The Episcopal Diocese *of* Vermont

Narrative Budget 2027

The purpose of this budget narrative is to provide a detailed explanation of the annual budget for the Episcopal Diocese of Vermont. This narrative aims to provide transparency and clarity regarding the financial planning and allocation of resources to support the mission of the diocese.

As is common for a diocesan budget, the 2027 budget is broken down between an operating budget and a non-operating budget. A defining view of each is shared below:

- An **operating** budget covers the day-to-day expenses necessary for the regular functioning of the diocese. It includes fixed costs such as salaries, utilities, and other costs associated directly with being staffed and functional. However, it also includes some direct diocesan program costs including Mission & Formation expense lines. It is perhaps best to consider the operating budget as the answer to the question "what does it cost for our diocese to operate and deliver on the mission strategy goals that have been established for the coming year?"
- A **non-operating** budget can be used for a few different expense types:
    - One-time building repairs, capital improvements
    - Special projects.
    - Spending from designated funds. *An example of this is the diocesan grants to parishes. The dividend income restricted for this purpose and the grants awarded are both housed in our non-operating budget.*

Budget Summary

The 2027 budget includes a balanced operating budget in the amount of $1,308,030 and a balanced non-operating budget of $269,214. A "balanced budget" is one in which revenues and expenses offset each other resulting in neither a gain nor loss for the fiscal year. This budget represents the allocation of resources that will allow the diocese to take meaningful steps toward the mission strategy goals that have been set.

The revenue in the 2027 budget is all from sources that are known or can reasonably be expected. Due to rising costs at the parish level, the expected diocesan revenue derived from the parishes in the form of assessments has been adjusted to lower the parish burden. This has been achieved through a reduction in the assessment tiers by 1% for all tiers.

2027 Parish Operating Income	**2027** Tier Percentage	**2026** Parish Operating Income	**2026** Tier Percentage
$1 - $39,999	10%	$1 - $39,999	11%
$40,000 - $99,999	12%	$40,000 - $99,999	13%
$100,000 - $199,999	14%	$100,000 - $199,999	15%
$200,000 +	15%	$200,000 +	16%

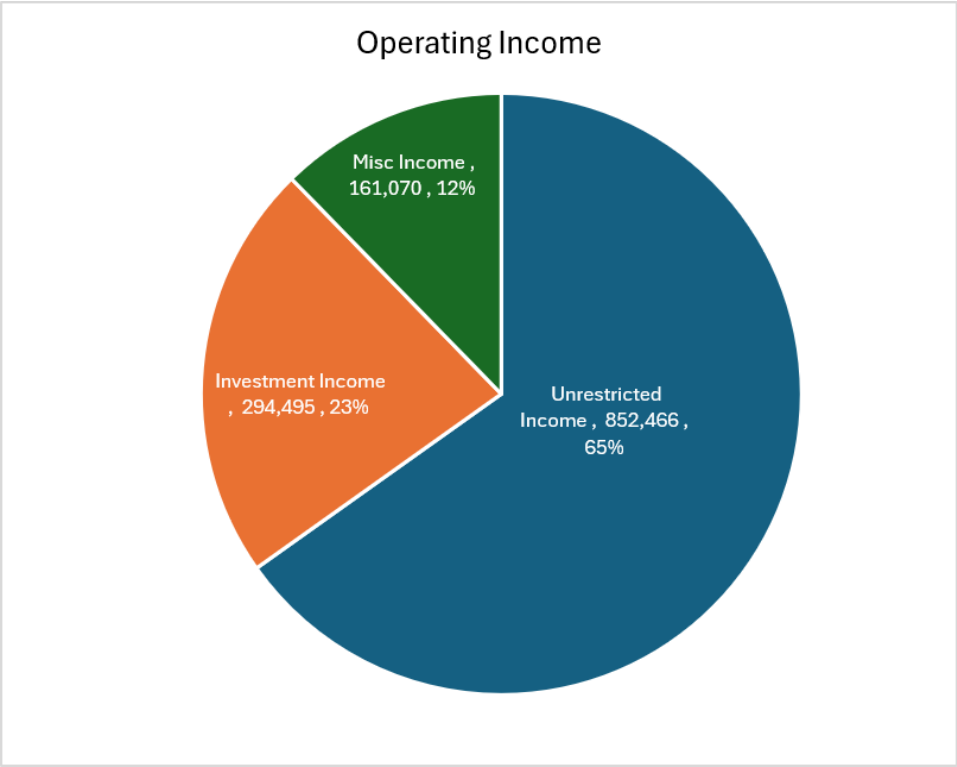
This reduction in the tier percentages reduces the diocesan budget yet still allows the diocese to meet obligations and manage market driven price increases.

Every budget contains risks due to unknown factors. The risk of significant unbudgeted building repair is always present (as is true with many parish budgets). In order to stay ahead of these risks, the diocese has begun a detailed assessment of the condition of the Bishop's House and all of the diocesan buildings on the Rock Point property. The non-operating budget includes some funds for a known, but as yet unquantified, necessary repair to the Bishop's House.

Operating Budget

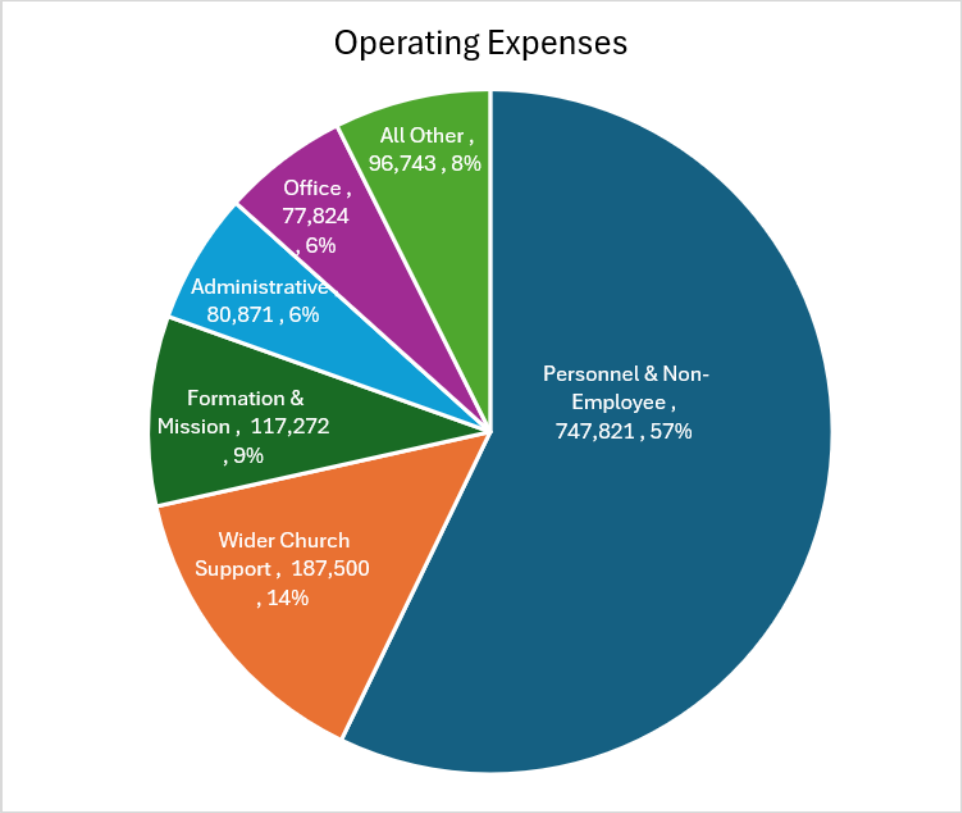
The operating budget of the diocese, as measured in projected expenses, equals $1,308,030. This will be funded by operating income broken down as follows:

Sources of Operating Income:



- **Unrestricted income:** Primarily mission support from congregations and income from a planned Bishop's Appeal.
- **Investment Income:** Includes both unrestricted dividend income and restricted dividend income from the Unit Fund.
- **Miscellaneous Income:** The diocese is fortunate to have been awarded a grant from the Virginia Hunt Trust in recent years. This budget assumes that it will continue in 2027. Additional income on this line includes bank interest income.

Breakdown of Operating Expenses



Highlighting the expense groupings at 5% or greater of the operating budget:

- Collectively, the costs in Personnel and Non-Employee expenses comprise 57% of our total Operating Budget (58% in 2026). The Diocese has 5 full-time employees (clergy & lay), 1 part-time employee(lay) and 1 part-time contractor(clergy).

- Wider church support includes our diocesan share to The Episcopal Church, and our commitment to Province I.

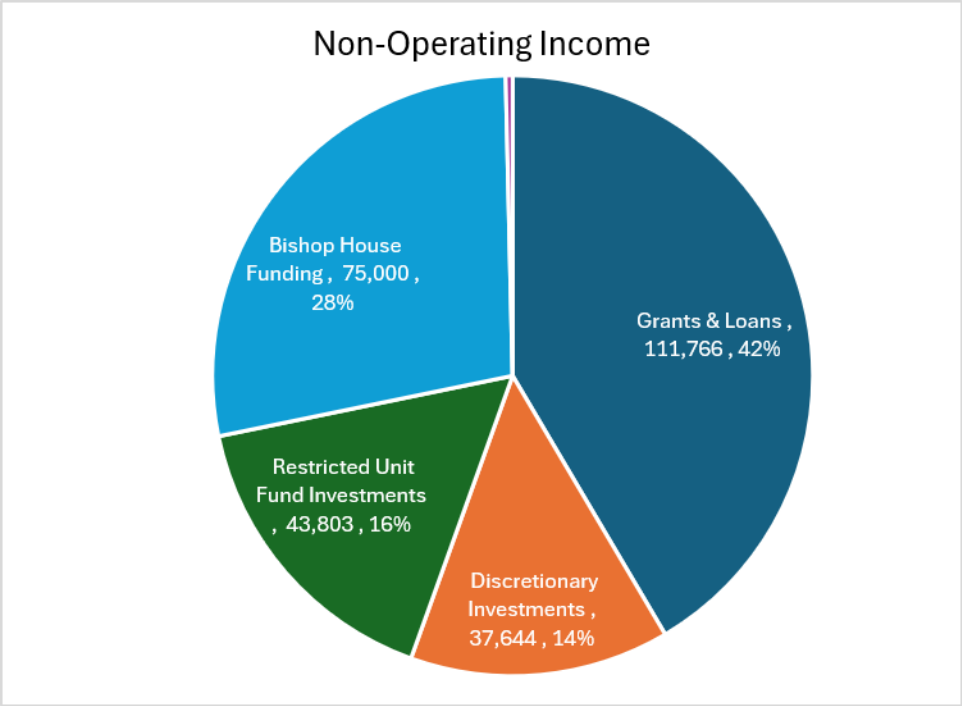
- Formation & Mission includes clergy support, constellation support, Mission Farm, Youth Ministry, Creation Care, and other.

- Administrative includes annual convention, legal, audit, insurance, banking fees, and other.

- Office includes utilities, phone & internet, repairs & maintenance and other.

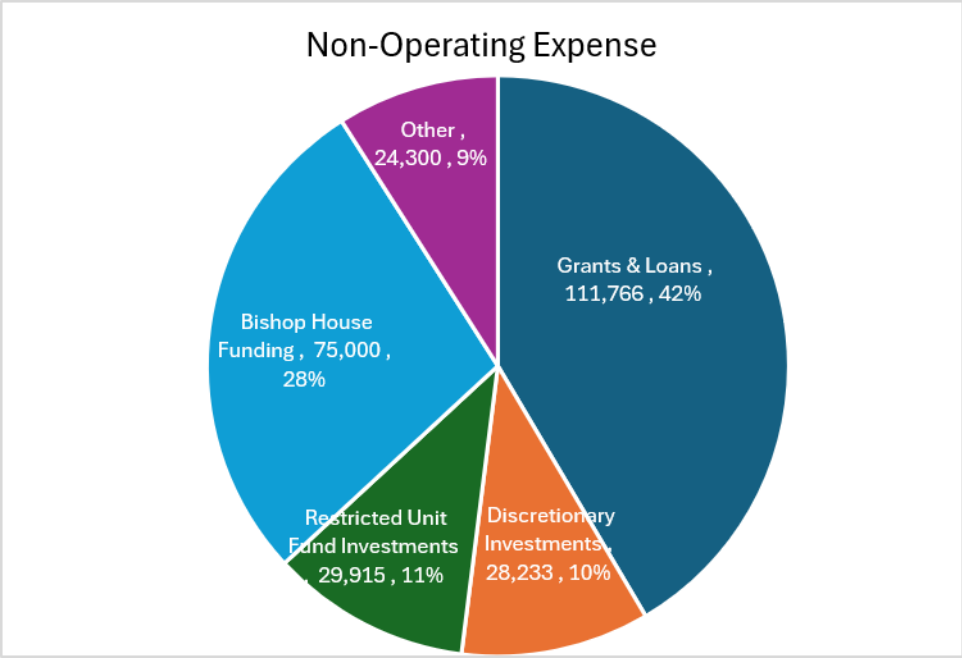
- All other includes conference and meeting costs (registration, travel, meals), communication services, Bishop House utilities, and other.

Non-Operating Budget



The 2027 non-operating budget of $269,214 is funded through the following sources:

- Grants & Loans Income: Represents dividends received from the McClure and Irish Funds (within our Unit Fund) that are available for the Commission on Finance to award in grants during 2027.
- Restricted Unit Fund Investments: This also represents restricted dividends that support aged and infirmed clergy, campus ministry, and seminarian support.
- Discretionary Income: Largely includes dividends received from a designated sub-fund of the Unit Fund.
- Bishop House Funding: To fund necessary repairs to the Bishop's House. This could be either a capital campaign or a withdrawal from endowments.



- Grants: Each year the diocese, through the Commission on Finance, awards $100K+ in grants to parishes, constellations, and missions.
- Restricted Unit fund Investments: Support for aged and infirmed clergy, campus ministry, and seminarian support.
- Discretionary: Represents diocesan spend made at the discretion of the bishop
- Bishop House Repairs: For the basement waterproofing & mold remediation project.
- Other: building maintenance

<u>Questions</u>

Questions about the 2027 diocesan budget can be directed to Chief Financial Officer Lisa Hamm at lhamm@diovermont.org.