

Financial Statement of Mission 2016

(Formerly known as the Budget)

As of August 19, 2015

The goal for this year's Financial Statement of Mission (FSM) was to continue building on the goals from prior years, where the Episcopal Church in Minnesota (ECMN) worked to utilize its financial resources in ways that were Missional, Balanced, 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.

FINANCIAL STATEMENT OF MISSION: SUMMARY

Missional

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

In fact, there is no mere speaking of “budget” – that is too simple. If, in fact, our life together as ECMN is shaped by God's call to mission (and it is), and if God has provided all of the resources for God's mission (and God has), then what we are really talking about is a 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.

In these terms, this Financial Statement of Mission seeks to continue the good work of decentralizing the Episcopal Church in Minnesota, while it works to push resources toward our faith communities. In raw terms, this FSM directs one-third of our financial resources (nearly \$1 million) to developing missional initiatives at the local level through Missional Innovative Partnership Grants, to the ongoing development of the School for Formation that continues to form men and women for God's mission in Minnesota, and to continued support for the work of developing an understanding of our identity, context, and sustainability through the Missional Assessment Process.

Balanced

For the third year in a row, we are pleased to present a Financial Statement of Mission that is truly a balanced budget in every sense. Our overall expenses have decreased slightly from 2015 to 2016. Additional revenue in endowment income makes it possible to sustain our work in mission, while keeping Mission and Ministry Support (MMS) flat for the fifth year in a row.

Transparent

It is our hope that the FSM will not only reflect the missional values of ECMN, but will also be easy to understand, which is not always easy to accomplish in an FSM with nearly 300 lines, covering nearly \$3 million in revenue and expenses. We hope that if you have questions about the FSM, you will contact any one of the people listed at the end of this narrative.

FINANCIAL STATEMENT OF MISSION: OPERATIONS DETAIL

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. 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 ECMN 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 2016, ECMN expects to receive \$1,970,000 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 MMS over the past year, and has determined that the current structure of 13 percent and 11 percent is sustainable for our faith communities and for ECMN.

Endowed and Invested Funds

The income that comes from endowed and invested funds is based on a three-year rolling average. In 2016, we expect to receive \$600,000 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

There have been some significant changes in program revenue over the past year, due mostly to a decision of the Prairie Island Tribal Council to discontinue support for the Church of the Messiah at Prairie Island. This change is reflected in an overall decrease in revenue for that faith community, while ECMN's financial commitment to the Church of the Messiah continues to increase. Additionally, revenue for programs such as ECMN Convention and Clergy Conference has been adjusted to allow for a modest subsidy that will result in decreased registration fees over the next few years.

Expenses – Resource Utilization

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. 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 one another, 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 2016 FSM.

Mission

In the 2016 FSM, we continue to support the granting program for Missional Innovative Partnerships. This past year, we received 32 grant proposals and awarded 13 grants for a total of \$70,500. We are pleased that the granting application process will be expanded for 2016, so that applications and disbursements will occur over several cycles through the year. These grants are meant to encourage our faith communities to work with other faith communities, neighborhood groups, corporations, etc., to increase our capacity for missional work. Grant applications will be available so that our faith communities can take advantage of the \$80,000 that we have set aside for this work.

We continue to support the work of the Department of Indian Work and Multicultural Ministry by developing and resourcing these important partnerships. Over the last 18 months, our Missioners have visited each financially-supported DIW faith community in hopes of making sure the lay and clergy leadership have what they need to engage God's mission and to work toward sustainability as it is defined and described in their context. 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.

Finally, we continue to support the development of missional identity in our faith communities through the work of the Missional Assessment Process, and through the several Missioners who serve as resources to our faith communities in the areas of Mission, Community Engagement, Children, Youth, Camping, and Young Adult work.

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 (COM), 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, whom 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 2016 FSM strives to make these decisions accordingly.

Overall, while we continue to increase our resourcing of faith communities, our management expenses have decreased for 2016 by almost \$55,000, which is due to better efficiency and contracted services, and better use of our resources. These savings make it possible to set aside money for expenses that may not be easily planned for, such as legal expenses. Beginning with this year's FSM, we will be setting aside \$10,000 annually to cover unforeseen legal expenses that may arise from time to time. Additionally, reductions in depreciation of assets, lower insurance rates for liability, and workers' compensation insurance help to contain costs for management.

The Joint Finance and Audit Committee and Council have both approved a 1 percent cost-of-living increase for ECMN employees for 2016, and that increase is reflected in the salary line of most of the Missioners. We have also assumed a 7 percent 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 2016. 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, and we have not always planned for these expenditures appropriately. One such example is the election of a bishop. While Bishop Prior has

no plans to retire soon, we are aware that the cost of searching for, electing, and installing a new bishop can run in the range of \$150,000. Good management dictates that we should be setting aside a modest amount for this future event, rather than facing the sticker shock of having to pay for it all at once.

FINANCIAL STATEMENT OF MISSION: TRUSTEES DETAIL

The work of the Trustees continues to shift from the work of property management and loans to a model where the Trustees are increasingly free to engage in the work of supporting the sustainability of our faith communities. Over the last few years, the Trustees have worked to eliminate overhead, reduce the number of vacant properties, and identify unused investments, while forgiving and discontinuing the property loan program – all for the purpose of creating a much more agile organization that is better able to support and resource ECMN faith communities. Over the coming years, the Trustees will continue this work, most immediately with the creation of the Episcopal Commons.

The Episcopal Commons, scheduled to be built this coming year, is a partnership between the Episcopal Church in Minnesota, St. Mark's Episcopal Cathedral, and Episcopal Homes. Through this partnership, we will create a premier senior housing community in Loring Park in Minneapolis, while providing additional parking for St. Mark's and sustainable office space for the Bishop and Missioners, all while eliminating an aging building that requires management and funds that could be better used to support our faith communities. This effort is a significant change in terms of business practice for the Trustees, since rental income from office space at 1730 Clifton Place has helped the Trustees to balance the budget. The Trustees have worked diligently to project expenses and revenue for the next seven years, and believe that this deficit is only short-term and transitional in nature, and fully expect that by the end of 2017 they will be operating on a balanced budget again. In the meantime, the Trustees will balance the budget using cash on hand from the sale of vacant property.

Revenue

Sources of revenue for the Trustees Financial Statement of Mission (FSM) include real estate proceeds, rental income, and fees generated from the Pooled Investment Fund (PIF). As stated above, the Trustees expect for revenue to decline \$38,424 in 2016, for a total income of \$423,971. This is due entirely to the closing of 1730 Clifton Place for the Episcopal Commons Project. The shortfall in revenue will be made up with cash from the sale of vacant property from 2015.

Expenses

In moving away from property management and loans as a priority, the Trustees have also continued to decreased expenses. Currently, the Trustees expenses include Mission Real Estate, which helps to offset the carrying costs for vacant property, along with legal expenses for those properties. Additionally, the Trustees pay fees for the management of the Trustees corporation, and fees for the PIF. In 2016, the Trustees are working to keep expenses at a minimum, due to the transition with Episcopal Commons.

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