EPISCOPAL DIOCESE OF CHICAGO

Sustaining our Mission:
2025 Budget Process & Priorities
Information Session - Part 1
July 17, 2025

Opening Prayer and Comments by Bishop Clark

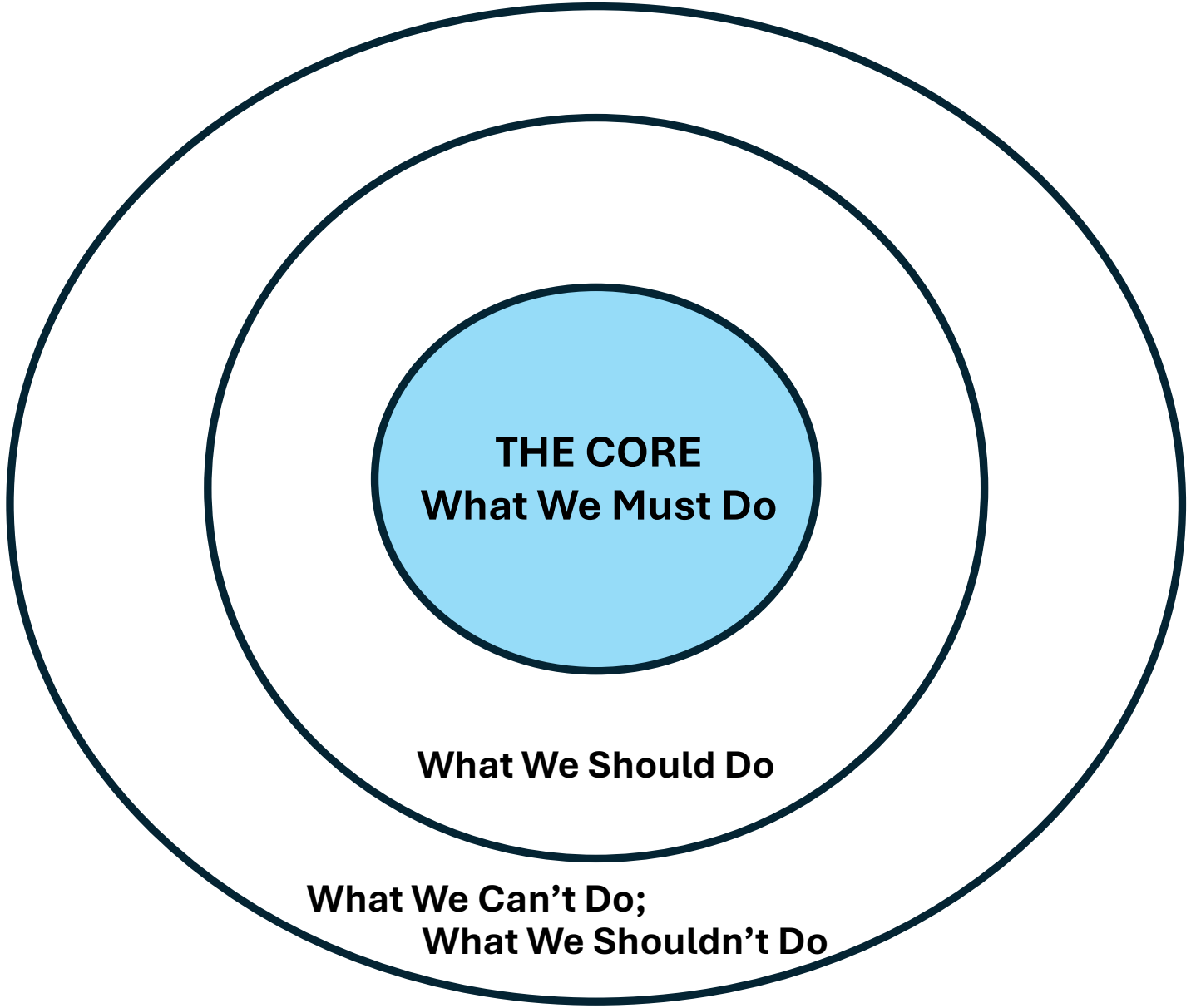
Thoughts on Moving Forward

- Strategic planning process is ongoing.
- Our diocese is **all of us**, and it was exciting to see so many in our diocesan community actively engage in the process.
- Some feedback was sobering, but all was invaluable to moving ahead.
- Tonight's meeting is in response to feedback from our surveys and interviews regarding our Diocese's financial condition:
  - Deep concern regarding finances of the Diocese
  - A strong desire for greater transparency and inclusion
  - A need for better understanding of the financial issues and processes
- Seeking to share some thoughts about how we might move forward with grace and faithfulness in the face of tough financial realities.

2026 Budget Will Require Big Challenges and Difficult Choices

- We are in the early stages of preparing the 2026 budget
  - No specific details to share tonight.
- We know our limited resources cannot support all that we might want to do.
  - We will need to do some things very differently
  - We must prepare ourselves for some big changes
  - We will be challenged by the need to make very difficult choices

Making Choices and Setting Priorities



THE CORE REQUIRED TO BE A DIOCESE

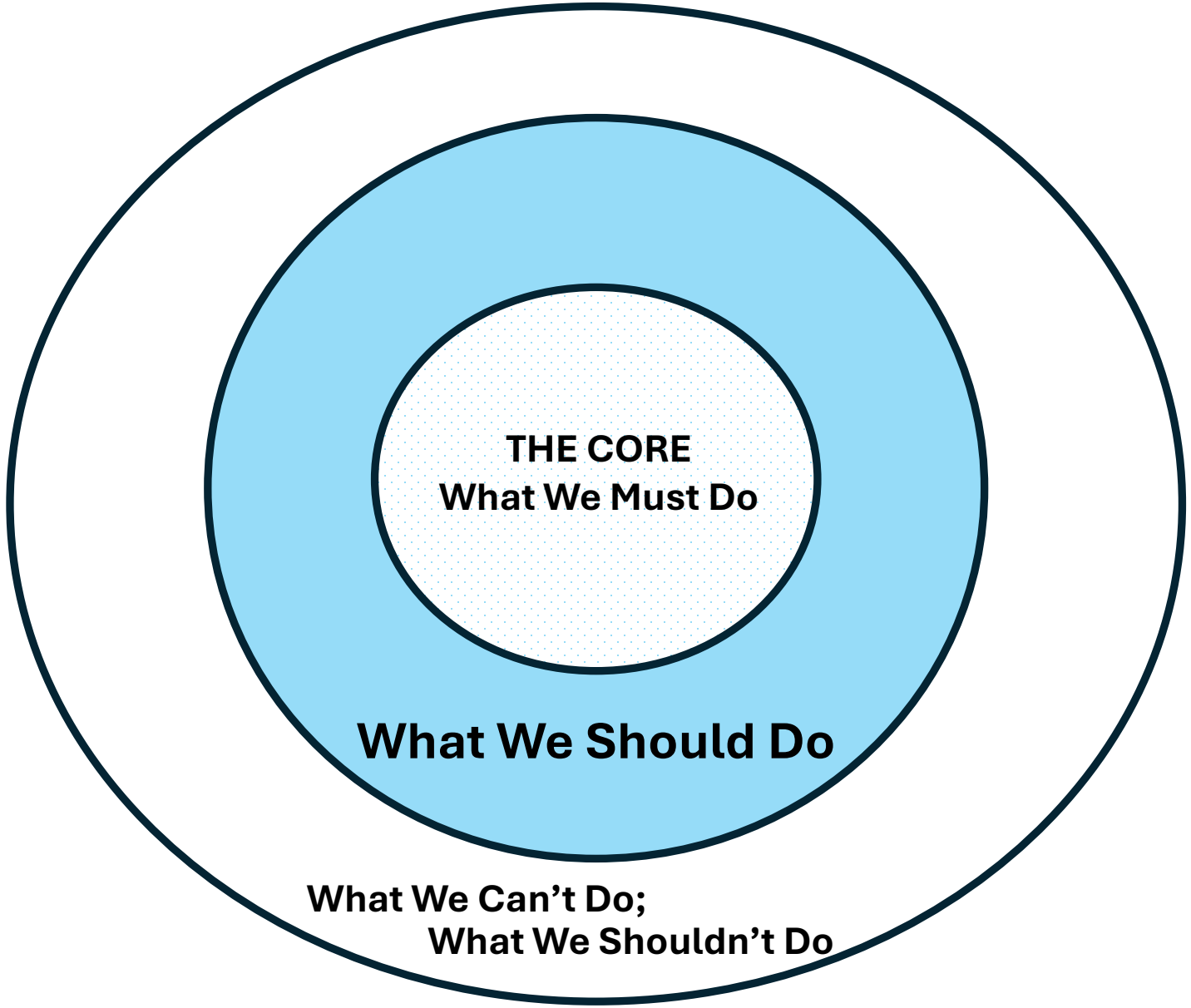
Episcopal

- A bishop to lead and perform confirmations and ordinations

Administrative

- Canonically mandated Governing Bodies
- Human resources coordinator
- Treasurer
- Legal Counsel
- Annual Diocesan Convention
- Transitional ministry support for congregations without leadership
- Disciplinary Board

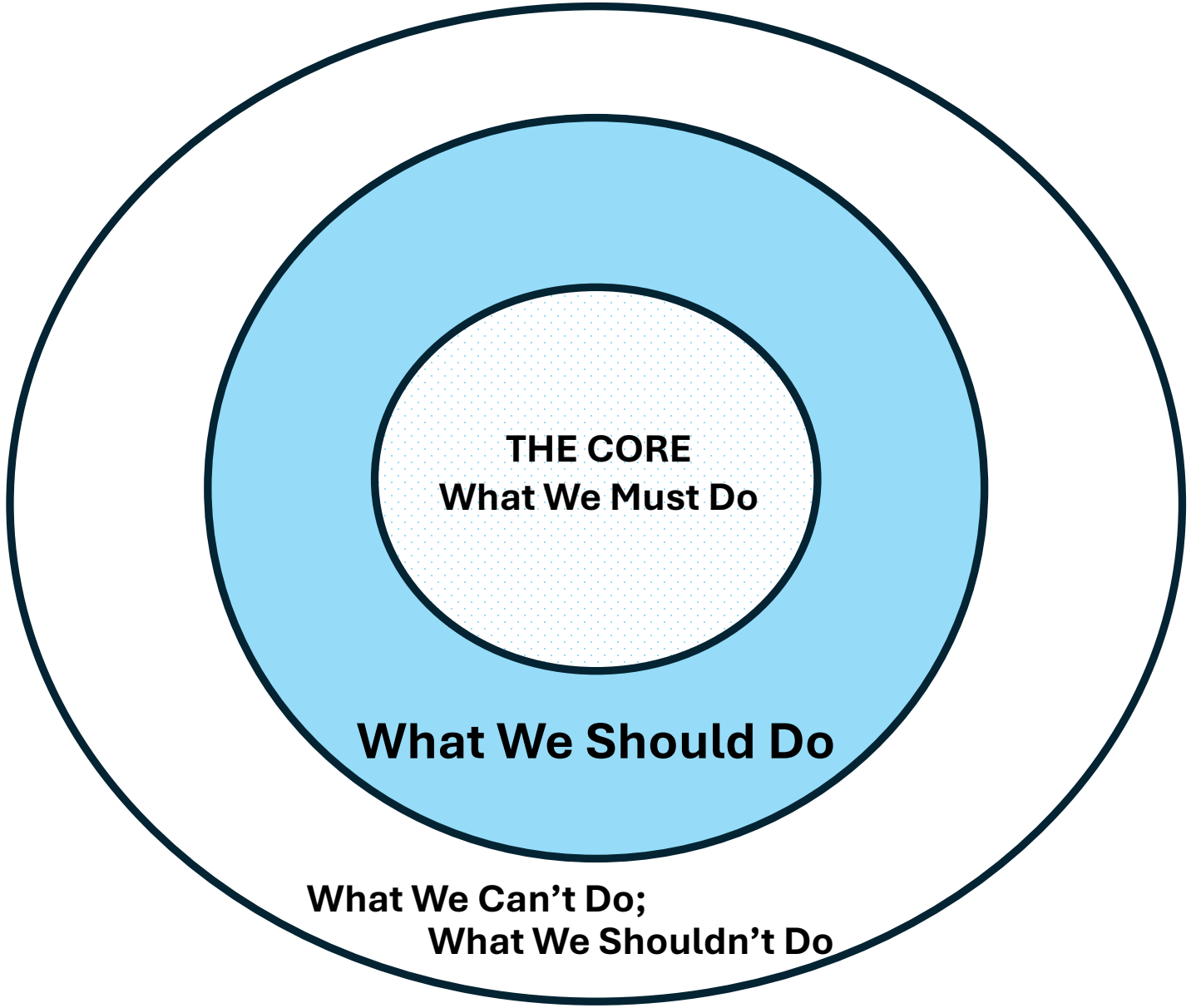
Making Choices and Setting Priorities



What we SHOULD DO:

- Must further support our mission
- Will be guided by the priorities identified thru **Strategic Planning**
  - Financial Sustainability
  - Congregational Vitality
  - Connectedness
  - Social Justice and Prophetic Witness
- May include:
  - Christian Formation
  - Leadership Development – Clergy and Laity
  - Multicultural Ministry
  - Pastoral Care
  - Communications

Making Choices and Setting Priorities



Changes Resulting from Strategic Planning:

- We've already begun implementing some of the priorities
  - Tonight's meeting – and future budget events
  - Holding in-person convention
  - More inclusive communications and congregational storytelling
- More changes and updates to come

Sustaining Our Mission
Why This Session? Why now?

Strategic Planning process has identified requests for :

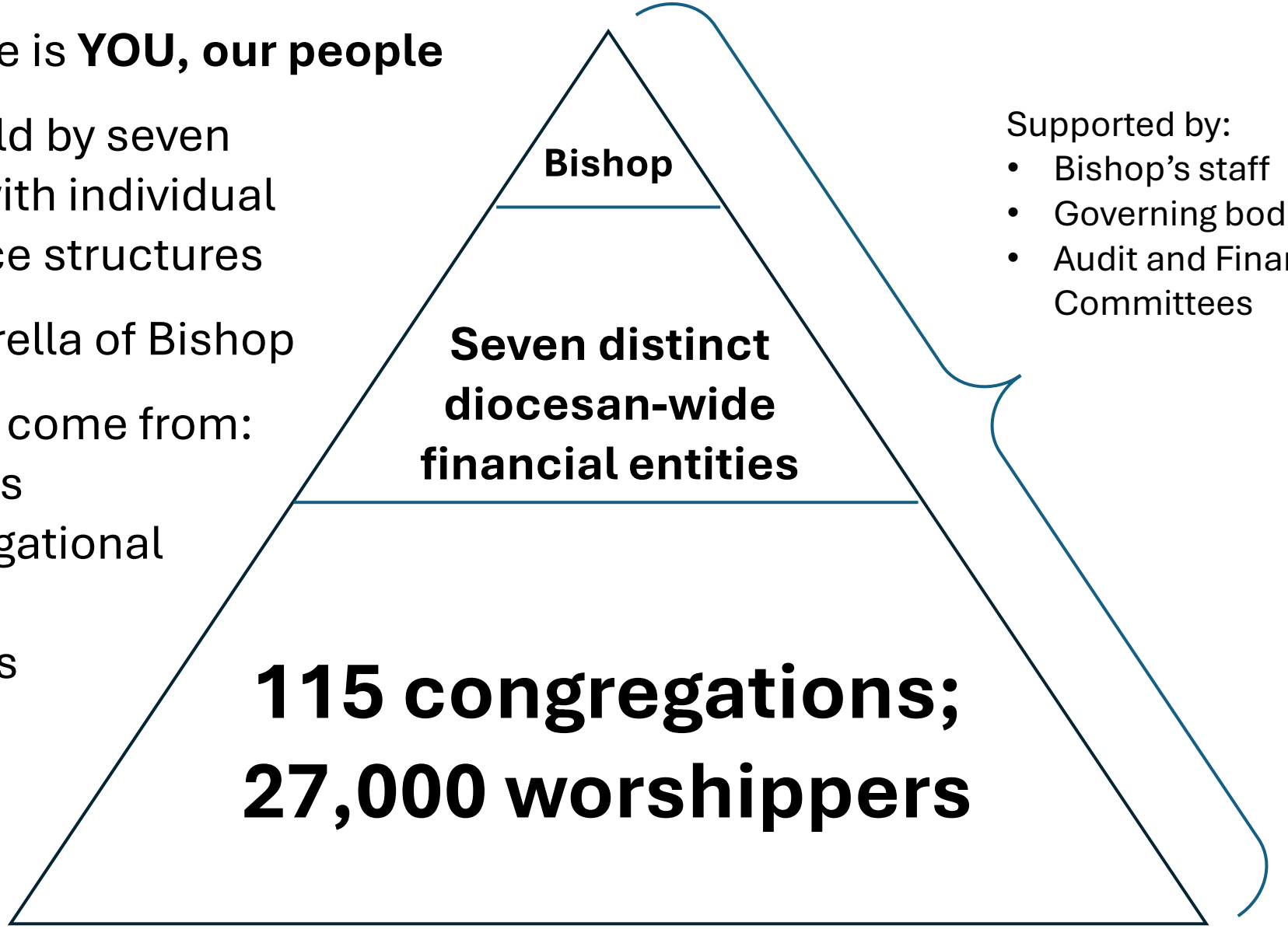
- Greater transparency regarding diocesan finances
- A clearer overview of the “complicated” Diocesan financial structure
- A better understanding of key issues and realities related to the annual Administration & Program budget
- An opportunity to hear from Bishop Paula

2026 Budget Development process in the early stages

- Attempting to respond to expressed concerns/priorities
- No budget details as of yet

Diocesan Financial Structure

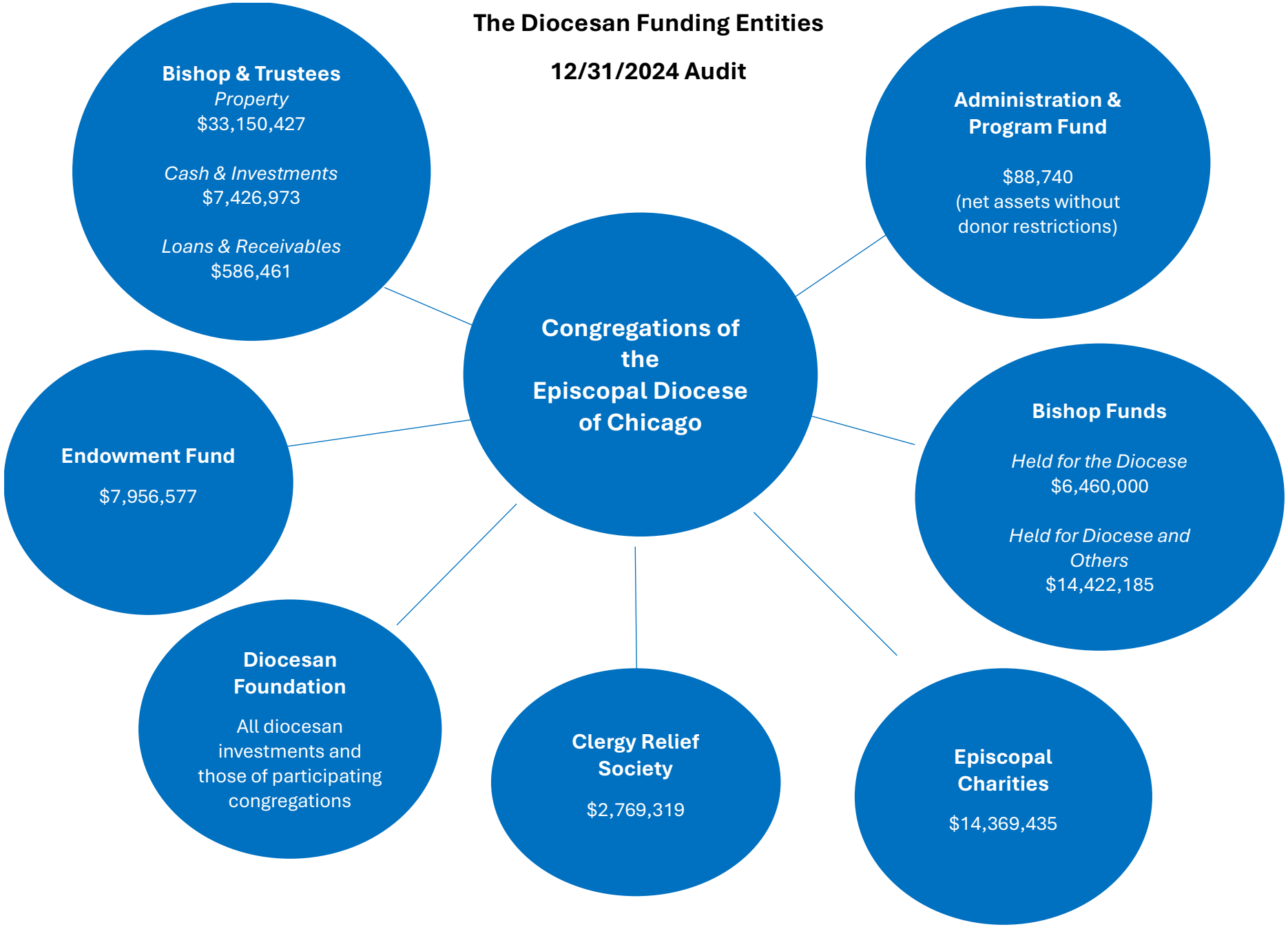
- Foundation of Diocese is **YOU, our people**
- General resources held by seven interrelated entities with individual segregated governance structures
- All under overall umbrella of Bishop
- Revenues at all levels come from:
  - Donor Contributions (Individual, Congregational or Organizational)
  - Investment earnings
  - Program fees
  - Asset sales



Supported by:
- Bishop's staff
- Governing bodies
- Audit and Finance Committees

The Diocesan Funding Entities

12/31/2024 Audit



Role of the Finance Committee

Authorized by Diocesan Council in February 2024

Comprised of representatives from governing bodies and 3 members at large

Meet monthly to:

- Advise Bishop on on-going financial management of the Diocese
  - Accountability, Budget development, and Forecasting
- Integrate financial impacts of the Diocese's seven entities
- Provide information to facilitate informed decision-making
- Develop a path to long-term financial sustainability

Note: the Finance Committee does not usurp the canonically mandated roles of any of the governing groups

Modeling: Continuing current trends

Trends:

- Rising costs (3+% annually)
- Declining Common Mission Share congregational giving (-2.5% annually)
- Flat fundraising

Results:

- Growing annual deficits which must be offset by other assets
- Reduced investment earnings
- Erosion of reserves by almost $6M by 2028

	2022 Act	2023 Act	2024 Fcst	2025	2026	2027	2028
Expenses (Excluding pass-thrus)							
Operational	(3,364,673)	(3,555,193)	(3,996,645)	(4,115,282)	(4,238,740)	(4,365,903)	(4,496,880)
Annual % change		5.7%	12.4%	3.0%	3.0%	3.0%	3.0%
Revenue (excluding pass thrus)							
Congregational Pledges	2185012	2,144,947	1,980,430	1,930,920	1,882,647	1,835,581	1,789,691
Annual % change		-1.8%	-7.7%	-2.5%	-2.5%	-2.5%	-2.5%
Bishops Fund ($5.60M)	186,211	268,101	140,000	250,028	190,398	145,195	114,512
Fundraising (Bishops Appeal)	83,218	77,986	106,624	190,000	190,000	190,000	190,000
Endowment (3.87M)	263,368	277,577	275,702	279,899	280,000	280,000	280,000
Bishop & Trustees	-	9,096	-	-	-	-	-
For Building & Admin	111,000	115,000	132,000	117,000	117,000	117,000	117,000
Program & Other	329,032	464,600	271,375	284,853	285,000	285,000	285,000
TOTAL Revenue	3,157,841	3,357,307	2,906,131	3,052,700	2,945,045	2,852,776	2,776,204
Annual % change		6.3%	-13.4%	5.0%	-3.5%	-3.1%	-2.7%
Excess/(Deficit)		(197,886)	(1,090,514)	(1,062,582)	(1,293,696)	(1,513,127)	(1,720,676)
Special transfers to offset defficit							
Bishops Fund			459,440	1,062,582			
B&T			250,000				
Endowment			327,203				
			1,036,643	1,062,582	-	-	-
Increase/Decrease in Net Assets		(197,886)	(53,871)	-	(1,293,696)	(1,513,127)	(1,720,676)

Proposed Actions as of 2025:

- Strategic Plan to guide priorities
- Implement gradual but significant cost reductions
- Reverse recent decline and grow congregational giving
- Grow fundraising

Goal:

- Decrease annual deficits
- Minimize depletion of reserves (~$1.6M)
- Achieve breakeven budgets by 2028

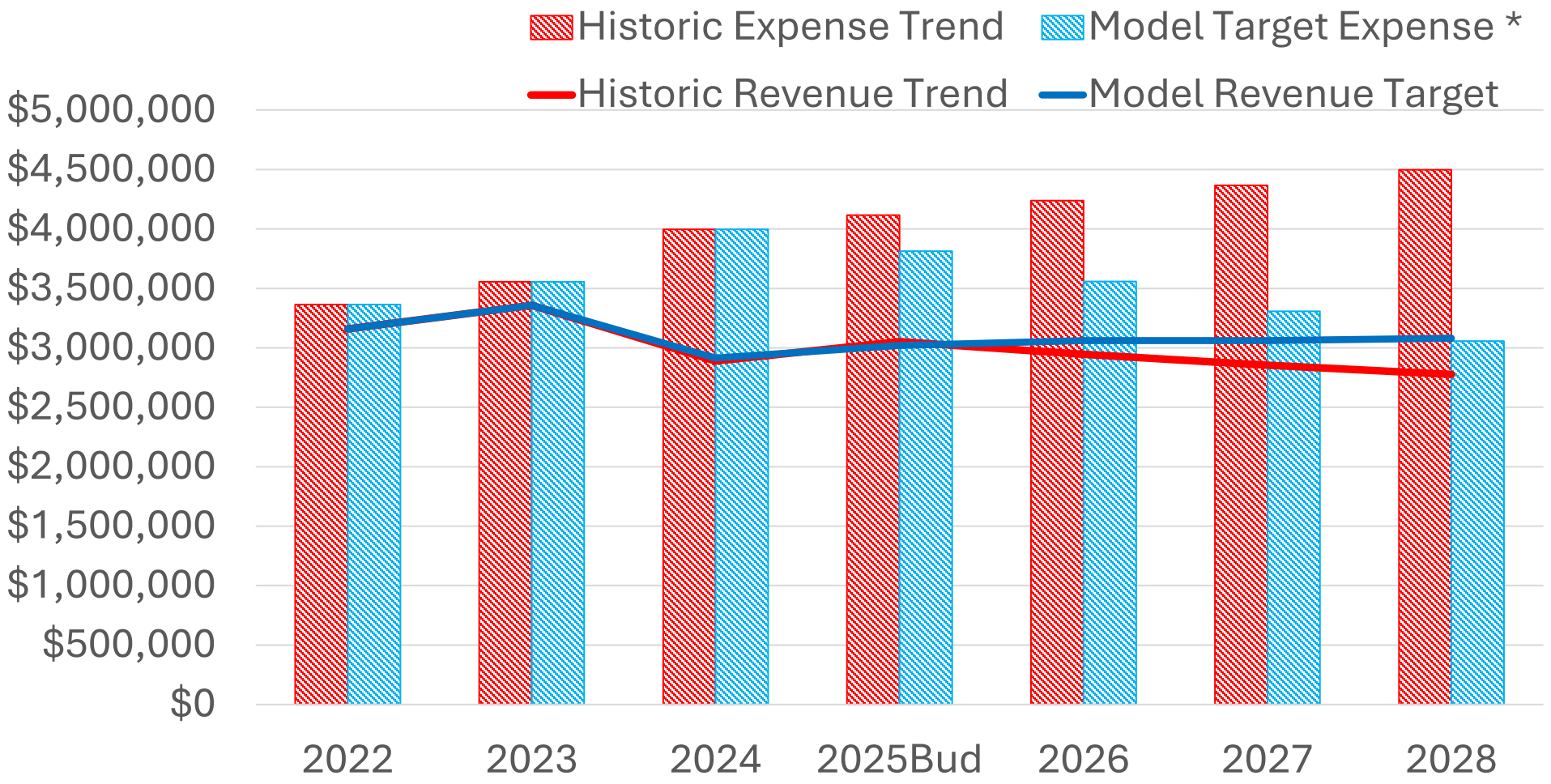
EPISCOPAL DIOCESE OF CHICAGO
Adminstrative & Program Budget
DRAFT MODELING TO REACH FINANCIAL SUSTAINABILITY

PATH TO SUSTAINABILITY

				Planning Years		Progress to Sustainability			
		2022 Act	2023 Act	2024 Act	2025 Bud	2026	2027	2028	
Expenses (Excluding pass-thrus)									
	Operational	(3,364,673)	(3,555,193)	(3,685,380)	(4,115,282)	(3,812,571)	(3,562,571)	(3,312,571)	Cost reductions will require operational restructuring
	Add'l Expense reduction			-	(302,711)	250,000	250,000	250,000	supported by in-depth strategic re-evaluation
	Target Expense	(3,364,673)	(3,555,193)	(3,685,380)	(3,812,571)	(3,562,571)	(3,312,571)	(3,062,571)	
	Annual % change		5.7%	3.7%	3.5%	-6.6%	-7.0%	-7.5%	
Revenue (excluding pass thrus)									
	Congregational Pledges	2185012	2,144,947	1,993,853	1,930,920	1,950,229	1,969,731	1,989,429	Reverse 2.5 % decline trend and grow 1% annually
	Annual % change		-1.8%	-7.0%	-3.2%	1.0%	1.0%	1.0%	
	balance of bishop funds			*5600000*	*6,100,000.00*	*5056852*	*4262822*	*3761179*	
	Bishops Fund ($5.6 M)	186,211	268,101	140,000	250,000	252,843	213,141	188,059	Interest earnings of 5%
	Fundraising (Bishops Appeal)	83,218	77,986	81,268	190,000	209,000	229,900	252,890	10% growth annually
	Endowment (4.5% allocation)	263,368	277,577	258,541	279,899	280,000	280,000	280,000	4.5% allocation on 5-yr trailing average
	Bishop & Trustees	-	9,096	0	0	0	0	0	
	For Building & Admin	111,000	115,000	117,000	117,000	117,000	117,000	117,000	Contributions from Cathedral, ECCS, Foundation
	Program & Other	329,032	464,600	323,302	251,603	252,000	252,000	252,000	No change assumed; depends on programming
	TOTAL Revenue	3,157,841	3,357,307	2,913,964	3,019,422	3,061,072	3,061,773	3,079,378	
	Annual % change		6.3%	-13.2%	3.6%	1.4%	0.0%	0.6%	
Excess/(Deficit)			(197,886)	(771,416)	(793,149)	(501,499)	(250,798)	16,807	DEFICIT REDUCED ANNUALLY
Special transfers to offset defficit									
	Bishops Fund			153,761	793,148	541,187	288,502	19,012	BY 2028, $1.8M of BISHOPS FUNDS USED
	B&T			250,000					
	Endowment			344,364					
				748,125	793,148	541,187	288,502	19,012	
Increase/Decrease in Net Assets			(197,886)	(23,292)	(1)	39,688	37,704	35,819	

Goal: Manage costs in line with total revenues

Model Projections – Annual expenses reduced by 25% over 4 years

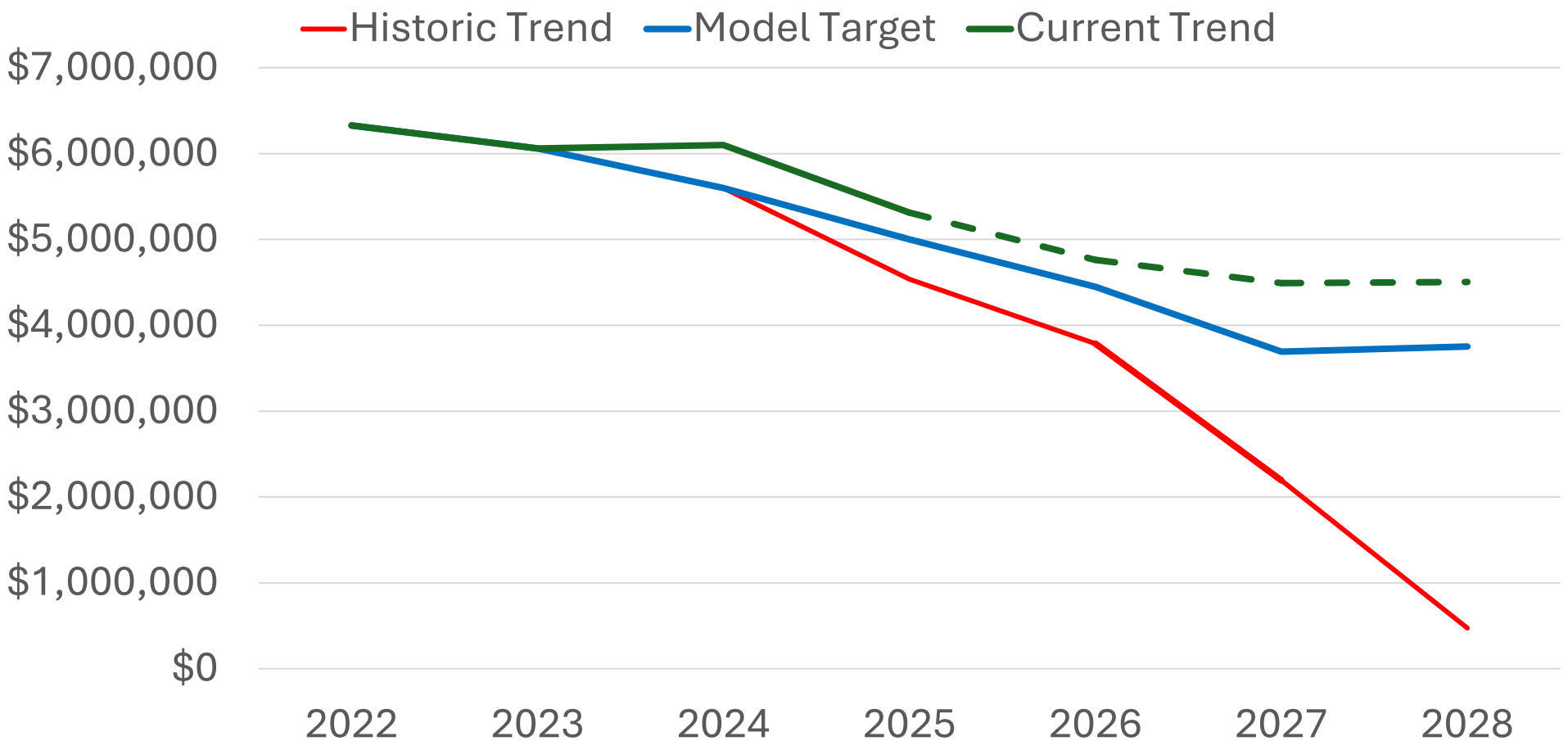


* Model assumes 6 to 7.5% annual expense decrease and halts average 3% decline in annual congregational giving

Are we making progress?

Goal : Minimize depletion of Bishop's Fund

Model Projections – Bishop's Fund Year Ending Balance

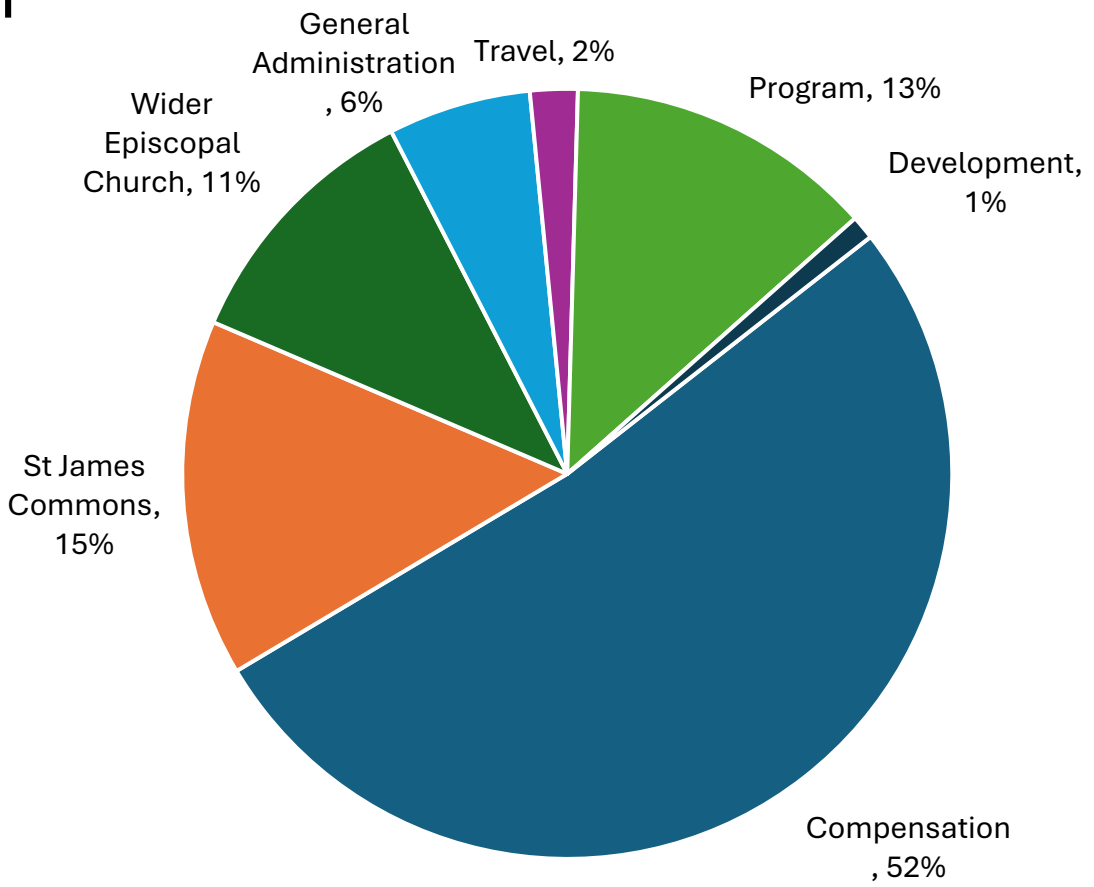


The Expense Challenge: Limited Options for Further Cost Reduction

2025 budgeted expense =$3.81 million

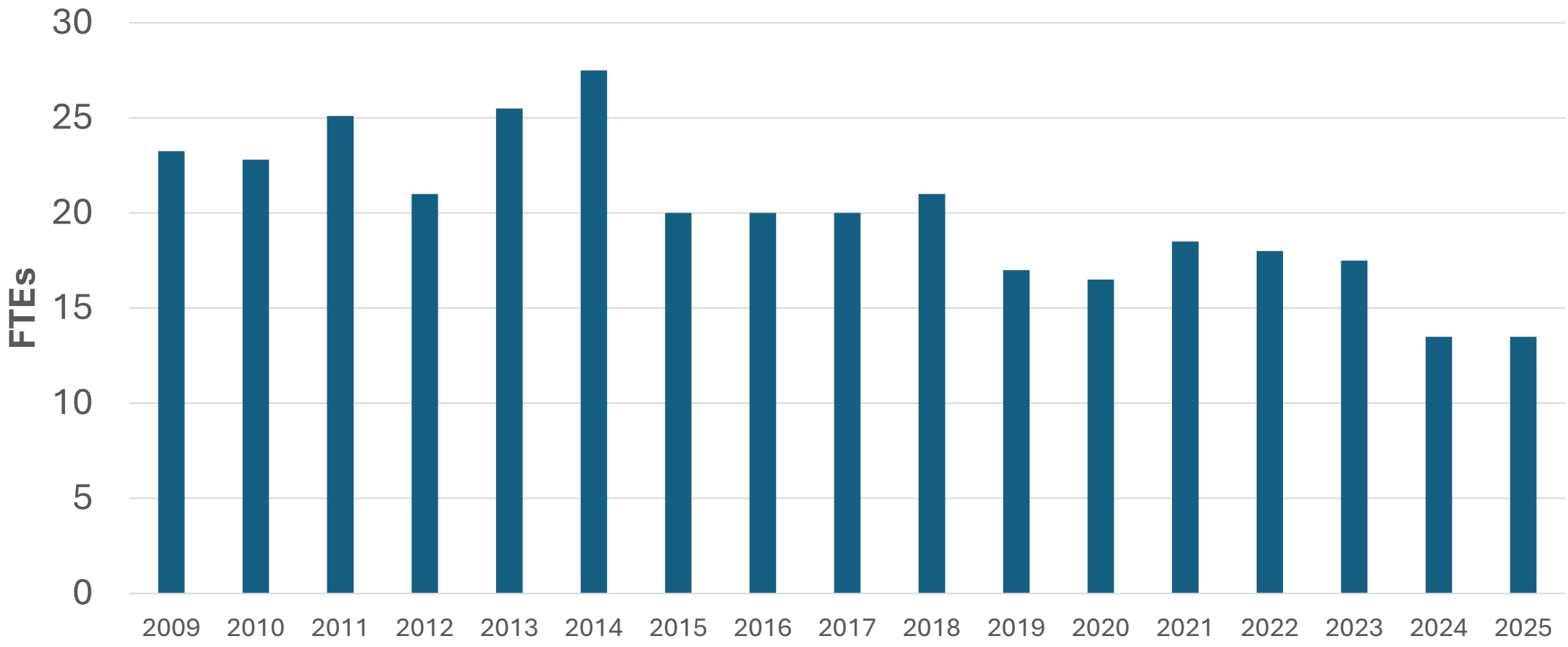
Largest segments of expenses are:

- Staff salaries and benefits >50%
  - Includes double digit annual increases in health insurance
- National Church dues = 11%
- 65 East Huron =15%



2025 Budgeted Expense

The Expense Challenge:
Staff Positions Already Reduced Significantly
50% since 2014; 22% since 2021

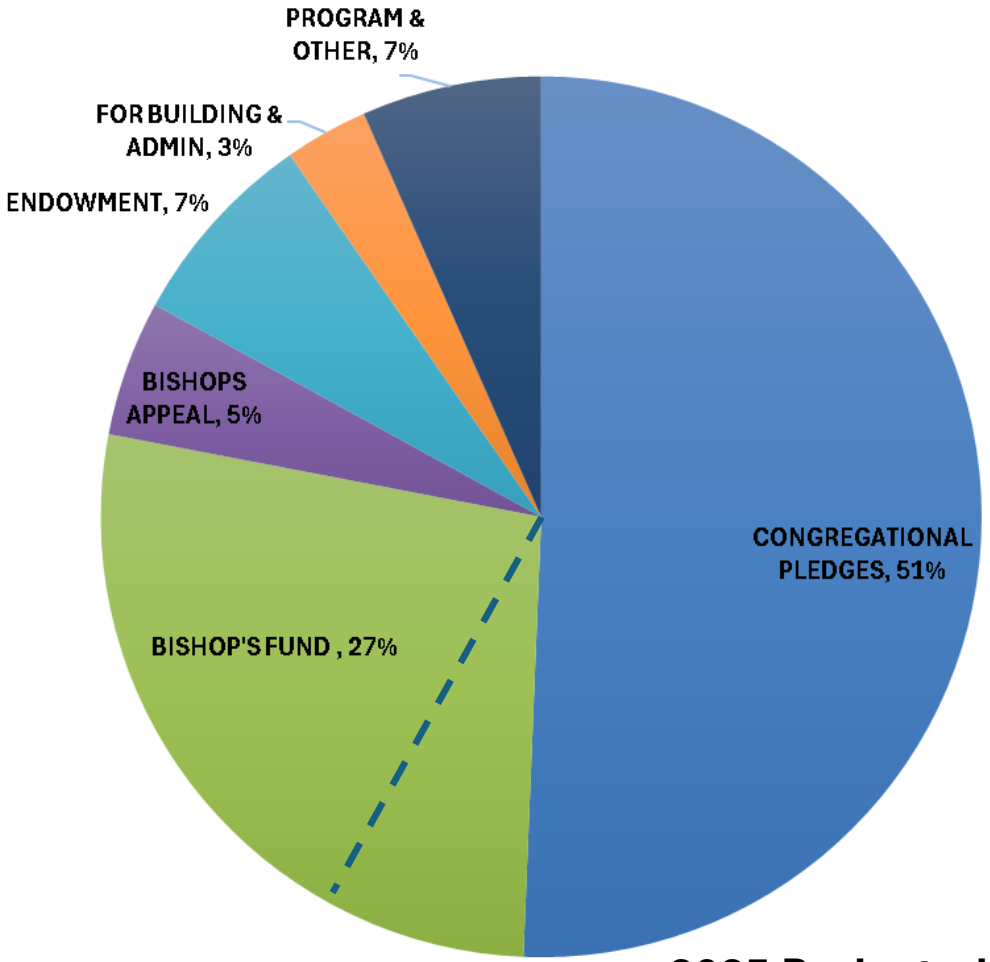


The Revenue Challenge:
Sources of Revenue for Operating Budget

2025 budgeted revenue = $3.02 million

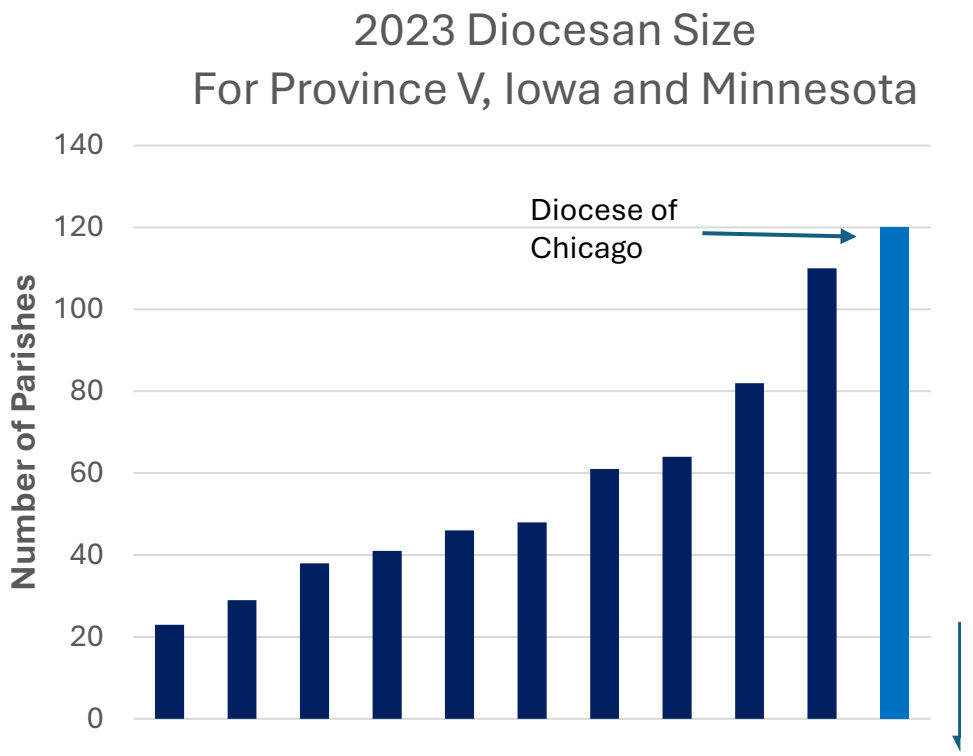
- Bishop's Fund provides additional $793,000 to offset deficit

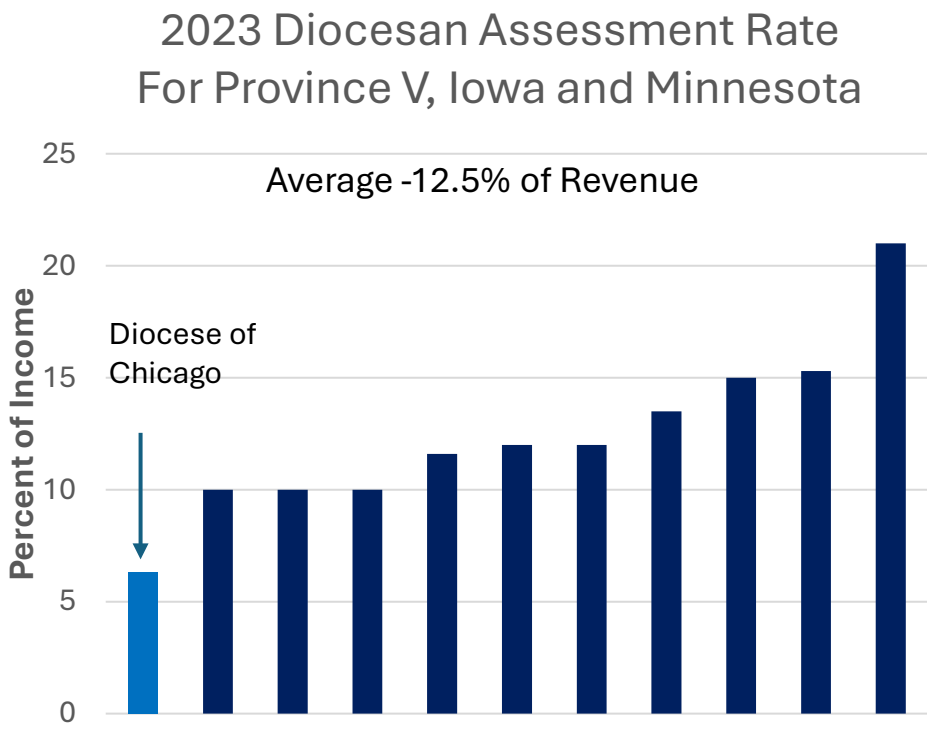
- Common Mission Share from congregations provides 61% of revenue before deficit offset (51% after deficit)
  - Declining an average of 2.5% annually
  - Average 2024 congregation pledge was 5.6% of revenue vs requested 11-15%



2025 Budgeted Revenue

The Revenue Challenge: Doing More with Less





Key 2026 Budget Guidelines

- Committed to a transparent & inclusive process
- Pending finalized strategic plan recommendations, budget will incorporate early feedback and key themes from the on-going process, where possible
  - Recognize limitations of financial realities
  - Respond to Bishop's and diocesan- wide priorities

    Ex: In-person Diocesan Convention
- Continue multi-year plan to eliminate deficits by 2028
  - Requires both expense management and increased revenues
  - Target 2026 deficit reduction of $250,000 from prior year
- No assumptions related to sale of 65 E Huron

2026 Budget Development Timeline

- 2026 Budget development began in mid June with distribution of worksheets and solicitation of budget requests
- Continued development of 2026 budget thru summer
  - Sustaining Our Mission – Part 1 – July 17
  - Initial budget requests consolidated – mid-July
  - Integration of Strategic Planning feedback
  - Revisions and discussion
- Communications with Diocesan community
  - Info session with Leadership – August 25
  - Sustaining Our Mission –Part 2 – August 28
- Submission of 2026 budget for review and approval
  - Finance Committee – Sept 15
  - Diocesan Council – Sept 20
  - Bishops and Trustees –Sept 28
- Presentation to Diocesan Convention