

Good morning, I am Mike Booher, and it is my privilege to be your CFO. As you have noticed we are migrating away from paper. To help with that migration, I reformatted the budget presentation to be more concise (but did not lose any content). Additionally, to aid in your review and understanding I also included notes to explain significant items in the 2024 budget. I know change is uncomfortable and I appreciate your constructive feedback on how I can improve the on-line presentation.

As we begin, a reminder, the budget was approved by Diocesan Council at their August 2023 meeting. Your job today will be to accept the budget as approved.

Last year when we met, I highlighted the headwinds and tailwinds impacting the Diocese. Nothing has really changed here, except to expand on rising housing costs to include higher interest rates and rising property insurance costs that are impacting household income. Unfortunately, there are no new tailwinds to offset the strong headwinds.

### 2023 Highlights

- 24 churches impacted by hurricane Ian
  - \$18 million claims paid by CIC
  - \$1.1 million in support from Diocese
  - Received notification from FEMA a couple of weeks ago that our application for public assistance was approved. This will start a very hectic 60-90 day process to document the impact to congregations (already in progress) and submit the claims for recovery
- \$250 thousand in grants provided to congregations
- \$50 thousand grant from ERD passed through to congregations to provide programs in communities impacted by hurricane Ian
- Summer youth camp attendance has returned to pre-COVID levels with 234 campers of which 91 are new campers in 2023; additionally, we provided over \$20 thousand in scholarships

- Invested \$400 thousand in DaySpring properties, including Diocesan House
- Exploring land development opportunities to generate additional revenues
- Congregational bookkeeping services

#### Summary Page:

- The Diocese receives our revenues primarily from 3 sources...apportionment, endowments, and program revenues. For 2024 we are projecting revenues of \$3,351,000 in apportionment, \$452 thousand from the endowment and \$216 thousand in program revenues for a total of \$4,019,000.
- Overall, we are projecting a \$29,000 operating loss for 2024. This is primarily due to the general convention which will be held in 2024 which is only two years since the last general convention. Typically, general convention is held every 3 years. During those three years we bank a surplus to cover the expense of the convention, but with the shortened period between general conventions and the expense incurred in 2022/2023 related to the election and consecration of Bishop Sharf, and hurricane Ian, we did not have time to develop that surplus. This is not a concern. As I explained to both the Finance Committee and Diocesan Council, there is significant contingency built into the budget and with that and other operational savings in 2024 I am confident that we will make up this projected operating loss.

#### Endowment:

The approved spending rate for 2024 is 4.0% which is determined by considering a 3-year average return adjusted for inflation and fees applied to the average market value over the last 3 years

- While the returns for the past 6 months are up, inflation is still high, and we are still reeling from the significant unrealized losses from the 2<sup>nd</sup> half of 2022. We believe that this rate is historically consistent and justified by the long-term performance of the endowment and the conservative spending rates in prior years.

- This spending rule releases a total of \$809 thousand for use in 2024, which is down \$19 thousand from 2023. Of this 2024 total, \$268 thousand is the distribution for the congregation and organization participants of the Diocesan Endowment Management Program (DEMP) a reduction of only \$9 thousand for DEMP participants.

As you can see from this chart we were relatively consistent prior to 2021, and since then have seen a great deal of volatility . We are projecting one more down year and then expect to return to an historical trend in 2025.

### TEC Apportionment:

The Episcopal Church apportionment for 2024 will be \$503,460 which is based on the 2022 diocesan report filed with The Episcopal Church in July of this year. As you can see from this chart, we had a decrease in our apportionment for 2023. In January of this year, we made a request to the Executive Council of TEC requesting a \$100,000 reduction which was granted in June. The reduction was used to provide additional relief to congregations impacted by hurricane Ian.

### Expenses by Category:

This chart shows the breakdown of our operating expenses by primary function

- Congregational Support & Development:
  - Items included in this category include:
    - Grants approved by the Bishop based on appeals from congregations
    - Support for seminarians transitioning to congregations
    - Providing expertise for congregations (e.g., audit support)
    - New church plantings (e.g., Wesley Chapel and Parrish)
- Ministry and Programming:
  - Items included in this category include:
    - School for ministry
    - Support for seminarians
    - Adult programming

- Youth camps
  - Campus ministries at USF
  - TEC apportionment
  - General Convention
- Administration:
  - Items in this category include:
    - Diocesan Staff salaries and benefits
    - Diocesan convention
    - Software licensing fees
    - Printing and publication costs
    - Insurance
    - Professional fess (audit and legal services)

### Changes by Category:

This chart shows a comparison of each category from 2022 to 2024:

- Congregational Support & Development:
  - The category is decreasing by \$40 thousand or 7.2%; the 2023 budget included an additional \$100 thousand in grant relief which was funded by the impact of PPP loan forgiveness on 2023 apportionments. The 2024 budget reflects a \$10 thousand step-down in the support for St. Paul's in Wesley Chapel; these reductions are offset by a planned increase in support for Church of the Apostles in Parrish as they continue to grow and potentially will need to lease space off the DaySpring campus.
- Ministry and Programming:
  - The category is decreasing by \$355 thousand or 27.8%; the 2023 forecast includes over \$445 thousand in hurricane relief offset by the reduction in TEC apportionment for 2023; excluding these amounts the category for 2024 is flat compared to 2023. 2024 also includes \$70 thousand for the general convention to be held next July.
- Administration:

- Increasing by \$48 thousand or 2.4%; there are several puts and takes impacting this, which are noted in the detailed budget. Noteworthy items include:
  - COLA increases of 3.5%
  - Health insurance rate increases were budgeted at 6% (like prior years) actual increases which were received after the budget was approved are approximately 7.5% across all plan offerings. Now a reminder that everyone must re-enroll in dental coverage for 2024. There will be NO automatic rollover of dental coverage due to the change in dental providers.
  - Contingency for a possible assisting bishop
  - Digital media migration
  - Planned property insurance increase of 8%; just last week (after approval of the 2024 budget) I received notification that property insurance rates are increasing 33.2% or \$12,317 for Diocesan House overall. So, without spending a dime in 2024, I am already looking at a negative budget variance of several thousand dollars. Individual congregations are increasing between 28 - 35%. Yes, I said 28 - 35%. As many of you heard yesterday, the drivers of this are as follows: Re-insurance costs are up 21%, construction costs (cost to re-build) are up 9.5%, actuarial estimates for future losses are up 10.2% and the loss ratio for SWFL is 108%. This all adds up to a 'recommended' increase of 49%. Across Florida policy holders are experiencing up to 50% increases in insurance premiums. This is unsustainable and the wider church needs to address this. It is ironic that the costs we are paying to protect the future of the church might be causing many of the congregations to consider closing. Last week I was at a conference in New York where I had the opportunity to meet with leaders of Church Insurance. Together we discussed several options to help churches lower insurance costs. Now, any change

will result in a lower level of overall coverage or potentially higher out-of-pocket costs in the event of a storm, so the options need to be reviewed carefully. I expect to receive information from Church Insurance early next week. Additionally, I have contacted an outside insurance broker to see if there are opportunities outside of Church Insurance for more affordable coverage. I know insurance rates cause a great deal of angst, which I share with you. I am hopeful for a positive outcome from our efforts.

This chart shows the trend of our operating expenses over the past several years. As you can see, we have been relatively consistent in our spending. There have been a couple of blips including the additional relief provided to congregations in 2021 at the start of the pandemic and the 2022 increase in administration costs due to the election convention, bishop coadjutor costs, and general convention and the relief provided to congregations impacted by hurricane Ian in 2023.

#### DaySpring:

The DaySpring budget is balanced for 2024. Highlights include:

- \$1.6 million in bookings; with a 3% planning increase in fees
- \$275,000 operating revenues from the diocese (scheduled programs)
- \$150,000 in capital support from the diocese
- 3.5% COLA increase for staff

#### Capital Budget:

The capital budget for 2024 includes \$171 thousand in capital apportionment which is down significantly from 2023. This is due to the forgiveness provided to congregations impacted by hurricane Ian. The capital budget for 2024 will largely be focused on maintenance at DaySpring. In 2023 we used the capital budget to fund many deferred maintenance projects at both DaySpring and the Diocesan House.

### Looking ahead:

As we look ahead, there are a couple of items to point out. First, our budgeting process will begin forecasting three years into the future. Internally we began using this three-year plan in 2023 as we develop our strategic initiatives. Second, in the spring of 2024, we will complete a refresh of our budget categories and financial statement presentation to better align our financial reporting with our strategic goals. Finally, beginning in February of 2024 I will be hosting quarterly Finance zoom meetings open to all congregations. Each quarter will feature a general topic hosted by a member of the Diocesan Finance Team. We will use this to answer questions, provide updates on financial matters, and provide access to Diocesan resources. I am looking forward to these meetings and hope that they will be useful to each of your congregations.

Thank you for your time and attention. Bishop this concludes my presentation; I am available to answer any questions.