Diocese of Ontario

BUDGETING

Introduction

Budgeting is the allocation of the church's resources – in accordance with a plan – to achieve the church's objectives and goals.

The church budget is one of the most effective tools available for proper stewardship of a church's assets and for accomplishment of the church's overall plans and goals. **Proper presentation and ongoing communication of the budget is also one of the most effective tools available to inspire appropriate levels of financial stewardship amongst the members of a congregation.** Wherever possible, the budget should generate a 'narrative' or written description of how the numerical budget relates to the ministry and mission of the parish. Please see Section 7.2 in the Congregational Handbook regarding Narrative Budgets. The Diocesan Centre can provide training and additional resources to help congregations develop their own Narrative Budgets.

The Vestry is ultimately charged with adopting the church's budget. The Churchwardens, often with the aid of the Treasurer, develop the church budget. Adoption of the budget essentially authorizes the Churchwardens to act within the budget. Once the Vestry has adopted the annual budget, changes may be required to reflect adjustments in estimated amounts and to provide for new or unexpected program expenditures. It is a good idea to provide the Vestry with periodic updates (for example, quarterly) of the church's financial statements during the year – these statements would provide a comparison with the budget and serve as a reminder to members to provide the funds necessary to carry out the church's programs. If there are substantial changes in the operating expenses, the Churchwardens should seek approval of the Vestry to change the budget.

Because the budget process can be time consuming and can involve input from many different sources, it is a good idea to create a time schedule so that the final budget is ready for the Annual Vestry Meeting.

Overall Principles of Budgeting

The operating budget is intended to realistically anticipate the revenues and expenditures for the upcoming year. The operating budget should be developed as an integral part of the long-term mission plan and should support and aid in the accomplishment of the church's overall plan and goals.

The capital budget relates to the planning for acquiring, replacing or renovating long-lived assets (the church building, the rectory, etc.). The overall planning should reasonably anticipate all but unusual future needs.

A. Operating Budget

In creating the operating budget, all line items within the operating fund should be reviewed. The nature and amounts that were charged to these accounts in prior years are valuable aids in estimating needs for the upcoming year. Realistic and achievable estimates of revenues and expenditures should be used when creating a budget. Often, each line item in the budget is the responsibility of one designated individual or committee that has control over how and when amounts allocated to that line item are spent. That individual or committee is also responsible for the development of the request for funding for that item for the upcoming year. This allows for planning to take place within the group most directly involved with the execution of the budget.

The budgeting process is a time for reviewing all programs to determine (or re-determine) whether they fit within the goals of the church and its long-range plans. In this way, new programs may be added and programs no longer needed may be reduced or eliminated. The goal of the final budget should be to support the funding needs related to each program included in the budget to the fullest extent possible.

All normal operating income and expenses should be reflected in the operating budget. If funding for certain operating expenditures is provided for by restricted or designated funds, such funding should be included as a transfer to the operating fund.

B. Capital Budget

Planning for the church's capital needs can often be done simply through the operating budget. However, if this is done, there is a tendency to only plan for the next year, rather than for a longer period of time. An alternative is to have a separate capital budget for long range plans for capital replacement, maintenance and new expenditures.

C. Cash-Flow Management

Just as it is important to budget monthly income and expenses, it is important to budget cash flow. Because most churches receive income in an uneven stream (for example, a slowdown during summer when more people are away at cottages, or perhaps during winter if many snowbirds go south), budgeting for periods of feast and famine is necessary so that the church can meet its obligations in a timely manner. Please see Section 7.6 for a copy of the Month-by-Month Giving Analysis which may be used to assist the Treasurer and Churchwardens in planning for the feast-famine cycle.

The amount of cash the Treasurer will want to keep in an account may depend on various factors, including:

- the timing of cash flow, pledge payments, investment or endowment income versus expenses, monthly bills and large expenditures;
- the available borrowing power of the church to meet emergencies;
- the maintenance of a good banking relationship and the minimum balance requirements on the bank accounts.