



## **“Discovering Our Future”**

### **Diocese of Southeast Florida Financial Group Report**

The initial charge of the Finance Group for Discovering Our Future was to review and analyze Diocesan income and expenses, project trends for the Diocesan budget and income and prepare a draft budget for 2015. The Finance Group was asked to consider trends in individual congregational income and to identify alternative formulas for Assessments and the effect of these formulas on the operating budget of the Diocese.

The most critical finding was that the value of the properties and buildings owned by the Episcopal congregations in the Diocese totals, approximately \$259,803,000. This information was based on a Summary Appraisal Report prepared for the Church Insurance Agency Corporation compiled in 2008. This substantial sum is an estimate of the property holdings of the Diocese of Southeast Florida and reflects a conservative estimate of fair market value. Consequently, it is fair to say that the Diocese of Southeast Florida possesses considerable financial resources.

The Diocese of Southeast Florida falls within a general pattern in the Episcopal Church where there are substantial property holdings, while at the same time decreasing cash resources and membership. Using Diocesan congregational information and applying the Episcopal Church Center guidelines for congregations, the Finance Group identified 26 congregations in the Diocese of Southeast Florida whose revenues were at or below \$150,000 and are now or are likely to be “at-risk” for the future. The Finance Group noted that each individual case provides extenuating circumstances and calls for individual consideration to reflect Diocesan ministry strategies.

The value of buildings and properties of the 26 congregations below the \$150,000 threshold is approximately, \$38,743,000. The Finance Group recognizes the difficulty in assessing the effectiveness of the ministry in each individual congregation. Nevertheless, the \$39 million amount is a resource for the Diocese in future strategic planning. If it were decided to sell all or some of these properties, the revenue realized would provide a new financial base for new mission and/or a Diocesan Endowment. The increased Endowment could support a large portion of the expenses of the Diocese so that a new formula for assessment could be created.

If the Diocese possessed an Endowment of \$25,000,000, an achievable estimate is that it would realize income of at least \$2,000,000 annually from investments. This would represent a return of 8%. This income could reduce the need for assessments and congregational support by a factor of two-thirds. Without drastic changes in program and personnel, it is unlikely that there could be any significant change in the Diocesan Annual Budget without a substantial increase in Annual Revenue.

The Finance Group understands that the Diocese possesses a large financial resource in property and buildings. Furthermore, we recognize the need to carefully assess these congregations and their ministries to create an effective strategic and financial plan for the future of the Diocese of Southeast

Florida. We recommend the establishment of a Diocesan working group to identify and develop a future strategic plan.

The Finance Group reviewed tables showing the Assessments on Congregations from 2008 through 2012 and total revenues of the Diocese for the same period. As a result, the Finance Group determined that a plus 3% factor, a minus 3% factor and a no change factor in Total Revenues of the Diocese was an appropriate assumption for diocesan budgets ranging to 2015. A 6% increase was assumed in operating expenses for the future. In Budget A, a 3% decrease was assumed in all other categories. In Budget B there was no change applied to line items. In Budget C, no change was applied to current line items and this budget reflects a net balance of \$69, 335.

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**Diocese of Southeast Florida  
Operating Fund  
2013 Proposed Budget**

	<b>2012 Approved Budget</b>	<b>2013 Budget &lt;3%</b>	<b>2013 Budget No Change</b>	<b>2013 Budget &gt;3%</b>
<b>Total Revenue</b>	<b>3,060,668</b>	<b>2,968,848</b>	<b>3,060,668</b>	<b>3,152,488</b>
<b>Expenses</b>				
National Church Assessment	387,400	387,400	387,400	387,400
Administration Ministry				
Administration Ministry	144,309	152,698	152,698	152,698
Operations	1,721,730	1,635,762	1,727,582	1,750,067
Communications Ministry	142,406	128,165	128,165	128,165
Education Ministry	128,300	128,300	128,300	128,300
Youth/ Young Adult Ministry	108,400	108,400	108,400	108,400
Growth & Evangelism Ministry	266,123	266,123	266,123	266,123
Human Needs Ministry	162,000	162,000	162,000	162,000
<b>Total Budgeted Expenses</b>	<b>3,060,668</b>	<b>2,968,848</b>	<b>3,060,668</b>	<b>3,083,153</b>
Non-Budgeted Expenses	-			
<b>Total Expenses</b>	<b>3,060,668</b>	<b>2,968,848</b>	<b>3,060,668</b>	<b>3,083,153</b>
<b>Net Income</b>	<b>-</b>	<b>0</b>	<b>(0)</b>	<b>69,335</b>

Assessment Percentage

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The Finance Group noted that some congregations bear an additional financial burden as a result of paying premiums for Mortgage Insurance in addition to their obligations to pay principal and interest on their loans. This results in difficult congregational budgeting and restricts future progress. It may be possible to enhance the ministries of these parishes by establishing a *Jubilee Year* in which all

indebtedness to the Diocese is forgiven for congregations that are likely to survive, if their loans were forgiven.

The Finance Group also examined trends within the Diocese of Southeast Florida for Plate and Pledge income and Average Weekly Attendance over the last five years. Twenty-five parishes in the Diocese realized an increase to both income and attendance. Eleven parishes exhibited an increase in Plate and Pledge income while at the same time showing a decrease in Average Weekly Attendance. Eleven parishes indicated a decrease in Plate and Pledge income, but showed an increase in Average Weekly Attendance. Finally, 30 parishes had a decrease in Plate and Pledge income as well as a decrease in Average Weekly Attendance at worship.

A general analysis of parish viability suggests that a minimum income of \$250,000 is necessary to employ a fulltime clergy person, minimal staff, and fund ministry. Of the 77 parishes in the Diocese of Southeast Florida, only 24 indicate an annual Plate and Pledge income of \$250,000 or more. 53 parishes have Plate and Pledge Income below \$250,000. This assessment calls into question the ongoing ability of the Diocese of Southeast Florida to develop and lead a strategic plan for the foreseeable future, without serious changes in its organization and structure. In some cases, parishes have other substantial income not related to the weekly Plate and Pledge, which creates more resources for staff and ministry.

The tasks of the Finance Group involved serious financial assessment and planning. A secondary charge was made to each Group based on the leadership models offered by Dr. Ronald Heifitz in his work *Leadership without Easy Answers*. Heifitz references the need to address changing values and attitudes as a foundation for strategic planning. Adaptive work refers to addressing questions that lead to the formulations of leadership strategies that provide new, if untested, ways of addressing critical issues within an organizational structure.

The Finance Group identified four strategic conditions that impact the financial well being of the Diocese.

1. Overall shrinking and aging congregations with a decrease in stewardship that results in difficulty paying diocesan assessments and remaining viable.
2. Increased secularization of society.
3. Increased polarization in denominations and in the general culture between fundamentalists, traditionalists, and progressives.
4. Diocesan operating structure has remained substantially unchanged for several decades.

Questions to address change in behavior, attitude and values within the financial aspect of the Diocesan structure include:

### **Congregations**

- Are traditional congregations the best model for the future? If so, what is their purpose and mission in the 21<sup>st</sup> Century?
- Can we envision a different model of organization that would improve the appeal and effectiveness of congregations?
- Given these purposes, how should congregations be organized to operate financially?

## **Diocese**

- Are Dioceses necessary? If so, what is the mission and purpose of the Diocese of Southeast Florida?
- Given these purposes, how should the Diocese be organized to operate?
- What is the best way to organize the financial relationship between the Diocese and its congregations?