



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.