

**2021**

**Treasurer's Report**

# So What is this Treasurer's Report All About?

- Review:

## Financial Management of DNWPA

- Balance Sheet
- Statement of Operations
- Change in the Endowment Summary

- Analysis

## Endowment Portfolio

- How it is used
- What Changes should we expect
- Preparation for the Future

# Financial Management Responsibilities

- **Overall Responsibility**
- **The Bishop, the Diocesan Council,**
- **Finance Committee and Treasurer answer to the Bishop and Council.**
  
- **Day to day operation**
- **Cindy Dougan, Canon for Finance**
  
- **Investment Management of the Endowment**
- **PNC Institutional Asset Management**
- **James M. Kubaney, Senior V.P. Investment Advisor**
  
- **Thank you to the 2021 Financial Management Team**
  - **With a Special thanks to Jim Kubaney and Cindy**

A COMPLETE AUDIT REPORT FOR 2020  
IS ON FILE AT THE DIOCESAN OFFICE  
FOR YOUR REVIEW.

## Summarized Balance Sheet      8/31/2021

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### ASSETS

General Checking Account	114,631
Special Purpose Funds	115,550
Receivables	143,186
Prepaid Expenses	23,802
Investments - PNC	18,754,355
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	<b>19,151,524</b>
	<hr/> <hr/>

## Summarized Balance Sheet 8/31/2021

### LIABILITIES, FUND PRINCIPAL, RES. FUNDS

Payables	49,889
Accruals	-3,150
Unrestricted Funds	15,632,464
Temporarily Restricted Funds	811,525
Permanently Restricted Funds	2,660,797
	<hr/>
	<b>19,151,525</b>
	<hr/> <hr/>

Property Valuation as of 10-15-2021, based on  
Replacement Cost from Church Insurance

Building	\$1,863,500
Personal Property	\$219,200

# Statement of Operations\*

## 1/1/2021 - 8/31/2021

	Year - To - Date Actual	Year - To - Date Budget
Operating Revenues		
Assessments	433,892	457,996
Endowments	186,833	275,681
Miscellaneous	99	0
<b>Total Operating Revenues</b>	<b>620,824</b>	<b>733,677</b>

\* Office of the Bishop

# Statement of Operations \*

## 1/1/2021 - 8/31/2021

Operating Expenses	Year – To – Date Actual	Year – To – Date Budget
Personnel	320,562	325,250
Diocesan Center	75,956	122,532
Church Wide Relations	85,959	86,761
Program Expenses	54,831	86,300
Transition Expenses	83,461	93,600
<b>Total Operating Expenses</b>	<b>620,769</b>	<b>714,443</b>
Net Operating Income (Loss)	55	19,234

\* Office of the Bishop



## Endowment Summary Aug. 31, 2021

	1/1/2021		8/31/2021
	Market Value		Market Value
A - Budget Operations	5,451,043		6,116,220
B - New Development	1,479,277		1,683,530
C - Strategic Development	5,768,793		6,551,052
D - Traditional Outreach	2,174,276		2,445,830
E - Leadership Development	1,511,396		1,693,251
F - Miscellaneous Funds	232,510		264,472
<b>Total Diocesan Endowments</b>	<b>16,617,295</b>		<b>18,754,355</b>
<b>Net Earnings</b>			
<b>Church Endowments in the</b>			
<b>Co-Mingled Trust</b>	<b>28,579,504</b>		<b>31,362,568</b>
<b>Total Co-Mingled Trust</b>	<b>45,196,799</b>		<b>50,116,923</b>

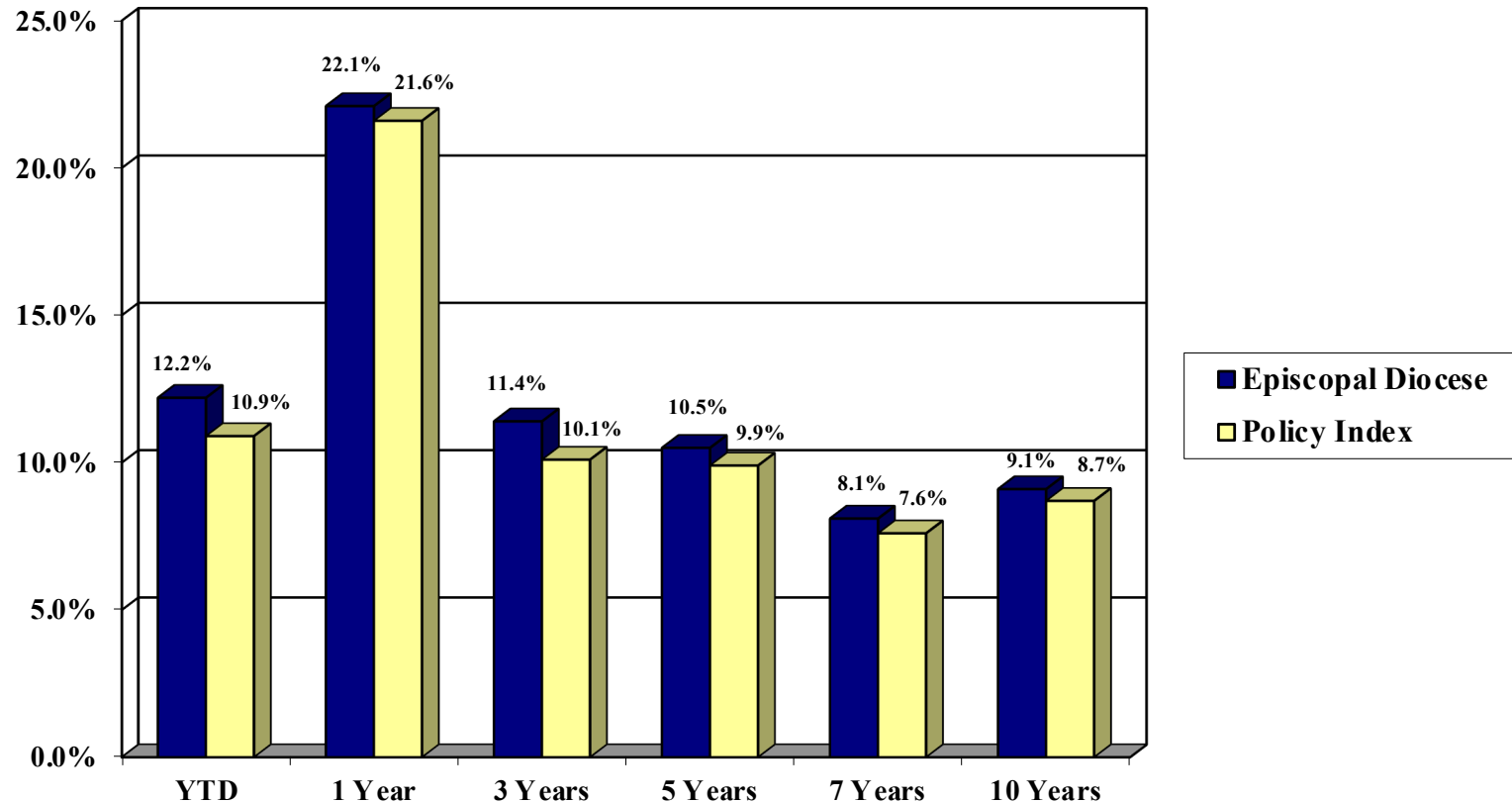
# ANALYSIS

## Current Investment Portfolio

- Low Interest Rates, Market Instability and volatility have characterized financial markets.
- This year, the year-to-date performance shows a gain of **12.20%**.
- Our 5-year investment returns reflect **10.5%** against a weighted policy index return of **9.9%**, as indicated by the following chart.

# The Episcopal Church Diocese of NWPA

Pooled Investment Account – Investment Returns as of 8/31/21



Note: The Policy Index consists of the following indices: 24% S&P 500, 12% Russell Mid Cap, 8% Russell 2000, 17% MSCI EAFE Net, 4% MSCI Emerging Market Net, 3% MSCI US REIT, 25% Barclay Intermediate Gov't./Credit Index, 3% Bank of America/Merrill Lynch 1-3 Year Gov't./Credit, 2% Barclays Global Aggregate Index and 2% Lipper Money Market Index. Three through ten year returns are annualized. The target asset allocation of the Episcopal Diocese has changed over time; for purposes of this presentation, the Policy Index is assumed to have been constant over the past ten years.

# Why The Long View

**From: James Kubaney**

**Sept. 20, 2021**

**The S&P 500 Index declined 22% in the quarter ended 12/31/08 and 20% in the quarter ended 3/31/20.**

**In the 156 month, 13 year period 9/1/2008 – 8/31/2021, the actual DNWPA endowment performance = 7.76% against the weighted policy index of 7.11%.**

# THE FUTURE

## PNC 2021 Economic Overview

### Executive Summary

- Real GDP increased at a 6.6% annual rate in the second quarter, after growing 6.3% in the first quarter. Real GDP contracted 10% in the first two quarters of 2020 but has since increased and is now 0.8% above its Q4 2019 level.
- The unemployment rate fell to 5.4% in July, the lowest rate since it was 3.5% in February 2020. At the current pace of job growth the US economy would be back to its pre-pandemic level of employment in February 2022.
- Global central banks have maintained unprecedented levels of monetary and fiscal policy support, but the question now turns to how to reduce this support as the global economy reopens.
- The S&P 500 forward price-to-earnings ratio is 21.4x, which is well above the 20-year average of 15.5x. Further strength in earnings growth remains critical to justifying valuations at current levels.
- BUT !! Shortages, pricing pressures (including rising wages), potential higher corporate and personal tax rates, rising government debt and lingering virus concerns are all likely to weigh on the economy and stock market in the second half of 2021.

# Investment & Distribution Policy

Investment Policy    Asset Allocation

&

A Realistic Draw for Sustainability

- Based on PNC 2021 Capital Markets Overview and a 4.5% inflation projection, the Finance Committee fully supports and will continue to implement the Diocesan Council adopted earnings distribution policy of 3.5% and a target asset allocation of 70% stocks, 30% bonds.

# **With "Thirteen Good Years"**

## **A Great Day in the Kingdom for DNWPA**

- **But**
- **for the Poor of the World ??**

# Hunger is getting worse, not better, Washington Post, 9/23/2021

- i In May 2021, [global food prices rose](#) at their fastest monthly level in more than a decade, and the food price index hit its highest levels since September 2011.  
Higher prices leave an increasing number of poor farmers, women and people in marginalized groups, in particular, with limited access to nutrition.



## The Economist commodity-price index

2015=100	Sep 14th	Sep 21st*	% change on	
			month	year
<b>Dollar Index</b>				
All Items	153.1	143.5	-11.3	14.6
Food	127.5	126.8	-3.1	24.4
<b>Industrials</b>				
All	177.0	159.1	-16.5	8.3
Non-food agriculturals	136.3	139.5	-0.6	37.3
Metals	189.1	164.9	-19.7	2.9
<b>Sterling Index</b>				
All items	168.7	160.5	-10.7	6.9
<b>Euro Index</b>				
All items	143.6	135.7	-11.0	14.4
<b>Gold</b>				
\$ per oz	1,807.8	1,779.0	-1.5	-6.5
<b>Brent</b>				
\$ per barrel	73.7	74.7	5.0	78.8

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. \*Provisional.

***..... it is a different case for  
the 2 billion people living on less  
than \$3.00 PER DAY***

***In contrast to 2019 yearly increase  
of 1.9%***

***The Economist's commodity-price  
(Food) index, has increased by 24.4  
% during the past year but remains  
below its peak increase in 2011 of  
35%***

**“Old Treasurers never die,  
they just Loose Interest”**

**Thank you for your attention  
and  
May God bless us all**

# Work needed before inclusion

- Slides # 1 (remove red) , 2, 3, 4 & # 10 thru 19 are OK
- For Cindy Slides # 5 & 6 need review and # 7 & 8 Need data from Aug 2021 Treasurer Report
- For Cindy or Vanessa; Slide #9 please change background color and co mingled trust totals from to **red to black & white.**
- Slides #10,11,12,13 were updated by Jim Kubaney
- Yast years slide. # 13 was eliminated, not needed