

EPISCOPAL DIOCESE OF CHICAGO

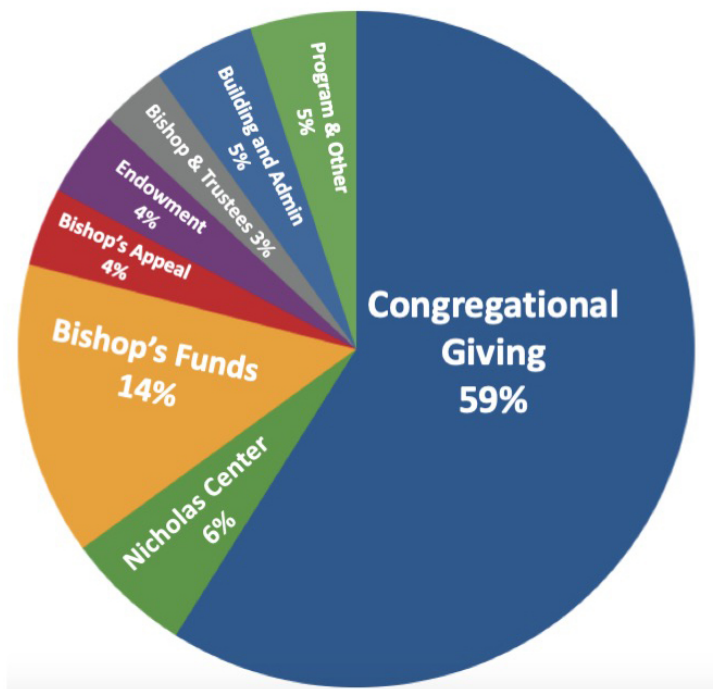
Narrative Budget 2019

Overview

During 2018, the Diocese of Chicago talked with lay and clergy leaders from across the diocese about how best to help congregations raise funds for capital improvement while also strengthening the diocese's endowment. Those conversations also helped us learn more about what leaders in the diocese want to understand about the budget that supports our life together. This budget narrative is an effort to answer some of those questions in detail.

Contributions

The diocesan operating budget, formally known as the Administrative and Program Fund, reflects the ways that Bishop Lee and his staff invest the resources entrusted to the diocese in programs, initiatives and collaboration that build vital congregations and equip faithful leaders. With income from congregations, investments, and individual contributions, the diocese and its 123 congregations and four campus chaplaincies work to grow the church, form the faithful and change the world.



Income from Congregations

Approximately 59% of the diocese's operating income comes from annual common mission share pledges. Our guidelines ask each congregation to pledge between 11% and 15% of its normal operating income to support our common life. For 2019, we project that this amount will total \$2,350,000, which is consistent with the last several years.

In previous years, common mission share pledges have accounted for up to 74% (in 2008) of the diocese's operating income. This decline in the percentage of income provided by mission share pledges means that our budget now relies more heavily on grants and allocations from other diocesan entities as detailed below.

Contributions (continued)

Income from the Nicholas Center

The Nicholas Center generates both earned revenue from events, retreats, and other rentals and annual grant funding from generous donors. In 2019, we anticipate reduced grant funding and therefore a 15% decrease in our income. We anticipate that earned revenue from use of the space will increase modestly during 2019.

Income from Bishop's Funds

The Bishop's Funds, created in 1853, and formally known as The Bishop of Chicago and His Successors in Office Funds Account, is a collection of funds to benefit the diocese, its congregations and agencies and is held separate from the diocese's operating endowment.

In recent years, we have relied on the Bishop's Funds available to the diocese to close the gap between the diocese's operating revenue from other sources and our expenses. From 2013-2016 and again in 2019, we have drawn on the Bishop's Funds at an unsustainable rate (i.e. higher than 5%) in order to fund normal obligations. In 2017 and 2018—years in which the Bishop and Trustees of the diocese were able to commit significant extra income from the sale of property—we were able to contain spending from the Bishop's Funds at or under 5%. In 2019, we project that our draw from the Bishop's Funds will be \$560,000, or 11.4%.

This unsustainable draw on our reserves to fund operations is the primary financial challenge facing the Diocese of Chicago, and it is a challenge that we are actively seeking to meet by raising generous contributions to the diocesan endowment.

Income from Bishop's Appeal

Each Advent and Eastertide, Bishop Lee invites donors across the diocese to support our diocesan ministry with a contribution to the Bishop's Appeal. We project \$150,000 in income from this fundraising effort in 2019, and in 2017, we exceeded that goal by nearly 8%. We are on track to exceed our goal in 2018.

Income from the Endowment

The diocesan endowment, begun in 1898, comprises funds donated to the diocese for its ongoing support. According to its spending policy, the withdrawals from the endowment cannot exceed 5% off a 36-month trailing average (i.e. 5% of the average of the fund's value over the past three years). The expected value of the fund on January 1, 2019, is \$4.1 million. For 2019, we anticipate that the fund will generate \$165,000 to support the diocese's operating budget.

Income from Bishop & Trustees

The Bishop & Trustees of the diocese are an elected body that holds title to and oversees the use of the real property of the mission congregations of the diocese. The Bishop & Trustees also hold title to St. James Commons. They approve the diocesan budget as well as purchases, sales, and construction projects involving mortgages and real estate. The funds that the Bishop & Trustees can contribute to the diocesan operating budget fluctuate with the revenue it receives from property sales; the trustees' practice is to contribute 10% of net proceeds from the sale of property to the administrative and program budget. In 2017 and 2018, these contributions were significant, but in 2019, we do not anticipate significant property revenue.

Contributions (continued)

As a result, we are projecting a nearly 62% decrease in this revenue line.

The Bishop & Trustees income listed on the budget under “Other Support and Revenue” includes \$410,000 in funding available for congregational vitality grants—an increase of \$105,000 over 2018—and additional funds reserved for capital needs and repairs at mission congregations. These funds are essential to the vitality of our congregations and are restricted for this use.

Income from Building & Administration

The costs of operating St. James Commons and some administrative services are shared with St. James Cathedral, Episcopal Charities and Community Services, and other organizations housed at 65 E. Huron. The diocesan operating budget currently

subsidizes these ministries significantly as part of our common mission, but in 2019, we anticipate renegotiating some of these agreements and streamlining building services to realize additional revenue in this line.

Income Programs & Other Sources

In addition to the Bishop & Trustees earmarked funds noted above, we receive pass-through income from a variety of offerings and appeals to support our companion dioceses in Renk, South Sudan, and Southeast Mexico. We also manage funds for Province V of the Episcopal Church, the Chicago Consultation, and the Clergy Relief Society, a fund that supports retired clergy and their spouses.

Contact us

To learn more about the budget, contact:

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Expenditures

Episcopacy

Bishop Lee serves as the chief executive officer, and more importantly, the chief spiritual officer of the Diocese of Chicago. The episcopacy budget supports his compensation and that of his executive assistant, expenses necessary to the office, and the Diocese of Chicago's mandatory 15% assessment to support the budget of the Episcopal Church.

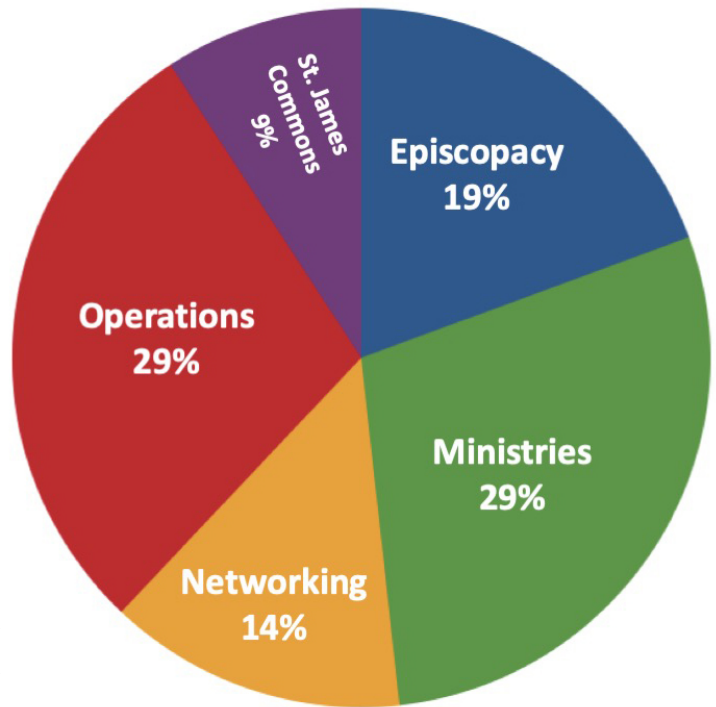
Expenses in this budget area are projected to increase about 4% in 2019, which includes the 3% cost of living increase budgeted for all staff, a 9% increase in health insurance premiums, and a 3.3% increase in dental insurance premiums.

Ministries

Director of Ministries Andrea Mysen and her staff provide programs and expertise that help congregations in all contexts and communities thrive. This team also supports congregations during transitions, helps to place and orient new clergy, assists in times of difficulty or crisis, helps congregations create vital worship, and supports youth and campus ministry, including Camp Chicago. In 2019, the budget for this team will increase approximately 3.5% to accommodate the cost of living increase budgeted for all staff and the health and dental increases described above.

Networking

Acting Director of Networking Crystal Plummer and her team oversee community outreach and relationships with partners, advancement and fundraising, and communications. In 2019, the budget for this team will increase approximately 5.8% to accommodate cost of living and insurance increases, to increase diocesan anti-racism training, to support a new database for



the collaborative capital campaign, called the Mutual Benefit Campaign, now being piloted, and to develop a new diocesan website to replace the current site which dates to 2012.

Operations

Director of Operations Courtney Reid and her team manage accounting and finance, human resources, St. James Commons operations, property management, and support for the Bishop & Trustees. In 2019, the budget for this team will decrease by approximately 2.7% due to savings in payroll and auditing fees and the fact that expenses for General Convention, included in this budget area in 2018, are not required in 2019.

St. James Commons

This portion of the expense budget reflects the cost of operating St. James Commons. In 2019, this area of the budget will decrease by approximately 4% due to savings in electricity costs made possible by reduced evening hours and a savings of 15% made possible by a new HVAC contract.