Diocese of Dallas

Policy on Budgets

"Entity" means any diocesan entity (parish, parochial school, diocesan high school, seminary, Catholic Charities of Dallas, Inc., St. Joseph's Residence, Inc., Texas Catholic Newspaper, Calvary Hill Cemetery, etc.).

Each Entity is required to have annual operating and capital expenditure budget.

Prior to the 15th day preceding the start of the Entity fiscal year, the Finance Council or Entity board of directors shall approve an operating budget and a capital budget for the succeeding fiscal year.

For parishes and parochial schools, the budget must be in the same level of detail as the standard chart of accounts required for those entities.

Budgeting Revenue

Schools should first determine what expenses will be incurred and then should set tuition rates and resulting revenue. Tuition should be set at a level to cover the impact of tuition discounts or any unfunded financial aid. Parishes, however, should establish a revenue budget first before trying to determine what will be spent on specific programs and activities. For parishes, the most prudent approach to budgeting revenue may be to base it on the prior year's actual revenue. This should ensure available funds for unexpected expenses and for growth over time. By budgeting revenue before budgeting expenses, a parish is better able to:

(a) forecast the amount of resources available before becoming committed to various programs; and

(b) direct its resources toward its priorities.

Services cannot be offered without funding. The contribution side of budgeting is critical and should be given appropriate time and effort.

An effective budget for revenue generally has the following characteristics:

- **Realistic.** An unrealistic budget is not an effective tool. A revenue budget should realistically reflect the amount of revenue an Entity expects to receive during the next fiscal year. Unrealistic optimism about revenue only hurts the Entity. It is much more difficult to curtail or eliminate a program in the middle of the year than to plan and budget for reduced activities from the beginning.

- **<u>Consistent</u>.** The budget must be consistent with the long-term objectives of the Entity. Otherwise, the Entity will lose focus on its mission.

- **<u>Flexible</u>.** All budgets are based on assumptions about future conditions. The budget must be monitored and amended if conditions are not as expected.

Budgeting Expenses

Expenses traditionally receive much attention during the budget preparation process because they represent the activities of the Entity and result in the achievement of the Entity's mission. The Entity should estimate the cost of each program or activity. For continuing programs, the future year's expenses can be reasonably estimated based on current and historical information. The Entity should consider the following when preparing its budgets for expenses:

- Prior year's actual results
- The current year's revenue to date versus budget
- The current year's estimated results based on year-to-date actual results
- Any anticipated changes in the programs
- Historical trends in significant items such as group insurance and property insurance

It is more difficult and time-consuming to estimate expenses for new programs because of a lack of historical data. Costs to consider when estimating new programs include staffing, training, need for additional space, and supplies. In addition, the Entity should consider the objectives to be obtained (for example, the number of people the program expects to serve).

The accounting staff of the Entity should work together with the chief administrator and the appropriate councils and committees to develop a budget that reflects the Entity's goals and objectives for the proposed year. Those goals and objectives should assist the Entity in achieving its mission. It is important that Entity leadership has ownership of the budget preparation process and the final budget.