



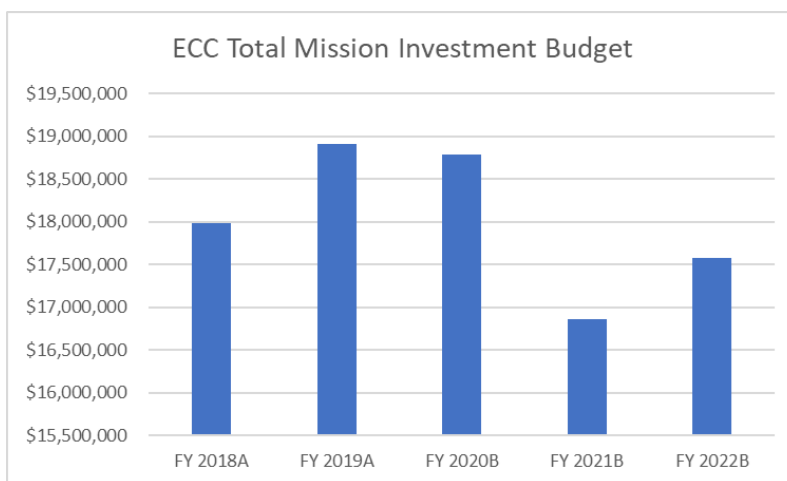
Fiscal Year 2021 Performance Report

As we prepare to gather at our annual meeting, please find the following summary of the financial materials and information we will be providing to our delegates related to our operating results, our benefit programs, and our financial stewardship.

FY2021 OPERATING RESULTS

Over the past two years, Covenant leadership has worked hard to reduce the size of the total spend that undergirds our mission to “join God in God’s mission to see more disciples, among more populations, in a more caring and just world.” While we are extremely grateful for the faithful support of our donors, total undesignated giving (the lifeblood of our coordinated mission budget) has been flat for the past five years. To maintain the financial capacity necessary to advance our mission, we have been engaged in a thoughtful and collaborative program of budget cuts to better live within our means.

As detailed in the chart below, our stewardship effort has resulted in a stepped down total spend that notably diverges from our historical budget trend, without damaging or degrading mission effectiveness.



We are pleased to report to you that despite the significantly reduced budget target in fiscal year 2021, our unaudited actual FY2021 spend was approximately \$16,705,131, or \$153,527 under budget. Total FY2021 income was \$16,224,186, or \$60,029 below target. Accordingly, our FY2021 financial performance was \$93,229 better than

budget, resulting in a budget deficit of \$480,944. Please find details regarding our fiscal year 2021 performance in the table below.

	Budget FY 2021	Actual FY 2021	Actual vs Budget %
Mission Provision			
ECC Church Support	\$ 8,150,000	\$ 8,026,758	-1.5%
Individual Donor Support	2,612,000	2,858,470	9.4%
Affiliate Fees	4,203,006	4,200,488	-0.1%
Annual Bequests Draw	818,000	928,000	13.4%
Other Income and Rent	501,209	210,470	-58.0%
TOTAL MISSION PROVISION	16,284,215	16,224,186	-0.4%
Misssion Investment			
Start and Strengthen Churches	\$ 1,053,075	\$ 1,081,223	2.7%
Make and Deepen Disciples	858,639	700,191	-18.5%
Develop Leaders	922,067	776,409	-15.8%
Love Mercy Do Justice	675,172	627,420	-7.1%
Serve Globally	1,429,348	1,221,721	-14.5%
MarComm	1,250,068	1,337,396	7.0%
Shared Services	3,951,152	4,543,402	15.0%
Other	250,000	166,523	-33.4%
Core Mission Investment	10,389,521	10,454,285	0.6%
Church Plant Appropriations	1,880,500	1,518,410	-19.3%
Living Legacy Funding	(686,669)	(495,000)	-27.9%
Net Church Plant Appropriations	1,193,831	1,023,410	-14.3%
Global Personnel Appropriations	4,275,036	4,227,435	-1.1%
North Park University Support	1,000,000	1,000,000	0.0%
Mission Friends Appropriations	5,275,036	5,227,435	-0.9%
TOTAL MISSION INVESTMENT	16,858,388	16,705,131	-0.9%
Mission Surplus (Deficit)	\$ (574,173)	\$ (480,944)	16.2%

Total Mission Provision

While total income was slightly under budget, undesignated giving from our churches and individuals totaled \$10,885,228, or \$123,228 ahead of budget. The 13.4% increase in the Annual Bequest Draw reflects the strong investment performance of our bequest reserve funds (we draw 10% of the bequest fund balances as of 9/30 of each fiscal year). The primary drag on our FY2021 income total was a significant decline in “Other Income and Rent” – specifically Communication Sales. We projected \$340,000 in Communication Sales, but the actual result totaled only \$100,665.

Total Mission Investment

As detailed in the table above, there are three categories of Mission Investment: Core Mission (our Five Mission Priorities and related Ministry support), Net Church Plant Appropriations (in support of Church Planting activities), and Mission Friends Appropriations (our investment in shared mission with our Mission Friends).

Core Mission Investment is the component of our annual spend where the Covenant Offices team exercises the most discretion. Here is where we can most directly impose stewardship discipline, as the catalysts for appropriations related to Church Plant activities and Mission Friends are largely constituency centered. Notably, the aggregated spend of our 5 Mission Priorities was \$531,336 below budget. Mission support expenses (Communications and Shared Services) were 13.1% over budget due to the costs related to our transition to a remote working structure and a more “digital friendly” denomination. In total, Core Mission Investment expenses came in .6% above budget.

Net Church Plant Appropriations were 14.3% below budget as church planting activity remained at approximately one half of historical (or “normal”) levels of activity. Appropriations related to our Mission Friends were .9% below budget as Global Personnel appropriations were \$47,601 under projections, and we were blessed to be able to maintain our annual support of North Park University at a level of \$1 million.

Although we would always prefer a balanced budget outcome – or, better yet, a budget surplus! – the FY2021 deficit of \$480,944 is 16.2% better than the \$574,173 deficit assumed in the approved budget. This is a significant reduction from the peak \$2.6 million funding gap we experienced in FY2019.

As noted in the enclosed summary titled “Presentation and Adoption of the FY2023 Budget”, our total income (net of the annual draw from our bequest reserves) has been flat over the past four years and recently has been trending downward. While we remain committed to bringing forth a balanced FY2024 budget proposal to Gather23 - should the recent trends in undesignated giving persist – it is difficult to imagine achieving a balanced budget without a major restructuring of the Covenant Offices mission and team. In our budget presentation at Gather, we will provide additional thoughts and observations regarding Covenant giving trends and the affordability of our current missioning structure.

Financial Audit Updates

We provide you with the most recent Covenant audited financial reports at our annual meeting. Enclosed in this packet is the audited consolidated financial statements of the Covenant for the fiscal year ended September 30, 2020. This report includes both “base mission” activity as well as broader global “project ministries” and related Covenant financial obligations. This is the most comprehensive view of our mission activity from a financial

perspective.

At the annual meeting in June, we will also make available to you the audited consolidated financial statements for the fiscal year most recently concluded (September 30, 2021), as well as a DRAFT of the audited financial statements of the Covenant Pension Plan (“CPP”) as of December 31, 2021. The CPP is the primary pension plan for Covenant ministers and Global Personnel. As in prior years, the audit remains in DRAFT form only because of a normal delay in receiving final valuations from certain private capital asset managers. The report will be finalized in the second half of 2022, and we do not expect any material revision.

Covenant Benefits

The newly renamed “Covenant Benefits” team (formerly “Bethany Benefit Service”) continues to provide a high level of care and service to our pastors, employees, and churches – while maintaining sound reserves and good operating results. Year after year, the Covenant Benefits team strives to provide our participants with affordable, high quality and comprehensive care – without compromising the plan’s long-term sustainability. The team is presently exploring new ways of expanding its program of care to better fit our member’s needs, both in terms of affordability and flexibility of coverage. We also plan to allocate more time and resources toward promoting greater awareness of Covenant Benefits across our churches, in the hope of expanding our membership. Increased enrollment means lower costs to our members, better care of our pastors, and a more diverse spread of the plan’s risks.

We are pleased to share that the Covenant Pension Plan continued to enjoy fully funded status as of year-end 2021.

Our goal is to ensure the long-term sustainability of the Covenant’s finances in its support our mission. If we are to mission well, we must steward well. We remain focused on creating better financial reporting across the Covenant ecosystem, enhancing transparency around our finances and annual budget, tightening expense management, expanding our programs around pastor economic wellness (particularly in under-resourced churches), growing our financial reserves, and continuing to build our Advancement efforts and our 3StrandStrong bonds.

We continue to be blessed by talented and faithful Covenanters who work alongside us on the Finance Committee of the Executive Board and on the Board of Pensions and Benefits. Our work would not be possible without them, nor without you.

We look forward to sharing more with you at Gather 2022.

With deep gratitude,

Steve Klimkowski
Executive Director of Finance, Corporate Treasurer, and Chief Financial Officer