

EPISCOPAL DIOCESE OF CHICAGO

Narrative Budget 2020

Overview

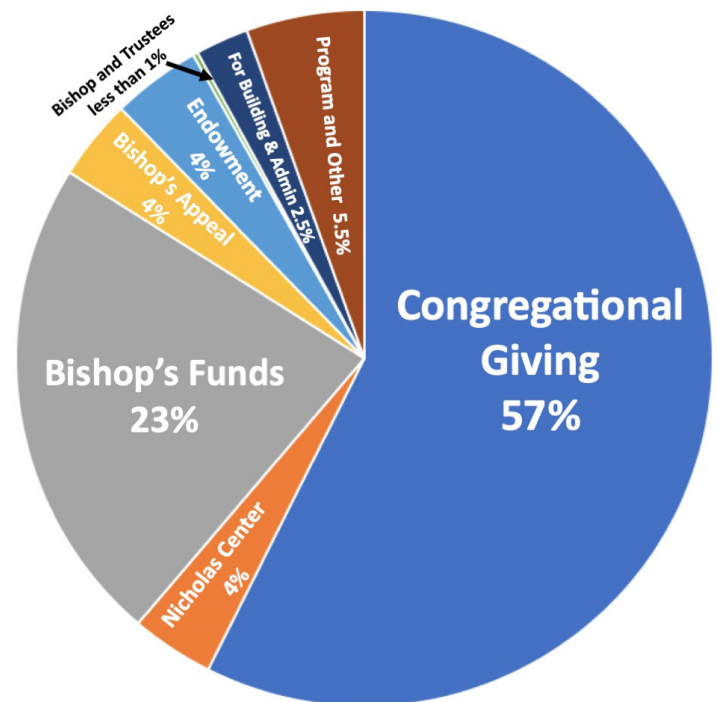
During the 2020 budget process, Bishop Lee and his staff and the elected leaders of the diocese have actively addressed the deficit in the diocese's operating budget both by reducing operating expenses and by raising contributions to endow the Office of the Bishop. However, costs associated with the search for a new bishop and with paying our full assessment to The Episcopal Church using new guidelines approved by General Convention mean that our overall expenses for 2020 are reduced only modestly, by about 2%, over 2019. The campaign for endowment funds is proceeding well, but will not contribute to the operating budget until 2021.

Contributions

The diocesan operating budget, formally known as the Administrative and Program Fund, reflects the ways that Bishop Lee and his staff invest income from congregations, investments, and individual contributions entrusted to the diocese in programs, initiatives and collaboration that build vital congregations and equip faithful leaders.

Income from Congregations

Approximately 57% 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 2020, we project that this amount will total \$2,300,000, which represents a 2% decrease from last year's budget.



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 common 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 is a break-even operation for the Diocese of Chicago. It is operated by the bishop's staff and incurs no staff costs of its own. It generates both earned revenue from events, retreats, and other rentals and grant funding from generous donors. In 2020, our grant funding from the Samaritan Family Foundation will be \$50,000, which is a significant reduction. This will be the last year in which we receive that grant.

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 endowment.

Since 2013, we have relied on the Bishop's Funds available to the diocese to cover our operating deficit. Only in 2017 and 2018—years in which the Bishop and Trustees were able to commit significant extra income from the sale of property—were we able to contain spending from the Bishop's Funds at or under 5%. In 2020, our draw from those funds will again increase significantly—by more than 62%—and be well beyond a sustainable level. We anticipate that we will draw \$910,000, or 20% from the Bishop's Funds in 2020, and that a similar draw will be required in 2021.

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 Bishop Lee and his staff have been actively meeting both by reducing operating expenses and by raising contributions specifically to endow the Office of the Bishop.

Income from the Bishop's Appeal

Each Advent and Eastertide, Bishop Lee invites donors to support our diocesan ministry with a contribution to the Bishop's Appeal. We project \$150,000 in income from this fundraising effort in 2020. In 2017 and 2018 we exceeded that goal by about 8%. We are on track to exceed our goal again in 2019.

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 funds available to support the diocesan budget were valued at \$3.4 million on September 30, 2019; the endowment was valued at \$4.1 million. For 2020, the fund will grant \$166,717 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 projected a nearly 62% decrease in this revenue line.

Contributions (continued)

In 2020, we project that this income will be almost entirely eliminated. The Bishop & Trustees income listed on the budget under “Other Support and Revenue” includes \$305,000 in funding available for congregational vitality grants, a 17% reduction from 2019. These funds are essential to the vitality of our congregations and are restricted for this use. An additional \$200,000 is reserved for capital needs and repairs at mission congregations.

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 subsidizes these ministries significantly as part of our common mission. In 2020, St. James Cathedral will

assume some staff costs that have previously been part of the diocesan operating budget, and those savings are reflected in the operations expenses reflected below.

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.

See page 4 for the expense budget.

Contact us

To learn more about the budget, contact:

Courtney Reid

Director of Operations
& the Nicholas Center
creid@episcopalchicago.org
312.751.6725

For questions about the Ministries budget, talk with:

The Rev. Andrea Mysen

Director of Ministries
amysen@episcopalchicago.org
312.751.4203

For questions about the Networking budget, talk with:

Crystal Plummer

Director of Networking
cplummer@episcopalchicago.org
312.751.3577

EPISCOPAL DIOCESE OF CHICAGO

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.

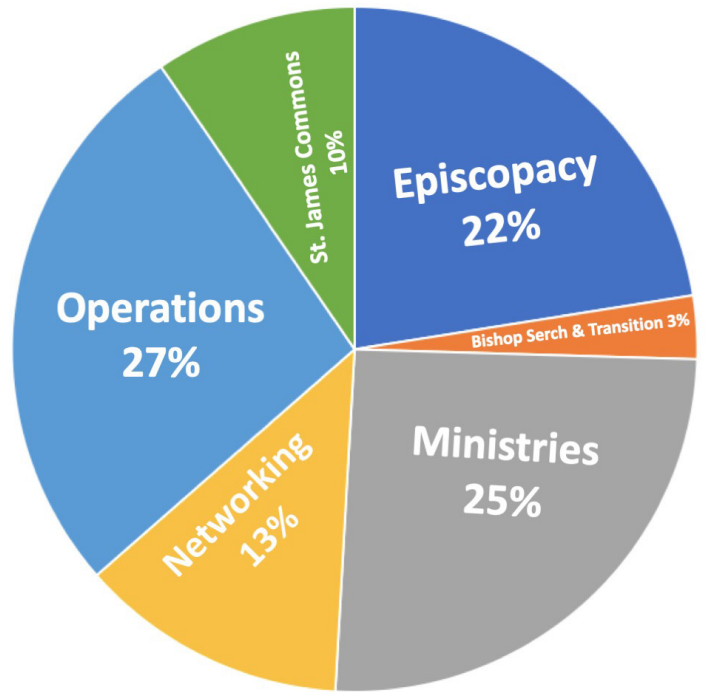
Expenses in this budget area are projected to increase about 17% in 2020 due to an increase in our assessment from The Episcopal Church based on new guidelines approved by General Convention and expenses associated with the Lambeth Conference, which will take place in July and August 2020. In addition, expenses associated with the bishop search are budgeted to be \$119,000 in 2020, and are found in this area of the budget. Although Bishop Lee will retire in August, we have budgeted for a full year of bishop's salary, anticipating that the bishop-elect will begin work soon after that date.

Ministries

Director of Ministries Andrea Mysen and her staff provide congregational development programs, including the College for Congregational Development, support congregations during transitions, help to place and orient new clergy, assist in times of difficulty, and support youth and campus ministry, including Camp Chicago. In 2019, we have decreased the budget for this team by more than 11% by eliminating or reducing hours in staff positions as they became vacant.

Networking

Director of Networking Crystal Plummer and her team oversee community outreach and relationships with partners, advancement and fundraising, and communications.



In 2020, this team's budget will be reduced by nearly 8% through savings realized by deferring a planned database upgrade and launching in late 2019 a new diocesan website that will be less expensive to maintain.

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 more than 6% primarily by reducing staff costs.

St. James Commons

This portion of the expense budget reflects the cost of operating the physical plant of St. James Commons. In 2019, this area of the budget will increase by nearly 4%. We have realized some savings in electricity and fuel costs, but these have been offset by increased building repairs and maintenance, including increased HVAC costs.