



## Treasurer's Report Fiscal Year 2009

### ***Introduction***

The past year brought great financial strains to our Cathedral. We were forced to make stark choices about priorities and cut spending. However, out of the crisis came new clarity about the importance of sustainable stewardship. As a result, we enter 2010 with a clearer, more confident vision of our financial future than we have had for some time.

Our preliminary, unaudited financial results are included here. In addition, I would like summarize the major financial events of 2009 and end with a brief look ahead at 2010.

### ***Strategic Plan***

The Cathedral adopted a long-term Strategic Plan in May, 2009. "Achieve sustainable stewardship" is one of the five strategic targets for 2009-2011. This includes integration of the Cathedral and its supporting entities, prudent management of resources, and implementing operating budget guidelines. As we faced the financial challenges of the year, the Vestry, Finance Committee and Staff referred again and again to the Strategic Plan when making important decisions.

### ***Global Recession***

Just as "all politics is local" so are all recessions. At the Cathedral, nearly every source of revenue declined from 2008 levels and fell short of our original 2009 budget. The one bright spot, shining all the more amid the financial clouds, was *St Mark's Celebrates the Saints* which exceeded both 2008 results and 2009 budgets. Even with that success, total revenue for 2009 declined \$289,000 or 13.7% compared to 2008. Equally important, we fell \$256,000 or 12.3% short of our original 2009 budget. Our small reserves were unable to take up the slack. With markets hammering the value of our investments, the Vestry decided not to draw on them to support operations in 2009. The subsequent recovery of asset values has demonstrated the wisdom of this choice.

### ***Mid-Course Correction***

Early in the second quarter, we realized we were not going to meet our original revenue projections. Staff, working with the Finance Committee, identified \$200,000 in cost reductions. Three administrative positions were eliminated. Remaining employees, clergy and lay alike, were put on furloughs, an effective 10-15% reduction in their salaries. Variable expenses were cut. These changes were hard on the persons affected and on the community. However, their size, timing, and necessity are borne out by the fact that the Cathedral has ended the year with a tiny surplus of 0.7% of total revenue.

### ***Strategic Target Implementation – Integration with Supporting Entities - Audit***

When not tackling revenues and expenses, the Finance Committee and Vestry have moved forward on other aspects of our sustainable stewardship strategic target. For the first time, the entire Cathedral community including the Parish, the Cathedral Foundation and St Nicholas LLC (the entity that owns

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the St Nicholas building in partnership with its donors) has been included in a consolidated external audit. This gives the community a more accurate, transparent view of all our holdings.

### ***Strategic Target Implementation – Prudent Management of Resources – JIC***

The Cathedral Foundation and the Vestry are working more closely. Each body adopted a resolution establishing a Joint Investment Committee (JIC) to oversee and manage our community's financial assets. The JIC developed a Request for Proposals seeking bids from professionals to manage the combined portfolio. After reviewing the proposals and interviewing finalists, the JIC recommended the local office of Morgan Stanley Smith Barney. The Vestry and the Foundation board each voted to adopt the recommendation. The JIC will meet quarterly to monitor performance. Although the assets are pooled for management, each entity retains ownership of and control over its respective holdings.

### ***Strategic Target Implementation – Operating Budget Guidelines***

Soon after resolving the mid-year budget crunch, the Finance Committee began working on a budget for 2010. We adopted a zero-based approach dividing all expenses into three categories: basic essentials, necessary enhancements, and preferred options. Again, our Strategic Plan provided guidance as the Committee worked with lay Staff and Clergy to allocate expenses in a way that was consistent with our community's priorities.

Revenues underwent a similarly rigorous approach. The Committee agreed to create a balanced operating budget that relied only on recurring, predictable sources of income. These items include the Annual Campaign, plate, service fees, the Diocesan grant and investment income. Special gifts and special events are neither recurring nor predictable. Therefore, they are not included in the operating budget. The Vestry approved this new approach. Three budget forums introduced it to the Congregation.

### ***2010 Budget***

Working within these new guidelines, the Staff and the Finance Committee developed a balanced budget for 2010. It is based on the confirmed results of our Annual Campaign and conservative estimates of other revenue streams. It provides for further reductions in both compensation and variable expenses. Countless variations and iterations were reviewed and discussed until the Vestry adopted unanimously the final version at a special meeting in January.

### ***Conclusion***

If there is one thing we at Saint Mark's know how to do, it is weather a storm. The great financial gale of 2009 might have arisen far beyond our walls but its impact was felt in every pew. Under the leadership of the Canon Missioner and our Wardens, the Cathedral community as a whole has responded to this latest test with generosity, with ingenuity, and with faith. Faith that this, too, shall pass. Faith in our ability to sustain one another and our Cathedral until it does. And Faith in God, and in His plan for His house on the hill.

Jonathan P. Nicholas, Treasurer  
January 27, 2010