

Financial Statement of Mission 2018 – Operations Detail

The focus of this year's Financial Statement of Mission is to continue building on the solid foundation created by the good work of prior years, where the Episcopal Church in Minnesota (ECMN) has utilized our financial resources in ways that were missional, balanced, stable, and transparent. To that end, your Bishop, Joint Finance and Audit Committee, Council, Trustees, and Missioners have worked hard to present you with a plan that is faithful to our identity as a network of faith communities called to transformation by engaging in God's mission.

Missional

As in previous years, we continue to hold to the value that this is not simply a budget, but is a moral document. Every budget, from your personal household budget, the budgets of our faith communities, the budgets of our Mission Areas, to our collective budget as ECMN, is ultimately a statement of what we choose to do with the financial resources that God has provided for the coming year. These choices are not value free – they are a reflection of our faith, they are discerned in prayer, and formed by the mission that God has for the church in this time and in this place.

In fact, it is too simple to call this document, and efforts made to create it, a "budget." Our life together as ECMN is shaped by God's call to mission, and God has provided all of the resources needed for God's mission. This document reflects our statement of mission – a Financial Statement of Mission (FSM). What we are communicating to the world is that we choose to be congruent with our stated identity and our stated financial decisions, including the language we utilize to describe our efforts.

In these terms, this Financial Statement of Mission continues the good work of decentralizing ECMN, while it works to develop resources for our faith communities.

This FSM directs one-third of our financial resources to developing missional initiatives at the local level through a balance between Missional Innovative Partnership Grants, community organizing support, an ongoing commitment to leadership development, local ministry development that supports the work of faith communities, and support for understanding of our identity, context, and sustainability.

Balanced

For the fifth year in a row, we present a Financial Statement of Mission that is a balanced budget. Our overall Administrative and Management expenses have decreased from 2017 to 2018. A continued and sustainable reliance on endowed and invested funds make it possible to sustain our work in mission, while keeping Mission and Ministry Support (MMS) flat for the seventh year in a row.

Stable

This FSM is the third iteration of a Three-Year Rolling Budget. By projecting our FSM out over a three-year rolling period of time, we provide a transparent and stable model to live out our

missional goals. There have been minor changes to the projected numbers provided in last year's FSM. These changes have been based on the realities experienced in our 2017 fiscal year, reflecting our expectations for 2018.

Revenue – Monetary Resources

There are three main monetary resource streams for ECMN. The first and largest is Mission and Ministry Support (MMS), which comes from our faith communities and supports our common work. We have included at the end of this narrative a one page description of the purpose for MMS. The second source is endowed and invested funds, which come to ECMN through individual donors and are generally designated to support specific ministries and missions. Lastly, ECMN receives revenue from programs like Convention, Clergy Conference, and the School for Formation. This money offsets the cost of those specific programs, and is not used for other purposes.

Mission and Ministry Support (MMS)

In 2018, ECMN expects to receive \$1,913,000 in MMS. We continue to appreciate the support of our faith communities, and the attention that is given to sending in MMS payments in a timely way. The Joint Finance and Audit Committee has given particular attention to the MMS over the past year and has determined that the current structure of 13% and 11% is sustainable for our faith communities and for ECMN.

Endowed and Invested Funds

The income that comes from endowed and invested funds is a 5% draw based on a 20 quarter trailing average. This is a change from prior year, which were based on a 4% draw on a twelve quarter trailing average. This change brings ECMN into the norms of non-profits in regard to the dispersal of Endowed and Invested Funds. In 2018, we expect to receive \$698,891.48 of earnings from these investments. The Pooled Investment Fund (PIF) continues to do extraordinarily well (if your faith community is not participating, you're missing out on a great opportunity).

Program Revenue

The Program Revenue for 2018 shows a decrease from 2017. This decrease reflects the actual income from the programs. Revenue for programs such as ECMN Convention and Clergy Conference have been adjusted to allow for a modest subsidy that will result in decreased registration fees over the next few years.

Resource Utilization (Expenses)

We believe that our faith communities are uniquely suited to identify what God is up to in their neighborhoods, and to decide how to engage in God's work in these places. This value is what leads us to minimize the number of ECMN initiatives and mandates, especially ones that need financial support. Instead, we seek to support our faith communities by connecting them with appropriate resources, networking them together to support each other, and identifying ways that we can use all of our resources, financial or otherwise, for God's mission. These decisions are evident in the choices that we have made throughout the 2018 FSM.

Mission

In the 2018 FSM, we continue to support the granting program for Missional Innovative Partnerships balanced with the growth in the need for Ministry Development in faith communities. In doing so, we are responding to an increased need to provide leadership training and resources to faith communities.

We continue to support the work of the Department of Indian Work and Multicultural Ministries by developing and resourcing these important partnerships. We are pleased to be able to continue this work, while increasing our financial commitment to these communities each year for the next three years. This year, 24% of MMS revenue is dedicated to our DIW Faith Communities.

Finally, we are pleased to report that the Missioner for Children, Youth and Camp has been funded to be a full-time position. This helps us live into our belief that resourcing faith communities to further enhance and develop opportunities for children and youth is essential to the life of ECMN.

Ministry

The work of the ministry section of the FSM is meant to continue the discernment and formation of lay and ordained leaders for a missional church. For discernment, this is accomplished through the Commission on Ministry, supported and resourced by the Missioner for Ministry who also serves as a resource to our faith communities during times of transition.

The ongoing development of the School for Formation in the work of forming leaders includes the creation of a Commission for Formation. Both the School for Formation and the Commission for Formation are supported and resourced by an enhanced position of Missioner for Formation. As mentioned in the resources section above, the additional expenses are offset by endowment monies from various funds that will be sustainable for decades to come.

Management

It bears repeating: management is perhaps the least exciting missional work that we do together. Let's face it, nobody gets excited about copier contracts and internet expenses. Yet management, at the very least, provides supportive infrastructure for the work that we do together, and when done well, management is missional, especially when we make management decisions that engage the work of God in the world. How we invest money, who we contract with, how we spend our money, how we communicate, and what resources we share with our faith communities are all missional decisions, and our 2018 FSM strives to make these decisions accordingly.

Overall, while we continue to increase our resourcing of faith communities, we are keeping our management expenses for 2018 in check with minimal increases, based on actual experience from prior years, which is due to efficiencies in contracted services, and better use of our

resources. Additionally, reductions in insurance rates for liability, and worker's compensation insurance help to contain costs for management.

The Joint Finance and Audit Committee and Council have both approved a 1% cost-of-living increase for ECMN employees for 2018, and that increase is reflected in the salary line of most of the missioners. We have also assumed a 4% cost increase for health care, which is reflected throughout the document. If these costs are less than projected, it will be reflected in the actual financial statements as we move into 2018. If they are more than projected, we will adjust the budget in conversation with Council.

Canonical

The Canonical section of our FSM covers the Episcopate and various Canonical expenses such as General Convention, the Lambeth Conference, Meetings of the Elected Bodies, and our support for the wider Episcopal Church. Many of the lines in this section are for events that happen less often than annually.

Financial Statement of Mission 2018 – Trustee Detail

The overall Financial Statement of Mission for the Trustees is becoming more simplified. Over the last five years, the Trustees have executed a strategic plan toward becoming a source of sustainability for ECMN faith communities, which has meant a necessary shift from historic modes of operating, with loan portfolios and property management, to a new relationship with faith communities. During this time, the Trustees have forgiven loans to faith communities, worked to support faith communities in transition, encouraged greater stewardship of resources, and have reduced and simplified the fees within the Pooled Investment Fund to make it easier to understand and to remove barriers to participation. This leaves the Trustees with a nimble budget that moves into congruence with their goal of being a resource to ECMN faith communities.

Revenue

Revenue for the Trustees is not comparable to previous years. With reduced and simplified fees for the Pooled Investment Fund, and with the shift away from tenant management and the sale of 1730 Clifton Place, the Trustees are venturing into new territory where revenue will be leaner, but more sustainable. The budgeted revenue of \$478,986 represents fees collected from the PIF, along with distributions from endowments, and revenue from the new building.

Expenses

In moving away from property management and loans as a priority, and with the sale of 1730 Clifton Place and the purchase of 1101 W. Broadway, the Trustees have also significantly simplified expenses. In the coming year, we expect to pilot the Property Maintenance Program, but only after the Broadway property is completed and fully operational. We are pleased that, even with reduced fees in the Pooled Investment Fund, the Trustees can continue to operate on a balanced budget for the benefit of ECMN.

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