

# **2019 ECC Mission and Ministry Budget**

## ***Presentation and Adoption***

**Saturday, June 23, 2018**

Please find the enclosed materials in support of the **2019 Mission and Ministry Budget** for the ECC. This budget has been developed, reviewed and affirmed by Covenant Offices Leadership Team (COLT), as well as the Executive Board, who remanded primary approval authority to its Finance Committee. We are once again delighted to provide materials on a more-timely basis, allowing delegates to review information in advance of our time together in Minneapolis.

For those new to *Gather*, each year we provide **two primary financial reports**:

- 1) A **review of the prior fiscal year** financial outcomes. (Note: we operate on a January 31<sup>st</sup> fiscal year, so a reference to “fiscal 2017” relates to the twelve-month period ended January 31, 2018). We will review fiscal 2017 results during the business session on Friday, June 22nd. The 2017 audits for both the Consolidated ECC as well as the Covenant Pension Plan (*draft form*) are also included in delegate packets, along with additional context on performance.
- 2) Next, a **proposed Mission & Ministry Budget** for the coming year. The fiscal 2019 budget outlined in the following delegate materials covers the period February 1, 2019 through January 31, 2020. Please review the notes and observations on the following pages.

Thank you for your faithful support of our shared mission, and the daily confidence you place in us to design, steward and lead the overall financial strategies of the ECC. We trust that you will find the enclosed financial materials helpful in understanding the scale and scope of our shared mission – ***3StrandStrong!*** In Minneapolis, we look forward to sharing a number of new resources available to help local churches thrive. Our hope is to equip you, in any way that we can, so that your local ministry may flourish.

Submitted on behalf of a grateful denomination,

Paul Hawkinson

Treasurer, Executive Director of Finance, and Director of Pensions

## 2019 - ECC MISSION AND MINISTRY BUDGET - CONTEXT

As you review the 2019 budget materials, keep in mind the primary areas of responsibility for our Finance team. In each area (outlined below), we attempt to develop financial and risk-management strategies intended to balance the priorities of current mission areas while also ensuring that we retain adequate reserves to sustain long-term ministry.

- 1) **The Base Mission Budget** - Similar to your local church context, the base mission budget represents the ongoing operating activities of our 5 mission priorities and mission-support teams (***Start and Strengthen Churches, Make and Deepen Disciples, Develop Leaders, Love Mercy Do Justice, Serve Globally***, communications, and “shared-services”). Note: “shared-services” provide an array of support including HR, Operations, Governance, IT, Insurance, Legal & Risk Management, Advancement, Finance, President’s Office, and Facilities Management. *It is important to note that we have been able to fund 100% of all “mission support” activities through external revenue sources. This means that **100% of all local Church and donor giving is placed directly into one of our 5 mission priorities.** While we know that all our work is “ministry”, we are delighted to show this level of direct donor impact for our 5 core mission priorities!*

Just like a local church, we take significant funding risk in the Base Mission Budget. We commit to fund our mission priorities after a thorough review of income trends, but also with a deep sense of trust in God’s ongoing provision through the faithful giving of generous member churches and donors. Note that nearly ~64% of budgeted operating income is derived from local church giving and donor support. Also, note that some “designated” giving is included in the base mission budget, such as 100% of long-term missionary investment - ensuring that such central mission activities continue unabated, regardless of whether they are fully funded at any given time.

As will be amplified in the financial presentations at Gather, remember that certain Mission Priorities have much larger “Base Mission” Budgets, driven by substantial annual “external appropriations” activity as noted below. *Three mission priorities have these substantial annual external appropriations: **Start and Strengthen Churches** commits to large annual external appropriations for church planting and related activities; **Develop Leaders** has a major annual external appropriation in support of North Park University/NPTS; and **Serve Globally** supports all long-term missionaries through external appropriations.*

Examining the components of Mission Priorities total investment is a useful way to view the scale and structure of our shared ministry – while also more clearly outlining the reason for the scale disparity across mission priorities:

*Proposed 2019 Mission & Ministry Budget Components*

	<b>Core Mission</b>	<b>External Appropriation</b>	<b>Project Ministry</b>	<b>Total</b>
SSC	\$ 1,140,066	\$ 1,865,146	\$ 100,000	\$ 3,105,212
MDD	\$ 1,185,078	\$ -	\$ 50,000	\$ 1,235,078
DL	\$ 787,858	\$ 1,000,000	\$ 800,000	\$ 2,587,858
LMDJ	\$ 665,916	\$ -	\$ 1,400,000	\$ 2,065,916
SG	\$ 1,403,500	\$ 4,426,248	\$ 6,302,000	\$ 12,131,748

<b>\$ 5,182,418</b>	<b>\$ 7,291,394</b>	<b>\$ 8,652,000</b>	<b>\$ 21,125,812</b>
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*Mission Support* \$ 4,741,222

*Total Mission Investment* **\$ 25,867,034**

\$ -

Please also review the **Covenant Annual Report** (included in delegate materials) for a wonderful summary of the primary activities and data metrics related to each mission priority / support area. You will also hear from each Executive Minister / Director when together in Minneapolis.

In the financial presentations at Gather, we will more deeply review the key data and drivers of the mission budget.

- 2) **Project Ministries Budget** – Also consistent with your local church context, we engage in a wide array of project ministries supported solely by church-designated and donor-designated giving. We do not take funding risk for these ministries, as they are only able to “spend what they raise”. These ministries create remarkable global impact, yet would not be possible without the mission infrastructure, strategy and support provided by the sponsoring Mission Priorities. The project ministry total is also presented above, and the detailed components can be reviewed on the large budget spreadsheet included in these materials. Please note the disproportionate scale of **Serve Globally** Project Ministries, which essentially bring the heart of all 5 mission priorities to the ends of the earth.
  
- 3) **Retirement & Benefit Plan Offerings** – We manage a complex set of benefit and retirement programs for pastors, missionaries and lay workers. We are responsible for ensuring that these programs are competitive and sustainable - providing compelling benefits for those who so faithfully serve. At Gather’18, we

## Agenda Item 27.

will be discussing the ongoing evaluation of the future form of the Covenant Pension Plan as we look to best steward resources while also serving an increasingly diverse set of ministerial service pathways. Our pension plan remains well funded at ~105% of our projected actuarial liability of ~\$241.5 million.

Additionally, the level of reserves allocated to support our Bethany Benefit Service (“BBS”) Offerings remain sound, and we will provide more context on medical plan trends during our financial presentations. Of note, BBS is celebrating its 25<sup>th</sup> anniversary of providing world-class benefits to our ECC pastors and staff!

- 4) **Broader ECC affiliate ministries** – The ECC is the sole member of an incredible array of affiliate ministries including National Covenant Properties (“NCP”), North Park University and Theological Seminary (“NPU”, “NPTS”) and Covenant Ministries of Benevolence (“CMB”). In addition, we are a joint-member of Covenant Trust Company (along with partners NPU and CMB). We spend considerable time serving and collaborating with affiliates, whose wider ministry impact is remarkable. Together, we are partnering to deliver greater stewardship of shared ECC resources – creating efficiency in administration, insurance, risk & investment management, governance, IT, procurement, benefits, and other areas.

### **CONTEXT AND OBSERVATIONS ON THE 2019 MISSION & MINISTRY BUDGET**

As you review the detailed budget spreadsheet that follows, note that we have included 2 years of actual performance for context, as well as the most recent (2017) fiscal period performance compared to budget. We have continued our 4-year trend of delivering a cash-balanced budget - maintaining mission expenses well below budgeted levels. In 2017 alone, note that expenses were ~4.6% below budget, delivering a savings of over ~\$769,000. This has largely been driven by lower recent church planting appropriations which are now rapidly accelerating into 2018 and beyond.

In the right-most columns of the sheet, there is a useful summary of 2017 actual vs. budget performance, followed by the 2019 proposed budget vs. 2017 actual results. This provides for an easy comparison of the “potential” growth contained in the 2019 budget relative to recent actual spending levels. The takeaway is simply that at the same time as we are increasing our total budget this year (principally for Church planting activity and long-term missionary support), there remains even more amplified opportunity for ministry growth relative to recent

spending levels. Anticipated growth in the budget is both focused on core denominational priorities (Church planting and Missionary deployment) and importantly, we plan to largely fund this growth through funds designated for such purposes.

Overall, as noted on the bottom of the sheet, our recommended 2019 Mission and Ministry Budget of \$25,867,034 represents 1.53% growth relative to budget 2017. However, this is comprised of a 3.85% increase in the Base Mission budget, offset by a reduction in the project ministry budget of nearly 2.79%. Recall that we take no funding risk on the project ministries, so these numbers are presented primarily for information – providing a sense of the scale of our global impact.

Church giving remains our bedrock support – representing ~52% of total income sources. We are excited about the ongoing response to our **3StrandStrong** partnership invitation – a powerful bond between the local church, conference, and denomination. Thank you for your support of our shared mission!

Lastly, as you review the income categories, these definitions may prove useful:

***ECC Church Support***

Base Mission Giving from ECC Churches

***Donor Support***

Base Mission Giving from individuals and non-ECC Churches and institutions

***Affiliate Fees & Ministry Investment***

Net affiliate fees, cost reimbursement and strategic reserve funding for key ministry activities

***Bequest Transfers & Other***

Annual draw from generous Estate gifts of friends of the ECC & misc. income

***External Communication Sales***

Communication / media sales to external constituents

***Rental Income***

Contractual rental income at Covenant Offices, charged to separate legal entities including National Covenant Properties, Paul Carlson Partnership and Covenant Trust Company

The detailed budget summary sheet follows - We look forward to being together at Gather'18!

