

**Episcopal Diocese of New York
Proposed 2020 Budget
INCOME and DISBURSEMENT SUMMARY**

| Budget Line | Description | 2018 Revised Budget | 2019 Budget | 2020 Budget | 2019 Budget vs 2020 Budget PERCENT | 2019 Budget vs 2020 Budget CASH |
|---------------------------------------|---|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|
| INCOME FROM APPORTIONED SHARES | | | | | | |
| 001 | Gross Calculated Apportioned Shares (as of August 31, 2019) | \$ 12,709,926 | \$ 12,805,844 | \$ 13,109,557 | 2.37% | \$ 303,713 |
| 002 | Total Adjustments due to 12.5% Cap & Adjustment Board (as of August 31, 2019) | \$ (1,456,897) | \$ (666,714) | \$ (422,157) | -36.68% | \$ 244,557 |
| 003 | CSP Transition Apportioned Share Reductions | \$ (32,012) | \$ (29,616) | \$ (31,394) | 6.00% | \$ (13,919) |
| 004 | Reserve: Projected Bad Debt & Projected Adjustments | \$ (750,000) | \$ (1,500,000) | \$ (1,250,000) | -16.67% | \$ 250,000 |
| 005 | Net Income From Apportioned Shares | \$ 10,471,017 | \$ 10,609,514 | \$ 11,406,006 | 7.51% | \$ 796,492 |
| INCOME FROM OTHER SOURCES | | | | | | |
| 006 | Total Allocation from the General Endowment | \$ 815,000 | \$ 851,218 | \$ 891,493 | 4.73% | \$ 40,275 |
| 007 | Contribution to General Endowment (25% Cap) | \$ (95,430) | \$ (206,875) | \$ (161,750) | -21.81% | \$ 45,125 |
| 008 | Trust Income | \$ 97,000 | \$ 97,000 | \$ 37,000 | -61.86% | \$ (60,000) |
| 009 | Fee Income | \$ 97,700 | \$ 97,000 | \$ 80,000 | -17.53% | \$ (17,000) |
| 010 | Diocesan Convention Fee Income | \$ 75,000 | \$ 75,000 | \$ 75,000 | 0.00% | \$ - |
| 012 | Net Income From Other Sources | \$ 1,115,370 | \$ 913,343 | \$ 921,743 | 0.92% | \$ 8,400 |
| 013 | Contingency (3% of total income) | \$ (158,166) | \$ (350,356) | \$ (374,748) | 6.96% | \$ (24,392) |
| 014 | Total Income | \$ 11,428,221 | \$ 11,172,501 | \$ 11,953,001 | 6.99% | \$ 780,499 |
| DISBURSEMENTS SUMMARY | | | | | | |
| 100 | Total Assessments to The Episcopal Church | \$ 1,052,386 | \$ 1,235,500 | \$ 1,765,500 | 42.90% | \$ 530,000 |
| 200 | Total Convention Expenses | \$ 228,000 | \$ 227,500 | \$ 265,000 | 16.48% | \$ 37,500 |
| 300 | Total Episcopal Function | \$ 853,000 | \$ 853,000 | \$ 853,000 | 0.00% | \$ - |
| 400 | Total Episcopal Support Staff | \$ 1,350,000 | \$ 1,391,000 | \$ 1,400,000 | 0.65% | \$ 9,000 |
| 500 | Total Staff Support for Congregations & Diocesan Ministries | \$ 969,500 | \$ 969,500 | \$ 961,000 | -0.88% | \$ (8,500) |
| 600 | Total Funding for Strategic/Mission Settings | \$ 2,478,824 | \$ 2,549,000 | \$ 2,675,000 | 4.94% | \$ 126,000 |
| 700 | Total Diocesan Ministries & Outreach | \$ 593,400 | \$ 532,500 | \$ 578,000 | 8.54% | \$ 45,500 |
| 800 | Total Grants & Loans | \$ 410,000 | \$ 470,000 | \$ 619,000 | 31.70% | \$ 149,000 |
| 900 | Total Diocesan Finance & Operations | \$ 3,317,620 | \$ 2,769,501 | \$ 2,699,501 | -2.53% | \$ (70,000) |
| 950 | Capital Expenditures Budget | \$ - | \$ - | \$ 60,000 | new | \$ 60,000 |
| 1000 | Provision for Salary & Benefit Increase (See narrative re: Medical) | \$ - | \$ 175,000.00 | \$ 77,000.00 | -56.00% | \$ (98,000.00) |
| 1100 | Total Disbursements | \$ 11,252,730 | \$ 11,172,501 | \$ 11,953,001 | 6.99% | \$ 780,500 |
| 1200 | SURPLUS (DEFICIT) | \$ (66,509) | \$ 0 | \$ (0) | | |

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|-------------|---|---------------------|---------------------|---------------------|------------------------------------|---------------------------------|
| 101 | Assessment to The Episcopal Church | \$ 1,036,886 | \$ 1,220,000 | \$ 1,750,000 | 43.44% | \$530,000 |
| 102 | Assessment to Province II | \$ 15,500 | \$ 15,500 | \$ 15,500 | 0.00% | \$0 |
| 100 | Total Assessments to The Episcopal Church | \$ 1,052,386 | \$ 1,235,500 | \$ 1,765,500 | 42.90% | \$ 530,000 |
| 201 | Reserve for Annual Diocesan Convention | \$ 175,000 | \$ 175,000 | \$ 175,000 | 0.00% | \$0 |
| 202 | Reserve for Future Episcopal Elections | \$ 25,000 | \$ 25,000 | \$ 50,000 | 100.00% | \$25,000 |
| 203 | Reserve for Deputies to General Convention & Provincial Synod | \$ 15,000 | \$ 20,000 | \$ 25,000 | 25.00% | \$5,000 |
| 204 | Reserve for Lambeth Conference (Travel & All Expenses) | \$ 5,000 | \$ 5,000 | \$ 15,000 | 200.00% | \$10,000 |
| 205 | Diocesan Council Meetings | \$ 2,500 | \$ 2,500 | \$ - | -100.00% | -\$2,500 |
| 200 | Total Convention Expenses | \$ 228,000 | \$ 227,500 | \$ 265,000 | 16.48% | \$ 37,500 |
| 301 | Bishop of New York | \$ 285,000 | \$ 285,000 | \$ 285,000 | 0.00% | \$0 |
| 302 | Bishop Suffragan | \$ 244,000 | \$ 244,000 | \$ 244,000 | 0.00% | \$0 |
| 303 | Bishop Assistant | \$ 244,000 | \$ 244,000 | \$ 244,000 | 0.00% | \$0 |
| 304 | Bishops' Shared Travel (inside and outside diocese, excluding Lambeth) | \$ 50,000 | \$ 50,000 | \$ 50,000 | 0.00% | \$0 |
| 305 | Bishop of New York Hospitality Expenses | \$ 30,000 | \$ 30,000 | \$ 30,000 | 0.00% | \$0 |
| 300 | Total Episcopal Function | \$ 853,000 | \$ 853,000 | \$ 853,000 | 0.00% | \$ - |
| 401 | Bishops' Office Expenses (TOTAL) | \$ 480,000 | \$ 508,000 | \$ 530,000 | 4.33% | \$22,000 |
| 402 | Canon to the Ordinary (Expenses & Compensation) | \$ 238,000 | \$ 238,000 | \$ 205,000 | -13.87% | -\$33,000 |
| 403 | Canon for Pastoral Care (Expenses & Compensation) | \$ 162,000 | \$ 175,000 | \$ 180,000 | 2.86% | \$5,000 |
| 404 | Canon for Ministry (Expenses & Compensation) | \$ 235,000 | \$ 235,000 | \$ 240,000 | 2.13% | \$5,000 |
| 405 | Canon for Transition Ministry (Expenses & Compensation) | \$ 235,000 | \$ 235,000 | \$ 245,000 | 4.26% | \$10,000 |
| 400 | Total Episcopal Support Staff | \$ 1,350,000 | \$ 1,391,000 | \$ 1,400,000 | 0.65% | \$ 9,000 |
| 501 | Canon for Congregational Vitality & Formation (Expenses & Compensation) | \$ 185,000 | \$ 185,000 | \$ 192,000 | 3.78% | \$7,000 |
| 502 | Liaison for Global Mission (Expenses & Compensation) | \$ 180,000 | \$ 180,000 | \$ 161,000 | -10.56% | -\$19,000 |
| 503 | Director of Diocesan Property Services (Expenses & Compensation) | \$ 154,000 | \$ 154,000 | \$ 173,000 | 12.34% | \$19,000 |
| 504 | Mid Hudson Region (Expenses & Compensation) | \$ 137,000 | \$ 137,000 | \$ 115,000 | -16.06% | -\$22,000 |
| 505 | Public Affairs (Expenses & Compensation) | \$ 313,500 | \$ 313,500 | \$ 210,000 | -33.01% | -\$103,500 |
| 506 | Archives (Expenses & Compensation) | | | \$ 110,000 | New/Broken out | \$110,000 |
| 500 | Total Staff Support for Congregations & Diocesan Ministries | \$ 969,500 | \$ 969,500 | \$ 961,000 | -0.88% | \$ (8,500) |

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|-------------|---|---------------------|---------------------|---------------------|------------------------------------|---------------------------------|
| 601 | Campus Ministry Clergy (Expenses & Compensation) | \$ 430,000 | \$ 374,000 | \$ 475,000 | 27.01% | \$ 101,000 |
| 602 | Hispanic Clergy Compensation | \$ 440,000 | \$ 440,000 | \$ 475,000 | 7.95% | \$ 35,000 |
| 603 | Congregations in Strategic Settings Clergy Compensation | \$ 730,000 | \$ 1,000,000 | \$ 1,100,000 | 10.00% | \$ 100,000 |
| 604 | Regional Pastorate Initiative Clergy Compensation | \$ 590,824 | \$ 450,000 | \$ 245,000 | -45.56% | \$ (205,000) |
| 605 | Harlem Initiative Clergy Compensation | \$ 145,000 | \$ 160,000 | \$ 160,000 | 0.00% | \$ - |
| 606 | South Bronx Initiative Clergy Compensation | \$ 75,000 | \$ 75,000 | \$ - | -100.00% | \$ (75,000) |
| 607 | Church Plants & Revitalization | | | \$ 220,000 | New | \$ 220,000 |
| 608 | CSP Transition Clergy Compensation | \$ 68,000 | \$ 50,000 | \$ - | -100.00% | \$ (50,000) |
| 600 | Total Funding for Strategic/Mission Settings | \$ 2,478,824 | \$ 2,549,000 | \$ 2,675,000 | 4.94% | \$ 126,000 |
| 701 | Congregational Development Commission Programs | \$ 10,000 | \$ 10,000 | \$ 15,000 | 50.00% | \$ 5,000 |
| 702 | Operational Support for Strategic Hispanic Congregation | \$ 25,000 | \$ 25,000 | \$ 25,000 | 0.00% | \$ - |
| 703 | Multicultural Ministries (New Community) | \$ 12,500 | \$ 12,500 | \$ 25,000 | 100.00% | \$ 12,500 |
| 704 | Christian Formation Commission Programs / Young Adult Ministry | \$ 70,000 | \$ 65,000 | \$ 65,000 | 0.00% | \$ - |
| 705 | Social Concerns Commission | \$ 138,400 | \$ 80,000 | \$ 81,000 | 1.25% | \$ 1,000 |
| 706 | Ecumenical and Multi-Faith Councils Contribution | \$ 10,500 | \$ 10,500 | \$ 10,500 | 0.00% | \$ - |
| 707 | Ecumenical & Interfaith Commission | \$ 10,000 | \$ 10,000 | \$ 10,000 | 0.00% | \$ - |
| 708 | Global Mission Commission | \$ 50,000 | \$ 50,000 | \$ 52,000 | 4.00% | \$ 2,000 |
| 709 | Companion Diocese Relationship | | \$ 40,000 | \$ 40,000 | 0.00% | \$ - |
| 710 | Rural and Migrant Ministry | \$ 50,000 | \$ 50,000 | \$ 50,000 | 0.00% | \$ - |
| 711 | New York Service & Justice Collaborative (Episcopal Service Corp) | \$ 25,000 | \$ 25,000 | \$ 25,000 | 0.00% | \$ - |
| 712 | Episcopal New Yorker | \$ 92,000 | \$ 54,500 | \$ 54,500 | 0.00% | \$ - |
| 713 | Support for Episcopal Charities | \$ 100,000 | \$ 100,000 | \$ 125,000 | 25.00% | \$ 25,000 |
| 700 | Total Diocesan Ministries & Outreach | \$ 593,400 | \$ 532,500 | \$ 578,000 | 8.54% | \$ 45,500 |
| 801 | Property Support Committee Grants & Loans | \$ 350,000 | \$ 365,000 | \$ 425,000 | 9.59% | \$ 60,000 |
| 802 | First Step Grants | \$ 10,000 | \$ 10,000 | \$ 20,000 | 50.00% | \$ 10,000 |
| 803 | Next Step Grants | \$ - | \$ - | \$ 30,000 | 0.00% | \$ 30,000 |
| 804 | Hispanic Ministries Grants | \$ 50,000 | \$ 50,000 | \$ 60,000 | 20.00% | \$ 10,000 |
| 805 | Sustainable Development Goal Grants | \$ - | \$ 45,000 | \$ 84,000 | 82.22% | \$ 39,000 |
| 800 | Total Grants & Loans | \$ 410,000 | \$ 470,000 | \$ 619,000 | 18.51% | \$ 149,000 |

**Episcopal Diocese of New York
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DISBURSEMENT DETAIL**

| Budget Line | Description | 2018 Revised Budget | 2019 Budget | 2020 Budget | 2019 Budget vs 2020 Budget PERCENT | 2019 Budget vs 2020 Budget CASH |
|---------------------------------|--|---------------------|---------------------|---------------------|------------------------------------|---------------------------------|
| 901 | Administration (Expenses & Compensation) | \$ 1,212,051 | \$ 1,600,000 | \$ 1,595,000 | -0.31% | \$ (5,000) |
| 902 | Office Services (Expenses & Compensation) | \$ 315,000 | \$ 315,000 | \$ 325,000 | 3.17% | \$ 10,000 |
| 903 | IT Expenses | \$ 236,000 | \$ 150,000 | \$ 175,000 | 16.67% | \$ 25,000 |
| 904 | Special Finance Committee Projects | \$ 457,620 | \$ 400,000 | \$ 200,000 | -50.00% | \$ (200,000) |
| 905 | Web Management | \$ 9,000 | \$ 4,500 | \$ 4,500 | 0.00% | \$ - |
| 906 | Professional Expenses (Legal, Audit, etc.) | | | \$ 100,000 | New/Broken out | \$ 100,000 |
| 907 | Overhead and Fixed Obligations | \$ 511,949 | \$ 300,000 | \$ 300,000 | 0.00% | \$ - |
| 908 | Cathedral Cost Sharing and Rent | \$ 576,000 | \$ 1 | \$ 1 | 0.00% | \$ - |
| 900 | Total Diocesan Finance & Operations | \$ 3,317,620 | \$ 2,769,501 | \$ 2,699,501 | -2.53% | \$ (70,000) |
| 950 | Capital Expenditures Budget | | | \$ 60,000 | New | \$ 60,000 |
| 1000 | Provision for Salary & Benefit Increase (See narrative re: Medical) | \$ - | \$ 175,000 | \$ 77,000 | -56.00% | -\$98,000 |
| Grand Total Expenditures | | \$11,252,730 | \$11,172,501 | \$11,953,001 | 6.99% | \$780,500 |

Episcopal Diocese of New York - Narrative Budget for 2020

The Proposed Budget was approved by Council on September 24, 2019. This Narrative accompanies the 2020 Proposed Budget and is divided into four parts and six addenda.

- 1) Executive Summary**
- 2) Analysis of Income for 2020**
- 3) Analysis of Disbursements for 2020**
- 4) Conclusion**

Addendum 1: Committee Organization & Timeline

Addendum 2: Resolutions from the Budget Committee

Addendum 3: Income Line Descriptions

Addendum 4: Disbursement Line Descriptions

Addendum 5: About the Budget Spreadsheet and Accrual Accounting

Addendum 6: Accounting 101: Cash Vs. Accrual

Part 1 – Executive Summary

In 2020 the Finance Committee, Budget Committee, and Finance Office should conclude a multi-year cleanup of our budget and financial systems and reporting. We have reorganized our Budget and Finance Committees and each is working effectively with Council, the Trustees, other Committees/Commissions of the diocese, and the Bishops' staff. We are in the process of overhauling our Financial Reports, the Budget, and Budget process to ensure more transparency. We have crafted and implemented and will continue as needed to develop policies and procedures for the staff and congregations around financial matters. We have completed an audit of some of the endowment funds and are evaluating changes that need to be made to process or systems to enhance our financial reporting capabilities of our systems and accounts. We are still planning several special projects of the Finance Committee for 2020.

We are also happy to report that our focus on limiting expenses and highlighting the necessity of full payment of Apportioned Shares by every congregation has allowed us to make the transition from significant deficits in 2017 and 2018, to a forecast surplus in 2019, and to a healthily balanced budget for 2020.

The surplus for 2019 is forecast to be more than \$500,000. It is important to note that the forecast surplus is based on accrual rather than cash income numbers – in other words it is based on *billed* Apportioned Shares and *forecast* bad debt/non-payment (see Addendum 3 and 4 attached to this Report). We have studied historical trends and actual 2019 payment on a congregation-by-congregation basis, and we believe this data supports our forecast on income. Our forecast surplus is also based the fact that money was budgeted but not spent in several areas, the largest drivers being certain lines that were fully budgeted for but not fully staffed/spent in 2019 (i.e. Administration/Controller, Regional Pastorates, South Bronx Initiative, Special Projects of the Finance Committee).

2020 Proposed Budget income is forecast to be up by about \$780,000. This is driven by higher calculated apportioned shares and lower bad debt (projected adjustments and projected underpayment). Our bad debt forecast is based on analyzing every congregation's current situation as well as its payment history for the past ten years. Details are provided in Part 2.

The 2020 Proposed Budget generally keeps spending flat for staff, offices, and program – a 6% medical expense increase and a 2% cost of living increase is budgeted for everyone who is paid from the diocesan operating budget. The 2020 Proposed Budget increases spending in targeted areas that should facilitate growth and health in our congregations and evangelism around our diocese: increased grants (Property Support, Congregational Development, Sustainability, Hispanic Ministries, etc.); increased program funding for Congregational Development; increased funding for Campus Ministry; new funding for Church Plants and Revitalization. The budget increases reserves so the known special expenses of the next decade (Episcopal Elections, Lambeth, General Convention, etc.) will be adequately funded. The budget also includes a substantial increase in our Assessment to the Episcopal Church. Details are provided in Part 3.

Our ability to budget increases in other areas or create new programs is limited by our income. It is essential that every congregation pay its full or adjusted Apportioned Share, and while we have made some progress in moving towards full compliance, we are not there yet. Our efforts are hindered by underpayment but also when congregations fail to submit parochial reports (we rely on that data to calculate accurate Apportioned Share numbers). The Chief of Finance and Operations is required by Canon 17 to provide information to Convention about which congregations have paid Apportioned Shares in full, have paid Adjusted Apportioned Shares in full, have Apportioned Share arrears, and have submitted Parochial Report, audit, and stipend information. A check-sheet with that information is provided to every Delegate at Convention – I encourage you to look at your own church on this sheet and see which canonical obligations your parish is fulfilling and which it is not. If your congregation is not fulfilling one or more canonical obligations, I encourage you to inquire of your Vestry how your church intends to comply with the canons.

Part 2 – Income for 2020

Line 001: Gross Calculated Apportioned Shares (as of August 31, 2019): Calculated Apportioned Shares increase from 2019 by about \$300,000. The “as of” date takes into account the reality that the Finance Office has not necessarily received every congregation's parochial report which includes NOI for the preceding year. When NOI is missing, the Finance Office assumes a 5% increase in NOI.

Line 002: Total Adjustments due to 12.5% Cap & Adjustment Board (as of August 31, 2019): This line lowers Gross Calculated Apportioned Shares for 2019 by the amount approved (as of August 31, 2019) by the Adjustment Board. It also includes any adjustments required by the 12.5% maximum year-over-year increase enshrined in Canon 17.

Line 003: CSP Transition Apportioned Share Reductions: This line reduces Gross Calculated Apportioned Shares via the “CSP sunset plan” which was part of the Strategic Plan in 2017 and is the aggregate sum of apportioned shares that are calculated but not billed to some former Congregational Support Plan (CSP) churches during their transitional period. 2020 is the final year of the sunset plan.

Line 004: Reserve: Bad Debt & Projected Adjustments: This line reduces Gross Calculated Apportioned Shares. The Budget Committee (working with members of the Finance Committee, Adjustment Board, Bishop’s Office, and Finance Office) determines a realistic amount of bad debt that might occur by projected adjustments or underpayment. This determination is done on a congregation-by-congregation basis and takes into account historical payment trends from the past decade, accumulated arrears, whether the congregation has been in contact with the adjustment board or bishop’s office, and realities in the life of the parish. The Bishop of New York, Executive Committee, and Board of Trustees are provided with a report from the Budget Committee detailing this analysis, and identifying any congregation that is not in compliance with the canons. The bad debt forecast for 2020 is better than that of 2019 by \$250,000.

Line 005: Net Income from Apportioned Shares: Our net income from Apportioned Shares for 2020 is forecast to increase by almost \$800,000. This is the direct result of increased compliance by congregations.

Line 007: Contribution to General Endowment (25% Cap): This line is either zero or a negative line. The Canons of the Diocese of New York state: “If the Apportioned Share of any Congregation shall exceed 25% of the total budget of Diocesan expenditures in any one budget year, the excess shall be applied to the Diocesan General Endowment Fund.” (Canon 17.3.4). This is commonly referred to as the “Trinity Cap” since the Apportioned Share of Trinity Church, Wall Street, has from time to time exceeded ¼ of the total unified budget of the diocese for a given year. The amount of money in this line is the portion of Trinity’s Assessment which cannot fund the operating budget (thus it is negative) and which is therefore transferred to the General Endowment of the Diocese of New York. The exact amount transferred is determined after the annual audit and is based on actual disbursements.

Line 008: Trust Income: Trust income comes from two trusts which are designated to fund the Episcopacy. Income from one of these trusts has been reallocated to fund sabbaticals for our bishops (Note that sabbaticals for bishops are not eligible for Lilly Grants).

Line 013: Contingency (3% of total income): An additional contingency of about \$375,000 is built into the budget on the income side.

Total income is budgeted for 2020 at \$11,953,001 which is an increase of \$780,499 or 6.99% over the 2019 Budget.

Part 3 – Disbursements for 2020

The disbursement budget has been slightly recategorized so that it more closely aligns with our internal and audited financial statements.

100 Section

Line 101: Our Assessment to the Episcopal Church for 2020 is based on updated calculations after a meeting between our Controller and the Treasurer & Chief Financial Officer of the Episcopal Church. The formula, calculation form, and mandate around Assessments changed in 2015: the overall percentage dropped from over 20% down to 15%; the Episcopal Church modified the form and clarified that certain exemptions that had been assumed in the past could not be taken; and the mandate changed from an “Ask” to an “Assessment”. We have budgeted our full Assessment for 2020, and the Finance Office will continue to review whether or not we are eligible for any exemptions. Though the increase is significant at \$530,000, we are pleased that the Diocese of New York is in full compliance and that we are still able to increase funding in other areas.

200 Section

Line 202: The Reserve for Episcopal Elections is doubled to ensure we have enough money for future elections and consecrations.

Line 203: The Reserve for General Convention and Provincial Synod is increased to cover forecast expenses in 2021.

Line 204: The Reserve for Lambeth Conference is increased to cover forecast expenses in 2020.

Line 205: This line covered the costs of meetings of the Convention Planning Committee, the Standing Committee, the Council of the diocese, and the Commissions and Committees of the Council of the Diocese. Expenses associated with this line have been moved to Administration beginning in 2020.

300 Section

Every line in the 300 section is budgeted at 2019 levels.

400 Section

Line 402: Canon to the Ordinary line decreases in Budget. The 2019 Budget carried over relocation expenses from 2018.

Other lines in the 400 section are budgeted at 2019 forecast levels.

500 Section

Line 502: Liaison for Global Mission is decreased due to a change in benefits and is in line with 2019 forecast levels.

Line 503: Director of Diocesan Property Services (Expenses & Compensation) is increased to 2019 forecast levels.

Line 504: Mid-Hudson Region is decreased due to a change in hours and is in line with 2019 forecast levels.

Line 506: Archives has been broken out from Line 505: Public Affairs (formerly “Public Affairs & Archives”) and the aggregate total of lines 505 and 506 is in line with the 2019 Budget and forecast.

600 Section

Line 601: Campus Ministry was under budget due to transitions in chaplaincies in 2019. The 2020 budget assumes every position is filled.

Line 602: Hispanic Clergy Compensation is budgeted in line with 2019 forecast levels and assumes every position is filled.

Line 603: Congregations in Strategic Settings Clergy Compensation is budgeted in line with 2019 forecast levels and assumes every position is filled.

Line 604: Regional Pastorate Compensation is budgeted in line with 2019 forecast levels and assumes one Regional Pastorate will remain inactive.

Line 606: South Bronx Initiative was not spent in 2019. Funding and oversight of this line is now included in Line 607.

Line 607: Church Plants & Revitalization is a new line. Please see Addendum 4: Disbursement Line Descriptions for a description of the line. Bishop Shin has direct oversight of this line. As noted, it includes funding for initiatives in the South Bronx.

Line 608: CSP Clergy Compensation has completed its three-year step down in funding and is now zeroed out.

700 Section

Line 701: Congregational Development Commission Programs is increased by \$5,000.

Line 702: Operational Support for Strategic Hispanic Congregation is budgeted in line with 2019 Forecast levels.

Line 703: Multicultural Ministries (New Community) was increased to \$25,000.

Line 713: Support for Episcopal Charities has been increased to \$125,000.

800 Section

Line 801: Property Support Committee Grants & Loans has been increased to \$425,000.

Line 802: First Step Grants is increased to \$20,000.

Line 803: Next Step Grants was restored to \$30,000.

Line 804: Hispanic Ministries Grants was increased to \$60,000.

Line 805: Sustainable Development Goal Grants is fully funded at \$84,000 per Resolution of the 2015 General Convention to be 0.7% of our budget.

900 Section

Line 901: Administration is reduced because some professional expenses have been broken out into a new line (Line 906).

Line 903: IT Expenses is budgeted in line with 2019 forecast levels.

Line 904: The Finance Committee expects to continue various special projects. Special Projects is budgeted at \$200,000.

Line 906: Professional Expenses (Legal, Audit, etc.) is a new line, but expenses for this line formerly were in Line 901: Administration.

Line 908: Cathedral Cost Sharing and Rent remains at \$1 per an agreement reached with the Cathedral in 2018.

950 Section

Line 950: Capital Expenditures Budget is a new line to fund occasional capital expenditures that are outside the normal operating budget. In 2020 this will fund an updated alarm system at Synod House for the diocesan and bishops' offices.

1000 Section

Line 1000: Provision for Salary & Benefit Increase includes forecast cost of living increase (at 2% for 2020) for personnel funded by this budget. Beginning in 2020 medical insurance increases (at 6% for 2020) are included alongside benefits and compensation – this is possible because the budget process is now completed in September rather than in August.

Total disbursements are budgeted for 2020 at \$11,953,001 which is about \$780,500 or 6.99% more than the 2019 Budget.

Part 4 – Conclusion

The budget is balanced and we are in a far better financial place than we were in 2017 and 2018. The budget committee followed a very conservative approach in 2018 and 2019 which resulted in a forecast surplus both years. We are confident that we can increase disbursements modestly in 2020. As much as possible we continue to be focused on maintaining core expenses including requirements of being an Episcopal Church and commitments to diocesan staff and strategic settings.

We have an excellent team. I am very grateful for the support and oversight of Bishop Dietsche and his staff. I am very grateful for staff of the Finance Office, in particular Esslie Hughes, Allison Epstein (and her predecessor Masiel Jordan), and Karin Almquist, who have done the lion's share of the work on this budget and for the Finance Committee and the Budget Committee. I am very grateful for Sr. Faith Margaret, CHS, for her work as Treasurer. I am also very grateful for Keith Rook (and his predecessor Billy Wright) whose work chairing the Finance Committee and overseeing Special Projects has been exceptional. Lastly, I am grateful for the hard work and time put in by the numerous members of the Finance and Budget Committees.

We invite your questions about any of the lines and changes we have suggested. We ask that you support this budget.

In Christ and on behalf of the Budget Committee,

The Rev. Matthew Hoxsie Mead,
Chair of the Budget Committee of the Diocese of New York

Addendum 1: Committee Organization

According to Canon 17 of the Canons of the Diocese of New York: “The Budget Committee shall consist of: a Chair of this Committee appointed by the Bishop, the Treasurer of the Diocese (ex officio), the Chief of Finance and Operations of the Diocese (ex officio), the Chair of the Finance Committee of the Trustees (ex officio), three (3) members of the Council of the Diocese appointed by the Bishop, two (2) members of the Trustees appointed by the Bishop, and others as appointed annually by the Bishop to this Committee.”

The Rev. Matthew Mead

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Trustee, Class of 2019 (1st term)
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The Rev. Katharine Flexer

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Susan Jansen

Christ's Church Rye
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The Rev. Matthew Moretz

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Peter Saros

Church-without-Walls, Bronx
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The Rev. Dustin Trowbridge

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Addendum 2: Resolutions from the Budget Committee

BUDGET COMMITTEE RESOLUTIONS 1 AND 2

Proposer of Resolution: The Rev. Matthew Hoxsie Mead, Chair of the Budget Committee

Parish or Organization: Budget Committee of the Diocese of New York

Telephone and E-mail: 914-738-5515; matthew@christchurchpelham.org

Title of Resolution(s): Adopting the Proposed Budget.

Text of Resolution(s):

[1] Resolved: That the 2020 Apportioned Share Budget presented herewith be adopted; and be it further

[2] Resolved: That the Chief of Finance and Operations shall apportion in accordance with Sec. 2 and Sec. 3 of Canon 17, each congregation's share of the 2020 budget of \$11,953,001. According to Canon 17, Sec. 5, this is to be paid by each congregation in four installments on the fifth day of January, April, July and October 2020.

Commentary on Resolution

These are the standard resolutions that accompany the Proposed Budget in the Calendar of Convention each year.

BUDGET COMMITTEE RESOLUTION 3

Proposer of Resolution: The Rev. Matthew Hoxsie Mead, Chair of the Budget Committee

Parish or Organization: Budget Committee of the Diocese of New York

Telephone and E-mail: 914-738-5515; matthew@christchurchpelham.org

Title of Resolution(s): Moving the canonical date the Proposed Budget is due to Council.

Text of Resolution(s):

[3] Resolved: that Canon 17 Sec. 1 (3) be modified as follows:

No later than fifty (50) ~~seventy (70)~~ days before annual Convention the Budget Committee shall submit to Council and to the Trustees a draft budget of Diocesan expenditures for the following year with an accompanying narrative. The budget shall be presented at the next meeting of the Council at which members of Trustees are invited to attend and given voice. The Council may approve, reject, or modify the budget or narrative, provided, however, that no budget may be approved in which projected receipts are less than projected expenses. The draft budget approved by the Council shall be the proposed budget.

Commentary on Resolution

The requirement of seventy days reflects outdated practice. Prior to 2017 Council and the Trustees traditionally met at the start of September, and the Proposed Budget and Narrative were made available to them in late August. Current practice since 2017 (when we updated the Canons as part of the Strategic Plan) has been to provide the Budget and Narrative to Council

and Trustees in mid-September with Council and Trustee meetings taking place at the end of September.

The additional 20 days makes it possible for the Budget Committee to receive essential input from our bishops and their staff (many of whom are away on vacation in August). The additional 20 days also ensures that the Budget Committee has more accurate projections for income and disbursements. The additional 20 days has no effect whatsoever on the timing of Convention, the timing of the distribution of the Calendar of Convention, or the timing of any pre-Convention Caucuses.

In 2017 we voted on this resolution; the vote in favor was nearly unanimous. However, there were a handful of “No” votes which meant it did not pass unanimously. For any canonical amendment to pass in a single convention, the amendment must be approved unanimously or by two-thirds in a vote by orders. A canonical amendment may also pass at consecutive conventions by majority (See Canon 35, Amendments). We mistakenly thought that a 2/3 majority was enough and so did not request a vote by order nor did we follow up in 2018 with a second vote on the Amendment.

Any NO against this amendment will require additional time for us to take a second vote by orders. Please vote YES.

Addendum 3: Income Line Descriptions

Gross Calculated Apportioned Shares (as of August 31, 2019)

An Apportioned Share is computed for each congregation (see Canon 17 of the Canons of the Diocese of New York). The following formula is applied to each congregation's average Normal Operating Income (NOI) for the preceding two years:

- 4% of income from \$1 to \$50,000, plus
- 10% of income from \$50,000 to \$200,000, plus
- 15% of income from \$200,000 to \$500,000, plus
- 20% of all income above \$500,000

The sum total of every congregation's computed Apportioned Share prior to any adjustment is shown in the budget as "Gross Calculated Apportioned Shares". The "as of" date takes into account the reality that the Finance Office has not necessarily received every congregation's parochial report which includes NOI for the preceding year. When NOI is missing, the Finance Office assumes a 5% increase in NOI.

Total Adjustments due to 12.5% Cap & Adjustment Board (as of August 31, 2019)

This line reduces Gross Calculated Apportioned Shares via one of two canonically approved mechanisms.

A congregation's computed Apportioned Share for any year normally can increase by no more than 12.5% over its computed Apportioned Share for the immediately preceding year (see Canon 17 of the Canons of the Diocese of New York).

The Adjustment Board, a Committee of the Diocesan Board of Trustees, may reduce or defer a congregation's Apportioned Share for one or more years (see Canon 17 of the Canons of the Diocese of New York). Any congregation may appeal its Apportioned Shares to the Adjustment Board. The Adjustment Board may affirm, adjust or defer all or a portion of a congregation's Apportioned Shares at a requested hearing. Any congregation may appeal the Adjustment Board's decision to the Trustees. The "as of" date indicates the reality that the Adjustment Board is able to determine adjustments or deferrals for the coming year, even after the budget has been approved. Only known adjustments are shown in this line.

CSP Transition Apportioned Share Reductions

This line reduces Gross Calculated Apportioned Shares via the "CSP sunset plan" which was part of the Strategic Plan in 2017 and is the aggregate sum of apportioned shares that are calculated but not billed to some former Congregational Support Plan (CSP) churches during their transitional period.

Reserve: Projected Bad Debt & Projected Adjustments

This line reduces Gross Calculated Apportioned Shares. The Budget Committee (working with members of the Finance Committee, Adjustment Board, Bishop's Office, and Finance Office) determines a realistic amount of bad debt that might occur by projected adjustments or underpayment. This determination is done on a congregation-by-congregation basis and takes into account historical payment trends from the past decade, accumulated arrears, whether the

congregation has been in contact with the adjustment board or bishop's office, and realities in the life of the parish. The Bishop of New York, Executive Committee, and Board of Trustees are provided with a report from the Budget Committee detailing this analysis, and identifying any congregation that is not in compliance with the canons.

Net Income From Apportioned Shares

This is the aggregate total of Apportioned Shares that we are confident we will receive in the coming year. Historically we "net" somewhere between 80% and 90% of Gross Calculated Apportioned Shares. In 2019 we were confident that we would net about 83%, in 2020 we are confident that we will net about 87%. We are going in the right direction.

Total Allocation from the General Endowment

The diocese has a general endowment that funds the budget. A draw down from a portion of these funds, based on the guideline of 4.5% of the 3-year moving average principle, is included in the diocesan budget.

Contribution to General Endowment (25% Cap)

This line is either zero or a negative line. The Canons of the Diocese of New York state: "If the Apportioned Share of any Congregation shall exceed 25% of the total budget of Diocesan expenditures in any one budget year, the excess shall be applied to the Diocesan General Endowment Fund." (Canon 17.3.4). This is commonly referred to as the "Trinity Cap" since the Apportioned Share of Trinity Church, Wall Street, has from time to time exceeded ¼ of the total unified budget of the diocese for a given year. The amount of money in this line is the portion of Trinity's Assessment which cannot fund the operating budget (thus it is negative) and which is therefore transferred to the General Endowment of the Diocese of New York. The exact amount transferred is determined after the annual audit and is based on actual disbursements.

Trust Income

Trust Income represents income the diocese receives from Trusts set up to fund the Episcopate.

Fee Income

This is the income from various services provided by the diocese for congregation and other organizations.

Diocesan Convention Fee Income

The Diocese collects fees from congregations to offset the expense of Diocesan Convention.

Contingency (3% of total income)

A contingency is built into the budget on the income side.

Addendum 4: Disbursement Line Descriptions

Assessment to The Episcopal Church

As the congregations in the Diocese of New York have canonically agreed to support the Diocese through each congregation's Apportioned Share, so too the Dioceses have agreed to support The Episcopal Church. The Episcopal Church passes a three-year budget at each General Convention and includes a formula for calculating the financial obligation of each diocese for those three years. Each diocese is assigned an Assessment of 15% of its operating budget. The formula is more complicated than a simple percentage: there are exceptions, averages of years, a lag time, and a number of different variables that complicate how each diocese's operating budget is calculated, and the Assessment is the agreed upon percentage of that final calculated amount. The formula operates on a two-year lag.

Assessment to Province II

This line helps cover expenses associated with the work of Province II. The figure is determined by a formula and is approved at Provincial Synod every triennium. The purpose and mission of Province II, the International Atlantic Province, is to foster and support the Church's mission and ministry in a regional coalition of the Dioceses in the States of New York and New Jersey, Haiti, Cuba, the Virgin Islands, and the Convocation of Episcopal Churches in Europe, by providing regular channels and systems of communication, promotion, support, education and fellowship.

Reserve for Annual Diocesan Convention

The expense line has been set up as a reserve fund so that the Diocese will spend roughly the same amount each year, rather than seeing a major increase every time there is a two-day convention. The reserve funds the expenses associated with Convention such as security, electronic support, and building use. Diocesan Convention Fee income partially offsets the expense of providing Convention and is listed on the Summary Income page of the Budget.

Reserve for Future Episcopal Elections

The expenses for Episcopal elections include: expenses for the Committee to Elect; publications; travel, lodging, and meals for candidates; Ordination/Consecration/Seating expenses; travel and lodging expenses for several consecrating bishops; relocation expenses; etc. The reserve must be funded at a level that allows for our diocese to replace a Suffragan or Diocesan Bishop upon retirement/resignation/death or when a Coadjutor is called.

Reserve for Deputies to General Convention & Provincial Synod

General Convention and Provincial Synod occur every three years. The diocese funds fees, travel, lodging, and meals for four clergy deputies, two alternate clergy deputies, four lay deputies, and two alternate deputies. Expenses for our Bishops, their spouses, and any staff that accompany them come from Bishops' Shared Travel – separate House of Bishops meetings are less frequent in General Convention years.

Reserve for Lambeth Conference (Travel & All Expenses)

Lambeth to occurs about every ten years. The diocese funds fees, travel, lodging, and meals for our Bishops and their spouses.

Diocesan Council Meetings

This line covered the costs of meetings of the Convention Planning Committee, the Standing Committee, the Council of the diocese, and the Commissions and Committees of the Council of the Diocese. Most of the cost was for refreshments, but also covers security for evening and weekend meetings as well as postage and copier charges related to the support of Council and Standing Committee. Expenses associated with this line were moved to Administration in 2020.

Bishop of New York

Bishop Suffragan

Bishop Assistant

These lines cover compensation and all benefits for our Bishops, the Right Reverend Andrew ML Dietsche, the Right Reverend Allen K. Shin, and the Right Reverend Mary D. Glasspool.

Bishops' Shared Travel (inside and outside diocese, excluding Lambeth)

This line covers all travel, lodging, and meals for our Bishops for all Episcopal function inside and outside the diocese. Everything from metro-cards, mileage, and taxis to House of Bishops meetings and General Convention. Lambeth expenses are not taken from this line.

Bishop of New York Hospitality Expenses

This line allows the Diocesan Bishop to provide hospitality.

Canon to the Ordinary (Expenses & Compensation)

The Rev. Canon John Perris serves as the Canon to the Ordinary in the Diocese of New York and is a primary assistant to, and a representative of, the Bishop of New York. The Canon to the Ordinary, along with the Suffragan Bishop, the Assistant Bishop, and the Chief of Finance and Operations, serves on the Bishop's Executive Team. The Canon to the Ordinary primarily supervises the work of the office of the Bishop and functions much as a "chief of staff" in the supervision, coordination and assistance of the Bishop's Staff. Expenses for this line include compensation and benefits for the Canon to the Ordinary, travel, and all expenses.

Canon for Pastoral Care (Expenses & Compensation)

The Rev. Canon K. Jeanne Person serves as Canon for Pastoral Care. The Canon for Pastoral Care serves as the Bishop's first line of contact for pastoral concerns relating to diocesan clergy and their families. Expenses covered by this line include compensation and benefits for the Canon for Pastoral Care, travel, meals and hospitality involving time with clergy, and office expenses.

Canon for Ministry (Expenses & Compensation)

The Rev. Canon Charles W. Simmons serves as Canon for Ministry. Mr. Alito Orsini serves as Liaison for the Ministry Office and Transition Ministry Office. The Canon for Ministry works with the Bishop and the Commission on Ministry to assure that the selection and formation of future ordained leadership from within the Diocese meet the requirements and needs of the Church. Expenses covered by this line include compensation and benefits for the Canon for Ministry, compensation and benefits for an assistant (shared with the Office for Transition Ministry), travel, workshops, Fresh Start Program for the newly ordained and costs for diocesan Discernment Conferences and Ordinations.

Canon for Transition Ministry (Expenses & Compensation)

The Rev. Canon Nora Smith serves as the Canon for Transition Ministry. Mr. Alito Orsini serves as Liaison for the Ministry Office and Transition Ministry Office. The Canon for Transition Ministry assists congregations searching for ordained leadership, helps oversee every search process, and advises clergy seeking placement. Expenses covered by this line include compensation and benefits for the Canon for Transition Ministry, compensation and benefits for an assistant (shared with the Office for Ministry which pays the other half), travel, workshops, and office expenses.

Canon for Congregational Vitality & Formation (Expenses & Compensation)

The Rev. Canon Victor Conrado serves as Canon for Congregational Vitality & Formation. The Canon for Congregational Vitality & Formation supports congregations through leadership development, skill building and planning and implementation of new ministry models. Expenses covered by this line include compensation and benefits for the Canon for Congregational Vitality & Formation, travel, workshops, and office expenses.

Liaison for Global Mission (Expenses & Compensation)

The Rev. Yamily Bass-Choate serves as Liaison for Global Mission. The Liaison for Global Mission assists the bishops in oversight of the diocese's global mission connections and relationships. She also works with local communities of the diocese to foster and develop their ministry partnerships at home and abroad. Expenses covered by this line include compensation and benefits for the Liaison for Global Mission, travel, workshops, and office expenses.

Director of Diocesan Property Services (Expenses & Compensation)

Mr. Egbert Stolk serves as the Director of Diocesan Property Services. The Director formulates, implements, and manages the diocesan Property Support program and oversees real property held by the Board of Managers. Expenses for this line include compensation and benefits for the Director of Diocesan Property Services, office expenses, travel, etc.

Mid Hudson Region (Expenses & Compensation)

Ms. Val Stelcen, Executive Assistant to the Bishop, serves as the Mid Hudson Regional Office Coordinator. The Mid Hudson Office coordinates the workings of the Region and assists in the day to day life of congregations in the Counties of Orange, Sullivan, Ulster, and Dutchess, which includes 59 congregations. Expenses for this line include compensation and benefits for the Regional Administrator, office expenses, utilities, travel, meetings, conferences, and programs.

Public Affairs (Expenses & Compensation)

Mr. Nicholas Richardson serves as Communications Director & Editor, The Episcopal New Yorker. The Public Affairs department is responsible for the vital job of communicating the programs, activities and policies of the diocese both internally and externally using all available media, including the diocesan website, microsites on an as-needed basis, email, Online News, social media, the Episcopal New Yorker, postal mail, and events. The Communications Director also provides communications advice and practical assistance to the Bishop's Staff, commissions and committees; provides and administers free Internet hosting for parishes and other diocesan organizations; and is responsible for handling all press inquiries that come into the diocesan

offices. Expenses covered by this line include compensation, benefits, travel, and office expenses for the Public Affairs office.

Archives (Expenses & Compensation)

Mr. Wayne Kempton serves as Archivist & Historiographer. The archives contain some 2,000 boxes of historical records, including some records for over 400 congregations and all of the original cathedral records. Sacramental records for about 80 congregations, including the cathedral, can also be found there, as well as the personal papers of our bishops and all manner of diocesan business files; legal documents, deeds, some blueprints, and trust fund materials as well. The diocesan archivist also acts as Registrar with respect to keeping the record of Episcopal Acts, like confirmations, the issuance of lay licenses, etc. The archivist also visits parishes wishing to consult on the care of their collections, and acts as records custodian for those parishes with special storage needs; that is, where their records may be in danger of being lost or not cared for, especially the sacramental records. Expenses covered by this line include compensation, benefits, travel, office, and archive expenses for the Archives office.

Campus Ministry Clergy (Expenses & Compensation)

The Diocese of New York has chaplains at numerous campuses within the Diocese of New York. The Committee for Campus Ministry supports the work of the current chaplains, advises the bishops regarding Episcopal ministry to students, faculty and staff of various colleges within diocesan boundaries and serves as a resource about campus ministry for congregations within the diocese. The campuses served in 2016 include:

- Canterbury Uptown (Columbia/ Barnard Colleges and City College in Harlem and other smaller colleges)
- Canterbury Downtown (Canterbury Club at New York University, New School, Cooper Union, Pace University)
- Cornell University - Weill Medical College
- State University of New York at New Paltz
- United States Military Academy, West Point
- Vassar

Expenses covered by this line provide compensation and benefits for the chaplains and program support.

Hispanic Clergy Compensation

This line funds Hispanic clergy compensation and benefits serving in congregations as determined by the Hispanic Grants Committee, a subcommittee overseen by the Congregational Development Commission, in conversation with the Bishop's Office.

Congregations in Strategic Settings Clergy Compensation

This line funds clergy compensation and benefits serving congregations that have been designated as Congregations in Strategic Settings.

Regional Pastorate Initiative Clergy Compensation

This line funds clergy compensation and benefits at regional pastorates in the diocese which are overseen by the Bishop's Office. The Regional Pastorate Initiative is part of the Bishop's vision to stabilize and build up the Episcopal Church presence in strategic parts of the diocese.

Harlem Initiative Clergy Compensation

This line funds a clergy compensation and benefits at several churches in Harlem. The Bishop's Office oversees how these funds are allocated.

South Bronx Initiative Clergy Compensation

This was administered by the Bishop's Office, as requested by the congregations in the South Bronx, and used for staff and/or program initiatives shared by those congregations. Initiatives funded by this line are now funded from Church Plants & Revitalization.

Church Plants & Revitalization

This is a new line which includes funding/initiatives from the South Bronx Initiative and expands the program to other parts of the diocese. The line which is overseen by Bishop Shin and the new Church Plants & Revitalization Committee focuses on models of new church development.

CSP Transition Clergy Compensation

Several Congregations in the CSP were granted a formal transition period where they would continue receiving a disbursement from the diocesan budget for CSP Transition Clergy Compensation. This transition was scheduled to cover three years and concludes in 2019.

Congregational Development Commission Programs

This line supports the work and programs offered by the Congregational Development Commission.

Operational Support for Strategic Hispanic Congregation

This line provides funding for certain expenses for one Strategic Hispanic Congregation.

Multicultural Ministries (New Community)

This line covers programs and funding for Asia-America Ministry, Metropolitan Japanese Ministry, and the Korean church plant.

Christian Formation Commission Programs / Young Adult Ministry

This line also supports programs offered by the Christian Formation Commission the Youth and Young Adult Ministries of the Diocese, events such as the Acolytes Festival, Youth leaders gatherings, training workshops, and the annual Diocesan Summer Youth Conference at Incarnation Camp through scholarships, camp nurse and transportation.

Social Concerns Commission

The Social Concerns Commission includes membership in national and local organizations that promote important social witness by the diocese. Some of the Social Concerns Commission's areas of focus include children's advocacy, anti-racism conversations, study of reparations for slavery, LGBT concerns, protection of the environment, and domestic violence prevention and awareness. This line funds programs and events offered by the Commission as well as grants provided by the Commission.

Ecumenical and Multi-Faith Councils Contribution

The Episcopal Diocese of New York is by charter a member of both the New York State Council of Churches and the Council of Churches of the City of New York, which include other Protestant and Orthodox churches. The councils engage in ecumenical dialogue on subjects of common concern and then translate that dialogue into engagement with city and state government on important issues of public policy. The New York State Council of Churches has been an important advocate for economic justice, criminal justice, anti-violence initiatives and environmental stewardship, and the Council is the credentialing body for chaplains in NYS correctional facilities and other state institutions.

Ecumenical & Interfaith Commission

The line item supports meetings, discussion, shared liturgies, etc. with ecumenical and interfaith dialogue partners and councils. The funding also covers travel expenses of the Diocesan Ecumenical and Interfaith Officer for participation each spring in the annual meeting of the Episcopal Diocesan Ecumenical and Interfaith Officers (EDEIO). It also pays General Convention mandated dues of \$250 each year from each diocese to EDEIO. The Ecumenical and Interfaith Commission is engaged in fruitful dialogues with the Roman Catholic, United Methodist, and Eastern Orthodox churches, as well as with the Jewish and Muslim faith traditions.

Global Mission Commission

The mission of the Global Mission Commission of the Episcopal Diocese of New York is to educate, empower and inspire individuals and parishes within the Diocese as we respond to God's call for engagement in mission through relationships and spiritual transformation throughout the Anglican Communion. This line funds programs and events offered by the Commission as well as grants provided by the Commission.

Companion Diocese Relationship

The Diocese of New York has a companion relationship with the Diocese of Central Tanganyika.

Rural and Migrant Ministry

Rural and Migrant Ministry is a multi-faith organization founded by the Diocese of New York and serving rural and migrant people in New York State since 1981 through programs of youth empowerment, education, and accompaniment, and legislative reform. In addition to funding support from the Diocese of New York, contributions are made from a variety of religious traditions and represent most regions of the State.

New York Service & Justice Collaborative (Episcopal Service Corps)

This line supports the Episcopal Service Corps in the Diocese of New York. Episcopal Service Corps is a program for young adults, who live in an intentional community at a congregation and work in social justice and community service organizations. The program helps them discern their call to their life's work, and it assists them in developing the skills needed for a life of service.

Episcopal New Yorker

The ENY is the newsprint quarterly edition of Diocesan news. This line includes purchase of paper, printing, distribution, writing and editing of the newspaper.

Support for Episcopal Charities

Episcopal Charities is an independent 501(c)(3) foundation, supporting community outreach programs in partnership with Episcopal congregations throughout the Diocese of New York. Programs are available to all persons in need regardless of faith or church affiliation. Grants are made to the following types of programs: Feeding, Skills Building, Health & Wellness, Children's Arts, Children's Academic Enrichment and Summer Recreation. Financial support from the diocese is essential to soliciting funds from other sources.

Property Support Committee Grants & Loans

Grants are awarded by the Property Support Committee to help fund various buildings projects in parishes and around the diocese. The Property Support Office (working with the Trustees) also administers loans through the Revolving Loan Fund.

First Step Grants

A First Step Grant acts as a catalyst for a congregation that is seriously committed to taking the first substantive steps toward a long-term growth strategy. Funds are awarded to support strategic activities that will result in quantifiable spiritual and numerical growth within congregations. First Step grants are not intended for general operation, on-going program support, or benevolence. Applications are made through the Congregational Development Commission.

Next Step Grants

A Next Step Grant (when funded by the budget) is given to support a congregation making the transition from pastoral to program size by providing temporary, partial funding for an assistant clergyperson. Applications are made through the Congregational Development Commission.

Hispanic Ministries Grants

The Hispanic Grants Committee, a subcommittee overseen by the Congregational Development Commission, meets to disburse these grants to Spanish-language/cultural congregations within the diocese.

Sustainable Development Goal Grants

The General Convention recommended in 2015 by resolution that every diocese allocate 0.7% of its annual budget to Sustainable Development Grants. The Global Mission Commission allocates these grants.

Administration (Expenses & Compensation)

Ms. Esslie Hughes serves as Chief of Finance and Operations. The Chief of Finance and Operations, along with the Suffragan Bishop, the Bishop Assistant, and the Canon to the Ordinary, serves on Bishop Dietsche's Executive Team. This line covers all compensation, benefits, office expenses, travel, and any program expenses of the Administrative Staff, Human Resources Department, and Finance Office overseen by the Chief of Finance and Operations.

Office Services (Expenses & Compensation)

This line includes the basic expenses of operating the diocesan offices. Expenses for this line include compensation and benefits for the office manager, assistant to the office manager, and mail room worker. This line also covers expenses related to the operation of the diocesan offices, such as office supplies, license and registration, telephone, postage, shipping, computers, parking, security, etc.

IT Expenses

This line covers our contract for IT services and our IT person.

Special Finance Committee Projects

The Finance Committee has been undertaking a variety of special projects recommended by the 2016 Strategic Plan. The projects include updating and implementing policies and procedures around financial matters. The Finance Committee regularly reports to the Bishop and Trustees about the status of these projects.

Web Management

This line covers expenses associated with the hosting, design, updating, and trouble-shooting of the Diocesan website. The diocese also provides free website hosting and email hosting for any congregation that requests either service.

Professional Expenses (Legal, Audit, etc.)

This line funds the annual audit, any legal expenses outside of the normal duties of the chancellor's office, and other professional expenses.

Overhead and Fixed Obligations

This line allows for an annual audit, legal fees, new office furniture purchases, fidelity bond for all diocesan congregations, worker's comp of diocesan employees, unemployment insurance, and retiree health insurance.

Cathedral Cost Sharing and Rent

The Diocese of New York utilizes a number of buildings owned and maintained by the Cathedral of St. John the Divine, including office and meeting spaces as well as a residence for Bishop Dietsche. The diocese pays the cathedral \$1 per year for the use of the space. The Diocese of New York rents one apartment in Diocesan House and several parking spaces from the Cathedral of St. John the Divine.

Capital Expenditures Budget

This line funds occasional capital expenditures that are outside the normal operating budget. In 2020 this will fund an updated alarm system for the diocesan and bishops' offices.

Provision for Salary & Benefit Increase

This line includes forecast cost of living and salary increases for personnel funded by this budget. Beginning in 2020 medical insurance increases are included alongside benefits and compensation – this is possible because the budget process is now completed in September rather than in August.

Addendum 5: About the Budget Spreadsheet and Accrual Accounting

The Budget Spreadsheet includes the 2018 Revised Budget, the 2019 Budget, and the 2020 Budget. There are variance columns comparing the 2019 Revised Budget and the 2020 Proposed Budget. The Budget Spreadsheet does not contain 2018 Actuals or a 2019 Forecast. Past years' budget spreadsheets have included columns denoting prior year actuals or a current year forecast, and providing this information has proven less than helpful: Numerous people have misunderstood these numbers, in large part because they do not fully grasp the difference between cash and accrual accounting. (Please see the **Addendum 4 – Accounting 101: Cash Vs. Accrual** at the end of this document for a very brief synopsis of cash vs accrual accounting.)

The published version of the 2018 Revised Budget is actually a great example of how an attempt to be transparent can cause confusion rather than clarity. The spreadsheet titled “**2018 Approved Budget as Revised by Trustees**” was circulated to the Trustees and Diocesan Council and made available on the Diocesan website:

<https://www.diocesenyny.org/ednyfiles/2018-approved-budget-as-revised-by-trustees/?wpdmdl=43401&ind=1532974379818>

That spreadsheet included a column titled “2017 Actuals”. At first glance, income looks great! Upon closer examination one might notice that income looks identical to the budgeted numbers. It is very important to note that the income numbers in this column do not reflect actual money received (cash accounting), but rather income recorded on an accrual basis. Most notably, it doesn't account for Apportioned Share payments that were not received (at all or on time). That reality is not obvious without some narrative background or an accounts receivables report alongside the spreadsheet.

The Diocese of New York manages its financial statements on an accrual basis. In my experience, most non-accountants and non-finance people tend to think of income on a cash basis rather than an accrual basis. Additionally, most congregations prepare their regular financial statements on a cash basis rather than an accrual basis. Only their audited financials are prepared on an accrual basis. Very large congregations and all businesses that operate with budgets over \$5,000,000 prepare their financial statements for income on an accrual basis rather than a cash basis.

In a smaller organization, cash accounting is easier and the “snapshot” it provides at any given point can be quite accurate. However, in a larger organization, cash accounting can be quite problematic because the “snapshot” is constantly being updated as earned income payments come in. In the case of the Diocese of New York, Apportioned Share payments don't all come in on time or before the year is closed out, or at all. If we presented income for the most recent year on a cash basis, it would look far worse than reality, because income would simply be a snapshot of the moment the year was “closed”.

In a larger organization, accrual accounting makes it easier to keep an eye on the big picture and adjust for the reality of delayed payments that will eventually come in – even if they come in years later. If we were to present income for the most recent year on an accrual basis without a reserve, it would look unrealistic, because income is set at the level that it was “earned” before any write off.

Accrual and cash accounting each have their advantages and disadvantages, but for the most part cash accounting only works for smaller organizations or for providing board members a snapshot of the organizational cash position. For example, even in a very large congregation it is normal for a Treasurer to present regular financial statements to the Vestry that are a mix of cash and accrual accounting. Doing so allows the Vestry to have some sense of the real time cash position of the parish. Most parishes offer a bird’s eye financial picture at the annual meeting.

The Trustees of the Diocese of New York have similar responsibility to a parish vestry, and our Finance Committee is required to present regular financial statements to the Trustees. For a number of years that was not done regularly in our diocese. Correcting this problem was both a recommendation and a canonical change made during the 2016 Strategic Plan process. The Finance Committee and the Bishop’s staff have been working to correct this problem, and I am pleased to say that progress has been made in getting a more accurate “real time” picture to the Trustees. More work remains to be done.

All of that is to say that the diocese manages its finances on an accrual basis. This year’s budget spreadsheet does not have income “actuals” for 2018 because providing that information would create more confusion than clarity. Per our Strategic Plan the Finance Committee and Bishop’s staff have made significant progress towards ensuring that the Trustees are provided regular, accurate financial statements. Also, per our Strategic Plan, the Finance Committee and Bishop’s staff are working towards providing annual financial statements to the diocese. Finally, the Budget Committee is working with the Finance Committee to figure out a way to present to the entire Diocese an accounts receivable report alongside the budget in a way that is helpful.

In Christ and on behalf of the Budget Committee,

The Rev. Matthew Hoxsie Mead,
Chair of the Budget Committee of the Diocese of New York

Addendum 6: Accounting 101: Cash Vs. Accrual

The cash basis and accrual basis of accounting are two different methods used to record accounting transactions. The core underlying difference between the two methods is in the timing of transaction recordation. When aggregated over time, the results of the two methods are approximately the same. A brief description of each method follows:

- Cash basis. Revenue is recorded when cash is received from customers, and expenses are recorded when cash is paid to suppliers and employees.
- Accrual basis. Revenue is recorded when earned and expenses are recorded when consumed.

The timing difference between the two methods occurs because revenue recognition is delayed under the cash basis until customer payments arrive at the company. Similarly, the recognition of expenses under the cash basis can be delayed until such time as a supplier invoice is paid. To apply these concepts, here are several examples:

- Revenue recognition. A company sells \$10,000 of green widgets to a customer in March, which pays the invoice in April. Under the cash basis, the seller recognizes the sale in April, when the cash is received. Under the accrual basis, the seller recognizes the sale in March, when it issues the invoice.
- Expense recognition. A company buys \$500 of office supplies in May, which it pays for in June. Under the cash basis, the buyer recognizes the purchase in June, when it pays the bill. Under the accrual basis, the buyer recognizes the purchase in May, when it receives the supplier's invoice.

The cash basis is only available for use if a company has no more than \$5 million of sales per year (as per the IRS). It is easiest to account for transactions using the cash basis, since no complex accounting transactions such as accruals and deferrals are needed. Given its ease of use, the cash basis is widely used in small businesses. However, the relatively random timing of cash receipts and expenditures means that reported results can vary between unusually high and low profits.

The accrual basis is used by all larger companies, for several reasons. First, its use is required for tax reporting when sales exceed \$5 million. Also, a company's financial statements can only be audited if they have been prepared using the accrual basis. In addition, the financial results of a business under the accrual basis are more likely to match revenues and expenses in the same reporting period, so that the true profitability of an organization can be discerned. However, unless a statement of cash flows is included in the financial statements, this approach does not reveal the ability of a business to generate cash.

(from <https://www.accountingtools.com/articles/cash-basis-vs-accrual-basis-accounting.html>)