



THE
**CHURCH
FOUNDATION**

**ANNUAL
REPORT
2020**

One Diocese One Love





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Images on the following pages are from the social media feeds of the diocese's 135 churches.

A close-up photograph of a man with a beard and short hair, wearing a dark blue button-down shirt. He is holding a light-colored, speckled ceramic cup with both hands. He is looking down at the cup and pointing with his right index finger towards a document or book he is holding. The background is blurred, showing other people and what appears to be an outdoor setting. A diagonal red line runs across the top right of the image.

Letters from Leadership

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

“Like good stewards of the manifold grace of God, serve one another with whatever gift each of you has received.”

~ (1 Peter 4:10)

My Siblings in Christ,

We step forward in faith with the knowledge that our Risen Lord is with us. As followers of Christ, we recognize that all that we have is a gift from God. This profound realization translates into our sacred call to be stewards of all that God has entrusted to us. The Church Foundation (TCF) exemplifies the biblical principle of stewardship in their oversight and management of our collective funds. Their services are available to all of our churches and represent a considerable benefit to our diocesan family. By pooling church and diocesan assets, TCF can command an extremely high level of expert investment services. The care and expert service translates into an incredibly high level of care and attention as can be seen in the asset's level of performance under their management. The consistent performance means that a church with



\$25,000 to invest receives service at the \$175 million level. Simultaneously, the staff provides focused and individualized attention to every Church that invests with them.

The Board of TCF, Lori Daniels and Ryan Campbell, care deeply about the people in our churches and are watchful with your funds. Moreover, the Diocese and TCF work closely and in unison to guide, protect and uplift this beloved Body of Christ.

As I have said many times, we are not 135 separate congregations; we are one people, one Church, one diocese - One Love. TCF exemplifies that principle and embodies the spirit of the early Church, holding all things in common for the common good. Their ministry truly blesses us.

Lori Daniels

EXECUTIVE DIRECTOR



What a history-making and challenging year this has been! While 2020 brought us lockdowns and stay-at-home orders, The Church Foundation (TCF) managed to successfully navigate the challenges of working and conducting business remotely. Our Operations Manager, Ryan Campbell, and I meet every morning via Zoom to catch up and discuss daily activities. Quarterly meetings with the Board of Directors are now virtual. While it has been a tricky transition and a little bumpy at times, we have persisted, and I am proud of our accomplishments.

TCF's success is evident in our ability to build a robust financial platform that allows participants to view the future with a sense of possibility; of potential to be explored. Our hope is that by choosing to invest with TCF, our partner churches and other institutions across the Diocese can chart a future to thrive rather than just survive, even in the most challenging times.

One of our goals for 2020 was to continue providing support through our collective investment portfolio—the Consolidated Fund. Although we experienced a rocky first quarter, the Consolidated Fund rallied and ended the year by exceeding a 15% market return. We have also expanded our complimentary services to better serve the entire diocese:

- Notary services at our Norristown office;
- Gift-clearing program to facilitate pledges, donations, and gifts of appreciated stocks, bonds, and mutual funds; and
- Planned giving resources on our website to further assist parishes in funding future mission and ministry.

We have exciting plans for 2021! Having received numerous requests for online statements over the years, we anticipate providing this service to investors via our website by late 2021. We will also continue to expand our resources to further inspire, encourage, and empower all Diocese-wide parishes and Episcopal institutions to develop and nurture a planned giving program and promote endowment growth.

We know that a church is not merely a building, property, or worship service. Each church is part of its community—our community—making a difference in peoples' lives, both in the pews and outside its walls. Thank you for letting us be part of your community.

God bless and please continue to stay safe.

Lori Daniels



Chris Gadsden
**VICE PRESIDENT
& CHAIR OF THE
EXECUTIVE COMMITTEE**

The year 2020 turned out to be a very different experience for The Church Foundation (TCF). We gathered in person only once all year, and that was in January. The COVID-19 pandemic arrived a few weeks later, and we conducted our subsequent meetings via Zoom. Churches in our diocese started to suffer financially, and TCF looked for ways to increase those institutions' spending rates. A new state law was adopted to allow such an increase. The scheduled sale of Wapiti in early spring was canceled. By year end, TCF and the Wapiti Land Company were still waiting for a sale to be consummated.

We can hope that in 2021 the dark cloud of COVID-19 will lift, and we can continue to work together.

Chris Gadsden

REPORT OF THE INVESTMENT COMMITTEE



Thomas B. Helm CHAIR OF THE INVESTMENT COMMITTEE

For those who believe they are prescient and try to predict market movements, 2020 proved to be a frustrating year! In January and February, the broadly watched S&P 500 Index moved to new all-time highs following a very strong 2019. Then, fortunes reversed suddenly and dramatically in March as the global pandemic seemed to shut down global economic activity seemingly overnight. Underscoring the decline, the equity market had its third largest daily drop in history as the S&P 500 fell nearly 12% on March 16th. Fear felt pervasive, but central banks and global governments adopted a “whatever it takes” approach to insuring that economies would avoid a free fall and complete shutdown.

Indeed, the U.S. quickly proposed and passed its largest ever economic relief act, the \$2.2 trillion CARES package. The Federal Open Markets Committee dropped the federal fund’s target interest rate to between 0 and ¼%, rates not seen since the global financial crisis. These actions and others helped drive a dramatic market rebound, with downside volatility returning in September and October as the virus seemed to make a return. Nevertheless, the year closed strongly with the development and potential distribution of coronavirus vaccines.

The Church Foundation (TCF) portfolio, managed by T. Rowe Price (TRP) since 2007, weathered the year’s volatility quite well with a 15.02% gain versus its composite index benchmark which

posted an increase of 15.38%. TRP considers a ‘neutral weighting’ between equities and fixed income at a 70/30 blend, and varies this mix slightly based upon the guidance and decisions of its asset allocation committee. Interestingly, TRP approached 2020’s 1st quarter with a slight ‘underweight’ to equities as it saw stocks as slightly over valued. Then, with the abrupt market slide in March, TRP saw equities as undervalued, and increased its exposure to the highest level in several years.

Historically, TRP prides itself in its strong global research capabilities leading to a skillful ability to pick securities. From the inception of our relationship with TRP, it has matched the annualized compounded index return of 7½%, but on a quarterly basis in 2020, the firm fell behind the index return by as much as 2%. These returns are after TRP’s .55% fee for asset allocation and security selection which the committee monitors closely and considers quite competitive.

Our investment policy goal is to produce the highest distribution rate possible to our participants while being sensitive to volatility, and at the same time preserving purchasing power over time (growth after distributions at least equal to the inflation rate). Thank you for your confidence and continued participation in the Consolidated Fund.

Thomas B. Helm

BOARD OF DIRECTORS

Marit M. Anderson, Esquire

Church of the Holy Apostles
and the Mediator
Philadelphia, PA

Elise Bowers

Sharon A. Congleton

Calvary, St. Augustine
Philadelphia, PA

Christopher H. Gadsden,

Esquire, Vice President

St. Thomas Church, Whitemarsh
Fort Washington, PA

The Right Reverend

Daniel G.P. Gutiérrez

President and Bishop

Thomas B. Helm

St. Peter's, Great Valley
Malvern, PA

Marie Golson

African Episcopal
Church of St. Thomas
Philadelphia, PA

Clifford W. Kozemchak

St. Thomas Church
Whitemarsh
Fort Washington, PA

James Mack, CPA

St. David's Church, Radnor
Wayne, 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

The Rev. Dr. Mike Sowards

St. James' Church, Collegeville
Collegeville, PA

Kathleen Stephenson,

Esquire

St. Peter's Church, 3rd and Pine
Philadelphia, PA

The Rev. John Symonds

St. James Episcopal Church
Downingtown, PA

Roberta Griffin Torian,

Esquire

St. Francis-in-the-Fields,
Sugartown, PA

THE CHURCH FOUNDATION STAFF

Lori Daniels

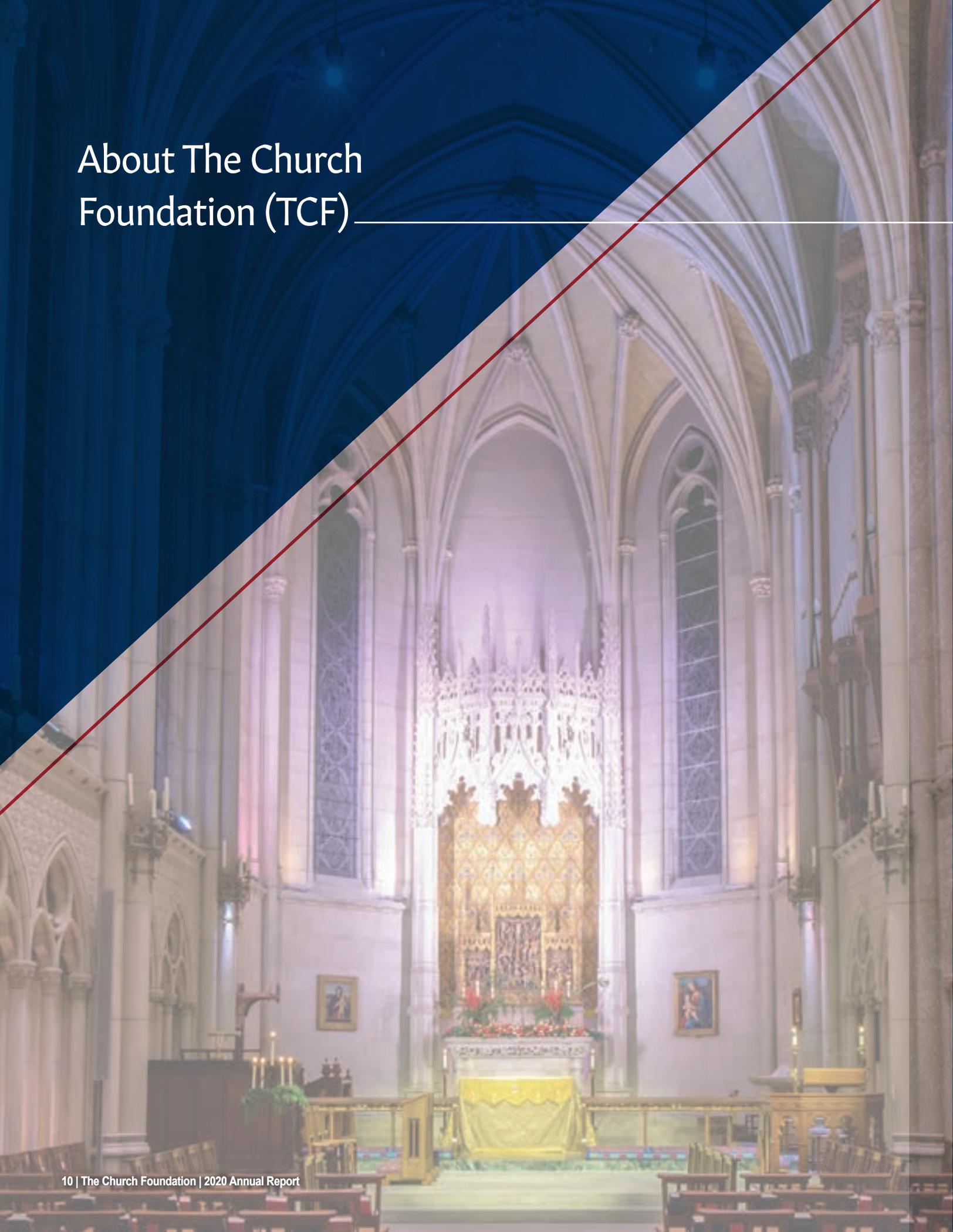
Executive Director

Ryan Campbell

Operations Manager



About The Church Foundation (TCF)



Who We Are

The Church Foundation (TCF) is a nonprofit organization whose primary purpose is to serve 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, to provide 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.

Non Profit Corporation

TCF is a Pennsylvania nonprofit corporation and is 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.



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.



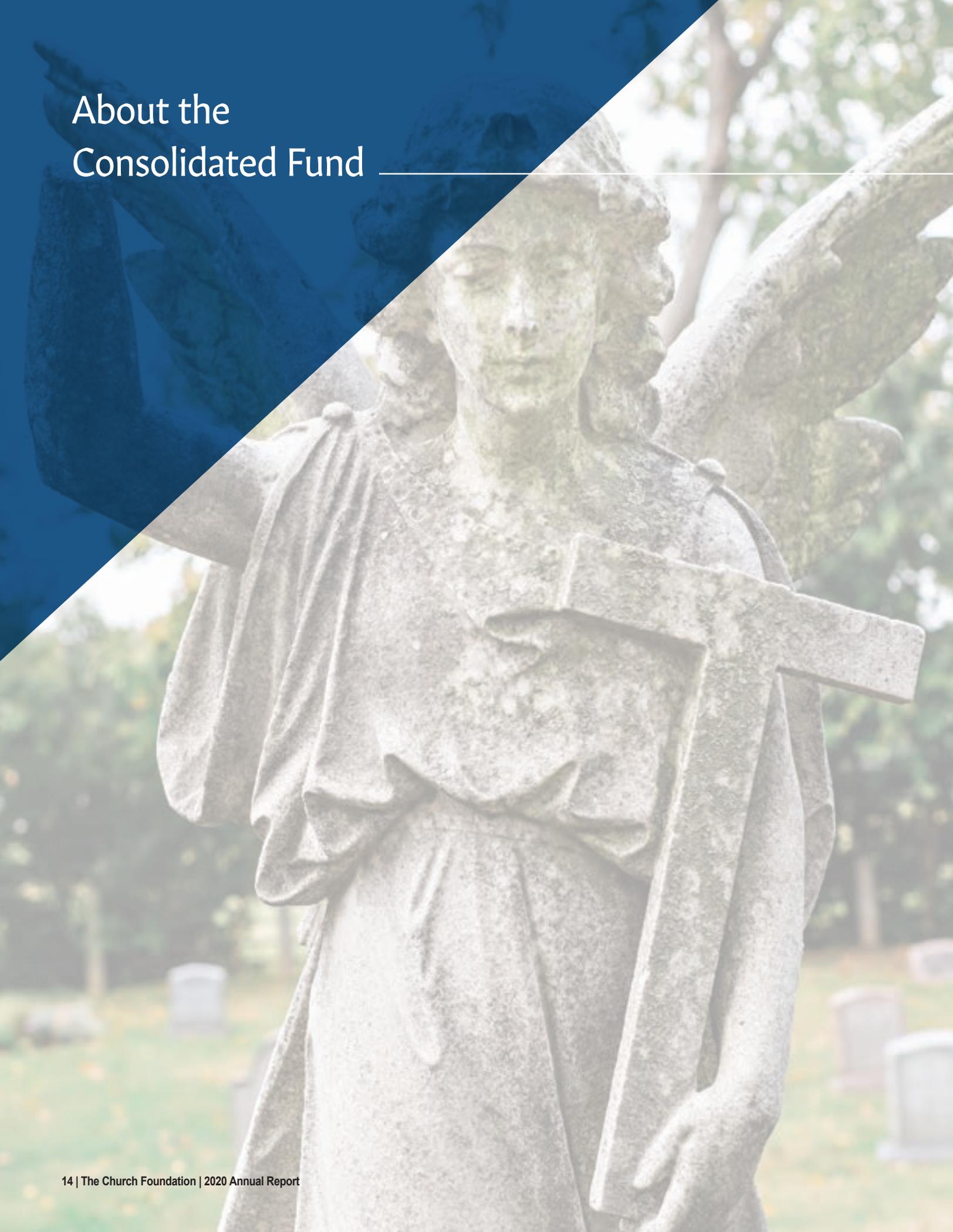


"You pick up the phone and call TCF and your questions get answered immediately."

~The Rev. Dr. Mike Sowards, Rector at St. James, Collegeville



About the Consolidated Fund



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.

Why establish an endowment fund?

Endowment funds provide the income to maintain church's buildings, support, and enhance a church's ministry or generate funds for mission work. A properly structured endowment can help to secure a church's financial future.

Benefits of an endowment fund:

- Assets are invested in perpetuity.
- Provides a steady source of income to fund mission and ministry.
- Offers a cushion against unforeseen expenses or economic downturns.
- Serves a specific mission or need of the church.
- Adds a completely separate income stream.
- Encourages deferred gifts to the church.
- Provides opportunities for parishioners to give gifts in honor and memory of family and friends.

By having an endowment fund, a church sends the signal that it is doing its part regarding long-range and strategic planning. Simultaneously, the church provides a vehicle for lifelong parishioners in giving to and including their church in their estate planning. An endowment fund also sends the message that a church believes in its future, wishes to be guided in stewardship, wants to build a sense of permanence, is interested in expanding mission and ministry, and wants to create a legacy for future generations.

Through the Consolidated Fund, our collective investment portfolio, The Church Foundation enables every parish in the Episcopal Diocese of Pennsylvania, no matter how big or small, to establish an endowment fund. Not only do we strive to provide financial stability and support for churches and organizations in the Diocese of Pennsylvania, but we also aim to give our participants opportunities to grow in ways not previously considered.

We are here to help!





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.



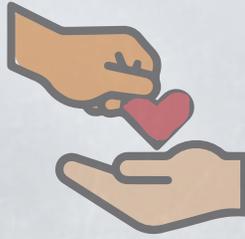
“When I have questions, they always provide a prompt and friendly response.”

*~Diocese of Pennsylvania
Finance Department*

Consolidated Fund Highlights



CONSOLIDATED FUND 2020 AT A GLANCE

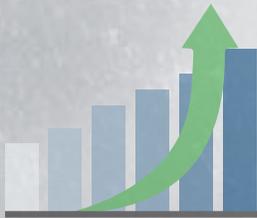


2020 | \$6M PAYOUTS

The Church Foundation (TCF) dispersed nearly \$6M in distribution payouts in 2020 to help fund mission and ministry across the diocese.

10 YEAR MARKET VALUE GROWTH

The Consolidated Fund's market value has grown by nearly 62% over the past ten years.



2020 MARKET RETURNS

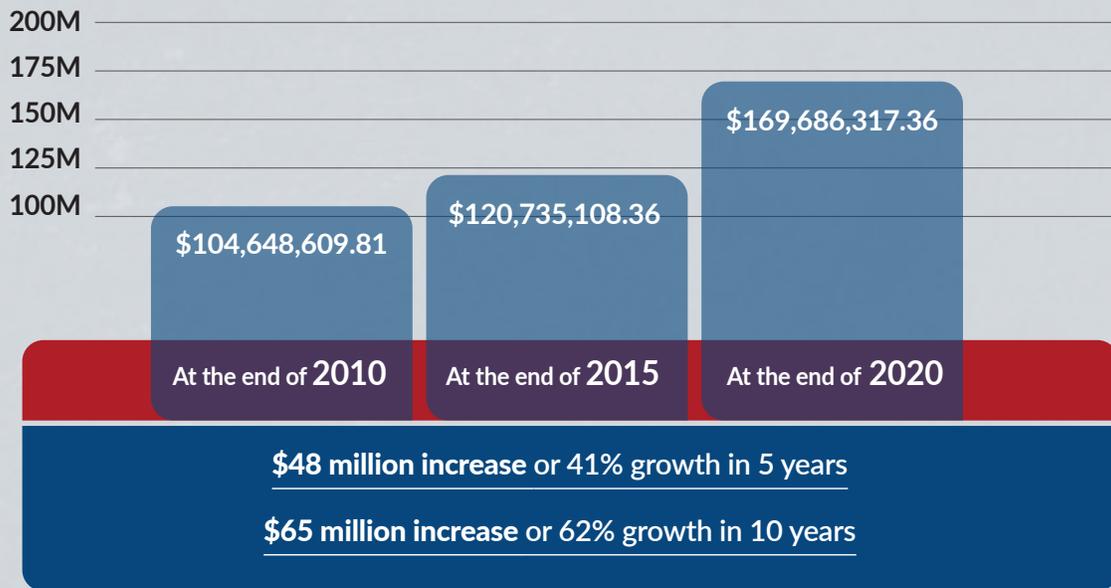
The Consolidated Fund market returns for calendar year 2020 were 15.02%.



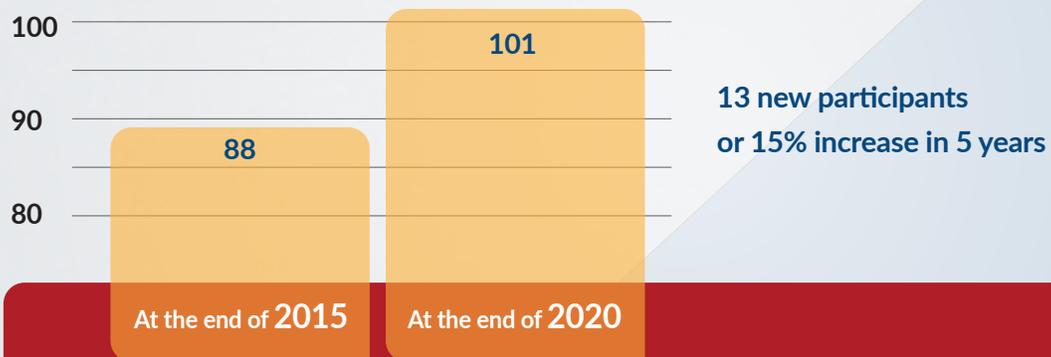
INVESTMENT ADVISORS

TCF serves as investment advisor to the Diocese and approximately 100 individual parishes, institutions, and schools within the diocese. This represents a 15% increase in participants over a five-year period.

CONSOLIDATED FUND MARKET VALUE

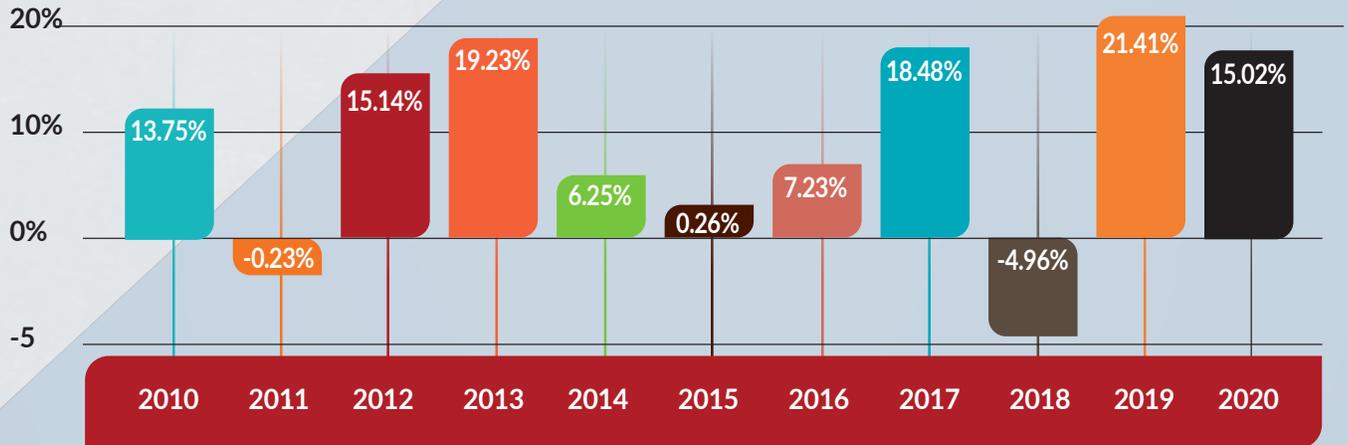


PARTICIPANTS



RETURNS & PERFORMANCE

RETURNS BY YEAR



PERFORMANCE

	The Church Foundation	Combined Index Portfolio
Fourth Qtr. 2020	12.91%	10.92%
YTD	15.02%	15.38%
Three Years	9.89%	10.10%
Five Years	11.02%	10.95%
Since Inception (11/1/07)	7.50%	7.50%



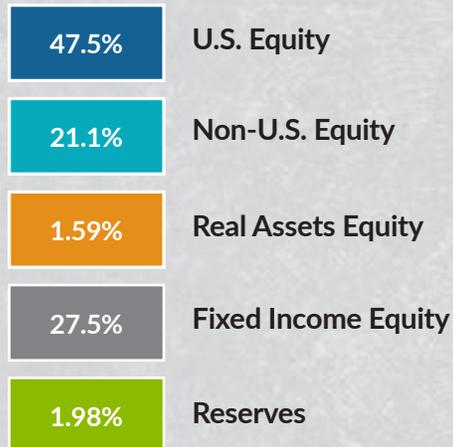
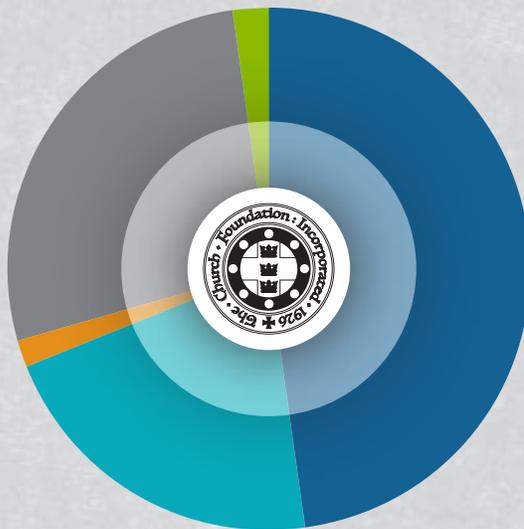
PORTFOLIO INFORMATION

Inception Date of Portfolio	11/1/2007
Benchmark	Combined Index Portfolio
Total Market Value as of 12/31/20	\$169,686,317
Percent of Portfolio in Cash	2%



ASSET DIVERSIFICATION

12/31/2020



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, 2020

U.S. Equity

Institutional Large-Cap Growth Fund	19.4%
Institutional Large-Cap Value Fund	20.5%
Institutional Mid-Cap Equity Growth Fund	1.5%
Mid-Cap Value Fund I-Class	1.4%
Institutional Small-Cap Stock Fund	5.2%
Total	47.5%

Non - U.S. Equity

International Stock Fund - I Class	8.9%
International Value Equity Fund - I Class	9.2%
Emerging Market Stock Fund - I Class	3.0%
Total	21.1%

Real Assets Equity

Real Assets Fund - I Class	1.59%
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Fixed Income

Total Return Fund	27.5%
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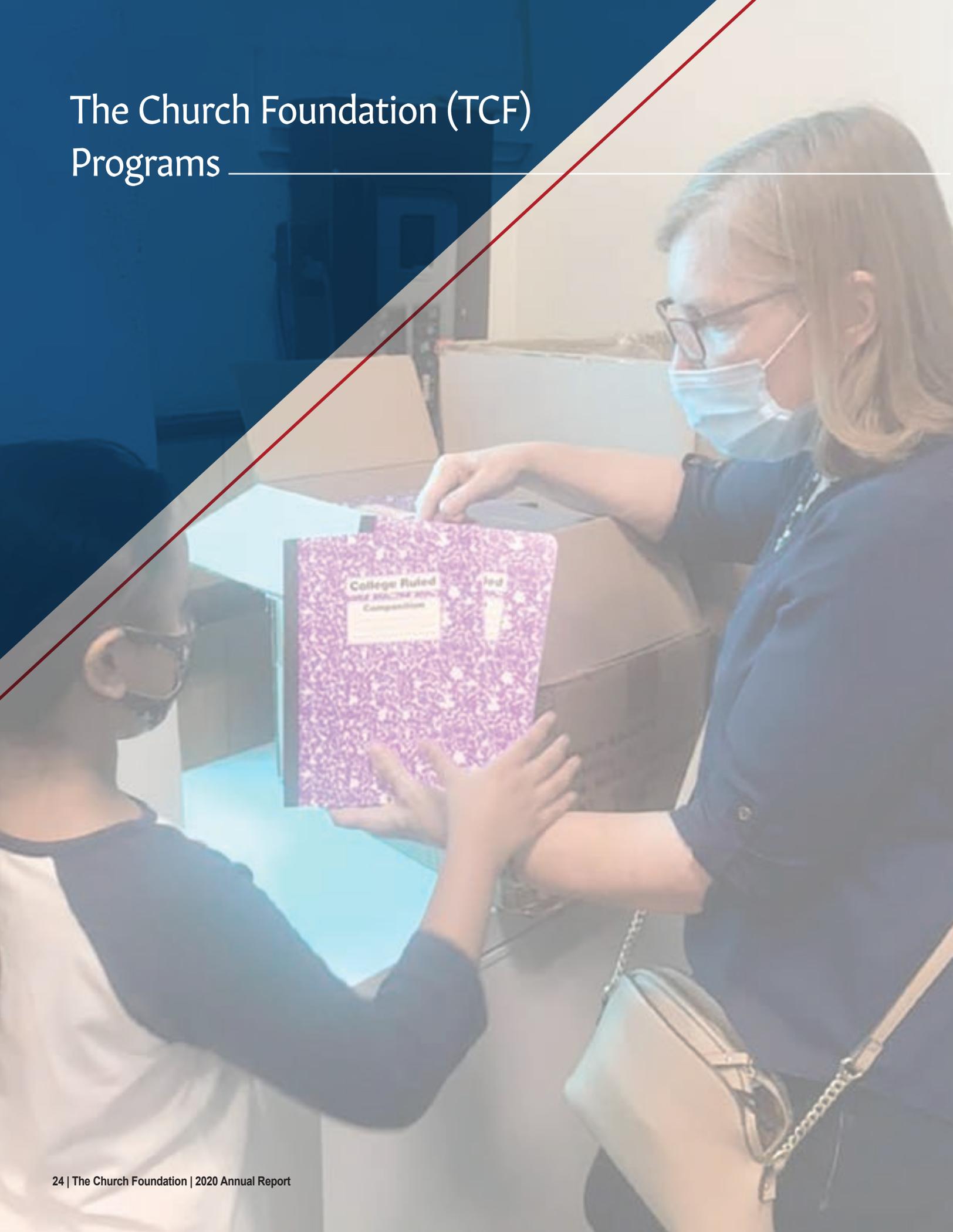
Reserves

U.S. Treasury Money Fund	1.98%
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Total 100%

Numbers may not total 100% due to rounding

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 as well as appreciated stock, 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.



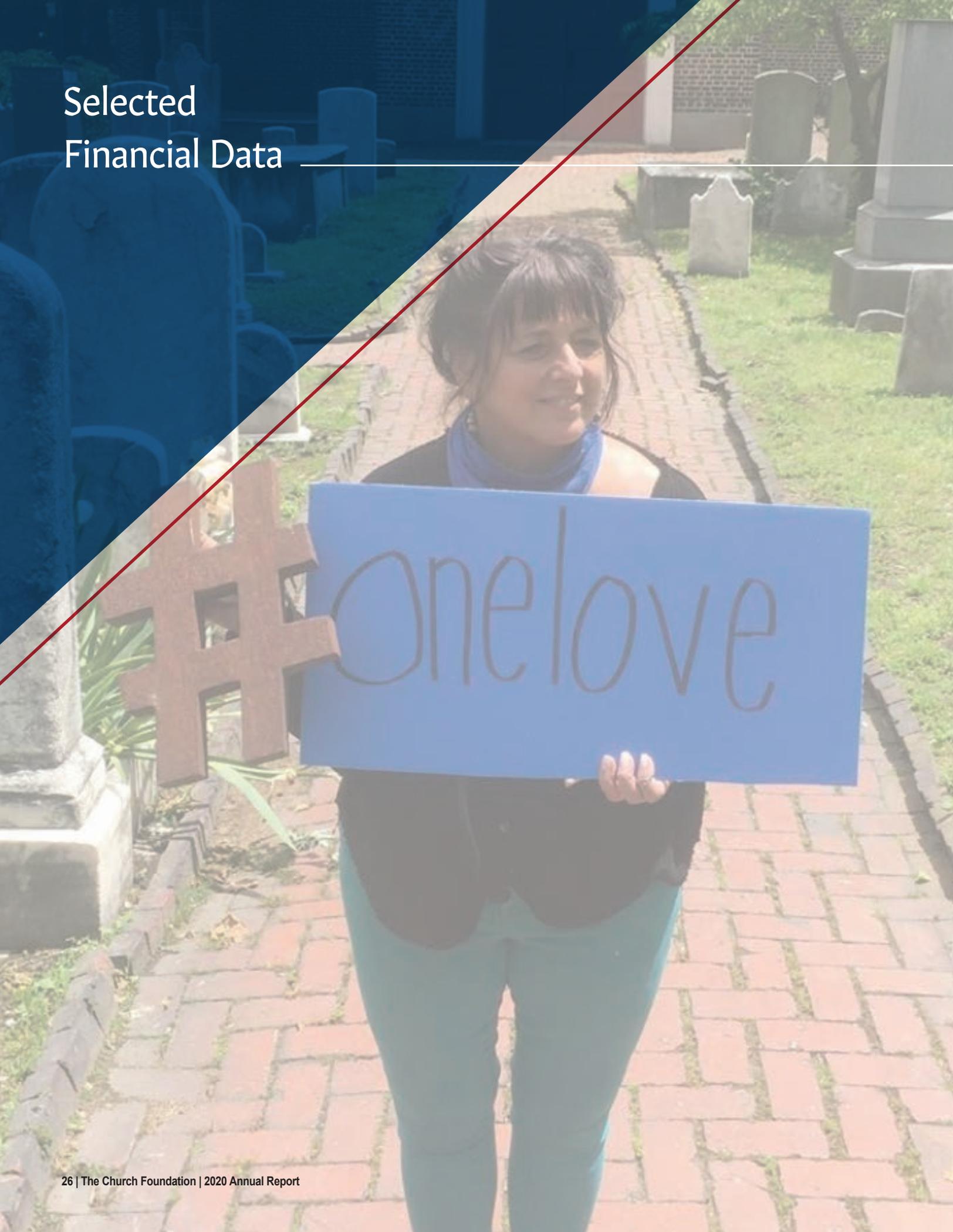
Planned Giving Resources | Giving in any form allows us to support a specific cause or organization; planned giving goes even further and provides the ability to support beloved ministries and organizations beyond one's lifetime. TCF offers planned resources on our website.



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



CONSOLIDATED FUND OF THE CHURCH FOUNDATION

	2020	2019
Net investment income	\$4,687,388	\$5,276,058
Net realized and unrealized gain on investments	16,650,833	22,492,109
Net Increase in net assets resulting from operations	\$21,338,221	\$27,768,167
Distributions to participants	\$5,894,582	\$5,801,530
Capital Transactions		
Proceeds from units issued	\$9,420,931	\$3,740,080
Payments from units redeemed	(8,859,399)	(5,456,586)
Total of Capital Transactions	\$561,532	\$(1,716,506)
Net Assets	\$169,686,317	\$153,681,146

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

THE CHURCH FOUNDATION

Assets		
Assets managed on behalf of others	\$169,013,173	\$153,317,697
TCF investments	1,573,143	1,263,449
Cash & other	146,732	128,806
Total Assets	\$170,733,048	\$154,709,952
Revenue		
Management fees	\$432,253	\$431,330
Investment income, net of fees	201,294	204,000
Contributions	81,252	70,087
Total Revenue	\$714,799	\$705,417
TCF Expenses		
Salaries & benefits	\$174,139	\$173,191
Grants	70,844	95,002
Professional fees	110,309	106,828
Other	25,112	42,512
Total TCF Expenses	\$380,404	\$417,533

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

THE
CHURCH FOUNDATION
2020 ANNUAL REPORT

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www.tcfdiopa.org

