

EPISCOPAL DIOCESE OF CHICAGO

Narrative Budget 2021

Overview

During 2020, Bishop Lee, his staff, and the elected leaders of the diocese have continued to address the deficit in the diocese's operating budget actively both by reducing operating expenses and by continuing to raise contributions to endow the Office of the Bishop. That new endowment, called the Fund for the Episcopacy, now totals \$2.6 million; it will contribute \$75,000 to the 2021 budget.

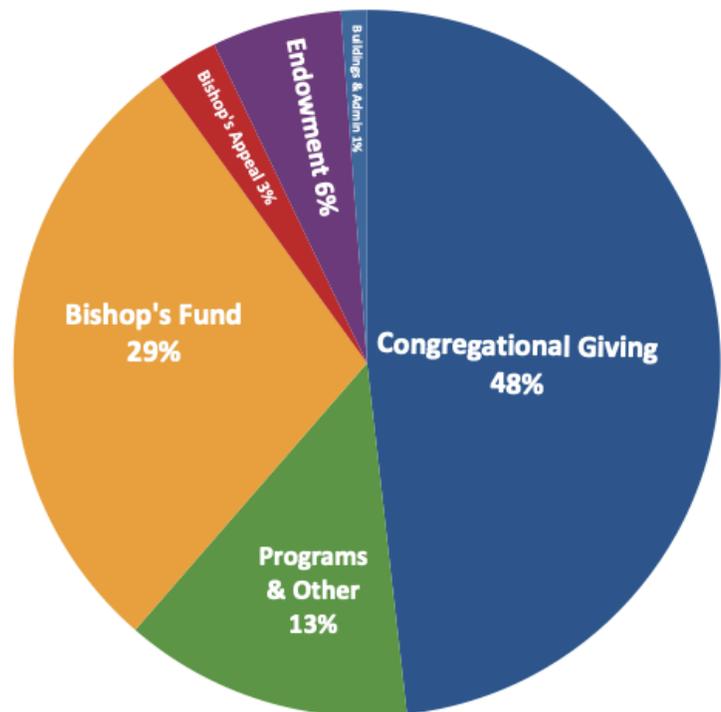
The 2021 budget assumes that most regular operations will resume in-person during the year; overall expenses for 2021 are projected to be 1% higher than those budgeted for 2020.

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 contributions in programs, initiatives and collaboration that build vital congregations and equip faithful leaders.

Income from Congregations

Approximately 48% 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 2021, we project that this amount will total \$1,950,000, which represents a 15% decrease from last year's budget. The significant decrease, based on 2020 giving to congregations, is due largely to the ongoing impact of the COVID-19 pandemic on many of our congregations. 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 earned revenue from events, retreats, and other rentals. In 2021, grant funding from the Samaritan Family Foundation will end after many years of generous support. We have budgeted for 6 months of income in 2021 and are hoping to reopen in June.

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. 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 2021, we will draw \$1.16 million, or 23.8%, from the Bishop's Funds available for operating expenses. At this rate of spending, the Bishop's Funds available to support operations will be depleted in 2025.

This unsustainable draw on our reserves to fund operations is the primary financial challenge facing the Diocese of Chicago. In September, the Bishop and Trustees announced that in 2021 it intends to offer 65 E. Huron for sale in order to create a significant fund that will invigorate mission and ministry in the Diocese of Chicago for decades to come. This potential sale could bring the diocese financial security and opportunities for ministry that our lack of a historic endowment has previously limited.

Income from 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 \$114,000 in income from this fundraising effort in 2021. This is a conservative estimate based on uncertainty about continued fundraising capacity during the COVID-19 pandemic and a bishop transition.

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% of 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 \$3.7 million on September 30, 2020. For 2021, we anticipate that the fund will grant \$165,000 to support the diocese's operating budget. The new Fund for the Episcopacy, which now totals \$2.6 million, will contribute an additional \$75,000 to support the Office of the Bishop.

Income from Bishop & Trustees

The Bishop & Trustees are an elected body that holds title to and oversees the use of the real property of the mission congregations of the diocese and 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; their practice is to contribute 10% of net proceeds to the operating budget. In 2021, we do not anticipate any income in this line.

Contributions (continued)

The Bishop & Trustees income listed on the budget under “Other Support and Revenue” includes \$305,000 in funding available for congregational vitality grants, which is equal to the amount available in 2020. 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 assumed some staff costs that have previously

been part of the diocesan operating budget, and those savings are reflected in the 2021 budget operations expenses.

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

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EPISCOPAL DIOCESE OF CHICAGO

Expenditures

Episcopacy

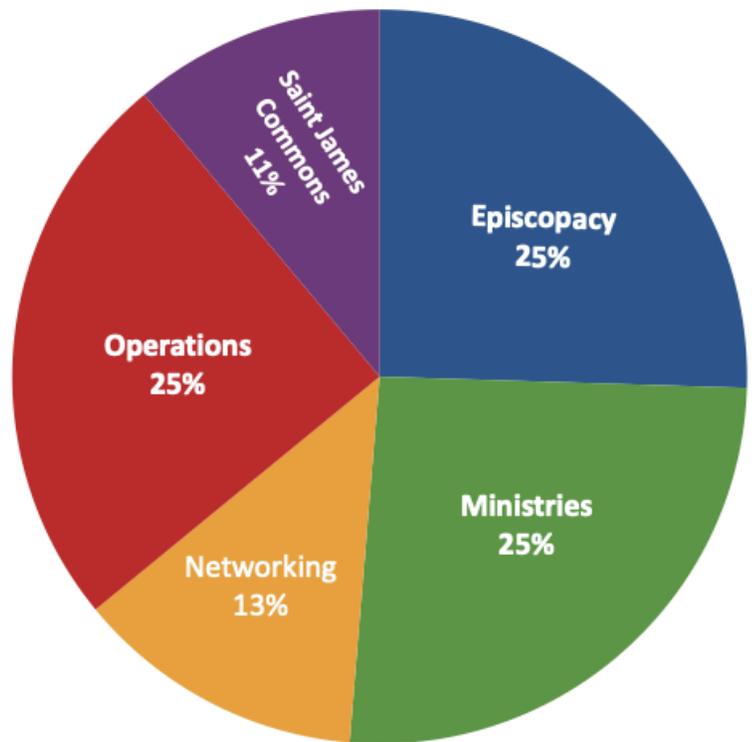
The episcopacy budget supports the bishop's compensation and that of his executive assistant, expenses necessary to the office, and the Diocese of Chicago's mandatory 15% assessment to support the budget of the Episcopal Church. In 2021, this area of the budget also includes expenses for the bishop search and transition.

In 2021, \$77,000 is budgeted for the bishop search and transition. We have budgeted a full year of the bishop's salary, although we do not yet know when she or he will begin work. An increase in this line reflects our uncertainty about whether the bishop-elect will choose to live in the home owned by Bishop and Trustees.

Overall, expenses in this budget area are projected to increase only moderately in 2021 due in part to a reduction in our assessment from The Episcopal Church and to the postponement of the Lambeth Conference to 2022.

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 2021, the ministries budget will increase by 2.75% and includes restored funding for a full-time associate for ministries; during 2020, the position has been part-time. Savings from canceling Camp Chicago in 2020 due to the COVID-19 pandemic are also reflected in this budget area.



Networking

Director of Networking Crystal Plummer and her team oversee community outreach, fundraising and communications. In 2021, this budget will increase by about 2% to accommodate increased expenses associated with the bishop transition.

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 2021, the budget for this team will decrease by more than 6% due to staffing changes completed in 2020 and the closure of the Nicholas Center until mid-year.

St. James Commons

This portion of the expense budget reflects the cost of operating the physical plant of St. James Commons. In 2021, this area of the budget will increase by about 1% to hire a janitorial service. The increase was offset by staffing changes implemented in 2020.