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Budgeting for Fiscal-Year 2009

Budgeting revenue and expenses for parishes and schools is an extremely important process. It involves proper planning, effective communication and the development of a strong understanding of the operation before a budget is finalized. As with many areas related to finances, the more time spent planning, the better and more accurate the result will be. The parish finance committee as well as the school board members should have input into the budget before it is finalized and filed with the Diocese. These advisory committees work with the pastor so that the budget becomes an accurate and realistic roadmap of what the operation will achieve during the next year.

Parishes and schools both have limited resources. A budget needs to clearly communicate how limited funds will be allocated to all the competing priorities that exist in these entities.

The following is a guide that can be used to produce the Fiscal Year budget.

Budgeting Cycle

Planning Discussions – before the parish or school prepares the budget, there should be a planning meeting between the pastor and the lay members of councils and advisory committees. This planning meeting will allow the interested members to review prior years' financial information, the budget assumptions issued by the Diocese, as well as a review of the mid-year fiscal year 2008 and the fiscal year 2007 actual information. Having a discussion on how to prepare the budget in advance should determine the program and ministry operations that are currently operating and if there are any anticipated changes being made to those programs or ministries. The planning meeting should be scheduled in March, or as soon as the parish or school has their mid-year actual results prepared. The pastor may also want to include the ministry directors in the planning stages so that they are more aware of the budgets for their programs. The objective of this meeting is to determine what the ministry priorities will be for the next year and what resources will be allocated to them. In order to exercise fiscal responsibility, it will be important to realize that it is impossible to spend what the parish or the school does not have.

Actual Financial Results – as mentioned above, starting to prepare a budget requires understanding the most current financial results from those operations. When reviewing this information, the changes which were not anticipated should be discussed to determine if those changes are likely to happen again in the future. If they are anticipated, the budget should reflect that need. A budget – to - actual review and analysis for the prior three fiscal years, as well as the most current mid-year period should be completed. The variance analysis will be useful in planning so that future budgets are more accurate. This would be reviewed in the planning stage in March or sooner.

Operational Statistics – Before a budget is prepared, it is important for an organization to understand and recognize the changes they have experienced over the past three years and why those changes took place. Operational information is non-financial and is considered a key factor that influences the financial results. The information you will gather will depend on if you are budgeting for a parish or school, however, the philosophy is the same.

We would recommend obtaining information such as:

Number of:	Along with their:
Employees	FT/PT w/salary
Teachers	FT/PT by grade w/salary
Parishioners	Number registered vs. number using envelopes/Average Contribution per family
Priests	Benefit and compensation costs (be sure to only pick up parish portion of auto insurance)
Religious Education Enrollment	Fees and per student costs
Outreach Families Assisted	Anticipated needs and a determination of the best way to achieve cost effectiveness of those needs
Fundraising Events	Anticipated revenue and expenses for those events based on previous results
School Students	Tuition revenue per student by family noting the family discounts, if any, in tuition policy
CYO Enrollment	Fee revenue and cost per participant to the parish
Anticipated Weddings	Breakdown of parish portion of perquisites
Anticipated Funerals	Breakdown of parish portion of perquisites

Your operation may have several other key statistics that you will need during budget planning. The above are some of the more common as an example. Having this information from the current fiscal year will help determine what those figures will be for fiscal year 2009. Any changes to these figures should be communicated to the individual who is preparing the budget.

Fundraising – Determine what the fundraising events and efforts will be and their expected return to the parish or school. The pastor, the principal, as well as the development committees, should discuss this and communicate that activity to the individual who is preparing the parish or school budget. Fundraising revenue and expenses are reflected gross and not netted.

Tuition – Schools set their tuition for the school year in January, therefore, the tuition for FY’09 is already set. The enrollment figures can be estimated because of the end of the fall re-registration held in February. Therefore, when providing the school tuition fees, those should be based on the enrollment figures that should be finalized in early March.

Maintenance Schedules – the parish and school buildings will require annual budgeted amounts to be set aside for routine repair and maintenance, as well as upgrades to plant equipment. It would be helpful if in the pre-budget stages, there is a repair and maintenance schedule prepared along with the inspection intervals of the major heating and air conditioning plants. If the parish or school have maintenance agreements with contractors, that information will be very useful.

Cash Control – Budgets will be more accurate if the bank accounts of the parish and school are controlled through the business office of the parish or school. Ministries and programs should make requests for reimbursable expenses to the parish or school business office rather than the program having their own bank accounts. A movement and consolidation of ancillary bank accounts into the main account should be done before the fiscal year end for better cash control and budget management.

Draft Budget – After the initial meetings and gathering of information are completed, it is now the time to prepare a draft budget for FY'09. This will most likely occur during the month of April. There should be discussions between the parishes and the schools and regional schools with regard to the amount to be budgeted for school subsidy revenue and subsidy expenses so that all sets of books are being budgeted properly. The draft budget should be shared with the pastor and the committees as well as the ministry and program directors, so that they are aware of the resource allocation. These meetings and discussions should take place in April and May so that the finalized budget can be sent to the Diocese on or before **May 31, 2008**.

Finalized Budget for Fiscal Year 2009 – once all the above steps are completed, the pastor will present the finalized budget to the trustees for their signature. The principal of the school along with the school board will sign and submit their budget for FY'09. The deadline for the budget submission is **May 31, 2008**.

If your entity uses Macola or another General Ledger software package, the budget should be entered so that monthly revenue and expenses are reflected in comparison with budgeted monthly figures. Variances (positive and negative) should be analyzed. Having the monthly information available in your General Ledger will allow for the quarterly budget - to - actual results to be easily monitored. This information should be shared with the lay committees and the boards who are responsible for fiscal oversight and advice.

Attached to this document is a memo from Dave Fantry which will take you through the steps of how to submit your budget and how to obtain the tools from our website to assist you.

It is important that any parish or school, which has budgeted a *deficit*, submit a written attachment to the budget to explain how the shortfall will be accommodated. We would caution all entities from deficit spending for current operations and would further suggest that the operation decrease costs to match their revenues. If you are unsure of how to decrease costs, we can offer to you some suggestions that we have seen work elsewhere in other organizations. Please call us to discuss this further.

Mid-Year Financials - Finally, we are asking that all parishes and schools send to us their mid-year actual results for fiscal year '08 along with their fiscal year '09 budget. The fiscal year mid-year results can be sent to us by either sending in the Macola Profit and Loss Statement for September through February or by using the excel file which is posted on the WWW.DRVC.org site. The deadline for submission of this form is **May 31, 2008**.

We appreciate your assistance with working through the budgeting process. If we can be of further assistance to you, please let us know.

Regards,
Ellen Caravella
Director of Internal Audit