

***Daring to be***

***Missional***

***A 2013 Budget Vision  
for the Diocese of  
Newark***

***139<sup>th</sup> Annual Diocesan Convention***

***January 25-26, 2013***



**Daring to be Missional:  
A 2013 Budget Vision for the Diocese of Newark**



**Table of Contents**

- I -- Executive Summary
- II -- The Proposed 2013 Diocesan Operating Budget
- III -- Diocesan Funds for Outreach, Scholarships, and to Support Congregations
- IV -- The Trustees of the Episcopal Fund and Invested Funds
- V -- Bishop's Discretionary Funds
- VI -- Other Information

## **I – Executive Summary**

One of the principal actions taken at the annual Diocesan Convention is the adoption of the Diocesan operating budget for the year. This budget represents, in essence, the costs of conducting the day-to-day operations of the Diocese and its programs and, therefore, includes the costs of compensation paid to the staff at Episcopal House in Newark, our pledge to The Episcopal Church, outreach efforts, the many programs offered by the Diocese, and the administrative and building-related costs (including, for example, insurance, utilities, and the like) that are necessary to operate Episcopal House and support the congregations in the Diocese. It is the annual operating budget that is adopted by Convention, and the Diocesan Council is responsible for monitoring it during the year and taking actions as necessary between conventions.

The key items in the proposed 2013 operating budget of the Diocese include:

- Pledge income is budgeted at \$2,058,000, a 2% decrease from the expected 2012 pledges; however, there has been a positive response to the 2013 requests, and it is hopeful that actual 2013 pledge income will be higher than budgeted.
- Funding for missional church initiatives, including \$115,000 to support the costs of a part-time missionary and costs to assist congregations in their missional efforts, will come from the New Ministry Initiatives and the Marge Christie Congregational Growth & Vitality funds.
- Cash contributions of \$111,000 to reduce the liability of the currently underfunded defined benefit lay pension plan will come from a portion of the proceeds of the sale of property in North Bergen.
- The creation of a fund with a \$30,000 cash contribution, from a portion of the sales proceeds of the sale of property in North Bergen, for the expected costs of the search and call of the next Bishop of the Diocese of Newark.
- Funding for a consultant to be the Advisor to the Bishop for Fund Development, continuing the efforts in this area that were begun in 2012, will also come from the New Ministry Initiatives fund.

The funds used from the sale of the North Bergen property were allocated by vote of Diocesan Council with advice from the Trustees and Standing Committee in compliance with the Asset Allocation Policy.

In addition to the operating budget which Convention adopts, there are financial activities that are the responsibility of others in the Diocese.

The Trustees of the Episcopal Fund (“Trustees”) oversee endowments and investments of funds that have been given to the Diocese, and are responsible for maintaining the properties of closed churches, overseeing the properties of mission churches, and selling properties that are no longer needed.

There are several funds overseen by the Trustees that provide income that is used for certain restricted purposes – some provide support for building renovation and some for congregational programs and projects, as well as other funds that provide scholarships to the youth of the Diocese.

There are also funds that have been donated over the years to create an endowed Bishop’s Discretionary Fund. Some of the funds are restricted and may be used in certain ways (such as providing scholarships to seminary students or those in the process of becoming vocational deacons), and other funds are unrestricted and may be used at the Bishop’s discretion.

---

A goal of this year’s presentation to the 2013 Diocesan Convention is to provide information on the budget that will be adopted by Convention as well as these other financial resources. While Convention has the responsibility to adopt a balanced operating budget for the Diocese, it is important that

Convention be informed of the other financial assets of the Diocese and how they interact with each other.

Therefore, the financial information is presented in a way that outlines first the 2013 Operating Budget of the Diocese which is being presented to the Convention for its adoption. Following that section is additional information about the other financial assets of the Diocese.

## **II – The Proposed 2013 Diocesan Operating Budget**

### **THE DIOCESE OF NEWARK: WHERE WE ARE TODAY**

The preparation of a budget entails a process of gathering information from a number of people and organizations, making estimates and projections, making adjustments when the initial results are not what are desired, and working to finally balance the income and expenses.

Beginning in September, the Budget & Finance Committee and Diocesan Council met monthly to review the financial situation of the Diocese and to prepare the budget. For the first time a new budget process was followed which allowed individuals to request funding for specific purposes with the goal of identifying those requests early in the budget process. The underlying premise of that process is that it is in everyone's best interest to discuss such requests as early as possible, allowing for time to properly consider each request. Council then adopted the proposed 2013 budget at its December meeting.

But the budget for the Diocese of Newark is far more than a simple process of gathering information and making changes. Certainly all of these steps need to occur—to that degree, this is no different than most other budgets. The key difference, though, is that we need to not only provide for the ongoing operations of the Diocese, but we also need to continually consider how our resources can best support the congregations in the Diocese as well as to support the needs of others through outreach and to support The Episcopal Church.

At the same time we need to look to the future. We are commanded to go forth to do the work that God has given us to do. The question is, "What is God calling us to do at this time in our Diocese?" At least one answer . . . *Dare to Be Missional!*

With that as part of the charge to our Diocese – and following the call of Bishop Beckwith – the proposed 2013 budget includes spending to more intentionally become a missional Diocese consisting of missional congregations by providing support to those churches. A Missional Strategy Committee began work in 2012 to develop ways to help congregations take this important step, and the budget includes the costs associated with such missional initiatives.

The operating budget also reflects the need to be responsible stewards of our resources. With anticipated pledge income lower than in 2012, and the requirement that a breakeven budget where income covers all expenses be adopted, it was necessary to make a number of reductions to expenses both at the Diocesan level and to the requests of committees and commissions that carry out the work in our Diocese. Accordingly, each line item in the operating budget was reviewed, and adjustments made as necessary.

Also, as described in more detail later, the Diocese needs to address certain costs, principally related to the lay pension plan, and a provision for those costs is included in the 2013 budget.

The impact of these increased costs – those related to our missional church initiatives and those related to our lay pension plan as well as some other items – is that we have realized we cannot fund all of those costs solely with pledge income and the other recurring sources of income, such as investment and fee income.

Therefore, the 2013 budget includes non-operating income that comes from several sources, such as the New Ministry Initiatives Fund, the Marge Christie Congregational Growth & Vitality Fund, proceeds from the sales of closed churches and other properties, as well as income from the Bishop's Discretionary Funds.

The careful and prudent use of funds from these non-operating sources will enable the Diocese to undertake new initiatives in ways that will directly support congregational missional initiatives throughout the Diocese. In addition, it will allow the Diocese to seriously address the underfunded lay pension plan.

The annual Diocesan operating budget is an important component of the life of the Diocese and its congregations. It provides an opportunity not only to review the past, but also to look forward to structural changes that need to be made for the longer-term health and vitality of the Diocese. We believe that by continuing to provide missional resources to congregations, investing in our future through new and missional initiatives, and addressing the long-delayed funding of the lay pension plan, that the 2013 operating budget is the first step.

Much is changing today, and the Diocese and our congregations are not exempt from the impact that such changes have on the financial viability and sustainability of all of us. Yet we live in hope and in the knowledge that God provides great abundance – and that sustains us as we begin to do the work that is necessary to identify opportunities that will allow us to create a viable Diocese, one that is *Daring to Be Missional*.

## **OVERVIEW OF THE 2013 DIOCESAN OPERATING BUDGET**

### **Income**

Our budget is funded by our call to live into God's abundant future with 73% of income coming from pledges from the congregations in the Diocese. The 2013 pledge income shows a 2% decrease from the expected amount of pledges to be received in 2012 pledges, in part reflecting the difficulties being faced by a number of our congregations. At the same time, a large number of congregations increased or maintained their percentage and dollar pledge in 2013. Other funding comes from investments, fees, and leasing of portions of Episcopal House, as well as non-operating income from funds invested for missional opportunities, funds from the sale of church properties, donations to the Alleluia Fund, and contributions from the Bishop's Discretionary funds.

### **Expenses**

Several years ago Diocesan Council determined that it would be more appropriate and informative to present the annual budget in a way that related the finances of the Diocese to the mission of the Diocese. Thus the expenses of the Diocese were realigned to present the budget in a way that conforms to the Mission Statement of the Diocese: *Equipping Congregations . . . Empowering People . . . Engaging the World . . . with the hope and justice of Jesus*.

Therefore the expenses included in the budget are included in one of these three categories or a Mission Oversight and Administration category. Among the goals of this approach are: (a) to include each expense in the most appropriate category; (b) to use as few allocations of expenses as possible; and (c) to provide such information on a consistent basis, year-to-year. By doing this, the budget and actual results can be compared with results of former years.

We have also sought to not only simply show numbers but also to describe the categories of expenses so that a reader will have a better understanding of the information within the financial statement. Therefore there is a detailed explanation of the items that comprise each income and expense line item. Additional details have been included in this year's budget to provide even more information.

For example, the compensation and benefits of the Diocesan staff are included in each of the four categories (Equipping, Engaging, Empowering, and Mission Oversight). Because compensation and benefits account for the largest single expenditure, we have added a table that summarizes the total compensation and benefits and provides details as to the breakdown of that single amount into its principal components—salary, taxes, medical/dental insurance, pension, and other benefits.

## **THE OPERATING BUDGET EXPENSE CATEGORIES**

### **Overview**

The expenses of the operating budget are included in one of four categories, each of which is outlined below. Further details as to the individual expenses included in these categories follows the Proposed 2013 Budget itself, and can be related to the budget by line item.

The greatest resource that the budget supports to enable the Diocese to live into Christ's mission consists of the staff at Episcopal House. The compensation for the 13 individuals on the Diocesan staff are included in the Staff lines in the *Equipping Congregations*, *Empowering People*, *Engaging the World*, and *Mission Oversight/Administration* portions of the budget; this is the same number of individuals in 2013 as in the past two years. In addition, there is a part-time Missioner position which is included in the Missional Church Initiatives line in the 2013 budget; the compensation for this individual is included in that line item so that all of the new missional church initiatives are reflected in one line item.

### **Equipping Congregations**

The Finance Department and Property Manager's efforts equip congregations for ministry by supporting them in the stewardship of their resources as well as to provide a stewardship role with regards to the budget for the Diocese.

The Finance Department works with clergy and laity throughout the Diocese regarding insurance and pension questions and issues. Financial matters are handled and reported to Diocesan Council on a monthly basis and, together with the Budget & Finance Committee, it prepares the annual budget that is presented to Convention for its review and adoption. It also works with congregations to provide support and answer questions with regards to bookkeeping and accounting matters, audits, submission of parochial reports and annual pledges to the Diocese, and other financial areas.

The Property Manager is responsible for overseeing Episcopal House, closed churches, and the Bishop's residence, as well as providing support to congregations as needed. In the past two years, for example, support has been provided to congregations that have suffered damage from storms, and the Property Manager has worked closely with congregations on insurance claims and issues.

A key role of the Diocese is to assist congregations with clergy transitions as well as ministry, clergy, and congregational development through the efforts of the Canon to the Ordinary. This takes the form of assistance provided by the Canon to the Ordinary as well as by trained consultants who work with congregations in the areas of mission, mutual ministry reviews, and other matters.

### **Missional Church Initiatives**

New in the 2013 budget is funding for Missional Church Initiatives. Our Diocese is undergoing significant changes in terms of congregations that can no longer afford full-time clergy and some that are struggling financially. It is important to address the importance of the long-term financial sustainability of congregations in the face of the economy and other changes that affect the churches in the Diocese.

While the Diocese does not have the resources to financially assist congregations through the Diocesan budget, we do provide consulting and other support to assist congregations that require such assistance. The Canon to the Ordinary, for example, is involved in working with congregations not only during times of clergy transition but also in defining their ministry plans, resolving conflict issues, and the like. The Chief Financial Officer works with congregations concerning their finances and future financial projections when there is a change in clergy or in other cases, as warranted.

It has become clear, however, that assuming the future will be just like the past is not a sound path to follow—and it is equally clear that the Diocese must provide guidance and support to congregations and

groups of congregations as they consider how they can be more missional, how they can reach out and be part of their neighborhoods, and how they can discern what God is calling them to be at this time.

Early in 2012 the Bishop announced the creation of a Missional Strategy Team which has worked throughout the year to develop training and consulting plans that will assist congregations to identify their individual missional initiatives. There were meetings of congregations in the northwest and mid-central parts of the Diocese to gather people to discuss the challenges and, more importantly, the opportunities that are available to them if they work together collaboratively and more intentionally discern God's call to them and their ministry.

To assist our congregations in this discernment, the budget includes funding for a part-time Missioner who would help to establish the Diocesan plan and work closely with congregations to identify possible missional initiatives. The budget also includes funds for consulting services that will work with and train companions, individuals who will work closely with congregations. It is expected that there may be opportunities where several congregations can work together to provide resources that individual congregations could not do on their own—for example, hiring a youth minister to work with a number of congregations; the budget includes some funding to encourage these possibilities.

We are fortunate that there are investment and endowment funds that provide the financial resources to enable the Diocese to undertake these missional efforts. The New Ministry Initiatives Fund can be used to provide necessary financial resources, and the income from the Marge Christie Congregational Growth & Vitality Fund is also available and is intended to be used to enable such initiatives that can assist congregations in their missional efforts.

### **Empowering People**

The Secretary of Convention, Bishop's Executive Assistant, and Administrative Assistant for Ministry Services are key liaisons to the congregations in the Diocese by their efforts to empower people in various ministries and making connections across the Diocese. This staff work, in addition to funding for the Commission on Ministry, the annual Clergy Conference, Namaste (Dismantling Racism), Hispanic and other ministries, empowers the lay and clergy of our Diocese to do the work that God is calling us to do.

The Christian Formation Commission, for example, provides a wealth of resources to the Diocese and its congregations through its programs for youth and young adults. One of its goals is to nurture the spiritual formation and leadership skills of the youth and young adults of the Diocese and encourage them to fully participate in the life of the church—locally, on a Diocesan level, and globally. By consulting with congregations, providing them and their youth ministers with resources and developing connections among them and other church and community leaders, these efforts help congregations enhance their communal life. It further seeks to help establish college ministries and, in 2012, a number of youth and young adults attended and participated in the General Convention.

### **Engaging the World**

The Canon to the Ordinary, Communications Director, Director of Youth & Young Adult ministries, and the Director of Resources and Training all work closely with our congregations to develop ministries that enable our congregations to engage the world by sharing their stories and inviting others to participate.

We also support the broader church, as we are called to live into Christ's mission. Our proposed budget reflects our giving to The Episcopal Church (TEC) at an increased dollar level than that given to TEC in 2012. We continue to be challenged by the unpaid portion of our pledge to TEC from 2008 and have again included a minor provision toward repayment as part of our desire to fulfill this commitment. The outreach component of the budget reflects our call to enter into the ever flowing stream of God's justice, emboldened by the Holy Spirit to claim the Gospel, which calls us to speak up, stand up, and act wherever we encounter injustice against both humankind and this earth. Our total outreach, which

includes domestic and international grants, as well as support for Cross Roads Camp ministry, the Cathedral, and prison ministry, reflects an increase of 5.7% in outreach spending as compared with 2012.

Communicating what we do in our congregations and in the Diocese is an important function, and this is done in a number of ways. There have been continuing refinements of the Diocesan website to make it more informative, inviting, and helpful to congregations and individuals as well as to those seeking to learn more about our Diocese. In 2012 a program was begun to provide support to congregations in developing and maintaining their individual websites. Two eNewsletters are each published bi-weekly: *The Voice Online* provides general interest information and *Leadership News* provides information that is relevant to clergy, wardens, treasurers, parish administrators, and other church leaders.

There are also a number of events that are developed and sponsored by the Diocese, such as the annual Vestry University, that provide opportunities for congregational leaders to gather, attend workshops on a variety of issues—from stewardship to property maintenance, from the role of a warden to healthy congregational leadership practices—and to make connections with leaders of other congregations.

There are also a number of committees and commissions that are supported so that they can engage the world in myriad ways, through providing liturgy and music at Convention, confirmations and ordinations, as well as by providing opportunities to learn more about others through our Ecumenical and Interfaith Officer, our relationship with our companion diocese, and Province II.

### **Mission Oversight and Administration**

A Diocesan budget and staff are a necessity in the Episcopal Church. A portion of our budget, therefore, is devoted to the basic administrative costs of having a Bishop, staff and building.

An important component of the budget is the assistance that is provided to eligible clergy and lay persons by providing health insurance and a pension plan that benefits lay employees. Being good stewards also entails performing regular audits, properly insuring our properties, and keeping them in good repair. The costs associated with these areas, as well as providing the necessary technology and supporting the Bishop, are included in this area of the budget.

### **THE BOTTOM LINE**

The net result of all of the deliberations held while preparing the budget is that it is a balanced budget where expenses are equal to income.

There are challenges as there always will be, but it is important that we allocate our resources to achieve the most appropriate structure that will support the congregations in the Diocese. It is believed that this proposed budget accomplishes that.

We have done this by reducing costs where possible while at the same time providing the resources to support congregations as well as the clergy and laity of the Diocese. In addition, the budget includes funding to support missional initiatives, providing funding that will be used to train congregational leaders and provide companions so that the churches in our Diocese can better reach into their communities. And the budget also provides funds to begin reducing the underfunded lay pension plan liability.

The Proposed 2013 Budget may be found on the next page. That is followed by several pages that provide additional information about each of the line items included in the budget. It is hoped that this will give the reader the information needed to better understand the budget of the Diocese.

<b>DIOCESE OF NEWARK</b>				
<b>Adopted 2013 Budget</b>				
	Line Item ^	Budget 2012	Projected 2012	Adopted Budget 2013
	<b><i>Income</i></b>			
1	Pledge Revenue	\$2,100,000	\$2,100,000	\$2,058,000
2	Non-Operating Income	205,000	165,000	471,000
3	Investment Income	90,000	90,000	90,000
4	Investment Administration Fee	100,000	100,000	107,500
5	Direct Administration Fees	31,200	31,200	31,200
6	Rental Income - Episcopal House	25,000	42,229	63,000
7	Cross Roads Scholarship Fund	2,200	2,200	2,200
8	Senior Ministries	0	0	2,000
9	<b>Total Income</b>	<b>\$2,553,400</b>	<b>\$2,530,629</b>	<b>\$2,824,900</b>
	<b><i>Expense</i></b>			
	<b><i>Equipping Congregations</i></b>			
10	Staff: Finance Department	\$303,191	\$303,191	\$311,928
11	Development Department	70,000	40,000	45,000
12	Missional Church Initiatives	0	0	115,000
13	Congregational/Clergy/Ministry Development	14,100	13,100	13,450
14	Bishop Anand Resource Center	2,000	2,000	2,000
15	Stewardship	1,500	1,500	1,500
16	<b>Total Equipping Congregations</b>	<b>\$390,791</b>	<b>\$359,791</b>	<b>\$488,878</b>
	<b><i>Empowering People</i></b>			
17	Staff: Secretary of Convention; Bishop's Executive Assistant; portion of Admin Assistant for Ministry Services	\$233,232	\$233,232	\$241,470
18	Christian Formation	15,000	17,000	14,050
19	Diocesan Convention	11,000	11,000	7,650
20	Clergy Conference	6,400	6,400	6,500
21	Commission on Ministry	5,000	5,000	5,000
22	Hispanic Ministry	2,250	2,250	2,150
23	Cross Roads Camp Ministry*	2,200	2,200	2,200
24	Namaste (Dismantling Racism)	1,500	900	900
25	Education for Ministry	1,500	1,500	1,500
26	<b>Total Empowering People</b>	<b>\$278,082</b>	<b>\$279,482</b>	<b>\$281,420</b>
	<b><i>Engaging the World</i></b>			
27	Staff: Canon to the Ordinary; Director, Youth/Young Adult Ministry; Director, Communications; Director, Resources	\$404,602	\$404,602	\$426,018
28	The Episcopal Church (TEC) Pledge	412,000	412,000	428,000
29	TEC 2008 Pledge Arrears	10,000	10,000	10,000
30	Domestic Outreach Grants*	128,251	128,251	134,100
31	International Outreach Grants*	17,070	17,070	19,775
32	Communications	28,050	12,000	16,990
33	General Convention 2012/2015	17,000	6,000	17,000
34	Alleluia Fund	6,500	4,500	6,500
35	Province II	5,190	5,190	5,346
36	Deacons	4,500	2,500	4,500
37	Cathedral*	3,000	3,000	3,000
38	Liturgy & Music	2,700	2,700	2,700
39	Ecumenical & Interfaith Officer	2,000	2,000	2,000
40	Companion Diocese	1,000	1,000	2,000
41	Prison Ministry*	500	500	500
42	ERD Coordinator	500	0	500
43	<b>Total Engaging the World</b>	<b>\$1,042,863</b>	<b>\$1,011,313</b>	<b>\$1,078,929</b>
	<b><i>Mission Oversight/Administration</i></b>			
44	Staff: Bishop; Sexton; Receptionist; portion of Admin Assistant for Ministry Services	\$351,540	\$351,540	\$361,454
45	Post-Retirement Pension & Insurance	125,000	148,000	240,000
46	Administration & Finance	180,384	175,000	162,059
47	Buildings & Grounds	97,690	97,690	94,540
48	Information Technology	33,050	27,500	32,720
49	Bishop's Expenses	46,000	43,000	45,050
50	Bishop's Office	8,000	8,000	9,850
51	Search & Call of Next Bishop	0	0	30,000
52	<b>Total Mission Oversight/Administration</b>	<b>\$841,664</b>	<b>\$850,730</b>	<b>\$975,673</b>
53	<b>Total Expense</b>	<b>\$2,553,400</b>	<b>\$2,501,316</b>	<b>\$2,824,900</b>
54	<b>Surplus</b>	<b>\$0</b>	<b>\$29,313</b>	<b>\$0</b>
	^ Refer to the following pages for details regarding each line item.			
	* Indicates expense items considered as Outreach.			

*The following pages provide line by line detail of the proposed 2013 operating budget for the Diocese of Newark.*

## **INCOME**

1. **Pledge Revenue.** Pledges from congregations to support the Diocesan operating budget were received from approximately 92% of the congregations by January 16, 2013. The budget represents an estimate of what is expected to be pledged to the Diocese when all pledges are received, less an amount for pledges that may not ultimately be paid.
2. **Non-Operating Income.**

The principal income components of the 2013 budget include pledge income from the congregations in the Diocese as well as investment income, fees, and rental income which comprise approximately 83% of total income. The budget includes approximately 17% of non-operating income that is comprised of income from several sources which fall into three categories and which are outlined below.

  - a. Funds from the New Ministry Initiatives Fund and the income from the Marge Christie Congregational Growth & Development Endowment Fund are budgeted to be used to support the Development Department as well as the missional church initiatives that have been described earlier.
  - b. A portion of the funds available from the sale of church property in 2012 are budgeted to be used to reduce the difference between the actuarially determined liability for future payments to those who are part of the lay pension plan and the market value of the funds invested on behalf of the pension fund. In addition, a portion of the money from this source will be used to begin a fund to cover the future costs of the search and call of the next bishop.
  - c. Funds raised by donations to the Alleluia Fund and those contributed by the Bishop's Discretionary Funds are used to fund the operating expenses, including outreach, our pledge to The Episcopal Church, and other expenses.

Refer to Exhibit 1 for a summary of the Non-Operating Income and the expenses funded by each such source of income.

3. **Investment Income.** The estimated income from investments is principally based on a spending rule that was established and used since 2011 of 4% applied to the average market value of investments over the preceding 12 quarter-ends. Such funds are invested through the Diocesan Investment Trust, principally in its Growth Fund which has a target asset allocation of 76% equities and 24% fixed income securities.
4. **Investment Administration Fee.** Council approved, effective in 2010, an investment administration fee charged by the Diocese for funds invested in the DIT. This fee now applies to all funds and is calculated at .0625% (6.25 basis points) of the market value of the fund on a quarterly basis (25 basis points per year). Because the Diocese manages the relationship with TIAA-CREF, and provides staff support to investors, we are able to provide access to the institutional investment expertise and management fees that would not be available otherwise. The total of this administration fee and the TIAA-CREF management fee is less than 1%.

5. **Direct Administration Fee.** The Diocesan staff performs accounting and other services for a number of Diocesan entities for which there is a direct administrative charge. The charge to these entities has been maintained at the same level as in 2011:

<u>Entity</u>	<u>Charge</u>
ACTS/VIM Fund	\$10,000
Ward J. Herbert Fund	10,000
Bishop's Church Extension Fund	3,000
Episcopal Capital Loan Fund	3,000
Gertrude Butts Fund	2,000
Other	3,200

6. **Rental Income—Episcopal House.** In June 2012, the fifth floor of Episcopal House, located at 31 Mulberry Street in Newark, was leased to the Victoria Foundation, a not-for-profit organization that provides grants to programs that impact the cycle of poverty in Newark. The lease has an initial term of ten years. Another tenant began leasing a portion of the first floor in 2011 for a one-year period; that lease was renewed for a two-year period effective September 2012.
7. **Cross Roads Scholarship Funds.** The income from the restricted Cross Roads Scholarship Fund is designated for the Cross Roads Camp ministry; this income pays the expenses that are reflected in the operating budget shown on Line 23.
8. **Senior Ministries.** The operating budget includes a gift from this ministry group from its excess operating funds.

## EXPENSES

### Compensation

Staff expenses constitute the largest share of the expenses of the Diocese, accounting for 47.5% of total expenses in the 2013 budget. There are 14 full-time persons on Diocesan staff; the Property Manager's compensation is paid by the Trustees of the Episcopal Fund and, therefore, is not included in this budget. The 2013 budget includes a 3% increase in the compensation of the staff. Medical and dental costs are budgeted to increase by approximately 4.75% in 2013; the staff contributes 10% to the cost of their medical insurance through payroll deductions.

The staff employees are included in the categories as noted below. Refer to Exhibit 2 for details about the compensation and benefits for the Diocesan staff.

### Equipping Congregations

In this section of the budget, we include our Diocesan Finance Office, the Bishop Anand Resource Center, and the Property Manager. Included here are the efforts of our Diocese to form disciples and strengthen our faith communities for mission. It also includes the Diocesan staff that helps congregations and the Diocese to maintain our properties and administer our financial resources.

10. **Staff:** There are three staff members in the Finance Department. The property manager is subsidized by the Trustees, as a substantial amount of his time is dedicated to properties held in trust by the Trustees. Prior to 2011, this line item included half of his compensation and benefits; with a full subsidy by the Trustees in 2012 and 2013, none of the property manager's compensation or benefits are reflected in this budget.
11. **Development Department.** This line includes the cost of the consultant retained as Advisor to the Bishop for Fund Development and related expenses. This individual provides fund development consulting services to the Bishop and the Fund Development Committee.

12. **Missional Church Initiatives.** As noted in more detail (in the Equipping Congregations section that precedes the budget), this line item includes the cost of a part-time Missioner as well as costs associated with the training and educating of individual companions who will assist congregations in becoming missional churches. In addition, costs associated with regional and cluster ministries are included here.
13. **Congregational/Clergy/Ministry Development.** These are expenses of the office of Canon to the Ordinary that provide consultants and training resources to congregations and clergy during periods of ministry transition. In addition, this department provides resources for congregations needing assistance with conflict resolution, congregational growth and development, change management, and mutual ministry reviews.
14. **Bishop Anand Resource Center.** This center provides tools, resources and educational material to help individuals, commissions/committees and congregations work effectively. It operates both as a lending library and as a low-cost resource for books, journals and digital materials.
15. **Stewardship.** The annual fee for membership in The Episcopal Network for Stewardship (TENS), which provides stewardship education and other resources to congregations, as well as other expenses, is included.

### **Empowering People**

This section of the budget focuses on the ministries which help each of us find our voice to live as the people of God. It includes our ministries that further racial justice and cultural diversity, and our efforts to lift up lay and clergy through Education for Ministry, the annual Clergy Conference, Cross Roads Camp and the Commission on Ministry.

17. **Staff.** Salaries and benefits for the Secretary of Convention, also serving as Administrative Officer of the Diocese, the Bishop's Executive Assistant, and one-half of the compensation cost for the Administrative Assistant for Ministry Services are included here.
18. **Christian Formation.** Expenses here include the cost of retreats and conferences for youth and young adults, including subsidies and scholarships for those who require such assistance.
19. **Annual Diocesan Convention.** The estimated \$98,000 cost of the annual Diocesan convention is substantially offset by registration fees and fees paid by vendors. The 2013 registration fee of \$190 per deputy is the same as the 2012 fee, resulting in a net expense of \$7,650 for the 2013 convention. Refer to Exhibit 3.
20. **Clergy Conference.** An annual grant and fees charged to participants pay most of the cost of the annual fall clergy conference and Lenten clergy retreat. This line item and additional funds from the Bishop's Discretionary Funds subsidize these events.
21. **Commission on Ministry.** Expenses include costs related to the support of individuals who are in the process of seeking ordination to the priesthood or diaconate, including subsidies for those individuals. In addition, this line item includes the costs of Diocesan workshops on ordained and lay ministry and administrative costs of the commission and its three committees.
22. **Hispanic Ministry.** Provides information and resources to congregations that are actively engaged in or seeking to become engaged in Hispanic ministry through workshops and presentations.
23. **Cross Roads Camp Ministry.** The Diocese provides assistance to Cross Roads Camp in support of their scholarship assistance to campers. In 2013, as in 2012, all of the funding for this line item comes from the income received from funds given expressly for camp scholarships (see Line 7).

24. **Namaste (Dismantling Racism).** Provides anti-racism training and related education for clergy, postulants, newly-ordained clergy, and elected and appointed Diocesan lay leaders and congregations. The funds here subsidize the cost of these training events.
25. **Education for Ministry.** Subsidizes the cost to EfM participants; in 2012 there were eight seminar groups with a total of 80 participants in the Diocese.

### **Engaging the World**

This section of the budget targets ministry beyond the Diocese of Newark and includes our pledge to The Episcopal Church and funding for our deputation to the triennial General Convention. Also included here is our funding for outreach grants, both domestic and international, and our ministries which focus on the incarcerated, our companion diocese relationship with Panama, and ecumenical and interfaith relations.

27. **Staff.** Salary and benefits for the Canon to the Ordinary, Director of Youth and Young Adult Ministries, Director of Resources and Training, and the Director of Communications and Technology are included here.
28. **The Episcopal Church Pledge.** Our 2013 pledge to The Episcopal Church (TEC) of \$428,000 represents the amount that TEC has requested of the Diocese for this year. In 2012 the Diocese pledged \$412,000 which was 98% of the amount requested by TEC of \$419,875.
29. **TEC 2008 Pledge Arrears.** Our pledge to The Episcopal Church in 2008 was \$609,674, of which we have paid \$149,000, leaving a balance still due of \$460,674 as of the end of 2012. The budgeted amount for 2013 continues to make some progress toward reducing the balance due.
30. **Domestic Outreach Grants.** Our commitment to funding outreach as part of our operating budget includes grants to domestic and international entities. The 2013 budget for domestic and international outreach grants (lines 30 and 31) reflects an increase of 5.9%.  
  
Exhibit 7 shows all components of the budget that are considered outreach as well as other monies from investments and endowments that provide scholarships and support to congregations.
31. **International Outreach Grants.** We are committed to contribute at least 0.7% of our operating income to International needs, and the budget reflects that commitment.
32. **Communications.** Includes costs for ongoing development and support of the Diocesan website as well as support provided to congregations to develop their individual websites. In addition, this line item includes the costs associated with *The Voice Online*, *Leadership News*, and all other Diocesan communications, as well as support to individual congregations as needed.
33. **General Convention 2012/2015.** General Convention is held every three years, and the estimated cost is accrued over a three-year period. It had been estimated in 2010 that the 2012 General Convention would cost approximately \$51,000, and \$34,000 had been accrued through 2011; the actual cost for the 2012 was lower than originally expected, resulting in a lower 2012 expense. We have estimated that the 2015 General Convention will cost approximately \$50,000, and one-third of that is included in the 2013 budget.
34. **Alleluia Fund.** Represents the estimated amount to cover expenses relating to fund development, including printing, postage, and other communication costs.
35. **Province II.** The Diocese is a part of Province II of The Episcopal Church. The 2013 expense represents an increase of 3% in the amount of support the Diocese provides to Province II.
36. **Deacons.** Provides training and support to deacons of the Diocese, including the cost for participation at the Directors/Archdeacon Conference and the annual NAAD conference.

37. **Cathedral.** This expense reaffirms the Diocese's appreciation for and commitment to our cathedral, and provides funds for the general operating budget of the Cathedral.
38. **Liturgy & Music.** Designs liturgies for Diocesan services (Diocesan Convention, confirmations, and ordinations) and provides liturgical resources for congregations throughout the year.
39. **Ecumenical and Interfaith Officer.** Represents the Bishop and the Diocese in ecumenical and interreligious relationships and dialogue. Expenses include funding for ecumenical guests at Diocesan Convention.
40. **Companion Diocese.** As our relationship with the Diocese of Panama is reaffirmed and strengthened, we see modest expenses relating to this activity.
41. **Prison Ministry.** The Diocesan budget supplements funds that are contributed directly to this commission whose ministry is to children whose parents are incarcerated and to adult inmates of Northern State Prison. Summer camperships, Saturday mentoring, and subsidized transportation to visit parents are important programs for the children; Bible-study and Prison Pen Pals are ministries with adults.
42. **Episcopal Relief and Development (ERD) Coordinator.** Coordinates the Diocese's communication about and connection with ERD. These funds pay for the costs of the ERD Coordinator to attend the annual Coordinators' Network meeting.

#### **Mission Oversight/Administration**

This section of the budget funds the broad expense categories of oversight and administration, including the office of the Bishop.

44. **Staff.** Salary and benefits for the Bishop, the receptionist and the sexton of Episcopal House, and one-half of the compensation cost of the Administrative Assistant for Ministry Services are included here.
45. **Post-Retirement Pension and Insurance.** The Diocese has committed to pay for health insurance for retired clergy and spouses/dependents. For those retired (or eligible for retirement) as of July 1, 2009, this commitment includes subsidizing health insurance for those not yet eligible for Medicare. Medicare-eligible retired clergy and spouses are covered under a program provided by the Church Pension Fund. The Diocese also provides health insurance and a supplement to Medicare for lay employees who have retired from Diocesan staff.

In addition, this line item includes a provision to reduce the underfunded liability of the lay pension plan. This plan is underfunded by approximately \$1 million as of the most recent actuarial valuation, and the budget includes payments into the pension plan assets with the goal of eliminating the net liability over a 15-year period. The liability will be reviewed in 2013 and the amount to be added to the plan assets may change for the 2014 budget.

Refer to Exhibit 4 for the components of this line item.

46. **Administration & Finance.** The cost of property and liability insurance, annual audits, office equipment leases, the mortgage on Episcopal House, supplies, postage, and other related costs are included here. Exhibit 5 lists the principal components of this line item.
47. **Buildings and Grounds.** Utilities, maintenance, and other costs for Episcopal House are summarized in Exhibit 6.
48. **Information Technology.** The cost of technology at Episcopal House, including computer equipment, software, network service, and other support.

49. **Bishop's Expenses.** Per the letter of agreement with the Bishop, this includes travel, entertainment, and auto costs of the Bishop, and utilities, maintenance, and other costs for the Bishop's residence.
50. **Bishop's Office.** Office supplies and other costs for the office of the Bishop.
51. **Search & Call of Next Bishop.** It is estimated that the search and call of the 11<sup>th</sup> Bishop of the Diocese of Newark will cost approximately \$150,000, similar to the cost of the most recent search and call. This line item begins funding that cost over a five-year period.

**Diocese of Newark**  
**Non-Operating Income (Line 2)**

---

This table indicates the components of Non-Operating Income (line 2) which is included in the budget. In addition, the table shows the expense line items that such income is to fund.

<b>Budget</b>		<b>Budget</b>	<b>Projected</b>	<b>Proposed</b>
<b>Line</b>	<b>Description</b>	<b>2012</b>	<b>2012</b>	<b>Budget 2013</b>
<b><i>New Ministry Initiatives Fund</i></b>				
11	Development department	\$ 40,000	\$ 40,000	\$ 45,000
12	Missioner	-	-	65,000
12	Missional church support	-	-	18,000
	Total funded by New Ministries Fund	<u>40,000</u>	<u>40,000</u>	<u>128,000</u>
<b><i>Marge Christie Endowment Fund</i></b>				
12	Missional church support	-	-	32,000
	Total funded by Marge Christie Fund	<u>-</u>	<u>-</u>	<u>32,000</u>
<b><i>Proceeds from sale of properties</i></b>				
45	Underfunded lay pension plan	-	-	111,000
51	Search & Call of Next Bishop	-	-	30,000
	Total funded by proceeds from sales	<u>-</u>	<u>-</u>	<u>141,000</u>
<b><i>Alleluia Fund</i></b>				
(a)	Outreach	90,000	80,000	125,000
	Total funded by Alleluia Fund	<u>90,000</u>	<u>80,000</u>	<u>125,000</u>
<b><i>Bishop's Discretionary Funds (BDF)</i></b>				
(a)	Council operations	45,000	45,000	45,000
11	Development department	30,000	-	-
	Total funded by BDF	<u>75,000</u>	<u>45,000</u>	<u>45,000</u>
<b>Total Non-Operating Income</b>		<u>\$ 205,000</u>	<u>\$ 165,000</u>	<u>\$ 471,000</u>

- 
- (a) Income from donations to the Alleluia Fund and contributions from the Bishop's Discretionary Funds provide funds to support outreach and other operating expenses.

**Diocese of Newark**  
**Compensation and Benefits (Lines 10, 17, 27 and 44)**

Category	# Empl	Budget 2013						2012	Line
		Wages	FICA	Pension	Medical & Dental	Other Benefits *	Total	Projected Total	
<u>EQUIPPING CONGREGATIONS</u> Finance Department	3.0	\$ 226,258	\$ 17,309	\$ 20,363	\$ 38,067	\$ 9,931	\$ 311,928	\$ 303,191	10
<u>EMPOWERING PEOPLE</u> Secretary to Convention; Bishop's Exec Asst; portion of Admin Asst for Ministry Services	2.5	159,728	12,219	14,376	47,422	7,725	241,470	233,232	17
<u>ENGAGING THE WORLD</u> Canon; Director, Youth/Young Adult Ministry; Director, Communications; Director, Resources	4.0	296,836	14,756	36,071	66,779	11,577	426,018	404,602	27
<u>MISSION OVERSIGHT/ADMIN</u> Bishop; Sexton; Receptionist; portion of Admin Asst for Ministry Services	3.5	224,514	7,712	48,658	72,058	8,511	361,454	351,540	44
Total -- 2013 Budget	<u>13.0</u>	<u>\$ 907,336</u>	<u>\$ 51,996</u>	<u>\$ 119,468</u>	<u>\$ 224,326</u>	<u>\$ 37,744</u>	<u>\$ 1,340,870</u>	<u>\$ 1,292,565</u>	
Total -- 2012 Projected	<u>13.0</u>	<u>\$ 880,679</u>	<u>\$ 50,399</u>	<u>\$ 116,941</u>	<u>\$ 207,634</u>	<u>\$ 36,912</u>	<u>\$ 1,292,565</u>		

\* Includes costs for unemployment insurance, workers' compensation, disability, and life insurance.

**Diocese of Newark**  
**Diocesan Convention -- 2012 and 2013 (Line 19)**

---

Description	2012 Projected	2013 Budget
<b>Income</b>		
Registration and Meals	\$ 87,265	\$ 86,600
Vendor Fees	3,369	3,500
Total Income	<u>90,633</u>	<u>90,100</u>
<b>Expenses</b>		
Hotel -- Rooms and Food	79,548	78,500
Audio/Visual Services	8,200	8,500
Election Services/Scantron	5,568	5,700
Miscellaneous	4,731	5,050
Total Expenses	<u>98,047</u>	<u>97,750</u>
Net Expense	7,414	7,650
Expenses Related to June, 2012 Special Convention	<u>3,586</u>	<u>-</u>
Total Expense	<u>\$ 11,000</u>	<u>\$ 7,650</u>

---

**Diocese of Newark**  
**Post-Retirement Pension & Insurance (Line 45)**

---

Description	Budget 2012	Projected 2012	Budget 2013
Post-retirement insurance	\$ 125,000	\$ 112,000	\$ 129,000
Lay pension plan--Contribution to reduce underfunded liability	-	36,000	111,000
Total	<u>\$ 125,000</u>	<u>\$ 148,000</u>	<u>\$ 240,000</u>

**Diocese of Newark  
Administration & Finance (Line 46)**

---

Description	Budget 2012	Projected 2012	Budget 2013
Property and liability insurance	\$ 48,034	\$ 48,034	\$ 48,000
Audit fees	21,500	21,500	22,000
Telephone lease and costs	24,700	23,834	16,000
Copier lease and costs	17,000	16,583	13,500
Meals for committee and other meetings	13,700	13,299	13,639
Printing and office supplies	11,300	11,220	10,120
Postage and shipping	11,600	10,110	10,300
Mortgage, Episcopal House	10,000	10,000	9,700
Temporary staff	4,100	4,353	4,900
Bank and payroll charges	4,500	4,400	3,400
Continuing education	5,200	4,109	3,200
Miscellaneous	8,750	7,558	7,300
Total	<u>\$ 180,384</u>	<u>\$ 175,000</u>	<u>\$ 162,059</u>

---

**Diocese of Newark  
Building & Grounds (Line 47)**

---

Description	Budget 2012	Projected 2012	Budget 2013
Utilities	\$ 59,260	\$ 52,871	\$ 52,500
Repairs and maintenance	31,970	37,271	34,940
Security system	2,800	3,322	4,100
Materials and supplies	2,850	3,714	2,200
Miscellaneous	810	512	800
Total	<u>\$ 97,690</u>	<u>\$ 97,690</u>	<u>\$ 94,540</u>