

**ANNUAL  
REPORT  
2021**



**THE  
CHURCH  
FOUNDATION**



## **Our Philosophy**

The Church Foundation (TCF) is a nonprofit corporation, chartered in 1926, as a service organization for the Diocese of Pennsylvania. TCF serves as trustee and investment advisor for assets owned by churches, chapels, missions, and institutions in the diocese. Our primary purpose is to oversee the Consolidated Fund, a balanced portfolio of stocks and bonds, for the diocese and other church-related institutions.

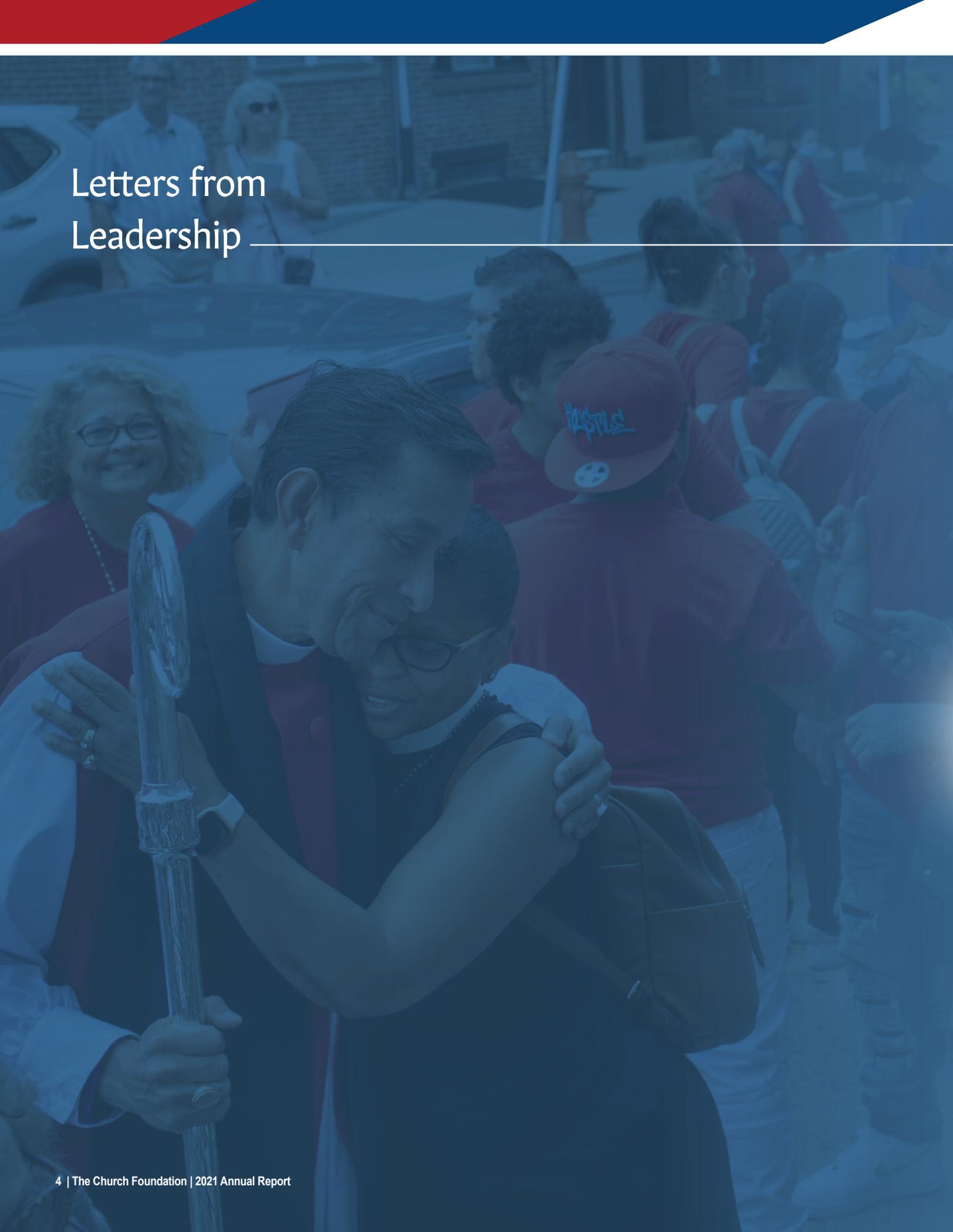
The investment philosophy and objectives of TCF are to provide the best rate of return for our investors through prudent investments and a distribution

payout vehicle to fund mission and ministry. TCF's Investment Committee and Board of Directors work closely with our Investment Manager, T. Rowe Price, to ensure the preservation and growth of the investments so that our participants have those assets available when needed.

Investors with TCF are purchasing units or shares in the Consolidated Fund. The Consolidated Fund is a carefully structured array of equities and fixed income instruments designed to meet the investment policy statement guidelines established by TCF Board of Directors.

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# Letters from Leadership

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The Right Reverend  
Daniel G.P. Gutiérrez  
**PRESIDENT &  
BISHOP, DIOCESE OF  
PENNSYLVANIA**

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“Give, and it will be given to you. A good measure, pressed down, shaken together, running over, will be put into your lap; for the measure you give will be the measure you get back.”

~ Luke 6:38

My Siblings in Christ,

Our recent history has been marked by political, social, and economic uncertainty. As we have sought to navigate these changes, we have looked first and foremost to Jesus Christ. Anchored by faith, our churches have responded with boldness and creativity. During the same time, The Church Foundation (TCF) has provided a measure of stability and confidence that has helped strengthen us to meet these unprecedented challenges.

As followers of Christ, we recognize that all we have is a gift from God. This profound realization translates into our sacred call to be good stewards of all that God has entrusted to us. Through their careful oversight and management of our collective assets, The Church Foundation exemplifies the biblical principle of stewardship.

The Board of TCF, Lori Daniels, and Ryan Campbell care deeply about every church they serve. Therefore, regardless of what is invested – large or small – the churches that work with TCF receive the same high level of quality advice and service.

The Episcopal Diocese of Pennsylvania is not 135 separate churches; we are one people, united as the Body of Christ. Through their faithful stewardship, TCF empowers our churches to better live into this calling, and we are all blessed by their ministry.

## Lori Daniels EXECUTIVE DIRECTOR

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Dear Friends:

Whew! Another year of uncertainty has flown by. As we continue to navigate this global pandemic, Ryan and I have learned to embrace a mindset of continued flexibility necessary to function in today's world that now encompasses in-person and remote operations and communications.

TCF's continued success is evident in our ability to provide a robust financial platform throughout the Diocese of Pennsylvania. Our goal is to help build strong and financially healthy parishes—including the Diocese as a whole—through our fiduciary oversight and by delivering a cost-effective, collective financial investment platform. By choosing to invest with TCF, parishes and institutions across the Diocese can together navigate a path toward financial success even in the most challenging of markets. Our objective is to embody the mindset that we are truly stronger together!

As we look ahead, TCF continues our commitment to provide investors with unparalleled customer service. We continue to work on delivering online statements via our website scheduled to be implemented this year and expand our resources for planned giving programs and services that serve to promote endowment growth.

Ryan and I are grateful for the challenges and successes this past year. Moreover, we are looking forward to the future with excitement and a profound sense of gratitude and thanksgiving.



Thank you for allowing The Church Foundation to continue as an integral part of your community.

God bless and please continue to stay safe.

*Lori Daniels*



Our objective is to embody the mindset that we are truly stronger together!



We appreciate  
your faith  
and confidence  
in us.

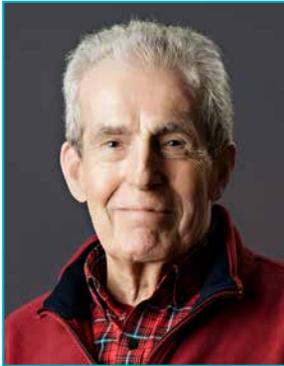
## LETTER FROM THE EXECUTIVE COMMITTEE

This Annual Report reflects another successful year for The Church Foundation. The Diocese and participating parishes have enjoyed strong performance during a time that remains uncertain. TCF is keenly aware of its role in providing an efficient, cost-effective means for ensuring a secure financial base for its participants and we appreciate your faith and confidence in us. The Board would be remiss if it did not recognize the important roles Lori and Ryan play in TCF success. Each has responded to TCF needs consciously and creatively and we thank them for their hard work.



## TCF INVESTMENT COMMITTEE REPORT 2021

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James Pope

**CHAIR OF THE  
INVESTMENT COMMITTEE**

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2021 was the third successive year in which T. Rowe Price, our investment management company, delivered double-digit portfolio returns. At 12% they were slightly lower than 2019's 21% and 2020's 15%, and a little more than 1% less than the composite benchmark return against which we measure our performance. In the 14 years since T. Rowe Price became our investment manager, we have enjoyed annualized returns of 7.8%, exceeded our benchmark by 40 basis points (0.40%), met our broad-brush objective of making annual distributions of between 4% and 5%, and protected our invested assets against inflation.

By the end of 2021, after several effective Covid vaccines, widespread mask wearing, and other successful protocols, we were faced with the Omicron variant, a more infectious but less fatal variant. We are also coming to grips with a resurgence of inflation, rising interest rates, and gradual but steady Fed tightening of monetary discipline. Since January, we have also witnessed President Putin's unprovoked war against Ukraine and the consequential impacts of sanctions on Russia, Russian oligarchs, and supply

and price disruptions in the oil and gas markets. To those of us who lived with double-digit inflation in the 1970s and the OPEC oil embargoes in the 1980s, there is a strong hope that this is not *déjà vu* all over again. I am honored to be the chair of your investment committee, and am conscious that we have been given a head start by the work of members who came before us.

I would like to mention Tom Helm, who has steered this committee for over a decade. Tom has always been a clear and reliable voice, aiming for the best possible returns at an acceptable level of risk. His expertise would be difficult to match if each person had to find an individual investment advisor rather than sharing the buying power with the Diocese.

We are indeed living in "interesting times," and my hope is that with T. Rowe Price's help, we will navigate our way through these difficult times so that we can continue to serve our investors and assist them in fulfilling their missions.

*James Pope*  
Investment Committee Chair



I am honored to be  
the chair of  
your Investment  
Committee

## BOARD OF DIRECTORS

**The Right Reverend  
Daniel G.P. Gutiérrez**  
President and Bishop

**Sharon A. Congleton**  
Calvary, St. Augustine  
Philadelphia, PA

**Andrew Dumas**  
The African Episcopal Church  
of St. Thomas  
Philadelphia, PA

**Christopher H. Gadsden,**  
Esquire, Vice President  
St. Thomas Church, Whitemarsh  
Fort Washington, PA

**Marie Golson**  
The African Episcopal Church  
of St. Thomas  
Philadelphia, PA

**The Rev. Eric P. Hungerford**  
St. Paul's Church, Chestnut Hill  
Philadelphia, PA

**Clifford W. Kozemchak**  
St. Thomas Church  
Whitemarsh  
Fort Washington, PA

**The Rev. George O. Master**  
Secretary-Treasurer  
Church of the Good Shepherd  
Hilltown, PA

**Katharyn Christian McGee,**  
Esquire  
St. Peter's Episcopal Church  
Philadelphia, PA

**James L. Pope**  
St. Paul's Church, Chestnut Hill  
Philadelphia, PA

**Franklin Rothenberger**  
St. Peter's Episcopal Church  
Phoenixville, PA

**Wilson Smith**  
St. Peter's Church in  
the Great Valley  
Malvern, PA

**The Rev. Dr. Mike Sowards**  
St. James' Church, Collegeville  
Collegeville, PA

**Kathleen Stephenson,**  
Esquire  
St. Peter's Church, 3rd and Pine  
Philadelphia, PA

**Roberta Griffin Torian,**  
Esquire  
St. Francis-in-the-Fields,  
Malvern, PA

**Paul Wanglee, CFA**  
Church of the Redeemer  
Bryn Mawr, PA



## THE CHURCH FOUNDATION STAFF

**Lori Daniels**  
Executive Director

**Ryan Campbell**  
Operations Manager



# About The Church Foundation (TCF)

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## Who We Are

Established in 1926 and merged with the Trustees of the Protestant Episcopal Church of the Diocese of Pennsylvania (1882), The Church Foundation (TCF) serves as trustee, custodian, and investment adviser for assets owned by churches, chapels, missions, and institutions in the Episcopal Diocese of Pennsylvania. That is who we are, and that is what we do -- but that only tells part of the story.

TCF works to build a financial platform that allows our clients to view the future with a sense of possibility, of potential to be explored. Our aim is that our partner churches and other institutions can chart a future with an eye toward thriving rather than just surviving.

TCF is also our people -- dedicated professionals who bring to bear TCF's strength and longevity while also being on a first-name basis with each of our clients here in Pennsylvania.

We've seen both financially peaceful and turbulent times in our history, and as we navigate the current environment, we bring to our clients the stability and experience that can allow the flexibility to grow in new directions as is needed.

This may mean expanding online services and outreach opportunities, providing more ways to care for your community. From subtle shifts to moonshots, TCF is investing in the dreams of our churches and organizations in the Episcopal Diocese of Pennsylvania.

## Nonprofit Corporation

TCF is a Pennsylvania nonprofit corporation run by a Board of 16 Directors made up of 3 clergy and 12 laity and chaired by the Bishop of the Diocese. As such TCF:

- Serves as trustee, custodian and investment adviser for assets owned by churches, chapels, missions, and institutions in the Diocese.
- Administers Diocesan real estate matters as required. TCF holds title to numerous church and Diocesan properties.
- The Foundation's primary activity is overseeing the Consolidated Fund, a balanced fund of stocks and bonds providing a diversified investment medium for the Diocese of Pennsylvania, its parishes, and other church-related institutions.



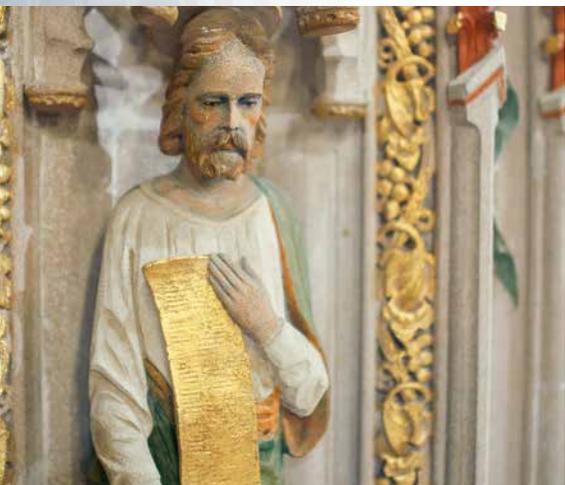
...view the future with a sense of possibility of potential to be explored.

# St. Luke's Episcopal Church

## PARISH SPOTLIGHT

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St. Luke's Episcopal Church, located at 5421 Germantown Avenue in Philadelphia, exemplifies both diversity and forward financial thinking. The church had its beginning with notable Germantown citizens who first met in the home of prominent businessman, Thomas Armat. St. Luke's has witnessed the growth of our nation over its 211-year history and established the mission church of St. Barnabas Church in 1904 which served the African American population in Germantown. In 1930 St. Barnabas achieved full church status and in 1968, at the height of the civil rights movement, the two churches formally merged as one to the present-day St. Luke's Episcopal Church of Germantown.

Today, St. Luke's Germantown continues to embody that spirit of inclusion, with parishioners from diverse cultures and backgrounds. St. Luke's also continues to embrace the spirit of serving others and has been involved in countless outreach and giving programs throughout its history. The church currently provides semimonthly legal services and has pioneered a nutrition outreach initiative serving more than 5,000 people each year.

The Church Foundation has been the primary steward of St. Luke's endowments since 2004. Since then, their endowment has experienced significant growth, increasing by nearly 60 percent while providing a stable income for St. Luke's, helping to facilitate their mission and ministry throughout the greater Philadelphia area. According to Donna Drake, rector's warden of St. Luke's, "The endowment offers us peace of mind. It has been fantastic to sit and watch our endowment growth over the past few years." St. Luke's has taken a conservative approach to its endowment, allocating its quarterly distributions primarily for building and grounds maintenance and only withdrawing above the distribution amount in an emergency.

Emblematic of the forward-thinking mentality the parish has demonstrated throughout its history, accounting warden Jimmie Reed and his team brilliantly navigated the recent bull market. When pledging decreased during the height of the COVID-19 pandemic, St. Luke's was forced to think outside the box. Rather than withdraw from its endowment, St. Luke's accounting team streamlined its processes, took advantage of government programs, and initiated a stewardship campaign designed to increase parishioner giving, all while watching their endowment with The Church Foundation grow. When asked about their long term strategy, Mr. Reed said, "This is about the long-term and not quick fixes. We know that by growing your endowment, you are empowering your parish." It seems to have worked -- St. Luke's has seen impressive endowment growth even after receiving quarterly payout distributions and periodic withdrawals over the years, and they currently have plans to encourage endowment contributions through their stewardship campaign. When asked about their relationship with The Church Foundation, Mr. Reed replied, "The endowment has been invaluable for us, and The Church Foundation has been an excellent steward of our endowment. Responsiveness means a lot to churches, and to have local and attentive investment professionals like The Church Foundation just a phone call away is a real asset to us."

St. Luke's Episcopal Church, Germantown continues to thrive and adapt to our ever-changing reality through prudent financial decisions and emphasis on community. What started as eleven families worshiping together has blossomed into a long-standing, financially stable, and thriving parish. St. Luke's has successfully navigated some of the most tumultuous times in our country's history through careful planning and faithfulness and continues to serve as a beacon of faith, hope, and love to the Germantown community and the Diocese at large. As Ms. Drake so aptly commented at the end of our conversation and The Church Foundation strives to embody, "We are all in this together."

“  
We are all  
in this  
together.”

# About the Consolidated Fund

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## Consolidated Fund

The Consolidated Fund is a common trust fund similar in design and function to those maintained by commercial trust companies and banks. It delivers a strong investment platform with collective investing power, and provides an investment vehicle with a greater opportunity for growth that is available to any individual parish or organization in the diocese.

The Consolidated Fund investment philosophy is to provide the best rate of return for investors through prudent investing as well as a regular distribution payout vehicle to fund mission and ministry, all at a reasonable cost.

Currently the Consolidated Fund contains over 300 individual endowment funds owned by the Diocese and over 100 parishes, institutions, and schools within the diocese.

## Benefits of investing in the Consolidated Fund.



### Competitive Rate of Return |

Maintaining low financial risk while still providing a competitive rate of return.



**Income** | Participants receive regular distribution payments.



**Low Cost** | Management fees are calculated to cover administrative and operational costs only.



### Professional Management |

TCF provides fiduciary oversight, and under the guidance of the TCF Investment Committee, the investment managers of the Consolidated Fund have consistently provided participants a diverse mix of investments including high quality domestic and global equities, fixed income and alternative investments, providing a source of cash flow to participants.



**Purchasing Power** | TCF gains access to investment vehicles that the many individual church-related institutions would not be able to access.

## What is an endowment fund

An endowment fund is a permanent, self-sustaining source of funding. Endowment assets are permanently invested, with a percentage of the value of the fund distributed to the parish to support mission and ministry. Earnings in excess of the distribution are used to build the fund's market value. In this way, an endowment fund can grow and provide financial support in perpetuity. When a parish establishes an endowment fund, it is creating a permanent legacy of support.

### DONOR

#### PURPOSE

Donor determines purpose: music, education, general purposes, cemetery repairs, etc.

#### AMOUNT

Gift/Bequest to a church in perpetuity. TCF determines an annual spend rate and requires board approval to increase.

**Church cannot withdrawal outside of distribution**

### VESTRY

#### PURPOSE

Same as donor, however, the church decides the purpose (that can be modified).

#### AMOUNT

TCF applies established annual spend rate for distribution unless otherwise directed. The church can withdraw outside of distribution with designated authorization

## Different Types of Endowments:

An endowment fund provides income to maintain buildings, supplement revenue, and fund mission and ministry while at the same time helping to secure an institution's financial future. There are two types of funds:

**The first, a Restricted (irrevocable) Fund** is typically received through a bequest in a will or a significant cash gift. It is donor restricted, the principal held in perpetuity, and the payout distributions are available for the purposes stated in the governing documents.

**The second, an Unrestricted (revocable) Fund** is typically vestry designated and allows for withdrawals outside of payout distributions, subject to any restrictions imposed by the governing documents.

### SOURCES OF RESTRICTIONS:



### TYPES OF RESTRICTIONS:



## Why every parish should have an Endowment Fund

The establishment of an Endowment Fund represents a partnership between the church and its parishioners; a partnership based on the idea of mutual stewardship. By supporting the creation of an endowment fund, parishioners serve as stewards to and for their church, helping to provide both long-term financial security and providing an ongoing source of income to help fulfill the mission of the church.



# Consolidated Fund Highlights

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# CONSOLIDATED FUND 2021 AT A GLANCE

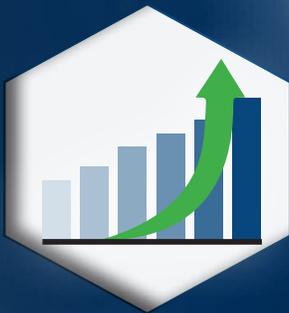


## 2021 DISTRIBUTIONS

TCF dispersed over \$6,300,000 in distribution payouts in 2021 to help fund mission and ministry across the diocese.

## 10-YEAR MARKET VALUE GROWTH

The Consolidated Fund's market value has grown \$89 million in 10 years. This represents a 93% increase.



## 2021 MARKET RETURNS

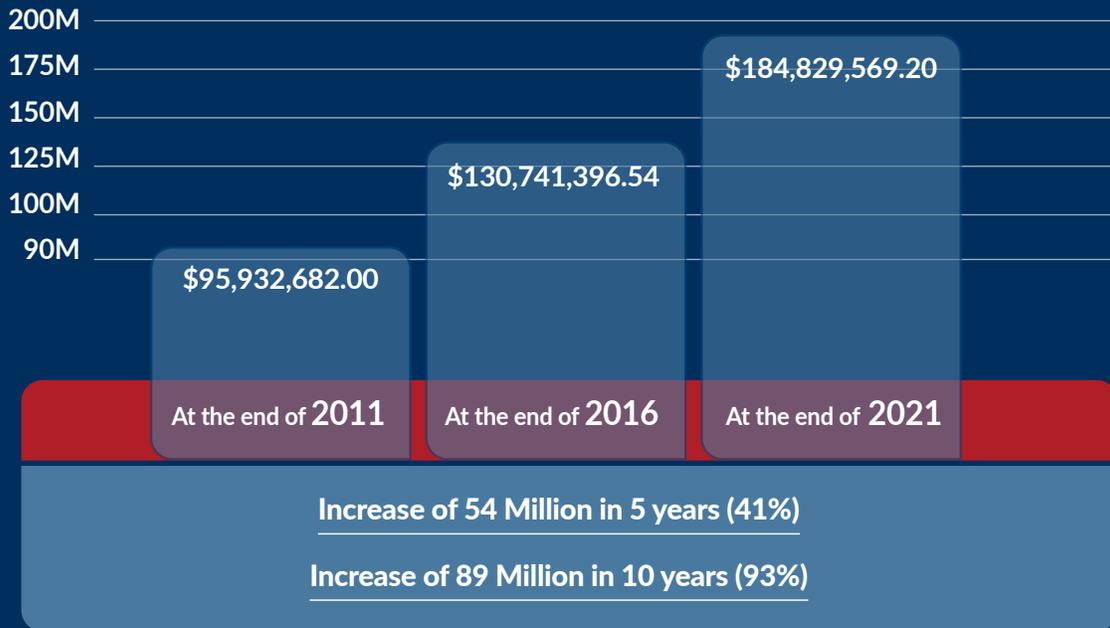
The Consolidated Fund market returns for calendar year 2021 were 12.27%.

## INVESTMENT ADVISORS

TCF serves as investment advisor to the Diocese and over 100 individual parishes, institutions, and schools within the diocese. We welcomed 15 new participants since 2016. This represents a 17% increase over a five-year period.



# CONSOLIDATED FUND MARKET VALUE



# PARTICIPANTS



# RETURNS & PERFORMANCE

## RETURNS BY YEAR



## PERFORMANCE

	The Church Foundation	Combined Index Portfolio
Fourth Qtr. 2021	2.82%	4.92%
YTD	12.27%	13.30%
Three Years	16.17%	16.91%
Five Years	12.04%	12.05%
Since Inception (11/1/07)	7.83%	7.41%

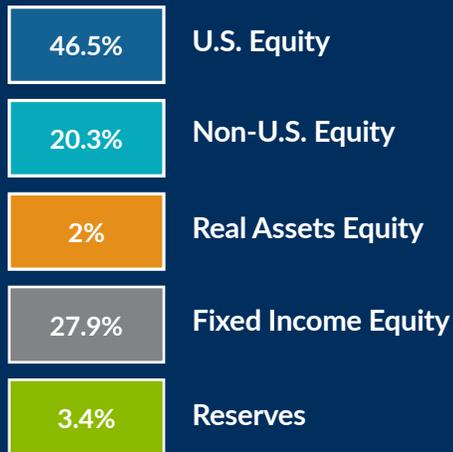
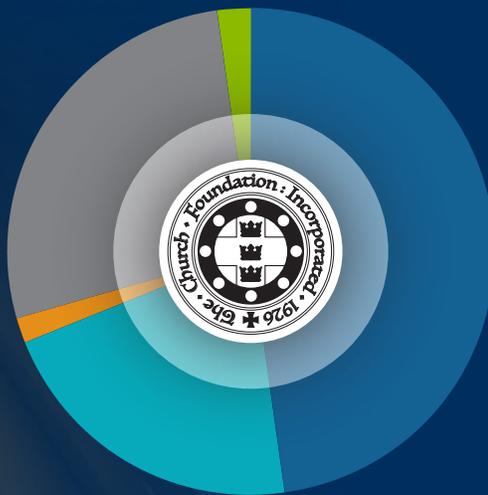
## PORTFOLIO HIGHLIGHTS

Inception Date of Portfolio	11/1/2007
Benchmark	Combined Index Portfolio
Total Market Value as of 12/31/20	\$184,829,569.20
Percent of Portfolio in Cash	3.38%



# ASSET DIVERSIFICATION

12/31/2021



Numbers may not total 100% due to rounding

The Church Foundation (TCF) takes seriously its role as fiduciary, and we have partnered with T. Rowe Price to offer a portfolio, which is a balanced mix of stocks and bonds that delivers low financial risk while at the same time a competitive return.

*Please note that past performance is not a reliable indicator of future performance.*

## MARKET VALUE

As of December 31, 2021

### U.S. Equity

Institutional Large-Cap Growth Fund	18.2%
Institutional Large-Cap Value Fund	20.6%
Institutional Mid-Cap Equity Growth Fund	1.4%
Mid-Cap Value Fund - I Class	1.5%
Institutional Small-Cap Stock Fund	4.8%
<b>Total</b>	<b>46.5%</b>

### Non-U.S. Equity

International Stock Fund - I Class	8.0%
International Value Equity Fund - I Class	9.0%
Emerging Markets Stock Fund - I Class	3.3%
<b>Total</b>	<b>20.3%</b>

### Real Assets Equity

Real Assets Fund - I Class	2.0%
<b>Total</b>	<b>2.0%</b>

### Fixed Income

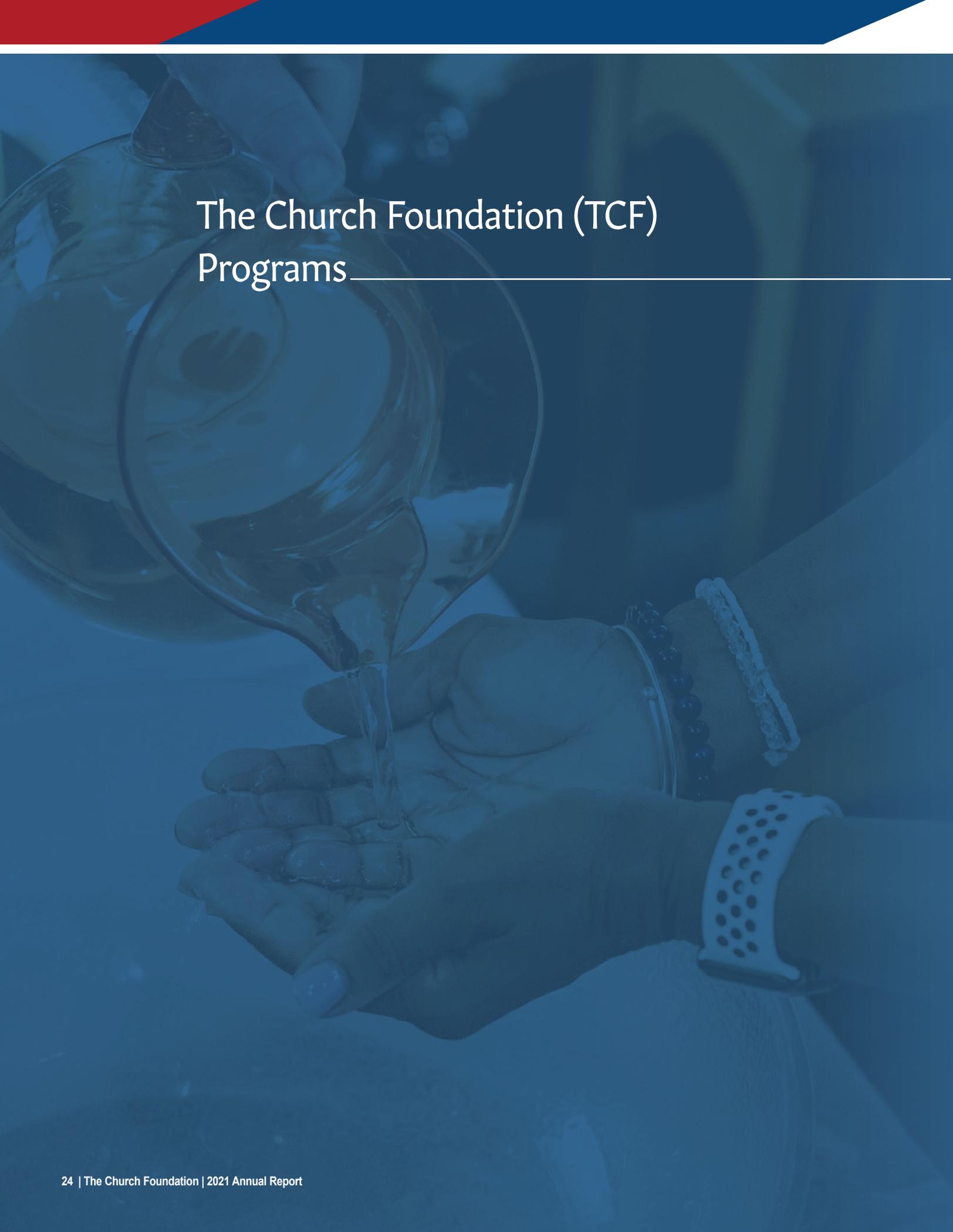
Total Return Fund	27.9%
<b>Total</b>	<b>27.9%</b>

### Reserves

U.S. Treasury Money Fund	3.4%
Federal Gov't Oblig.	0.0%
<b>Total</b>	<b>3.4%</b>

**Total 100%**

Numbers may not total 100% due to rounding



# The Church Foundation (TCF) Programs

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# The Church Foundation PROGRAMS



**Notary Services** | The Church Foundation (TCF) provides notary services to any Episcopal parish or organization in the Diocese of Pennsylvania at our Norristown office, at no cost, whether you have an account with us or not.



**Gift Clearing** | Increase your charitable giving and your tax deduction at the same time. TCF's gift clearing account facilitates cash gifts as well as appreciated stocks, bonds, and mutual funds to the Diocese of Pennsylvania, TCF, or any of the parishes, schools, and other institutions within the Diocese of Pennsylvania at no cost.



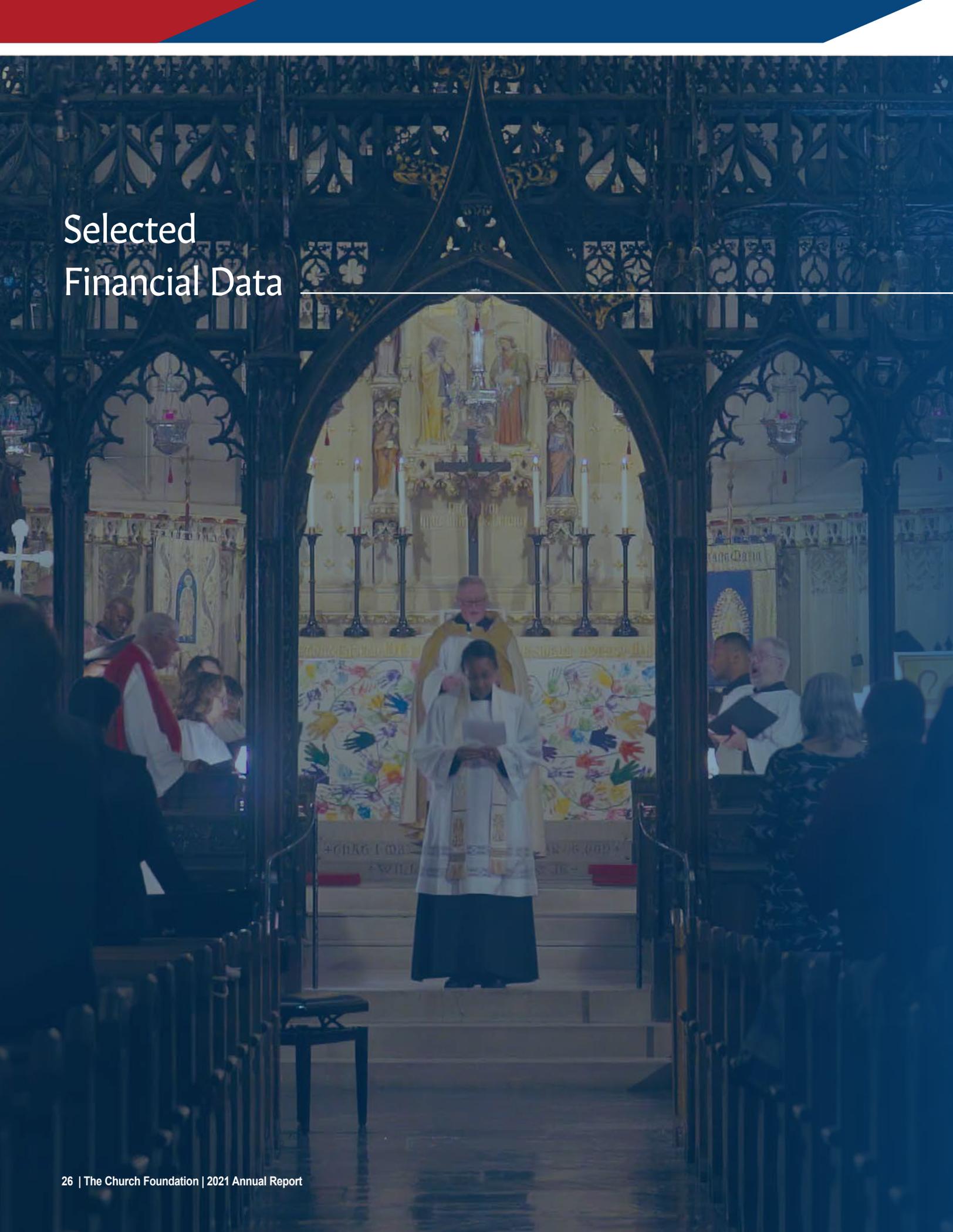
**Planned Giving Resources** | Giving in any form allows us to support a specific cause or organization; planned giving goes even further and provides the ability to support beloved ministries and organizations beyond one's lifetime. TCF offers planned resources on our website.



**End-of-Life Booklet** | It is estimated that over 50% of Americans do not have a will. To help ensure that estate and end-of-life planning reflects personal desires and values, we have a downloadable End-of-Life booklet that contains sections on medical directives, funeral planning, and writing a will.

# Selected Financial Data

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## CONSOLIDATED FUND OF THE CHURCH FOUNDATION

	2021	2020
Net Investment Income	\$7,820,667	\$4,687,388
Net Realized and Unrealized gain on investments	12,496,689	16,650,833
Net Increase in net assets resulting from operations	\$20,317,356	\$21,338,221
Distributions to Participants	\$6,385,379	\$5,894,582
<b>Capital Transactions</b>		
Proceeds from units issued	\$10,407,036	\$9,420,931
Payments from units redeemed	(9,195,761)	(8,859,399)
Net increase in net assets from capital transactions	\$1,211,275	\$561,532
<b>Net Assets</b>	<b>\$184,829,569</b>	<b>\$169,686,317</b>

Audited financial reports available at <https://www.tcfdiopa.org/consolidated-fund-audited-statements/>

## THE CHURCH FOUNDATION

	2021	2020
<b>Assets</b>		
Assets managed on behalf of others	\$184,063,232	\$169,013,173
TCF Investments	1,837,199	1,573,143
Cash & other	157,520	146,732
	<b>\$186,057,951</b>	<b>\$170,733,048</b>
<b>Revenue</b>		
Management fees	\$428,944	\$432,253
Investment income, net of fees	192,055	201,294
Contributions	50,159	81,252
	<b>\$671,158</b>	<b>\$714,799</b>
<b>TCF Expenses</b>		
Salaries & Benefits	\$201,377	\$174,139
Grants	68,049	70,844
Professional Fees	109,733	110,309
Other	38,131	25,112
	<b>\$417,290</b>	<b>\$380,404</b>

Audited financial reports available at <https://www.tcfdiopa.org/tcf-audited-statements/>



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