



Presentation and Adoption of the Fiscal Year 2024 Mission and Ministry Budget

We always appreciate the opportunity to provide you with a detailed overview of our finances and the Base Mission Investment budget. Together, we partner in a **3StrandStrong** mission, and it is important that you are provided with the information you need to gauge the scope, stewardship, and effectiveness of that shared mission. Ultimately, our aim is to support, equip, and encourage our churches and members in the flourishing of their local ministries. On Saturday, July 1, we will present the proposed Mission and Ministry Budget for fiscal year 2024 (covering the period from October 1, 2023, through September 30, 2024). This budget was reviewed and affirmed by the Council of Administrators, as well as the Covenant Executive Board, who remanded primary approval authority to its Finance Committee. **The FY2024 Base Mission Investment Proposal totals \$17,551,054.**

The details of that budget proposal are found in the table below:

	Actual FY 2022	Budget FY 2023	Budget FY 2024	24B vs 22A %	24B vs 23B %
Base Mission Investment					
Serve Clergy	1,191,938	1,167,637	1,119,676	-6.1%	-4.1%
North Park University Support	1,000,000	1,000,000	1,000,000	0.0%	0.0%
Total Serve Clergy	2,191,938	2,167,637	2,119,676	-3.3%	-2.2%
Serve Locally	2,518,907	2,771,111	2,484,945	-1.3%	-10.3%
Church Plant Appropriations	1,561,314	1,677,000	1,844,004	18.1%	10.0%
Living Legacy Funding	(508,995)	(300,000)	(997,603)	96.0%	232.5%
Total Serve Locally	3,571,226	4,148,111	3,331,346	-6.7%	-19.7%
Serve Globally	1,071,039	1,393,560	1,432,070	33.7%	2.8%
Global Personnel	4,247,122	4,564,693	3,949,227	-7.0%	-13.5%
Total Serve Globally	5,318,161	5,958,253	5,381,297	1.2%	-9.7%
President Office	1,126,023	946,341	772,070	-31.4%	-18.4%
Finance	1,014,700	1,021,274	1,129,724	11.3%	10.6%
Advancement	987,672	908,278	1,142,392	15.7%	25.8%
Operations	2,300,562	1,575,495	1,883,868	-18.1%	19.6%
MarComm	1,454,684	1,388,860	1,505,921	3.5%	8.4%
Other	249,760	175,000	284,760	14.0%	62.7%
Total Mission Support	7,133,400	6,015,248	6,718,735	-5.8%	11.7%
TOTAL BASE MISSION INVESTMENT	18,214,725	18,289,248	17,551,054	-3.6%	-4.0%

For the purposes of this presentation, the budget data herein is formatted in accordance with the “Phase 1” strategic restructuring that will be brought before the Annual Meeting for consideration.

The FY2024 budget proposal of \$17,551,054 is 4% lower than the FY2023 budget (\$18,289,248) and 3.6% less than the FY2022 actual total spend (\$18,214,725). Although the proposal assumes a 3% increase in the salary pool and a 9% increase in health insurance premiums, total employee compensation is \$434,900 less than the FY23 budget primarily due to thoughtful consolidation of mission responsibilities (the result of the proposed strategic redesign). Other Base Mission Investment highlights:

- The total Serve Clergy budget is -2.2% below FY23 levels due to minor staff restructuring. However, the total reflects an increased investment in pastor care, and we are grateful to be able to continue our annual support of North Park University and North Park Theological Seminary at a level of \$1 million.
- Despite an increase in projected church planting activity in FY24, the total Serve Locally budget projects a -19.7% decrease in net expenses versus FY23, primarily due to increased funding of Church Plant Appropriations via closed church funds.
- The cost of Total Mission Support (shared services) is projected to be 11.7% higher than FY23. The President’s Office budget is -18.4% less than FY23 due to staff consolidation and the absence of transitional costs expensed last year. The Advancement budget projects increased investment in staff and necessary travel costs, as well as a more accurate reflection of embedded gift processing costs.
- Total Mission Support (shared services) comprises 38% of the Base Mission Investment budget. One may wonder if that spend comprises—perhaps—too large a portion of the annual operating budget. Covenant leadership would insist that it does not. This spend supports much more than Covenant Office’s mission priorities. It also undergirds our vital ministry projects (e.g., Paul Carlson Partners, Covenant World Relief and Development), our affiliates (e.g., National Covenant Properties), our pastors (Covenant retirement and health insurance plans), our local churches (e.g., discipling materials and liability guarantees), our wider fellowship (e.g., Midwinter, Gather), and much more. We centralize our support functions to eliminate redundancies across ministry teams and to provide the utmost transparency around

this spend. The support cost details would disappear from our financials if we allowed each ministry team to hire its own IT expert, advancement professional, financial analyst, et cetera—and it would thus appear that more provision was going directly into mission. However, the opposite would be true, and that paradigm would constitute poor stewardship on our part. Instead, we centralize our mission support—spending only what is necessary to serve our whole mission—and fully disclose that spend to you. (And I assure you that if you spent time with any of our hardworking, underpaid, mission-driven support teams, you would see that mission support is indeed mission!)

- The Other Expense category is projecting an increased spend in FY24 to reflect higher supplemental retirement benefit costs, as well as the expense of an annual staff gathering.

The FY2024 budget proposal includes the following funding projections:

	Actual FY 2022	Budget FY 2023	Budget FY 2024	24B vs 22A %	24B vs 23B %
Base Mission Provision					
ECC Church Support	\$ 7,454,249	\$ 7,848,188	\$7,214,395	-3.2%	-8.1%
Individual Donor Support	\$ 2,992,756	\$ 2,657,361	\$2,828,196	-5.5%	6.4%
<i>Church & Individual Donor Giving</i>	\$ 10,447,005	\$ 10,505,549	\$ 10,042,591	-3.9%	-4.4%
Affiliate Fees	\$ 4,304,593	\$ 4,200,000	\$ 4,509,774	4.8%	7.4%
Mission Investment	\$ 2,380,646	\$ 1,459,699	\$ 167,485	-93.0%	-88.5%
Annual Bequests Draw	\$ 818,000	\$ 1,874,000	\$ 1,855,793	126.9%	-1.0%
Other Income	\$ 264,481	\$ 250,000	\$ 975,411	268.8%	290.2%
TOTAL BASE MISSION PROVISION	\$ 18,214,725	\$ 18,289,248	\$17,551,054	-3.6%	-4.0%

The FY2024 budget proposal is the first fruits of a multiyear effort by Covenant leadership to attain a sustainable balanced annual budget. As I noted in the budget presentation at Gather 2022, this is a two-part endeavor. The FY2024 budget process focused primarily on mission provision—the giving, fees, and income that fund the coordinated budget. Next year, the FY2025 budget process will be primarily oriented around Mission Investment or the cost of our mission. Please know that the “Phase 1” strategic redesign (that will be brought before this year’s Annual Meeting) is an important component of the FY2025 budget endeavor.

Our FY24 budget exploration (to assure that we are fully utilizing the resources available to fund our mission) was quite successful. While our Advancement team is projecting a -4.4% decline in unrestricted giving versus the FY2023 budget (representing the lowest projected level of giving to the coordinated budget since fiscal year 2015), the FY2024 budget includes \$972,554 in new sources of

income that more than offset that decline. The “new” income includes increased annual support from Covenant Ministries of Benevolence, increased endowment income, and expanded (and allowable) budget coverage by project funds. This increase in provision, in tandem with the \$697,603 increase in the Living Legacy Fund contribution (detailed above), has enhanced our projected FY2024 funding by over \$1.67 million.

Accordingly, we are pleased to bring before you a balanced FY2024 Covenant budget proposal. The proposed budget requires only \$167,485 in Mission Investment (a draw on our general reserves) to balance, which meets the criteria for a balanced budget as detailed in the board-designated policy. The \$167k budget gap is a significant reduction from the \$1.46 million gap projected in FY23 budget and the actual gap of \$2.38 million in FY22 results.

In my presentation at Gather, we will further review the key data and drivers of the proposed budget, including: the operating activities of our Mission Priorities and our Mission Support teams, the substantial annual “external appropriations” activity in support of our mission friends, and the faithful giving of our churches and individual donors.

We thank you for your support of our shared mission and the daily confidence you place in us to shepherd the overall financial strategies of the Covenant. Please know that the Covenant Finance Team always seeks to ensure that our resources are stewarded in a manner that sustains and advances the Covenant mission, glorifies God, and honors the intent of our donors. If we are to mission well, we must steward well.

Respectfully,

Steve Klimkowski

Treasurer & Chief Financial Officer