

**Episcopal Diocese of
Minnesota
150th Annual
Convention
Finance Report**

Finance Report



“Being Good Stewards now, and in the years to come”

📖 For our Congregations!

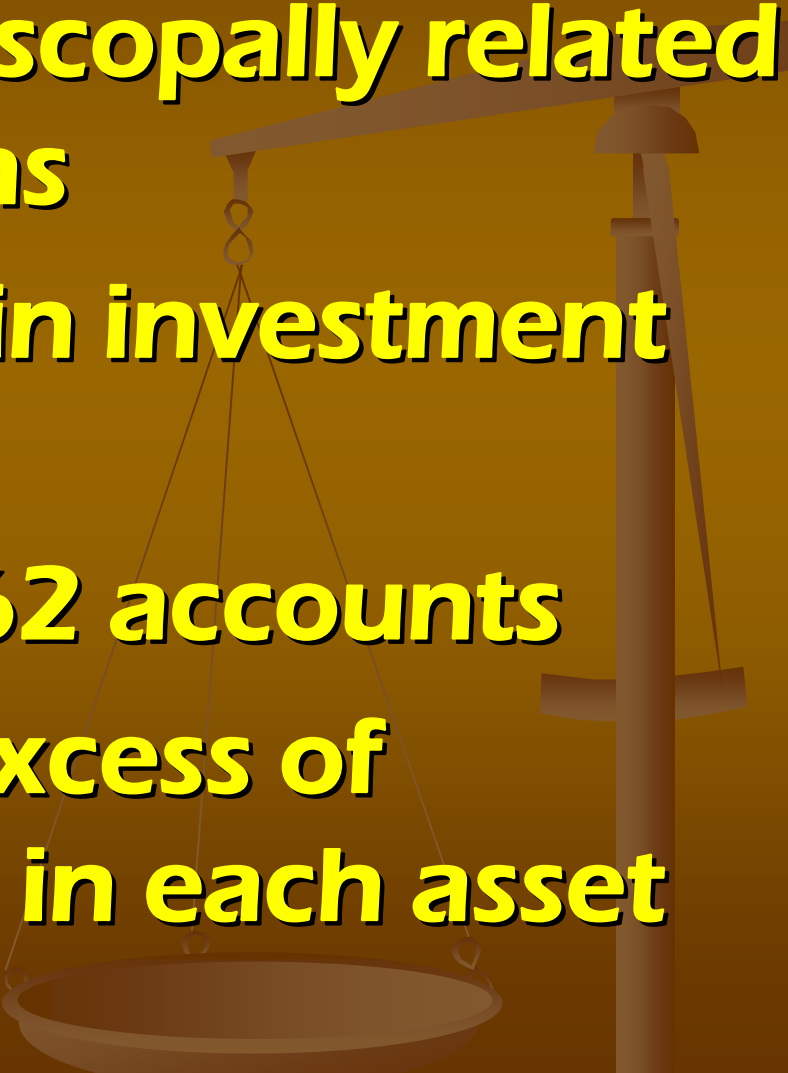
📖 For our Diocese!

📖 For the Greater Episcopal Church!

Trustees



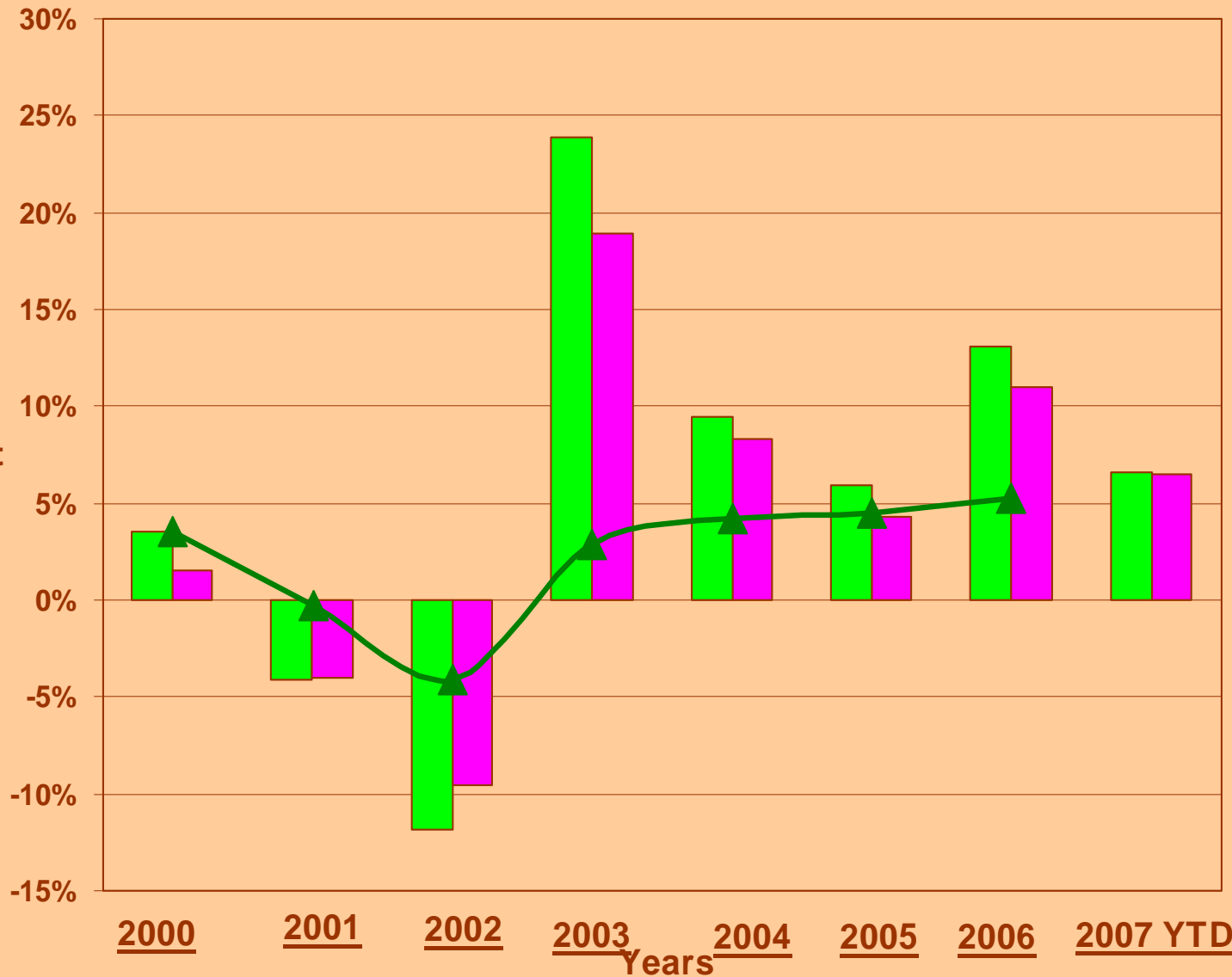
Pooled Investment Fund

- **Open to Episcopally related organizations**
 - **\$25 Million in investment assets**
 - **Currently 162 accounts**
 - **Returns in excess of benchmarks in each asset category**
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Trustees Investment Committee

- ✓ **Laura Budd** – Trustee – St. Paul’s Duluth
- ✓ **Jim Delamater** – Trustee – Ascension Stillwater
- ✓ **John Gould** – St. Stephen’s Edina
- ✓ **Rev. Len Freeman** – St. Martin’s Minnetonka Beach
- ✓ **Gary Johnson** – Trustee – St. Mathew’s St. Paul
- ✓ **Gailen Krug** – **Chairperson** – Trustee - St. Stephen’s Edina
- ✓ **David Neal** – St. Paul’s Mpls.
- ✓ **Bruce Nerland** – St. Matthew’s St. Paul
- ✓ **Jim Pavlik** – Principal Financial Officer
- ☆ **John Tillotson** – Smith Barney Investment Advisor
– St. Mathew’s St. Paul

Pooled Investment Fund (PIF)

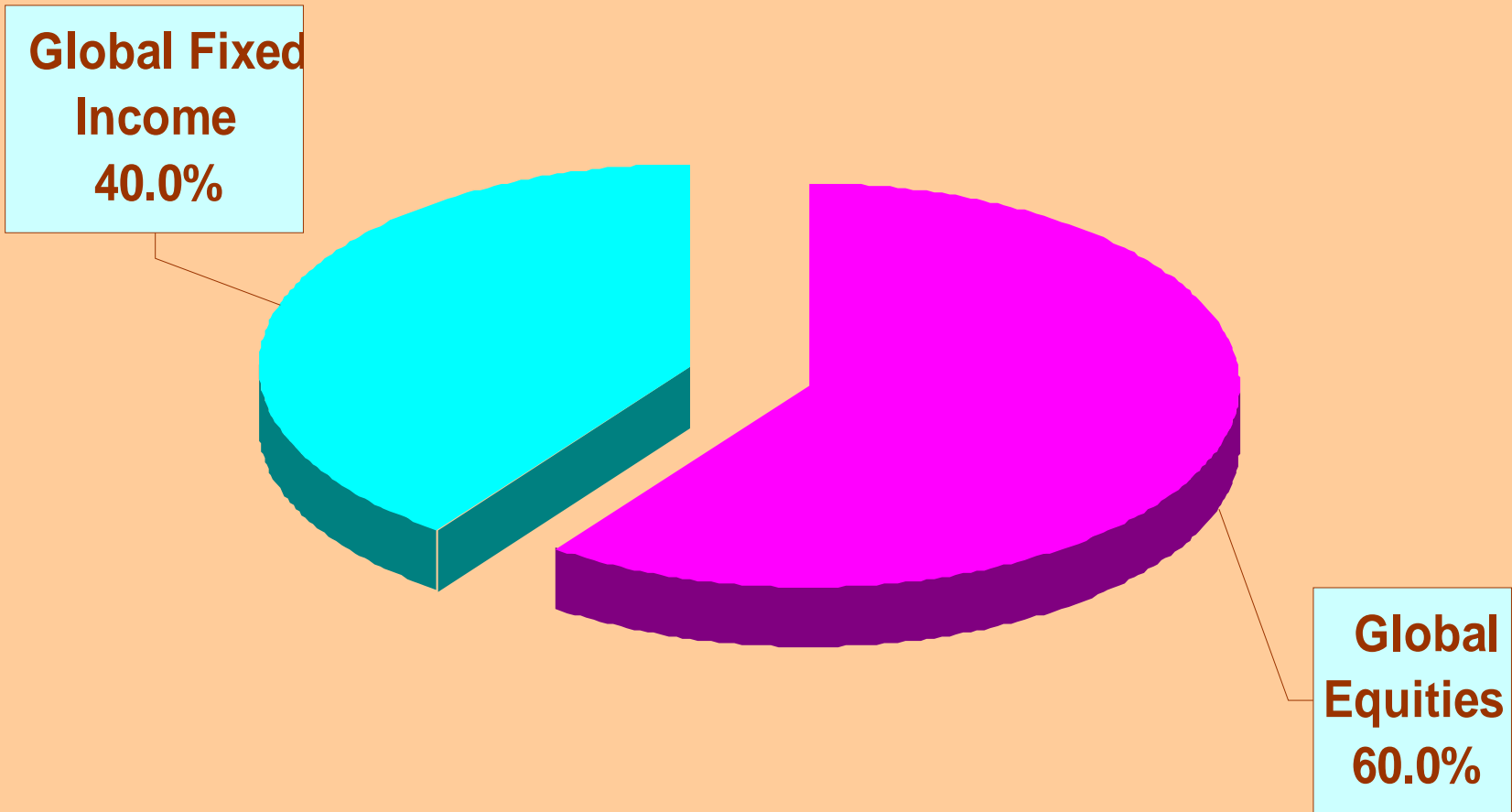


PIF Annual Return

Lipper Moderate Balanced Fund

Average PIF Return

PIF Asset Allocation



Trustee

Financial Information

- **\$56 Million in assets with \$25 in the PIF**
- **All financials audited annually including the PIF**
- **2006 audit completed with an unqualified “clean” audit opinion**

Diocese



Diocesan Finance/Audit Committee

- ✓ Stacy Abena – Diocesan Council – St. Stephen's Edina
- ✓ Paul Double – St. Paul's Winona
- ✓ Joe Dusek – Diocesan Treasurer – St. Paul's Duluth
- ✓ Bill Gray – St. John's Mankato
- ✓ Ann Lanoue – Chairperson – St. Anne's Sunfish Lake
- ✓ Jim Pavlik – Principal Financial Officer
- ✓ Lynn Schaefer – St. Alban's Edina

Topics



- 1. 2006 Audit**
- 2. 2007 Financial Overview/Budget**
- 3. 2007 ACG Relief and Non Payments**
- 4. 2008 Budget**
- 5. ACG For 2008**
- 6. 2008 COLA and Benefits**

Audit Status



- 1. 2006 audit has been completed and the reports have been issued with an “unqualified” opinion**
- 2. All funds of the Diocese and the Trustees were audited by Virchow, Krause & Company**

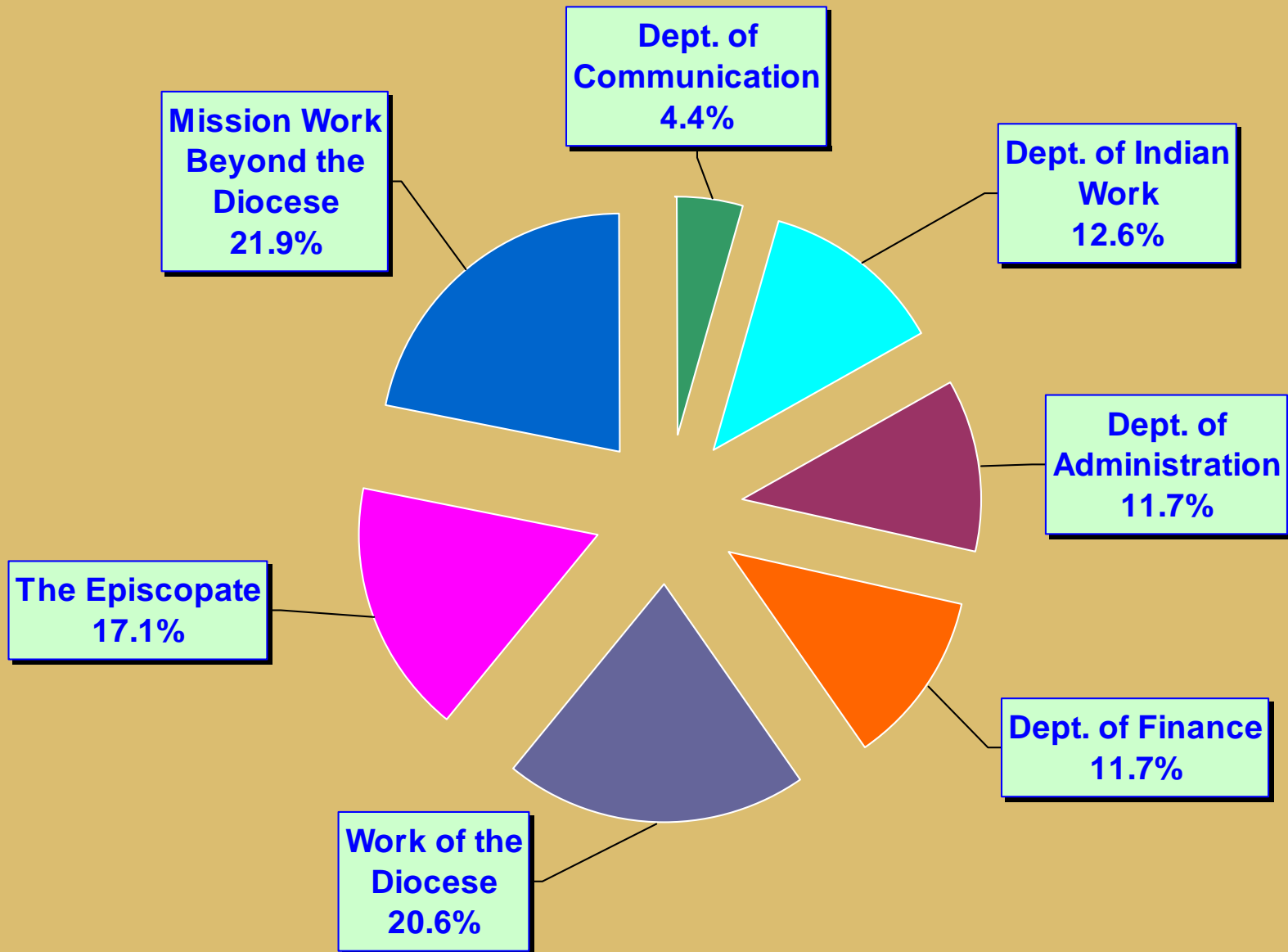
Audit Status (cont)

3. The Diocese continues to provide quantitative and qualitative financial data to its stakeholders, with a high level of transparency in reporting.

2007 Budget/Projection Highlights

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u> <u>8/31/07</u>	<u>2007</u> <u>Projection</u>
Total Revenues	\$2,469,348	\$1,517,811	\$2,479,690
Total Expenses	\$2,469,085	\$1,654,528	\$2,479,690
Excess (deficit)	\$263	\$ (136,717)	\$ -

2007 Projected Budget Allocations



2007 ACG Relief and Non Payments

- 1. \$59,579 in ACG relief from the Diocesan First Stop Committee**
- 2. An additional \$156,496 from primarily three churches, is projected in non payments that were supposed to fund the 2007 budget.**

2008

Budget

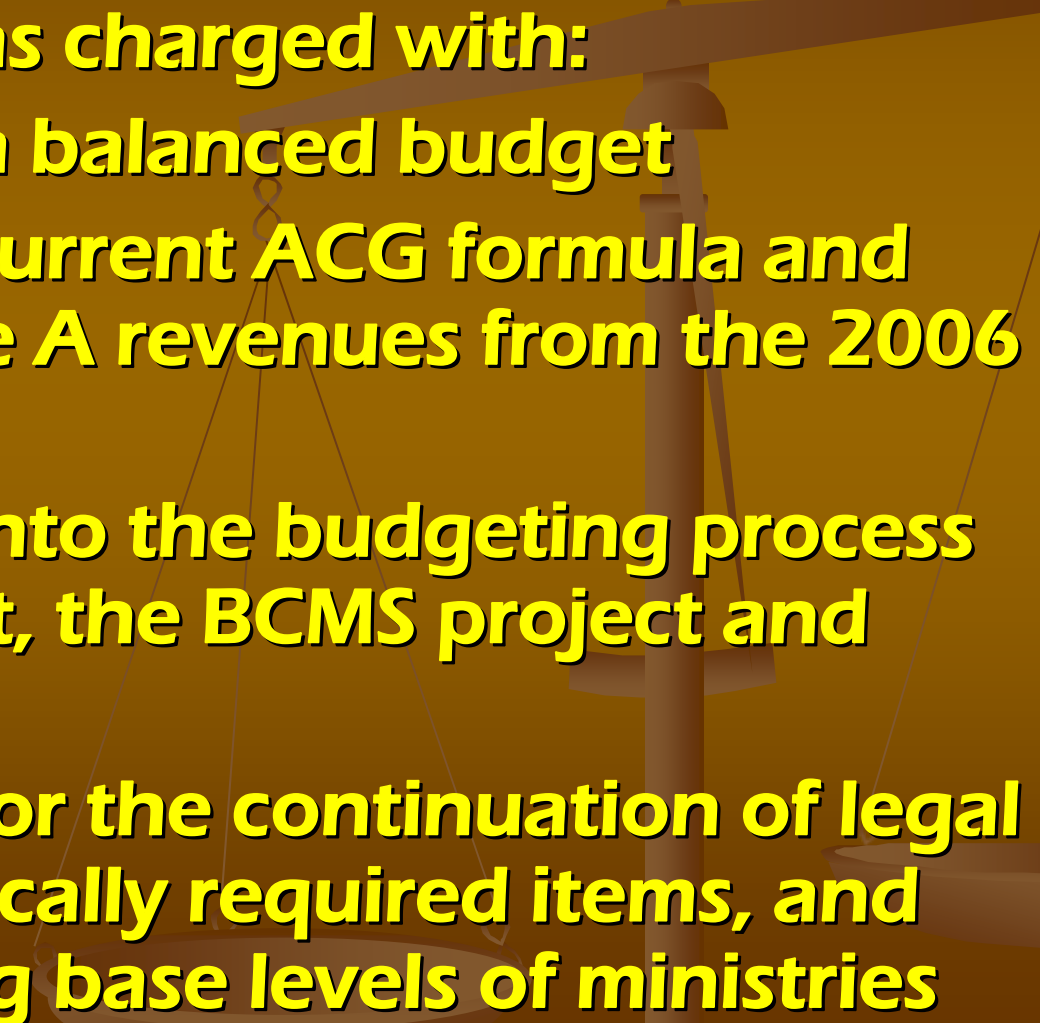


2008 BUDGET

- 1. At the direction of the Diocesan Council, the Diocesan Finance/Audit Committee (DFAC) commenced the budget process in March, 2007 for the 2008-10 triennium.**

2008

BUDGET

- 
2. The DFAC was charged with:
 - A. Preparing a balanced budget
 - B. Using the current ACG formula and church Line A revenues from the 2006 PRs
 - C. Factoring into the budgeting process and budget, the BCMS project and report
 - D. Providing for the continuation of legal and canonically required items, and maintaining base levels of ministries

2008

BUDGET

3. Key Budget Factors for budget recommended and approved by DC:

- A. It is a balanced budget as required by canon.**
- B. A one year transitional budget which provides for potential effects of BCMS**
- C. Uses the current ACG formula with circuit breaker**

2008 BUDGET

3. Key Budget Factors

- D. 65% of the expenses are required by canons and/or laws, and the remaining 35% provides base levels of diocesan services and programs.**
- E. Continues the expanded report format of the 2007 budget.**
- F. Includes a 3.6% COLA for 2008 based upon CPI and ECI indices.**

2008

BUDGET

3. Key Budget Factors

- G. Maintains 21% apportionment and 0.7% Millennium Goals support to the National Church.**
- H. The 6.35% increase over 2007 compensates for the reduced and flat budgets of 2004 – 2007.**
- I. Includes a modest 15% increase in medical insurance costs after two years of no increases.**

ACG for 2008

1. The revised ACG formula will again be used in 2008.

2. “Circuit Breaker” provision will stay in effect for 2008.

2008 ACG FORMULA

Fully Implemented ACG FORMULA

5 breakpoints and percentages:

12% up to \$95,000

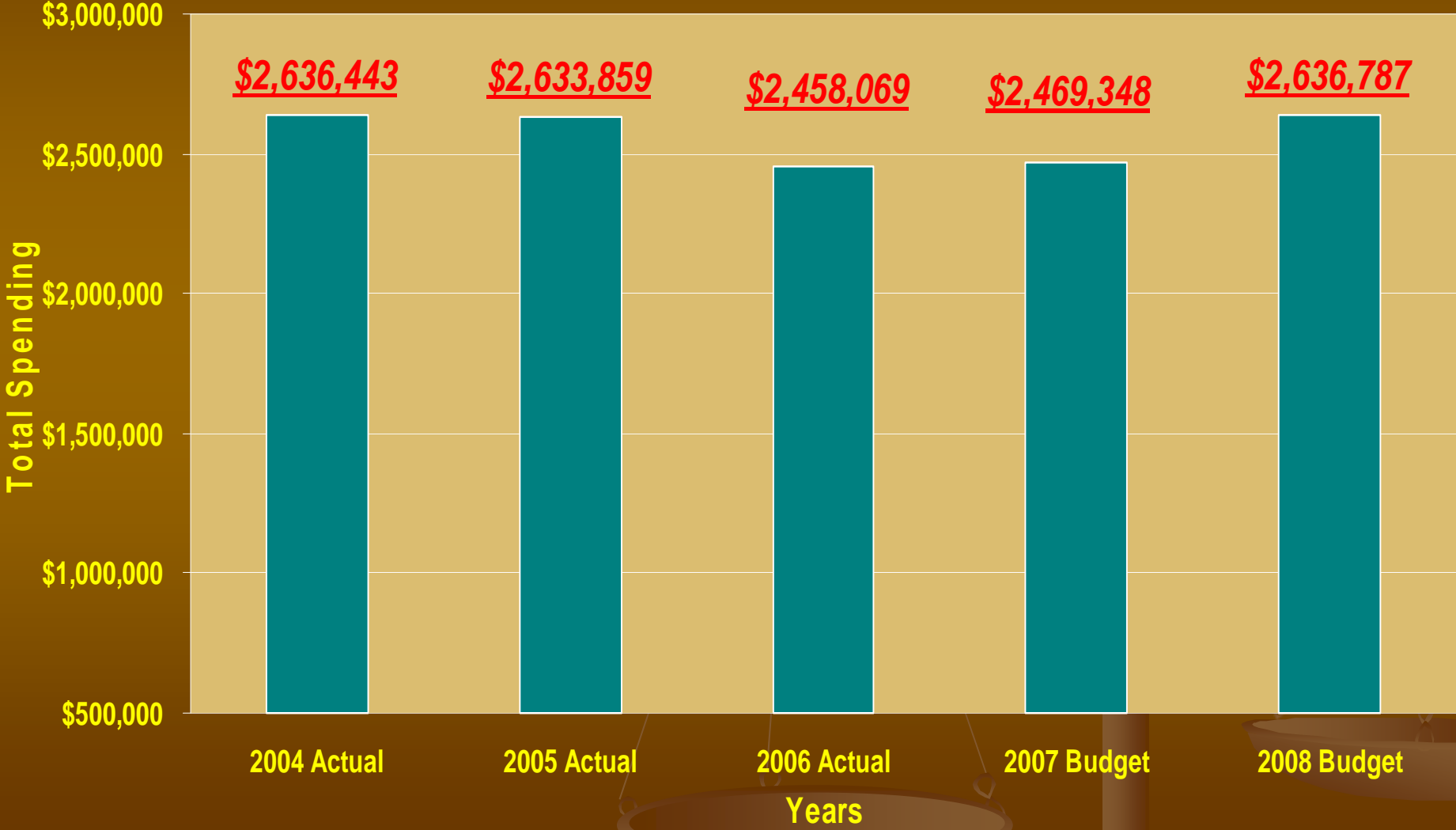
17% from \$95,001 - \$180,000

21% from \$180,001 - \$275,000

22% from \$275,001 - \$455,000

23% over \$455,001

Budget Levels 2004 - 2008



2008

Budget Highlights

(from pages 48-58 Business Booklet)

	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Budget</u>	<u>2008</u> <u>Budget</u>
Total Revenues	\$2,462,464	\$2,469,348	\$2,636,787
Total Expenses	\$2,458,069	\$2,469,085	\$2,636,787
Excess (deficit)	\$ 4,395	\$ 263	\$ -

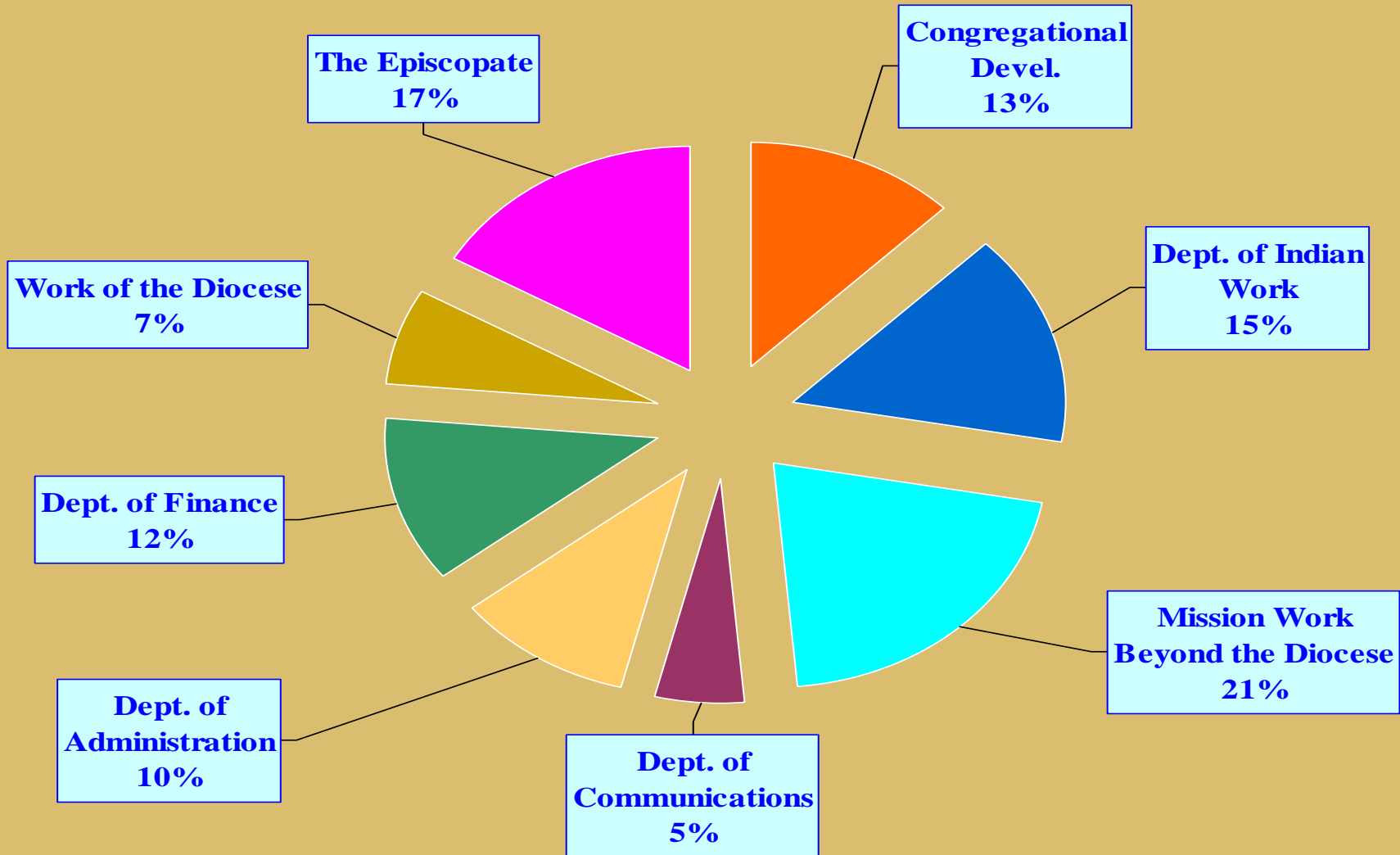
2008 Budget Highlights

(from pages 48-58 Business Booklet)

	<u>2007</u> <u>Budget</u>	<u>2008</u> <u>Budget</u>	<u>Variance</u>
Total Revenues	\$2,469,348	\$ 2,636,787	\$167,439
Total Expenses	\$2,469,085	\$ 2,636,787	\$ 167,702
Excess (deficit)	\$ 263	\$ -	\$ (263)

2008 Budget Expenses by Type

(Business Booklet page 49)



2008 Compensation Highlights

- 1. COLA for 2008 is set at 3.6%**
- 2. Health and dental insurance premiums for 2008 are expected to increase by less than 15%**
- 3. Other benefit costs have slight increases for 2008**

What Things Should We Celebrate in the Diocese!

- † **BCMS completion**
- † **Audit results**
- † **Elimination of operating budget deficits**
- † **Continually enhanced financial and ministry reporting**
- † **Positive investment returns in the PIF**
- † **Ordained 26 clergy in 2006**
- † **Confirmed and received 353 Episcopalians in 2006**
- † **Church revenues in 2006 increased by 5.5 % over the previous year**
- † **Church memberships held basically constant in 2006**

2008 BUDGET



**[As approved by
Diocesan Council
July 27, 2006
(*Business Booklet pages
40-58*)]**