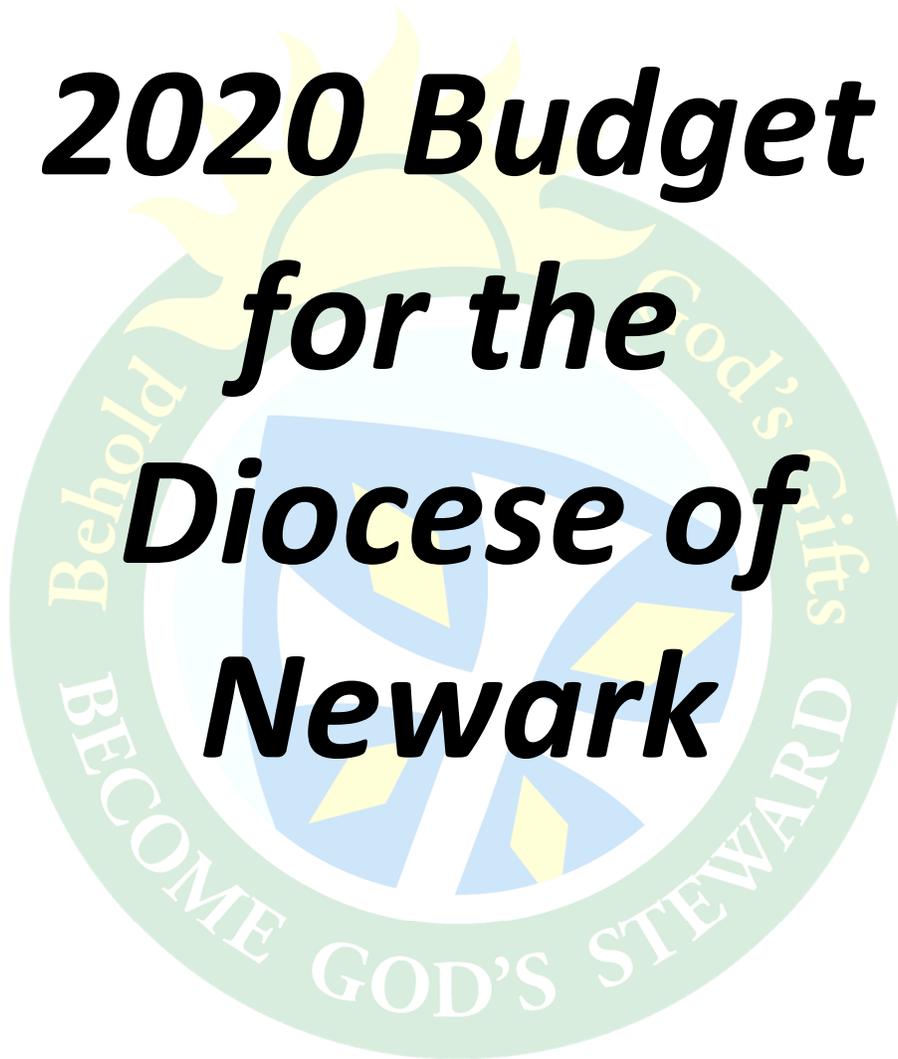


***2020 Budget  
for the  
Diocese of  
Newark***



# Proposed 2020 Council Budget

## Table of Contents

I	Executive Summary	3
II	2020 Council Budget Overview	5
	2020 Budget	7
	2020 Budget Line Items	8
	Exhibits 1-8	12
III	The Trustees of the Episcopal Fund and Funds Managed by the Diocesan Investment Trust (Exh. 9)	16
IV	Bishop's Discretionary Funds	18
V	Council Financial Historical Results 2012-2018 (Exh. 10)	19

# I. Proposed 2020 Council Budget—Executive Summary

One of the many important actions taken at 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 necessary between conventions.

*The size of the budget hasn't changed much, but the composition of income and expenses is quite different.*

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 some significant changes to our sources of income and use of funds.

## Budget Highlights:

- Council is expected to have generated a **2019 surplus** in excess of \$120,000 due to pledges exceeding expectations and costs below budget. As we've done the last two years, we are going to recycle most of that surplus in 2020 to help fund our mission priorities.
- **Pledge income** is budgeted at \$2,017,500, almost \$50,000 less than 2019's budget. A majority of our congregations increased their pledge percentage and/or dollar pledge this year, but unfortunately those were offset by significant decreases from a few of our highest-pledging congregations.
- **The Trustees** agreed to contribute an additional \$50,000 beyond their traditional contributions in order to help ensure that critical diocesan services not be sacrificed. The contribution will be used to fund the diocese's post-retirement medical benefit obligations for the year.
- Continuing a trend that started two years ago, our **new ministries activity**—recently, *Joining God in Shaping our Future*—is declining as we concentrate our resources on staffing that directly supports all of our congregations in fulfilling their ministry.

- The **Bishop's Advisor for Leadership Giving**, who has been a consultant paid out of the Bishop's Discretionary Fund, will become an employee on the bishop's staff and focus her efforts on enhancing stewardship efforts across the diocese. To help cover the increased cost, the bishop has agreed to increase her annual contribution to the Council budget by \$60,000.
- Due to an expected reduction in contributions to the Alleluia fund, we are making a corresponding reduction to the budget for **Domestic and international outreach** to \$150,000. Outside of the budget, the diocese will make additional grants of approximately \$814,000 from investments and endowment income to support churches, provide scholarships to diocesan youth and supplement the retirement income of retired clergy (see Exhibit 4).
- Our **2020 pledge payment to The Episcopal Church (TEC)** will again be equal to 100% of the amount assessed by TEC. Our 2020 pledge will increase from \$370,621 to \$377,296, which is 14.5% of unrestricted income.
- We will continue to make cash contributions toward future obligations: \$101,000 to the **lay pension plan** and \$30,000 to largely eliminate the remaining \$40,000 deficit from the recent **search and call of our bishop**.

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We expect to end 2020 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 also 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 2020 Operating Budget, with details on a line-by-line basis, plus additional information about the other financial assets of the diocese.



## II. Proposed 2020 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 2020

*The budget process allowed members of all congregations to participate in the development of the 2020 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 2020 budget for presentation to Convention.

### **OVERVIEW OF THE 2020 DIOCESAN OPERATING BUDGET**

#### **Income**

Our budget is funded by our call to live into God's abundant future with about 64% 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 2020 budget for pledge income is based on the 2020 pledges received so far and an estimate of pledges from churches that have not yet submitted a pledge based upon their 2019 pledge payments. Based on this, we are budgeting our 2020 pledge income at \$2,017,500, about \$83,000 less than the projected collections for 2019, and a \$47,500 budget decrease from 2019. The cause for the drop was significant reductions in pledges from four congregations, only partly offset by dozens of others that increased their pledge.

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 \$1,625,000 to 80 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 the sale of closed church properties and from the Bishop's Discretionary Funds – provide the remaining 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.*

### **THE OPERATING BUDGET EXPENSE CATEGORIES**

#### **Staffing and Compensation**

The most important resource that the budget supports is enabling the diocese to live into Christ's mission through the work of the staff at Episcopal House. The 8.5% aggregate increase in compensation is attributable to the following causes:

- The Bishop's Advisor for Leadership Giving has been switched from a consultant (paid by the bishop) to full-time employee status, to reflect her change in focus from fundraising to stewardship education.
- In 2019, the Canon for Congregational Life started mid-year, so in 2020 we must absorb her full-year's compensation.

## II. Proposed 2020 Council Budget--Overview

- In 2020 we are not budgeting funds for part-time pastoral care and youth coordinator positions because the funding isn't available at this time. The need for both positions still exists.
- We are recommending 2% COLA salary increases for the staff.

### Equipping Congregations

**New Ministries Funding:** After seven years of significant funding, we are largely eliminating funding for missional initiatives while we concentrate our resources on staffing that is needed to ensure that all of our congregations get the assistance that they need from the Bishop's staff. Nonetheless, we have made some funds available to continue the work of *Joining God in Shaping our Future*, or begin new initiatives.

**Stewardship:** Beginning in 2020 we will have a full-time staff member available to advance stewardship education throughout the diocese. We will also continue to make The Episcopal Network for Stewardship (TENS) available 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

Beginning in the fall of 2019, Cross Roads Camp, with funding from a donor's three-year activation grant, began staffing the Pop-Up Youth Ministry initiative for our youth activities at the diocesan level.

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 Anti-Racism Dialogues 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 2020. 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 4.8% of our 2020 budget, and the total of TEC pledge and outreach equals 16.8% of our budget.

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. In 2019 we also began producing a condensed, quarterly, printable pdf version of *The VOICE* for distribution by our congregations.

We continue to seek opportunities to address social justice issues in a number of ways. 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 2020 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 2020 Budget**

Description	Proposed 2020 Budget	Adjusted Budget 2019	Projected 2019 Actual	Comment
<b><i>Income</i></b>				
<b><i>Unrestricted Income</i></b>				
1 Pledge Revenue	\$2,017,500	\$2,065,000	\$2,100,217	
2 Investment Income	154,000	148,000	151,565	DIT distribution on Council-benefit assets
3 Investment Administration Fee	152,000	150,000	152,636	25 basis points fee on most DIT assets
4 Rental Income-Episcopal House	79,760	79,760	79,760	
5 Bishop's Discretionary Fund	105,000	45,000	45,000	
6 Diocesan Surplus	100,000	75,000	75,000	
<b>Total Unrestricted Income</b>	<b>\$2,608,260</b>	<b>\$2,562,760</b>	<b>\$2,604,178</b>	
<b><i>Restricted Income</i></b>				
7 Alleluia Fund	80,000	110,000	95,000	Funds a portion of line 30
8 Direct Administration Fees	239,038	236,345	235,608	Reimbursements of Council compensation funds line 18
9 New Ministry Initiatives	24,000	85,850	18,371	
10 Trustees support to Council	188,500	122,000	122,000	Funds lines 16, 17, 43 and part of line 12
<b>Total Restricted Income</b>	<b>\$531,538</b>	<b>\$554,195</b>	<b>\$470,979</b>	
<b>Total Income</b>	<b>\$3,139,798</b>	<b>\$3,116,955</b>	<b>\$3,075,157</b>	
<b><i>Expenses</i></b>				
<b><i>Compensation</i></b>				
11 Salaries	1,276,829	1,164,847	1,141,508	
12 Pension	180,653	169,554	161,859	
13 Medical/Dental	299,858	281,644	279,499	
14 SECA/FICA	98,191	89,512	84,808	
15 Life/Disability/WC/SUI	36,359	41,445	33,341	
16 Post-Retirement medical Insurance	50,160	53,900	54,216	Funded by the Trustees
17 Lay Pension	101,000	83,200	83,200	Pension plan liability; funded by Trustees
<b>Total Compensation</b>	<b>\$2,043,050</b>	<b>\$1,884,102</b>	<b>\$1,838,431</b>	
<b><i>Equipping Congregations</i></b>				
18 New Ministry Programs	24,000	66,550	14,041	Funded by New Ministry Funds
19 Stewardship/Fund Development	15,000	28,300	11,068	
20 Congregation/Clergy/Min. Development	6,450	8,250	10,768	
<b>Total Equipping Congregations</b>	<b>\$45,450</b>	<b>\$103,100</b>	<b>\$35,877</b>	
<b><i>Empowering People</i></b>				
21 Youth & Young Adult Ministry	20,900	37,150	20,547	
22 Diocesan Convention	15,000	14,150	15,160	
23 Clergy Conference	5,500	7,500	6,421	
24 Commission on Ministry	1,000	2,840	2,964	
25 Hispanic/Latino Ministry	1,000	2,150	771	
26 Education for Ministry	1,750	1,750	1,850	
27 Anti-Sexism Task Force	3,244	5,000	2,076	
28 Namaste (Dismantling Racism)	1,000	2,875	0	Have \$3k in reserve
<b>Total Empowering People</b>	<b>\$49,394</b>	<b>\$73,415</b>	<b>\$49,789</b>	
<b><i>Engaging the World</i></b>				
29 Pledge to The Episcopal Church (TEC)	377,296	370,621	370,621	Equals TEC "ask" for 2020 (15% of adj inc.)
30 Outreach Grants	150,000	180,000	195,876	
31 General Convention 2021	17,000	17,000	17,000	Estimate of 2021 costs (over three years)
32 Communications	23,740	23,190	21,536	
33 NJ Advocacy	10,000	10,000	10,000	
34 Deacons	500	500	320	Have \$3k in reserve
35 Liturgy & Music	3,500	4,350	3,221	
36 Ecumenical & Interfaith Officer	2,920	2,600	2,140	
37 Prison Ministry	250	500	500	
<b>Total Engaging the World</b>	<b>\$585,206</b>	<b>\$608,761</b>	<b>\$621,214</b>	
<b><i>Mission Oversight/Admin</i></b>				
38 Administration	89,000	94,650	84,515	
39 Finance	91,450	92,450	87,166	
40 Buildings & Grounds	115,500	125,150	115,739	
41 Information Technology	39,266	46,500	36,960	
42 Bishop's Expenses	50,050	59,000	49,246	
43 Search & Call of Next Bishop	30,000	30,000	30,000	Funded by the Trustees
<b>Total Mission Oversight/Admin</b>	<b>\$415,266</b>	<b>\$447,750</b>	<b>\$403,626</b>	
<b>Total Expense</b>	<b>\$3,138,366</b>	<b>\$3,117,128</b>	<b>\$2,948,937</b>	
<b>Surplus / (Deficit)</b>	<b>\$1,432</b>	<b>(\$173)</b>	<b>\$126,220</b>	

# Proposed 2020 Council Budget—Line Item Details

*The following pages provide line-by-line detail of the proposed 2020 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 10<sup>th</sup>, we have received 80 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 2020 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 \$65,000 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 diocese leased the fifth floor of Episcopal House (31 Mulberry St., Newark) 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—an empowerment program for teenage girls—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. For 2020, the bishop has decided to increase her contribution by \$60,000 to help fund the Bishop's Advisor for Stewardship.
6. **Diocesan Surplus.** Council generated a substantial surplus in 2019 due to pledges being higher than anticipated and expenses lower. We will recycle these unused funds in 2020.
7. **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 2020 of \$80,000 will provide 53% of the outreach grants that are reflected in line 52; the \$70,000 balance of outreach will be funded out of pledge revenues.
8. **Direct Administration Fees.** The diocesan staff performs property management, accounting and other services for the trustees and a number of diocesan entities for which there is a direct administrative charge. The amounts are based on the proportion of time that staff spends performing such services for each entity. See Exhibit 3.

## Proposed 2020 Council Budget—Line Item Details

9. **New Ministry Initiatives Fund.** This fund is available to support new ministries of congregations and the diocese. The reduced level of funding in 2020 reflects reduced demand for the funds as the Joining God in Shaping our Future initiative has reached the end of its investment cycle.
10. **Trustee Support to Council.** In 2020, the trustees are providing financial support to the Council budget by allocating funds from Closed church properties 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). In addition, they are providing \$50,000 from the Amalgamed Fund, which will fully post-retirement medical benefits. Refer to Exhibit 2 for further information.

### **EXPENSES**

#### **Compensation (lines 11-17)**

Staff expenses constitute the largest share of the expenses of the diocese, accounting for 65% of total expenses in the 2020 budget. The 2020 budget assumes 14.5 full-time-equivalent employees. We are proposing a 2% increase in the compensation of the staff, though medical costs will be up about 7%. The staff contributes 10% to the cost of their medical insurance through payroll deductions.

16. **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, though the Audit Committee made a decision recently to save money by only re-calculating the liability every three years (to be incurred in 2022, 2025, etc.)
17. **Lay Pension.** This line item is a provision to reduce the underfunded liability of the lay pension plan. This plan was underfunded by approximately \$868,000 at 12/31/18 and the budget includes a contribution to the pension plan assets with the goal of eliminating the net liability over the next 6 years. An actuarial review has been 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. As with the post-retirement insurance plan, going forward, actuarial calculations will be performed every three years, with estimated contributions in interim years. We expect to eliminate the unfunded liability by the end of 2025.
18. **New Ministry Programs.** While the Joining God in Shaping our Future initiative may not incur any costs in 2020, we are nonetheless budgeting for some new ministry expenses this year. It is funded by income from the New Ministry Initiatives Fund in Line 13.
19. **Stewardship/Fund Development.** This line includes the program costs of our development and stewardship efforts other than compensation; and the annual fee for membership in The Episcopal Network for Stewardship (TENS).
20. **Congregation/Clergy/Ministry Development.** These are expenses of the offices of the Canon to the Ordinary and Canon for Congregational Life that provide consultants and training resources to congregations and clergy during periods of ministry transition. In addition, this budget item 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.
21. **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 and a reserve for the triennial General Convention.

## Proposed 2020 Council Budget—Line Item Details

22. **Diocesan Convention.** The approximate \$103k cost of the annual diocesan convention is substantially offset by registration fees and fees paid by vendors, resulting in a net expense of \$15,000 for the 2020 convention. Refer to Exhibit 5 for details.
41. **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.
24. **Commission on Ministry.** Expenses include the administrative costs of the commission and its subcommittees.
25. **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.
26. **Education for Ministry.** This line item funds the annual fee for diocesan participation in the EfM program; in 2019-20, there are six seminar groups with about 60 participants in the diocese.
27. **Anti-Sexism Task Force.** The task force was created by resolution at the 144<sup>th</sup> Convention and initially funded in 2019 by Council. Over three years it will develop Anti-Sexism Training and report on equity in compensation and role.
28. **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 2020 is low because there are some funds held in reserve.
29. **The Episcopal Church Pledge.** Our 2020 pledge to The Episcopal Church (TEC) of \$377,296 represents 100% of the amount that TEC has assessed the diocese for the year. The 2020 pledge approximates 12.0% of total income and 14.5% of unrestricted income. It was calculated based upon 15% of unrestricted 2018 revenues.
30. **Outreach Grants.** Our commitment to funding outreach as part of our operating budget includes grants to domestic and international entities. The 2020 budget of \$150,000 for outreach grants may be supplemented by up to \$11,123 in undistributed funds from prior years held in reserve.
31. **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 2020 budget.
32. **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.
33. **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.
34. **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.
35. **Liturgy & Music.** Designs liturgies for diocesan services (Diocesan Convention, confirmations, and ordinations) and provides liturgical resources for congregations throughout the year.

## Proposed 2020 Council Budget—Line Item Details

36. **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.
37. **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.
38. **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.
39. **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.
40. **Buildings and Grounds.** Utilities, maintenance, and other costs for Episcopal House. Refer to Exhibit 8 for details.
41. **Information Technology.** The cost of technology at Episcopal House, including equipment, software, network service, and a consultant to oversee the infrastructure and assist us with the conversion in 2020 to a new diocesan database and accounting system (ACS/RELM) and I.T. architecture.
42. **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
43. **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 we will need to sustain in order to fully fund these periodic calls. The 2020 contribution will be used to pay down most of the remaining deficit from the 2018 search.

**Diocese of Newark  
Budget 2020**

**Exhibit 1: Investment Income**

The 4.25% income distribution from the \$28.8M 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 12% 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 2020	Budget 2019	Projected 2019
<b>Trustee Discretionary Funds</b>			
Amalgamated Fund	\$ 40,000	\$ 38,000	\$ 38,000
Barber's Trust -- Council Allocation --see note (a)	24,747	23,700	23,930
<i>Total Income from Trustee Discretionary Funds</i>	<u>\$ 64,747</u>	<u>\$ 61,700</u>	<u>\$ 61,930</u>
<b>DIT Funds Held by Trustees for benefit of Council</b>			
Outreach Endowment	\$ 36,885	\$ 35,500	\$ 35,669
Bishop Lines Memorial Endowment	35,889	34,700	34,705
Diocesan House Endowment	5,130	4,950	4,960
West Trust (20% Council, 80% St. George's Maplewood)	267	250	258
Christine Spong Fund for Youth	2,225	2,100	2,151
<i>Total Income from Funds held fbo Council</i>	<u>\$ 80,396</u>	<u>\$ 77,500</u>	<u>\$ 77,743</u>
<b>Other Investment Income</b>			
Cross Roads Camp endowment	4,361	4,200	4,216
Interest income on bank accounts (net of fees)	3,296	3,400	6,476
Panther Valley Donation	1,200	1,200	1,200
<i>Total other investment income</i>	<u>\$ 8,857</u>	<u>\$ 8,800</u>	<u>\$ 11,892</u>
<i>Total Funding</i>	<u>\$ 154,000</u>	<u>\$ 148,000</u>	<u>\$ 151,565</u>

(a) By longstanding Trustee policy, income from the Barber's Trust is divided as follows: 48% to the Cathedral, 28% to Council and 24% to BDF. The amounts above are Council's share.

**Exhibit 2: Trustees Support to Council**

**Sources**

Amalgamated Funds	\$ 50,000	
Undesignated Proceeds from Sales of Properties	138,500	
Total	<u>\$ 188,500</u>	Line 10

**Uses:**

Lay Pension	\$ 108,500	Line 17 & parts of line 12
Search & Call of Next Bishop	30,000	Line 43
Post-retirement medical benefits	50,000	
Total Uses of Trustees Support to Council	<u>\$ 188,500</u>	

**Diocese of Newark  
Budget 2020**

**Exhibit 3: Direct Administration Fees**

<u>Entity</u>	<u>Charge</u>
Trustees	\$ 198,138
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>\$ 239,038</u>

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

Description	Budget 2020	Budget 2019	Projected 2019
<b><i>Outreach</i></b>			
The Episcopal Church Pledge (a)	\$ 377,296	\$ 370,621	\$ 370,621
Outreach (Domestic and international grants) (a)	150,000	180,000	195,876
<i>Total Outreach</i>	<u>527,296</u>	<u>550,621</u>	<u>566,497</u>
<b><i>Congregational Support: Buildings and Mission</i></b>			
Ward J. Herbert	287,000	284,500	260,712
Bishop's Church Emergency Fund	32,000	34,000	34,000
<i>Total Support--Buildings</i>	<u>319,000</u>	<u>318,500</u>	<u>294,712</u>
ACTS/VIM	198,000	186,000	186,000
Marge Christie Congregational Growth & Vitality	76,000	63,500	45,500
<i>Total Support--Programs and mission</i>	<u>274,000</u>	<u>249,500</u>	<u>231,500</u>
<i>Total Congregational Support</i>	<u>593,000</u>	<u>568,000</u>	<u>526,212</u>
<b><i>Scholarships</i></b>			
Gertrude Butts (Diocesan youth)	145,000	125,000	147,500
George Rath (Clergy children)	27,000	24,500	26,000
<i>Total Scholarships</i>	<u>172,000</u>	<u>149,500</u>	<u>173,500</u>
<b><i>Clergy Support</i></b>			
Fund for the Aged & Infirm	46,000	44,000	38,000
Gladys Duffy Fund	2,800	2,700	2,500
<i>Total Clergy Support</i>	<u>48,800</u>	<u>46,700</u>	<u>40,500</u>
<i>Total Funding</i>	<u>\$ 1,341,096</u>	<u>\$ 1,314,821</u>	<u>\$ 1,306,709</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 included in the operating budget.

**Diocese of Newark  
Budget 2020**

Description	Budget 2020	Budget 2019	Projected 2019
<b>Exhibit 5: Diocesan Convention (Line 22) Details</b>			
<b>Income</b>			
Registration and Meals	\$ 83,000	\$ 80,000	\$ 85,022
Vendor Fees	5,000	4,000	5,630
Total Income	<u>88,000</u>	<u>84,000</u>	<u>90,652</u>
<b>Expenses</b>			
Hotel -- Rooms and Food	74,000	70,000	75,060
Audio/Visual Services	25,000	20,000	29,290
Miscellaneous	4,000	7,150	1,462
Total Expenses	<u>103,000</u>	<u>98,150</u>	<u>105,812</u>
Net Expense	<u>\$ 15,000</u>	<u>\$ 14,150</u>	<u>\$ 15,160</u>

**Exhibit 6: Administration (Line 38) Details**

Telephone lease and costs	\$ 20,300	\$ 23,800	\$ 20,202
Copier lease and costs	21,000	22,000	21,019
Meals for committee and other meetings	16,000	16,000	13,914
Temporary staff	8,000	9,000	7,612
Printing and office supplies	7,000	8,500	9,292
Postage and shipping	6,300	7,300	6,550
Continuing education	5,700	3,700	2,464
Miscellaneous	4,700	4,350	3,462
Total	<u>\$ 89,000</u>	<u>\$ 94,650</u>	<u>\$ 84,515</u>

**Diocese of Newark  
Budget 2020**

Description	Budget 2020	Budget 2019	Projected 2019
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**Exhibit 7: Finance (Line 39) Details**

Property and liability insurance	\$ 58,800	\$ 59,700	\$ 56,203
Audit fees	25,000	24,000	24,000
Bank and payroll charges	2,500	2,500	3,286
Transportation	1,600	2,100	1,136
Postage and office supplies	1,600	1,600	1,593
Continuing education	1,350	1,350	800
Miscellaneous	600	1,200	148
Total	<u>\$ 91,450</u>	<u>\$ 92,450</u>	<u>\$ 87,166</u>

**Exhibit 8: Buildings & Grounds (Line 40) Details**

Utilities	\$ 47,400	\$ 52,100	\$ 51,051
Repairs and maintenance	40,500	42,450	44,166
Cleaning Services (a)	23,200	23,500	15,403
Security system	3,000	3,300	2,919
Materials and supplies	1,100	3,350	1,891
Miscellaneous	300	450	309
Total	<u>\$ 115,500</u>	<u>\$ 125,150</u>	<u>\$ 115,739</u>

### **III. Proposed 2020 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, 2019, approximated \$49.2 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 \$64,747 of investment income to be used by the Council for the 2020 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 \$16.5 million at November 30, 2019 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 \$65.6 million at November 30, 2019, is shown in Exhibit 9.

**Diocesan Investment Trust**

<b>Owner and Beneficiary Fund Name/Description</b>	<b>Restrictions</b>	<b>Balance 30-Nov-19</b>	<b>Balance 31-Dec-18</b>
Trustees' Discretionary Funds			
Trustee Unrestricted Funds	Distributions at the discretion of the trustees	5,192,844	4,492,185
Trustee Donor Restricted (Barber)	Endowment--Income is unrestricted	2,196,734	1,927,570
		<u>7,389,577</u>	<u>6,419,755</u>
Trustee Funds For Benefit of Council (in-Budget)			
Outreach Endowment	Distributions are restricted	916,792	804,460
Bishop Lines Memorial Endowment	Distributions are restricted	892,031	782,732
Diocesan House Endowment	Distributions are restricted	127,501	111,878
		<u>1,936,324</u>	<u>1,699,070</u>
Trustee Funds For Benefit of Diocesan Programs			
Ward J. Herbert Fund	Endowment--Income for diocesan building renovations	6,343,932	5,567,410
ACTS/VIM	Endowment--Income for grants to ministry programs/projects	5,183,599	4,539,964
Jersey City Area Ministry Funds	Distributions are limited to ministries in Jersey City	5,031,649	4,415,174
Marge Christie Fund	Endowment--Income for congregational development	1,545,963	1,341,272
Bishop George Rath Education Fund	Endowment--Income to scholarships for clergy children	738,066	649,396
Episcopal Capital Loan Fund	Unrestricted--Loans to congregations	512,045	568,086
Other Council accounts	Distributions are restricted	121,467	104,253
		<u>19,476,722</u>	<u>17,185,554</u>
Trustee Funds for Benefit of Others			
Churches/Ecclesiastical Org's (a)	Distributions at discretion of trustees	8,353,459	7,119,648
Bishop's Discretionary Fund	Endowment--Income paid to BDF	6,627,051	5,811,448
Lay Pension Plan	Restricted--lay pension plan	2,345,058	2,022,862
Funds for retired clergy	Endowment--Income for retired clergy and dependents	1,321,008	1,107,666
Clergy Housing Equity	Restricted--Funds paid out at retirement	771,412	732,306
Bishop's Church Ext. Fund	Trustee Restricted Endowment	526,099	461,488
Misc. other	Distributions are restricted	435,793	365,262
		<u>20,379,881</u>	<u>17,620,681</u>
Funds Held for Others			
Church Accounts (b)	Unrestricted--income and principal available at church discretion	14,011,130	11,560,469
Gertrude Butts Fund	Endowment--Income for scholarships for diocesan youth	2,458,350	2,238,748
		<u>16,469,480</u>	<u>13,799,217</u>
	<b>Total Funds Invested in the Diocesan Trust</b>	<b>\$ 65,651,985</b>	<b>\$ 56,724,277</b>

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

(b) Includes 42 churches and ecclesiastical organizations

## Proposed 2020 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. For 2020 the bishop is increasing her contribution to \$105,000 as a way of sharing the proceeds of the Bishop's Circle fundraising with Council.

Following is a summary of the uses of BDF income in 2019 and 2018

Description	2019	2018
Theological Education and Support of Seminarians	\$ 58,016	\$ 69,968
Donations	10,500	46,500
Contribution to Diocesan Operating Budget	45,000	45,000
Clergy Continuing Education	16,702	20,360
Fund Development	96,000	96,000
Other	58,837	72,648
Total:	<u>\$ 285,055</u>	<u>\$ 350,476</u>

**Diocese of Newark  
Financial History**

	Budget 2020	Projected 2019	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
<b>INCOME</b>							
<b>Unrestricted Income</b>							
Pledge Revenue	\$ 2,017,500	\$ 2,100,217	\$ 2,064,973	\$ 2,063,755	\$ 2,080,468	\$ 2,100,442	\$ 2,100,000
Investments & rental income	385,760	383,961	357,199	337,636	306,422	292,760	283,260
Trustees support to Council	188,500	122,000	113,000	94,000	106,000	203,000	131,000
Other Income	344,038	280,608	144,123	135,500	84,945	85,043	76,300
Diocesan Surplus	100,000	75,000	85,000	-	-	-	-
<b>Restricted Income</b>							
Alleluia Fund	80,000	95,000	125,876	111,037	125,569	122,370	113,365
New Ministry Initiatives	24,000	18,371	107,510	241,582	301,366	252,603	157,610
<b>Total Income</b>	<b>3,139,798</b>	<b>3,075,157</b>	<b>2,997,681</b>	<b>2,983,510</b>	<b>3,004,770</b>	<b>3,056,218</b>	<b>2,861,535</b>
<b>EXPENSES</b>							
<b>Compensation</b>							
Salaries	1,276,829	1,141,508	1,118,858	1,024,313	1,055,737	1,033,526	941,389
Benefits	766,221	696,923	637,697	629,125	597,105	615,630	677,126
Total Compensation	2,043,050	1,838,431	1,756,555	1,653,438	1,652,842	1,649,156	1,618,515
<b>Equipping Congregations</b>							
Joining God in Shaping Our Future	24,000	14,041	76,847	110,790	157,710	97,054	60,328
Other	21,450	21,836	25,882	32,072	45,638	65,306	65,709
Total Equipping	45,450	35,877	102,729	142,862	203,348	162,360	126,037
<b>Empowering People</b>							
	49,394	49,789	51,647	32,726	53,927	31,446	33,475
<b>Engaging the World</b>							
Pledge to The Episcopal Church (a)	377,296	370,621	361,108	397,776	435,823	574,700	446,500
Outreach	150,000	195,876	180,000	177,845	177,000	171,050	165,093
Other	57,910	54,717	49,507	64,546	67,673	58,795	44,753
Total Engaging	585,206	621,214	590,615	640,167	680,496	804,545	656,346
<b>Mission Oversight/Administration</b>							
	415,266	403,626	407,948	398,739	410,843	405,523	403,050
Total Expense	3,138,366	2,948,937	2,909,494	2,867,932	3,001,456	3,053,030	2,837,423
<b>NET INCOME</b>	<b>\$ 1,432</b>	<b>\$ 126,220</b>	<b>\$ 88,187</b>	<b>\$ 115,578</b>	<b>\$ 3,314</b>	<b>\$ 3,188</b>	<b>\$ 24,112</b>

(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.