

**General Conference of Seventh-Day Adventists
West-Central Africa Division**

WAD Business Professional Convention

**Afrikland Hotel
Grand Bassam, Cote d'Ivoire**

**BUDGETING
JULY 3, 2017**

TOM EVANS, CPA - NAD TREASURER/CFO



The Bible Says:

For which of you, intending to build a tower, does not sit down first and count the cost, whether he has enough to finish it-- lest, after he has laid the foundation, and is not able to finish, all who see it begin to mock him, saying, 'This man began to build and was not able to finish.'

Luke 14:28-30



Treasurer/CFO or other financial officer

What type of builder are you?

- Treasurer/CFO or other financial officer.
- Is part of your task to prepare a budget?
- What does the policies of the church require?
- Is there a mission driven or spiritual component?



Policy mandate – GC Working Policy 2016-2017:

S 09 Financial Planning and Budgeting Process

S 09 05 Mission Driven Resource Allocation—Each organization shall have a mission driven, broadly based consultative financial planning and budgeting process with a committee structure that can give detailed review to the ongoing financial planning and budgeting for the organization. In some cases, this may take the form of a finance committee. In other cases, the organization may be small enough that the process is handled directly by the governing body involved. If the organization’s controlling board or executive committee establishes a separate committee for this purpose, the responsibilities should include reviewing budget requests and the review of the annual operating budget as well as a review of the organization’s financial position as reflected in the financial statements. The approval of the budget and the review of the organization’s financial statements would then be recommended to the controlling board or executive committee for action. In order to build a strong constituency, all conferences/missions/regions/field stations are encouraged to prioritize mission in the budgeting process.



Policy mandate – GC Working Policy 2016-2017:

Model Constitutions and Bylaws for officers and their relationships:

- **Executive Officers:** The executive officers of this union conference shall be a president, a secretary, and a treasurer/chief financial officer. The secretary and treasurer/chief financial officer may be one individual known as the secretary-treasurer. It is the duty of these officers, in consultation with one another,.....
- **President:** The president, who shall be an ordained minister of experience, is the first officer and shall report to the executive committee of the union conference in consultation with the secretary and the treasurer/chief financial officer. It is the duty of these officers, in consultation with one another,
- **Secretary:** The secretary, associated with the president as an executive officer, shall serve under the direction of the executive committee and shall act as vice-chair of the executive committee. The secretary shall report to the executive committee of the union conference after consultation with the president.
- **Treasurer/Chief Financial Officer:** The treasurer/chief financial officer, associated with the president as an executive officer, shall serve under the direction of the executive committee. The treasurer/chief financial officer shall report to the executive committee of the union conference after consultation with the president.



Policy – GC Working Policy 2016-2017:

Article X—Budget, Employee Compensation Review, and Financial Audit

Sec. 1. Budget: The _____ Union Conference shall prepare an annual budget in harmony with the policies of the _____ Division of the General Conference of Seventh-day Adventists.

Sec. 2. Employee Compensation and Expense Review: The executive committee shall appoint an employee compensation and expense review committee whose tasks are outlined in General Conference *Working Policy*.

Sec. 3. Independent Audit: A financial audit of this union conference shall be conducted at least annually by an auditor chosen in harmony with General Conference *Working Policy*; and the records of this union conference or any of its subsidiaries, agencies, or institutions shall at all times be open to said auditor.



Budgeting - Process Matters

Minnesota Budget Project – Five principles for a Better Budget Process One example of another point of view from Minnesota, USA

1. Responsible fiscal management – financial standing and bond ratings depend on adequate reserves.
2. Clear lines of accountability – policymakers held accountable for decisions they make.
3. Flexibility to respond to short-term challenges and plan for a long-term vision – circumstances will change.
4. Good financial information – policymakers and public (members) require comprehensive and understandable information.
5. Stability in the decision-making process – There is also great value to ensuring consistency in the procedures that guide the decision-making process.



Budgeting - another source - OECD

Principles of Budgetary Governance – 10 recommendations – OECD

(The Organization for Economic Co-operation and Development (OECD))

1. Manage budgets within clear, credible and predictable limits for fiscal policy.
2. Closely align budgets with the medium-term strategic priorities of government.
3. Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner.
4. Ensure that budget documents and data are open, transparent and accessible.
5. Provide for an inclusive, participative and realistic debate on budgetary choices.
6. Present a comprehensive, accurate and reliable account of the public finances.
7. Actively plan, manage and monitor budget execution.
8. Identify, assess and manage prudently longer-term sustainability and other fiscal risks.
9. Identify, assess and manage prudently longer-term sustainability and other fiscal risks.
10. Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation through rigorous quality assurance including independent audit.



Budgeting - Preserve Articles

Principles of Budgeting in Management – 10 most important from Preserve Articles - home of thousand of articles

- 1. Planning – preparation of budget – planning and budgeting**
- 2. Research – research of the needs**
- 3. Balancing the Budget – sound financial management**
- 4. Control – supervision of the financial flow to various departments**
- 5. Executive discretion – degree of discretion by executives**
- 6. Annularity – annual budget – that year only**
- 7. Executive Responsibility – movement of funds in budget year**
- 8. Rule of lapse – funds left over go unspent unless approved**
- 9. Classification – understanding the expenditures**
- 10. Unity – all fund sources are identified and expenditures are met**



Budgeting

Seventh-day Adventist Accounting Manual - January 2011 Edition - General Conference of Seventh-day Adventists

- Let me recommend to you the sections from the Seventy-day Adventist Accounting Manual – dated January 2011
- I would also recommending a copy of the General Conference Working Policy – Hard copy or PDF version for your computer
- If you do not have a copy of SDAAM you should get one and I refer to several sections (the manual will be updated)

- Section 803 – Use of Budgets
- Section 804 – The Operating Budget
- Section 805 – The Capital Budget
- Section 806 – Monitoring Actual Results



Budgeting – What do we do?

Where do we begin with this Christ centered budget:

- **Begin with God's word and prayer to God for Guidance**
- **Be transparent as you start the process**
- **Consult with the other officers as to the important budget needs going forward**
- **Be fair with the office staff and those that will benefit**
- **Consider using cost center meetings with staff**
- **Consider all sources of funding**
- **Be efficient in use of the resources**
- **Will the outcome be endorsed by God's word**
- **Think how you will present this budget to the committee**
- **Remember that these funds are not yours but are for the good and continued success of your organization**



Budgeting

Some objectives:

- Provide structure in preparing the budget
- Think about your cash flow needs
- Think about the allocation of funds
- Model some sceneries
- Think of ways to measure performance from prior budgets and how it will effect this new budget
- Know the budget policies and your mandate



Budgeting

Set Realistic Goals

- Update the budget assumptions
- Determine all resources of available funding
- Create a budget template depending on your computer program
- Work with departmental directors in your cost center meetings and/or obtain the departmental budgets (actual and wish list)
- Study revenue forecasts for the future
- Obtain the capital budget requests
- Prepare a remuneration and benefits budget for staffing currently and possible future additions (very important)
- Do not budget for more staff then the budget will support
- Look at appropriations to higher and lower organizations



Budgeting

So to begin

- What are the main sources of funding – tithe, non-tithe, offerings and appropriations both incoming and maybe outgoing
- Think about budgeting no more than 95% of prior years tithe, that can change depending on when you present your budget – if before current tithe is know or after you close the year for current year tithe
- Have a discussion with the officers, VP's, departmental directors individually or preferred method in a cost center setting
- Look at all the voted changes that will effect the budget such as the new remuneration factor



Budgeting

So to begin - continued

- Prepare the detailed remuneration and benefits budget for staffing - including travel – now and future additions
- Look at each accounting function as to changes needed – most of the expenses carryover do not change much, but remuneration does effect function
- Build budget without any function balances to see if budget will balance
- If a function balance is for a project consider it in budget
- If under 100% working capital consider building a “profit” into the budget



Budgeting

So to Begin – continuing

- **Make the changes necessary to balance the budget – make sure you have officer support – seldom does the budget balance on first pass**
- **Have a provision to tweak the budget once the final tithe and offerings figures are known if making the budget before closing the current year**
- **Once the budget is completed you can bring in the balances forward – usually after the year is closed**



Budgeting

So to begin – continuing

- Present the budget to the executive committee – PowerPoint good way to present – make it readable
- If the committee votes changes make the adjustments to the budget
- Once the budget is set stick to it. There is pressure to hire folks for whatever reason and avoid that practice. There can be executive committee pressure as well
- You only have so much money to work with – make it stretch



Budgeting

Thoughts

- The NAD financial statement is about 334 pages with a budget by itself of 285 with just the functions accounts
- Here is an example of a function that has been budgeted. Note the amounts and the tracking
- At the end of the year on the administrative functions the “left overs” all go back the tithe function
- For the project functions they usually carry forward unless redirected to another project
- This function will be hard to read but you might get the flavor



**North American Division of SDA
Combined All Funds
Statement of Financial Activity
Period Ending December, 2016 and 2015**

<u>Code</u>	<u>Schedule by Functions</u>	Actual 2016	Budget 2016	Increase (Decrease)	Annual Budget 2016	Actual 2015
399500 - Treasury						
01 - UNRESTRICTED INCOME						
<hr/>						
02 -	Total Unrestricted Income	0.00	0.00	0.00	0.00	0.00
<hr/>						
04 -	Total Unrestricted and Support	0.00	0.00	0.00	0.00	0.00
<hr/>						
05 - EXPENSES						
811100	Basic Salary and Wages Expense	460,513.00	440,060.28	20,452.72	440,060.28	443,513.63
811101	Basic Salary and Wages Expense for Part-Time	1,815.74	7,000.00	(5,184.26)	7,000.00	7,343.50
811170	Spouse Travel Benefits	7,859.51	0.00	7,859.51	0.00	4,672.51
811180	Employee Benefits	117,509.44	154,242.70	(36,733.26)	154,242.70	128,858.15
811190	Accrued Payroll Expense	0.00	0.00	0.00	0.00	(8,425.22)
811200	Housing Allowance	158,810.21	151,710.00	7,100.21	151,710.00	153,873.96
811300	Area Travel	26,612.87	25,200.50	1,412.37	25,200.50	25,546.65
811320	Auto Insurance Subsidy	10,697.41	10,798.56	(101.15)	10,798.56	10,785.07
812200	Payroll-based Contributions to DB Plans	87,268.69	84,833.48	2,435.21	84,833.48	85,442.94
812300	Employer Basic Contributions to DC Plans	30,966.17	29,519.64	1,446.53	29,519.64	29,863.31
812400	Employer Matching Contributions to DC Plans	18,579.71	17,711.76	867.95	17,711.76	17,917.99
817100	Employer FICA and FICAMED Expenses	52,415.39	47,041.86	5,373.53	47,041.86	50,761.64
818200	Employee Continuing Education	4,504.00	3,000.00	1,504.00	3,000.00	2,285.00
822100	Employee Regular Travel	81,204.48	126,400.00	(45,195.52)	126,400.00	61,171.40
822330	Officers' Spouse Travel	0.00	3,000.00	(3,000.00)	3,000.00	0.00
823100	Employee Special Travel	851.24	4,800.00	(3,948.76)	4,800.00	3,820.54
825100	Non-employee Travel	1,213.76	3,500.00	(2,286.24)	3,500.00	607.62
872100	Committees and Meetings Expenses	417.50	7,500.00	(7,082.50)	7,500.00	624.00
872105	Convention Expenses	4,216.19	0.00	4,216.19	0.00	0.00
878110	Trustee Contributions	0.00	1,000.00	(1,000.00)	1,000.00	0.00
881100	Office Supplies	5,460.09	4,000.00	1,460.09	4,000.00	5,067.16
882100	Postage and Shipping	2,766.23	3,500.00	(733.77)	3,500.00	3,263.32
884100	Printing and Copying	8,432.78	15,000.00	(6,567.22)	15,000.00	18,647.43
887100	Telephone Expenses	5,752.22	7,000.00	(1,247.78)	7,000.00	6,991.46
887110	Email and Internet Expenses	1,445.88	2,000.00	(554.12)	2,000.00	1,965.62
888110	Books and Periodicals	1,872.45	1,500.00	372.45	1,500.00	2,150.02
891100	General Expense	10,360.93	16,000.00	(5,639.07)	16,000.00	15,023.23

823100	Employee Special Travel	851.24	4,800.00	(3,948.76)	4,800.00	3,820.54
825100	Non-employee Travel	1,213.76	3,500.00	(2,286.24)	3,500.00	607.62
872100	Committees and Meetings Expenses	417.50	7,500.00	(7,082.50)	7,500.00	624.00
872105	Convention Expenses	4,216.19	0.00	4,216.19	0.00	0.00
878110	Trustee Contributions	0.00	1,000.00	(1,000.00)	1,000.00	0.00
881100	Office Supplies	5,460.09	4,000.00	1,460.09	4,000.00	5,067.16
882100	Postage and Shipping	2,766.23	3,500.00	(733.77)	3,500.00	3,263.32
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888110	Books and Periodicals	1,872.45	1,500.00	372.45	1,500.00	2,150.02
891100	General Expense	10,360.93	16,000.00	(5,639.07)	16,000.00	15,023.23
891130	Professional Development	19.99	1,000.00	(980.01)	1,000.00	245.00
891140	Professional Memberships	1,616.00	2,000.00	(384.00)	2,000.00	940.17
891150	Entertainment Expense	558.47	1,000.00	(441.53)	1,000.00	2,737.81
893210	Software Maintenance	3,000.00	6,000.00	(3,000.00)	6,000.00	6,000.00
898160	Software Expense	1,730.00	7,000.00	(5,270.00)	7,000.00	6,900.00
898250	Small Equipment Purchases	0.00	1,000.00	(1,000.00)	1,000.00	770.97
898500	Contract Workers Wages	300.88	2,000.00	(1,699.12)	2,000.00	555.47
898715	Bank Fees	13,451.28	13,500.00	(48.72)	13,500.00	13,792.49
901400	Office Rent	44,653.32	44,656.23	(2.91)	44,656.23	44,656.20
988100	Misc. Other Expenses	0.00	0.00	0.00	0.00	8.63
06 -	Total Expenses	1,166,875.83	1,244,475.01	(77,599.18)	1,244,475.01	1,148,377.67
07 -	Net Increase (Decrease) From Operations	(1,166,875.83)	(1,244,475.01)	77,599.18	(1,244,475.01)	(1,148,377.67)
08 -	TRANSFER IN (OUT)					
996100	Transfers Received from Other Functions	1,166,875.83	1,244,475.01	(77,599.18)	1,244,475.01	1,148,377.67
996100/0001	Unallocated Tithe [FT]	1,166,875.83	1,244,475.01	(77,599.18)	1,244,475.01	1,148,377.67
09 -	Net Transfer In (Out)	1,166,875.83	1,244,475.01	(77,599.18)	1,244,475.01	1,148,377.67
10 -	Net Increase (Decrease) After Transfers	0.00	0.00	0.00	0.00	0.00
11 -	Unrestricted Net Assets, Beginning	0.00	0.00	0.00	0.00	0.00
12 -	Unrestricted Net Assets, Ending	0.00	0.00	0.00	0.00	0.00
24 -	TOTAL NET ASSETS	0.00	0.00	0.00	0.00	0.00

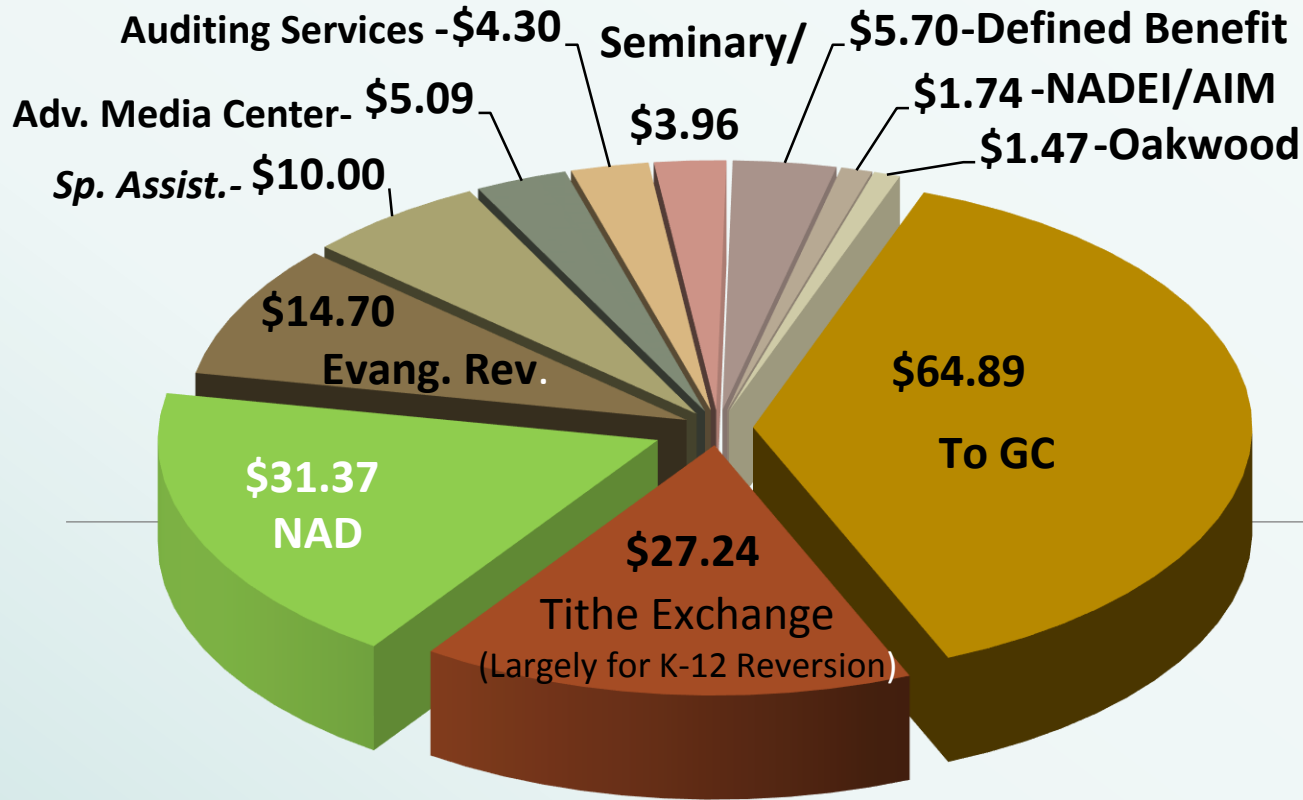
Budgeting

Example

- **Make the presentation of the budget easy for the committee to understand**
- **I usually send the shortened version of the budget to the executive committee with the opportunity upon request to receive the full document**
- **I send it by PDF to the committee and at the executive committee at year end I present the statement and budget by PowerPoint graphs**
- **Example – Think what you would want to see if sitting in the audience**



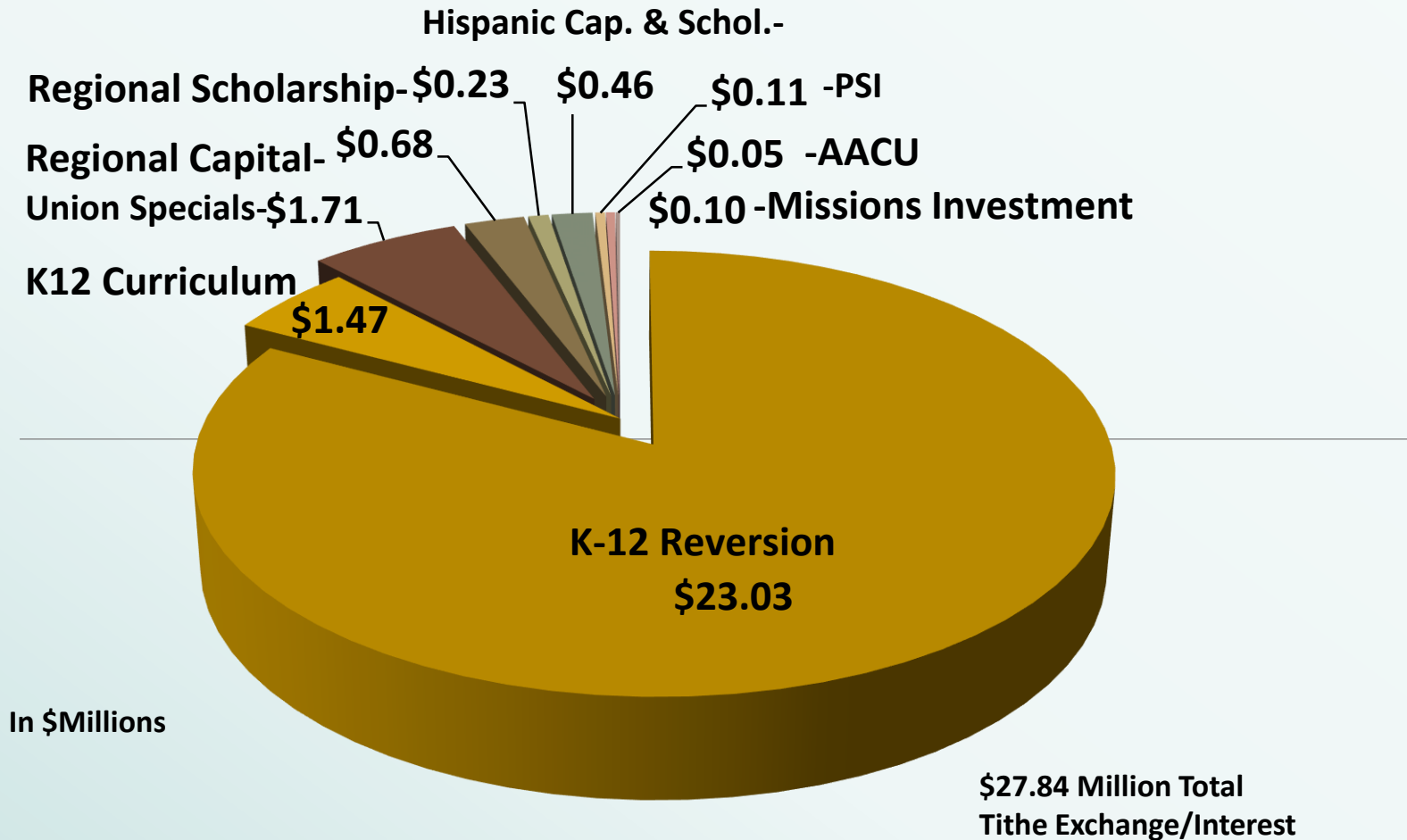
2017 Budgeted NAD Use of Tithe Funds:



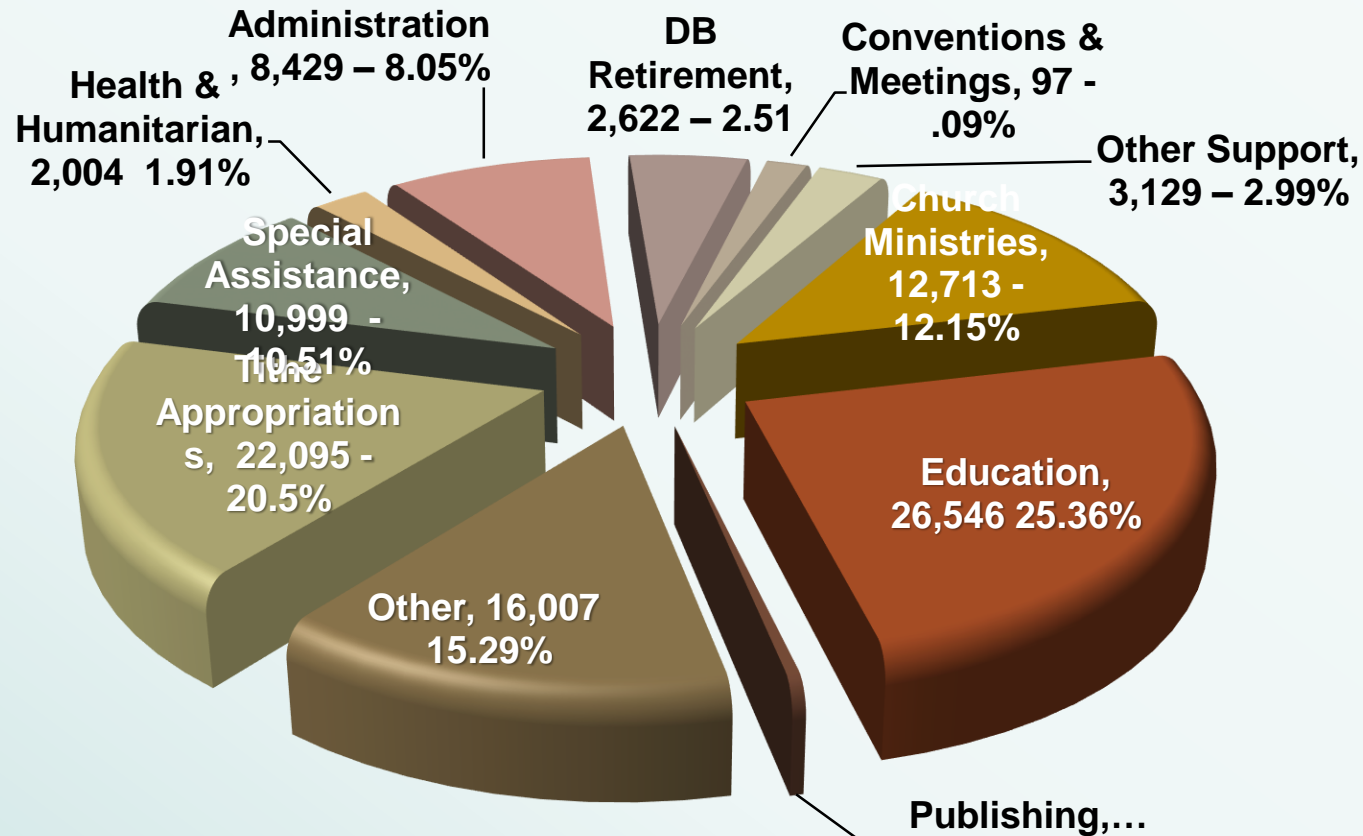
\$170.46 Million Total Tithe:



2017 Non-Tithe Budget Distribution Graphed:



NAD 20XX Expenses - \$113,300,470



Influence Measured--Heaven is watching to see how those occupying positions of influence fulfill their stewardship. The demands upon them as stewards are measured by the extent of their influence. In their treatment of their fellowman, they should be as fathers,--just, tender, true. They should be Christ-like in character, uniting with their brethren in the closest bonds of unity and fellowship.--*Gospel Workers, p. 495. {ChL 21.1}*



Thank You – The End

