

Program Budget Presentations

[In the Congregational Treasurers and Bookkeepers Financial and Accounting Guide](#) found in the ELCA Office of the Treasurer Web site (www.elca.org/treasurer) there is a summary of various budget types and brief description of a potential budget process. This article will go into more detail about the popular budget presentation format often called “program budgeting.”

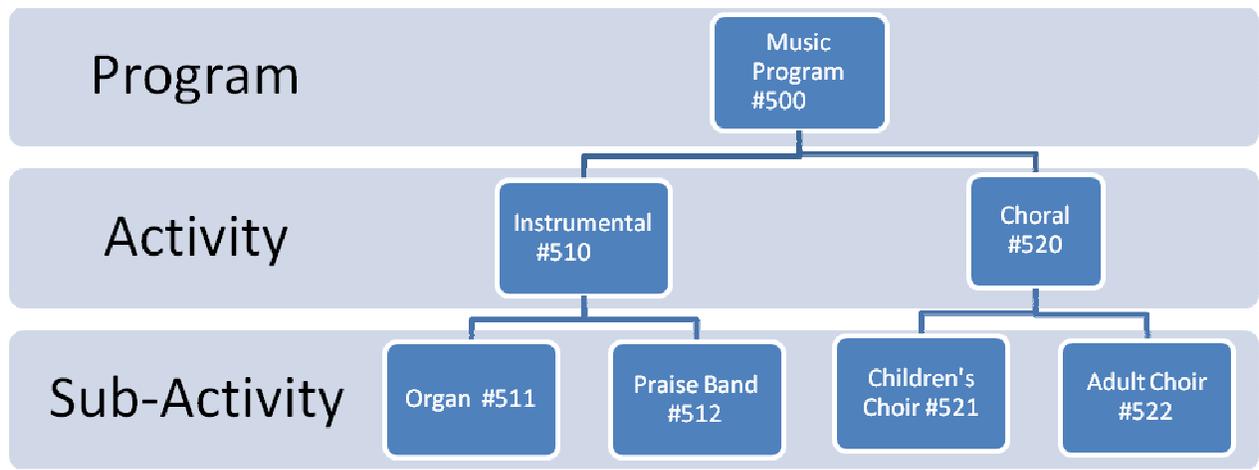
All budgets are prepared in a manner that considers the programs of the congregation. The primary difference in a program budget is in the presentation to both programmatic users and the general congregation. A program budget displays the budget in such a way that it becomes readily apparent to all where the resources of the congregation are devoted in its efforts to carry out the mission of the church. So, where do you start?

Strategic Plans

Mission begins with hearing the word of God calling the congregation into action. You must have a plan, and a clear way to express that plan to members of the congregation. Otherwise, you are wandering in the wilderness. It is only after strategic planning that a programmatic budget becomes useful in not only managing the plan but expressing that plan through a budget. That budget becomes a financial expression of your congregation’s response to God’s plans for your community.

Cost Centers

One of the biggest hurdles in programmatic budget development is confusing what you do (the program) with how you accomplish it (type of expense). In business terms, various cost centers should be established within your accounting system that correspond to where costs are accumulated. These cost centers are your programs. Often there are various sub-cost centers, also called “activities,” within each program that further break down various natural groupings of expenses within that program. Activities can be further broken down into sub-activities. Using the music program of your congregation as an example of this may be shown as follows:



In the Music program, there are two activities, Instrumental and Choral. Each of these activities has sub-activities that further break down various functions of the activity. All expenses would be recorded at the lowest level of activity that you define. Reports are then created that can roll up into the level above it. If properly established through the use of account codes in your accounting system, this hierarchy allows the director of the music program to better manage the program by being able to record expenses at the proper level, thus keeping control of how expenses relate to each activity. This control allows the music director to better appraise if these expenses are being kept in relationship to the original plans (budget) that were prepared in response to the strategic plans created. It also allows for the congregational council to view expenses at the level they deem most appropriate in their fiscal oversight role.

Your accounting system should then be able to give reports at whichever level the reader wants. If the congregational council only wants to review the music program, then the system should produce reports that roll up to the program level. In this case, any coding beginning with the #5 would be prepared. The pastor may want to review expenses at the activity level so reports would be prepared that roll up to the first two digits. The music director will probably want to receive reports at the sub-activity level, so reports would be prepared looking at all three digits of the coding.

Almost every accounting system on the market allows for this type of reporting and coding structure. If you want to explore options of various accounting systems, the ELCA Information Technology section of the churchwide organization has prepared a list of potential options for [you to review](#).

Objects

The term "object" is often used to describe the distinctions between various types of income and expense (also used for balance sheet items). Objects describe how you accomplish the work described in programs and activities. Typical examples of objects type on the **expense** side might be:

- Salaries
- FICA taxes
- Federal withholding
- Housing allowance
- Books
- Utilities (most likely broken down further by specific type of utility)
- Travel
- Music purchases
- Repairs

Typical examples of objects on the **income** side might be:

- Unrestricted member giving
- Restricted member giving: pass-through (perhaps broken-out by types of restriction, such as ELCA World Hunger; food pantry; locally supported institution, etc.)
- Building fund
- Space rental (often broken out by major types of rental, such as weddings, local outside organization that rents on a regular basis)

The list of potential objects is endless. Care should be made to capture the proper list of objects you require to manage the congregation. Do not create a list so extensive that you have thousands of objects that you don't really need. On the other hand, don't make the list of objects so short that it does not give you guidance in how you receive or spend your resources. It's a fine line that should be sufficiently thought through in order to provide you with the information at the level you want and require. Again, almost any financial software comes with a list of regularly used objects (they may use other terms) that allow for addition or subtraction as you see fit. They will also allow you to create reports at the object level. This becomes valuable in analyzing the congregation's income and expense across programs. For example, if you want to review the salary expenditures of the congregation at the macro level, you will be able to do so.

The combined use of cost centers and objects will then allow you to budget and report on your budget plans in many and various ways. Reports can be prepared that cut across the congregation in either direction: program or object. Keep in mind that no report will satisfy everyone. You must be able to create reports that depict the activity of the congregation in many ways! Programs and types of income or expense are the most obvious. Reports showing only one way do a disservice to the whole organization.

The report that looks only at types of income and expense but fails to report at the program level unwittingly condenses the mission of the congregation into units of measure that have no relationship to the depth and breadth of God's work among you. Conversely, reports that show only the program level, while more clearly describing God's work among you, fail to explain how that work is done. This dilemma is what has led **programmatically budgeting** presentations to become such a valuable way of presenting the work of congregations (or any organization) in a way that attempts to become a true financial expression of the work and mission. So what is a **programmatically budget presentation?**

Programmatic Budget Presentations

A program budget presentation is usually used when describing a presentation that combines:

- Presenting the budget by program
- Describing what is accomplished in those programs

The churchwide organization attempts to utilize a program budget presentation when it prepares an exhibit included in the biennial budget proposal presented to the churchwide assembly. This is done in what has been labeled “Exhibit E: Summary of Programs and Services.”

The latest biennium’s budget proposal can be found at www.elca.org/treasurer/budget under Current Financial Information. There you will find for each unit of the churchwide organization a listing of each of their programs with the total budget dollars allocated to that program, including allocated staff (to be discussed later). Under the program title and budget dollars you will see an abbreviated list of the type of activities, types of organizations supported or services provided and, when possible, specific measurable items, such as specific number of congregations started, specific number of campus ministry sites, colleges, seminaries, etc. This abbreviated explanation of the breadth and depth of ministries does not do justice to the complexity of the churchwide organization, but is an attempt to be as inclusive and transparent as possible in such a relatively short space. A typical congregation’s programmatic budget presentation should probably be at least two pages but no more than four pages long. The number of major programs, of course, is the determinant factor.

Using the previous music program as an example, their written description may look like:

Music Program

\$75.000

The program is to gather and utilize all the musical gifts and talents of our members for the glory and praise of God. The Music Director is responsible for maintaining a 25-member adult choir that sings at the 11:00 service and holidays and special events, a children’s age-appropriate choir of 40 angelic voices that accompanies the congregation monthly; playing and maintaining the organ; convene the 5-member council music committee; directing a 5-member praise band at the 8:30 service; planning worship services with pastoral leadership team; and represent the congregation in ecumenical community event planning.

This may remind you of the duties listed in a job description and in some ways it is. It’s a description of what mission is carried out through the program. And remember, in most cases, people are a major part of the program. The important thing is in the description to reference the number of paid staff as well as volunteer staff in order to most fully describe the program. It does not address issues like:

- How much you spend on music
- The salary of the director

Those are items included in the object budgets of the program (sometimes called the line-item budget) but are necessarily relevant in describing the program. That is why just one way to present a budget is usually insufficient. A subsequent presentation of line items (detailed listing of income and expense objects) is usually an acceptable second option of presenting the budget.

When the list of programs, their description and their budgets is developed, the congregation has a comprehensive list of who they are and what they do. This report should be reviewed and examined by asking the questions, “Does this accurately represent what we do?” and “Does this description align with stated strategic plans of who we say we want to become?” If the answer is not a resounding “Yes” to both questions, something is wrong. Either you have not accurately prepared the programmatic budget or you still have holes in accomplishing your strategic plan. If it is the latter, this should be acknowledged in the presentation.

How to Deal with Staffing Issues

How you decide to include staffing and their compensation must be carefully considered.

- 1) If your congregation requires that all salaries are openly disclosed, then your issue is diminished. However, if your congregation does not disclose individual salaries, that should be honored and addressed. Many congregations disclose a salary line item or possibly disclose on the basis of professional or exempt as opposed to nonexempt. All staff must be aware of your congregation’s practice and philosophical approach when they are hired.
- 2) You must decide how you will allocate compensation, regardless of your decisions in the previous point, to the various programs. For example, clergy will spend effort and time across almost every program. How do you want to account for their compensation? It’s usually impractical to allocate their salary through your payroll system to each and every program they work on. It is much more likely that an allocation system will be required to properly allocate their compensation based on a percentage of effort given to each program. This system can be as simple or complicated as your situation warrants. **But you should make an effort to make this allocation!** Grouping all of a staff person’s (clergy or lay) time to a program listed as pastoral services or any other general topic does not do justice to the other programs of the congregation. While pastoral services (including individual or group counseling, services such as communion, weddings, funerals, membership visits, etc.) is probably one of the congregation’s programs, it should not include all of the pastor’s time. They also plan worship; work with the Sunday worship leaders, work with the council and their committees, supervise other staff, etc.

Program Descriptions to Avoid

While all actual programs of a congregation should be depicted, there are a few that are buzz words that should be avoided unless they are clearly defined.

The most egregious descriptions that can never find the same definition by two people are the words “administration” and “overhead.” People use these words to describe expenses they believe are

irrelevant or, at best, minor aspects of an institution's programs. [First Corinthians 12:4-6](#) makes the opposite point. Try running a congregation without sufficient administrative or custodial staff and you quickly find the congregation just doesn't function well. Take time to clearly define similar programs. Be sure to describe support functions in a manner that lifts them up as important and vital aspects of the total ministry.