

# DCOH Budget Principles

*Last updated 2/14/2024*

At the 2023 Synod, the delegates asked that the Diocesan Council, Deans, and Staff to discuss and communicate key financial principles for the diocesan budgets. This document comes from a discussion among the Diocesan Council, Deans, and Diocesan Staff at the January 27, 2024 retreat. It lays out four fundamental principles for the DCOH budget for the next five years based on the requested discussion.

*Clarifications or changes to past principles are highlighted and explained in italics.*

## **Basic Yearly Budget Structure:**

- All Revenue (church support, events, fundraising) supports the whole budget.
  - *Past budgets split all church support into two funds - operating and ministry. This communicated a message that operations are not integral to the mission. It was also unwieldy for accounting purposes.*
- Judicatory support for the ACNA and the Province of Rwanda will be reflective of a theology of giving from the first fruits. 10% of all church giving will be sent to the provinces.
  - *This change took place temporarily in the last six months of 2023 and is made permanent moving forward*
- The general yearly budget categories are:
  - 10% Judicatory/Provincial Support
  - 45% Ministry Grants
  - 45% Operations: Personnel, Travel, Office, Programs
  - *These breakdowns were used temporarily in the last six months of 2023 and are made permanent moving forward*
- End of year reserve goal equal to two months of operational expenses per the existing diocesan policy.
  - The budget process includes an estimate of reserves and recommends appropriate expenses (including allocation to reserves) to attain the goal

- The Diocesan Council will review end of year financials and make amendments to the budget and reserve allocations as necessary
  - *This process took place this January and resulted in an amended 2024 budget*
- When the reserve goal is not attained, the budget will make reasonable progress towards the goal but may not reach it in the current budget year as that would handcuff the mission of the diocese.

## **Diocesan Ministry Grants**

The diocese believes that the pooling of resources from all our churches and using that for ministry grants where needed is the preferred method for supporting mission across our diocese.

This process has the following implications:

- High level of Ministry Grant support (45% of budget) has led to sustained growth of mission
- Allows the diocese to target mission in low resource areas that would not be able to raise the funds needed locally
- Gives all churches opportunity to think and act on missional expansion opportunities

## **Financial Implications of the Budget and Philosophy of Ministry Grants -> Fundraising**

The current and five-year budget projections require fundraising beyond our church support in order to maintain the level of ministry grants we believe are necessary. This will require an Anchor Fund strategy with a current target of \$300k/year through 2027. Each year thereafter the fundraising target decreases.

*The alternative approach would be to reduce ministry grants support in the budget and increase operational funds to support our current personnel and other structural costs. This was discussed but set aside as it would result in:*

- *Our 2025 Ministry Grant support would be reduced by 36% (from \$780k to \$480k).*
- *Require local churches or deaneries to raise ministry funds at the local level.*
- *Smaller and lower resource churches/deaneries would have difficulty in supporting mission expansion.*
- *Correspondingly it would create a system favoring high resource churches/deaneries to direct projects.*
- *We would also see less ability to expand in to underserved geographical areas.*

Our long term goal is one of 100% sustainability where fundraising is limited to extra budgetary opportunities. Fundraising is jointly led by the Bishops and the Chief Operating Officer. It operates according to the following principles:

- Meeting with individual donors through personal relationships or references from the local churches
- Maintaining historical giving records and asking donors to continue giving to the mission of the diocese.
- Working with local churches to communicate directly to congregations to explain the mission of the diocese and ask for widespread donor support.
- Working with rectors and vestries before asking for any new local support. We avoid asks where the local church is involved in a capital campaign or experiencing a giving shortfall.

## **Adjusted Budget Formation Process**

The future budget formation process (starting with the 2025 budget) has been adjusted to increase communication of key assumptions in the budget as well as increased opportunity to ask questions and provide feedback.

Below is the timeline for budget formation:

- **November-** at Synod, the Treasurer's financial report will include a five-year financial plan that includes any adjustments to expenses or revenues

- *This is the first potential timing for questions and feedback prior to the creation of the next budget year. This step did not occur at the 2023 Synod for the 2025 budget year.*
- **May-** the Chief Operating Officer and Treasurer prepare a draft budget based on input from the Bishop Ordinary and Staff.
  - *Communicate this draft via email to Synod (and the Finance committee) highlighting the changes from the current budget year.*
- **June-** the Diocesan Council finalizes Ministry Grant funding decisions for the coming budget year. These are put into the budget along with any decision to utilize reserves to fund upcoming grants.
- **August-** the Finance Committee takes the draft budget and feedback from Synod delegates and recommends a final draft budget to the Diocesan Council.
  - *Synod delegates are sent the recommended budget with talking points from the Treasurer and Finance Committee. A video call Q&A is offered by the Treasurer, COO, Finance Committee, and DC representatives so Synod delegates can ask questions and provide feedback.*
- **September-** the Diocesan Council the approves the budget.
  - The budget is uploaded to the Synod document center by October 1<sup>st</sup> along with a video presentation.
  - A final video call to ask clarifying questions is held in the first week of October.
- **Nov-** The final budget is approved at Synod.
- Any adjustments made by the Diocesan Council (acting as synod) during the budget year are sent to the Synod delegates through a regular quarterly communication.