

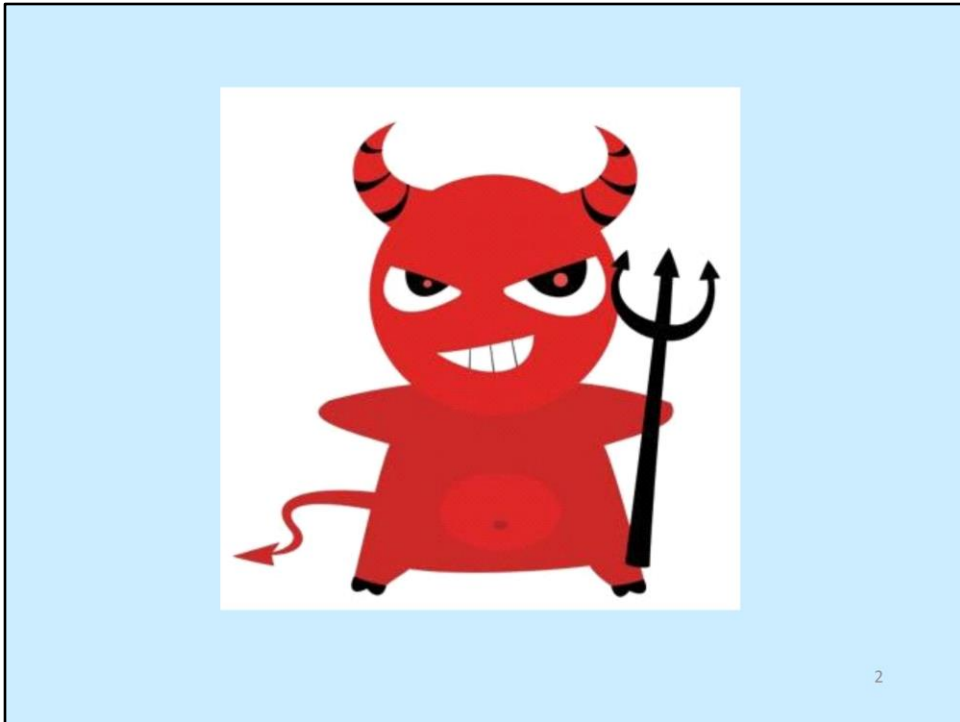


Budget Presentation Assembly 2018

June 23, 2018
Keith Myra



An ancient tale tells of two men, one from Heaven the other from Hell, talking to each other.



The man from Hell lamented, “It is indeed a wretched place, we are hungry all the time.” You mean there is no food in Hell?”, the man from Heaven inquired.

“Oh, there is food. We sit at banquet tables with the most sumptuous food your eyes could behold, spread out before us. But we are made to eat with knives and forks a metre long. No matter how hard we try, it is impossible to put food in our mouth.”



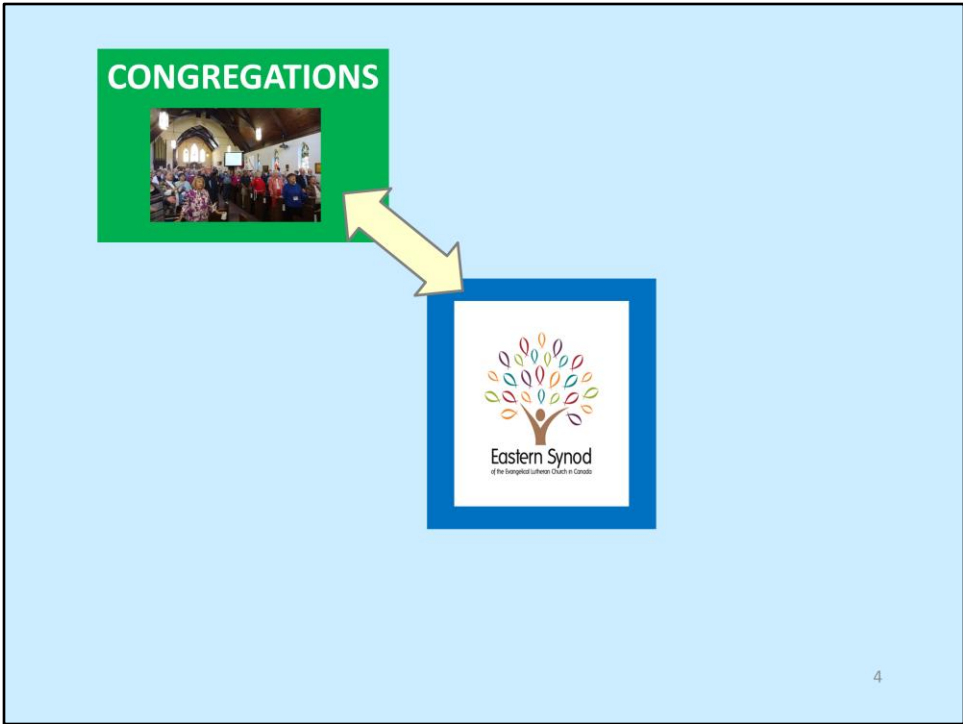
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“In Heaven,” the other man began, “we also sit at banquet tables, and we too are made to eat with knives and forks. But ours are two metres long.”

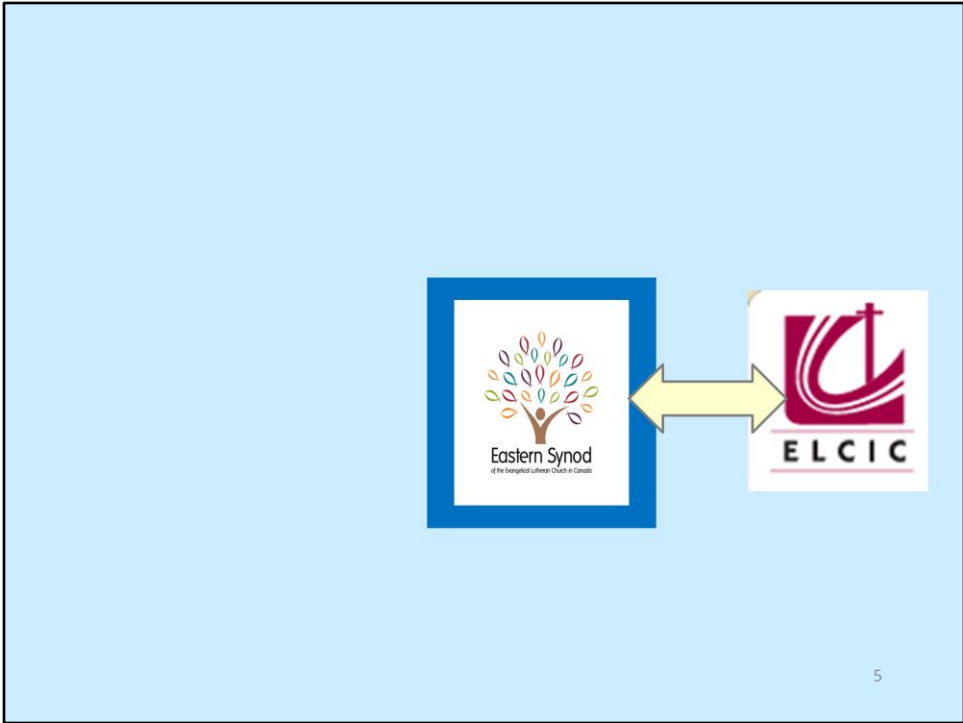
“It cannot be”, said the first man in disbelief. “If we cannot feed ourselves with knives and forks a metre long, how in Heaven’s name do you feed yourselves with knives and forks that are twice as long?”

“Ah, but that is the point, my friend,” the man from Heaven replied, “we do not feed ourselves, we feed each other.”

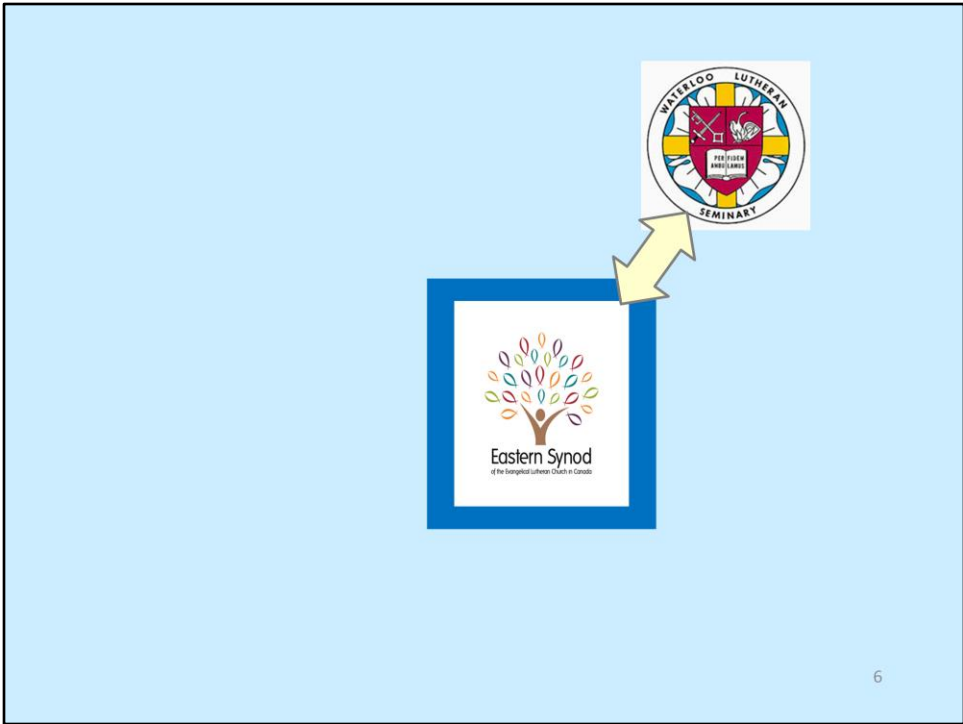
We feed each other - partnership. Might I say, in keeping with our theme, being good neighbours to each other. Partnership is also one of the underlying themes in the synod’s strategic goals, in many of the synodical ministries that are carried out under these goals, and in the budgets that fund these ministries.



Partnership between the Synod and 190 or so congregations.



Partnership between the synod and the national church and its many partners.



Partnership between the Synod and Martin Luther University College as well as with several other institutions.

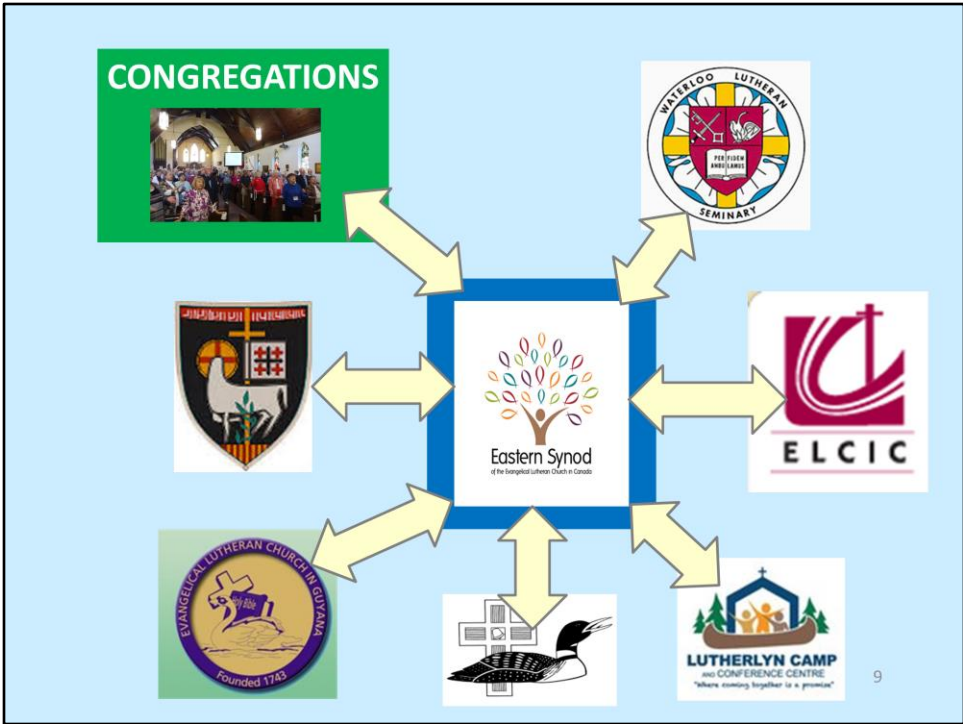


Partnership between the Synod and our two camps



Partnership between the Synod and our two Global Mission Companions ... the Evangelical Lutheran Church in Guyana and the Evangelical Lutheran Church in Jordan and the Holy Land ...

... as well as partnership with a number of other partners that we might identify.



As partners, we share financial and other resources with each other.

We feed each other.

Budget Process

**2018 -2021
Budgets**

10

Before we immerse ourselves in some of the budget numbers I'd like to do a quick review the various steps of the budget setting process that brought us to this point.

Budget Process



**2018 -2021
Budgets**

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In my role as treasurer, I initiated the process by asking synod staff and ministry directors for their requests and suggestions relating to possible budget requirements for each of the years 2018 through to 2021.

In addition I reviewed income and expenditure trends over the past few years and made some initial projections into the next few years.

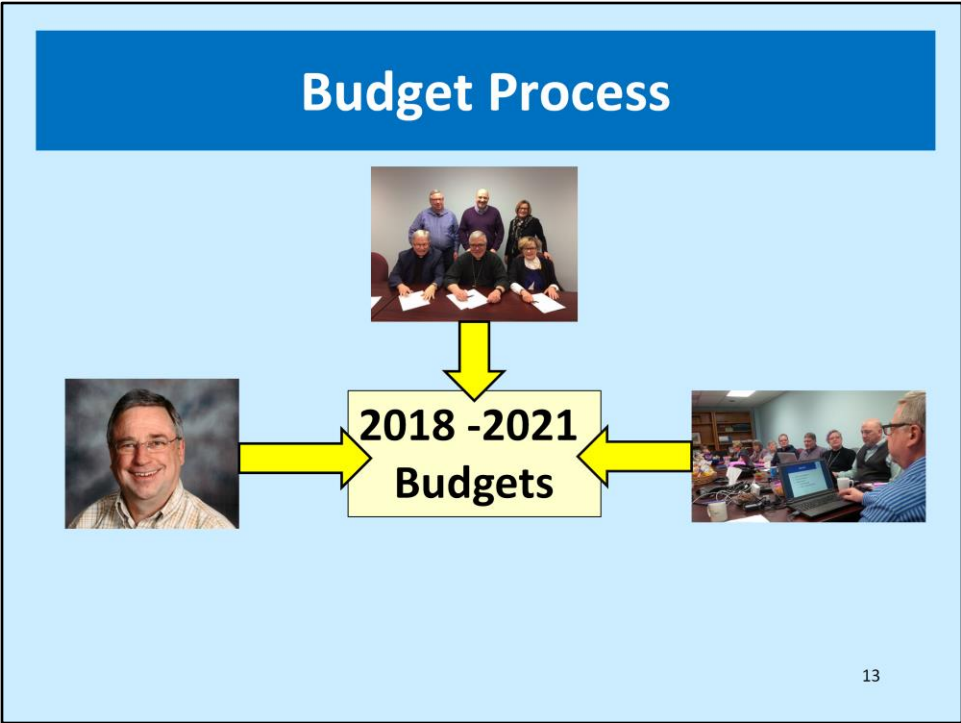
By the way, this is a picture of a younger looking me before I started the budget process!

Budget Process

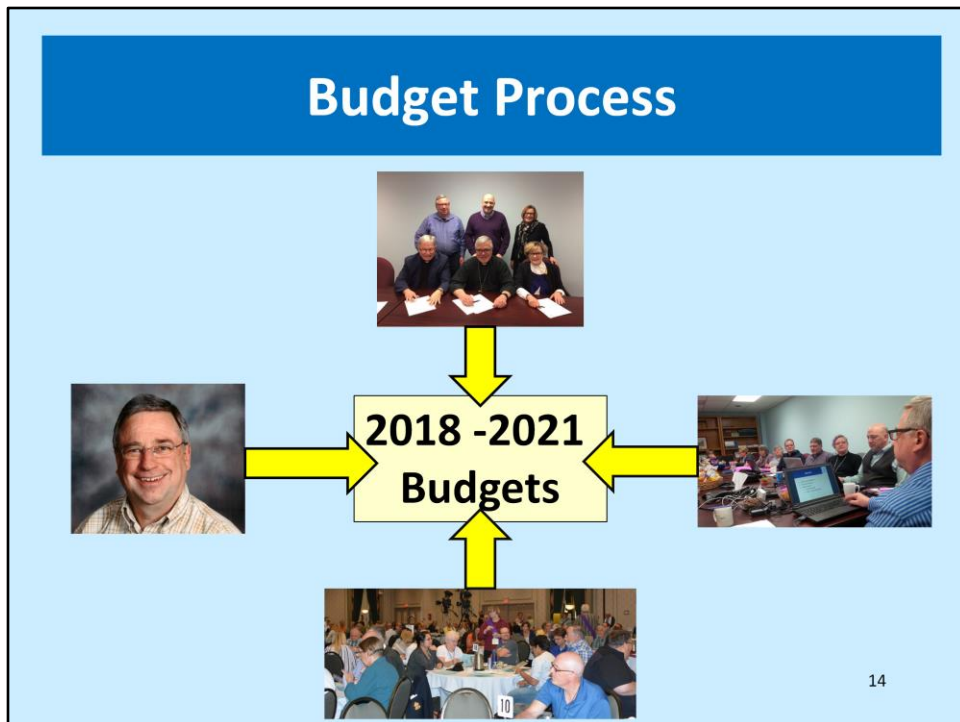


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At a subsequent meeting involving the Bishop, his two Assistants and the synod officers, keeping our synod's four strategic goals in mind we identified key priorities, reviewed recent trends and confirmed the underlying principles and assumptions that form the foundation of the budget - you'll be seeing these in a minute. Then we did a detailed, fairly meticulous line by line review of most budget lines.



A couple of months ago, in April, both the Finance Committee and Synod Council reviewed the budget proposals prior to recommending them to you ...



... the delegates at Assembly 2018, for ultimate approval.

When preparing financial projections, sometimes I find it difficult to forecast to the end of the current year. Now that our Assembly schedule will be changing from gathering every two years to every three years, it becomes even more challenging to prepare accurate budgets. For example, in the case of 2021 we've developed a budget three years in advance and it's impossible to anticipate exactly how everything will unfold by the time we get there.

To the extent that these budgets require refinements between now and our next Assembly, Synod Council takes on this responsibility using a scaled down version of the process I just went through.

2017 – 2018 Budgets

	Surplus / Deficit
2017	- \$256,950
2018	- \$235,800



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For those of you who were delegates to Assembly 2016, if you have a really good memory you may recall that when we approved budgets for 2017 and 2018, both of these budgets had sizable deficits. These budgets were subsequently balanced by Synod Council after the synod's Strategic Plan was completed in the fall of 2016.

I'd like to spend a minute to tell you how everything was put back into balance.

2017 – 2018 Budgets

Increase Income

- Allocate investment income from the Undesignated Gift/Bequest Fund to annual operating budgets (\$80,000 in 2018)

16

On the income side, a decision was made to allocate investment income earned from the Undesignated Gift and Bequest Fund to help fund the operating budget. Although this income will vary from year to year, for 2018 we have budgeted \$80,000.

2017 – 2018 Budgets

Reduce Expenses

- Martin Luther University College (\$100,000)
- YAYA Outdoor Ministry (\$20,000)
- YAYA Ministry Director Role (\$20,000)
- Other (\$25,000)

17

There were four reductions to expenditures:

Twelve years ago the synod's annual grant to Waterloo Lutheran Seminary was increased by \$100,000 to help the seminary through some financially turbulent years. Now that Martin Luther University College's financial situation has stabilized, this increase has been phased out.

Secondly, the Youth & Young Adult Ministry budget was reduced by \$20,000 since Edgewood Camp and Conference Centre has terminated operations and no longer requires this funding.

Thirdly, another \$20,000 reduction was earmarked for the Youth and Young Adult Ministry Director role.

And finally, there was a variety of smaller, miscellaneous changes that resulted in total reductions of \$25,000.

There was a rumour that the Youth and Young Adult Ministry Director budget reduction would be achieved through savings that would be realized when former Ministry Director Pastor Joel Crouse resigned from that position, since he, along with his voracious appetite, would no longer be showing up at Camp Lutherlyn and Camp Mush-a-Mush around mealtime.

Although evidence suggests that there could have been some truth to that rumour ...



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... in reality the reduction was achieved by downsizing this role from half time to quarter time.

2018 – 2021 Budgets

Principles, Assumptions and Notes

– Section 8: pages 19-20



Budgets

– Section 8: pages 21-23

19

We have four years worth of budgets to review and adopt this afternoon, first some revisions that Synod Council made to the 2018 budget and then proposed budgets for each of the next three years: 2019, 2020 and 2021 that will take us to the point when we meet again at Assembly 2021.

Although the numbers vary a bit from year to year, the budget recommendations for each of these years are fairly similar in their underlying philosophy. So rather than go through each year, one by one, I will be using 2019 to represent each of the four years and then identify the significant differences that occur in any of the other three years.

I will lead you through a high-level walkthrough of synod council's recommendations, but if you're interested in the details, budget background information can be found in Section 8, starting on page 19, carrying through to page 23.

2018 – 2021 Budgets

The diagram shows a table titled "2018 (REVISED)" with three columns: "LEVEL 1 FUNDING", "OTHER FUNDING", and "TOTAL". A yellow callout box labeled "Unrestricted" points to the "LEVEL 1 FUNDING" column. Another yellow callout box labeled "Restricted" points to the "OTHER FUNDING" column.

2018 (REVISED)		
LEVEL 1 FUNDING	OTHER FUNDING	TOTAL

20

With reference to the actual budget details that start on page 8-21, you will notice that there are 3 columns under each year, for example the 2018 Revised Budget.

The first column is labelled “Level 1 Funding” – this refers to funding that is unrestricted. The second column “Other Funding” consists primarily of funding that is restricted and must be used for that specific purpose, for example a designated bequest. And of course the “Total” column is the sum of the previous two.

Key Principles & Assumptions

1. **Income**
2. Expenditure
3. General

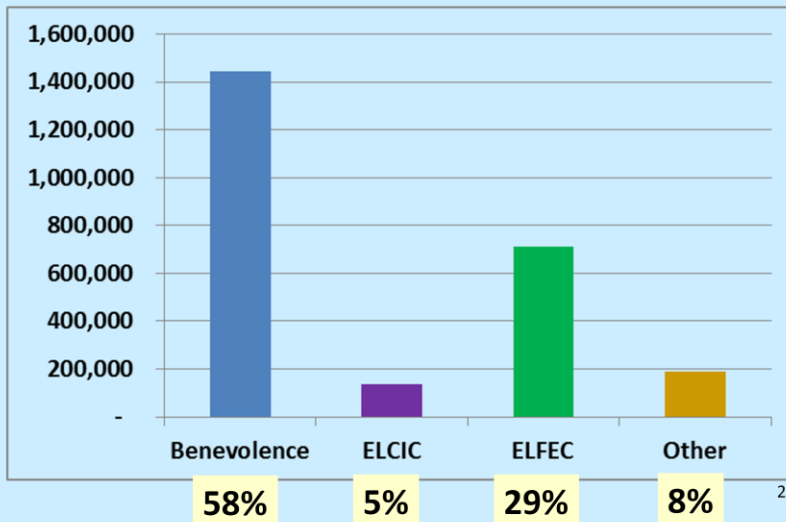


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It's difficult to develop a budget without agreeing to some underlying principles and assumptions.

First, a few assumptions around income.

Operating Income: 2016 & 2017



As you may recall from my presentation on Thursday, over the past biennium the synod's operating budget was heavily dependent on benevolence offerings received from congregations and on income earned by ELFEC investments to the extent of 58% and 28% of our income respectively.

Key Assumptions - Income

1. Anticipating 1% annual decrease in total benevolence offerings

23

Looking into the future we are anticipating that total benevolence offerings received from congregations will decrease by 1% each year using 2017 actual benevolence receipts as the base.

This decrease is anticipated, not because we're expecting that each congregation will give less. In fact we're hoping and expecting that many congregations will be able to give the same and that some will be able to give more.

Key Assumptions - Income

1. Anticipating 1% annual decrease in total benevolence offerings



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Rather, we anticipate this decrease recognizing that some congregations, congregations that have faithfully remitted benevolence offerings over many years, will over the next three year period, arrive at decisions that they will need to close.

Key Assumptions - Income

2. Reductions in benevolence income will be offset by allocating unspent income earned by ELFEC managed funds in previous years



25

Income Assumption #2: To the extent possible, we are planning to offset this anticipated reduction by looking to several funds that are managed by ELFEC and allocating unspent income that has accumulated over the last few years.

Key Assumptions - Income

**Low
interest**

**Moderate
equity
returns**

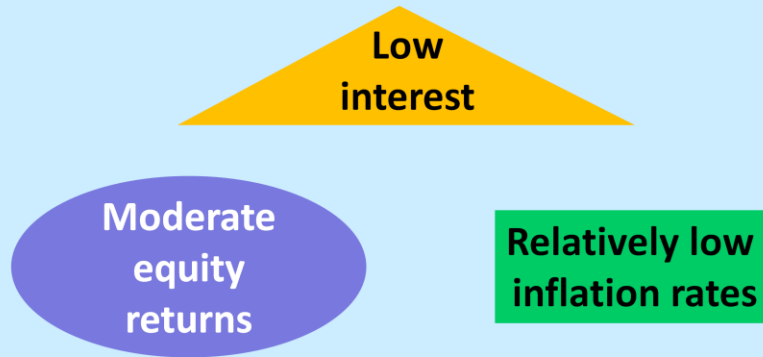
**Relatively low
inflation rates**

26

And thirdly, these budgets assume that interest rates will continue to be relatively low, that stock market performance will be rather mediocre resulting in lower equity returns than we've seen in recent years and that inflation will continue on the low side.

Key Assumptions - Income

3. 3.5% rate of return on funds managed by ELFEC



27

Putting these economic assumptions together, we are assuming that funds managed by ELFEC will return 3.5% annually.

Key Principles & Assumptions

1. Income
2. **Expenditure**
3. General



28

Now, let's move onto several assumptions about major areas of expenditure.

Key Assumptions - Expenditures

1. Funding for each budget line will remain consistent with the preceding year

29

Assumption #1 – Funding for each budget line will generally remain consistent with that of the preceding year.

Key Assumptions - Expenditures

1. Funding for each budget line will remain at the previous year's level.

High priority opportunities for new ministry will be considered for funding.



30

However, high priority opportunities for new ministry will be considered for funding to the extent possible – recognizing that this will likely require reducing funding in a lower priority area.

Key Assumptions - Expenditures

2. 1% annual increase to synod's ELCIC benevolence commitment (and at least 25% of congregational benevolence offerings)



31

Assumption #2 – As has been the case for many years now, the synod's benevolence offering to the ELCIC forms the cornerstone of our budget, our first fruits, upon which the rest of our budget is built.

Our budgets assume that Eastern Synod benevolence to the national church will increase 1% year over year, representing at least 25% of congregational benevolence offerings.

Key Assumptions - Expenditures

3. Current staffing levels and modest compensation increases



32

Thirdly, these budgets assume that staffing at synod office remains at the current level, with an allowance for modest compensation increases.

Key Principles & Assumptions

1. Income
2. Expenditure
3. **General**



33

And finally, a couple of general assumptions.

Key Assumptions - General

1. Budgets will be balanced

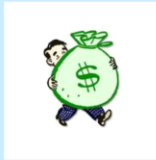


34

The first of these – we need to be fiscally responsible and strive for balanced budgets.

Key Assumptions - General

2. Significant surpluses (if any) will be allocated as follows:
 - 50% remitted as additional ELCIC benevolence
 - 50% transferred to ELFEC's General Investment Fund for reinvestment



35

And secondly, in the unexpected event of a significant surplus at the end of the year, the surplus will be allocated as follows:

- 50% will be remitted as additional benevolence to the ELCIC
- 50% will be transferred to ELFEC's General Investment Fund for reinvestment to increase income in future years

Let's see now how these principles and assumptions play out.

Eastern Synod Strategic Goals

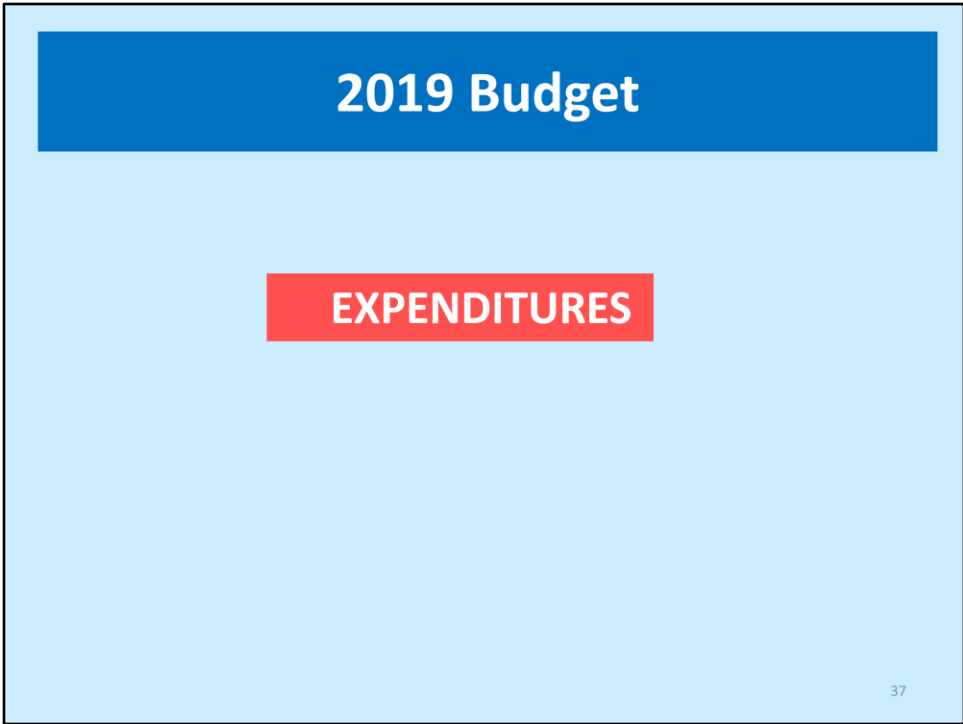
1. Provide Vision, Leadership & Support
2. Develop Capable Leaders
3. Connect to the Wider Church
4. Live as a Healthy Synod



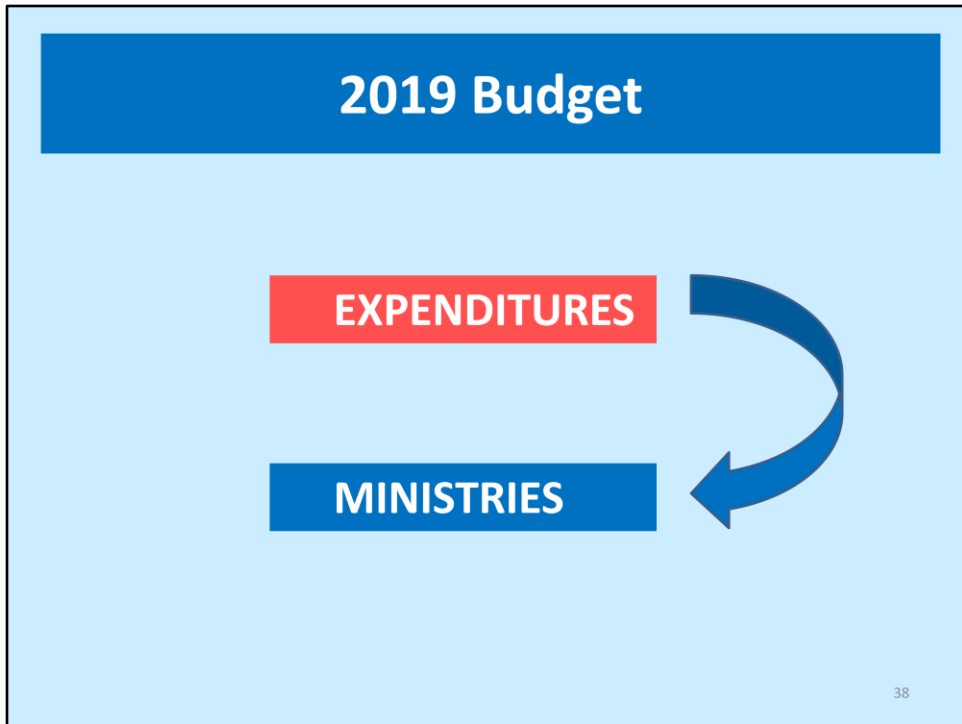
36

As we've heard several times now, our strategic plan has 4 high level goals. It seems appropriate that the synod's resources, including budget dollars, be allocated to each of these four areas.

To help you understand the budget implications in greater detail, I plan to spend a few minutes on each area, reminding you what that area includes, identifying the largest areas of expenditure in each area, and identifying any areas where the budgets that are being proposed deviate significantly from the original 2018 budget that we approved two years ago.

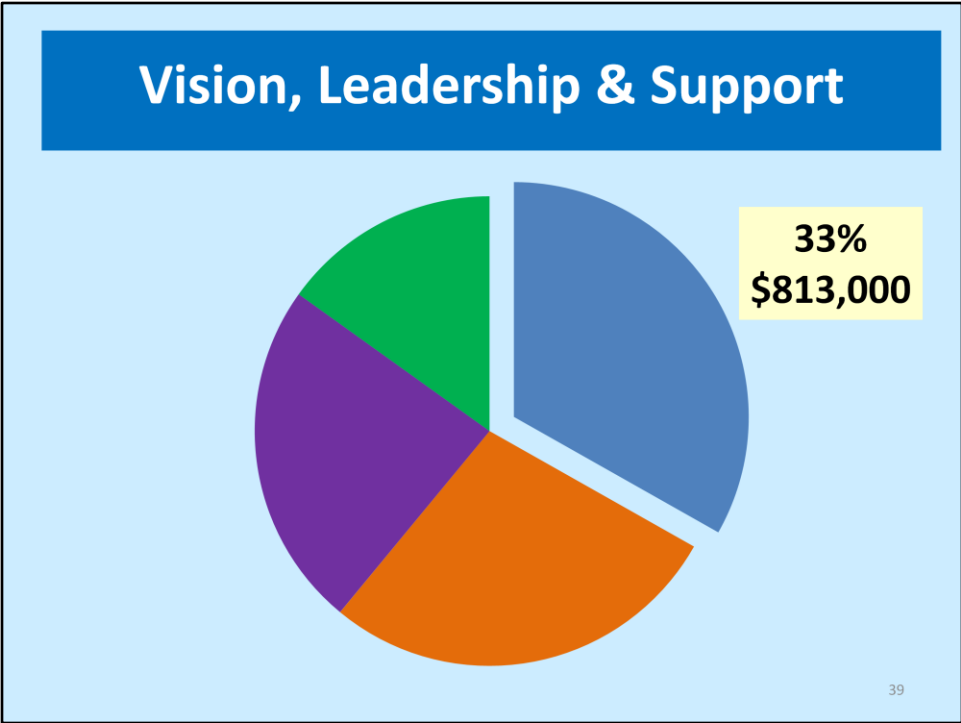


Rather than start with income, it's always been my preference to begin with the expenditure side of the budget ...



Because expenditures translate into ministries and ministries are what matter most to us.

Let's take a closer look at how, through our ministries, we feed each other.



33% of our expenditures are allocated to the synod's first strategic goal, "Provide Vision, Leadership and Support to the synodical community", the blue piece of the pie.

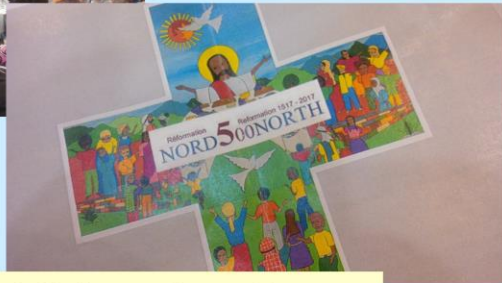
If you remember from my presentation a couple of days ago, this includes ...

Vision, Leadership & Support



Being physically present with congregations ...

Vision, Leadership & Support



Supporting Ministry Area Events

41

... supporting ministries carried out in the various ministry areas

Vision, Leadership & Support



Financial assistance with outreach

42

Providing financial assistance to congregations and ministry areas with their ministries with their neighbours ... neighbours who live in poverty, multicultural neighbours, Indigenous neighbours and other neighbours ...

Vision, Leadership & Support

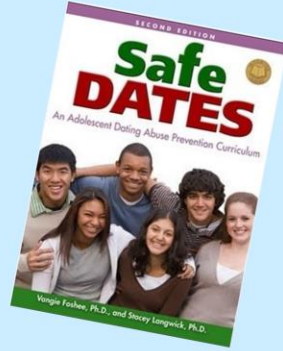


Programming and Resources

43

Providing programming and resources for children ...

Vision, Leadership & Support



Programming and Resources

44

... as well as for youth and young adults ...

Vision, Leadership & Support



Campus ministry

45

Supporting ministries on university campuses ... and supporting outdoor ministry at our two synodical camps.

Vision, Leadership & Support



Outdoor Ministry

46

Yes we love Camp Mush!

We feed each other!

Vision, Leadership & Support: 2019 Funding

<i>Primary Funding Areas</i>	<i>Amount</i>
Mission	\$ 338,625
Youth & Young Adult Ministries	\$ 89,200

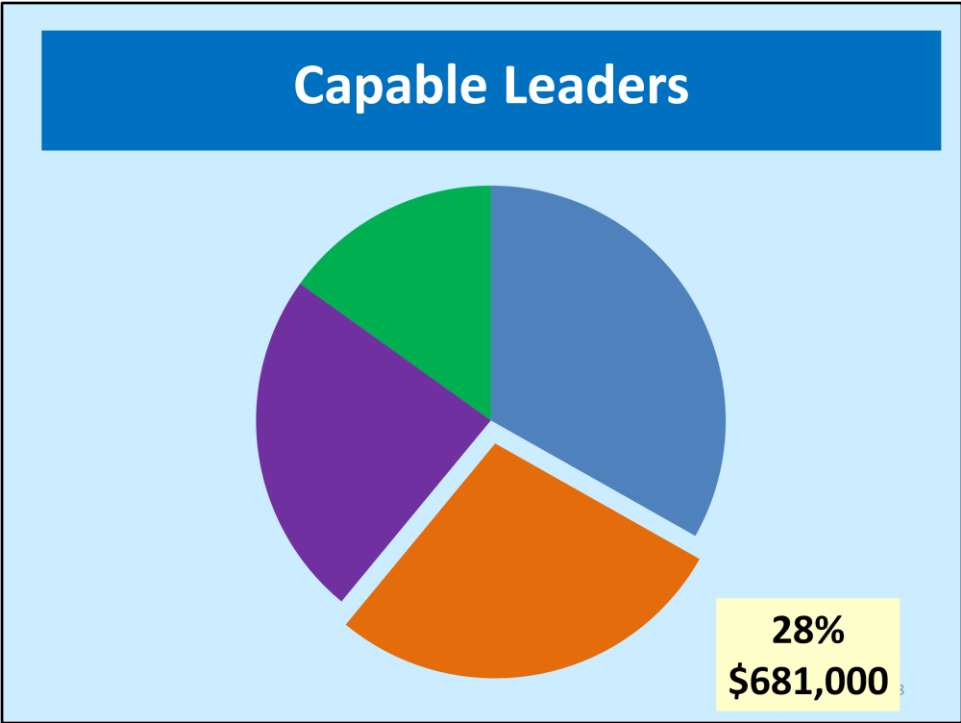
<i>Significant Changes</i>	<i>Amount</i>
Youth & Young Adult Ministries	- \$ 39,800

47

The largest piece of funding in this section of the pie is allocated to the Mission Committee – over \$338,000 that is projected for 2019. This year, 34 congregations or other groups in our synod have been approved for one or more grants made possible by this funding to extend their mission outreach. You heard from a number of these congregations and their inspiring stories at Open Mic time yesterday morning.

The next largest portion of funding, \$89,200 supports Youth and Young Adult ministries including the two camps, student ministry on 7 university campuses as well as local events and resources for children and high school students.

This budget area has been reduced by approximately \$40,000 in 2019 compared to the original 2018 budget. The vast majority of this reduction is attributable to funding that is no longer required for Camp Edgewood now that it has closed.



This brings us to our second strategic goal ... 28% of our budget, \$681,000, to Develop Capable Leaders – the orange area.

Capable Leaders



Developing Leaders

49

“Thank you Eastern Synod for this leadership opportunity!” - That’s a timely message from some young leaders that Camp Lutherlyn is in the process of developing.

In addition to outdoor ministry, the Developing Capable Leaders area also includes funding for ...

Capable Leaders



Developing Rostered & Lay Leaders

50

Martin Luther University College

Capable Leaders



Nurturing Rostered Leaders

51

Workshops for new pastors ...

Capable Leaders



Nurturing Rostered & Lay Leaders

52

Annual visits to each of the 17 ministry areas by Bishop Pryse to meet with rostered ministers and other leaders across our synod.

Capable Leaders



Nurturing Rostered & Lay Leaders

53

Retreats for rostered and lay leaders ...

Capable Leaders



Nurturing Rostered & Lay Leaders

And specialized training events for congregational leaders.

Capable Leaders: 2019 Funding

<i>Primary Funding Areas</i>	<i>Amount</i>
Martin Luther University College	\$316,000
Candidacy	\$39,500

<i>Significant Changes</i>	<i>Amount</i>
Martin Luther University College	- \$100,000
Candidacy (Internship)	+ \$14,050

55

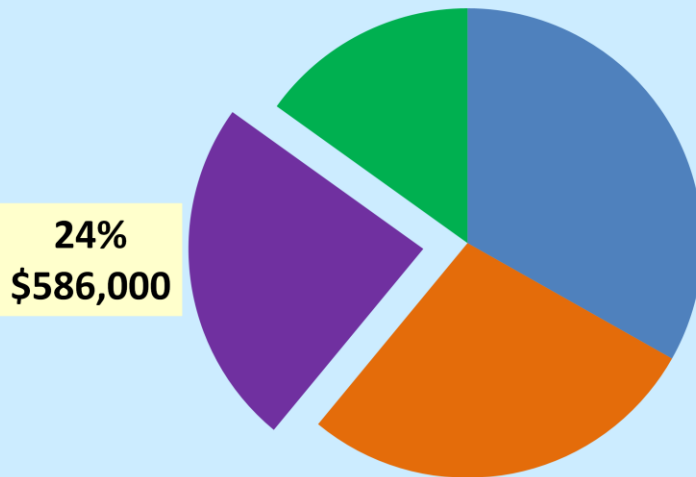
As you will see, the largest area of expenditure in this area is our annual grant of \$316,000 to Martin Luther University College – you heard about some of these ministries in their report just prior to lunch.

Next largest is the funding that we provide to the Candidacy Committee, primarily for supporting internships and bursaries.

As I mentioned support for Martin Luther University College is now back to the level that it was in 2005 and previous years, an annual reduction of \$100,000.

On the other hand, funding for the Candidacy Committee, in particular internship support, is increasing by \$14,000 over the next couple of years in recognition that in this day and age, most congregations are unable to fund the cost of supporting an intern, as had been the expectation in previous years.

Connect to the Wider Church



56

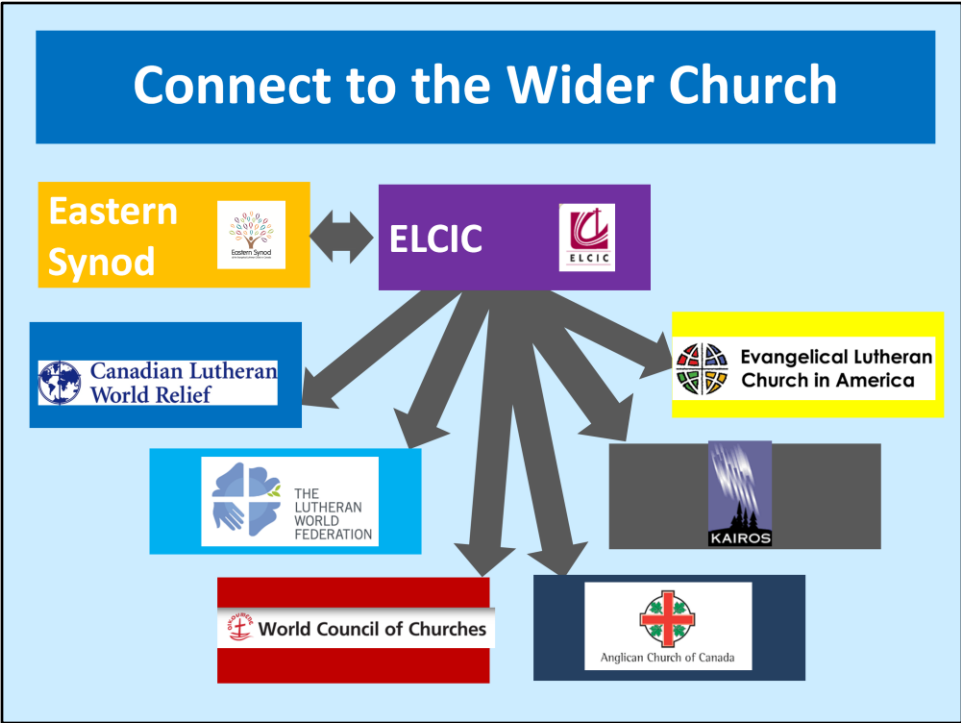
Next, Goal 3, representing 24% or \$586,000 of budget dollars – Connect the synod community with the wider church through effective partnerships. More examples of how we feed each other.

This purple area includes ...

Connect to the Wider Church



Our financial support to the ELCIC National Church ...



Complete with it's extensive network of institutional partners ...

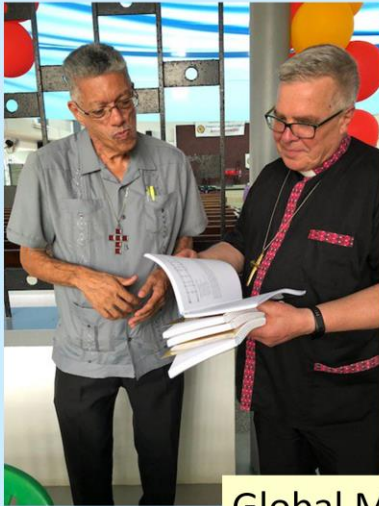
Connect to the Wider Church



Ecumenical Partnerships

... and trusted personal relationships.

Connect to the Wider Church



Global Mission Companions

This area also supports our Global Mission Companion program with the Evangelical Lutheran Churches in Guyana and in Jordan and the Holy Land.

Connect to the Wider Church: 2019 Funding

<i>Primary Funding Areas</i>	<i>Amount</i>
ELCIC Benevolence	\$398,700
ELCIC National Convention	\$58,050

<i>Significant Changes</i>	<i>Amount</i>
ELCIC National Convention	+ \$58,050

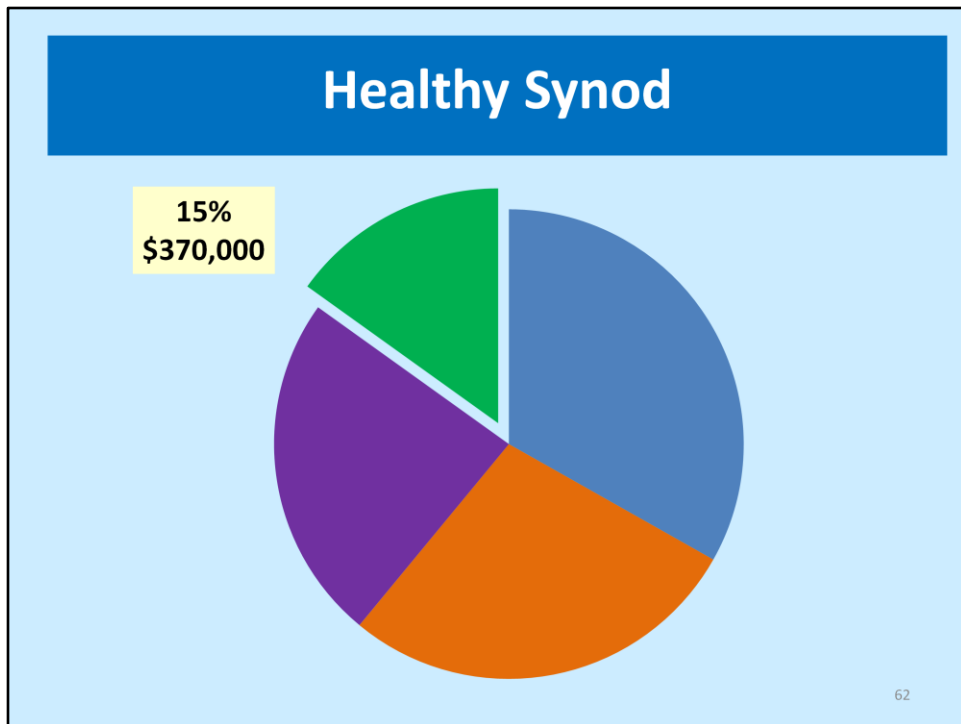
61

By far the largest single outlay in this area is our synodical benevolence to the ELCIC national church, \$398,700 for 2019, representing slightly more than 28% of the benevolence offerings that we anticipate receiving from congregations.

This funding is one expression of our partnership with the national church and its ministries that National Bishop Susan Johnson outlined in her written report and in her presentation to us on Thursday evening. One body working together.

As I indicated previously, we have projected that this amount will increase by 1% annually, an increase of approximately \$4,000 per year.

The other large item in this area is \$58,000 for delegate registration fees to the 2019 National Convention, a cost that effective with the 2017 National Convention shifted from being a congregational to a synodical responsibility. With national conventions occurring every three years, this expenditure won't be required in any of the other years that are in scope for this particular presentation.



Fourthly and finally, Goal 4, Live as a Healthy Synod that requires \$370,000 or 15% of our total budget for 2019 .

As I go through some of the items that are included in this, the green coloured area of the budget, I am also including costs that are shared across all four of these goals.

When we think of a healthy synod and these shared costs, collectively these include costs that are incurred for items such as ...

Healthy Synod

Healthy Synod

ABOUT US CONTACTS FAITH IN ACTION RESOURCES SPREADING THE WORD

From the Bishop's Desk

Liberated by God's Grace... to be neighbor!

The story is so familiar, perhaps too familiar. It is a story about what the world does to others in life. Jesus responds with the question, "Is it written in the law?" The lawyer replies correctly, "You shall love the Lord God with all your heart, and with all your mind and with all your strength and with all your intellect." Full page >

Spotlight

Report from the Synod

A delegation from the Synod, including Bishop Fred, Laurie Hildebrand and two representatives of the Evangelical Lutheran Church in America, our congregational church. This year marks the 275th anniversary of the ELCA. Here is the report of the trip.

Newsletter

An Inter-generational Faith Conversation

We began this inter-generational Faith Conversation Project, because we want to share stories with our youth about the history of our church. We want to hear from a picture of what the faith community has been for the last 100 years.

Upcoming

Spring 2018

2018-2019 Synod 2018-2019 Action Report

National Assembly Conference

63

... communication

Healthy Synod



Generous Giving

64

... promoting generous giving in our congregations and synod

Healthy Synod



Governance - Synod Council

65

... Synod council

Healthy Synod



Staff

66

... office staff ...

Healthy Synod



Office

67

... and space, infrastructure and supplies allowing staff to work as efficiently and effectively as possible.

Healthy Synod: 2019 Funding

<i>Primary Funding Areas</i>	<i>Amount</i>
Salaries, Benefits & Travel	\$760,000
Retiree Health Subsidy	\$69,400
Stewardship/Resource Dev't	\$32,000
Property Transformation	\$25,000
Communication	\$24,700
Office Expenses	\$144,800

Here are the six largest areas of expenditure in this fourth area.

Salaries and benefits, including travel expenses for all staff total \$760,000. While there is no denying that this is a large number, in fact the largest single area of expenditure in the entire 2019 budget, it is important to keep in mind that this includes a total of 15 people, 5 of whom are full-time. The other 10 include 5 part-time staff and 5 others including ministry directors and those officers who receive a modest honourarium. In addition, ministry area deans receive a fee for a few specific services that they provide. Our compensation system is carefully managed while ensuring that employees are compensated fairly.

What I've said in previous years bears repeating: It's very important that we recognize the significant role that synod office staff, ministry directors and others play. Salaries and benefits are not simply "administrative expenses" - rather, in most cases, it is these people who make the difference between the vision to which we aspire and the fulfillment of that vision. These are also the people who are on the ground delivering services to pastors and congregations, whether that be face to face or behind the scenes.

Secondly is almost \$70,000 that is required each year to subsidize the extended health benefit for those retired pastors and spouses who were grandfathered under a previous plan.

You will see that the next 3 areas, Stewardship and Resource Development, Property Transformation and Communication account for amounts ranging between \$25,000 and \$32,000 each.

And then finally, office expenses, accounting for just under \$145,000.

An expenditure that doesn't occur in 2019 but that will be required in 2021 is \$133,000 for Assembly.

Healthy Synod



69

For several years now, all of the costs of operating the synod office have been paid through income that the synod earns each year on invested funds that were generously donated by our parents and by our grandparents many years ago.

Healthy Synod

*All synod
office
infrastructure
costs have been
paid for!*



70

As a result, the offerings that you as a congregation give to benevolence are not used to pay utility bills, to maintain the synod office building, to purchase office equipment, office supplies, insurance or to pay other expenses that are necessary to keep things running. Rather, your offerings are used to support our synodical ministries directly, in response to our call to be a synod in Mission for Others.

Healthy Synod: 2019 Funding

<i>Significant Changes</i>	<i>Amount</i>
Property Transformation	+ \$25,000

71

There is one significant addition to this area of the budget.

With the new Property Transformation Director Role that our Bishop referred to in his report and that you heard more about yesterday, it is important that we provide the Director with the tools that he needs to do his job and that we cover travel expenses for meetings with congregations as well as training and networking opportunities as they arise.

2019 Eastern Synod Ministries

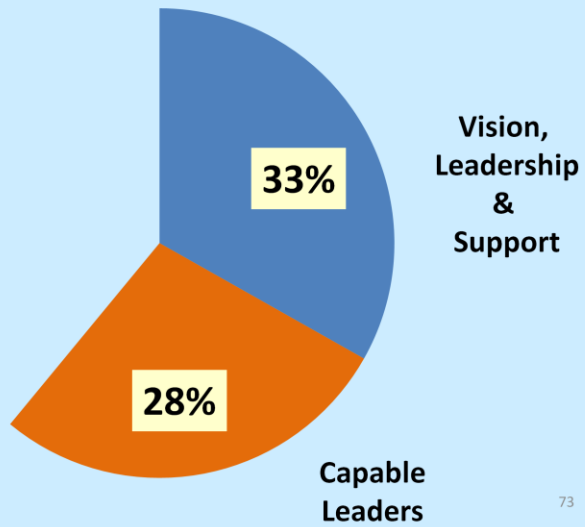
33%

Vision,
Leadership
&
Support

72

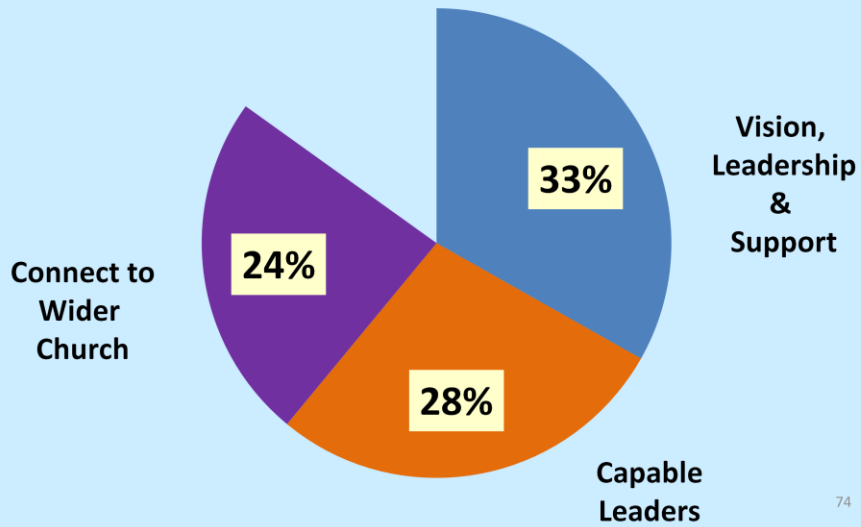
Put funding for goal 1 ...

2019 Eastern Synod Ministries

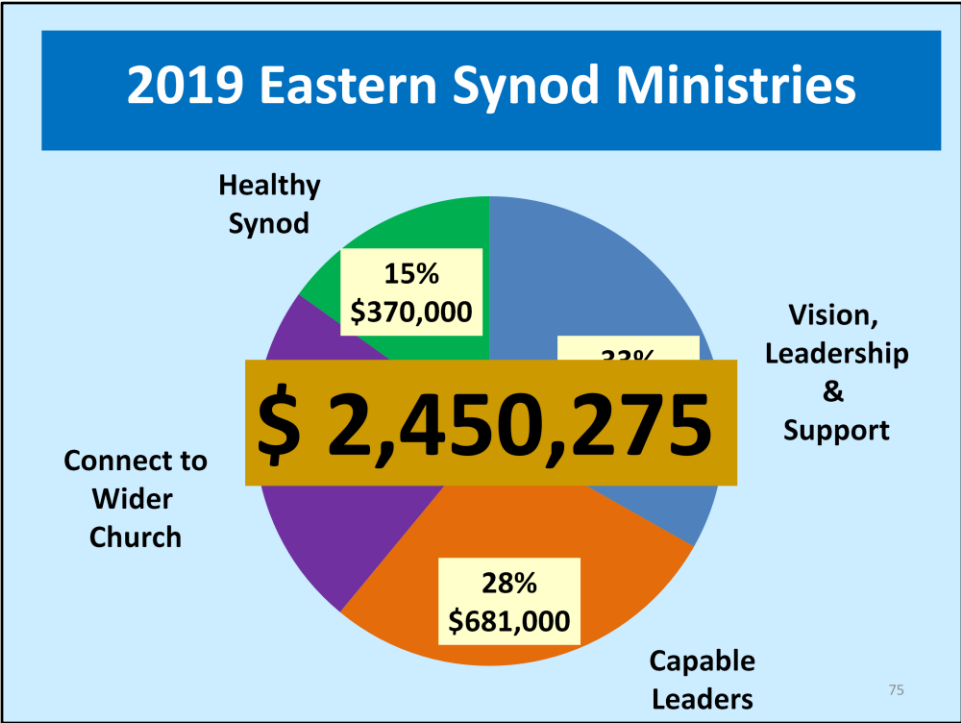


... goal 2 ...

2019 Eastern Synod Ministries



... goal 3 ...



And goal 4 all together and we end up with a 2019 budget for synodical ministries totalling \$2,450,000!

2016 – 2017 Financial Review

INCOME

76

Before we vote on this let's take a quick look at the income side of the equation.

2019 Income

<i>Income Sources</i>	<i>Amount</i>
Benevolence	\$1,407,000
ELFEC Operations Grant	\$190,000
Undesignated Gift/Bequest Fund	\$80,000
Remembering For the Future Fund	\$50,000
RESTRICTED AND OTHER	\$723,275

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Our projected income for 2019 consists of 4 sources of unrestricted funding. These are the green rows - funding that can be used for any purpose. In addition there is one row in red that represents funding from a number of restricted or designated funds.

Of these, congregational benevolence offerings account for just over \$1.4 million, almost 58% of the budget. As I mentioned previously, we are anticipating that this income will continue to decline by 1% each year as some congregations close.

The ELFEC Operations Grant, which is investment income we receive from the funds that were invested in 1973 from the sale of Waterloo Lutheran University to the Province of Ontario is projected at \$190,000.

Similarly, income from the Undesignated Gift & Bequest Fund and the Remembering from the Future Fund account for \$130,000 in total.

In addition to these unrestricted funding sources we have budgeted \$723,000 of funding from restricted funds. This would include funding such as the grants that we receive from the national church as well as income from designated bequests and other gifts.

2019 Income

<i>Significant Changes</i>	<i>Amount</i>
Benevolence	- \$95,000
ELFEC Operations Grant	+ \$10,000
Undesignated Gift/Bequest Fund	+ \$80,000
Remembering For the Future Fund	+ \$12,000
RESTRICTED AND OTHER	+ \$37,775

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There are also some significant changes when we compare the income that we had projected two years ago when developing the 2018 original budget to what we are now projecting for 2019.

Specifically, for reasons that I have mentioned previously, benevolence is showing a decrease of \$95,000. Thankfully, we have found ways to offset this decrease through increased funding from our endowments, reserves and other funds.

2019 – The Bottom Line

Year	Surplus / Deficit
2018 (Revised)	- \$168,500



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As a result of the changes made by synod council, the deficit of \$168,000 that was projected in the original budget for 2018 ...

2018 - 2021 : The Bottom Line

Year	Surplus / Deficit
2018 (Revised)	\$0



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... has been eliminated ...

2018 - 2021 : The Bottom Line

Year	Surplus / Deficit
2018 (Revised)	\$0
2019	\$0
2020	\$0
2021	\$0



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... and we are recommending balanced budgets right through to 2021.

Recommendation

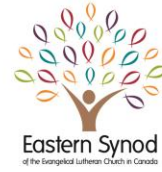
**that the
2018 Revised Budget
and 2019 – 2021
Proposed Budgets
be adopted.**

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With this background, it's time now to deal with Synod Council's recommendation #3 in Section 6, page 3:

Synod Council recommends that the 2018 Revised Budget and the 2019 – 2021 proposed budgets be adopted.



Budget Presentation Assembly 2018

June 23, 2018
Keith Myra

