



REPORT TO THE 205th ANNUAL CONVENTION

OF THE EPISCOPAL DIOCESE OF MAINE

October 14, 2024

Overview

The Trustees of Diocesan Funds in the Diocese of Maine (“Trustees”) manage financial-assets contributed for parish, mission, Diocese, Episcopate, and Diocese-related organization endowments in accordance with the terms of the gifts or grants. Additionally, the Constitution of the Diocese requires that all mission properties be held by the Trustees.

The Trustees were incorporated in 1849 under the *Private and Special Laws of Maine* “to take and hold real and personal estate contributed for parochial endowments or other church purposes,” including the support and or salary of the Episcopate. The Trustees “manage and dispose of the same in accordance with the terms of the several gifts, grants or endowments” and “keep an account with each endowment or gift comprising the fund and shall report their actions in managing the fund and the condition of the fund to the convention of the diocese annually.” *Private and Special Laws of Maine, 1849, amended most recently in 1994.*

The Trustees, as an entity created by statute, functions independent of the Bishop, the Diocese and the Convention. It is comprised of seven Trustees plus the Bishop of the Diocese of Maine. According to the By-Laws of the Trustees, there are three qualifications considered necessary and desirable in the appointment of a Trustee: (a) to be a communicant in good standing, no more than one of whom can be a canonically resident priest or deacon of the Diocese of Maine; (b) to indicate a sincere willingness to assume the fiduciary responsibilities incumbent upon a Trustee; and (c) to have had experience in investment management or with endowed funds. The current Trustees are Nicholas H. Penfield (President), the Rev. Timothy A. Boggs, Frank Governali, Nathaniel V. Henshaw, Elizabeth McMullan, Sandra F. McPhee, Carlos Mello, and the Rt. Rev. Thomas J. Brown. Brief biographies of the Trustees are included at the end of this Report.

The Trustees manage financial assets with a market value on September 30, 2024, of \$41,376,164. Approximately 58% of these assets are for the benefit of specific congregations or Diocesan organizations, either because the congregation or Diocesan organization received a bequest under a will in care of the Trustees, received a lifetime gift in care of the Trustees or chose to place the congregation's or Diocesan organization's assets with the Trustees. The balance of the assets was received either by bequest or lifetime gift for the benefit of the Trustees, Bishop or Diocese and are administered pursuant to the discretion of the Trustees, Bishop, or Diocesan Council. All of the assets are held in either restricted or unrestricted funds pursuant to the donor's wishes.

Asset Management

Funds are invested in either the Trustees' pooled Equity Fund (approximately 75% at September 30, 2024) or the Trustees' pooled Fixed Income Fund (approximately 25%). Both pooled Funds are invested in accordance with the Trustees' *Statement of Investment Objectives and Guidelines*.

One of the Trustees' investment managers, AllianceBernstein, provides monthly performance information for both the pooled Equity Fund and the pooled Fixed Income Fund. The report for the period January 1, 2024 through September 30, 2024, and the summary report for the period **October 31, 2023 through September 30, 2024 are included with this Report.**

The pooled Fixed Income Fund is an investment manager-directed pooled bond fund managed by AllianceBernstein of Boston, Massachusetts.

Management of the pooled Equity Fund is divided among three investment management firms: Welch & Forbes LLC of Boston, Massachusetts, H.M. Payson & Co. of Portland, Maine, and AllianceBernstein of Boston, Massachusetts.

A portion of the pooled Equity Fund (16.8% of the total Fund, \$6.93 million market value at September 30, 2024) is managed by H.M. Payson utilizing ESG criteria. ESG uses Environmental, Social and Corporate Governance factors in measuring the sustainability and ethical impact of investments in companies. In addition, AllianceBernstein and Welch & Forbes also utilizes ESG principles in managing their portion of the Trustees' equity portfolio.

The Trustees oversee 683 separate sub-accounts invested in the two pooled funds. Custody services are provided by U.S. Trust, Bank of America Private Wealth Management. Fund reporting services are provided by NAV Consulting.

Availability of Services

The services provided by the Trustees of Diocesan Funds are available to all parishes, missions, and related organizations of the Episcopal Diocese of Maine. For unrestricted assets owned by a congregation, the congregation may choose and change its investment mix between the pooled Fixed Income Fund and the pooled Equity Fund. There is no load or sales charge, only the direct expenses of investment management, custody, and fund accounting services. The Trustees leverage the size of the overall endowment to minimize investment management expense. Individuals who wish to include bequests in their wills to benefit individual congregations may discuss the details of establishing endowments or restricted use donations with the Trustees at no cost to the individual or the congregation. Donations of stock to the Bishop, Diocese, or an individual congregation can be made through the Trustees.

How to Establish an Account

A minimum investment of \$1,000 is necessary to establish a new account with the Trustees with no minimum amount required for additions. Congregations can decide the allocation of their assets between the pooled Equity Fund and the pooled Fixed Income Fund. When a new account is established, the Trustees request that a congregation provide direction concerning allocation of assets between the two Funds. If no direction is provided, a default allocation will be applied -- currently, 60% of the assets will be invested in the pooled Equity Fund and 40% in the pooled Fixed Income Fund. In addition, the Trustees ask whether the congregation wishes to receive quarterly distributions of income from the account or wishes to have the income added to the principal and reinvested within the account. Currently, quarterly distributions from the pooled Fixed Income Fund are based on actual interest received and quarterly distributions from the pooled Equity Fund are determined on a Total Return basis using a twelve-quarter average market value methodology at a 4.75% annual distribution rate.

Diocesan Revolving Loan Fund

The Trustees hold endowments in the Bishop's Discretionary Fund with a value at September 30, 2024 of approximately \$3.5 million. The Diocesan Revolving Loan Fund program calls for the use of no more than \$250,000 of the Bishop's Discretionary Fund endowment assets to create a Diocesan Revolving Loan Fund. This Fund provides for the financing of maintenance, repair, and upgrade of real assets to Diocesan organizations, i.e. parishes, missions, and related church organizations, for no more than five years in amounts not to exceed \$25,000. The Diocesan Revolving Loan Fund is administered and

monitored by the Trustees as an asset management function of the Bishop's Discretionary Fund endowments. At September 30, 2024 there were currently three loans outstanding.

Trustees' Board Actions – October 2023 through September 2024

The Trustees implemented a new proxy voting process leveraging a relationship between the Church Pension Fund and Glass Lewis. All investor proxy voting will be managed by Glass Lewis pursuant to the Episcopal Church's proxy voting policy. This will allow for us to "vote with our values" with no cost to the endowment.

With significant help from Rev. George Cooper, Director of Finance, the Diocese and the Trustees implemented a new sub-accounting system using a new vendor, NAV Consulting. The new system will allow client churches to obtain updated statements directly from NAV.

The Trustees voted to rebalance the investment portfolio from the current 75% equities, 25% fixed income to 60% equities, 40% fixed income.

The Trustees elected as officers for 2024, Mr. Penfield as President, Rev. Boggs as Vice President/Treasurer, and Mr. Henshaw as Secretary.

Current Trustees, Home Congregation, and Terms

Trustees are elected by Diocesan Convention to four-year terms. Trustees are limited to two consecutive four-year terms.

Nicholas H. Penfield, President (2022-2025), is a Vice President at TD Bank, N.A. Nick has spent his career spanning over 25 years at TD serving in various capacities in Risk Management, Operations and Lending. Nick was a Board Member and Treasurer of the Portland Community Free Clinic. Nick is a member of the Cathedral Church of St. Luke in Portland. Nick previously chaired the Endowment Committee at the Cathedral and also served on the Vestry, Finance Committee and as Secretary. Nick received his B.A. from Denison University in 1992 and resides in Harborside, Maine.

The Reverend Timothy A. Boggs, Vice President/Treasurer (2022-2025) Recently retired as Rector of St. Alban's Episcopal Church in Cape Elizabeth. Rev. Boggs was educated at public schools in Lake Bluff and Lake Forest, Illinois and the University of Wisconsin, Georgetown University, and the General Theological Seminary of the Episcopal Church in New York City. He received his Master of Divinity degree *cum laude*. His ordained ministry began as Associate Rector of St. Alban's Parish in Washington, D. C. He then served as the Canon Provost of Washington National Cathedral. Prior to ordination, Rev. Boggs

served for twenty years as a senior vice president of Time Warner, Inc. Previously, he was on the professional staff of the U. S. House of Representatives. Rev. Boggs is an active member of St. Francis by the Sea in Blue Hill.

Nathaniel V. Henshaw, Secretary (2022-2025) is President of CEI Ventures, Inc., a for profit subsidiary of Coastal Enterprises, Inc. Mr. Henshaw founded CVI in 1993 to manage the Coastal Ventures Limited Partnership and to direct the investment of venture capital into progressive Maine companies. He manages five social venture capital funds with combined initial capitalization of over \$65 million and investments in 75 private companies. Prior to his current position, he served as a Loan and Investment Officer at Coastal Enterprises, Inc. He has also worked for other venture capital firms, such as Intersouth Partners L.P.; Kitty Hawk Capital Lt., and Chemical Venture Capital Corporation (now J.P. Morgan Partners). He holds an MBA from Duke University Fuqua School of Business and a B.A in Economics from Duke University. He sits on the boards of several Coastal Ventures, CVLP and CVILLC portfolio companies as well as several voluntary civic and religious boards. Mr. Henshaw is a parishioner of St. Paul's Church in Brunswick.

Frank Governali (2023-2027), is a Chartered Financial Analyst who covered the global telecommunication sector for several firms over 21 years, retiring from Goldman, Sachs & Co. as a Partner/Managing Director in 2005. Mr. Governali graduated from Dartmouth College in 1977 and received his MBA in Finance from NYU in 1979. He has served on the Cape Elizabeth Town Council, Education Foundation, local library building Committee, and sits on the boards of the Gulf of Maine Research Institute, Great Schools Partnership, and CEI Ventures, as well as a local business startup, Constant Energy Capital. Mr. Governali is a parishioner at St. Alban's, Cape Elizabeth.

Elizabeth McMullan, (2023-2027), participates in the worship life and ministry of the Parish of St. Mary and St. Jude in Northeast Harbor. Liz has a strong background in financial management and oversight. She has a BA in Economics (Simmons University) and an MBA from Harvard Business School. Her strong background in financial management includes over 35 years in corporate employee benefits with oversight of \$200 million in pension and employee 401K benefits. Liz has worked in the public sector, serving for 7 years as Director of Finance Division of the Maine Public Utilities Commission (MPUC), and 6 years as Commissioner. Liz has served as board member and volunteer with numerous organizations, including the Seal Cove Auto Museum, Wendell Gilley Museum, Maine Seacoast Mission, Harbor Club, and the Advisory Council of the School of Policy and International Affairs, University of Maine. She has been active in local outreach through the Town of Bar Harbor, Safe Family Exchange, Downeast Horizons, Big Brothers Big Sisters, Jackson Lab, Seal

Harbor Improvement Society, University of Maine Foundation, and the Governor's Council on Physical Fitness and Sport.

Sandra F. McPhee, (completing open term through 2025) is a member of St. David's, Kennebunk, practiced law in the Chicago area for 47 years specializing in estate planning, real estate and not-for-profit corporations. She has served on a wide variety of boards, and her board service has always focused on the financial aspects of an organization's work. She currently is a trustee of the Church Pension Fund and has been a member of the Executive Council, the Standing Commission on World Mission, the chair of the board of Bexley-Seabury Seminary, a board member of the Consortium of Episcopal Parishes, President of the Standing Committee of the Diocese of Chicago, and a delegate or alternate from the Diocese of Chicago to every General Convention since 2000. Much of her church work has been international with a focus on Japan and Liberia. She was a member of Bishop and Trustees of the Diocese of Chicago, which holds title to and manages all real estate owned by the Diocese, including mission congregations. She holds an A.B. degree from Smith College and a J.D. from the Boston University School of Law.

Carlos Mello, (2022-2025), has over thirty-five years of banking, lending, investment, finance and accounting experience. In addition to his role as FAME's CEO, he has served as the Chief Risk Officer at the agency. Prior to joining FAME, Carlos served as the President and CEO of Prudential Bank & Trust, FSB, and held other leadership positions at Prudential. He also held senior vice president and managing director positions at People's United Bank. Carlos is a certified financial planner and has held investment representative, investment advisor, and securities principal licenses. He is a former certified public accountant and received his B. S. in accounting from Boston College. Carlos currently serves as chair of the CEI Ventures Board of Directors and is an active member of the Episcopal Diocese of Maine, serving as Trustee of Diocesan Fund and formerly as Senior Warden at St. Thomas' Episcopal Church in Camden, Maine. Carlos and his wife live in Camden and are the parents of three adult children.

The Rt. Rev. Thomas J. Brown, Tenth Bishop of Maine.