

What is a Budget? How is it used?

- In its simplest terms a budget is an estimate of future events.
- It is management's tool for carrying out and controlling business operations.
- A budget establishes predetermined objectives and provides bases for measuring performance against these objectives.
- Monthly budget versus actual comparisons should be distributed to each organizational "manager".
- If variations between performance & budget arise, management can alter the situation by either correcting the weakness in performance, or, modifying the budget.

Organizations that adopt budgetary control have better control of operations and are better able to modify performance to meet expectations.

Characteristics of an Effective Budget:

- Bottom's-up budget processes yield better results than top-down processes.
- The more detailed the budget assumption, the better the estimate.
- Budget estimates are generally computed from historical data that has been verified and is credible.
- Budget assumptions should reflect current Diocesan & Parish guidelines.
- Budgets should include reserve fund contributions for future expenditures & financial insurance.
- A budget is based on what we know at a given point in time. Remember, every day we know more!

Effective budgets are based on meaningful data that is current, complete & accurate.

Select Diocesan Financial Policies:

- A Parish Finance Council is required.
- Organizations considered to be part of the parish are subject to the direction of the Pastor & Finance Council in all financial matters.
- The accounting of parish organizations must be centralized within the parish accounting system (high school exception with pastor's permission).
- The Parish Budget and Parish Annual Report use the Diocese's prescribed format and chart of accounts.
- The Bishop's approval is needed to borrow funds, initiate law suits & for capital projects > \$25,000.
- All bank & investment accounts are registered in the name of the parish, with the Parish priests as the only signatories (high school exception with pastor's permission).
- All fundraising activities require the advance permission of the pastor.
- Investments in other than government insured instruments require the advance approval of the CFO.
- All insurance is through Diocesan administered policies.
- Single use pre-numbered offertory control bags are mandated.

Routine parish audits ensure compliance with stated policies, and help strengthen internal controls.