

Diocesan Council
April 22, 2010
St. Mark's Cathedral, Minneapolis

Present: Bishop Prior; Karen Olson, Secretary of Council

Region 1 Emma King, Georgia Hecock	Region 6 Mike Anders, Mark Kelm
Region 2 Susan Dusek, Bill Van Oss	Region 7 Doug Franzen, Rex McKee
Region 3 John Husband	Region 8 Gary Aamodt, Michele Morgan
Region 4 Bill Gray, John Robertson	Region 9 Bob Sykes (via Skype), Nancy Brantingham
Region 5 Pat Dibble, Doug Sparks	

Guests: Jim Pavlik, Chief Financial Officer; John Peters, Region 9 Alternate; Jim Delamater and Harry Haynsworth, Trustees of the Diocese, Inc.; Jon Tuttle, Chancellor; Susan Barksdale, Recorder

Executive Summary of April 22, 2010 meeting
(Details in body of minutes)

Diocesan Council:

- Spent the morning session recapping work done at the March 2010 retreat and visioning for the future
- Discussed the letter of agreement between Bishop Prior and the Diocese of Minnesota and approved the revised letter
- Approved the revised Audit Committee guidelines
- Approved Bishop Prior's nomination of Kevin Egan and Emmanuel Wilson to the Diocesan Finance Committee and appointed them to three (3) year terms
- Approved the 2010 Management Agreement between the Diocese of Minnesota and the Trustees
- Heard reports from Bishop Prior and from the Trustees
- Per Canon 101.1, Bishop and Diocesan Council approved the idea of a Mission Congregation in Grand Marais, which endorses the fact that a group of people have been forming an Episcopal presence there already

BISHOP'S REPORT

Bishop Prior summarized his recent schedule of meetings and visitations, noting that he has already met with most of the subcommittees of Council and the Trustees. He has also visited both Breck and Shattuck/St. Mary's schools, plus many of the diocesan and diocesan-related organizations, and has attended his first meeting of the House of Bishops. Meetings with youth leaders have included discussions of the national Episcopal Youth Event, to be held in the Twin Cities (at Bethel University) in June 2011. All congregations in transition will have interim clergy in place by May. Bishop Prior was glad to have attended the April 10 consecration of Michael Hanley as Bishop of Oregon, and is looking forward to the May 22 consecration of Andrew Waldo as Bishop of Upper South Carolina.

The bishop's staff is lean at present and Bishop Prior discussed that he is fine with that until or if there is a stated request from the grass roots to add staffing for a particular need. He did mention that we are particularly thin in the administrative area, and has talked to the chair of the Personnel Committee on this matter.

In conclusion, Bishop Prior reported that he and his family are moving to a new home on the edge of Minnetrista and Mound, thanks to assistance provided by the Trustees.

The minutes from the January 26, 2010, meeting were approved unanimously with one correction.

UPDATE FROM AD HOC COMMITTEE REGARDING BISHOP'S LETTER OF AGREEMENT

Doug Franzen reported that the committee (made up of representatives from several diocesan bodies plus the chancellor) met at Bishop Prior's request to go over the letter of agreement. It was made clear that this is a contract between the bishop and the diocese. Harry Haynsworth of the Trustees went through the changes that had been unanimously recommended by the committee. The committee recommended that these changes be adopted by Council so that the contract could be executed.

Considerable discussion followed, including a conversation about how the process can be done more efficiently the next time such an agreement is needed. After a few proposed amendments failed to pass, **the letter of agreement was accepted unanimously.**

BREAK

AUDIT COMMITTEE: BILL VAN OSS

Bill presented a set of audit guidelines (*attached*) that had been revised according to suggestions received at the January 26, 2010, meeting. **The guidelines were approved unanimously.** Bishop Prior thanked Bill and his committee for their good work.

FINANCE COMMITTEE

Gary Aamodt reported that the committee had not met because the finance office was in midst of an audit. Jim Pavlik added that the field work for the 2009 audit had been completed the previous week. Jim also reported that the committee is exploring different ways to present and collect diocesan apportionments, focusing on the fact that apportionment resources are being used for the mission and ministry of the Episcopal Church in Minnesota.

Ann Lanoue and Stacy Abena are rotating off the Finance Committee, so Bishop Prior had proposed new members to replace them. They will be asked to serve for three years so that the committee terms will be staggered. **It was moved and seconded to appoint Kevin Egan of St. Paul's, Brainerd and Emmanuel Wilson of St. Andrew's, Minneapolis to the Diocesan Finance Committee; passed unanimously.**

Jim also presented the **2010 management agreement with the Trustees of the Diocese, Inc.** Under this agreement, the Trustees (who have no staff) pay for some use of office staff plus a portion of office supplies and overhead. The Trustees have already approved this agreement. **Council approved the management agreement unanimously.**

TRUSTEES REPORT: JIM DELAMATER

The Trustees' Finance Committee hopes to complete its budget by the second quarter of the year.

Jim presented a document showing the **sources and nature of funds used for the purchase of 1730 Clifton Place.** This document shows that ownership of the building is vested in four different sources of

funding, so that all can understand who has the right to money if the building is sold. Funds from the sale of Lane House, an earlier diocesan headquarters building, became the Headquarters Fund. In addition, three other funds (Endowment of Program and Mission, the Helen Henton Fund, and the Undesignated Endowment Fund) own different percentages of the building, and any profit or loss for its sale is to be distributed by percentage among those funds.

General:

- Jim reported that the recent agreement with the Leech Lake Band of Ojibwe for use of Cass Lake Episcopal Camp is good news and has lifted much responsibility from the Trustees.
- Although the leasing market has been slow, the Trustees hope for more leases in the Clifton Place building.
- There have been no recent surprises, but a committee is assessing mission property to see what issues may be coming up.

SPIRIT OF THE WILDERNESS, GRAND MARAIS: BISHOP PRIOR

Canon 1010.1 was quoted: “Bishop and Diocesan Council determine need for a Mission Congregation in the proposed area.” An emerging Episcopal community has been meeting in the Grand Marais area, and Bishop Prior has been in conversation with people there about standardizing this arrangement. Bill Van Oss added that St. Paul’s, Duluth, has a partnership with this community. It is being served by an Episcopal priest who does retreat ministry in the area and is using a retired Lutheran church building. Bill reported that the community is thriving. Council was being asked to give consent for the group to move forward in the next steps to becoming an organized congregation. **Council unanimously approved the idea of a mission congregation in Grand Marais.**

The meeting closed with prayer, and was adjourned at 3:20 pm.

Respectfully submitted,



Karen Olson, Secretary of Council
Susan Barksdale, Recorder

**RESOLUTION OF THE DIOCESAN COUNCIL
OF THE EPISCOPAL DIOCESE OF MINNESOTA**

AUDIT COMMITTEE GUIDELINES

WHEREAS, Title I, Canon 7 (f) of the Canons of The Episcopal Church mandates that all accounts of Parishes, Missions or other institutions are to be audited annually by an independent Certified Public Accountant, or independent Licensed Public Accountant, or such audit committee as shall be authorized the Finance Committee, Department of Finance, or other appropriate diocesan authority; and

WHEREAS, Diocesan Canon 703.3 mirrors the national requirement that annual audits may be done by an audit committee and provides limited criteria for an audit committee in that the members of an audit committee need not be a professionals and are not required to follow formal auditing procedures so long as the audit establishes accurate records and good accounting practices;

WHEREAS, Canon 703.3 further provides that all national and Diocesan guidelines for audits, such as the Audit Guidelines for Congregations in the most current Episcopal Manual of Business Methods in Church Affairs (the "Business Manual") should be followed; and

WHEREAS, the most current Business Manual provides that audit committee members should be independent of the decision making and financial record keeping functions of the congregation and members should have sufficient financial skills and experience to conduct a competent audit; and

WHEREAS, the Audit Committee of Diocesan Council has determined that many churches in the Diocese are not in compliance with the annual audit requirement in part due to the financial cost of undertaking a professional audit and the lack of clarity regarding what constitutes an authorized audit committee under Canon I.7(f), Canon 703.3 and the Business Manual; and

WHEREAS, the Audit Committee has now made a recommendation to Diocesan Council to approve the guidelines as set forth on Exhibit A attached hereto establishing specific guidelines on audit committees to assist churches in becoming fully compliant with the annual audit requirement; and

THEREFORE BE IT RESOLVED THAT, pursuant to the recommendation of the Audit Committee, Diocesan Council approves the audit committee guidelines as set out in Exhibit A attached hereto. Any church that is not in compliance by December 31, 2011 may be subject to canonical sanctions.

Date: 4/22/10

Karen Olson
Secretary

Audit Committee Guidelines

We recommend the following permissible options for congregations and other institutions in the Diocese of Minnesota to accomplish an audit or financial review (in order of preference):

1. An audit or financial review conducted by a professional auditing agency or individual.
2. A financial review conducted by a team of capable individuals from outside the parish following the “Episcopal Diocese of Minnesota Model Audit Program” available on the diocesan website.
3. A financial review conducted by a team of capable individuals from within the parish, who have no connection to the church’s finances, following the guidelines contained in “Episcopal Diocese of Minnesota Model Audit Program” available on the diocesan website. Those that choose this least desirable option are asked to provide justification for not having chosen option 1 or 2.

We recommend that parishes work through Region Deans and Region Meetings to trade teams of people capable of doing financial reviews, problem solve and encourage compliance.

We recommend creating groups of capable volunteers in various parts of the diocese, possibly at the Region level, who are willing to conduct parish financial reviews for low or no cost.

We recommend that the congregation’s vestry, the diocesan finance office and the diocesan audit committee each receive a copy of the completed audit or financial review. It is expected that each of these bodies would review the audit or financial review for “red flags.”