

2020 ECC Mission and Ministry Budget

Presentation and Adoption on Saturday, June 29, 2019

Please find the enclosed materials in support of the **2020 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 Omaha.

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 31st fiscal year, so a reference to “fiscal 2018” relates to the twelve-month period ended January 31, 2019). We will review fiscal 2018 results during the business session on Friday, June 28th. The 2018 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) A **Proposed Mission & Ministry Budget** for the coming year. The fiscal 2020 budget outlined in the following delegate materials covers the period February 1, 2020 through January 31, 2021. 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 Omaha, we look forward to revisiting with you the resources available to help local churches thrive.

Our hope is to support, equip, and encourage you so that your local ministry may flourish.

Submitted on behalf of a grateful denomination,

Steve Klimkowski

Executive Director of Finance & Treasurer

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2020 - ECC MISSION AND MINISTRY BUDGET - CONTEXT

As you review the 2020 budget materials, please 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, Information Systems, Insurance, Legal/Risk Management, Advancement, Finance, the 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 non-donor income. 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 into 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 ~60% of budgeted operating income is derived from local church giving and donor support. Also, note that some “designated” activity is included in the base mission budget - such as **100% of long-term missionary investment** - ensuring that such central mission investments 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, largely driven by substantial annual “external appropriations” activity as noted below. *Three mission priorities have these much more substantial annual external appropriations:*

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1. **Start and Strengthen Churches** commits to large annual external appropriations for church planting and related activities;
2. **Develop Leaders** has a major annual external appropriation in support of North Park University/NPTS; and
3. **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:

	Core Investment	Appropriations	Project Ministry	Total
SSC	\$ 1,253,963	\$ 2,562,925	\$ 75,000	\$ 3,891,888
MDD	\$ 1,135,440	-	\$ 50,000	\$ 1,185,440
DL	\$ 813,712	\$ 1,000,000	\$ 1,450,000	\$ 3,263,712
LMDJ	\$ 695,806	-	\$ 1,400,000	\$ 2,095,806
SG	\$ 1,533,320	\$ 4,723,860	\$ 6,400,000	\$ 12,657,180

\$ 5,432,240	\$ 8,286,785	\$ 9,375,000	\$ 23,094,025
		<i>Mission Support</i>	\$ 5,155,279
		<i>Total Mission Investment</i>	\$ 28,249,304
			\$ -

You will receive detailed updates from the mission priorities when together in Omaha. In the financial presentations at Gather, we will also 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

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responsible for ensuring that these programs are competitive and sustainable - providing compelling benefits for those who so faithfully serve. At Gather'19, we will be discussing the final proposed amendments to (and 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 ~99% of our projected actuarial liability of ~\$244.3 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.

- 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 these affiliates, whose wider ministry impact is remarkable. Together, we are partnering to deliver greater stewardship of our collective resources – creating efficiency in administration, insurance, risk, investment management, governance, IT, procurement, benefits, and other areas.

SPECIFIC OBSERVATIONS ON THE 2020 MISSION & MINISTRY BUDGET

As you review the "large" detailed budget spreadsheet that follows, note that we have included 2 years of actual performance for context, as well as the most recent (2018) fiscal period actual performance compared to budget. We have continued a now 5-year trend of delivering a cash-balanced budget. See the 2018 summary document for further comments on the most recent fiscal year.

In the right-most columns of the "large" sheet, there is a useful summary of 2018 actual vs. budget performance, followed by the 2020 proposed budget vs. 2018 actual results. This provides for an easy comparison of the "potential" growth contained in the 2020 budget relative to recent actual spending levels. As previously noted, much of our recent investment growth has also been supported by drawing on strategic funds available for these purposes (Example: Church planting is largely funded by Living Legacy, or closed church, proceeds).

Importantly, we constantly monitor income and expense trends, and actively adjust mission investment if required.

Overall, as noted on the bottom of the large sheet, our recommended 2020 Mission and Ministry Budget of \$28,223,194 represents 5.31% growth relative to budget 2019 (current year). However, this is comprised of a 3.86% increase in the Base Mission budget and a much larger increase in the project ministry budget (nearly 8.36%), largely driven by new Lilly grant awards. Recall that we take no funding risk on the project ministries, so these numbers are primarily informational – providing a sense of the scale of our global impact.

Church giving remains our bedrock support – representing ~48% 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

Transfer & Other Income – Bequest, Living Legacy

Annual draw from generous Estate gifts of faithful friends of the ECC, as well as an increasing reliance on the draw from Living Legacy funds in support of Church planting.

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, the Paul Carlson Partnership and Covenant Trust Company

The detailed budget summary sheet follows - We look forward to being together at Gather'19 in Omaha!

MISSION AND MINISTRY 2020

	Prior Year	Prior Year	Current Year	Proposed	Budget Δ	Budget Δ
	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2020 Budget	2020 vs. 2019
BASE MISSION INVESTMENT						
Start and Strengthen Churches (1)*	\$ 3,161,360	\$ 3,099,310	\$ 3,608,779	\$ 3,938,212	\$ 3,816,888	-3.08%
Make and Deepen Disciples	\$ 1,076,510	\$ 1,181,771	\$ 983,341	\$ 1,185,078	\$ 1,135,440	-4.19%
Develop Leaders	\$ 1,772,225	\$ 1,785,239	\$ 1,810,514	\$ 1,787,858	\$ 1,813,712	1.45%
Love Mercy Do Justice	\$ 595,822	\$ 645,931	\$ 549,253	\$ 665,916	\$ 695,806	4.49%
Serve Globally	\$ 5,214,021	\$ 5,429,392	\$ 5,337,368	\$ 5,829,748	\$ 6,257,180	7.33%
Mission Support - Communications	\$ 1,306,093	\$ 1,347,050	\$ 1,407,117	\$ 1,379,159	\$ 1,382,155	0.22%
Mission Support - Shared Services (2)*	\$ 3,471,961	\$ 3,293,323	\$ 3,529,613	\$ 3,362,063	\$ 3,773,124	12.23%
	\$ 16,597,991	\$ 16,782,017	\$ 17,225,986	\$ 18,148,034	\$ 18,874,304	4.00%

	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2020 Budget	%	\$
BASE MISSION INCOME							
ECC Church Support	\$ 8,336,772	\$ 8,675,000	\$ 8,444,863	\$ 8,750,000	\$ 8,925,875	2.01%	\$ 175,875
Donor Support	\$ 2,135,935	\$ 2,100,000	\$ 2,107,216	\$ 2,150,000	\$ 2,236,860	4.04%	\$ 86,860
Affiliate Fees & Ministry Investment	\$ 4,473,116	\$ 4,100,517	\$ 4,166,693	\$ 4,542,022	\$ 4,926,261	8.46%	\$ 384,239
Transfer & Other Income - Bequest, Living Legacy	\$ 1,029,037	\$ 1,214,000	\$ 1,857,550	\$ 1,996,012	\$ 2,085,308	4.47%	\$ 89,296
External Communication Sales	\$ 373,166	\$ 400,000	\$ 358,612	\$ 400,000	\$ 390,000	-2.50%	\$ (10,000)
External Rental Income	\$ 302,750	\$ 292,500	\$ 303,983	\$ 310,000	\$ 310,000	0.00%	\$ -
	\$ 16,650,776	\$ 16,782,017	\$ 17,238,917	\$ 18,148,034	\$ 18,874,304	4.00%	\$ 726,270
Base Mission Surplus (deficit)	\$ 52,785	\$ 0	\$ 12,930	\$ (0)	\$ (0)		\$ 0.00

	Prior Year	Prior Year	Current Year	Proposed	Budget Δ	\$
	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2020 Budget	2020 vs. 2019
PROJECT MINISTRY ACTIVITY						
Covenant Kids Congo (3)*	\$ 187,526	\$ 285,000	\$ 309,324	\$ 200,000	\$ 200,000	SG
SG Missionaries + Merge Ministries (4)*	\$ -	\$ 2,350,000	\$ -	\$ -	\$ -	SG
Extra Budgetary Missionaries (4)*	\$ 1,578,125	\$ -	\$ 1,814,236	\$ 1,500,000	\$ 1,750,000	SG
Global Engagement (4)*	\$ 484,935	\$ -	\$ 409,129	\$ 500,000	\$ 450,000	SG
SG Partner Projects	\$ 388,468	\$ 600,000	\$ 292,909	\$ 400,000	\$ 300,000	SG
Covenant World Relief	\$ 1,542,785	\$ 2,000,000	\$ 2,189,485	\$ 2,000,000	\$ 2,000,000	SG
Paul Carlson Partnership	\$ 1,135,852	\$ 1,550,000	\$ 1,056,934	\$ 1,502,000	\$ 1,500,000	SG
Friends of World Mission (FOWM)	\$ 166,977	\$ 300,000	\$ 213,937	\$ 200,000	\$ 200,000	SG
Kingdom Builders	\$ 42,819	\$ 80,000	\$ 14,265	\$ 100,000	\$ 75,000	SSC
Women Ministries Projects	\$ 40,919	\$ 75,000	\$ 61,756	\$ 50,000	\$ 50,000	MDD/President
Bezalel, LLC Housing Ministry (5)*	\$ 712,918	\$ 750,000	\$ 955,667	\$ 600,000	\$ 600,000	LMDJ
CovEnterprises (6)*	\$ 395,756	\$ -	\$ 362,815	\$ 400,000	\$ 400,000	LMDJ
Domestic Disaster Relief	\$ 808,727	\$ 60,000	\$ 156,384	\$ 400,000	\$ 400,000	LMDJ
Lilly (Financial Leadership / Thriving in Ministry)	\$ 235,258	\$ 300,000	\$ 802,373	\$ 250,000	\$ 750,000	DL
Center for Leadership	\$ -	\$ 150,000	\$ -	\$ 150,000	\$ 300,000	DL
Pastoral Resource (SPE, C.O., Crisis, Counseling)	\$ 437,037	\$ 400,000	\$ 439,586	\$ 400,000	\$ 400,000	DL
TOTAL PROJECT MINISTRY	\$ 8,158,102	\$ 8,900,000	\$ 9,078,800	\$ 8,652,000	\$ 9,375,000	

Total Mission & Ministry	\$ 24,756,093	\$ 25,682,017	\$ 26,304,786	\$ 26,800,034	\$ 28,249,304	
	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2020 Budget	
			Year over Year Budget Change	\$ 1,118,018	\$ 1,449,270	
				4.35%	5.41%	
			Components of Budget Change	\$ 1,366,018	\$ 726,270	Base Mission differential
				8.14%	4.00%	
				\$ (248,000)	\$ 723,000	Project Ministry differential
				-2.79%	8.36%	

2018	Proposed 2020	Proposed 2020
Actual vs. Budget	vs. 2018 Actual	vs. 2018 Actual
\$	\$	%
\$ 509,469	\$ 208,108	5.77%
\$ (198,430)	\$ 152,098	15.47%
\$ 25,275	\$ 3,198	0.18%
\$ (96,677)	\$ 146,553	26.68%
\$ (92,024)	\$ 919,812	17.23%
\$ 60,067	\$ (24,962)	-1.77%
\$ 236,290	\$ 243,511	6.90%
\$ 443,970	\$ 1,648,318	9.57%

\$	\$	%
\$ (230,137)	\$ 481,012	5.70%
\$ 7,216	\$ 129,644	6.15%
\$ 66,176	\$ 759,568	18.23%
\$ 643,550	\$ 227,758	12.26%
\$ (41,388)	\$ 31,388	8.75%
\$ 11,483	\$ 6,017	1.98%
\$ 456,900	\$ 1,635,387	9.49%

(1) SSC presented "Gross" of formula-based funding / draw from restricted "living legacy" funds in support of Church planting (funding included in Transfer Income)
 (2) Governance, HR, Operations, Insurance, Legal & Risk Management, IT, Information Systems, Advancement, Finance, Presidents Office, Facilities and Maintenance
 (3) Represents a very small (direct) portion of the much broader (\$4 million+) CKC initiative inclusive of direct child sponsorships and Team WV support
 (4) Category Re-classification for FY2019 and beyond
 (5) To more fairly present the scale of this housing ministry (largely funded by the denomination), the figures represent ECCs total debt / guaranteed exposure to the project
 (6) To more fairly present the scale of CovEnterprises (also largely funded by the denomination), the figures represent the aggregate current project balance