund – 20%
- Retiree Health Care – 15%
- Property Redevelopment Fund – 15%

Note: “Fund allocation steady state” will be reached after subsidies for billables are no longer needed and all funds other than the four above are fully funded at their targeted goal levels – we expect this will happen around 2026.

GNJ Designated Fund Balance Summary:

Fund Name	2020 Rebalanced \$ Amount (1)
Operating Reserve Fund	3,000,000
Mission and Ministry Funds	
Harvest Mission Fund	10,000
Strategic Disciple Making Fund	10,000
Episcopal Office Fund	150,000
GNJ Funds to Other Organizations	
St. John's Native American Historic Preservation Fund	1,000,000
Next Gen Ministries Fund	1,500,000
Benefits Funds	
Pension and Benefits Operational Fund	750,000
Retiree Health Fund	1,810,000
Property Funds	
Property Operational Fund	10,000
Property Redevelopment Fund	10,000
Superintendent Housing Fund	1,000,000
Episcopal Residence Fund	750,000
Total	10,000,000

(1) The rebalance amount is a onetime allocation of reserve funds based on the actual cash amount available for reserves, not the reported amount as of January 2021.

Submitted by,

Vasanth Victor, President, Council of Finance & Administration

2022 Budget Legislation

Whereas in 2020, the world and GNJ went through an unprecedented COVID-19 pandemic that negatively impacted the ministry of our churches and their spending; and

Whereas normally the 2022 Shared Ministry Apportionment for each GNJ congregation is determined by multiplying the congregation's spending in 2020 (inputted by each congregation in the GCFA Ezra database) by a percentage set by the annual conference; and

Whereas the 2020 year spending was dramatically impacted by the pandemic and the spending is significantly different than normal trends; and

Whereas the strength of giving of a congregation for 2022 is not reflected in the 2020 Statistical Report numbers;

Therefore be it resolved that the 2022 Shared Ministry Apportionment for each congregation be calculated using the 2019 Statistical Report data and the same Shared Ministry Apportionment Percentage as was approved for 2021 so that the 2022 Shared Ministry Apportionment for each congregation will be the same as the 2021 Shared Ministry Apportionment for that congregation except for congregations that went from full-time to part-time in 2020 whose shared ministry will be adjusted for the appointment change; and

Be it further resolved A Journey of Hope equity shared ministry for qualifying churches as approved by previous annual conference legislation be apportioned according to the formula outlined in the A Journey of Hope report and legislation; and

Be it further resolved that the Greater New Jersey Annual Conference adopt the 2022 Budget that includes the following.

1. A consolidated budget that includes all billings to congregations, GNJ ministry and mission and general church apportionments.
2. 15.2% shared ministry apportionment, 12.3% for GNJ shared ministry and 2.9% for general church apportionment.
3. Salary and support for six district superintendents.
4. \$1.732 million from property sales to support congregations with their billings.
 - a. Additional property sale proceeds after the \$1.732 million, will be deposited into the approved designated funds according to the plan developed by CFA so that GNJ replenishes reserves by 2026 and at that time, or sooner, as funds are replenished continues with the annual conference policy to distribute property sale proceeds to the Harvest Mission Fund (50%), Strategic Disciple Making Fund (20%), Retiree Health Care Fund (15%) and Property Redevelopment Fund (15%).
 - b. For 2022, the incremental proceeds will be deposited as follows: 92% to Retiree Health Care Fund and 2% each to Harvest Mission Fund, Strategic Disciple Making Fund, Property Operational Reserve and Property Redevelopment Fund.
5. \$578,535 from GNJ designated funds.

Be it further resolved that the monthly statements provided to congregations include the following.

1. The total apportionment to the congregation for GNJ shared ministry.
2. The total apportionment to the congregation on behalf of the general church.
3. Direct billings to the congregation from GNJ, which include but is not limited to, blended rate for active healthcare, active pastor/lay employees incremental contributions for self-elected benefits (health, dental, vision, and health reimbursement accounts), workers compensation, property insurance and back payments for past billings

Submitted by:

Vasanth Victor, President, Council of Finance and Administration

Proposed 2022

Shared Ministry Formula

Apportionment Base	66,264,500
GNJ Shared Ministry Percent	12.3%
Total Apportioned Shared Ministry	8,147,254
Anticipated Giving rate	90%
Anticipated Giving \$'s	7,332,529
JOH Equity Shared Ministry Adjustment	(203,364)
Net GNJ Shared Ministry	<u>7,129,164</u>

Income

GNJ Shared Ministry Apportionment	7,129,164
GNJ portion of General Church MEF	67,171
Local Church Billing Revenue	13,908,578
Centenary Fund	700,000
Designated Funds	578,535
Property Sale Revenue	1,732,000
Grants and Donations	110,470
Registrations	163,500
Shared Services	45,000
Total Income	<u>24,434,419</u>

Expenses

Personnel	
GNJ Staff	4,590,398
Clergy Benefit Billings	9,139,736
Retiree Health Insurance	1,938,170
Total All Personnel	15,668,304
Leadership Development	185,800
Congregational Development	1,016,500
Mission and Justice Ministries	1,027,842
Agency Budgets	76,300
Administration	392,120
Communications	554,500
Property	5,457,270
Bridge Fund	50,000
Total GNJ Expenses	<u>24,428,636</u>
GNJ Income Over (Under) Expenses	<u>5,783</u>

General Church Apportionments

Apportionment Base	66,264,500
General Church Apportionment \$'s	1,924,950
General Church Apportionment %	2.9%

2023 Budget Legislation

Whereas in 2021, the world and GNJ continued to go through an unprecedented COVID-19 pandemic that negatively impacted the ministry of our churches and their spending; and

Whereas normally the 2023 Shared Ministry Apportionment for each GNJ congregation is determined by multiplying the congregation's spending in 2021 (inputted by each congregation in the GCFA Ezra database) by a percentage set by the annual conference; and

Whereas the 2021-year spending was dramatically impacted by the pandemic and the spending is significantly different than normal trends; and

Whereas the strength of giving expected of a congregation for 2023 is not reflected in the 2021 Statistical Report numbers;

Therefore, be it resolved that the 2023 Shared Ministry Apportionment for each congregation be calculated using the average of the 2019 and 2021 Statistical Report data; and

Be it resolved that the Greater New Jersey Annual Conference adopt the 2023 Budget that includes the following:

1. A consolidated budget that includes all billings to congregations, GNJ ministry and mission, administration and property, and general church apportionments.
2. 15.3% shared ministry apportionment, 12.3% for GNJ shared ministry and 3.0% for general church apportionment.
3. Salary and support for six district superintendents.
4. \$1.185 million from property sales and \$200,000 from 2021 surplus to support congregations with their billings.
 - a. Additional property sale proceeds beyond the \$1.185 million budgeted to support congregations with their billings ("investable proceeds"), will be deposited into the approved designated funds according to the plan developed by CFA so that all funds except the four listed below reach their targets by 2026, or sooner; after which, funds will be deposited in accordance with the annual conference policy to allocate property sale proceeds to the Harvest Mission Fund (50%), Strategic Disciple Making Fund (20%), Retiree Health Care Fund (15%) and Property Redevelopment Fund (15%).
 - b. For 2023, the investable proceeds will be deposited as follows: 92% to Retiree Health Care Fund and 8% as directed by CFA to funds as needed to achieve the goal amount.
5. \$449,394 from GNJ designated funds.
6. Qualifying congregations identified according to the Journey of Hope Equity Shared Ministry legislation will be apportioned as approved by previous annual conference legislation according to the formula outlined in the A Journey of Hope report and legislation
7. The monthly statements provided to congregations include the following.
 - a. The total apportionment to the congregation for GNJ shared ministry.
 - b. The total apportionment to the congregation on behalf of the general church.
 - c. Direct billings to the congregation from GNJ, which include but is not limited to, blended rate for active healthcare and incremental contributions for self-elected benefits (health, dental, vision, and health reimbursement accounts) for active pastors/lay employees, workers compensation, property insurance and back payments for past billings

Submitted by:

Vasanth Victor, President, Council of Finance and Administration

	2023	Approved 2022
Income		
GNJ Shared Ministry Apportionment	6,852,258	7,129,164
GNJ portion of General Church MEF	67,918	67,171
Local Church Billing Revenue	15,723,542	13,908,578
Centenary Fund	700,000	700,000
Designated Funds	449,394	578,535
Property Sale Revenue	1,185,000	1,732,000
Grants and Donations	148,205	110,470
Registrations	269,750	163,500
Shared Services	45,000	45,000
Total Income	<u>25,441,067</u>	<u>24,434,419</u>

Expenses

Personnel		
GNJ Staff	5,008,124	
Clergy Benefit Billings	8,807,394	
Retiree Health Insurance	2,037,175	
Total All Personnel	15,852,693	15,668,304
Leadership Development	175,318	185,800
Congregational Development	1,068,250	1,016,500
Mission and Justice Ministries	1,283,000	1,027,842
Agency Budgets	70,100	76,300
Administration	428,750	392,120
Communications	551,000	554,500
Property	6,203,140	5,457,270
Bridge Fund	0	50,000
Total GNJ Expenses	<u>25,632,251</u>	<u>24,428,636</u>
GNJ Income Over / (Under) Expenses	<u>(191,184)</u>	<u>5,783</u>
2021 Surplus funds	<u>200,000</u>	
Net surplus / (deficit)	<u>8,816</u>	

General Church Apportionments

Apportionment Base	63,963,783	66,264,500
General Church Apportionment \$'s	1,924,950	1,924,950
General Church Apportionment %	3.0%	2.9%

APPENDIX III

Greater New Jersey Annual Conference 2022

May 23, 2022

Trustees Enabling Legislation

Rev. Matt Enzler, Chair of the Board of Conference Trustees, presented the Trustees Enabling Legislation. He made a motion for adoption of the legislation.

Amendment

Mr. Gyuchang Sim made a motion for an amendment to add to line 43 on page 24 the words “except the presence of conflicts of interests.” The motion did not pass. The original motion passed.

Church Closures

Leadership Report

Call to Discernment and Renewal

Rev. Matt Enzler and Rev. Hector Burgos presented the Call to Discernment and Renewal legislation. Enzler made a motion to approve the legislation.

MOMENT OF SHARING

Bishop Schol celebrated how well GNJAC stands compared to the other Conferences in our Jurisdiction.

VIDEO

A video highlighting the IGNITE mission, Global Ministries, and UMCOR was shown.

SERVICE OF REMEMBRANCE

LEGISLATION AND REPORTS

2023 Budget

Vasanth Victor presented the 2023 Budget Recommendation legislation. He explained the rationale for this budget. Rev. Jennifer Cho presented the healthcare premiums, explaining the 12% increase is due to a 120% of payouts compared to what is collected. She recommended several ways to control costs. Victor made a motion for the legislation’s adoption. The motion passed.

2022 Budget Addendum

Vasanth Victor presented the 2022 Budget Addendum. He made a motion for its adoption. The motion passed.

St. John UMC Fund

Matt Enzler presented the St. John UMC Fund legislation. He made a motion for its adoption. The motion passed.

Questions of Law

Bishop Schol acknowledged receiving Questions of Law submitted in the chat from Mr. Sim, Rev. Costello, and Mr. Pogue. They are noted and will be recorded. Subsequently, Rev. Costello withdrew his first question of law and submitted an updated question on the second day.

Question Part A

In reference to the budget and finance report, found on pages 29- 30 and 80 of the 2022 pre-conference booklet and presentation by a chair of CFA during the annual conference on Monday, May 23, 2022, does the GNJAC have the right to redirect any portion of funds resulting from the sales of closed church properties to other purpose/s, such as subsidizing local church billings and the annual conference operating budget?

Question Part B

And does the GNJAC have the right to repurpose any portion of funds, the proceeds from the sales of church buildings and property, that are the product of restricted donations/gifts to the particular church by the congregation/s and/or donors, without first obtaining the donors' removal of the restriction?

Submitted by Gyuchang Sim
Lay member-at-large
Tenafly UMC

Greater New Jersey Interested Parties 1022-04 & 1022-05

Shelley Smith [GNJ Conf Secy] <ConferenceSecretary@gnjumc.org>,
Gyuchang Sim [Asked Q] <simgc@bellatlantic.net>,
Gyuchang Sim [Asked Q] <gyuchangsim@gmail.com>.
Vasanth Victor [Chair, CCF&A] <vasanth_victor@hotmail.com>,
Matthew Enzler [President, Conf Bd of Trustees] <mathew.enzler@gmail.com>,
Robert Zuckerman [Treasurer, Conf Bd of Trustees] <rzuckerman@gnjumc.org>,
Sang Won Doh [Dean of Cabinet] <sdoh@gnjumc.org>,
Bishop John R Schol [Presiding Bishop] <bishopjohnschol@gnjumc.org>,

Rev. Shelley Smith [Secretary of the Annual Conference]
205 Jumping Brook Road, Neptune, NJ 07753
Conferencesecretary@gnjumc.org

Mr. Gyuchang Sim [Asked the Questions of Law]
408 Oak Avenue, River Edge, NJ 07661
simgc@bellatlantic.net , gyuchangsim@gmail.com

Mr. Vasanth Victor [Chair, CCF&A]
7 Cliffview Court, Princeton Junction, NJ 08550
vasanth_victor@hotmail.com

Rev. Matthew Enzler [President, Conference Board of Trustees]
205 Jumping Brook Road, Neptune, NJ 07753
mathew.enzler@gmail.com

Mr. Robert Zuckerman [Treasurer, Conference Board of Trustees]
205 Jumping Brook Road, Neptune, NJ 07753
rzuckerman@gnjumc.org

Rev. Sang Won Doh [Dean of Cabinet]
Raritan Shore District Superintendent & Dean of Cabinet
205 Jumping Brook Road, Neptune, NJ 07753
sdoh@gnjumc.org

John R. Schol, Bishop [Resident Bishop, Presiding]
205 Jumping Brook Road, Neptune, NJ 07753
bishopjohnschol@gnjumc.org