

BUILDING A NARRATIVE BUDGET

What is a narrative budget? Why use it?

A narrative budget is a representation of the line item budget in simple, east-to-read descriptive terms. It transforms a line item of money and expenses into an exciting and enlivening picture of ministries and missional expressions of the congregation.

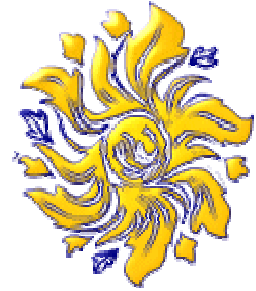
Research studies indicate churches often fail to communicate the value of the ministries they provide and the changes occurring in personal lives through ministries. Contributors, therefore, have a limited understanding of the use of their gifts or relationship with those receiving ministry benefits.

A line item budget is an effective tool for the committee on finance to manage financial resources. It is not an effective means for interpreting those ministries or their impact. On the other hand, the narrative budget helps members of the congregation understand what the church is doing in ministry, evangelism, discipleship training, benevolences and missions. It is a connecting link between the contributor and the church's ministries. A well-composed narrative budget will educate and inspire everyone.

Where do we start?

Enlist a small, special committee composed of representatives from the finance, budget development, and/or stewardship committees, the church staff, and a skilled writer and graphic artist.

1. Review the line item budget and group budget items by ministry areas, such as worship, education, youth, missions, etc.
2. Review the congregation's mission statement. Creatively describe the various ministries of the congregation as they fulfill the mission statement.
3. Consider pro-rating all salaries, building operational costs and overhead as well as program funds into specific ministry areas.
4. Write one or two descriptive paragraphs for each ministry area. Use examples that paint a picture of the ministry. Enable readers to understand the impact the ministries have in changing lives. Use stories to illustrate the ministries' effectiveness during the previous year. Picture new or expanded ministry needs as the rational for increased funding.
5. Provide a positive, clear explanation of significant funding changes, whether they are proposed increases or decreases.
6. Expand the reader's horizons by identifying several relevant and exciting additional or future ministries that could be undertaken with funding beyond the budgetary financial projections.
7. Consider a pie chart that uses ministry areas to depict the budget visually.
8. Prepare the narrative budget in an attractive, inviting, readable brochure format.
9. Determine ways to use the narrative budget most effectively to communicate the exciting message of ministry throughout the congregation.



The narrative budget



Budgets are tools that help financial leaders do their work in the church. They provide vital information for planning in the church. Budgets can enable congregational leaders to be faithful in their stewardship of the church's resources. What budgets cannot do, however, is motivate the majority of people to give. A surprisingly small percentage of the American population can read and understand a line-item budget. Too many churches pass out copies of the annual budget, believing that they have communicated important information. Upon closer examination, it becomes clear that very little communication has occurred. People do not give to budgets. They give less from the head than from the heart. People give to other people, to needs, to causes – to things that make them feel good and happy. Budgets miss these key targets.

Most of what is contained in a line-item budget is of little interest to the majority of people who attend our churches. Most people who are going to give to the church will give a certain amount to support the institution. People realize that there are costs to maintain the building, pay the insurance and utilities, and to support the pastor. They give to the mission and ministry of the church. If they are going to give anything more, the church needs to answer a basic question: "Give me one good reason why I should?"

The narrative budget is one way to give people a good reason. It focuses less on the numbers and more on what the numbers accomplish. It is a one- to two-page presentation that explains what the church hopes to accomplish and the funding needed to reach and exceed its goals. The following is an example of a narrative budget.

Anytown United Methodist Church 1997 Ministry Plan and Narrative Budget

Missions

The ministry group on missions has done an excellent job providing leadership for our congregation. Our mission involvement has increased greatly in the past three years. We support the local food bank and the soup kitchen in town, and we are beginning a second year with our thrift shop. The pregnancy center and drug rehabilitation center receive monthly offerings from our church. Through our Church World Service, Africa University, and Black College Fund apportionments, we give \$3,500 in support; and we contribute approximately \$1,200 to the six designated special Sunday offerings annually. We can continue this work next year with \$6,000 in support. Our hope is that we can exceed that goal by another \$1,000 in order to send a representative from our church on the district mission trip to Mexico in July. Future plans include reaching out to our community through literacy programs for children and adults and participation in the Women's Shelter Project. For an additional \$2,000, we will be able to train crisis counselors to work with the shelter and to build a library to teach men, women, and children how to read. Your faithful support of these ministries through your financial contributions helps our church grow strong in missions and outreach.

Program

The church council has reviewed our program ministries for the past year and hopes to continue providing high quality opportunities for growth, learning, and worship in the year to come. In education, we fund our curriculum and resources with \$1,500 each year. The additional \$450 we received this year allowed us to purchase new commentaries and a set of Bible maps. We hope to do the same in the coming year, funding the church school needs and adding to our resource library. We need a television and VCR for the church school, and we hope to purchase the new *Disciple Bible Study* materials for a new group. We can accomplish these two things for an additional \$1,500. We plan to purchase new whiteboards and bulletin boards for each classroom. We have received two donations toward our whiteboards totaling \$550. With an additional \$1,000, we will be able to purchase these and the bulletin boards.

The worship ministry group would like to continue to count on \$500 for the coming year for worship supplies. The \$900 memorial gift allowed us to purchase new paraments for Lent, Easter, Christmas, and Advent. We hope to purchase Pentecost and Kingdomtide paraments next year for an additional \$450. We also plan to replace 50 hymnals. We have \$200 designated for hymnals, but we need another \$400.

The membership ministry group is still working on developing the Stephen's Ministries program, and we are thankful for the training we received this year. We hope that we can use \$900 for training and resources in the church. For twenty-five percent more, the membership ministry group will purchase devotional booklets for distribution to homebound and hospitalized members and friends. We are still developing visitor packets and would like to purchase commemorative mugs to give to visitors to our church. These will cost about \$350, and we will get them if the funding is available.

Pastoral Support

We have been very faithfully served and are grateful for the fine leadership of our pastor. The staff-parish relations committee has recommended a six percent increase in salary for the coming year that we joyously support. With increases in insurance, pension, social security, and travel expenses, the pastoral support for the coming year will be \$66,975.

Other Staff and Salary

Youth pastor	\$ 7,500
Secretary	\$11,500
Music Ministries Director/Organist	\$21,500
Custodian	\$15,350

Building and Grounds

We estimate needs of \$16,750 for the coming year. Insurance on the church and on the parsonage will be \$11,175.

This is just a sample of what a narrative budget might contain and the way it might be presented. Dollar figures are round and easy to comprehend. No totals, and no bottom-line figures are provided. Instead, there are estimates of costs and dreams for what more might be done if money is available.

Churches using narrative budgets note two things: (1) Few people, if any, ask for a line-item budget; (2) Giving to specific needs occurs more frequently. Narrative budgets do a better job of speaking a language that the majority of people can understand. Notice three things about the narrative budget. First, it lists the programs and missions of the church first. Often, pastoral support, building maintenance, insurance, apportioned funds, and salaries are listed first in a line-item budget. One school of thought says that budgets should be organized from the largest amounts to the smallest. The sad reality in today's church is that mission and ministry budgets often come last because they are the smallest. What implicit message does this send? Mission and program budgets fund the work of the church. It is important to highlight these needs first. These programs and ministries are what most people care about deeply. We do ourselves a great favor when we list these things first.

Second, no paragraph lists only one figure, but a variety of figures: a low, a medium, and a high goal. The low figure is the minimum needed to do the work that must be done. The middle figure is a dream figure that would allow us to do more than the minimum. The high figure is also a dream figure that allows us to provide a vision for what we could do if money were no object. Many people who read a narrative budget are so inspired by the medium and high goals that they will "go the second mile" to make the dreams a reality.

Last, certain budget amounts receive no description. These are fixed costs, such as insurance, utilities, and maintenance that do little to motivate increased giving. Few people plan to give more than is needed to cover the fixed costs of running the institution. "Sell" the work of the church rather than the maintenance of the building and organization. These three things increase the appeal and effectiveness of the narrative budget over the traditional line-item budget.¹³

SAMPLE

First Church 2006 Narrative Budget
“Changing Lives for Christ”

Your church leadership has constructed a bold plan of ministry to continue our mission of changing lives for Christ. We celebrate a wonderful past year but commit ourselves to even more lives coming to Christ in the new one. Join us in this journey of being God’s people in Cityville.

Our Plan of Ministry

A. To provide meaningful, life changing worship every week of the year.

Last year we held 112 worship services where, on an average week, 190 persons gathered to praise God and hear His Word. Fourteen persons gave their life to Christ for the first time in those services and nine rededicated themselves to serving the Master. The Special Music events of Easter and Christmas Eve had over 100 persons in attendance who were unchurched. One young man joined the church after one of these special services and was baptized. He said it was only the second time he’d been to church in his life. Today he’s volunteering time with our high school students.

Next year we plan to add a junior choir with at least twelve 3rd through 6th graders. Already, we’re planning on their singing on Palm Sunday. A new praise team is being trained and a second service is tentatively planned to begin in September. We want to increase our attendance to 220 and double the number of first time commitments of faith.

Budget Total - \$80,000

(% of pastor’s salary, pastor’s utilities, pastor’s expenses, pastor’s insurance, secretary, music director, continuing education, janitor, children’s ministry, music, janitor supplies, telephone, copier, insurance maintenance, utilities)

B. To nurture persons in their faith journey

Budget Total - \$37,000

C. To witness to our faith in service beyond ourselves

Budget Total - \$83,000

Total needed to fulfill our mission of “Changing Lives for Christ” - \$200,000

*A detailed line item budget is available in the church office for any who wish to review it.

Contrast this to the line item budget on reverse side.

SAMPLE

First Church 2006 Line-Item Budget
"Changing Lives for Christ"

<u>Income</u>		
Pledges		150,000
Non-Pledged Contributions		30,000
Sunday School Offering		5,000
Christmas Eve		5,000
Interest		10,000
	Total Income	200,000
<u>Expenses</u>		
<i>Operations</i>		
Utilities		8,000
Maintenance		5,000
Postage		5,000
Office Supplies		3,000
Insurance		8,000
Copier		2,000
Telephone		2,500
Janitor Supplies		2,000
	Total Operations Expenses	35,500
<i>Programs</i>		
Music		1,500
Stewardship		100
Missions		500
Children's Ministry		1,000
Youth Ministry		1,000
Adult Ministry		500
Boy Scouts		500
Archives		400
	Total Program Expenses	5,500
<i>Conference – Cooperative Giving</i>		
Support Services		12,000
World Missions		10,000
Russian Initiative		5,000
Retired Pastor Fund		5,000
	Total Conf. – Coop. Giving Expenses	32,000
<i>Staff</i>		
Pastor		50,000
Pastor Utilities		4,000
Pastor Expense		10,000
Pastor Insurance		10,000
Secretary		20,000
Music Director (PT)		10,000
Youth Director (PT)		6,000
Pulpit Supply		2,000
Continuing Education		5,000
Janitor		10,000
	Total Staff Expenses	127,000
	Total Expenses	200,000

CHURCH FINANCIAL REPORTING

Ineffective reporting:

- Using line-item budget
- Dividing budget by 12 or 52 and reporting monthly or weekly “need”
- Constant reporting of being behind budget
- Trying to analyze giving patterns by weekly or monthly receipts or by “giving units”
- Using any form of thermometer

Effective reporting:

- **Using narrative budget**
- Quarterly “Faith and Finance” report featuring
 - ✓ Quarterly income and expenses
 - ✓ Comparison to same quarter over last three years
 - ✓ Ministry testimonies
 - ✓ Giving testimonies
- Reporting and analyzing by households instead of giving unit