

**Archdiocese of Washington
Parish Accounting Manual
Section XII. Budgeting
Budgeting Policy**

Introduction and Purpose

The primary purpose of the budget is to identify the financial resources needed to accomplish the parish's mission, ministries, and programs.

The purpose of this policy is to communicate the requirements for budgeting.

Scope

This policy is applicable to all canonically established parishes and missions of the archdiocese.

Policy Statement

The parish shall prepare an annual budget of expected revenue and planned expenses. If the parish has a school, a separate budget shall be prepared for the school.

The annual parish and school budget shall be:

- based upon the parish and school strategic plan approved by the Pastor in consultation with the Parish Council,
- based upon the annual budget considerations document issued by the Moderator of the Curia regarding personnel, benefits and other costs,
- conservative and fact-based. Estimates used in the budget shall be based upon assumptions based in fact and documented in the parish records.
- balanced - meaning planned expenses do not exceed expected revenue,
- presented for discussion to the Finance Council, and
- finalized and approved by the Pastor prior to the start of the fiscal year.

Related Documents

- Budgeting Guideline
- Budgeting Tools

Risks to be managed

- Parish budgets include estimates that may not accurately predict actual results
- Budgets include assumptions that may be beyond the control of the parish and may vary from actual results
- Salary and benefits costs, which typically represent the largest portion of the budget, are difficult to change quickly in response to lower than expected revenue.
- Lack of accountability for monitoring or controlling costs may result in expenses that exceed budget.

Policy Compliance

- **Compliance measurement:** the Chief Financial Officer or his delegate may review the procedures and financial records of a parish to determine compliance with the policy.
- **Exceptions:** none
- **Non-compliance:** a parish in non-compliance shall be responsible to modify its procedures to become compliant. The Pastor shall write a letter to the Moderator of the Curia describing the parish plans for becoming compliant.

Approvals

June 2017	Moderator of the Curia
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Revision history

June 2017	Update of June 1995 Parish Accounting Manual Section XII - Budgeting
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Archdiocese of Washington
Parish Accounting Manual
Section XII. Budgeting
Budgeting Guideline

Introduction and Purpose

The primary purpose of the budget is to identify the financial resources needed to accomplish the parish's mission, ministries and programs.

The purpose of this guideline is to communicate recommendations for the preparation, monitoring and revision of the budget.

Scope

This guideline is applicable to all canonically established parishes and missions of the archdiocese.

Related Documents

- Budgeting Policy
- Budgeting Tools
- [Policies for Catholic Schools](#):
 - Section 4210 regarding the level of financial support a parish can provide its school
 - Section 4300 regarding tuition rate setting
 - Section 4310 regarding school contribution to parish capital reserve fund
 - Section 4430 regarding submission of elementary school budgets to the Archdiocese for review
 - Section 4440 regarding parish responsibility for school budget shortfall
 - Section 4450 regarding school responsibility for expenses
- [Contract Review Policies and Procedures](#) regarding use of parish facilities, construction projects and vendors and services
- Budgeting Resources
 - Parish Accounting Manual
 - [XII.A. Budgeting – Process When Amounts Vary Month to Month](#)
 - Offertory
 - Wages -2 months are 3 pay periods and hourly teachers 10 months
 - Tuition
 - Religious Education
 - [XII.B. Budgeting -Budget Wage & Benefit Workbook](#)
 - Budget Forms
 - Fiscal Year Budget Considerations
 - The document includes many budget considerations including clergy, religious teachers, health insurance and other. It will be updated for the new year.

- Also reference the Calendar year Health insurance employer costs. Health insurance benefits are usually 6 months at the current year cost and 6 months January-June using any estimated increase (noted in the Fiscal Year Budget Considerations)
- [ParishSOFT Accounting User Guide ADW Version](#)
- [ParishSOFT YouTube Training webinar video](#)

Guideline Statement

Typical roles

The following individuals at a parish should typically be involved in the budget:

Pastor:

- ensures that all individuals perform their roles as expected
- may authorize certain individuals on the parish staff to be the sub-steward of a portion of the budget
- collects recommendations on the budget from the parish staff and Finance Council
- approves the final budget
- approves, in advance, significant proposals by parish staff for variations from the current year budget

Parish staff – certain individuals on the parish staff should be authorized by the Pastor to be the sub-steward of a portion of the parish budget, e.g., school principal, religious education director, etc. Other staff members may be given budget authorization at the Pastor's discretion, e.g., facilities manager, etc. These members of the parish staff participate in the budget process by:

- being familiar with the prior year financial results in their area
- obtaining the Pastor's approval of their ministry/program plans for the coming year
- preparing a detailed budget for their area including revenue sources, personnel requirements, and estimates of costs for materials and other expenses
- contributing their detailed information to the parish bookkeeper for consolidation into the overall budget
- throughout the year:
 - monitoring actual financial results compared to budget each month using reporting received from the parish bookkeeper
 - obtaining advanced approval from the Pastor for expenses that are expected to exceed budget
 - obtaining approval from the Pastor for proposed ministry/program activities that are significantly different than plan/budget

Parish bookkeeper – works as the project manager for the budget by:

- being accountable to the Pastor
- establishing the timeframe for the budget work

- supplying historical financial information to parish staff for their review
- collecting budget input from parish staff
- summarizing the input into the budget document
- revising the budget document for input received
- producing monthly reporting for the Pastor and budget sub-stewards
- initiating an update of the budget if actual results vary significantly from expectations

Budget Preparation

Timing

The parish budget process should begin in the spring to enable completion by summer and inclusion of budget in the annual report in August. Parishes with schools should prepare a preliminary budget for approval by the Pastor prior to the publishing of next year's school tuition rate.

Revisions

The budget should be revised during the year, at the direction of the Pastor, if significant changes in the parish's programs or financial condition occur. The Pastor should ensure that staff understand that budgeted expenses are not automatically available for spending, but are reliant upon the parish and school receiving the budgeted level of income. Budget revision during the year is undertaken to facilitate the parish achieving a balanced budget required by the Budgeting Policy.

Anticipating revenue

Offertory, including Christmas, Easter and Holy Day Collections

The largest revenue category for most parishes is the offertory collection. To anticipate next year's offertory income, the parish should consider:

- the past several years of offertory income by month to identify seasonal and annual trends,
- historic data such as Mass counts, parish membership, sacramental reception, program participation, etc.,
- possible changes in parish demographics in light of parish strategic plans, e.g., new or discontinuing ministries or programs,
- number of Sunday Masses on the calendar for the coming fiscal year; timing of Christmas Mass (Sunday or weekday),
- potential impact of new electronic giving options (e.g., credit cards, direct debit, etc.),
- general economic conditions in the community.

Contingency plans for offertory decline

In the event that offertory income declines below a level pre-determined by the Pastor, the parish should have a written contingency plan for what ministries, programs, activities, etc. will be deferred or discontinued until offertory income levels recover or an alternative income source is obtained.

School enrollment

The budget for school tuition and fee income should be based upon a conservative estimate of the number of students for the upcoming school year. The school budget should be revised after the start of the school year to reflect actual enrollment if significantly different from budget.

Other revenue

Parish revenue outside of the offertory collection can be difficult to anticipate due to its non-recurring nature. The parish should anticipate these amounts with a high degree of conservatism. In particular:

- **Bequest** income should only be included in the budget if the parish has received written notice of the bequest.
- **Contributions and donations** should be anticipated based upon an analysis of actual revenue for the past several years and in consideration of the general trends in offertory collection giving.
- **Poor box and votive offerings** should be anticipated in a manner similar to contributions and donations.
- **Investment income** should not be included in budgeted revenue due to the unpredictability of the financial markets. Interest income at contracted rates on savings accounts and certificates of deposit may be included in budgeted revenue. Parishes should not plan ministry/programs that are reliant upon investment income.
- **Religious education income** should be anticipated based upon the tuition rate multiplied by the anticipated number of students (based upon prior year's attendance and general trends in parish membership and participation).
- **Rental income** and **grant income** should be estimated based upon amounts indicated in approved, signed agreements.
- **Bingo and fundraising revenue** should be anticipated based upon detailed budgets prepared by parish individuals with past experience in running those events. Fundraising should only be undertaken if the budgeted profit is sufficiently high, in the opinion of the Pastor, to justify the use of parish attention and energy (which are finite parish resources).
- **Archdiocesan support** should only be included in the budget if the support has been confirmed to the parish in writing by the archdiocese.

Estimating expenses

The parish should estimate expenses based upon the strategic plan for ministries and programs discussed by the Parish Council and approved by the Pastor.

Benchmark percentages of Expenses by Category

The parish should consult the document 'Tool for Annual Budgeting: Comparison of Expenses by Category to Total Expenses.' The document will provide the parish with a sense of the relative level of expenses by category for the ADW as a whole as well as selected parishes and schools at various income levels.

Assessments

The parish should budget for the amount of offertory, education and Catholic Standard assessments based upon the formulas provided in the Assessments Policy.

Personnel

The largest expense category for most parishes is personnel. The parish should estimate personnel expenses by:

- determining the employees needed for each of the parish ministries and programs. Heads of ministries and programs should submit their personnel requests to the Pastor for approval. The Pastor should consider the current level of staffing and what changes, if any, should be made for the coming year.
- utilizing salary scale and benefits cost information provided by the archdiocese

Utilities and taxes

The parish bookkeeper should review historical financial records of amounts paid for utilities and taxes. The bookkeeper should work with parish staff to identify any changes in the parish plans that could impact the estimated expenses for the coming year.

Materials and other

Heads of ministries and programs should estimate the budget for materials and other expenses based upon their past actual results and their plans for the coming year, as approved by the Pastor.

Facilities maintenance and replacements

The budget should include an estimate for amounts needed to maintain and/or replace parish facilities and equipment. The parish facilities manager and parish council building committee should provide this input to the budget.

Even though the parish will capitalize certain assets (those with a useful life of 3 or more years and a value of \$1,000 or more), the parish should still budget for the use of cash needed to purchase capitalized assets.

As needed, the Pastor should engage facilities experts or a general contractor to assess the condition of parish facilities in order to plan for future maintenance needs. The parish should have a facilities plan that includes maintenance and repairs anticipated over the next one to three years.

Projects requiring additional funding or financing

If the Pastor plans for capital projects that cannot be funded through existing cash reserves or parish offertory income, such as roof replacement or facility expansion, the Pastor should consult with the archdiocese office of Parish and School Financial Operations regarding possible funding sources such as special collections or possibly debt financing.

Budget monitoring

The following individuals have responsibility for monitoring the parish budget throughout the year.

- **Pastor** – should review the actual financial results each month compared to budget. The Pastor should obtain explanations, to his satisfaction, of the reasons for any significant variances. The Pastor should make changes to the parish plans for the remainder of the year, as necessary, to compensate for any budget shortfalls (revenue less than anticipated or expenses higher than estimated).
- **Bookkeeper** – should produce monthly financial reporting that includes a comparison of actual financial results compared to budget. The bookkeeper should confer with parish staff and have an understanding of the reasons for any significant variances. The bookkeeper should document budget line item variances of more than 5%.
- **Parish staff** - have responsibility to monitor actual results compared to budget throughout the year. Each month, the staff should review their actual results to date, their estimate of expenses for the remainder of their year and compare both to their budget. In the event that the actual results are expected to have a negative variance (revenue less than budget or expenses higher than budget), the staff should inform the Pastor (or their supervisor) prior to the occurrence of the negative variance. Certain staff, such as the school principal, should also be provided with monthly general ledger account detail to enable their monitoring of expenses and research of variances from budget.
- **Volunteers** - Parish and school programs run by volunteers should be accountable to specific parish staff members with ultimate accountability to the Pastor. Ad hoc reporting should be generated as needed for special events and one-time programs. The ConnectNow parish accounting system includes project reporting that can be utilized to track the revenue and expenses for programs and ministries without having to create new general ledger accounts.
- **Finance Council** - The parish Finance Council should receive reporting each month with actual results vs. budget. The Finance Council should receive the parish bookkeeper's documented explanations of budget variances and should provide advice and counsel to the Pastor on the most significant items

Resource management

The parish should strive to economize the resources of the parish. Suggestions can be found in the document 'Tool for Annual Budgeting - Prudent Spending'.

Reporting to the parish

The parish should communicate with parishioners about the actual financial results compared to budget. An annual parishioner financial report is required by Appendix B – Annual Report. In addition to that report, the parish should consider providing the following reporting to help parishioners understand the financial condition of the parish:

- Print in the bulletin the offertory collection amount for the previous week. Consider adding the dollar amount of parish expenses for the week to show what portion of the expenses is covered (or not covered) by the offertory collection.
- Financial report to parishioners for the six months ended December 31 showing actual revenue and expenses compared to budget.

Approvals

June 2017	Executive Director Parish and School Financial Operations
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Revision history

June 2017	Initial document
May 2023	Updated Budgeting Resources in Related Documents

Archdiocese of Washington
Parish Accounting Manual
Section XII. Budgeting
Tool for Annual Budgeting - Prudent Spending

Introduction and Purpose

The primary purpose of the budget is to identify the financial resources needed to accomplish the parish's mission, ministries and programs.

The purpose of this document is to communicate best practices regarding prudent spending in parishes and schools.

Scope

This best practice document is applicable to all canonically established parishes and missions of the archdiocese.

Related Documents

- Budgeting Policy
- Budgeting Guideline

Best practices for prudent spending

Establish expectations

- Establish the expectation for efficient use of resources, whereby the total cost (considered in terms of economics, educational, social, human, community, etc.) associated with parish and school programs does not exceed the total benefit.
- Consider establishing a theme for the parish staff around the prudent use of parish resources, e.g., 'spend the parish money like it was your own'.
- Consider requiring staff to utilize purchase orders which would be submitted to the Pastor for approval prior to the purchase of materials or services over a specific dollar amount (even if included in the budget).

Communications

- Be transparent with the parishioners about the parish financial condition
- Be approachable and encourage parishioners with concerns to contact the Pastor or the Finance Council
- Consider ways in which technology can be used to lower the cost of communicating with the staff, parishioners and school parents. E.g., utilize e-mail to parents vs. hard copy handouts sent home with students.
- Consider how formal (i.e., fancy and expensive) communications need to be with existing parishioners and school families vs. prospective school families.

Cash flow management

- Keep parish money in interest-bearing accounts as long as possible. Utilize overnight sweep accounts to maximize interest earnings. Ensure that bank fees don't exceed interest income.
- Schedule vendor bills for payment as close to the due date as possible, unless a discount is available for early payment
- Ensure timely payment of bills for which the parish is legally or contractually bound to pay interest and penalties if the vendor is paid late, e.g., Federal and state tax payments, credit card bills, installment loans, etc.
- If the parish does incur a fine or penalty for late bill payment, request a waiver or refund from the vendor. It never hurts to ask, e.g., some credit card companies will waive late fees up to two times in each 12 month period.
- If the parish utilizes credit cards, select credit cards that do not charge an annual fee.

Investments

- Research the market 30 days prior to maturity of certificates of deposit (CD's). Shop nationally for the best rates for CD's about to mature and roll over. (Banks are normally allowed to roll funds into comparable new term CDs without client notice)
- Always monitor the checking/savings/money market rates of competitor financial institutions
- Understand the small print of "teaser rates"
- Investigate brokerage, investment and mutual fund fees
- Understand the underlying risk/reward of all investments
- Be mindful of FDIC insurance levels for all of the parish accounts at each financial institution.

Personnel

- Evaluate the current staffing levels against the strategic plan. Identify possible redundancies in staffing or positions that are no longer required for programs that will be reduced or eliminated.
- Consider the following ways in which personnel costs might be reduced:
 - Don't back fill vacant positions
 - Consider whether a position's duties can or should be able to be completed in fewer hours per week (e.g., 25 hours per week rather than 40 hours per week)
 - Freeze existing salaries and reduce the overall percentage of pay increases for certain positions based on the department, job code or function
 - Move staff from jobs slated for elimination to open positions.
 - Cross-train staff to increase their utility to the parish.
 - Use job sharing with two part-time employees vs. a full time position with benefits.
 - Job share an employee with certain skill sets with another parish or school so the costs for wages and any applicable benefits is shared
 - Restrict number overtime hours worked
 - Utilize parish/school volunteers instead of paid staff in some areas, such as the library, cafeteria, front office, etc.
- Utilize non-financial means of recognizing and rewarding staff for good performance,

- e.g., employee of the month, front row parking spot, etc.
- Consider which staff truly require conferences and professional seminars for their development and advancement. Defer spending in these areas for other staff.
- Before hiring external consultants or other service providers, consider whether the needed skill set may exist among the parishioner community or school families. Ask for referrals from the Parish Council, Finance Council, School Board, etc. Make specific requests of parishioners for a contribution of their time and talent.

Purchasing

- Institute new controls over purchasing. Ensure that staff utilize supplies on hand before ordering new supplies. Consider means to share supplies inventory between the parish and school.
- Reduce or eliminate the practice of reimbursing staff and volunteers for purchases made on behalf of the parish/school. Require purchasing to be centralized with an accountable staff person to enable proper control over money spent. Use parish/school accounts with vendors to make purchases using the organizations tax exempt number and to obtain free shipping when offered.
- Limit the use of the parish/school credit card to a few accountable staff members. Require submission and retention of original store receipts. Reconcile original receipts to the credit card statement prior to payment of credit card bill.
- Ensure that small, high value assets of the parish, e.g., computers and other electronic devices are properly safeguarded against theft and misuse.
- Identify furniture and equipment that is no longer being used by the parish or school. Consider selling unused furniture or equipment to generate cash for parish operations
- Consider setting guidelines for when and why color printing and copying is necessary for parish and school purposes. Consider using black and white printing vs. color which is more expensive. For example, color printing might be saved for materials needed for special events with donors or marketing to future school families. Black and white printing could be used for all internally used materials.
- Determine what recurring expenses are absolutely necessary for the care and maintenance of the facility vs. a visually pleasing appearance, e.g., how much landscaping, how much housekeeping, etc. Consider requesting volunteers or donations for levels of work above the absolute necessity.

Facilities

- Consider ways to reduce utility costs, e.g., turning down the heat, turning off lights when rooms aren't in use, etc.
- Utilize low energy light bulbs
- Reduce or stop the use of personal heaters and fans which are a large drain on the electricity and interfere with the effective heating and cooling by building systems.
- Examine utility bills to ensure that the various different fees and charges are reasonable and relate to services utilized by the parish. Consider the necessity of all services used, e.g., miscellaneous additional telephone services.
- Ensure facilities are properly weatherized to reduce loss of heat and air conditioning.

- Examine the weather stripping around outside doors and replace as needed.
- Consider replacing old single glass windows with new vinyl replacement windows.
- Keep up maintenance on building systems equipment to delay the need for replacement. When faced with significant maintenance costs, consider the expected benefit over the remaining useful life of the equipment. Consider whether replacing the equipment may be less expensive in the long term.

Approvals

June 2017	Executive Director of Parish and School Financial Operations
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Revision history

March 16, 2009	Initial document
June 2017	Updated for inclusion in Budgeting Tools
May 2023	Updated for inclusion Budgeting Resources in Related Documents

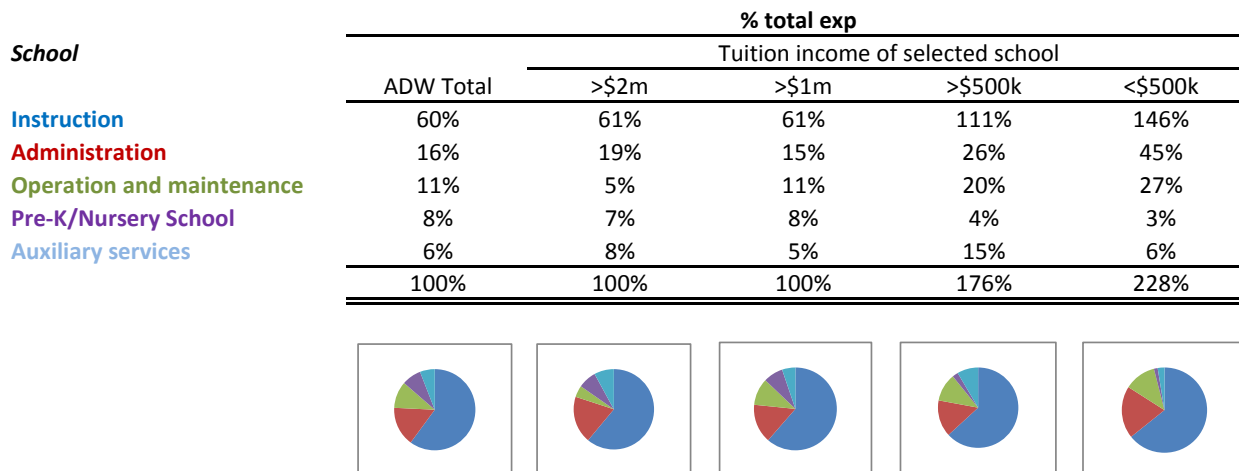
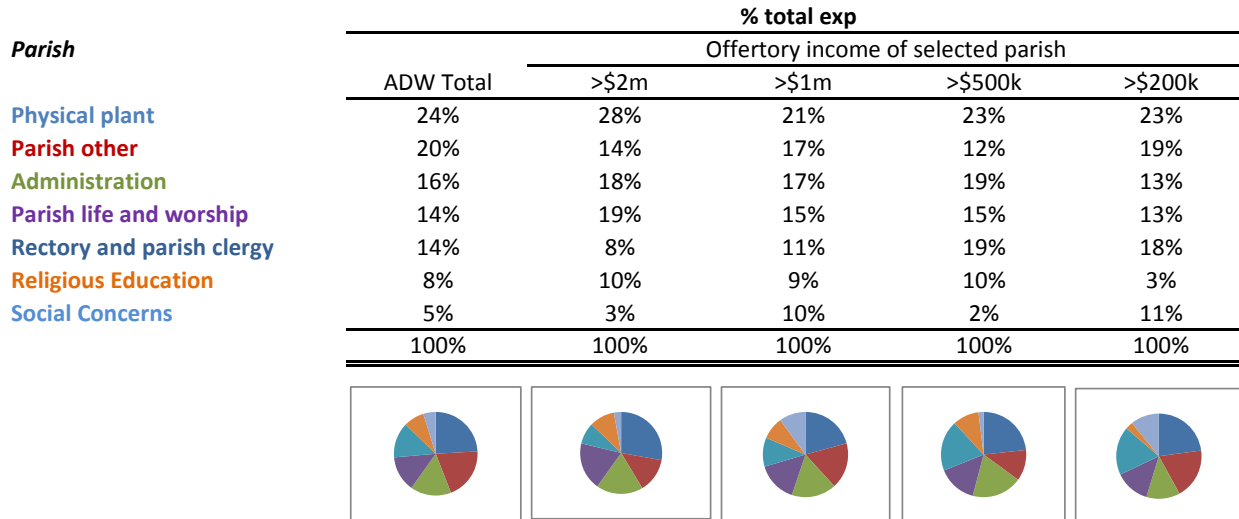
Archdiocese of Washington

Parish Accounting Manual

Section XII. Budgeting

Tool for Annual Budgeting: Comparison of Expenses by Category to Total Expenses

for ADW in total and a selection of parishes and schools at various income levels using FY 2016 data



Archdiocese of Washington
Parish Accounting Manual
Section XII. Budgeting
Tool for Annual Budgeting – Budget Worksheets

Introduction and Purpose

The primary purpose of the budget is to identify the financial resources needed to accomplish the parish's mission, ministries and programs.

The purpose of this document is to communicate best practices regarding estimating the budget.

Scope

This best practice document is applicable to all canonically established parishes and missions of the archdiocese.

Related Documents

- Budgeting Policy
- Budgeting Guideline

Budget Worksheets

Various [excel worksheets for use in estimating the annual budget](#) can be found at the ADW.org website Resources tab, in the Parishes Offices Only section, Financial Resources sub-section (*User name: Parish, Password: Briefings*).

Approvals

June 2017	Executive Director of Parish and School Financial Operations
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Revision history

June 2017	Initial document
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