

The Episcopal Diocese of Newark



Stewardship Matters

Narrative Budgeting *for* Stewardship

Create a Narrative Budget to Show Where You REALLY Spend Your Income

Most churches show their detailed, line-item budget to their parishioners as part of their year-end stewardship program. You know what that looks like . . . columns of descriptions of expenses, lots of numbers showing last year's actual results, this year's budget, year-to-date results, next year's budget, and often even more columns of numbers.

While I believe that such information should be available for parishioners to see – and, in fact, the Vestry needs to approve that information – there is no need to use that as the way you present your financial position while you are asking parishioners to pledge their financial support for next year.

Don't use your line-item budget to explain how you use your income. There is a MUCH better way!

There is a much better way to show what you really do with the funds entrusted to you. You don't just use the funds to pay your clergy and other employees. You incur those expenses so that you can help achieve the important ministries of your church. It's important that you convey that the contributions to your church enable you to have outreach programs, provide pastoral care, and conduct meaningful and fulfilling worship services.

For example, the largest line item in a church's budget is generally the cost of clergy and other employees – salary, medical insurance, pension, and other benefits. But, what is the most effective and enlightening way to present that? As the costs themselves, or *what is accomplished because you incur those costs?*

This can be done by creating a **Narrative Budget** (also known as a Mission-Based Budget) that shows what you do *because* you incur those costs. It starts by identifying the five or so ministry areas that are most important in your church. And, then, allocate the expenses to those ministry areas.

Show what you accomplish because of the income you receive each year.

Let's take St. Swithin's Church, and see how easily you can create a budget that is more meaningful to readers.

Gather some people, including the clergy and the treasurer and others who are aware of the various ministries in your church, and select those areas that are most important. Those areas could include Worship, Music, Formation and Education, Outreach . . . each church has areas that are vitally important to them, and that is the place to start.

What are the most important Ministry Areas in your church?

At St. Swithin's, they determined that the key areas were Worship & Music, Outreach, and Formation & Pastoral Care. They also know that some of their expenses are for Administrative and Building costs. So, they decided they would allocate their expenses to these Ministry Areas.

They asked the clergy to estimate the amount of time that was spent in these Ministry Areas, and agreed on percentages of time: 50% of the clergy's time during the year was spent on Worship & Music; 20% on Outreach; 10% on Formation and Pastoral Care; 15% on Administrative matters; and 5% on tasks relating to the Facilities. They asked the Music Director and the Parish Administrator to estimate how their time was spent, too.

Converting the Detail Line-Item Budget into the Narrative Budget

Of course, the church already had its line-item budget. They made sure that all the expenses were included, and grouped them into natural categories, like compensation, outreach, and other expenses.

Step 1: Allocate Compensation.

Using the percentages of time that the clergy and others determined how they spent their time in an average year, they applied those percentages to the dollar amount of the expenses.

Example: The clergy estimated that 50% of the year was spent on Worship & Music. Multiplying the total compensation of \$80,190 by 50%, the resulting \$40,095 was put into the column of Worship & Music. The same was done for the balance of the clergy salary using the percentages they had chosen. They determined that time spent by the Parish Administrator fell into three of the Ministry Areas, so spread the time accordingly.

Salary expenses of the clergy and other employees are incurred so you can support ministries. The purpose of the Narrative Budget is to show that.

Once this was done for all of the compensation, they had allocated \$104,950 of the total expenses already, and were well on their way.

Step 2: Allocate Specific Expenses.

There are probably certain expenses that will quickly and easily fall into one of the Ministry Areas. For example, if Outreach is one of your Ministry Areas, then put all 100% of the funds in your Outreach budget in that category. Similarly, the Diocesan Share is considered Outreach by most churches, so put all into the Outreach category. Look through the other categories, and allocate those to the Ministry Areas if you can reasonably do so.

Once you have completed these allocations, you will probably have allocated close to three-quarters of your total expenses, so compute the percentage that has been allocated to each of the Ministry Areas as compared with the total you have allocated. At this point, St. Swithin's has allocated 52% of its expenses to Worship & Music, 26% to Outreach, 7% to Formation & Pastoral Care, 11% to Administrative costs, and 4% to Facilities. Next, you will use those percentages in Step 3.

Step 3: Allocate Remaining Expenses.

You will now be left with a number of budget categories that cannot easily be allocated to any specific Ministry Area . . . in fact, items like church utilities and property/liability insurance affect all of your ministries. So, use the percentages you determined in Step 2 to multiply by the total dollar amount of each of these expenses to allocate them to the Ministry Areas.

You have now completed the allocation of all of your line-item expenses to the Ministry Areas.

Step 4: Create a Pie Chart.

You can now create a simple pie chart that will visually show *where the money REALLY goes . . .* at St. Swithin’s, you can see that the majority of their expenses are to support the Worship & Music ministries. One-quarter of their expenses are spent in its Outreach ministries. And another 7% supports the Formation and Pastoral Care efforts.

Many will find a pie chart an easy and effective way to understand how the money is spent.

What is even more clearly shown is that only 15% of the expenses are used for maintaining the buildings and administrative matters.

No one, by simply looking at your line-item budget, could have come to this understanding . . . which is EXACTLY WHY you need to show this Narrative Budget instead of the line-item budget.

Create a Pew Card.

Now, take one more step, and you’ll be able to communicate this information to your parishioners and to visitors. You can print the chart on one side of a sheet of paper and, on the other side, briefly describe each of the Ministry Areas and the expenses included in each one. Or, you can go further and print this information on a tri-fold brochure, and also include pictures of the ministries that are important to you.

A visitor will better understand what’s most important to your church by seeing information this way . . . and many of your own parishioners will become better informed as well!

Imagine a visitor looking at this information. Seeing how their donation would be used in those ministries will make a real impact. Instead of seeing line items for compensation and utilities, they will see that you invest their dollars in areas that are important to them, too – worship and outreach and Christian formation. *And aren’t THOSE the areas that are most important?*

Do This NOW!

This is an interesting, fun and easy project to complete. Getting a group of people together to define the most important Ministry Areas will help you focus on what really sets you apart from others . . . or it will help you decide that you need to be more specific with your vision and mission.

Take your current year's budget and create your Narrative Budget. Make the pew card, or simply put the chart and descriptions in the pews. I'll bet most of your parishioners would be surprised to see this information in this way. It's a way of educating and exciting everyone, and helping them make the connection between their pledges and how they are used to change lives.

It is a way to help them understand how you are doing God's work.

Paul R. Shackford
July 2019

Paul Shackford retired as Chief Financial Officer of the Episcopal Diocese of Newark in 2017.

St. Swithin's Episcopal Church
Mission-Based Budget--For the Year 20XX
OPERATING LINE-ITEM BUDGET

	Budget	Worship & Music		Outreach		Formation & Pastoral Care		Administrative		Facilities		Total	
		Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars
Compensation													
<i>Rector:</i>													
Salary	\$ 50,000												
Social Security Offset	5,450												
Housing Equity Allowance	3,900												
Medical Insurance	-												
Pension	14,590												
Continuing Education	500												
Rectory Utilities	2,500												
Expenses	3,000												
Other	250												
Total	80,190												
<i>Music Director:</i>													
Organist Comp & Substitute	19,720												
<i>Parish Administration:</i>													
Secretary Compensation	5,040												
Outreach													
Diocesan Share	16,504												
Other Outreach	500												
Seminary Support	100												
Total	17,104												
Other Expenses													
Christian Education	500												
Hospitality	350												
Worship	250												
Altar	1,800												
Music Choir	1,400												
Communications	450												
Office Costs	1,500												
Telephone & Internet	1,500												
Copier & Computer	1,800												
Church Utilities	13,000												
Insurance	8,800												
Improvements	2,500												
Maintenance & Repairs	5,000												
Cleaning	3,800												
Stewardship	140												
Convention	760												
Total	43,550												
TOTAL DISBURSEMENTS	\$ 165,604												

THE STARTING POINT FOR DEVELOPING A MISSION-BASED BUDGET IS THE OPERATING BUDGET FOR THE CONGREGATION. THEN, YOU NEED TO DETERMINE THE FOUR OR FIVE MINISTRY AREAS YOU WISH TO STRESS.

St. Swithin's Episcopal Church
Mission-Based Budget--For the Year 20XX
STEP 1 -- ALLOCATION OF COMPENSATION

	Budget	Worship & Music		Outreach		Formation & Pastoral Care		Administrative		Facilities		Total		
		Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	
Compensation														
Rector:														
Salary	\$ 50,000	1												
Social Security Offset	5,450	1												
Housing Equity Allowance	3,900	1												
Medical Insurance	-	1												
Pension	14,590	1												
Continuing Education	500	1												
Rectory Utilities	2,500	1												
Expenses	3,000	1												
Other	250	1												
Total	80,190	1	50%	40,095	20%	16,038	10%	8,019	15%	12,029	5%	4,010	100%	80,190
Music Director:														
Organist Comp & Substitute	19,720	1	100%	19,720										19,720
Parish Administration:														
Secretary Compensation	5,040	1	50%	2,520					40%	2,016	10%	504	100%	5,040
Outreach														
Diocesan Share	16,504													-
Other Outreach	500													-
Seminary Support	100													-
Total	17,104													-
Other Expenses														
Christian Education	500													-
Hospitality	350													-
Worship	250													-
Altar	1,800													-
Music Choir	1,400													-
Communications	450													-
Office Costs	1,500													-
Telephone & Internet	1,500													-
Copier & Computer	1,800													-
Church Utilities	13,000													-
Insurance	8,800													-
Improvements	2,500													-
Maintenance & Repairs	5,000													-
Cleaning	3,800													-
Stewardship	140													-
Convention	760													-
Total	43,550													-
TOTAL DISBURSEMENTS	\$ 165,604													\$ 104,950
														\$ 4,514
														\$ 14,045
														\$ 8,019
														\$ 16,038
														\$ 67,335

STEP 1 -- DETERMINE HOW MUCH TIME EACH EMPLOYEE SPENDS IN EACH OF THE MINISTRY AREAS, AND ASSIGN A PERCENTAGE TO EACH AREA. MULTIPLYING THE TOTAL BUDGET AMOUNT BY THE PERCENTAGE WILL ALLOCATE THE TOTAL COMPENSATION TO THE MINISTRY AREAS.

St. Swithin's Episcopal Church
Mission-Based Budget--For the Year 20XX
STEP 2 -- ALLOCATION OF SPECIFIC EXPENSES

	Budget	Worship & Music		Outreach		Formation & Pastoral Care		Administrative		Facilities		Total	
		Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars
Compensation													
Rector:													
Salary	\$ 50,000												
Social Security Offset	5,450												
Housing Equity Allowance	3,900												
Medical Insurance	-												
Pension	14,590												
Continuing Education	500												
Rectory Utilities	2,500												
Expenses	3,000												
Other	250												
Total	80,190	50%	40,095	20%	16,038	10%	8,019	15%	12,029	5%	4,010	100%	80,190
Music Director:													
Organist Comp & Substitute	19,720	100%	19,720									100%	19,720
Parish Administration:													
Secretary Compensation	5,040	50%	2,520					40%	2,016	10%	504	100%	5,040
Outreach													
<i>Diocesan Share</i>	16,504	2											
<i>Other Outreach</i>	500	2											
<i>Seminary Support</i>	100	2											
Total	17,104	2		100%	17,104							100%	17,104
Other Expenses													
<i>Christian Education</i>	500	2				100%	500					100%	500
<i>Hospitality</i>	350	2	75%	263		25%	88					100%	350
<i>Worship</i>	250	2	100%	250								100%	250
<i>Altar</i>	1,800	2	100%	1,800								100%	1,800
<i>Music Choir</i>	1,400	2	100%	1,400								100%	1,400
<i>Communications</i>	450	2	95%	428	5%	23						100%	450
Office Costs	1,500												
Telephone & Internet	1,500												
Copier & Computer	1,800												
Church Utilities	13,000												
Insurance	8,800												
Improvements	2,500												
Maintenance & Repairs	5,000												
Cleaning	3,800												
Stewardship	140												
Convention	760												
Total	43,550		4,140		23		588						4,750
			\$ 66,475		\$ 33,165		\$ 8,607		\$ 14,045		\$ 4,514		\$ 126,804
TOTAL DISBURSEMENTS													
Percentage of Total Allocated Expenses			52.4%		26.2%		6.8%		11.1%		3.6%		100%
Percentage of Total Allocated Expenses--Rounded			52%		26%		7%		11%		4%		100%

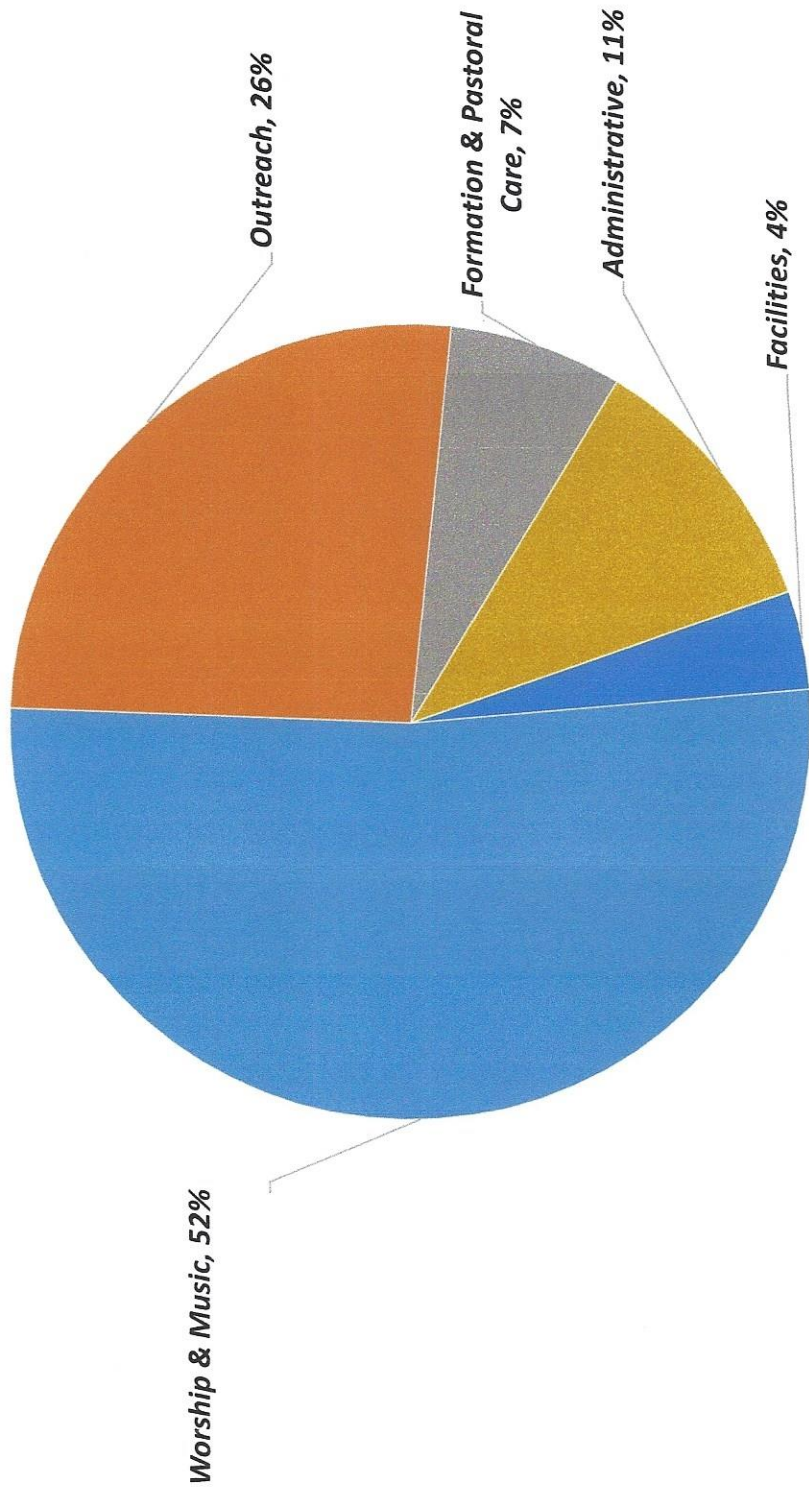
STEP 2 -- NEXT, ALLOCATE EXPENSES THAT ARE CLEARLY PART OF ONE OR MORE MINISTRY AREAS, AND ASSIGN A PERCENTAGE TO EACH AREA. MULTIPLYING THE TOTAL BUDGET AMOUNT BY THE PERCENTAGE WILL ALLOCATE THOSE AMOUNTS TO THE MINISTRY AREAS. YOU WILL THEN HAVE THE TOTAL PERCENTAGE OF ALL EXPENSES YOU HAVE ALLOCATED THUS FAR, AND YOU WILL USE THAT PERCENTAGE IN STEP 3 TO ALLOCATE THE REMAINING EXPENSES TO MINISTRY AREAS.

St. Swithin's Episcopal Church
Mission-Based Budget--For the Year 20XX
STEP 3 -- ALLOCATION OF REMAINING EXPENSES

	Budget	Worship & Music		Outreach		Formation & Pastoral Care		Administrative		Facilities		Total	
		Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars	Pct.	Dollars
Compensation:													
Rector:													
Salary	\$ 50,000												
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Housing Equity Allowance	3,900												
Medical Insurance	-												
Pension	14,590												
Continuing Education	500												
Rectory Utilities	2,500												
Expenses	3,000												
Other	250												
Total	80,190	50%	40,095	20%	16,038	10%	8,019	15%	12,029	5%	4,010	100%	80,190
Music Director:													
Organist Comp & Substitute	19,720	100%	19,720									100%	19,720
Parish Administration:													
Secretary Compensation	5,040	50%	2,520					40%	2,016	10%	504	100%	5,040
Outreach													
Diocesan Share	16,504												
Other Outreach	500												
Seminary Support	100			100%	17,104							100%	17,104
Total	17,104												
Other Expenses													
Christian Education	500					100%	500					100%	500
Hospitality	350	75%	263			25%	88					100%	350
Worship	250	100%	250									100%	250
Altar	1,800	100%	1,800									100%	1,800
Music Choir	1,400	100%	1,400									100%	1,400
Communications	450	95%	428	5%	23							100%	450
Office Costs	1,500	3 52%	780	26%	390	7%	105	11%	165	4%	60	100%	1,500
Telephone & Internet	1,500	3 52%	780	26%	390	7%	105	11%	165	4%	60	100%	1,500
Copier & Computer	1,800	3 52%	936	26%	468	7%	126	11%	198	4%	72	100%	1,800
Church Utilities	13,000	3 52%	6,760	26%	3,380	7%	910	11%	1,430	4%	520	100%	13,000
Insurance	8,800	3 52%	4,576	26%	2,288	7%	616	11%	968	4%	352	100%	8,800
Improvements	2,500	3 52%	1,300	26%	650	7%	175	11%	275	4%	100	100%	2,500
Maintenance & Repairs	5,000	3 52%	2,600	26%	1,300	7%	350	11%	550	4%	200	100%	5,000
Cleaning	3,800	3 52%	1,976	26%	988	7%	266	11%	418	4%	152	100%	3,800
Stewardship	140	3 52%	73	26%	36	7%	10	11%	15	4%	6	100%	140
Convention	760	3 52%	395	26%	198	7%	53	11%	84	4%	30	100%	760
Total	43,550		24,316		10,111		3,304		4,268		1,552		43,550
TOTAL DISBURSEMENTS	\$ 165,604		\$ 86,651		\$ 43,253		\$ 11,323		\$ 18,313		\$ 6,066		\$ 165,604
Percentage of Total Allocated Expenses			52.3%		26.1%		6.8%		11.1%		3.7%		100%
Percentage of Total Allocated Expenses--Rounded			52%		26%		7%		11%		4%		100%

STEP 3 -- FINALLY, USING THE PERCENTAGES FROM STEP 2, ALLOCATE THE REMAINING EXPENSES TO THE MINISTRY AREAS.

St. Swithin's Episcopal Church
Where Each Dollar of Your Offering Goes . . .



St. Swithin's Episcopal Church
Mission Budget

Each year parishioners and others contribute to St. Swithin's so that, through it, we can conduct the many ministries that make this congregation an important presence in our community, changing the lives of many people both within our church and outside our doors. Since many costs, including those relating to the rector, affect several different ministries, those costs have been allocated as appropriate. These donations support:

Worship and Music

\$87,000 (52%)

This category includes services of Holy Eucharist and other liturgical services; our choir, music ministry and concert series; preparation of the altar; and hospitality.

Outreach

\$43,000 (26%)

Outreach includes our pledge to the Diocese to support its ministries, to St. Swithin's and to others, and a portion of the time that our rector and others spend with our outreach ministries . . . Family Promise, Food Drive, and more.

Formation and Pastoral Care

\$11,000 (7%)

Our ministries include Christian education for children, youth and adults. Our rector also spends pastoral time with parishioners and others.

Facilities

\$6,000 (4%)

This category includes repairs and maintenance of the church and rectory buildings, and working with those who use our space.

Administrative Costs

\$18,000 (11%)

This includes the preparation and distribution of *The Messenger*, our monthly newsletter, as well as office and other administrative costs.