

PARISH BUDGETING

FUNCTIONS OF A BUDGET:

- Planning – Provide parish with blueprint for coming year expressed in monetary terms.
- Control – Provide tool to monitor activities throughout the year.

NECESSARY BUDGET ELEMENTS:

- Support of pastor and parish leadership
- Logical monthly budget breakdown
- Timely financial statements with monthly budget comparison
- Commitment to take action to address significant budget deviations

BUDGET PREPARATION STEPS:

Pastor and Parish Leadership

- Agree objectives and goals with all organizations
- Appoint budget committee/coordinator to manage budget process
- Review and discuss preliminary budget submissions with appropriate organization personnel
- Review preliminary consolidated income statement (If deficit, reassess objectives and goals and rework financial projections until budget is in balance.)
- Formally approve final budget

Budget Committee/Coordinator

- Ensure agreement of organization goals and objectives with pastor/parish leadership
- Issue budget timetable, instructions and forms
- Consolidate all budget submissions and prepare preliminary income statement and analysis for pastor/parish leadership review
- Consolidation may be prepared/revised in Ledgers/Payables Program
- Provide budget revisions as required
- Verify input of approved monthly budgets into Ledgers/Payables Program
- Ensure that timely comparative reports (actual versus budget) are provided to all organizations and parish leadership on a monthly basis

DRAFT

To: Parish Personnel
From: Pastor and Budget Committee/Parish Council
Date: March 18, 2002
Subject: 2002/03 Budget Instructions

Attached please find a 2002/03 Budget Timetable and your 2002/03 budget forms. The Summary Income Statement and Explanation of Changes should be completed for your accounts/organizations and returned to me by _____, 2002. The remaining budget worksheets have been provided to aid you in preparing your budget. Once received, a meeting will be scheduled with you between _____ and _____ to review your budget.

It is very important that income/expenses are budgeted as accurately as possible. After the consolidated budget is approved by the Pastor/Parish Council, you will be asked to provide a monthly breakdown of all your budgeted dollars. These monthly budget figures will be the basis for the budget comparisons included in the financial statements, which will be issued to you each month throughout the coming fiscal year. In addition, you may be asked throughout the fiscal year to explain any major monthly variances that appear on your financial statements.

Some accounts should be fairly straightforward, e.g., if your only major program occurs in April, the majority of expenses should be budgeted in that period. For help on less specific accounts, you may wish to review your monthly spending patterns for the 2001/02 fiscal year. This information is included on the detail budget worksheets for each of your accounts.

Budgeting for your income and expenditures is, of course, not an exact science. For some, it is easier to build the budget from the start on a monthly basis while others develop annual figures and annualize them after the budget is approved. In any case, it is important that you have some basis for your budget estimates so that you are accountable for your expenditures and can explain variances throughout the year.

If you have any questions as you complete the forms, please do not hesitate to call me (this will be whomever signs the letter).

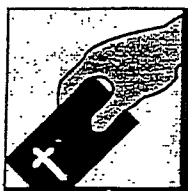
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2002/03 BUDGET TIMETABLE

<u>Due Date - 2002</u>	<u>Activity</u>
February ?	Parish/Organizations goals agreed by Pastor/Parish Council
March ?	Budget forms and instructions issued by Budget Committee
March ?	Completed budget forms due to Budget Committee
March/April	Parish personnel/organizations budget review meetings with Budget Committee
March/April	Budgets forwarded to parish business manager for consolidation
April ?	Consolidated budget finalized subject to approval of Pastor/Parish Council
May/June	Consolidated budget approved by Pastor/Parish Council
May/June	Approved budgets and monthly budget forms forwarded to parish personnel/organizations
June ?	All monthly budgets due to parish business manager/bookkeeper
June 15-June 30	Consolidated monthly budget information input into PDS

SUMMARY INCOME STATEMENT
DRAFT

2002/03 BUDGET	PARISH/SCHOOL/ORGANIZATION				
	Jul-Mar	Apr-June	2001/02	2002/03	Inc/(Dec)
	<u>Actual</u>	<u>Estimate</u>	<u>Act/Est</u>	<u>Budget</u>	01/02 Act/Est vs 02/03 Budget
<u>SUPPORT & OTHER REVENUES</u>					
Total Collections					
Less: Remittances N/P Purposes					
Net Collections					
Bequests & Special Gifts					
Fund Raising (Net)					
Tuition & Fees					
Subsidies					
Interest/Investment Income					
Auxiliary & Program Income					
Insurance/Expense Recoveries					
TOTAL SUPPORT & OTHER REVENUE					
<u>EXPENSES</u>					
Payroll					
Payroll Related Expenses					
Total Payroll & Benefits					
Rectory Supplies & Expenses					
Other Supplies & Expenses					
Activities Expense					
Instructional Supplies & Expense					
Plant & Grounds Expense					
Assessments/Grants Paid					
Auxiliary Program Expense					
Interest Expense					
TOTAL EXPENSES					
Transfer from Other Funds					
Transfer to Other Funds					
NET INC/(DEC) - UNRESTRICTED FUND					



St. Joachim Parish Annual Financial Report

Year Ending June 30, 1994

October 1, 1994

Dear People of St. Joachim:

I am pleased to present our Annual Financial Report prepared by our Parish Finance Committee. We continue to work on our financial position and report to you regularly. Please read it, study it, discuss it, and feel free to ask questions about its contents. I would like to highlight these points:

1. **Liquidity:** At 6/30/94, we had \$58,348 in cash in the bank against a Chancery debt of \$918,521. Our reserve is much lower than the \$300,000 we had before we contributed to the Parish Center Project. Our Parish has grown and is growing. Our Parish Finance Committee recommends \$400,000 or a six-month reserve as our long-term goal.
2. **Parish Center Debt:** To build the Parish Center, we borrowed \$1,085,229 from the Chancery and at June 30, 1994 we had paid the principal balance down to \$918,521. We continue to collect on pledges as one means of reducing the balance. As of July 1, 1994 we made a special line in the operating budget for debt reduction. *This debt adds an additional \$20,000 per month we must pay.*
3. **Operating Disbursements:** The "Dollars Out" grew \$23,840 (\$920,417 vs. \$896,577) or \$2,000/month. I am working to cut expenses, and cutting expenses continues to be my goal. Any help or suggestions to prudently cut costs will be seriously appreciated.
4. **Operating Receipts:** The "Dollars In" are up \$75,000 (\$939,199 vs. \$864,107) over last year. Thank you to those who have increased their giving! Our Parish Stewardship Committee is operating, growing, and spreading the word on the benefits and importance of personal giving.
5. **Financial Focus:** Our financial focus is clear and measurable. The objectives are:
 - A) Control and/or reduce operating disbursements. Slow the dollars out.
 - B) Repay our Chancery debt in a timely and orderly fashion. Greater receipts are required.
 - C) Build and maintain adequate financial reserves. Prepare for the future.
6. **St. Joachim School:** Our school operates and reports as a separate financial entity under my supervision. The school is essentially self-funded. I thank Susan Smith, our Principal, her faculty and staff, and the dedicated parents of our school children for their diligence, hard work and financial prudence.

St. Joachim is our Catholic Community. St. Joachim Parish is our responsibility. We are each called by our baptism to return out of gratitude a generous portion of our time, talent, and money so that Christ's mission can continue. By increasing the financial strength of St. Joachim, we support this mission today and enable it to be passed along to the next generation.

Sincerely yours in Christ,

Rev. John Doe

Exhibit 6: Annual Financial Report - Income Statement

**ST. JOACHIM CHURCH
ANNUAL FINANCIAL REPORT TO PARISHIONERS
June 30, 1993/1994**

	Actual		Actual		Variance
	7/1/92-6/30/93	Percent	7/1/93-6/30/94	Percent	
1. SUMMARY:					
Operating Receipts	864,107	100	939,119	100	75,012
Disbursements	896,577	104	920,417	98	23,840
Operating Net	(\$32,470)	(4)	\$18,702	2	\$51,172
Bank Bal: Beginning (7/1)	72,116		39,646		(32,470)
Bank Bal: Ending (6/30)	39,646		58,348		18,702
2. DETAIL					
A. Receipts					
Unrestricted Income	805,524	93	886,462	94	80,938
Restricted Income	16,515	2	12,851	2	(3,664)
Archdiocesan Coll.	35,927	4	18,135	2	(17,792)
Exchange	6,141	1	21,671	2	15,530
Total Dollars In	\$864,107	100	\$939,119	100	\$75,012
Bank Bal: Beginning (7/1)	72,116		39,646		(32,470)
Reconciliation	936,223		978,765		42,542
B. Disbursements					
Archdiocesan Assessment	69,012	8	64,444	7	(4,568)
Charities	41,894	5	27,512	3	(14,382)
Subtotal	110,906	13	91,956	10	(18,950)
Salaries	488,863	55	516,718	56	27,855
Priest Retirement	0	0	7,200	1	7,200
Postage	5,454	0	5,512	1	58
Property Tax	3,011	0	2,501	0	(510)
Sisters' Housing	21,329	2	19,156	2	(2,173)
Phone & Utilities	31,159	3	39,462	4	8,303
Insurance	31,798	4	28,081	3	(3,717)
Office Supplies	5,163	0	9,718	1	4,555
Building and Grounds	2,258	0	4,180	0	1,922
Auto	5,591	1	4,824	1	(767)
Church Supplies	41,956	5	36,836	4	(5,120)
Rectory Expenses	33,531	4	31,355	4	(2,176)
Exchange	7,878	1	21,278	2	13,400
All others	107,680	12	101,640	11	(6,040)
Total Dollars Out	\$896,577	100	\$920,417	100	\$23,840
Bank Bal: Ending (6/30)	39,646		58,348		18,702
Reconciliation	936,223		978,765		42,542

- Sources: Parish Financial Report provided by Parish Administrator.
- The numbers do not include St. Joachim School. St. Joachim School operates separately. A separate Financial Report on St. Joachim School has been prepared and distributed. It is noteworthy to point out that the St. Joachim School operation is completely self-supporting, which is not the case in many other parishes.
- The receipts do not include an additional \$49,875 cash collected on \$63,000 of pledges (goal was \$79,000) (FOOTNOTES CONTINUED ON NEXT PAGE)

Exhibit 7: Annual Financial Report - Budget Analysis and Projections

ST. JOACHIM CHURCH
BUDGET ANALYSIS AND PROJECTIONS
1993-94 AND 1994-95

	Actual 93-94	Budget 93-94	Budget 94-95
1. SUMMARY:			
Operating Receipts	939,119	1,000,000	1,050,000
Disbursements	920,417	1,000,000	1,050,000
Operating Net	\$18,702	\$0	\$0
2. DETAIL			
A. Receipts			
Unrestricted Income	886,462	940,000	975,000
Restricted Income	12,851	12,000	25,000
Archdiocesan Coll.	18,135	28,000	30,000
Exchange	21,671	20,000	20,000
Total Dollars In	\$939,119	\$1,000,000	\$1,050,000
B. Disbursements			
Archdiocesan Assessment	64,444	60,000	65,000
Charities	27,512	51,000	45,000
Subtotal	91,956	111,000	110,000
Salaries	516,718	500,000	472,000
Priest Retirement	7,200	8,000	8,000
Postage	5,512	5,000	5,000
Property Tax	2,501	2,000	3,000
Sisters' Housing	19,156	20,000	4,000
Phone & Utilities	39,462	35,000	35,000
Insurance	28,081	25,000	25,000
Office Supplies	9,718	5,000	5,000
Building and Grounds	4,180	5,000	5,000
Auto	4,824	5,000	5,000
Church Supplies	36,836	30,000	24,000
Rectory Expenses	31,355	28,000	24,000
Exchange	21,278	20,000	20,000
All others	101,640	101,000	105,000
Parish Debt Retirement	0	100,000	200,000
Total Dollars Out	\$920,417	\$1,000,000	\$1,050,000

■ We prepare a budget because it is a prudent thing to do as stewards. We show the budget because we seek input and suggestions as well as providing a means of holding ourselves accountable.

■ In the 1994/95 budget for St. Joachim Church, the receipts projected are predicated on the assumption that there will be *greater envelope usage and increased weekly contributions.*

■ Expenses projected for 1994/95 are based on past history and projected growth. Included in budgeted expenses is debt service that resulted from necessary borrowing to complete construction of the Parish Center.

■ Fund-raising and cost savings suggestions are requested and will be helpful.

(FOOTNOTES CONTINUED FROM PRIOR PAGE)

contributed by St. Joachim Parish members to the *Together in Mission* program targeted for inner city parishes and schools. These funds are sent directly to the Archdiocese. For the 1992-1993 *Together in Mission* program, the Parish was \$10,000 below our program goal. This amount was paid by the parish and is included in the above "Charities" category.

■ These numbers do not include the Parish Center Project. As of 6/30/94 the Parish Center had unfunded debt of \$918,521.

■ Unrestricted income includes envelopes, loose, holy days, donations for sacraments/services, Mass stipends, and interest.

Restricted income is primarily the Poor Box.

Archdiocesan Collections are special collections during the year, for example, the Retirement of Religious, the Campaign for Human Development and the Propagation of the Faith.

■ 'All Others' includes specialized accounts including bank charges, literature, societies, goodwill, etc.



Working Toward a Holistic Compensation Model

“A just wage
is the legitimate fruit of work.
To refuse or withhold it
can be a grave injustice.”

Catechism of the Catholic Church (2434)

Archdiocese of Louisville Takes Steps to Become a Just and Equitable Employer

Brian Reynolds

Next time you attend a family gathering or have dinner with a group of friends, try taking the following simple survey: How much do you get paid? Do you think your salary is too little, too much or just right? What would you do differently if your salary were increased or decreased by 20 percent?

Even among close friends or families, having such a conversation can be difficult if not impossible. Money issues are among the most personal and confidential matters. Such questioning may be considered rude or even an invasion of privacy. Money is one of those “facts of life” that everyone thinks about, but few are comfortable talking about.

Perhaps this general uneasiness in talking about money, and salaries in particular, contributes to the dilemma church administrators face when

attempting to address the issue of compensation for church employees. Human resource managers and compensation experts can suggest numerous models to assist, but we must first acknowledge how our own attitude about money and our feelings about our own pay impact our ability to address compensation in an objective manner.

Any conversation about compensation for church employees surfaces an array of issues. Committees at the national, diocesan and local levels have worked to address the topics of just wages, salary scales, benefit packages and equitable pay. Parish councils, school boards, pastors and principals consider these same issues as they prepare annual budgets, because personnel costs account for more than 50 percent of most parish budgets and often 80 percent of school budgets.

Holistic Model

During the past few years the Archdiocese of Louisville began sev-

eral initiatives in an effort to become a more equitable employer. Our goal has been to move toward a holistic compensation model.

The excellent resources of the National Association of Church Personnel Administrators (NACPA) have been of enormous assistance to us. The NACPA paper, “The Just Wage: A Theoretical Framework and Practical Applications,” provides a framework for developing an equity standard for a just wage involving three factors: internal equity, external equity and individual equity.

Internal equity addresses how positions are valued within the organization and creates a job hierarchy and compensation levels. External equity sets the pay structure based on norms for a particular field of work or similar jobs in comparable markets. Individual equity considers how an individual employee’s pay rate compares to others based on years of service and individual performance in the job. As we applied each of these factors our approach to compensation began to change.

Brian B. Reynolds, Ed.D., is chancellor and chief administrative officer for the Archdiocese of Louisville (breyolds@archlou.org).

Job Classification

Moving to a job classification system for archdiocesan personnel was the initial step in developing the new approach. To consider internal equity we reviewed all job descriptions and compared the required skills and responsibilities of each archdiocesan agency position. Each job was rated using the following measurements:

- a. Difficulty of work (simple, routine, varied, complex)
- b. Volume of work (small, average, great)
- c. Responsibility (little to great in dollars, number of people in unit, etc.)
- d. Degree of supervision given (none, limited, general, close)
- e. Degree of supervision received (none, limited, general, close)
- f. Experience required (none to extensive number of years)
- g. Special knowledge necessary (none, some, normal, highly technical)
- h. Judgement involved (none, limited, shared, independent)
- i. Training required (limited to great deal)
- j. Budget accountability (limited, shared, considerable)
- k. Interpersonal relationships (limited to considerable)

Similar jobs were grouped together, resulting in approximately 150 different jobs being assigned to one of 12 job categories.

Once job classification was complete, the next step was to assign a corresponding pay range. Each category, referred to as level or rank in some models, was given a low, medium or high salary figure. The task was to price the jobs, not the people. The dollar figure for each range was determined after reviewing salary studies of church employees and salary norms for similar jobs in our region. Applying this measurement of external equity quickly indicated we had some positions that were being underpaid, and some that were overpaid.

To apply individual equity to each employee, the department director reviewed the pay range for the staff members supervised. Movement within a range was determined by the supervisor based on factors such as work performance or experience within the archdiocese or elsewhere. No one's pay was reduced as a result of this classification system but annual pay increases over the next few years were higher for those below the appropriate range.

"Perhaps the most challenging application of the job classification model was using it in the context of Catholic schools."

The success in using this approach for diocesan positions encouraged us to apply this model to parish ministry positions (pastoral associates, directors of religious education, youth ministers, music ministers, etc.). Each of these jobs was divided into three levels based on the size of parish, scope of job responsibilities and required employment credentials. This determination is made in the parish based on guidelines provided by the archdiocese. Each level has a salary range developed in a manner similar to the approach used for archdiocesan personnel.

Applying the Model to Schools

Perhaps the most challenging application of the job classification model was using it in the context of Catholic schools. With a committee of principals we examined several key school administrative positions. It

was easy to see that the job description of a principal is not the same from parish to parish. In some settings the principal oversees a day care center, in some she or he has parish administrative duties. Some principals supervise all teachers and personally address parent concerns, while others have assistants to share these tasks. Leading a school with 130 students is a different job than being a principal for 850 students.

In light of these differences, three job levels have been determined for principals and corresponding salary ranges have been assigned. In determining which level and salary range should be used for each principal, the size of school and scope of duties of a particular job are considered. Movement within each range is determined annually by the pastor and principal.

Comparable levels and salary ranges also are in place for school counselors and food service personnel. Our next challenge is to adapt this approach to classroom teachers.

Total Compensation Model

"Administrators are to pay employees a just and decent wage so that they may provide appropriately for their needs and those of their family."

— Code of Canon Law (1286.2)

Employees and employers increasingly are becoming aware of the importance of compensation beyond the amount of salary paid. What once were called "fringe benefits" are now critical elements in an employee's compensation. The cost of these benefits amounts to between 25 percent and 35 percent of an employer's total cost of having an employee. The ever-increasing cost of medical care and the fact that people are living many years after retirement are two of the most significant factors encouraging the development of a total compensation model for church employees. The employer need not cover the full costs of all of these, but making them

available and affordable for employees will encourage long service and attract new personnel when vacancies occur.

In our efforts to become a more equitable employer the archdiocese has worked to improve seven components of compensation in addition to the salary initiatives already described.

1. Income Continuation. An employee under the age of 60 is far more likely to become disabled than to die due to an accident or illness. Providing coverage for short- and long-term disability insurance is a form of salary insurance. Social security contributions and workers compensation are additional benefits that protect employees.

2. Health and Accident Insurance. Quality medical insurance with good hospitalization coverage is a necessity. Costs for medical care and prescriptions are increasing faster than any other personal expense. Coverage for individuals and dependents is expensive but the risks of being uninsured may be life threatening. Allowing employees choice in level of coverage or networks, whenever possible, often can keep costs down for whoever pays the premiums. Early retirement insurance and supplemental coverage are additional options to consider.

3. Deferred Income. Most church employees receive contributions to their social security accounts. However, relying on social security alone to fund retirement is not wise. Employer-funded pension plans and allowing pre-tax payroll deductions to tax deferred accounts (403b, 401k, etc.) can provide greater security and dignity for employees as they enter their later years.

4. Pay for Time Not Worked. Balancing life and ministry is not an easy task. Paid leave benefits not only allow for greater balance but encourage good stewardship of life and work. A full program of leave time will include paid holidays, vacation, sick leave, maternity/



paternity leave, retreat days, personal days, bereavement leave and jury duty pay. The Family Medical Leave Act provides additional job-protected leave, and careful implementation is not only the law but is beneficial for employees.

5. Loss of Job Income Continuation. Any extended period of unemployment can be devastating, economically and emotionally. Where unemployment insurance is available there is some security. When not available, appropriate severance plans for departing employees are important alternatives. Exiting employees need to be informed of their COBRA rights in order to keep their insurance in place.

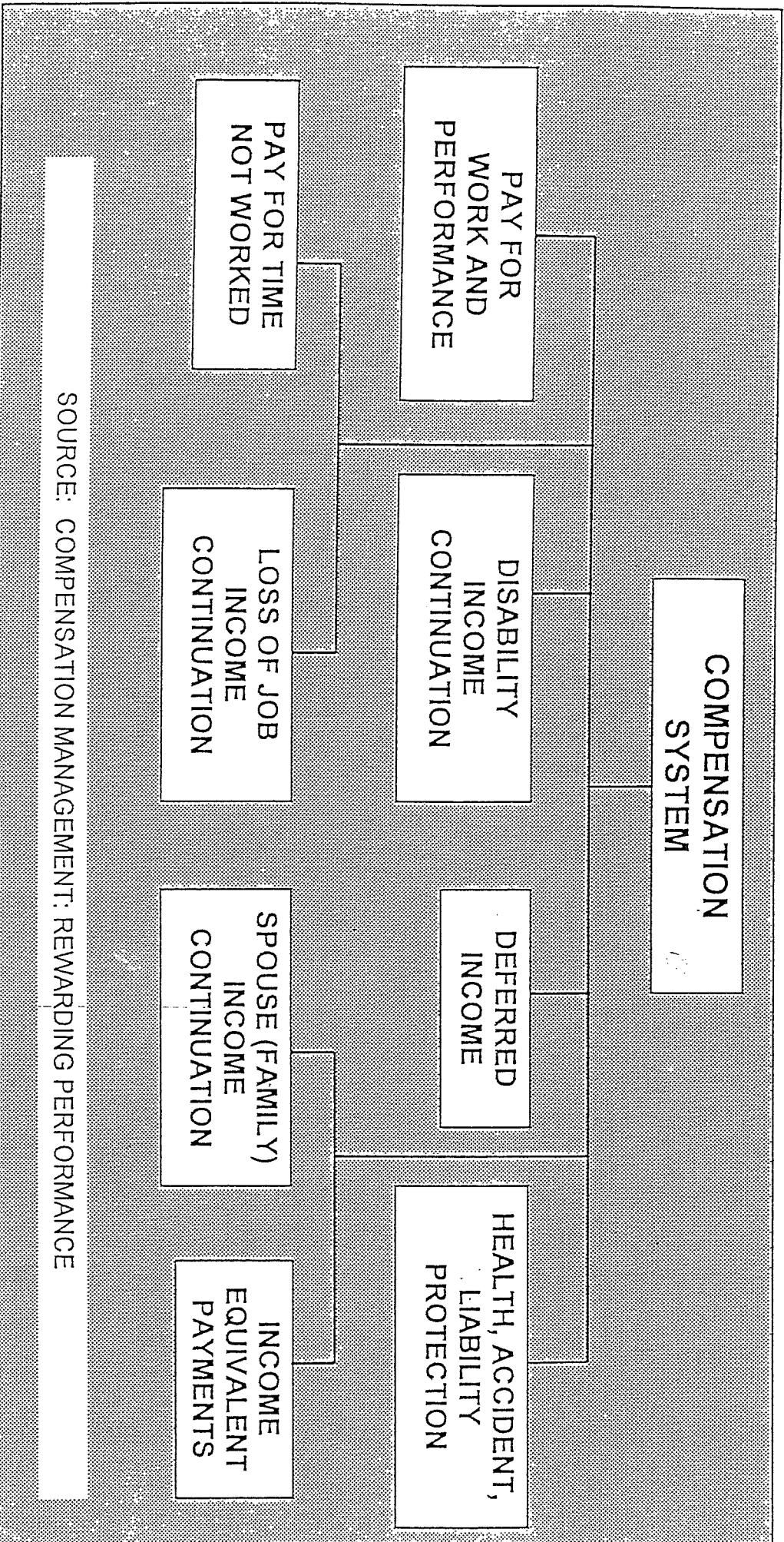
6. Spouse and Family Income Continuation. Families rely on the income of working members. Employer-provided life insurance is a statement of support for the families of employees when they are facing

the death of their loved one. Pension plans and Social Security contributions also support those who will most miss the deceased employee.

7. Income Equivalent Payments. A variety of benefits might be provided under this category, including tuition assistance, tuition reimbursement, subscriptions to professional publications, membership dues to professional organizations or health clubs, funds to attend conferences and meetings, and fees for retreats. When the employer provides any of these benefits both the employee and the employer likely will benefit.

Compensation issues are among the most complex we face each year. However, these initiatives have proven helpful for the Archdiocese of Louisville. It is the thousands of employees working for the church in our schools, parishes, day care centers and dioceses that are our greatest assets. We remain committed to working for just and equitable compensation. ■

COMPONENTS OF COMPENSATION



SOURCE: COMPENSATION MANAGEMENT: REWARDING PERFORMANCE