

Agenda for Vestry Meeting - Thursday, September 19 at 6:30 PM

*The mission of Otey Parish is:
to worship God;
to proclaim the Good News of Jesus Christ;
to serve the world for which Christ died;
to educate and nurture our community;
to welcome all.*

Holy Eucharist

- Including vestry member reflection time

Approval of Minutes for August 2013 Meeting and September 8 Called Meeting

Pastoral Concerns

Sr. Warden's Report

- (Report submitted via e-mail)
- Plans for September 22 lunch
- Establishing committee for hiring CED/Youth Director
- Budget Committee

Jr. Warden's Report

- (Report submitted via e-mail)

Treasurer's Report

- (Reports submitted via e-mail)
- Audit Report

Continuing Business

- Focus Area Reports
 - Construction Committee (Alex/Roy)
 - Stewardship (Pratt)

New Business

Old Business - Action Items

Closing Prayer

MINUTES OF THE VESTRY
Otey Memorial Parish Church
September 19, 2013, 6:30 PM
Brooks Hall

Present: Ann Millar, Sr. Warden; Amy Burns, Jr. Warden; Roy Millar, Treasurer; Steve Blount; Alex Bruce; Karen Keele; Pratt Paterson; Carol Sampson; Dave Spaulding; Doug Seiters; Beth Wiley, Clerk

Absent: None

Visitors: Bill Hethcock; Lynne Stubblefield; Gary Sturgis

The meeting began at 6:35 PM with reflection time and the Holy Eucharist. Bill Hethcock came specifically to celebrate the Eucharist, opening by asking the group to share a particular memory of Joe and/or his ministry. Vestry members each offered personal memories of Joe and reflected on various positive aspects of his ministry at Otey.

Bill had to leave immediately following the Eucharist, but Ann announced that he has volunteered to coordinate pastoral care until we have an interim rector. He will have the assistance of several local priests.

Carol then requested additional personal reflection time for the group as there has been so much aggression toward the vestry as a result of Joe's resignation. His announcement took the congregation so much by surprise that she wanted to discuss how to address the backlash and learn what information is now okay to share. Everyone was in a different place with regard to empathy, compassion, and hurt. Members expressed the wish that we could have considered a temporary leave of absence for Joe. Many members felt personally hurt and offended by the letters received and rumors about the role of the vestry. Members expressed frustration in having to maintain the confidentiality requested when parishioners are making erroneous assumptions. It was generally acknowledged that perception is a reality of sorts and there is no greater need than to heal the congregation. In conclusion, members thanked Carol for encouraging the group to express these thoughts and feelings.

APPROVAL of AUGUST & SEPTEMBER 8, 2013 MEETING MINUTES

Motion: Steve moved that the August meeting minutes be approved as submitted. Pratt seconded the motion and it was approved.

Motion: Alex moved that minutes from the specially called vestry meeting on September 8, 2013 be accepted as submitted. Dave seconded the motion and it was approved. [Doug's name was subsequently added to the attendance section as he was present at the meeting but had not been added to the list.]

Motion: Carol moved that once meeting minutes have been approved, the clerk send a PDF to Frieda to post on the Otey web page. The motion was seconded by several and approved.

SENIOR WARDEN'S REPORT - Ann Millar (ATTACHMENT)

Ann announced that on Sunday, September 22nd, after the Canon has preached and visited with parishioners over coffee hour, vestry members are invited to have lunch with her to hear about next steps so that all of these instructions do not have to be filtered through the Sr. Warden. Ann noted that Canon Snare has confirmed that the vestry will still need a separate meeting with her on either Sunday, September 29 or Sunday, October 6 to learn about the process for hiring and working with an interim priest. More vestry members are available on the 29th, so that is the chosen date.

Motion: Carol moved that the vestry meeting minutes be made available in electronic format on our website from our May 4, 2013 work day forward and that the posting be announced via email. Alex seconded the motion. Carol feels that advertising these minutes will be important in helping the congregation understand how Joe's resignation came to pass. Discussion included the need to include a link to the website in the email. ***The motion was unanimously approved.***

Ann announced that she had 3 separate emails after the agenda was posted about including an addition to the agenda. All three individuals wished to revisit last month's motion regarding combining our youth minister and Christian formation positions into one full-time position given recent events.

Motion: Dave moved that the vestry rescind last month's decision to combine the two positions and return to our current staff structure of two part-time positions without benefits. Pratt seconded the motion. Discussion began with Alex asking the group to consider three points:

- A deeper dive into the financial figures presented last month
- Potential loss of momentum to an extremely effective Christian Education program
- The contribution of St. James in participants & financial support to Fire on the Mountain and the fact that we had no representative from their church involved in this decision

Pratt noted that though the combined position represents what we feel to be an ideal structure, he also proposes that the parish doesn't need any more big changes right now. Doug agreed that other non-vestry members should be involved with the decision. He asked about Betty's understanding of the situation as current Fire on the Mountain director. Ann responded that Joe told the group that Betty would not be doing both CAC and FOM as holding both positions was not a sustainable working model. As vestry liaison to youth ministry, Doug had talked with Betty at length and she doesn't think it will take much time this year to oversee School of Theology students and college interns if they are available to run the program.

Amy offered that she continues to see the change as a sound decision. Later we could need to terminate employment for two people rather than one. Dave handed out financial projections showing several options for discussion. He suggested we put projected savings shown toward our deficit budget. Dave asked Beth if it is realistic to move the finance job from 16 hours to 10 hours. [It is too early for an informed response.] He also noted that Option C shows an actual net increase for the new combined position. Going with Option B per Dave's motion would save us approximately \$10,000.

Carol agreed with Dave's suggestion that we go back to the former salary for Youth Director (before extra responsibilities which are no longer being performed were added) to be in line with the Christian Education director's position and that Betty could be helpful in the transition period. Karen asked the group to seriously consider Dave's work, especially in light of the fact that this is clearly not a good time for more major changes. She added that there is a perception among parishioners that the vestry has fired three people.

Ann offered that she has spoken to Robin about the new combined position. Robin would love to have the job but cannot do it with her other work schedule. Ann's perception is that Robin understands the desire for a full time position and thinks it is a good move for Otey. Ann acknowledged the vestry perception issue but thinks we should try to create jobs where people can get health & pension benefits. Ann mentioned Theresa Shackelford's letter to the vestry. Since Doug did not get the letter, Alex read it aloud.

Karen closed the discussion by noting that there may be a good time to reconsider the combined position once we have a new rector. Ann called for the vote. ***The motion passed with two members opposed.***

Motion: Alex moved that a search committee be formed to identify candidates for the part-time youth director position to include at least one vestry member, one non-vestry member, and one member of St. James Church. Dave seconded the motion.

Discussion: Doug requested that a conversation with Betty take place about how she might take part in this process. Members agreed that she should take part in the transition, review the job description, etc. but that as candidates will be her replacement, she should not be on the hiring committee.

Steve asked if Betty is still being paid as Fire on the Mountain director. Roy responded that since she is still the director, she is being paid. Continuing this arrangement will have budgetary implications for next year. We would expect to stop paying Betty only when her replacement is in place.

Motion: Pratt moved that since the payroll task force is meeting next week, they invite Betty to the meeting, get her feedback & blessing on the youth minister job description and assemble a list of potential committee members to include at least one vestry member, one non-vestry member, and one member of St. James to present to the vestry in October. Alex seconded this motion allowing his original motion to die.

Discussion: Karen asked if the vestry approves all job descriptions. Dave & Pratt responded that this is usually the job of the rector. Ann noted that the vestry will need to do it in our current situation. It was requested that the Payroll Task Force send an email to the vestry with the result of their meeting (proposed youth minister job description and committee members) for a vote before the October meeting. ***The vote was unanimous.***

Possible search committee members were identified. Ann asked that everyone think about names, including some from St. James, and email them to Pratt. Alex reminded everyone that when the time is right, we need to schedule a celebration of Betty's ministry as Fire on the Mountain director.

Continuing with the Sr. Warden's report, Ann announced that the payroll task force will become the budget committee. Every member is invited to serve on this committee which will start meeting next Wednesday. Alex asked that we make an effort to include non-vestry members on this committee. There was general agreement. Members were asked to submit names to Roy.

Alex next suggested that the time is right to move from a non-contested vestry election to a contested election. Ann agreed as long as we can get enough candidates to agree to serve. There was some disagreement about the timing of this change. It was agreed that the nominating committee should discuss it at length and come back to the vestry next month with a recommendation.

JR. WARDEN'S REPORT (ATTACHMENT) – Amy Burns

There were no questions for Amy, but it was generally acknowledged that capital campaign pledges remain currently on track. Members expressed hope that parishioners will honor both their annual and capital commitments.

TREASURER'S REPORT – Roy Millar (ATTACHMENTS)

Roy announced that our 2012 audit copies have arrived. He reviewed a few highlights. We are being asked to obtain more complete "back-up" documentation for purchases/expenditures, particularly for the rector's discretionary fund. We are also encouraged to implement a purchase order system as opposed to making credit card charges. Implementation of the use of a "paid" stamp on paid invoices was also requested.

Next, Roy reviewed the Vestry Long Form noting that we are 66.6% of the way through our fiscal year. Alex asked about our insurance expenses. Roy replied that the budget estimate was based on last year's expenses. We need more in that line now for builder's risk insurance and we'll have to build that into next year's budget.

Pledge payments are tracking okay and we're doing fine on the budget at this time. Roy does expect a sizable bill from RVC next month. He continues to draw from our Vanguard account to pay construction invoices.

CONTINUING BUSINESS - FOCUS AREA REPORTS (ATTACHMENTS)

Construction Committee, Alex Bruce – Alex reported that the Fire Marshal required redrawing of initial plans to mark accurate plumbing, sprinkler, electrical, and HVAC lines. This is now complete and thankfully did not stop work for all subcontractors.

Newcomers, Carol – Carol's work is on-going.

CAC, Dave – Dave reported that the Sewanee Business Alliance has voted to support the CAC this year. Aaron Welch has committed to create a website for them.

Christian Formation & Youth Ministry, Doug – Doug shared news that Jim Goodmann and Sarah Nally have joined the Godly Play team. The nursery is full and our adult programs are

very successful. Youth of the Diocese of Tennessee met on campus last weekend for a combined event both on Sewanee’s main campus and at Brooks Hall.

Stewardship, Pratt [Attachment]- Pratt noted that this is a time of strong feelings and emotions. He expects it to be a tough stewardship season. Steve asked how we share the message that if parishioners withhold funds, it will mostly punish our staff and Otey’s ministries. Carol suggested encouraging members of the congregation to join the stewardship committee. Alex agreed that there needs to be a concerted effort to ask the congregation to contribute to the mission of Otey while we search for a new rector. Ann announced that Bill Hethcock has already written a very nice letter for the front of Otey Notes to this very effect.

NEW BUSINESS

Ann announced that Canon Snare will celebrate with the congregation at both services this Sunday. Bill Hethcock has agreed to celebrate next Sunday and Dean Alexander on October 6th. She asked members to send ideas for additional supply priests to her.

OLD BUSINESS

Action items: Karen has spoken with Peggy Peterson and they are making progress on a certificate for the Woffords. Beth will remove Joe’s name from the action items below and replace it with Ann’s name where appropriate.

With no additional business to discuss, Steve moved that the meeting be adjourned with a second from Alex. The time was approximately 9:05.

Respectfully submitted,
Beth Wiley, Clerk of the Vestry

ACTION ITEMS	LEAD
Finalize Memorial for Bob Jones	Ann Millar & Diane Jones
Consider dedicating a wall in the new Parish House for memorial plaques & other special plaques.	Vestry
Invite Bishop Bauerschmidt to participate in dedication of new Parish House	Vestry
Discuss recommendation by parishioner to change Vestry election method from non-contested to contested	Vestry
Create a certificate honoring the Woffords for their many years of service chairing the Shrove Tuesday Pancake Supper	Karen
Verify that all college students assisting with Fire on the Mountain and/or Sunday School have had <i>Safeguarding God’s Children</i> training.	Ann/Betty Carpenter
Review Otey’s website for suggested updates. Send suggestions to Frieda & Ann.	Vestry Members

Post a copy of meeting minutes beside kitchen in Brooks and on website.	Ann/Frieda Gipson
Send a list of Stewardship committee members to the Vestry	Pratt Paterson
Schedule celebration of Betty's ministry as FOM Director	Vestry

Senior Warden's Report
September 19, 2013 Vestry Meeting

Plans for Supply Priests and Interim Rector: The Rev. Dr. William Hethcock has offered to coordinate pastoral care and all other matters clergy related until we have an interim rector in place. I have accepted his offer. The vestry will hire the interim rector. I have asked for guidance from the Bishop and the Canon regarding nominees and compensation.

September 22: Plans are not final. We are trying to arrange for the vestry to have an opportunity to have lunch with Canon Snare after the 11:00 service. I want all of you to have an opportunity to hear what she has to tell us about the process of choosing an Interim and anything else you want to better understand instead of having all of the information funneled through me. At 2:00 the Bishop will be here to speak and to answer questions.

Formal Farewell for Joe and Bobbye: At our meeting on September 8, Joe asked that we wait to plan a special event to honor him. I have asked Claudia Porter and Ann Seiters, our Parish Life chairs, to put together a committee to begin planning an event. The vestry representative to this Celebration Committee will be Amy Burns. She, Ann and Claudia will assemble a committee, coordinate with Joe, and begin making plans. Amy will handle reporting on the progress of their plans from this time forward.

Christian Formation/Youth Director: The PTF Committee met again on September 11. We are going to recommend a hiring committee of retired clergy and parishioners to handle the advertising, processing of applications, and interviewing of applicants. We will announce our nominations for membership on this committee at the meeting. The membership of this team will be finalized at the vestry meeting so that they can begin work to fill this position as soon as possible.

PTF (Payroll Task Force) Committee becomes Budget Committee: Our next meeting is Wednesday, September 25 at 6 pm. There is much work to be done to prepare a budget for the coming years. We invite all vestry members who are interested to join us at this meeting, or, if you cannot attend due to a conflict with the meeting time, let the Treasurer know that you want to serve and we will get your input on setting future meeting times. We are going to try to meet at least monthly, possibly more often. The Treasurer will serve as the Chair and will include reports on the work at future vestry meetings.

Diocesan Workshop for Treasurers, Wardens and Vestry: Roy and I attended. It was well worth the trip to Nashville and I encourage all of you who are eligible to attend next year. The Bishop made a report on finances and membership in the diocese over the past several years. He was quite entertaining, believe it or not. I attended the workshop on "Clergy and Church Relations" presented by the bishop and the Rev. Canon Pamela Snare in the afternoon. Roy attended the workshop on "Pension and Health Insurance, 2013 and Beyond" presented by Kathy North, Regional Acct. Specialist, Medical Trust. I learned much about Letters of Agreement between Rectors and Vestry and other canonical matters I wish I had known long ago. The canons of the Diocese of Tennessee are posted online if any of you want to read them. Otherwise you can wait for my report of Lessons Learned that I will send to all of you in December as I leave the vestry.

Vestry Nominees: Dave, Steve and I will begin requesting vestry nominations in early October. Please send your nominees to us.

Process Consultant: Dan Scott interviewed Joe, Amy and Pratt. I think the need for his work is over. I will contact him and ask for a bill so we can pay him.

Playground: Pratt Paterson and Amy Neubauer will lead a workday on September 29 to clean up the playground. They think we can accomplish this in an hour or so of hard work with just a few dedicated volunteers.

Back to Church Sunday: September 15. Cancelled at Otey due to other more pressing issues.

Jr. Warden's Report
September 2013

Otey Buildings

The annual Facilities budget is \$34,950; actuals to date (August) are trending favorably, at 49% of budget. The treasurer's report includes detailed information by account.

The Buildings Committee met on September 11 and discussed issues with lights in Brooks Hall and the church; Roy Millar has been the lead in troubleshooting and is now getting references for electricians. We will also be replacing the control valve on the gas line before winter.

Capital Campaign Follow-up Committee

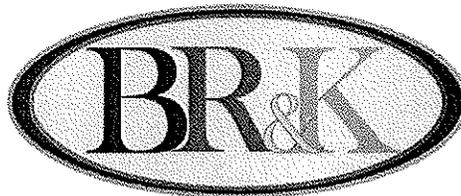
The capital campaign total collected as of September 16th is \$955,987.00, and is 77.1% of the total gifts and pledges expected amount of \$1,240,197.00.

Payroll Task Force

The PTF met September 11th meeting to discuss finalization of the youth ministry job. We also discussed that this group might invite other Vestry members to join and begin planning the 2014 budget.

OTEY MEMORIAL PARISH CHURCH
AUDITED FINANCIAL STATEMENTS

December 31, 2012



BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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OTEY MEMORIAL PARISH CHURCH
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INDEPENDENT AUDITORS' REPORT

To the Vestry of
Otey Memorial Parish Church

We have audited the accompanying financial statements of Otey Memorial Parish Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

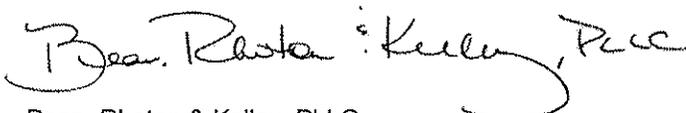
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Otey Memorial Parish Church as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Bean, Rhoton & Kelley, PLLC
August 29, 2013

OTEY MEMORIAL PARISH CHURCH
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

Current assets

Cash and cash equivalents	\$ 52,598.53
Unconditional promises to give:	
Restricted for capital campaign	404,060.66
TOTAL CURRENT ASSETS	<u>456,659.19</u>

Cash and cash equivalents - restricted	44,945.90
Investments	334,864.54
Restricted investments for phase II building project	745,666.35
Restricted investments for permanent endowment fund	100,000.00
Construction in progress	138,907.93
Property and equipment, net of depreciation	965,477.20
Total Non-Current Assets	<u>2,329,861.92</u>

Total Assets	<u><u>\$ 2,786,521.11</u></u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 5,134.58
Prepaid pledges	10,521.00
Total Current Liabilities	<u>15,655.58</u>

TOTAL LIABILITIES	<u>15,655.58</u>
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NET ASSETS

Unrestricted

Undesignated	207,717.46
Designated for property and equipment	1,104,386.22
Designated for brooks hall renovations	10,353.69
Designated for endowment fund	154,633.81
Total Unrestricted Net Assets	<u>1,477,091.18</u>

Temporarily restricted	1,193,774.35
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Permanently restricted	<u>100,000.00</u>
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TOTAL NET ASSETS	2,770,865.53
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Total Liabilities and Net Assets	<u><u>\$ 2,786,521.11</u></u>
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The accompanying notes are an integral part of this statement.

**OTEY MEMORIAL PARISH CHURCH
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues</u>				
Contributions and grants	\$ 345,237.71	\$ 328,236.25	\$ 0.00	\$ 673,473.96
Investment income	26,909.34	23,387.67	1,528.33	51,825.34
Investment gains (losses)	24,801.90	12,061.83	6,143.76	43,007.49
Other income	4,305.92	0.00	0.00	4,305.92
	<u>401,254.87</u>	<u>363,685.75</u>	<u>7,672.09</u>	<u>772,612.71</u>
Total revenue, other support, and reclassification	401,254.87	363,685.75	7,672.09	772,612.71
Net assets released from restrictions	141,514.59	(133,842.50)	(7,672.09)	0.00
<u>Expenses</u>				
Outreach and Program expenses:				
Diocesan & general church program	45,197.64	0.00	0.00	45,197.64
Outreach programs	59,415.63	0.00	0.00	59,415.63
Church programs	7,925.94	0.00	0.00	7,925.94
	<u>112,539.21</u>	<u>0.00</u>	<u>0.00</u>	<u>112,539.21</u>
Total outreach and program expenses	112,539.21	0.00	0.00	112,539.21
Supporting services:				
Salaries	180,907.56	0.00	0.00	180,907.56
Employee benefits	90,331.12	0.00	0.00	90,331.12
Property maintenance and utilities	29,948.64	0.00	0.00	29,948.64
Insurance	7,753.00	0.00	0.00	7,753.00
Office services	37,236.51	0.00	0.00	37,236.51
Organizational expenses	20,572.15	0.00	0.00	20,572.15
Bad debt expense	7,100.42	0.00	0.00	7,100.42
Depreciation	42,167.08	0.00	0.00	42,167.08
	<u>416,016.48</u>	<u>0.00</u>	<u>0.00</u>	<u>416,016.48</u>
Total supporting services	416,016.48	0.00	0.00	416,016.48
Fund-raising expenses	2,416.70	0.00	0.00	2,416.70
	<u>530,972.39</u>	<u>0.00</u>	<u>0.00</u>	<u>530,972.39</u>
Total expenses	530,972.39	0.00	0.00	530,972.39
Increase in net assets	11,797.07	229,843.25	0.00	241,640.32
Net assets, beginning of year	1,465,294.11	963,931.10	100,000.00	2,529,225.21
Net assets, end of year	<u>\$ 1,477,091.18</u>	<u>\$ 1,193,774.35</u>	<u>\$ 100,000.00</u>	<u>\$ 2,770,865.53</u>

The accompanying notes are an integral part of this statement.

**OTEY MEMORIAL PARISH CHURCH
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012**

<u>Cash Flows From Operating Activities</u>	
Change in net assets	\$ 241,640.32
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	42,167.08
Contributions restricted for long-term purposes	(251,327.68)
Realized (gains) losses on investments	(4,100.99)
(Increase) decrease in:	
Unconditional promises to give	294,359.70
Investments	(48,053.72)
Increase (decrease) in:	
Accounts payable	33.29
Prepaid pledges	(5,911.12)
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Net cash provided by operating activities	268,806.88
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<u>Cash Flows from Investing Activities</u>	
Acquisition of property, plant, equipment	(122,427.95)
Acquisition of investments	(496,741.20)
Investments sold	122,325.54
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Net cash (used) by investing activities	(496,843.61)
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<u>Cash Flows from Financing Activities</u>	
Proceeds from contributions restricted for: Investment in outreach, building, and other programs	251,327.68
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Net cash provided by financing activities	251,327.68
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Net increase in cash and cash equivalents	23,290.95
Beginning cash and cash equivalents	74,253.48
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Ending cash and cash equivalents	\$ 97,544.43
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The accompanying notes are an integral part of this statement.

**OTEY MEMORIAL PARISH CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE A – NATURE OF OPERATIONS

The Otey Memorial Parish Church (the Church) is a not-for-profit unincorporated association, which operates as a religious organization. Otey Memorial Church (Saint-Paul's-on-The-Mountain) was created by Articles of Association, which was accepted by the congregation on May 23, 1871. It was "received and added to the Diocese" at the thirty-ninth Annual Convention of The Diocese of Tennessee. The Church is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Sewanee, Tennessee, and the surrounding communities. The Church is supported primarily through contributions from the congregation.

The Church reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions with restrictions that are satisfied in the year of donation are considered unrestricted revenues.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Church have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

As a subordinate of the Episcopal Diocese of Tennessee, the Church is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as a religious organization and therefore no provision is made for Federal and State income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

**OTEY MEMORIAL PARISH CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000.00 are recorded at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful life. Expenses for additions, improvements, and replacements are added to the property accounts while expenses for maintenance and repairs are expensed currently.

NOTE C – INTENTIONS TO GIVE

Each year, the Church asks the members of the congregation to submit pledge cards indicating the donations the members intend to give for various special projects during the upcoming year. The pledge cards clearly indicate that the information is to be used only for the Church's budgetary purposes and that the members may rescind the pledges at any time. Since these pledges do not meet the criteria for revenue recognition, they are not reflected as contributions in the statement of activities until the pledges are collected.

NOTE D – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2012:

Outreach Funds:	
Rector's Discretionary	\$ 125.83
Episcopal Church Women	724.73
Community Action Committee	16,758.28
Building Funds:	
Capital Fund	1,149,727.01
Sacristy Fund	890.60
Other Restricted Funds:	
Altar Guild Flowers	(67.38)
Shrove Tuesday	496.99
Memorials	11,030.01
Rector's Sabbatical	14,100.00
Bishop Otey Society	57.84
EYC Fundraiser	(69.56)
	<u>\$ 1,193,774.35</u>

Temporarily restricted net assets are monies donated for special projects that have not met donor-restricted criteria for use as of December 31, 2012.

Permanently restricted net assets:	<u>2012</u>
Robert and Francys Wolfe	<u>\$ 100,000.00</u>

During the year ended December 31, 2004, an endowment fund from Robert and Francys Wolfe was established. The income from this endowment is to be distributed to Otey on a quarterly basis for the specific purpose of providing aid and comfort to individuals who are in need or suffering from sickness, hunger, or any other adversity. The investment earnings are presented in the temporarily restricted net assets.

At December 31, 2012, the market value of this endowment funds was \$96,173.73. For the year ended December 31, 2012, \$3,826.27 was allocated from unrestricted net assets designated for endowment fund to cover the remainder of the shortfall in temporarily restricted net assets.

**OTEY MEMORIAL PARISH CHURCH
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NOTE E – CASH DEPOSITS

The Church maintained cash and cash equivalent balances at a financial institution in Sewanee, Tennessee. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.00. At December 31, 2012, the Church's cash is made up of the following amounts:

Schedule of Cash:	
Unrestricted	\$ 52,598.53
Restricted	<u>44,945.90</u>
Total Cash	<u>\$ 97,544.43</u>

NOTE F – INVESTMENTS

Investments in marketable equity securities are stated at fair market value and are summarized as follows as of December 31, 2012:

	<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 862,849.47	\$ 925,897.08
Episcopal Endowment Corp.	<u>321,509.52</u>	<u>254,633.81</u>
	<u>\$ 1,184,358.99</u>	<u>\$1,180,530.89</u>

Returns on investments for the past year are as follows:

	<u>2012</u>
Investment income	\$ 37,603.90
Realized gain	4,100.09
Unrealized gain	48,053.72
Investment fees	<u>(1,542.00)</u>
Total Return	88,215.71
Average principal value	967,246.00
Approximate annual rate of total return	9%

NOTE G – RETIREMENT PLAN

Otey Memorial Parish is a participating employer of The Episcopal Church Lay Employees' Retirement Plan, which is a defined benefit plan available to employees and is administered and sponsored by the Church Pension Fund. An employee of a participating employer becomes eligible upon reaching age 21, completing at least one year of service, and works a minimum of 1,000 hours. Otey Memorial Parish pays assessments to the plan based on a percent of the enrolled lay employee's wages. A separate pension plan, the Church Pension Fund, is available for clergy.

Pension expense (assessments) for the year ended December 31, 2012, totaled \$17,982.21.

**OTEY MEMORIAL PARISH CHURCH
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NOTE H – BUILDING EXPANSION/RENOVATION

The Church is continuing the design phase of the replacement of the existing Parish Hall. Fund-raising activities resulted in promises to give of \$961,947.00 of which \$226,767.67 was collected in 2011, and \$309,852.32 was collected in 2012. A loan is anticipated to be secured to provide financing. Construction began in early 2013. The total contract costs are estimated to be \$2,015,000.00, of which \$138,907.93 was disbursed as of December 31, 2012 for design and pre-construction purposes.

NOTE I – PROPERTY AND EQUIPMENT

A summary of plant assets follows:

	<u>December 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2012</u>
Buildings and grounds	\$ 1,081,897.29	\$ 19,731.02	\$ 0.00	\$ 1,101,628.31
Furniture and equipment	148,597.69	0.00	0.00	148,597.69
Construction in progress	<u>36,211.00</u>	<u>102,696.93</u>	<u>0.00</u>	<u>138,907.93</u>
	1,266,705.98	122,427.95	0.00	1,389,133.93
Less Accumulated Depreciation	<u>(242,581.72)</u>	<u>(42,167.08)</u>	<u>0.00</u>	<u>(284,748.80)</u>
	<u>\$ 1,024,124.26</u>	<u>\$ 80,260.87</u>	<u>\$ 0.00</u>	<u>\$ 1,104,385.13</u>

The Church has responsibility for maintaining and insuring a church, rectory, and parish hall situated on land leased from the University of the South. The buildings were constructed from 1889 to 1907 and have been added to and improved over the years. No records of original cost are available. In order to initially record depreciated cost, the Church entered \$12,000 as the estimated non-depreciated amount for buildings as of January 1, 1997, and \$4,029 for furniture and equipment. Property additions since January 1, 1997, have been recorded at cost and depreciated using the straight-line method. Depreciation expense for the year ended December 31, 2012, was \$42,167.08.

NOTE J – PROMISES TO GIVE

The Church held a fund-raising campaign for funds to replace the existing Parish Hall. Promises to give are restricted to payment of the Parish Hall building costs. The promises to give, as of December 31, 2012, are unconditional and the remaining pledge balance of \$425,327.01 is expected to be paid within the next fiscal year. An allowance for uncollectible promises of \$21,266.35 has been accrued, and the receivable balances are shown net of accrual.

NOTE K – MANAGEMENT REVIEW

Management has evaluated all subsequent events through August 29, 2013, the date that the financial statements were available to be issued.

Next week, the Stewardship Committee will meet to update the schedule for our stewardship season, which has been delayed because of the recent troubles. We have a good draft of the committee's letter and Jeff Frazier is updating and finalizing this year's pledge card. King Oehmig will be preaching about stewardship October 20 and the ingathering service will be November 4. I am hopeful that at least one of the other supply priests between now and then will also be willing to preach about stewardship. Moving forward, I think it will be very important for our message to stress moving forward for the sake of the parish, etc. If people choose not to pledge because they are angry, making the budget balance will be very difficult, especially in light of the new line for debt repayment. The timeline and plan moving forward will be more clear after next week's meeting.