



# The Episcopal Diocese *of* Vermont

## **Narrative Budget 2022**

2021 has been a turning point in the financial life of the Diocese of Vermont. In June 2021, an outside financial assessment commissioned by Bishop Shannon revealed that a financial cliff is on the diocese's horizon. The assessment made a series of recommendations that include cutting costs and streamlining financial committees and operations. It also affirmed the plan, already underway, to explore possible areas of collaboration with the Dioceses of New Hampshire and Maine.

Among the assessments' findings is that the diocese's financial issues have been exacerbated by the lack of a central reporting structure. Several silos—including the diocese's operating budget; the funds traditionally controlled by the bishop; the funds available for grants and loans; the Unit Fund investments; and the financial oversight and audit process—have had little coordination or communication among them. As a result, reporting to Diocesan Council and the Trustees has too often been incomplete and has failed to present a comprehensive picture of the diocese's financial situation.

The financial assessment recommended the creation of a “singular, empowered Finance Committee,” and Bishop Shannon has appointed that body, which will be chaired by Paul Horn of St. Stephen's, Middlebury. Several members of the new Finance Committee also serve on the Financial Sustainability sub-committee of THRIVE, the task force that Bishop Shannon has appointed to explore options that will ensure the diocese's vitality and sustainability. Together, these groups will work to untangle the diocese's financial structures and develop a centralized, transparent model that will make it possible for leaders to have the financial information they need to manage the diocese in the short term and develop sustainable, long-term plans for its future.

The development of the 2022 budget is among these first steps in making the diocese's financial picture more complete and transparent. For the first time, the 2022 budget, passed by Diocesan Council in October, includes three parts:

- the diocesan operating budget, which reflects the costs of running the diocese
- the non-operating budget, which includes funds for the work of THRIVE; clergy and congregation support; support for Mission Farm and Rock Point; and campus ministry
- the grants and loans budget, which reflects income available to issue grants and loans to congregations and to Rock Point.

The budget flowchart on page 5 provides a graphic representation of the 2022 budget process.

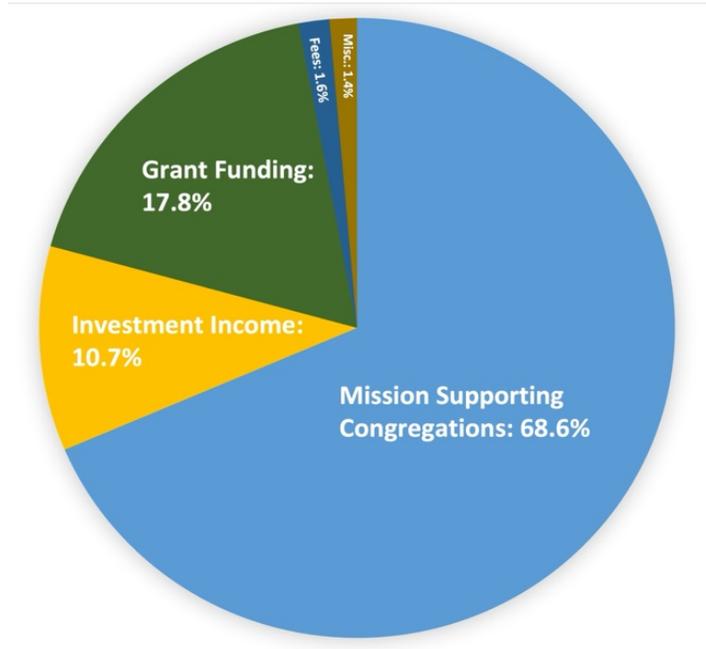
## **Operating Budget**

The operating budget of the diocese reflects the expenses associated with the bishop and her staff and other normal operating costs of the diocese. It also includes the 15% assessment that each diocese pays to the Episcopal Church budget. In 2022, the operating budget is 13.1% higher than in 2021.

### *Income*

The operating budget for 2022 includes \$1,079,134 in income generated by:

- Mission support from congregations: 68.6%
- Investment income, which includes income from investments that can only be used for certain purpose (restricted investments) and income from investments that can be used for general operating expenses (unrestricted investments), and other miscellaneous investment income: 10.7%
- Grant funding, which in 2022 will include a second CARES Act Paycheck Protection Act (PPP) loan; a COVID relief grant from the Episcopal Church; and a portion of the grant funds given each year to the diocese from the Virginia Hunt Trust: 17.8%
- Fees for administrative support from the diocesan Unit Trust: 1.6%
- Miscellaneous income: 1.4%



Key points regarding the income line items of the 2022 operating budget include:

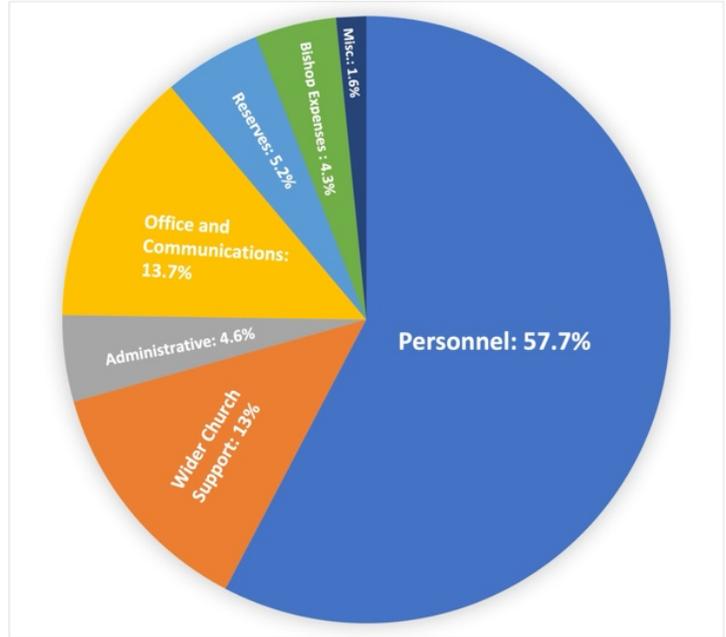
- Based on the information received from congregations, we project that mission support from congregations to the diocesan budget will decline by 8.6% from 2021 to 2022.
- The 2021 and 2022 budgets are balanced with COVID relief funds from the federal government and the Episcopal Church. The projected lack of COVID relief funds in 2023 is the reason that the financial assessment projects a financial cliff for the diocese in the first quarter of 2023 unless there is significant intervention.
  - The 2021 budget includes a first-draw PPP loan, now forgiven, of \$91,162.
  - The 2022 budget includes a second-draw PPP loan of \$110,465, which we anticipate will be forgiven.

- Without PPP loan income, the 2021 budget would show a deficit of \$43,417.
- The 2022 budget is balanced with a total of \$150,000 of COVID relief—both from a second PPP loan and an Episcopal Church COVID relief grant.

*Expenses*

The 2022 operating budget differs from the 2021 operating budget in two significant ways:

- At the end of 2020, the diocese’s canon to the ordinary retired, and based on the diocese’s significant needs for both clergy recruitment and placement and mission initiatives, Bishop Shannon made the decision to hire two full-time clergy canons and a part-time canon missionary for local ministry. The part-time canon’s expenses are being supported in part by a grant from the Episcopal Church.



The increased personnel costs are reflected in the 2022 budget. In addition, in mid-2021, the diocese’s half-time administrator chose to retire, and that position has been eliminated in the 2022 budget. To accommodate these changes, the personnel line items in the 2022 budget are about 22% higher than in 2021.

- The diocese has applied to Executive Council for relief from its obligation to contribute 15% of its operating budget to the Episcopal Church budget. If the application is approved, the diocese will contribute 8% of its operating budget in 2022, 10% in 2023, and 12% in 2024.

Non-Operating Budget

- The non-operating budget of the diocese includes funds for:
  - THRIVE, the task force that is assessing opportunities for the diocese’s vitality and sustainability
  - support for clergy and congregations
  - creation care
  - social justice and racial reconciliation
  - Mission Farm
  - Rock Point
  - campus ministry.

### *Income*

- The nearly \$207,000 in income included in the non-operating budget includes a portion of the grant funds given each year to the diocese from the Virginia Hunt Trust. The remaining funds are included in the operating budget.
- The projected income from the new Bishop's Appeal, which has raised more than \$61,000 in 2021, is also included in this budget.
- The budget also includes income from restricted accounts that provide income for purposes related to clergy, seminarian and campus ministry.

### *Expenses*

- With the exception of the THRIVE budget, the expenses reflected in the non-operating budget are in line with what has been spent in past years. However, these expenses have not previously been reported as part of the diocesan budget.

### Grants and Loans Budget

The grants and loans budget includes about \$170,000 in income from both the McClure Butterfield Funds, a group of funds given to the diocese for various purposes many years ago by generous donors, and the Diocesan Unit Trust, which holds investments of the diocese, its parishes, its missions and other institutions. These funds are available for the Grants and Loans Committee to make grants and loans during 2022.

### Questions

To learn more about the 2022 diocesan budget, download the budget detail and watch the video of the October 28 pre-convention meeting at [diovermont.org/diocesan-convention-2021](http://diovermont.org/diocesan-convention-2021).

Questions about the 2022 diocesan budget can be directed to Treasurer Gerald Davis at [mac319@aol.com](mailto:mac319@aol.com).

