

A Guide
To Preparing
Your
Parish Budget

For which of you, intending to build a tower, does not first sit down and estimate the cost, to see whether he has enough to complete it? Otherwise, when he has laid a foundation and is not able to finish, all who see it will begin to ridicule him, saying, "This fellow began to build and was not able to finish."

Luke 14: 28-30

OVERVIEW

A budget is the financial expression of a parish's vision, the short term implementation of the long term direction of a parish. A budget establishes financial targets and becomes the road map for expenditures. Robert N. Gray, in Managing the Church wrote, "Although past performance is certainly an important factor in budgeting, a more important consideration is what the church expects to accomplish in the budgetary period, the resources necessary, and the availability of such funds." A budget is the parish's plan to quantify the available resources and focus their use to accomplish the Mission of the Church as expressed through the ministries in the parish.

The annual budget is a key tool for planning and control. Only God knows the "end from the beginning" but it is wise to have plan for the parish's future. Regularly parishes will assess where they have been and where the Lord intends them to go. A budget translates the parish's goals into the financial resources needed in order to accomplish those goals. It requires a balance between faith and realistic expectations.

SEVEN THINGS EVERY PARISHIONER WANTS TO KNOW ABOUT PARISH FINANCES

1. What we started with
2. What we received
3. What it is intended for
4. What we spent
5. Where it went
6. What we have left
7. How are we doing

Canon 5 of the Synod of the Diocese of Edmonton

Parish Finances

5.111. (a) The Parishioners at the annual meeting of parishioners shall consider and adopt a budget for the revenue and expenditure of the Parish for the ensuing year.

(b) The Parish expenditure budget shall include at least the following items:

- (1) The Diocesan assessment and apportionment which the Parish intends to pay in the ensuing year;
- (2) The stipend and allowances of the incumbent and assistant clergy of the parish;
- (3) The payments required on any debt obligation owed by the Parish;
- (4) The payments required for any utilities or other physical materials required for the operation of the parish in the ensuing year.

5.112. The incumbent shall send a copy of the budget as adopted to the Executive Officer of the Diocese within 14 days of its adoption.

THE FIVE “C’s” OF A GOOD BUDGET

Make It Clear

Budgets should be clear enough that any church member can understand them. Don't use specialized terminology.

Make It Correct

Mistakes create a sense of uncertainty and uneasiness. People get the impression that other financial data being presented has been prepared without care or verification.

Make It Complete

A good budget covers every facet of the church's stewardship, from personnel to properties, missions to music and Christian education. It includes designated and undesignated receipts and expenditures.

Make It Concise

Avoid clutter. Organize the budget logically, making it easy to work with. Make sure to answer essential questions without creating unnecessary distractions.

Make It Compelling

Budget discussions lose focus without compelling reasons for spending, saving or receiving. Focus on what the parish intends to do. Talk about ministry, not money.

THE FOUR MOST COMMON EXCUSES FOR NOT HAVING A BUDGET

1. You cannot accurately predict financial transactions.
2. There is nothing to budget for because finances are limited.
3. It is unspiritual and shows a lack of faith.
4. We don't want to tie ourselves down to a budget that restricts us later.

GENERAL GUIDELINES

1. Parish finances and reporting need to be up to date before effective budgeting can be accomplished.
2. Parish should build capital replacement savings into their budgets. Parishes need to save money today for future capital repairs. (Roof, furnaces, etc.)
3. Parishes are encouraged to consider multi-year budgeting to better forecast the financial future.

THE BUDGET

1. Involvement

No one person should be given the responsibility to prepare a budget. A Budget Committee of two or more people should be appointed by the vestry. The Budget Committee focuses on the development, preparation, administration and monitoring of the parish operating budget. This should be done as soon as possible in the early fall. (September)

2. Resources

The Budget Committee should have available year to date financial statements, last year's financial statements, a record of parish giving for the past three years and a copy of vestry minutes for the past year.

3. Timing

The Budget Committee should commence meeting no later than October.

4. Costs

Generally parish expenditures can be broken down into two categories:

(a) Core Costs (Fixed Costs)

These are usually costs that can not be avoided. These would generally include the costs outlined previously in Canon 5. Stipendiary costs, assessment and apportionment costs, debt obligation costs and property maintenance costs (utilities, insurance, etc.) are core costs.

(b) Program Costs (Operating Costs)

These are costs incurred in carrying out the various ministries of the parish such as Sunday School, Youth Ministry, Adult Education and Outreach to name a few.

5. The Process

(a) The Budget Committee should meet with the incumbent to discuss the cost implications of their plans for the coming year. This could include new programs to be introduced and could also include ending existing programs. A new bible study program could have cost implications.

(b) The minutes of vestry should be reviewed. Motions may have been passed which have financial implications for the coming year.

I Group leaders and individuals responsible for various ministries, such as music ministry or Sunday school, should be contacted and asked to submit a budget for their area of responsibility for the coming year.

(d) The maintenance chair should be contacted and asked to submit an operational and, possibly, major repair budget.

(e) Year to date statements should be reviewed carefully. If there are areas of over or under expenditure determine if the variance to budget will continue into the coming year.

(f) Contact the Diocese to obtain information on stipend, insurance and assessment and apportionment costs for the coming year. You may also enquire if there will be other costs assigned to the parish in the coming year. This could include clergy retreat costs, Diocesan Synod costs or appraisal program costs just to name a few.

5. The Process, continued

(g) Obtain current information from the Stewardship Chair regarding pledges and commitments for the upcoming year.

(h) Review the Core or Fixed costs and budget based on the most current information. While some Core or Fixed costs can be accurately determined, some may require a best estimate. Utility costs, for example, can only be estimated.

(i) Budget for program costs which result from the previous meeting with the incumbent as well as cost implications of motions recently passed by vestry.

(j) Review the budgets received from the various parish program leaders.

(k) Budget for parish giving and other revenues such as fundraising activities and investment income.

(l) Prepare a “draft budget” for parish vestry review. If there is an anticipated shortfall, the Budget Committee may recommend adjustments, deletions or deferrals.

(m) Based on input from vestry, a final budget is prepared and presented to vestry at their next meeting. Vestry passes a motion recommending approval at the Annual Meeting of Parishioners.

(n) The vestry must pass a motion recommending approval of the budget at the Annual Meeting of Parishioners.

6. Final Presentation and Approval

As previously stated in Canon 5, the Parishioners must approve the budget at an annual meeting.

One of the better forms of budget presentation is the use of a Narrative Budget. A Narrative budget is a summary document which focuses on the ministry and programs of the parish and the costs required to support them. It is usually accompanied by a powerpoint or slide presentation. Example of a Narrative Budget can be found on the Diocesan website.

7. One Last Thought

Many parishes have Vision and/or Mission Statements. The budget should be reviewed and compared to those statements. Is the parish doing in terms of funding what its Vision or Mission Statements state it intends to do?

Mission Statement of the Diocese of Edmonton

Proclaiming the Gospel – Making Disciples – Furthering the Kingdom