

The Episcopal Diocese of Western Massachusetts

Memorandum

To: Delegates to the 121st Diocesan Convention
From: Kimberly A Foster, Chief Financial Officer
Subject: **Plan for Use of Diocesan Resources in 2023**
Date: October 6, 2022

On behalf of Bishop Fisher and Diocesan Council I am pleased to present the proposed budget for 2023. I will be available to answer questions about this plan at a Q & A Budget Hearing scheduled for 5:00 PM on Thursday, November 3rd via Zoom. This is an optional meeting for those who may still have questions after reviewing this plan. Additionally, you are most welcome to contact me directly. I can be reached at kfoster@diocesewma.org.

Overview of Current Year - 2022

Over the course of 2022 we have again been called on to adapt to the challenges presented by ongoing pandemic conditions. Statistics tell us that in many churches fewer people are attending Sunday worship in person since COVID-19 began. To assure continuity of our connectedness at a time when we need our faith communities more than ever, we continue to explore innovative means to come together by offering hybrid events and programs. After two years of virtual conventions, this year we'll gather together in person once again and will offer virtual attendance for those whose health concerns make in-person attendance difficult.

After the unexpected stock market gains in 2021, this year the high rate of inflation and the financial market downturn has been a topic of concern for all. The chances that the stock market will end 2022 on a high note have nearly evaporated. It's important to remember that ups and downs are natural in the markets. We must stay the course, call on our faith and continue to do our work in our respective communities and in the world.

The Plan - 2023

Each budget year we strive to align our human, financial, and spiritual resources in support of our common mission. The focus continues to be on increasing vitality and vibrancy in our congregations. Our strategy is to continue to invest in leadership formation and development work, and to discover ways to support our congregations in gathered settings within and beyond our buildings.

Our work is guided by priorities and goals set by the Episcopal Church, the Bishop and Diocesan leadership:

- Developing and supporting transformational lay and clergy leaders
- Engaging congregations in processes of honest, healthy self-assessment and renewal
- Encouraging inter-diocesan, ecumenical, and interfaith partnerships in congregations and the Bishop's office
- Providing opportunities for clergy to gather for support and networking
- Committing to Racial Reconciliation, Creation Care and God's justice "on earth as it is in heaven"
- Encouraging and supporting new initiatives in ministry (moving from idea to ministry and from ministry to a movement)

Staff Allocation Changes and Other Adjustments

Each year we reallocate personnel costs for staff amongst the key budget categories to assure we accurately represent personnel expenses as a reflection of the work we've been given to do. These allocations do not affect the 'bottom line' of our budget rather seek to accurately express the ways that our staff spends their time. Key changes for 2023 are as follows:

- Canon Vicki Ix reduced her time in the area of Communications from 100% to 70% and added 15% each in Congregational Support and Formation & Leadership Development.
- Susan Olbon has made the decision to step down in her role as Canon for Administration as of March 31st 2023. Beginning April 1st, Susan's hours will be reduced to 20 per week and her focus will be on HR and Benefits Compliance matters.
- Alison Gamache is now 100% Communications and no longer assists in the area of payroll and benefits.
- Melanie Cortis has increased her time spent in the area of payroll & benefits administration to 65%.
- 20 weekly hours have been added for our Administrative Assistant, Amanda Paredes, allocated amongst key categories.

EXPENSES:

For 2023 planning purposes we assume activities such as travel will resume at baseline levels similar to pre-pandemic 2019 figures and events, programs and gatherings will again be offered in person, to include optional virtual attendance. Due to the high inflation rate, a 5% cost of living increase has been applied to staff compensation.

2023 will require an additional draw of \$98,200 from invested funds to balance the budget. This draw comes from a fund with the Trustees set up specifically for this purpose and will not impact the spending rule distributions that we rely on from year to year.

Description of Major Budget Categories

- **Bishop's Ministry: \$580,305** includes our communications work, parish visitations, confirmations and ordinations, and representation at the house of Bishops and other communion wide work.
- **Congregational Support: \$480,751** includes funding of \$146,000 in grant opportunities, significant support to congregations around clergy transitions, Safe Church Training & Prevention, and our budgets for Young Adult Ministry and Hispanic Ministry in the Diocese.
- **Formation & Leadership Development: \$344,694** funds our Parish Leadership Day and other diocesan wide leadership events, Clergy Day(s) and Clergy Conference, leadership training and coaching, Loving the Questions, Commission on Ministry, Diaconate Formation, Fresh Start, Seminarian Assistance, and support for the Episcopal Service Corps program in our diocese at All Saints, South Hadley.
- **Mission in the World: \$509,333** includes support for our outdoor worship communities, Creation Care, our apportionment to the Episcopal Church, Global Mission grants, support of ecumenical organizations, and support of Episcopal Relief and Development.
- **Governance: \$159,431** represents Chancellor's expenses, the cost of Diocesan Convention, General Convention (every three years), benefits for lay and ordained retirees, and costs associated with the Title IV disciplinary process.
- **Finance & Administration: \$425,333** are costs related to general business office operations including staff compensation and benefits, rent to CCC, repairs & maintenance, internet, telephone, supplies, leased equipment, property & liability insurance, cyber insurance, and the annual audit fee.
- **Agency: Admin & Human Resource Services: \$156,778** provides full payroll services, benefits administration, and oversight of the property and casualty insurance program for the congregations and programs of the diocese.

Other Notable Lines

- Our 2023 budget for Mission in the World (Outreach) is \$509,333K. This includes our Apportionment to The Episcopal Church of \$334,843
- \$70,000 for Ministry Development Initiatives
- \$24,200 for Formation and Leadership Development training and consulting
- \$10,000 annual grant to support Lawrence House, our Episcopal Service Corps program run out of All Saints' in S. Hadley
- \$141,838 to support Hispanic Ministry
- \$76,000 in scholarships for members of our congregations, children of clergy, and seminarians
- \$51,952 to support our Creation Care Ministry

Expense Summary

The total expense budget in 2023 is \$2,656,625. Payroll and personnel related expenses make up 48.5% of the budget. The work of the Bishop's office is relational and highly dependent on personnel. Specific services provided by the Administrative Offices of the Diocese to the congregations are payroll & benefits administration, HR support, transition ministry support, congregational development programs and support. Included in the budget is the cost of the diocesan convention, clergy conferences, and diocesan wide leadership development events.

INCOME:

We are expecting \$2,657,375 in total revenue in 2023, a decrease of \$50,000 compared to 2022 projections.

Summary of Revenue Breakdown

- **Assessment for Common Ministry: \$1,090,125*** represents 41.0% of the budget. This is a decrease of over \$45K compared to 2022 assessment revenue of \$1,135,521.
- **Use of Investments – Spending Rule: \$1,406,000** is a reasonable estimate given current market conditions. The Trustees base the 5% annual distribution using a 20-quarter rolling average which acts to smooth negative and positive trends in the market to assure that income from investments remains relatively steady despite fluctuations in the market.
- **Use of Investments – Additional Draw: \$98,200** is needed to balance the operating budget. We have a fund invested with the Trustees set up specifically for this purpose to assure that draws do not adversely impact our 5% spending rule distributions.
- **Program Income: \$30,250** in registration fees generated from Diocesan Convention, Safe Church, Parish Leadership Day, Clergy Conference, and Loving the Questions.
- **Other Income: \$32,800** is projected with \$3,200 committed by the Diocese of Massachusetts in support of Good News Gardens; \$14,000 from a two-year grant from The Episcopal Church in support of Young Adult Ministry; \$5,000 in support of Hispanic Ministries in the Diocese coming from the annual Stickney Trust distribution; and the balance relates to reimbursement from the Trustees for administrative support to Mick Kalber, Executive Director of the Trustees for the Diocese of WMA.

*Assessment Income (Support for Common Ministry) - Assessment income is budgeted using our standard formula (noted below), which uses the average of the most recent three full years of Normal Operating Income as reported on the parochial report.

The first \$50,000 of Operating Revenues are assessed at a rate of 6.75%
Operating Revenues of from \$50,001 to \$75,000 are assessed at a rate of 9.75%
Operating Revenues of from \$75,001 to \$125,000 are assessed at a rate of 10.5%
Operating Revenues of from \$125,001 to \$200,000 are assessed at a rate of 12.25%
Operating Revenues over \$200,000 are assessed at a rate of 13.25%

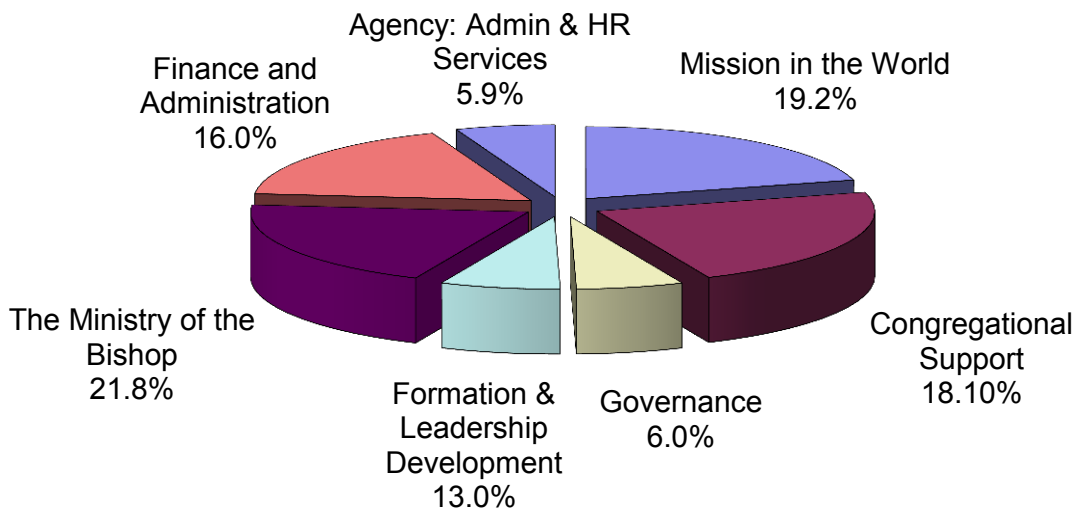
Bottom Line:

The budget for 2023 is balanced with the aid of a \$98,200 additional draw from our invested funds. We will monitor income and expenses closely and be prepared to adjust the budget as necessary, due to an ever-changing environment.

In conclusion, the diocese is in excellent position to serve its congregations and to serve our ministries as we continue to navigate the challenges presented by the pandemic and current economic and market conditions.

I encourage you to accept this 2023 budget proposal of the Diocese of Western Massachusetts.

Budget Expenses by Category

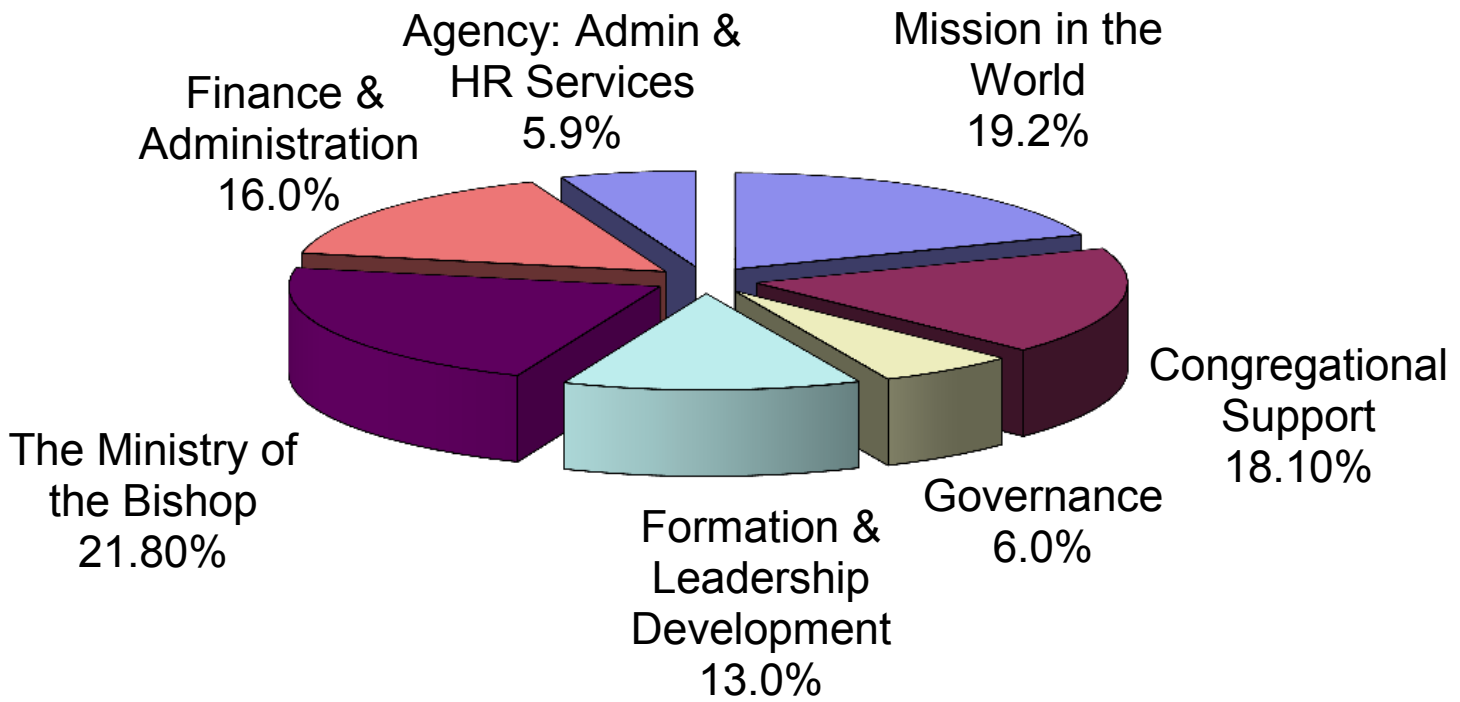


Members of Diocesan Council: The Rt. Rev. Doug Fisher (President), Mr. Mark Rogers (Treasurer), the Rev. Tanya Wallace (Vice President), Ms. Wende Wheeler (Secretary), the Rev. Dr. Richard Simpson (Assistant Secretary), Mr. Frank Minasian (Trustee Representative), the Rev. Tom Callard, Mr. Richard Delorme, Mr. Richard Gore, the Rev. Charlotte LaForest, the Rev. Eliot Moss, Ms. Mary Frances Rozak, the Rev. Dcn. Beth Washburn, Mr. Reynolds Whalen, Ms. Janet Walsh Young, and the Rev. Dr. Janet Zimmerman

Members of the Budget and Financial Planning Committee: Mark Rogers, Committee Chair (Church of the Reconciliation, Webster, MA), Mick Kalber (Holy Trinity, Southbridge), Wayne Gass (All Saints, South Hadley), Al Symonds (St. Stephen's, Pittsfield), Robert Perkins (Holy Spirit Church, Sutton), the Rev. Dr. Janet Zimmerman (Berkshire Corridor), and Kimberly Foster (CFO, Assistant Treasurer)

One Page Summary of the Proposed 2023 Budget

	2020 Actual	2021 Actual	2022 Budget	2023 Proposed Budget	<u>% of Budget</u>
<i>OPERATING REVENUES</i>					
Assessment for Common Ministry	1,000,980	1,139,884	1,135,521	1,090,125	41.0%
Use of Investments - Spending Rule	1,149,100	1,376,328	1,407,600	1,406,000	52.9%
Investment Income - Additional Draw	0	0	68,200	98,200	3.7%
Program Income	5,721	8,235	31,250	30,250	1.1%
Other Income and Gifts	325,293	30,429	64,790	32,800	1.2%
Internal Funding		6,320	<u>0</u>	<u>0</u>	0.0%
<u>Interest Income</u>	<u>930</u>	<u>681</u>	<u>0</u>	<u>0</u>	0.0%
TOTAL REVENUES FOR DIOCESAN OPERATIONS	2,482,025	2,561,877	2,707,361	2,657,375	100.0%
<i>OPERATING EXPENSES</i>					
The Ministry of the Bishop	487,536	544,976	584,291	580,305	21.8%
Congregational Support	461,819	617,163	457,944	480,751	18.1%
Formation & Leadership Development	165,449	127,261	337,272	344,694	13.0%
Mission in the World	543,105	547,275	551,161	509,333	19.2%
Governance	171,943	144,087	212,350	159,431	6.0%
Finance & Administration	497,444	420,561	424,422	425,333	16.0%
<u>Agency: Administration & Human Resource Services</u>	<u>154,650</u>	<u>160,522</u>	<u>139,342</u>	<u>156,778</u>	5.9%
TOTAL OPERATING EXPENSE	2,481,946	2,561,845	2,706,782	2,656,625	100.0%
OPERATING REVENUE AND EXPENSE					
Operating Income	2,482,025	2,561,877	2,707,361	2,657,375	
Operating Expense	2,481,946	2,561,845	2,706,782	2,656,625	
SURPLUS/(DEFICIT)	79	32	579	750	



EPISCOPAL DIOCESE OF WESTERN MA

PROPOSED 2023 BUDGET

		Y/E ACTUAL 2021	YTD ACTUAL 31-Aug-22	2022 ANNUAL BUDGET	2023 PROPOSED BUDGET
REVENUES					
Assessment for Common Ministry		\$1,139,884	\$757,739	\$1,135,521	\$1,090,125
Use of Investment - Trustees		\$1,376,328	\$944,579	\$1,475,800	\$1,504,200
Program Income		\$8,235	\$11,060	\$31,250	\$30,250
Other Income and Gifts		\$30,429	\$55,636	\$64,790	\$32,800
Internal Grant Funding		\$6,320	\$0	\$0	\$0
Interest Income		\$681	\$167	\$0	\$0
	TOTAL DIOCESAN INCOME AND GIFTS	\$2,561,877	\$1,769,181	\$2,707,361	\$2,657,375

			Y/E ACTUAL 2021	YTD ACTUAL 31-Aug-22	2022 ANNUAL BUDGET	2023 PROPOSED BUDGET
EXPENSES						
BISHOP'S MINISTRY						
PROGRAMS						
	Communications	Wages and Benefits	\$165,066	\$120,022	\$178,630	\$164,318
	Communications	Business Expenses	\$22,151	\$17,686	\$22,985	\$23,735
		Total Communications	\$187,218	\$137,708	\$201,615	\$188,053
	Social Justice		\$1,129	\$700	\$3,000	\$4,000
	Retired Clergy Gatherings		\$1,962	\$2,691	\$3,600	\$3,600
	Special Diocesan Events		\$10,030	\$2,212	\$6,000	\$4,000
	Wanderings and Special Journeys		\$0	\$0	\$2,000	\$1,200
		Total PROGRAMS	\$200,338	\$143,311	\$216,215	\$200,853
PERSONNEL EXPENSES						
	Wages and Benefits		\$318,967	\$222,979	\$334,726	\$349,124
	Business Expenses		\$25,671	\$15,733	\$33,350	\$30,327
		Total PERSONNEL EXPENSES	\$344,638	\$238,711	\$368,076	\$379,452
		TOTAL BISHOP'S MINISTRY	\$544,976	\$382,022	\$584,291	\$580,305

		Y/E ACTUAL 2021	YTD ACTUAL 31-Aug-22	2022 ANNUAL BUDGET	2023 PROPOSED BUDGET
CONGREGATIONAL SUPPORT: Mission with Congregations					
GRANTS and SCHOLARSHIPS					
	Clergy Children Educational Grants	\$4,500	\$1,500	\$5,000	\$5,000
	College Scholarships	\$39,325	\$35,500	\$45,000	\$40,000
	Continuing Education Grants	\$1,050	\$0	\$6,500	\$5,000
	Deanery	\$916	\$528	\$1,000	\$1,000
	Ministry Development Initiatives	\$119,270	\$63,188	\$70,000	\$70,000
	Sabbatical Grants	\$6,660	\$13,709	\$23,494	\$25,000
	Total GRANTS and SCHOLARSHIPS	\$171,720	\$114,425	\$150,994	\$146,000
OPERATIONAL EXPENSES					
	Congregational Assistance	\$4,006	\$500	\$5,000	\$2,500
	Transition Ministry	\$2,833	\$3,191	\$4,650	\$4,650
	Christian Formation Missioner	\$60,055	\$0	\$0	\$0
	Latino Ministries	\$141,483	\$85,734	\$137,420	\$141,838
	Safe Church Training and Prevention	\$4,299	\$3,122	\$4,730	\$5,550
	Stewardship	\$1,000	\$1,000	\$1,750	\$1,750
	Young Adult Ministry	\$15,327	\$9,053	\$12,000	\$14,000
	Total Operational Expenses	\$229,002	\$102,599	\$165,550	\$170,288
PERSONNEL EXPENSES					
	Wages and Benefits	\$211,913	\$91,854	\$136,399	\$159,964
	Business Expense	\$4,528	\$1,712	\$5,000	\$4,500
	Total PERSONNEL EXPENSES	\$216,441	\$93,566	\$141,399	\$164,464
	TOTAL CONGREGATIONAL SUPPORT	\$617,163	\$310,590	\$457,944	\$480,751

		Y/E ACTUAL 2021	YTD ACTUAL 31-Aug-22	2022 ANNUAL BUDGET	2023 PROPOSED BUDGET
<u>FORMATION & LEADERSHIP DEVELOPMENT</u>					
OPERATIONAL EXPENSES					
	Education for Ministry	\$1,750	\$1,750	\$1,750	\$1,750
	Parish Leadership Day	\$300	\$2,500	\$10,100	\$9,800
	Formation and Leadership Development	\$19,403	\$10,816	\$24,700	\$24,200
	Clergy Conferences	\$3,998	\$9,188	\$23,050	\$22,000
	Commision on Ministry	\$10,003	\$531	\$6,550	\$7,953
	Diaconate Formation	\$2,658	\$4,488	\$7,517	\$6,671
	Fresh Start	\$116	\$25	\$3,000	\$3,000
	Seminarian Assistance	\$5,200	\$8,200	\$15,200	\$12,200
	Lawrence House	\$10,000	\$10,000	\$10,000	\$10,000
	TOTAL OPERATIONAL EXPENSES	\$53,428	\$47,498	\$101,867	\$97,574
PERSONNEL EXPENSES					
	Wages and Benefits	\$72,256	\$153,199	\$230,407	\$242,620
	Business Expense	\$1,578	\$1,659	\$5,000	\$4,500
	TOTAL PERSONNEL EXPENSES	\$73,833	\$154,858	\$235,407	\$247,120
	TOTAL LEADERSHIP DEVELOPMENT	\$127,261	\$202,356	\$337,273	\$344,694

		Y/E ACTUAL 2021	YTD ACTUAL 31-Aug-22	2022 ANNUAL BUDGET	2023 PROPOSED BUDGET
MISSION IN THE WORLD					
OPERATIONAL EXPENSES					
Outdoor Worship Communities					
	Wages and Benefits	\$57,261	\$39,152	\$58,732	\$61,088
	Business Expenses	\$18,500	\$10,000	\$22,000	\$11,000
	Total Outdoor Worship Communities	\$75,761	\$49,152	\$80,732	\$72,088
Creation Care					
	Wages and Benefits	\$47,655	\$28,947	\$42,458	\$43,802
	Business Expenses	\$8,804	\$4,813	\$8,151	\$8,151
	Total Creation Care	\$56,459	\$33,760	\$50,609	\$51,952
Ecumenical Relations					
	Berkshire Organizing Project	\$3,500	\$2,625	\$3,500	\$3,500
	Ecumenical Officer	\$0	\$0	\$1,800	\$1,800
	Interfaith Council	\$400	\$400	\$400	\$400
	Mass Council of Churches	\$15,000	\$10,000	\$15,000	\$15,000
	Province One	\$9,749	\$6,500	\$9,750	\$9,750
	Total Ecumenical Relations	\$28,649	\$19,525	\$30,450	\$30,450
	The Episcopal Church Apportionment	\$366,406	\$233,127	\$349,690	\$334,843
	Global Mission	\$10,000	\$2,645	\$10,000	\$10,000
	Lambeth	\$0	\$13,609	\$19,680	\$0
	Sustainable Development Goals	\$10,000	\$7,500	\$10,000	\$10,000
	TOTAL MISSION IN THE WORLD	\$547,275	\$359,318	\$551,161	\$509,333

			Y/E ACTUAL 2021	YTD ACTUAL 31-Aug-22	2022 ANNUAL BUDGET	2023 PROPOSED BUDGET
GOVERNANCE						
OPERATIONAL EXPENSES						
	Chancellor		\$54,151	\$35,335	\$63,565	\$63,565
	Diocesan Convention					
		Wages and Benefits	\$6,974	\$4,805	\$7,175	\$7,518
		Business Expenses	\$3,562	\$0	\$23,825	\$23,825
		Total Diocesan Convention	\$10,535	\$4,805	\$31,000	\$31,343
	Diocesan Council		\$0	\$0	\$2,050	\$1,800
	General Convention		\$0	\$23,616	\$44,925	\$0
	House of Bishops		\$0	\$3,589	\$4,000	\$5,000
	Retired Clergy and Lay Support		\$63,192	\$15,533	\$25,484	\$24,446
	Standing Committee		\$0	\$0	\$300	\$300
	Title IV	Wages and Benefits	\$862	\$222	\$3,000	\$3,000
	Title IV	Business Expenses	\$696	\$0	\$5,300	\$4,800
	Title IV		\$1,558	\$222	\$8,300	\$7,800
	Governance Admin	Wages and Benefits	\$14,651	\$19,455	\$32,727	\$25,177
		TOTAL GOVERNANCE	\$144,087	\$102,554	\$212,350	\$159,431

		Y/E ACTUAL 2021	YTD ACTUAL 31-Aug-22	2022 ANNUAL BUDGET	2023 PROPOSED BUDGET
<u>DIOCESAN FINANCE & ADMINISTRATION</u>					
	ARCHIVE EXPENSES				
	Wages and Benefits	\$6,942	\$4,664	\$7,010	\$7,296
	Business Expenses	\$135	\$145	\$500	\$500
	TOTAL ARCHIVE EXPENSES	\$7,077	\$4,809	\$7,510	\$7,796
	OPERATIONAL EXPENSES				
	Financial Management	\$30,865	\$28,353	\$31,225	\$31,425
	Property - Plant	\$114,763	\$78,560	\$121,205	\$120,444
	General Operations	\$28,916	\$17,605	\$33,650	\$29,000
	TOTAL OPERATIONAL EXPENSES	\$174,544	\$124,517	\$186,080	\$180,869
	PERSONNEL EXPENSES				
	Wages and Benefits	\$235,545	\$149,020	\$226,215	\$232,463
	Business Expenses	\$3,395	\$1,833	\$4,617	\$4,205
	TOTAL PERSONNEL EXPENSES	\$238,940	\$150,853	\$230,832	\$236,667
	TOTAL DIOCESAN FINANCE & ADMINISTRATION EXPENSES	\$420,561	\$280,179	\$424,422	\$425,333
<u>DIOCESAN AGENCY EXPENSES FOR CONGREGATION SUPPORT</u>					
	OPERATIONAL EXPENSES	\$14,048	\$10,531	\$15,740	\$22,240
	PERSONNEL EXPENSES				
	Wages and Benefits	\$141,514	\$81,912	\$122,802	\$133,408
	Business Expenses	\$4,959	\$871	\$800	\$1,130
	TOTAL PERSONNEL EXPENSES	\$146,473	\$82,784	\$123,602	\$134,538
	TOTAL DIOCESAN AGENCY EXPENSES	\$160,521	\$93,315	\$139,342	\$156,778
	TOTAL EXPENSES	\$2,561,845	\$1,730,335	\$2,706,782	\$2,656,625
	NET INCOME (LOSS)	\$32	\$38,847	\$579	\$750