

Christ Fellowship

Financial Policy – Budget Adjustment Process

The church budget is a financial allocation plan for ministry. It reflects investments aligned with our vision and mission, annual focus, and overall direction. An approved budget is not an approval to spend funds, except where authority has been delegated to spend budgeted funds. Budgets are set up on a monthly basis – church finances are also managed on a monthly basis.

Historically, most ministries/departments spend less than what is planned in their budgets. In order to maximize the financial resources God brings to Christ Fellowship to achieve the mission He’s given us, we need to know when “unspent budget” is real and can be reinvested in other areas, or when it is due to expenses occurring later than planned. The Budget Adjustment Process provides a mechanism for helping us to maximize our financial resources.

The Budget Adjustment Process essentially modifies departmental budgets to reflect “unspent budget” and changes in timing of expenses, without affecting the integrity of the original approved budget details. Adjusting entries will be made to account to either *98998 Budget Adjustments-Timing* or *98999 Budget Adjustments-Unspent/Reinvestment* within each department. These budget adjustment entries can be easily reversed or modified if required.

Budget Timing Adjustment

To change the timing of expenses, the department manager must submit a **Budget Timing Adjustment Form** to the Operations Pastor no later than seven business days following the end of the month in which the expense was originally planned. If approved, an adjustment to **reduce** the budget by the amount requested will be made for the month in question and an offsetting entry will **increase** the budget the requested future month to reflect the new timing of the expense.

For example: A \$2600 invoice that was planned to be paid in March was not paid by the end of the month; actual payment will occur in mid-April. The department manager would submit a Budget Timing Adjustment Form explaining the situation. Once approved, the Finance department would enter -2600 in account *98998* for March and +2600 for April, essentially shifting \$2600 of planned expense from March to April.

The result is more accurate monthly financial reports allowing for better management of financial resources.

Two things to note about this process:

- The amount “moved” to later months cannot exceed the budget for the month in question.
- There is no need to utilize this process unless the unspent amount is close to or at the unspent budget (UB) amount mentioned below.

Unspent Budget

At the beginning of each year, the Finance team will establish an amount for each department that will trigger “unspent budget” activity, called the UB Amount. The UB Amount depends on the size of the annual budget:

Annual Budget	UB Amount
Up to \$25K	\$1,000
\$25K - \$100K	4%
\$100K - \$200K	\$4,000
\$200K - \$500K	2%
> \$500K	\$10,000

The part of the process to identify “unspent budget” will occur without the involvement of department managers. It is applied on a monthly basis as follows:

- On or about the eighth business day of each month, the Finance team will look at each department’s year-to-date (YTD) actual expenses and budget from the previous month.
- If YTD budget exceeds actual expenses by less than the UB Amount, then no further action is taken.
- If YTD budget exceeds actual expenses by the UB Amount or more, then a budget adjustment will be made to the previous month (generally). The adjustment will **reduce** the departmental budget by the difference between budget and actual expenses minus half the UB Amount. The department manager will be notified of this action via email.
Example (UB Amount is \$1,000): If at the end of February a department’s YTD budget is \$5,000 and expenses total \$2,100, a budget reduction of \$2,400 ($5,000 - 2,100 - 500$) will be entered for February, i.e. -2400 would be entered in account 98999 for February. The financial report would show that the department is \$500 better than budget, rather than \$2,900.
- An offsetting entry equal to the reduction would be added to an Unspent Budget G/L account. This will allow us to track overall expense performance against total budget and show what “unspent budget” may be available for ministry reinvestment.

Budget Reinvestment

Unspent budget may be reinvested in ministry at the direction of the Operations Pastor, Senior Pastor, or Elder Board. This reinvestment represents a change in the annual ministry plan. It is executed in the reverse order of unspent budget, and will be communicated to the impacted department via email. There is not a budget reinvestment form.



Budget Timing Adjustment Form

EXAMPLE

A *Budget Timing Adjustment Form* must be completed in order to request movement of unused budgeted funds to future months. Once completed and approved, the Finance department will make the adjustment to the budget and notify the department manager making the request. Please refer to the document entitled *Financial Policy – Budget Adjustment Process* for more information regarding this process.

General Information

Date: January 29, 2011	Department: 280 Communications <small>(number/name)</small>
Requesting Person: Bethany Russell	

Requested Budget Timing Adjustment

Month	From <small>(negative number)</small>	To <small>(positive number)</small>	Expense Description:
July			Easter advertising.
August			
September			
October			
November			Reason for Adjustment: Invoice received/paid later than planned.
December			
January			
February			
March	-2600		
April		+2600	
May			
June			

Department Manager Signature:	
Pastor of Operations:	

Review/Approval

Approved <input type="checkbox"/>	Denied <input type="checkbox"/>
Reason if Denied:	
Business Office Approval:	