

# Trustees of the Presbytery of Baltimore

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## Report to the 889th Gathering of the Presbytery of Baltimore

November 14, 2020

The Trustees of the Presbytery of Baltimore, Inc. is a not-for-profit Maryland Corporation created by the Presbytery in 1890 to hold and manage assets for the Presbytery's purposes.

The Bylaws of the Corporation require the Trustees, by November of each year, to submit to the Presbytery the audited financial statements of the previous year, and to make an oral report to the Presbytery meeting on the contents of that audit.

To facilitate reporting in this pandemic year of online meetings, we are making this more complete written report, as well.

### **Audit**

Because of the upheaval created by the 2020 coronavirus pandemic, in which office work-schedules and many ordinary routines were reinvented, the Trustees and the Presbytery determined to conduct the audit for 2019 and 2020 simultaneously.

The audit for 2019 and the audit for 2020 will be conducted in the early part of 2021 by the independent accounting firm Weyrich, Cronin and Sorra in Hunt Valley, Maryland. The results will be presented to the Presbytery upon completion.

Per the auditor's recommendation, the audit will again be a consolidated audit of the Presbytery itself (an unincorporated association) combined with the Trustees of the Presbytery of Baltimore, Inc. (the Presbytery's consolidated affiliate).

### **Financial Statements**

Attached are unaudited summary financial statements for the Trustees of the Presbytery of Baltimore, Inc. for the full year 2019, and for a partial year, through September 30, 2020 for the current year.

### **Corporate Bylaws**

In 2020, the Trustees completed a revision of its corporate bylaws, updating them to reflect current practices, to clarify and modernize the language, and to fill in missing topics such as adding an expanded historical section, adding provision for electronic meetings and votes, and adding an indemnification clause.

### **Investments**

In the past 12 months, because of the pandemic, the U.S. stock market entered and exited its first bear market in over a decade. The 35% decline and recovery was among the fastest bear markets in history.

Prior to that sudden decline, in the first months of 2020 the Trustees, through its Investment Advisory Committee, had conducted a competitive review of its portfolio advisers. As a result of that review, the Trustees had again selected Morgan Stanley as adviser, and approved a major realignment of the portfolio, giving Morgan Stanley greater discretion to choose managers and to move funds in order to attain restated allocation targets. The execution of this realignment was taking place when the coronavirus bear market suddenly began.

Morgan Stanley reports that, even amid volatile conditions, they were able to carry out the realignment process in a methodical manner, and that the overall decisions

benefited the Presbytery. The return for the nine months ending September 30 was +1.16%. The return for the twelve months ending September 30 was +6.97%. Ten of the fourteen active fund managers in which we are invested exceeded their relevant comparison benchmarks, providing downside protection even in the bear market.

At September 30, 2020, the asset allocation for the amounts invested with Morgan Stanley was as follows:

		Current Allocation	Target Allocation
Equity	\$ 9,928,756	68%	65%
Fixed Income and Cash	4,014,382	29%	30%
Alternative Investments	487,433	3%	5%

### **Support of the Presbytery's Mission**

The assets held by the Trustees are held in trust for the Presbytery of Baltimore and for the Presbyterian Church (USA). These assets are used to support the mission, ministry and work of the Presbytery in a variety of ways.

Each year, a significant amount of the Presbytery's annual budget is funded by a transfer from the Trustees. This amount is calculated as a percentage of the average assets held over a specified period of time, using a formula determined by long-standing policy. In 2020, Presbytery's budget includes \$ 570,976 from this source.

The Trustees also hold and manage assets which are owned by various congregations in the Presbytery, paying out quarterly to those congregations from the generated earnings. This is beneficial to the Presbytery and also to the congregations, in that we are able to secure better investment service by virtue of the larger, pooled invested amounts. There are six congregations invested in the Pooled Investment Fund.

The Trustees hold some tracts of land and buildings which were acquired for new church development, or which returned to the Presbytery when a congregation closed.

Some funds managed by the Trustees provide monies for the Enduring Witness Fund, the Emergency Assistance Property Repair Fund, and several Scholarships.

The Trustees provide loan guarantees for congregations which have borrowed money from the Presbyterian Investment and Loan Program (PILP). As of September 30, 2020 the Trustees guarantee 9 loans totaling \$5,867,156.15 to enable congregations to proceed with their projects.

The Trustees also have provided some smaller loans directly to congregations at the request of the Presbytery's Property and Loan Commission. As of September 30, there were five such loans, totaling \$456,949.50.

For 130 years, the Trustees have held the duty to acquire and hold money or real or personal property of every kind and description; to manage and invest the same; and to sell, grant, or dispose of the same in an expedient manner as they deem proper for its corporate purposes in service to the Presbytery. (*paraphrased from the 1971 Restatement of Charter, Section 3*). We look forward to continuing this service to the Presbytery in 2021, our 131<sup>st</sup> year.

-- O. Morton Harris, Jr., President

## Trustees of The Presbytery of Baltimore Balance Sheet

### ASSETS

	Sept 2020 UNAUDITED	2019 UNAUDITED	2018 AUDITED
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 488,652.00	\$ 611,747.00	\$ 1,283,185.00
Investments	\$ 14,928,091.00	\$ 15,208,369.00	\$ 12,809,359.00
Presbyterian Church investment	\$ 92,266.00	\$ 91,276.00	\$ 94,951.00
Local Church and Church construction loans receivable	\$ 456,950.00	\$ 466,676.00	\$ 482,113.00
Church Property and other fixed assets, net	\$ 1,108,488.00	\$ 1,108,489.00	\$ 1,319,221.00
<b>TOTAL ASSETS</b>	<b>\$ 17,074,447.00</b>	<b>\$ 17,486,557.00</b>	<b>\$ 15,988,829.00</b>

### LIABILITIES AND NET ASSETS

<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ -	\$ 125,698.00
Notes Payable, PCUSA	\$ -	\$ -	\$ 28,099.00
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 153,797.00</b>
<b>NET ASSETS:</b>			
Without Donor Restrictions: Undesignated	\$ 11,635,010.00	\$ 11,887,554.00	\$ 10,779,357.00
Without Donor Restrictions: Trustee Designated	\$ 2,494,148.00	\$ 2,612,354.00	\$ 3,013,253.00
With Donor Restrictions	\$ 2,945,289.00	\$ 2,986,649.00	\$ 2,042,422.00
<b>Total Net Assets</b>	<b>\$ 17,074,447.00</b>	<b>\$ 17,486,557.00</b>	<b>\$ 15,835,032.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,074,447.00</b>	<b>\$ 17,486,557.00</b>	<b>\$ 15,988,829.00</b>

## Trustees of The Presbytery of Baltimore

### Statement of Activities and Changes in Net Assets

	Sept 2020 UNAUDITED	2019 UNAUDITED	2018 AUDITED
<b>SUPPORT AND REVENUE:</b>			
Investment income (loss) - net	\$ 112,511.00	\$ 2,292,439.00	\$ (650,632.00)
Trustee acquisition	\$ -	\$ -	\$ 205,000.00
Other Income	\$ 3,963.00	\$ 7,336.00	\$ 7,690.00
	\$ 116,474.00	\$ 2,299,775.00	\$ (437,942.00)
<b>EXPENSES:</b>			
Program Services:			
Presbytery administrative support and benevolence	\$ 474,461.00	\$ 599,928.00	\$ 732,204.00
General and administrative:			
Interest expense	\$ 1,930.00	\$ 2,698.00	\$ 4,008.00
Depreciation	\$ 5,732.00	\$ 5,732.00	\$ 5,732.00
Professional fees	\$ 4,020.00	\$ 15,525.00	\$ 12,000.00
Salaries and benefits	\$ 12,352.00	\$ 19,329.00	\$ 13,583.00
Other	\$ 30,089.00	\$ 5,038.00	\$ 5,247.00
	\$ 528,584.00	\$ 648,250.00	\$ 772,774.00
<b>CHANGE IN NET ASSETS</b>	\$ (412,110.00)	\$ 1,651,525.00	\$ (1,210,716.00)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	\$ 17,486,557.00	\$ 15,835,032.00	\$ 17,045,748.00
<b>NET ASSETS AT END OF YEAR</b>	\$ 17,074,447.00	\$ 17,486,557.00	\$ 15,835,032.00