

***2019 Budget
for the
Diocese of Newark***



Proposed 2019 Council Budget

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I. Proposed 2019 Council Budget—Executive Summary

One of the many important actions taken at the annual Diocesan Convention is adopting the diocesan operating budget for the year. This budget represents the costs of conducting the day-to-day operations of the diocese and its programs. Diocesan Council is responsible for approving the budget that is presented to Convention for its adoption, and for monitoring the budget during the year and taking actions as

The most significant changes to the budget are due to staffing re-alignments

necessary between conventions.

It is important that we focus not just on the day-to-day activities, but also plan for the

short-term realities and long-term expectations that will affect our congregations and our diocese.

We received no new funding requests this year, but there are significant changes to the budget due to projected staffing re-alignments.

Budget Highlights:

- Council is expected to have generated a **2018 surplus** in excess of \$65,000 due to pledges exceeding expectations and costs below budget. As we did last year, we are going to recycle that surplus (along with some from 2017) in 2019 to help fund our mission priorities.
- **Pledge income** is budgeted at \$2,065,000, exactly the same amount as projected for the year 2018 (though up \$45,000 from the 2018 budget). We are highly gratified that many congregations increased their pledge percentage and/or dollar pledge this year.
- **Investment-related income** is rising despite negative investment returns in 2018. Council benefits from both a 4.25% distribution on certain endowment accounts as well as a .25% surcharge on the balances in the DIT. The increase reflects the delayed benefit of our 12-quarter averaging process (for 2019, 2015 values are replaced in the average with higher 2018 values).
- We have modified the presentation of compensation to reflect traditional

financial reporting of salaries and benefits.

- After many years of supporting the **Joining God in Shaping Our Future** initiative with a full-time coordinator at Episcopal House, we feel comfortable transitioning those duties to part-time consultants. This change will significantly reduce the total expense and the consequent drawdown of New Ministries funds.
- **Domestic and international outreach** is again budgeted at \$180,000. Outside of the Council budget, the diocese will make additional grants of approximately \$764,000 from investments and endowment income to support churches, provide scholarships to diocesan youth and supplement the retirement income of retired clergy.
- Our **2019 pledge payment to The Episcopal Church (TEC)** will again be equal to 100% of the amount assessed by TEC. However, after three years of reduced assessments, our 2019 pledge will increase from \$361,108 to \$370,621, which is 14.5% of unrestricted income.
- We will continue to make cash contributions toward future obligations: \$92,000 to the **lay pension plan** and \$30,000 to fund part of the \$70,000 deficit from the recent **search and call of our bishop**.

We expect to end 2019 with income essentially equal to total expenses.

While Convention is responsible for adopting 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, following is an overview outlining the proposed 2019 Operating Budget, with details on a line-by-line basis, plus additional information about the other financial assets of the diocese.





II. Proposed 2019 Council Budget--Overview

The Budget Process

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

The process begins in August when the CFO announces the budget process and invites everyone in the diocese to submit requests for funding. This year, there were no requests to fund new initiatives.

Beginning in October, the Budget & Finance Committee and Diocesan Council met periodically to review the financial situation of the diocese and to prepare the proposed 2019

The budget process allowed members of all congregations to participate in the development of the 2019 budget.

budget. The underlying premise of the 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. In January, Council approved the proposed 2019 budget for presentation to Convention.

OVERVIEW OF THE 2019 DIOCESAN OPERATING BUDGET

Income

Our budget is funded by our call to live into God's abundant future with about 69% of income coming from pledges from the congregations in the diocese.

After a nine year period of declining pledge income from 2002 through 2010, it leveled off at about \$2.1M and has been relatively constant since then.

The 2019 budget for pledge income is based on the 2019 pledges received so far and an estimate of pledges from churches that have not yet submitted a pledge based upon their 2018 pledge payments. Based on this, we are conservatively budgeting our 2019 pledge income at \$2,065,000, equal to the projected collections for 2018, and a \$45,000 budget increase from 2018.

Other revenue comes from donations to the Alleluia Fund, which directly supports our outreach efforts, and we continue to promote the Alleluia Fund as an important way that the diocese expresses its need to fund outreach in our neighborhoods and internationally. Since the fund began in 2010, the diocese has made grants totaling \$1,430,000 to 76 organizations.

In addition, we receive income from investments (a 4.25% distribution from the funds that may be used to support the Council budget—see Exhibit 1), fees, and leasing portions of Episcopal House. Other income – from funds available to support our efforts to join God in shaping our future, from the sale of closed church properties, and from the Bishop's Discretionary Funds – provide the resources needed to cover the expenses for the year.

Expenses

A number of years ago Diocesan Council determined that it would be appropriate and informative to present the annual budget in a way that related the finances of the diocese to the mission of the diocese. Since that decision, the budgeted expenses of the diocese are presented in a way that complements the Mission Statement of the diocese: *Equipping Congregations . . . Empowering People . . . Engaging the World . . . with the hope and justice of Jesus.*

While we are continuing to categorize most of our expenses in these three missional categories, this year we decided to cease breaking out compensation, but instead present it using a traditional budget format. The sense of the Budget and Finance Committee was that separating compensation was not adding much value but was obscuring the total cost of compensation as well as the breakout of salary and benefit costs.

THE OPERATING BUDGET EXPENSE CATEGORIES

Staffing and Compensation

The most important resource that the budget supports is to enable the diocese to live into Christ's mission through the work of the staff at Episcopal House. A modest decrease (3.5%) in





II. Proposed 2019 Council Budget--Overview

compensation expense somewhat obscures some significant staff changes, detailed below.

In 2018, the Council budget included compensation for roughly 14 full-time-equivalent (“FTE”) positions. In 2019 we anticipate approximately 13.2 FTE’s, as detailed below:

2018 Staff Positions

Bishop (Mark Beckwith/Carlye Hughes)
 Bishop’s Exec. Asst. (Kay Lark)
 Canon to the Ordinary (Greg Jacobs)
 Canon’s Exec. Asst. (Randy Johnson)
 CFO (Sam Reckford)
 Controller (Noel Garcia)
 Finance Asst./Benefits (Leslie Thomas)
 Director of Administration (John King)
 Director of Communications (Nina Nicholson)
 Youth Coordinator (Sheelagh Clarke)
 Missional Strategist (Ginny Dinsmore)
 Missional Consultant (.5 FTE) (Suzanne Willian)
 Events Coordinator (Jane Jubilee)
 Receptionist (Giovanna Larathe)
 Sexton (.5 FTE) (Cecil Broner)
 [Our Director of Facilities, Jim Caputo, is paid by the Trustees and our Fund Development consultant, Cynthia McChesney, is paid by the BDF.]

2019 Staff Positions

Bishop (Carlye Hughes)
 Bishop’s Exec. Assistant (Kay Lark)
 Canon to the Ordinary (Greg Jacobs/TBD)
 Canon for Congregational Life. (TBD)
 Canon’s Exec. Asst. (Randy Johnson)
 CFO (Sam Reckford)
 Controller (Noel Garcia)
 Finance Asst./Benefits (Leslie Thomas)
 Director of Administration (John King)
 Director of Communications (Nina Nicholson)
 Youth Coordinator (.2 FTE) (TBD)
 Canon for Pastoral Care (.5 FTE) (TBD)
 Events Coordinator (Jane Jubilee)
 Receptionist (Giovanna Larathe)
 Sexton (.5 FTE) (Cecil Broner)

These changes reflect the evolution of the Joining God and youth initiatives as well as the perceived need to provide more support to our congregations and clergy. The full-time Youth Coordinator role was intended as a one-year position to plan a new way forward for youth ministry, which is now in place. The anticipated

one-day-per-week position will ensure that there continues to be some diocesan oversight, but reflects that most of the effort will be carried out by Cross Roads Camp staff and volunteers.

After a half-dozen years of significant staff support at the diocesan level, oversight of the Joining God in Shaping our Future initiative is being handed off to a combination of compensated coordinators and clergy volunteers, which will result in significantly lower

The addition of two new staff roles reflect that both our congregations and our clergy deserve more attention.

expense for the diocese.

The diocese assists congregations during clergy transitions as

well as assisting in ministry, clergy, and congregational development. This effort has largely been provided by the Canon to the Ordinary in recent years and the addition of two new staff roles (Canon for Congregational Life and Canon for Pastoral Care) reflect that both our congregations and our clergy deserve more attention.

Equipping Congregations

Joining God in Shaping Our Future

(JGiSOF): For the seventh year in a row the budget includes spending to help the diocese and congregations in their efforts to look beyond their doors into their communities. It is important that we look at this in a holistic way, with the diocese providing support to congregations as they listen, discern and experiment into ways of identifying what God is doing in the unique neighborhoods of our congregations.

Funding for Our Common Journey: While it is heartbreaking to close once-vibrant churches

The New Ministry Initiatives Fund enables us to increase the investment in our future.

and see their buildings sold, a significant portion of the proceeds are reinvested to strengthen those

that remain. The New Ministry Initiatives Fund enables the diocese to undertake these missional efforts. The reduction in planned expense for the JGiSOF initiative means that we can reduce our draw from the New Ministry funds.





II. Proposed 2019 Council Budget--Overview

Stewardship: We rely heavily on The Episcopal Network for Stewardship (TENS) to provide resources to our congregations. The diocese is a member of TENS and, therefore, each of our congregations has access to all their resources, including bulletin inserts and sample stewardship letters that congregations can use during the fall ingathering period.

TENS also provides resources to enable congregations to develop year-round stewardship programs.

Empowering People

The Rev. Sheelagh Clarke, the Director of Youth and Young Adult Ministries, spent fifteen months devising a strategy for coordinated youth

*Empowering People...
working with
congregations to give
them the support and
resources to do God's
work.*

programs across the diocese and her team formulated an experimental plan for the role of the diocese in these programs. That plan, which relies

significantly on the Cross Roads Camp staff, will be implemented in 2019.

The Empowering budget also includes funding for a number of programs that help nurture the talents of all of our people, including Clergy conferences, EfM, Namaste and the Anti-Sexism Task Force.

Engaging the World

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 100% of the amount assessed for 2019. The outreach component of the budget reflects our call to enter 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. The total outreach grants represent 6.1% of our 2019 budget, up from 5.9% in 2018, and the total of TEC pledge and outreach equals 18.5% of our budget, up from 18% in 2018.

We are eager to communicate our commitment to God's call to us, and we do this in many ways. We constantly update our 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. A program begun in 2012 continues to provide support to congregations in developing and maintaining their individual websites, and many congregations have improved their communications because of this assistance.

We publish two e-newsletters: *The VOICE Online* provides general interest information and

the monthly *Leadership News* provides information that is relevant to church leaders.

We continue to seek opportunities to address social justice issues in a number of ways.

*Engaging the World...
we are called by God to
spread the Gospel within
our neighborhoods, as
the church is called to
serve those outside of
our church doors as well
as those inside.*

The budget again includes funding for a portion of the cost for a social justice advocate who represents our diocese, the Diocese of New Jersey, and the New Jersey Lutheran Synod by advocating for social justice issues in Trenton.

Mission Oversight and Administration

The costs of maintaining our office and the bishop's residence entail significant expense, which is grouped into Administration (e.g. phones, copiers, food), Finance (insurance, accounting), B&G (gas, electricity, maintenance), I.T. (hardware, consulting, support), Bishop's Expenses (rectory, travel) and the annual contribution toward past or future Bishop Search and Call expenses.

THE BOTTOM LINE

The net result is that a balanced budget was created where income is equal to expenses.

The proposed 2019 budget is located 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.



DIOCESE OF NEWARK

Proposed 2019 Budget

	Proposed 2019 Budget	Budget 2018	Projected 2018	2019 Budget Assumptions	
<u>Income</u>					
<u>Unrestricted Income</u>					
1	Pledge Revenue	\$2,065,000	\$2,020,000	\$2,065,000	
2	Investment Income	148,000	134,300	136,600	DIT distribution on Council-benefit assets
3	Investment Administration Fee	150,000	150,000	150,000	25 basis points fee on most DIT assets
4	Rental Income-Episcopal House	79,760	75,000	78,351	
5	Bishop's Discretionary Fund	45,000	45,000	45,000	helps fund line 75
6	Diocesan Surplus	75,000	85,000	85,000	
	Total Unrestricted Income	\$2,562,760	\$2,509,300	\$2,559,951	
<u>Restricted Income</u>					
11	Alleluia Fund	110,000	110,000	110,000	Funds a portion of line 52
12	Direct Administration Fees	95,300	95,100	95,100	Reimbursements of Council staff expense
13	New Ministry Initiatives	85,850	181,129	122,599	funds line 31 and part of 32
14	Proceeds from Sale of Properties	122,000	113,000	113,000	Funds lines 27, 76 and a portion of line 22
	Total Restricted Income	\$413,150	\$499,229	\$440,699	
	Total Income	\$2,975,910	\$3,008,529	\$3,000,650	
<u>Expenses</u>					
<u>Compensation</u>					
21	Salaries	\$1,069,494	1,068,396	1,091,206	
22	Pension	\$156,317	157,778	161,787	
23	Medical/Dental	\$259,998	256,357	256,357	
24	SECA/FICA	\$82,217	77,295	76,757	
25	Life/Disability/WC/SUI	\$37,931	36,938	34,615	
26	Post-Retirement medical Insurance	53,900	62,100	62,100	
27	Lay Pension	83,200	76,600	76,600	Pension plan liability; funded by line 14
	Total Compensation	\$1,743,057	\$1,735,464	\$1,759,422	
<u>Equipping Congregations</u>					
31	Joining God in Shaping Our Future	66,550	129,250	87,095	Funded by line 13
32	Stewardship/Fund Development	28,300	28,500	20,825	Portions funded by line 13
33	Congregation/Clergy/Min. Development	8,250	10,550	9,092	
	Total Equipping Congregations	\$103,100	\$168,300	\$117,012	
<u>Empowering People</u>					
41	Youth & Young Adult Ministry	37,150	32,650	32,553	
42	Diocesan Convention	14,150	16,800	16,588	
43	Clergy Conference	7,500	7,500	7,500	
44	Commission on Ministry	2,840	1,445	0	
45	Hispanic/Latino Ministry	2,150	1,200	1,665	
46	Education for Ministry	1,750	1,750	1,850	
47	Anti-Sexism Task Force	5,000	4,000	2,884	
48	Namaste (Dismantling Racism)	2,875	285	1,288	
	Total Empowering People	\$73,415	\$65,630	\$64,328	
<u>Engaging the World</u>					
51	Pledge to The Episcopal Church (TEC)	370,621	361,108	361,108	Equals TEC "ask" for 2019 (15% of adj inc.)
52	Outreach Grants	180,000	180,000	180,000	
53	General Convention 2021	17,000	20,000	8,629	Estimate of 2021 costs (over three years)
54	Communications	23,190	17,655	21,800	
55	Province II	0	7,800	0	Province II is not currently active
56	NJ Advocacy	10,000	10,000	10,000	
57	Deacons	500	500	500	Have \$3k in reserve
58	Liturgy & Music	4,350	4,775	2,550	
59	Cathedral	0	3,000	0	
60	Ecumenical & Interfaith Officer	2,600	2,500	2,500	
61	Prison Ministry	500	500	500	
62	ERD Coordinator	0	500	100	
	Total Engaging the World	\$608,761	\$608,338	\$587,687	
<u>Mission Oversight/Admin</u>					
71	Administration	118,150	106,600	105,028	
72	Finance	92,450	97,754	83,601	
73	Buildings & Grounds	101,650	102,700	101,591	
74	Information Technology	46,500	35,000	31,850	
75	Bishop's Expenses	59,000	61,400	58,645	
76	Search & Call of Next Bishop	30,000	30,000	30,000	Funded by line 14
	Total Mission Oversight/Admin	\$447,750	\$433,454	\$410,715	
	Total Expense	\$2,976,083	\$3,011,186	\$2,939,164	
	Surplus / (Deficit)	(\$173)	(\$2,657)	\$61,486	



Proposed 2019 Council Budget—Line Item Details

The following pages provide line-by-line detail of the proposed 2019 operating budget for the Diocese of Newark.

INCOME

1. **Pledge Revenue.** 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. As of January 8th, we have received 88 pledges totaling \$2.045M, with a 2% average increase among those pledging. An updated and detailed schedule of all pledges will be provided in the 2019 Budget to be provided at Convention.
2. **Investment Income.** The estimated income from investments is principally based on a spending rule of 4.25% applied to the average market value of investments over the preceding 12 quarter-ends. The funds are invested through the Diocesan Investment Trust in its Growth Fund, which has a target asset allocation of 74% equities, and 26% fixed income securities. The amount of income includes approximately \$62,000 from the Trustees' discretionary income provided to support this operating budget. Refer to Exhibit 1 for further details.
3. **Investment Administration Fee.** Since approved in 2010, an investment administration fee is charged by the diocese for funds invested in the DIT. This fee applies to substantially all funds and is calculated at .0625% (6.25 basis points) of the market value of the fund on a quarterly basis (0.25%, or 25 basis points per year). Because the diocese manages the relationship with TIAA Trust Company, and provides staff support to investors, we are able to provide access to institutional investment expertise and management fees that would not be available otherwise. The total of (a) this administration fee as well as (b) the TIAA management fee is approximately 0.52% (52 basis points).
4. **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 principally to programs that impact the cycle of poverty in Newark. The lease has an initial term of ten years. The Sadie Nash Leadership Project leases approximately half of the ground floor.
5. **Bishop's Discretionary Fund.** Since 2011, the Bishop has been allocating a portion of income from his/her discretionary funds to the Council to cover certain expenses that were paid directly from the BDF up until that point. Refer to Section IV for more information about the BDF.
6. **Diocesan Surplus.** Council expects to generate a substantial surplus in 2018 due to pledges being higher than anticipated and expenses lower. We will recycle these unused funds in 2019.
11. **Alleluia Fund.** The Alleluia Fund for Outreach was created to give individuals and congregations an opportunity to participate with others across our diocese to make a significant and important difference in the lives of many. Budgeted income in 2019 of \$110,000 will provide 61% of the outreach grants that are reflected in line 52; the balance of outreach will be funded by pledge revenues.
12. **Direct Administration Fees.** The diocesan staff performs accounting and other services for a number of diocesan entities for which there is a direct administrative charge. The amounts are based on the amount of time that staff spends performing such services. See Exhibit 3.





Proposed 2019 Council Budget—Line Item Details

13. **New Ministry Initiatives Fund.** This fund is available to support new ministries of congregations and the diocese. As in the past six years, these funds will be used to support the Joining God in Shaping Our Future Initiative (Line 31), and Stewardship/Fund Development (Line 32).
14. **Proceeds from Sale of Properties.** Closed church properties were sold in 2015 and 2016 and a portion of the proceeds of those sales were made available to provide funds to reduce the underfunded lay pension plan (Line 27 and a portion of line 22) and to add to the fund for the search and call of the next diocesan bishop (Line 76). Refer to Exhibit 2 for further information.

EXPENSES

Compensation (lines 21-25)

Staff expenses constitute the largest share of the expenses of the diocese, accounting for 58% of total expenses in the 2019 budget. The 2019 budget assumes 13.2 full-time equivalent employees. We are proposing a 3% increase in the compensation of the staff. Medical costs will be down slightly due to the elimination of the most expensive plan. The staff contributes 10% to the cost of their medical insurance through payroll deductions.

26. **Post-Retirement Insurance.** The diocese provides supplemental health insurance for eligible retired lay employees. The expense is based on the estimated cash outlays the diocese will incur during the year. This line also includes the cost of the actuarial report used to estimate the liability for future expenses reported in our audited financial statements.
27. **Lay Pension.** This line item is a provision to reduce the underfunded liability of the lay pension plan. This plan is currently underfunded by approximately \$827,000 and the budget includes a contribution to the pension plan assets with the goal of eliminating the net liability over the next 9 years. An actuarial review is performed each year, at which point the underfunded amount is recalculated and the amount to be added to the plan assets the following year is revised.
31. **Joining God in Shaping Our Future.** We are continuing our funding for this initiative, albeit at a lower level this year. This line item includes consulting and related costs and is funded by income from the New Ministry Initiatives Fund in Line 13.
32. **Stewardship/Fund Development.** This line includes the program costs of our development and stewardship efforts other than the direct compensation of the consultant, who is paid directly by the BDF; and the annual fee for membership in The Episcopal Network for Stewardship (TENS).
33. **Congregation/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, lay and clergy leadership development, shared ministry initiatives, and mutual ministry reviews.
41. **Youth & Young Adult Ministry.** Expenses here include the cost of retreats and conferences for youth and young adults, including subsidies and scholarships for those who require such assistance, as well as a \$10,000 contribution to Cross Roads Camp.
42. **Diocesan Convention.** The approximate \$98k cost of the annual diocesan convention is substantially offset by registration fees and fees paid by vendors, resulting in a net expense of \$14,150 for the 2019 convention. Refer to Exhibit 5 for details.





Proposed 2019 Council Budget—Line Item Details

43. **Clergy Conference.** Annual grants, a contribution from the Bishop's Discretionary Fund, and fees charged to participants pay most of the cost of the annual fall clergy conference and Lenten clergy retreat. This line item reflects the expense of the conference net of these income sources.
44. **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 administrative costs of the commission and its subcommittees.
45. **Hispanic/Latino Ministry.** Provides information and resources through workshops and presentations to congregations that are actively engaged in or seeking to become engaged in Hispanic/Latino ministry.
46. **Education for Ministry.** This line item subsidizes the cost to EfM participants; in 2018-19, there are six seminar groups with about 60 participants in the diocese.
47. **Anti-Sexism Task Force.** The task force was created by resolution at the 144th Convention and initially funded in 2018 by Council. Over three years it will develop Anti-Sexism Training and report on equity in compensation and role.
48. **Namaste (Dismantling Racism).** Provides anti-racism training and related education for clergy, postulants, and elected and appointed diocesan lay leaders and congregations. These funds subsidize the cost of these training events. The funding request for 2019 is modest because there are some funds held in reserve.
51. **The Episcopal Church Pledge.** Our 2019 pledge to The Episcopal Church (TEC) of \$370,621 represents 100% of the amount that TEC has assessed the diocese for this year. It is the first increase after three years of declining assessments. The 2019 pledge approximates 12.7% of total income compared with 12% of projected income in 2018.
52. **Outreach Grants.** Our commitment to funding outreach as part of our operating budget includes grants to domestic and international entities. The 2019 budget of \$180,000 for outreach grants will be supplemented by about \$15,000 in funds raised in excess of the Alleluia Fund budget in 2018.
53. **General Convention 2021.** General Convention is held every three years and the estimated cost is accrued over a three-year period. We have estimated that the 2021 General Convention will cost approximately \$51,000; we have included one-third of that in the 2019 budget.
54. **Communications.** Includes costs for ongoing development and support of the diocesan website and assistance provided to congregations to host their individual websites. It also includes the costs associated with *The VOICE Online*, *Leadership News*, and other diocesan communications.
55. **Province II.** The diocese is a part of Province II of The Episcopal Church. Recently, the Province became organizationally inactive, so funding has ceased.
56. **NJ Advocacy.** The budget includes an amount to provide a portion of the costs of an individual from the New Jersey Lutheran Synod who advocates for social justice issues in Trenton. The cost is shared with the Diocese of New Jersey and the Lutheran Synod.





Proposed 2019 Council Budget—Line Item Details

57. **Deacons.** Provides training and support to deacons of the diocese, including the cost for participation at the Directors/Archdeacon Conference and the annual National Association of Diaconate Directors conference. Additional funding will come from prior-year reserves.
58. **Liturgy & Music.** Designs liturgies for diocesan services (Diocesan Convention, confirmations, and ordinations) and provides liturgical resources for congregations throughout the year.
59. **Cathedral.** This expense historically provided funds to offset costs incurred by the Cathedral when it is used for Diocesan events. Those expenses will be reflected in the appropriate program budget (e.g. Youth and Young Adult).
60. **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.
61. **Prison Ministry.** This program is almost entirely self-funded, but the diocesan budget contributes a little 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.
62. **Episcopal Relief and Development (ERD) Coordinator.** Coordinates the diocese's communication about and connection with ERD. There is no coordinator at present, and therefore no expense anticipated in 2019.
71. **Administration.** The cost of office equipment leases and maintenance, supplies, postage, meals for committee and other meetings, and other related costs are included here. Refer to Exhibit 6 for details.
72. **Finance.** The cost of property and liability insurance, annual audits and other related costs are included in this line item. Refer to Exhibit 7 for details.
73. **Buildings and Grounds.** Utilities, maintenance, and other costs for Episcopal House. Refer to Exhibit 8 for details.
74. **Information Technology.** The cost of technology at Episcopal House, including equipment, software, network service, and other support. We have added funding this year for a consultant to oversee the infrastructure and advise on changes to our diocesan database and accounting system (Shelby) and I.T. architecture.
75. **Bishop's Expenses.** In accordance with the letter of agreement with the Bishop, this includes travel and entertainment costs of the Bishop; utilities, maintenance, and other costs for the Bishop's residence; and office supplies and other costs for the office of the Bishop
76. **Search & Call of Next Bishop.** Each year we set aside funds to cover the search and transition expenses relating to the call of the next bishop. The allocation of \$30,000 represents our best estimate of the ongoing annual contribution that will we will need to sustain in order to fully fund these periodic calls. For the next few years, the contribution will be used to pay down the \$70,000 deficit from the 2018 search. See Exhibit 9.



**Diocese of Newark
Budget 2019**

Exhibit 1: Investment Income

The 4.25% income distribution from the \$26.9M of endowment funds held by the trustees for either discretionary purposes or the benefit of Council and diocesan programs (see Exhibit 9) generates approximately \$1.2M annually. Of that amount, only about 11% is available to support the Council budget. The balance funds important non-budget programs such as Ward Herbert and ACTS/VIM grants and Jersey City Ministries. Below is a detail of the income distributions available to the Council budget.

Description	Budget 2019	Budget 2018	Projected 2018
Trustee Discretionary Funds			
Amalgamated Fund	\$ 38,000	\$ 36,000	\$ 36,000
Barber's Trust -- Council Allocation --see note (a)	22,000	21,400	21,404
Barber's Trust -- Christian Formation Allocation --see note (a)	1,700	(b)	1,638
<i>Total Income from Trustee Discretionary Funds</i>	<u>\$ 61,700</u>	<u>\$ 57,400</u>	<u>\$ 59,042</u>
DIT Funds Held by Trustees for benefit of Council			
Outreach Endowment	\$ 35,500	\$ 34,350	\$ 34,356
Bishop Lines Memorial Endowment	34,700	33,425	33,428
Diocesan House Endowment	4,950	4,775	4,776
West Trust (20% Council, 80% St. George's Maplewood)	250	250	249
Christine Spong Fund for Youth	2,100	(b)	2,062
<i>Total Income from Funds held fbo Council</i>	<u>\$ 77,500</u>	<u>\$ 72,800</u>	<u>\$ 72,809</u>
Other Investment Income			
Cross Roads Camp endowment	4,200	4,100	4,060
Interest income on bank accounts (net of fees)	3,400	-	689
Panther Valley Donation	1,200	-	
<i>Total other investment income</i>	<u>\$ 8,800</u>	<u>\$ 4,100</u>	<u>\$ 4,749</u>
<i>Total Funding</i>	<u>\$ 148,000</u>	<u>\$ 134,300</u>	<u>\$ 136,600</u>

(a) By longstanding Trustee policy, income from the Barber's Trust is divided as follows: 48% to the Cathedral, 26% to Council, 24% to BDF and 2% to CFC. The amounts above are Council's share.

(b) included in the Youth and Young Adult Ministry budget in 2018.

Exhibit 2: Expenses Funded by Sales of Properties

Income from Proceeds of Sales of Properties	<u>\$ 122,000</u>	Line 14
Lay Pension	\$ 92,000	Line 27 & parts of line 22
Search & Call of Next Bishop	30,000	Line 76
Total Uses of Proceeds from Sales of Properties	<u>\$ 122,000</u>	

**Diocese of Newark
Budget 2019**

Exhibit 3: Direct Administration Fees

<u>Entity</u>	<u>Charge</u>
Trustees	\$ 54,400
ACTS/VIM Fund	\$ 7,500
Ward J. Herbert Fund	\$ 8,000
Bishop's Church Emergency Fund	\$ 7,000
Episcopal Capital Loan Fund	\$ 7,000
Gertrude Butts Fund	\$ 5,000
Other	\$ 6,400
Total:	<u>\$ 95,300</u>

Exhibit 4: Funds for Outreach, Congregational Support, and Scholarships

Description	Budget 2019	Budget 2018	Projected 2018
<i>Outreach</i>			
The Episcopal Church Pledge (a)	\$ 370,621	\$ 361,108	\$ 361,108
Outreach (Domestic and international grants) (a)	180,000	180,000	180,000
<i>Total Outreach</i>	<u>550,621</u>	<u>541,108</u>	<u>541,108</u>
<i>Congregational Support: Buildings and Mission</i>			
Ward J. Herbert	284,500	219,000	164,486
Bishop's Church Emergency Fund	34,000	35,000	31,700
<i>Total Support--Buildings</i>	<u>318,500</u>	<u>254,000</u>	<u>196,186</u>
ACTS/VIM	186,000	173,000	173,020
Marge Christie Congregational Growth & Vitality	63,500	56,000	46,200
<i>Total Support--Programs and mission</i>	<u>249,500</u>	<u>229,000</u>	<u>219,220</u>
<i>Total Congregational Support</i>	<u>568,000</u>	<u>483,000</u>	<u>415,406</u>
<i>Scholarships</i>			
Gertrude Butts (Diocesan youth)	125,000	125,000	110,000
George Rath (Clergy children)	24,500	24,500	24,000
<i>Total Scholarships</i>	<u>149,500</u>	<u>149,500</u>	<u>134,000</u>
<i>Clergy Support</i>			
Fund for the Aged & Infirm	44,000	42,000	39,000
Gladys Duffy Fund	2,700	2,500	2,500
<i>Total Clergy Support</i>	<u>46,700</u>	<u>44,500</u>	<u>41,500</u>
<i>Total Funding</i>	<u>\$ 1,314,821</u>	<u>\$ 1,218,108</u>	<u>\$ 1,132,014</u>

(a) The Episcopal Church Pledge and Outreach are components of the operating budget. All other items represent funds provided by investments and endowments and are not part of the operating budget.

**Diocese of Newark
Budget 2019**

Description	Budget 2019	Budget 2018	Projected 2018
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Exhibit 5: Diocesan Convention (Line 28) Details

Income			
Registration and Meals	\$ 80,000	\$ 81,000	\$ 79,086
Vendor Fees	4,000	4,000	5,280
Total Income	<u>84,000</u>	<u>85,000</u>	<u>84,366</u>
Expenses			
Hotel -- Rooms and Food	70,000	70,000	73,487
Audio/Visual Services	20,000	16,500	18,536
Election Services/Scantron	1,000	7,500	3,158
Miscellaneous	7,150	7,800	5,773
Total Expenses	<u>98,150</u>	<u>101,800</u>	<u>100,954</u>
Net Expense	<u>\$ 14,150</u>	<u>\$ 16,800</u>	<u>\$ 16,588</u>

Exhibit 6: Administration (Line 49) Details

Telephone lease and costs	\$ 23,800	\$ 19,350	\$ 23,643
Cleaning Services	23,500	18,900	20,000
Copier lease and costs	22,000	20,000	20,111
Meals for committee and other meetings	16,000	14,400	12,000
Temporary staff	9,000	11,000	9,095
Printing and office supplies	8,500	8,700	6,939
Postage and shipping	7,300	8,100	6,516
Continuing education	3,700	2,400	2,603
Miscellaneous	4,350	3,750	4,121
Total	<u>\$ 118,150</u>	<u>\$ 106,600</u>	<u>\$ 105,028</u>

Exhibit 7: Finance (Line 50) Details

Property and liability insurance	\$ 59,700	\$ 56,000	\$ 56,400
Audit fees	24,000	23,000	22,300
Bank and payroll charges	2,500	3,700	1,300
Transportation	2,100	1,700	277
Postage and office supplies	1,600	1,900	1,500
Continuing education	1,350	1,350	1,350
Mortgage, Episcopal House	-	8,669	-
Miscellaneous	1,200	1,435	474
Total	<u>\$ 92,450</u>	<u>\$ 97,754</u>	<u>\$ 83,601</u>

Exhibit 8: Buildings & Grounds (Line 51) Details

Utilities	\$ 52,100	\$ 52,100	\$ 52,100
Repairs and maintenance	42,450	44,350	42,397
Security system	3,300	3,000	3,264
Materials and supplies	3,350	2,750	3,380
Miscellaneous	450	500	450
Total	<u>\$ 101,650</u>	<u>\$ 102,700</u>	<u>\$ 101,591</u>

Diocese of Newark
Search & Call of the Next Bishop
As of December 31, 2018

	Description	Budget	Actual
1	Search Committee Search Consultant, per diem, transportation	\$ 11,820	8,070
2	Orientation Retreat Meals	3,145	3,170
3	Focus Groups/Listening Sessions Materials,snacks/meals,writing,editing,distribution	1,125	100
4	Communication Website design,maintenance,production,distribution	2,000	420
5	Meetings 15 members(10 meetings) Meals,space rental,overnight meetings	7,400	3,591
6	Discernment Retreat 25 people -3 nights 10 semi-finalists retreat,travel, retreat center,supplies,meals,background check	32,375	21,426
7	Transition Committee Meetings,15 members,10 meetings-meals,space rental,pastoral care	8,300	6,742
8	Walkabout 6 candidates & Spouse-Travel,accomodations(3 nights),meals,gifts,misc.	22,840	11,223
9	Electing Convention May 19 Electronic balloting,lunch,extra convention costs	21,720	8,173
9a	Post Election Evaluation Evaluation		1,799
10	Beckwith Transition expenses Hotel and accomodations	15,000	8,534
	Salary and benefits	16,000	20,092
	Gift of unamortized portion of automobile	-	13,234
	Unused vacation pay (and related pension)		12,191
12	Bishop Beckwith Retirement Party	10,000	-
13	Ordination Weekend Hotels for Bishop-elect and family	2,000	-
	Travel for Bishop-elect and family	1,500	-
	Travel for co-consecrators		1,748
	Dinner Party night before ordination & clergy luncheon	5,000	11,652
	Ordination bulletin & other printing	3,000	7,178
	Site Rental for Ordination & production costs	41,000	55,308
	Reception after ordination-catering	14,000	27,033
	Liturgy & Music		10,625
	Other ordination costs	3,000	6,705
14	Transition of Bishop-elect into the DON Moving expenses,travel,transition expenses,seating of the Bishop	32,000	21,420
15	10% Contingency	25,323	
	Total Expenses	<u>\$ 278,548</u>	260,434
	Total Search & Call cash available		<u>190,272</u>
	Deficit		<u>\$ 70,162</u>



III. Proposed 2019 Council Budget— The Trustees of the Episcopal Fund and Funds Managed by the Diocesan Investment Trust

The Trustees of the Episcopal Fund (“Trustees”) oversee the capital assets of the diocese, a part of which are endowments and investments which, at November 30, 2018, approximated \$45.7 million. Most of these funds are restricted in terms of the use of principal and income and, therefore, it is important to keep track of the use of those funds.

The Trustees are also responsible for maintaining the properties of closed churches and diocesan-owned properties, such as Episcopal House in Newark and the Bishop’s residence, and accordingly incur expenses such as insurance and repair and maintenance costs. In addition, the Trustees are involved in the oversight of mission church properties and buildings, principally in their maintenance and repair.

The sale of closed church properties is also the responsibility of the Trustees. Periodically, the Trustees complete the sale of property for which it is responsible. When a closed church property is sold, the diocese utilizes an asset distribution policy to determine the use of the net sales proceeds and the Diocesan Council, after consultation with the Bishop, Standing Committee, and Trustees, approves the distribution of such funds.

The Trustees hold certain investments, the income from which may be used by the Trustees to pay the expenses of closed churches and other expenses. The Trustees pay the compensation of the diocesan property manager who is responsible for overseeing the properties under the control of the Trustees, including Episcopal House and the Bishop’s residence, as well as assisting congregations in the diocese with respect to property needs, insurance claims, and so on. In addition, the Trustees have directed approximately \$61,930 of investment income to be used by the Council for the 2019 operating budget (Exhibit 1).

All of the funds overseen by the Trustees are invested through the Diocesan Investment Trust (DIT). In addition, there are funds totaling \$14.6 million at November 30, 2018 that are invested through the DIT; these are funds held for the benefit of individual churches and the Gertrude Butts Foundation.

Investments in the DIT are managed by TIAA Trust Company (TIAA) which maintains a program specifically designed to address the needs of not-for-profit institutional investors. A summary of all of the funds invested in TIAA, totaling \$60.3 million at November 30, 2018, is shown in Exhibit 9.



Diocesan Investment Trust

Owner and Beneficiary	Restrictions	Balance 30-Nov-18	Balance 31-Dec-17
Trustees' Discretionary Funds			
Trustee Unrestricted Funds	Distributions at the discretion of the trustees	4,778,695	5,018,573
Trustee Donor Restricted (Barber)	Endowment--Income is unrestricted	2,050,509	2,154,582
		<u>6,829,204</u>	<u>7,173,155</u>
Trustee Funds For Benefit of Council (in-Budget)			
Outreach Endowment	Distributions are restricted	855,768	899,205
Bishop Lines Memorial Endowment	Distributions are restricted	832,654	874,917
Diocesan House Endowment	Distributions are restricted	119,014	125,053
		<u>1,807,435</u>	<u>1,899,175</u>
Trustee Funds For Benefit of Diocesan Programs			
Ward J. Herbert Fund	Endowment--Income for diocesan building renovations	5,932,053	6,227,201
ACTS/VIM	Endowment--Income for grants to ministry programs/projects	4,836,107	5,077,394
Jersey City Area Ministry Funds	Distributions are limited to ministries in Jersey City	4,696,771	4,937,417
Marge Christie Fund	Endowment--Income for congregational development	1,426,817	1,487,362
Bishop George Rath Education Fund	Endowment--Income to scholarships for clergy children	690,568	724,304
Episcopal Capital Loan Fund	Unrestricted--Loans to congregations	562,563	571,753
Other Council accounts	Distributions are restricted	110,902	547,849
		<u>18,255,781</u>	<u>19,573,279</u>
Trustee Funds for Benefit of Others			
Churches/Ecclesiastical Org's (a)	Distributions at discretion of trustees	7,568,670	8,210,432
Bishop's Discretionary Fund	Endowment--Income paid to BDF	6,182,099	6,484,202
Lay Pension Plan	Restricted--lay pension plan	2,151,879	2,243,047
Funds for retired clergy	Endowment--Income for retired clergy and dependents	1,228,531	1,241,441
Clergy Housing Equity	Restricted--Funds paid out at retirement	769,681	803,726
Bishop's Church Ext. Fund	Trustee Restricted Endowment	490,922	515,593
Misc. other	Distributions are restricted	388,559	387,160
		<u>18,780,341</u>	<u>19,885,600</u>
Funds Held for Others			
Church Accounts (b)	Unrestricted--Income and principal available at church discretion	12,242,506	12,918,330
Gertrude Butts Fund	Endowment--Income for scholarships for diocesan youth	2,383,180	2,537,166
		<u>14,625,686</u>	<u>15,455,496</u>
	Total Funds Invested in the Diocesan Trust	<u>\$ 60,298,448</u>	<u>\$ 63,986,705</u>

(a) Includes 58 churches, cemeteries and other ecclesiastical organizations

(b) Includes 42 churches and ecclesiastical organizations



Proposed 2019 Council Budget IV. Bishop’s Discretionary Funds

A number of distinct funds make up the Bishop’s Discretionary Funds (BDF). The funds are restricted in that only the income can be used; some of the funds are further restricted in that the income may only be used as directed (e.g. scholarships to seminary students or those in the process of becoming vocational deacons), while the income from other funds are unrestricted and may be used at the Bishop’s discretion.

A number of years ago it was determined that the BDF paid some expenses that more appropriately belonged as part of the diocesan operating budget and, beginning in 2010, those expenses were included in the diocesan operating budget. The income from the operating budget, however, was not sufficient to pay all of those expenses. Therefore, the BDF contributed \$45,000 to the operating budget in 2010 and this practice has continued each year since then.

Following is a summary of the uses of BDF income in 2018 and 2017

Description	2018	2017
Theological Education and Support of Seminarians	\$ 69,968	\$ 45,400
Donations	46,100	41,575
Contribution to Diocesan Operating Budget	45,000	45,000
Clergy Continuing Education	20,360	14,561
Fund Development	96,000	42,000
Other	65,262	58,027
Total:	<u>\$ 342,690</u>	<u>\$ 246,563</u>

**Diocese of Newark
Financial History**

	Budget 2019	Projected 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014	Actual 2013
INCOME							
Unrestricted Income							
Pledge Revenue	\$ 2,065,000	\$ 2,065,000	\$ 2,063,755	\$ 2,080,468	\$ 2,100,442	\$ 2,100,000	\$ 2,100,341
Investments & rental income	377,760	364,951	337,636	306,422	292,760	283,260	273,172
Proceeds from Sale of Properties	122,000	113,000	94,000	106,000	203,000	131,000	141,000
Other Income	140,300	140,100	135,500	84,945	85,043	76,300	74,385
Diocesan Surplus	75,000	85,000	-	-	-	-	-
Restricted Income							
Alleluia Fund	110,000	110,000	111,037	125,569	122,370	113,365	91,024
New Ministry Initiatives	85,850	122,599	241,582	301,366	252,603	157,610	81,415
Total Income	2,975,910	3,000,650	2,983,510	3,004,770	3,056,218	2,861,535	2,761,337
EXPENSES							
Compensation							
Salaries	1,069,494	1,091,206	1,024,313	1,055,737	1,033,526	941,389	891,996
Benefits	673,563	668,216	629,125	597,105	615,630	677,126	710,138
Total Compensation	1,743,057	1,759,422	1,653,438	1,652,842	1,649,156	1,618,515	1,602,134
Equipping Congregations							
Joining God in Shaping Our Future (Formerly Missional Church Initiatives)	66,550	87,095	110,790	157,710	97,054	60,328	31,628
Other	36,550	29,917	32,072	45,638	65,306	65,709	28,147
Total Equipping	103,100	117,012	142,862	203,348	162,360	126,037	59,775
Empowering People							
Engaging the World	370,621	361,108	397,776	435,823	574,700	446,500	438,000
Pledge to The Episcopal Church (a)	180,000	180,000	177,845	177,000	171,050	165,093	153,875
Other	58,140	46,579	64,546	67,673	58,795	44,753	45,992
Total Engaging	608,761	587,687	640,167	680,496	804,545	656,346	637,867
Mission Oversight/Administration							
Total Expense	2,976,083	2,939,164	2,867,932	3,001,456	3,053,030	2,837,423	2,735,463
NET INCOME	\$ (173) \$	61,486 \$	115,578 \$	3,314 \$	3,188 \$	24,112 \$	25,874

(a) Includes: (i) annual pledge to The Episcopal Church (TEC); (ii) payments to reduce 2008 TEC Pledge Arrears of \$10,000 per year from 2012 through 2014, and \$7,500 in 2015; and (iii) payment in 2015 of \$100,000 in full and complete settlement of 2008 TEC Pledge Arrears.

(b) Represents both domestic and international outreach grants.