

Developing A Narrative Budget For Your Congregation



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Presented by
Keith A. Mundy
Assistant Director for Stewardship
800-638-3522 X5045
Keith.mundy@elca.org

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Why use a Narrative Budget?

1. Provide a way of presenting the congregation's yearly spending in terms of ministries supported by financial giving of members and other sources
2. Provide tools for teaching about the ministry of the congregation.
3. Provide good stewardship principles as a guide for inviting financial support

What is a Narrative Budget?

This approach to budgeting describes what is to be accomplished. The plan includes financial spending based on ministries or areas of focus such as discipleship, service and worship. Rather than staff and overhead costs (i.e., utilities) being focal points, attention is focused on goals and outcomes of specific ministries. The staff are resources to assist in achieving these results.

The Narrative Budget does not replace a line item budget. The two formats are complementary. The total dollars for each should be the same.

How is a Narrative prepared?

Refer to the attached worksheet. This will be a guide that may have to be customized for your congregation.

When is a Narrative prepared?

The information for preparing a Narrative Budget is collected throughout the year. This would include the staff hours, and sometimes volunteer hours, used for specific ministries. This information is summarized and used to prepare the plan based on priorities set by leaders in the congregation. This is prepared in parallel with the line item budget.

Who prepares a Narrative Budget?

Usually the Finance Committee or an Administrative Team develops the budget.

How is a Narrative Budget communicated to the congregation?

This plan can be introduced as a part of the annual financial planning process. The focus on specific areas of ministry and attaining specific results can be emphasized. Some congregations will use one to three weeks prior to the annual meeting as a time to share stories about each major area in this budget.

What guidelines should be used to invite support of a Narrative Budget?

There are many. Here are a few.

1. **Encourage people to give on a percentage basis.** Congregations usually experience three levels of giving. The base level is determined by simply passing offering plate in a worship service. The second level invites members to make financial dollar commitment in writing. The third level invites member to make a commitment based on percentage of income. Based on research in several denominations these three levels of giving are indexed as follows:

Level I	Offering	100.00
Level II	Dollar Commitment	200.00
Level III	Percentage Commitment	250.00

2. **Encourage members to give in a variety of ways.** When talking about giving, most people think only of giving from regular income. There are times when it is appropriate to give from assets such as real estate or stock. There are tax advantages to most types of giving.
3. **Encourage members to give to a variety of ministries.** People give for a variety of reasons and are moved by a variety of causes. Some of these are based on faith and others are based on compassion or relationships. Regular giving can help individuals develop a generous spirit. It is helpful to distinguish between First Mile Giving, that is to the ongoing ministry of the congregation, and Second Mile Giving, that is to other causes or projects. These two are different than Planned Giving which involves wills and bequests.
4. **Teach the difference between fundraising and financial stewardship.** Sometimes giving as a response to God's grace is confused with fundraising. Remember fundraising is about a specific project for a specific amount over a specific period of time. Healthy financial stewardship is a faithful person's first fruits giving for what God has first provided. A faithful steward returns a portion on a regular basis throughout life.
5. **Use stewardship education accompanied by an invitation to respond.** Over the years a variety of congregational invitation or response methods have been developed. Experience indicates the response method should be preceded by a time of stewardship education. Experience also suggests response methods should be alternated such that any one method is not use more than two years in a row. Since 2000, the most popular singular method in ELCA congregations has been Consecration Sunday. Based on actual experience over a ten year period, the average increase in dollar commitments the first time this method is used has ranged from 16 to 18%.

The amount of the increase can vary depending on the context. In congregations that use a financial response method almost every year, the increase will be less. The increase is usually greater in congregations that have used a response method in the past, but not in at least three years. Some of the most significant increases have been in congregations that have never used a response method.

6. **Recognize it is common for 50% of households to make a written commitment.** For congregations inviting people to make a dollar or percentage commitment, it is not uncommon for one half or more of households to adopt this practice. While this level may not be attained within the first year or two, most people recognize everything we have is a gift from God and are willing to make a faith commitment to return a portion. It is not uncommon for the number of commitments to fluctuate 10-20% from year to year. This often depends on clarity of the vision for ministry, leadership changes and changes in personal financial or employment status.
7. **Following up with people about their giving increases current and future giving.** Most people appreciate knowing where they stand. This is especially true if it is clear how their giving is making a difference. At least three times per year let people know what their giving is doing. This may include guest speakers or inviting people to share their personal stories.

Preparing A Narrative Budget Step by Step

- Step # 1 Develop or Review the Congregation Vision and Mission Statement**
Leaders should review the purpose and direction of ministry each year. Every five to seven years the vision and mission should be renewed or revised. This may include values and long term goals.
- Step # 2 Define ongoing activities and new activities for coming year**
Each committee or team reviews their purpose and achievements for the past Year and determines activities and outcomes for the year ahead. Based on the direction and priorities determined by congregational leadership, specific areas of focus are defined for the coming year(s).
- Step # 3 Connect activities to Vision and Mission of Congregation**
Communicate planned activities with leadership group and other teams, committees, task groups and committees who may partner or be affected.
- Step # 4 Determine the investment of ministry dollars for each activity**
Estimate the cost of the specific activities planned for the coming year.
- Step # 5 Determine the investment in staff support for each activity**
Estimate the time necessary by support staff to administer, facilitate, lead or equip People for each ministry. It may be helpful to estimate the volunteer hours.
- Step # 6 Determine other investments made in each activity**
Estimate the cost of materials, supplies and other items necessary to carry out the activities. This includes space in the facility, printing, postage, etc.
- Step # 7 Determine cost factors for spaces used in building**
The Finance Committee can develop a cost factor for hourly use of each room of the church property. This should include allocation of mortgage, utilities, maintenance and other building expenses. Refer to attached worksheet.
- Step # 8 Determine cost allocation of overhead and shared expenses**
The Finance Committee can develop a cost factor to reflect administrative and miscellaneous expenses. This would include secretarial and custodial services.
- Step #9 Summarize dollar cost for each committee, task group or team**
The Finance Committee can add together the allocation of staff time, investments in activities, space costs and administrative costs together for each committee, task group or team.
- Step #10 Allocate costs to areas of ministry focus or goals**
The Finance Committee can allocate the investment dollars and costs to the primary goals and focus for the coming year. This may be specific ministries such as worship, education and outreach or functional areas such as faith formation, service or spiritual growth. Then look for stories that illustrate how each of these ministries is made possible through giving.

Developing a Narrative Budget

Guide for Allocating Building Expenses

This is one way of calculating the allocation of building, facility and property-related expenses among missional priorities for the purpose of developing a narrative budget.

Step 1: Divide the total hours each year that the building is open into the total expenditures for all building related operations and maintenance to produce the average operating cost per program hour.

Example: Say the building is open MO - FR from 9AM – 9PM (on average) and Sunday from 8AM – 1PM. This would make the weekly program hours 65 and yearly 3380. You then divide this into the operating budget of, say, \$100,000 to get an hourly cost of \$296 for the whole building cost for each program hour.

Step 2: Divide the cost per program hour by the total square feet of building space to get the cost per hour per square foot or (CHSF) for the building.

Example: Say the building has 10,000 square feet of usable space (counting the sanctuary). When we divide that square footage into the operating cost per hour we come up with three cents per square foot operating costs for each hour.

Step 3: Estimate (or measure) the square footage used by each of the programs and multiply that by the number of hours the space was used to produce the total square footage hours or (SFH) of each program.

Example: Say the Boy Scouts are using a room that measures 50 X 50 feet or 250 square feet of space and they use it for two hours each week for 52 weeks. This would mean that they are using 26,000 square feet hours.

Step 4: Multiply the SFH by the CHSF. The resulting number will be the dollar value to be assigned to the donated space.

Example: 26,000 SFH times \$.03 would be \$780

Any contributions being made by any of these groups toward the building costs can then be subtracted from this amount to determine the total subsidy the church is providing. This is an acceptable way of calculating the value of your church's ministry expenditures for "others" because it is merely accounting for actual dollars spent.

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Storytelling for A Narrative Budget

One of the easiest ways to engage people in conversation is to invite them to share a story. Based on one of the major ministry areas in your Narrative Budget, invite someone to share a story with the audience. You may invite people to read or listen through the eyes of a specific character. Remember, do not rush. Embrace the spirit and the gift of the story.

- Step 1** Read or tell a story about a ministry your congregation helps to support. The story may come from one of your members.
- Step 2** Ask, “What does this story tell us?” This is often called the point or main themes of the story. Or, “Where do you see God present in this story?”. Or, “How do you see this congregation’s vision or values lived out through this story?”.
- Step 3** Name the characters (recipient, donor, and agent) in the story. Invite the audience to determine how the story was significant in the life of each character.
- Step 4** Ask these questions about each person in the story. Take time to fully reflect on each character before proceeding on to the next one.
- Which character did you identify with most closely? Why?
 - Which character best demonstrated their faith in God?
 - How did each character shape or change as a result of the event?
- Step 5** Follow up with discussion questions like those below as time allows.
- Where did you see God involved in any of the changes that occurred?
 - Can you think of an example in which God worked in people’s lives through the giving of your faith community?
 - Share an example in your life when you gave, and how through your giving God made a difference in you or those to whom you gave.
 - Think of all that your congregation gives “beyond your walls,” including mission support. How does knowing that God changes people’s lives through our offerings shape your view the church?
 - How have you changed in your outlook toward how much more God can do when we do it together rather than alone?
- Step 6** Invite each person to think an experience in their life and ask to put this into a 3 to 5 minute story. This may be done mentally or on paper with brief notes. Then name the story. This is often after a character, place or key words.
- Step 7** Invite the audience to go into pairs or triads and share their stories. This should take no longer than 15 minutes.
- Step 8** Invite audience to come back together and share what they learned. The following questions may encourage discussion.
- What gave you energy from the conversation?
 - What spirit emerged from the conversation?
 - What did you discover about each other?
 - Who else might you share this story with?

Sample Narrative Budget

A Narrative Budget can sometimes be called a Congregational Mission Spending Plan. Many congregations use a Narrative Budget in addition to a Line-item Budget. These financial documents use distinctly different ways of describing the mission and ministries of the congregation. The Line-item Budget is important for bookkeeping and analysis of specific cost items. The Narrative Budget uses major areas of ministry to communicate through story the gifts of the congregation do God's Work. This approach also shows how people make a difference through their giving.

What does a Narrative Budget look like? Below is a very basic example. It includes several staff people with responsibilities in specific areas. From year to year percentages may shift as priorities, facility and staffing change. However, in every case the total is 100% of the Line-item Budget.

St. John's Lutheran Church Farleysville, PA

Total Proposed Budget, Goals and Activities for the Year: \$300,000

Proclamation \$90,000 30% of Budget

Goal: To increase average worship attendance by 15% per week.

Activities: Add a worship service? Add a children's choir? Provide transportation? To be determined.

Costs covered: Materials, organist/music dir., 5% of other staff, 25% of pastor's total compensation

Discipleship \$30,000 10% of Budget

Goal: To increase average Sunday school, Bible Class and Small Group attendance by 25% per week.

Activities: Add a Thursday morning Bible study? Evening Bible study? Another more Small Groups?

Costs: Materials, 15% of a staff person, 15% of pastor's total compensation

Invitation \$15,000 5% of Budget

Goal: To plan five community and faith fellowship experiences to grow attendance and membership

Activities: Expand visitation program? Revitalize door knocking? Special community events?

Costs: Hospitality materials, 5% of a staff person, 5% of pastor's total compensation

Service \$45,000 15% of Budget

Goal: To serve every person in need in the broader community, visitation.

Activities: Support homeless shelter? Blood Drive? Develop elderly care program?

Costs: Materials, 45% of stewardship staff person, 35% of pastor's total compensation

Support \$60,000 20% of Budget

Goal: To manage our affairs, land and buildings wisely, administration.

Activities: Organize weekly small groups? Develop year-round, whole life stewardship education?

Costs: Materials, Church Secretary, custodian, 10% of a staff person, 10% of pastor's compensation

Beyond Our Walls \$60,000 20% of Budget

Goal: To grow our giving to Mission Support by 1% each year, plus 5% to the community/world.

Activities: Teach the value of Mission Support? Tell a mission interpretation story every week?

Costs: Materials, Guest speakers, mission trips, 20% of a staff person. 10% of pastor's total compensation

A Narrative Budget provides useful information to the congregation. It can vividly show the priorities in ministry. It indicates the relative significance of each area. It provides a snapshot of how staff members are to spend their time. This develops mutual accountability. It also points people in a spiritual direction of fiscal responsibility. For each of the six areas above there are people who can tell a story of this area of ministry makes a difference.