



THE CHURCH FOUNDATION

2022
ANNUAL
REPORT



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 manage the Consolidated Fund, a balanced investment platform, 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



The Right Reverend
Daniel G.P. Gutiérrez

**PRESIDENT &
BISHOP, DIOCESE
OF PENNSYLVANIA**

My Siblings in Christ,

Know Jesus. Change the World. We can't say it enough. As a diocese, we believe that by faithfully following Jesus Christ, we can make a positive difference in our communities and our world. Through a global pandemic, social and political upheaval, violence and war, and economic turbulence, our churches have kept their eyes and hearts fixed on Christ. They have not only shown remarkable resilience, but have boldly embraced creativity and innovation in meeting the myriad challenges we have faced. And through it all, The Church Foundation (TCF) has been a trusted partner on their journey.

We are all called to be good stewards of all that God has given us. And being faithful is one of the core characteristics of a good steward. In managing the collective assets in our diocese with diligence and vigilance, TCF models what it is to be a good and faithful steward. We also are called to bring the love of Christ to a world profoundly in need of love and healing. To help meet that calling, TCF disbursed more than \$6.5 million in distribution payouts in 2022 to help fund mission and ministry across the diocese.

I'm thankful for the faithful stewardship of the Board of TCF, Executive Director, Lori Daniels, and Operations Manager, Lisa Reinhardt. Just as we are called to be faithful in whatever God entrusts to us, TCF provides the same exemplary quality of service and advice to all churches they work with—regardless of how much, or how little, they have to invest.

Lori Daniels EXECUTIVE DIRECTOR

Dear Friends:

Another year has flown by, and we are grateful for your trust, support, and loyalty as we navigated the challenging 2022 market environment. Thank you!

TCF continues to offer our investors across the Diocese of Pennsylvania a robust investment platform and regular cash distributions that afford a steady income to help fund mission and ministry. Our goal is to serve the diocese by helping to build strong and financially healthy parishes—including the diocese as a whole—through our fiduciary oversight and by delivering a cost-effective collective investment platform. By investing with TCF, parishes, and institutions across the diocese can together navigate a path toward long-term financial security, even during challenging market conditions.

We had an internal change, saying goodbye to Operations Manager Ryan Campbell in November and welcoming Lisa Reinhardt in January. Lisa is familiar with the Diocese; she comes to us from St. James', Collegeville, where she was the Director of Parish Operations and Communications. Lisa's experience, enthusiasm, and willingness have made the transition smooth and painless, and we are thankful for her talents and gifts.



TCF continues to provide unparalleled customer service and is now offering online statements (contact Lisa at Ireinhardt@diopa.org for set-up assistance). We are also working with several parishes to assist in releasing underperforming and expensive corporately managed endowments, and are continuing to expand our resources to better serve parishes in their efforts to create and develop planned giving programs and promote endowment growth.

We are looking toward the future with excitement as we focus our efforts on continuing to serve our diocesan family in ways that help promote financial sustainability.

Thank you,

Lori Daniels
Executive Director



Kathleen Stephenson CHAIR OF THE EXECUTIVE COMMITTEE

The Church Foundation has experienced another successful year. The Annual Report shows consistently strong performance benefiting the Diocese and participating parishes. As always, TCF benefits from the cost-effective and professional management provided by Lori Daniels, Executive Director, and Lisa Reinhardt, Operations Manager, and we thank them for their efforts on behalf of TCF. And, of course, the Board appreciates your confidence in TCF.

Kathleen Stephenson,
Executive Committee Chair

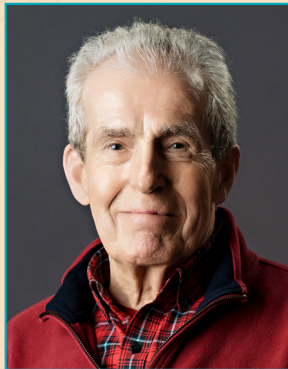
“ The Annual Report shows consistently strong performance benefiting the Diocese and participating parishes. ”

~ Kathleen Stephenson



LEADERSHIP

TCF INVESTMENT COMMITTEE REPORT 2022



James Pope
CHAIR OF THE INVESTMENT COMMITTEE

2022 was the first in many years we experienced mean reversion for a period longer than a single quarter. In the past decade, we had been accustomed to reporting annual returns for the Consolidated Fund portfolio in the high single digits or even low double digits, with a few negative quarters in the mix. In 2022 the numbers told a different story. First quarter results showed an annualised loss of 5.71% (YTD minus 5.71%); the second quarter results were minus 12% (YTD annualised minus 17.02%); the third quarter results were minus 5.73% (YTD annualised minus 21.78%); and it was only in the fourth quarter that we saw a positive return of 6.62% reducing our full year negative return to minus 16.59%. By the end of the first calendar quarter of 2023, in which the Consolidated Fund had a positive annualised return of 5.23%, our 12-month annualised loss was down to minus 6.45%.

Quantitative easing (“QE”) was for many reasons the right thing to do when it began, pumping liquidity into the economy as needed and floating us out of recession. But driving interest rates down to zero, or even negative rates, and having central banks crowd other buyers out of credit markets, then created a problem as inflation went from being almost imperceptible to being a blazing bonfire. We had a foretaste of the effects in 2013 when the Fed started tightening only to back off quickly when the “taper tantrum” caused reconsideration.

Some reading this report will remember the 1980s when Paul Volcker and other central bankers repeatedly raised interest rates to strangle inflation—a time that we do not want to relive. John Hussman wrote recently describing Fed actions in 2023: “By relentlessly depriving investors of risk-free return, the Fed has spawned an all-asset speculative bubble that may now leave investors with little but return-free risk.”

In this environment, your Investment Committee maintains its confidence in T. Rowe Price, our selected investment advisor. Broadly speaking, T. Rowe Price is “value investors” and focuses on picking individual stocks rather than following crowds or assumptions of what may happen in the near or intermediate future. None of that means that we avoid loss if broad market sentiment shifts positively or negatively (so-called “risk on/risk off” behaviour), but generally, it means that we should avoid extremes in returns. Your Investment Committee meets regularly with T. Rowe Price and aims to visit them in Baltimore at least annually. Any investor in the Consolidated Fund is cordially invited to join in the next manager meeting in September 2023.

I commend our committee members who give generously of their time and talents: Andrew Dumas, Franklin Rothenberger, Wilson Smith, and Paul Wanglee.

Respectfully submitted,

James Pope
Investment Committee Chair



BOARD OF DIRECTORS

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

The Episcopal Diocese of Pennsylvania
Norristown, PA

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

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

Christopher H. Gadsden, Esquire
St. Thomas Church, Whitmarsh
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, Whitmarsh
Fort Washington, PA

The Rev. George O. Master
Secretary & Treasurer
Church of the Good Shepherd
Hilltown, 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
Vice President
St. Peter's Church, 3rd and Pine
Philadelphia, PA

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

Katharyn I. Christian Voit, Esquire
St. Peter's Church, 3rd and Pine
Philadelphia, PA

Paul Wanglee
Church of the Redeemer
Bryn Mawr, PA

THE CHURCH FOUNDATION STAFF

Lori Daniels
Executive Director

Lisa Reinhardt
Operations Manager

About The Church Foundation (TCF)



ABOUT THE CHURCH FOUNDATION

“Our objective is to embody the mindset that we are truly stronger together.”

~ Lori Daniels, Executive Director

The Church Foundation guides parishes and institutions within the Episcopal Diocese of Pennsylvania toward asset growth by providing cost-effective investment and endowment management services.

- **Non-profit corporation** established as a service organization for the Diocese of Pennsylvania
- **Trustee and investment advisor** for assets owned by churches, chapels, missions, and institutions in the diocese
- **Real estate administrator** for the diocese as required, and title holder to multiple churches and diocesan properties
- **Consolidated Fund manager** for the diocese and other church-related institutions



Parish Spotlight: St. James' Episcopal Church, Collegetown



St. James' Episcopal Church, located at 3768 Germantown Pike, Collegetown, is a "loving, welcoming, vibrant community that continues to engage the community and the world in Christ's name," boasts The Rev. Dr. William M. Sowards (Fr. Mike), Rector of St. James'. Believed to have been founded in the late 1600s, St. James' possesses a wealth of history. The oldest document currently housed at the History Center is from 1707. According to records, George Washington stopped at the property following the Battle of Germantown and used the 1721 stone church as a hospital. St. James' proudly holds parish status, which began in 1952 when Rev. Platts grew the parish from mission to parish status.

St. James' continues to honor the parish's history while meeting families' needs of today. St. James' hosts many community groups, including AA, Disabled Veterans, Scouts, Rotary Club, and more, engaging with the community. Hence, St. James' is viewed as an integral part of Lower Providence and the area as a whole.

Outreach is central to the identity of St. James'. In 2015, St. James' was mandated to evacuate its 1749 Glebe House, the location for the Outreach House mission, for safety reasons. The St. James' Outreach House is a food pantry serving approximately 100 local families with emergency food and clothing. The vestry and congregation felt this ministry was the center of St. James' mission and needed a new location. Through parishioner gifts, bequests, and a capital campaign, St. James' built a new 2,500-square-foot building for \$1.2 million without placing the church in debt.

The church also maintained the annual budget during these renovations with the help of endowments. Fr. Mike states, "No church can meet their budget solely on pledges from parishioners, so it is essential to have other sources of revenue." He continues, "church missions and money have a symbiotic relationship; we can't do our ministry without having funds available." When asked how endowments help fulfill St. James' mission, Fr. Mike responded, "They offer a consistent stream of income quarterly to help meet budgetary needs while maintaining a principal for future generations as well."

Continuing that sentiment, Dale Pennapacker, St. James' Treasurer from 2013 to 2021, explains that, "The Church Foundation is a Godsend. Managing investments and endowments with volunteers is extremely difficult. TCF provides the professional structure for both managing and auditing funds." Dale has been an active member of St. James' for more than 40 years and has seen a plethora of changes. He fondly remembers Cottage Groups, vestry-organized committees that met monthly to socialize and review questions, policies, and the general status of the church. These groups helped parishioners understand the church's inner workings and thus allowed them to see firsthand what the church needed regarding volunteers and finances.

Like many churches, St. James' struggles with getting newer families and members to prioritize pledging and understanding the importance of bequests. Dale explains that bequest giving "is a tradition that seems to be dwindling with the younger generation." Perhaps, this is because they are unaware of the option or have not yet created wills. The Church Foundation offers planned giving resources and end-of-life booklets through our website to help guide individuals and families through these processes.

One thing that all generations have prioritized throughout the years is helping others. Dale explains that St. James' "has provided a place to help the community in need through their Outreach House. The Outreach House mission has motivated over 75 volunteers to donate time and money for food and clothing, and accepts donations from local businesses." It is clear to see, from an outside perspective, how passionate the St. James' community is about living out their motto, "Knowing and serving God by serving others."

St. James' continues to grow in its community and has become a significant resource for Lower Providence Township residents, neighbors, and members. It is inspiring to see how a small country church from the 1700s continues to strengthen its roots and spread its branches. A wealth of history, community, and outreach is evident throughout the property and people of St. James' Episcopal Church, Collegetown.

About the Consolidated Fund

Available to every parish and organization in the diocese, the Consolidated Fund is a common trust fund similar in design and function to those maintained by commercial trust companies and banks. By pooling church and diocesan assets, the Consolidated Fund delivers a solid investment platform with collective power that offers greater opportunity for growth to all parishes and organizations in the diocese.

BENEFITS



Competitive Rate of Return
Moderate financial risk while still providing a competitive rate of return



Distributions
Regular distribution payments for participants



Low Cost
Management fees calculated to cover administrative and operational costs only



Professional Management
Fiduciary oversight guided by a skilled investment team committed to providing a long-term source of cash flow through a diverse mix of investments



Purchasing Power
Access to investment management services unavailable to many individual church-related institutions

POLICIES



Accounts
Participants may set up any number of accounts (funds) within the Consolidated Fund; quarterly statements indicate account balance and fund performance



Allocations
A proportionate share of gains or losses and fees are applied to each participant's account



Contributions and Withdrawals
Participants may deposit or withdrawal in accordance with governing documents



Distributions
Distributions are paid quarterly while alternative distribution requests can be accommodated



Fees
Management fees are assessed quarterly and reviewed annually

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.

Common Misconceptions About Endowments:

- Our church is too small to have an endowment.**
Any church can establish and grow an endowment fund regardless of size or financial status.
- We can't have an endowment because we have never received a significant monetary gift.**
While it is true that endowments are created through bequests, a church can also establish an endowment through surplus income and parishioner contributions and gifts.
- Endowment management requires expertise and time.**
The Church Foundation (TCF) provides the fiduciary and operational oversight required to manage an endowment fund successfully. We offer high-level customer and investment management services at a reasonable cost.
- Endowments are limiting. There is no access to cash if needed.**
An endowment fund offers the ability for a church to receive regular cash distributions. TCF calculates a distribution amount based on a yearly spending rate and applies that to the number of units or shares in each fund. If the governing documents allow, investors also have access to withdrawals outside of distribution in the event of an emergency need.
- Fund restrictions are hindering and don't work for our needs today.**
Endowments can be either donor restricted, purpose restricted, or both. TCF can review governing documents to help clarify and better understand endowment restrictions.
- Parishioners aren't interested in our endowment.**
It is more likely that many parishioners have no idea their church has an endowment or, if they do, do not know how it supports the church.

Give your endowments more attention by addressing these three points:

- How does it support your ministry/mission?
- What difference has the endowment made to the parish?
- How can your parishioners make a gift to the church?

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 an ongoing source of income to help fulfill the mission of the church.



Consolidated Fund Highlights

CONSOLIDATED FUND 2022 AT A GLANCE



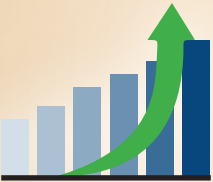
DISTRIBUTIONS

TCF dispersed over \$6.5M in distribution payout in 2022 to help fund mission and ministry across the diocese.



MARKET RETURNS

Although the Consolidated Fund ended 2022 with negative YTD market returns, reflecting the state of the overall global market, we continue to report positive annualized returns over a 3, 5, 10, and 15-year period, which demonstrates the fund's long-term stability.



10-YEAR MARKET VALUE GROWTH

The Consolidated Fund has increased by over \$36M in 10 years, which represents a 35% increase in market value.

INVESTMENT ADVISORS

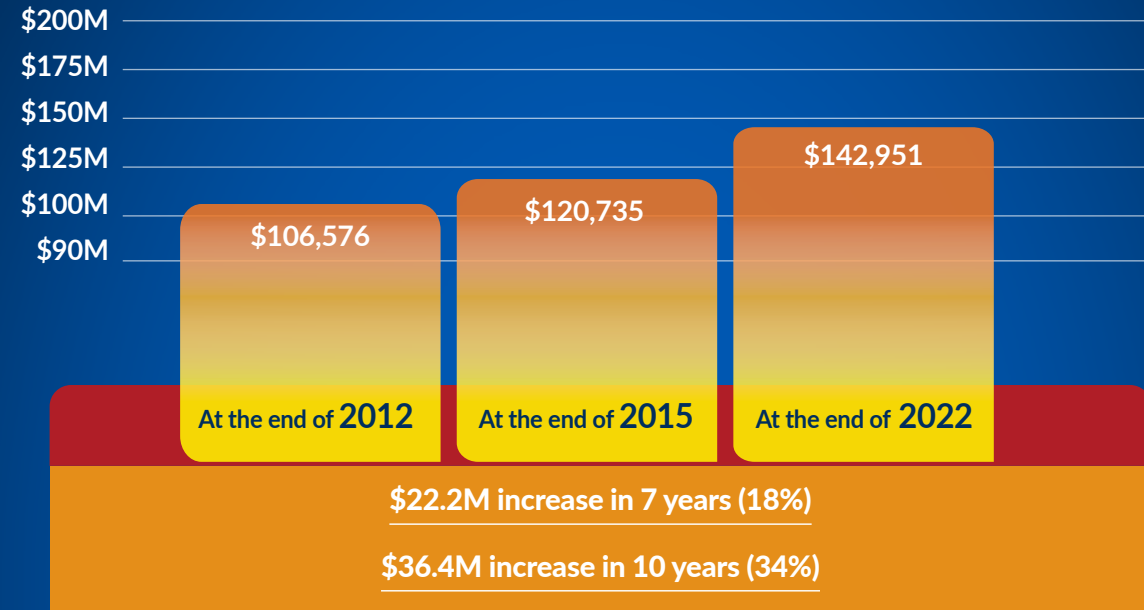
TCF serves as investment advisor to the Diocese and over 100 individual parishes, institutions, and schools within the diocese. We welcomed 5 new investors since 2017. This represents a 5% increase over a five-year period.





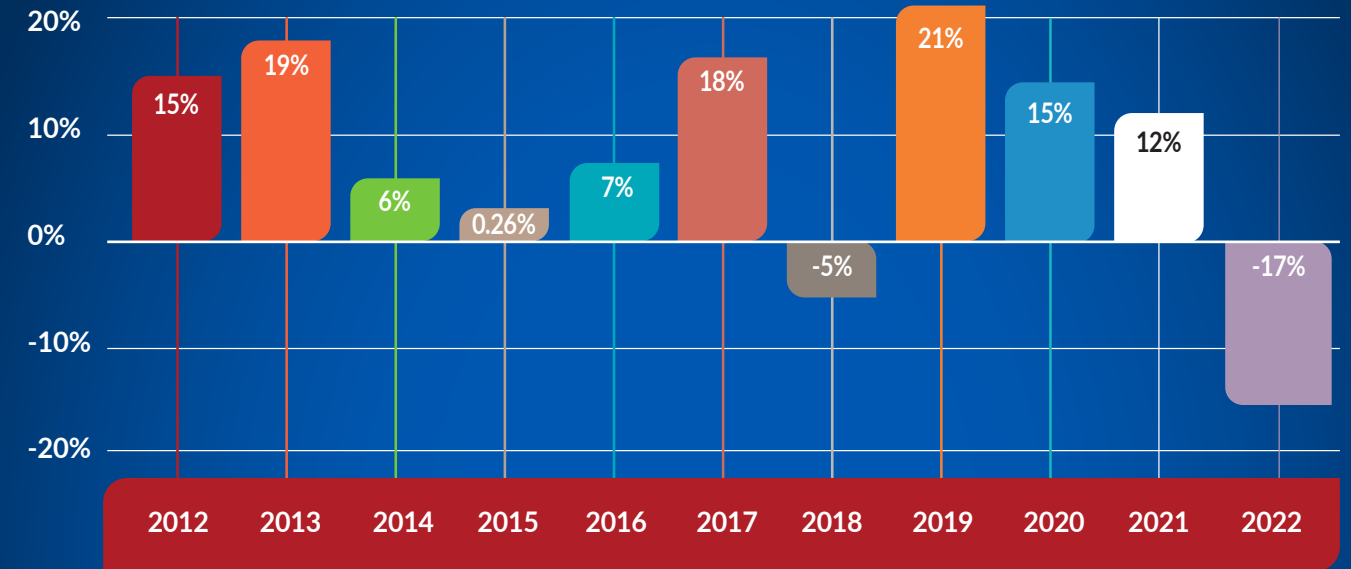
CONSOLIDATED FUND MARKET VALUE

(IN MILLIONS)

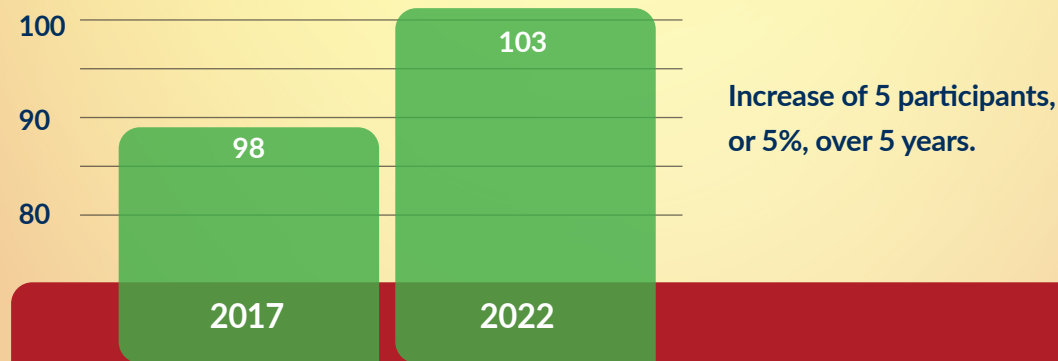


RETURNS & PERFORMANCE

RETURNS BY YEAR



PARTICIPANTS



ANNUALIZED PERFORMANCE

	The Church Foundation	Combined Index Portfolio*
Three Years	2.50%	3.00%
Five Years	4.44%	4.79%
Ten Years	7.20%	7.06%
Since Inception (11/1/07)	6.02%	5.65%

*Benchmark

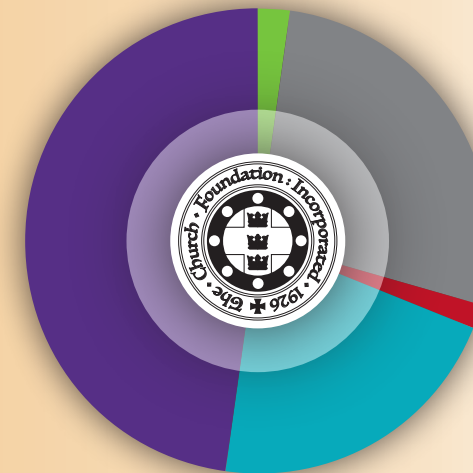


PORTFOLIO HIGHLIGHTS

Inception Date of Portfolio	11/1/2007
Total Market Value as of 12/31/22	\$142,951M
Percent of Portfolio in Cash	3%

ASSET DIVERSIFICATION

12/31/2022



45%	U.S. Equity
20%	Non-U.S. Equity
4%	Real Assets Equity
28%	Fixed Income Equity
3%	Reserves

The Church Foundation (TCF) takes seriously its role as fiduciary, and we have partnered with T. Rowe Price to offer a balanced portfolio that delivers moderate financial risk and a competitive return.

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

MARKET VALUE

As of December 31, 2022

U.S. Equity

Large-Cap Growth Fund-I Class	\$ 25,281,325
Large-Cap Value Fund-I Class	\$ 27,801,017
Institutional Mid-Cap Equity Growth Fund	\$ 2,238,386
Mid-Cap Value Fund-I Class	\$ 2,146,750
Institutional Small-Cap Stock Fund	\$ 6,558,785
Total	\$ 64,026,263

Non-U.S. Equity

International Stock Fund-I Class	\$ 11,840,987
International Value Equity Fund-I Class	\$ 12,162,639
Emerging Markets Stock Fund-I Class	\$ 5,141,733
Total	\$ 29,145,359

Real Assets Equity

Real Assets Fund-I Class	\$ 5,062,913
Total	\$ 5,062,913

Fixed Income

Total Return Fund-I Class	\$ 39,773,670
Total	\$ 39,773,670

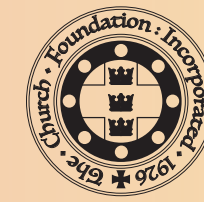
Reserves

U.S. Treasury Money Fund-I Class	\$ 4,615,707
Total	\$ 4,615,707

Total 100%

Some numbers in this report may not add due to rounding. The information shown does not reflect any ETFs that may be held in the portfolio.

The Church Foundation (TCF) Programs



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 and appreciated stocks, bonds, and mutual funds to the Diocese of Pennsylvania, TCF, or any 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.

Select Financial Data

Church Fund Name
 Quarterly Statement of Fund Activity
 Period: January 1, 2019 - December 31, 2019
 Acct#: 99999

	Quarter Ending 03/31/2019	Quarter Ending 06/30/2019	Quarter Ending 09/30/2019	Quarter Ending 12/31/2019	Year To Date 2019
Beginning Market Value:	\$0.00	\$102,020.95	\$107,722.28	\$108,671.05	\$0.00
Contributions:	\$100,000.00	\$0.00	\$0.00	\$0.00	\$100,000.00
Withdrawals:	\$0.00	\$0.00	\$0.00	(\$10,000.00)	(\$10,000.00)
Quarterly Distribution:	\$0.00	(\$1,073.49)	(\$1,073.49)	(\$1,083.88)	(\$3,230.86)
Reinvested Distribution:	\$0.00	\$0.00	\$1,073.49	(\$81.61)	\$2,157.37
Management Fee:	\$0.00	(\$80.83)	(\$80.83)	\$459.88	(\$243.26)
Investment Earnings:	\$350.00	\$397.16	\$386.36	(\$245.99)	\$1,506.54
Realized Gain/(Loss):	\$325.86	\$693.00	\$733.67	\$2,498.67	\$9,518.81
Unrealized Gain/(Loss):	\$1,345.09	\$5,765.49	(\$90.44)	\$2,498.67	\$101,302.00
Ending Market Value:	\$102,020.95	\$107,722.28	\$108,671.05	\$101,302.00	\$101,302.00
Beginning Units:	.0000	566.3066	566.3066	571.7889	.0000
Units Acquired:	566.3066	.0000	5.4823	5.5598	577.3487
Units Sold:	.0000	.0000	.0000	(\$1,2956)	(\$1,2956)
Ending Units:	566.3066	566.3066	571.7889	526.0531	526.0531
Beginning NAV:	\$176.5828	\$191.9832	\$195.8107	\$194.9484	\$176.5828
Ending NAV:	\$191.9832	\$195.8107	\$194.9484	\$198.0586	\$198.0586

To expedite payment, distributions are calculated using units at the end of Feb/May/Aug/Nov.
 Questions? Please contact Lori Daniels @ 215-220-9886 or lorid@diopa.org



CONSOLIDATED FUND OF THE CHURCH FOUNDATION

	2022	2021
Net investment income	\$8,065,558	\$7,820,667
Net realized and unrealized gain on investments	\$(38,795,577)	\$12,496,689
Net increase in net assets resulting from operations	\$(30,730,019)	\$20,317,356
Distributions to participants	\$(6,520,945)	(\$6,385,379)
Capital Transactions		
Proceeds from units issued	\$5,023,124	\$10,407,036
Payments from units redeemed	\$(9,650,868)	\$(9,195,761)
Net increase in net assets from capital transactions	\$(4,627,744)	\$1,211,275
Net Assets	\$142,950,861	\$184,829,569

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

THE CHURCH FOUNDATION

	2022	2021
Assets		
Assets managed on behalf of others	\$142,641,944	\$184,063,232
TCF investments	\$1,521,212	\$1,837,199
Cash & other	\$183,132	\$157,520
	\$144,346,288	\$186,057,951
Revenue		
Management fees	\$447,836	\$428,944
Investment income, net of fees	\$(318,482)	\$192,055
Contributions	\$50,858	\$50,159
	\$180,212	\$671,158
TCF Expenses		
Salaries & benefits	\$217,325	\$201,377
Grants	\$98,166	\$68,049
Professional fees	\$114,881	\$109,733
Other	\$35,882	\$38,131
	\$466,254	\$417,290

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



THE
CHURCH
FOUNDATION

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