



The Evangelical Covenant Church

# How to Create a Narrative Budget in Your Church

## Tell the story!

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**Tell the story that your church is on mission—not “just” an institution to be maintained through staff, buildings, mortgage, and administration. And celebrate!**

### **We are a people of God, continually responding to God’s call**

Every congregation has its own compelling story of faith and impact. A narrative budget helps you clearly communicate that story and provides opportunities to see and celebrate how God is at work. The goal of a narrative budget is to paint a picture of a church’s mission and to inspire people to give, serve, and share more of the good news of Jesus.

### **What is a narrative budget and why use one?**

A traditional budget consists of line items for salaries, utilities, property expenses, office supplies, etc. A narrative budget identifies four to six ministry categories and illustrates how all of the church’s giving impacts lives through those ministries. It is a story-focused means of demonstrating how funds given will be deployed to accomplish your church’s mission, transforming a line-item budget into a compelling picture of mission and ministry. A narrative budget combines all expenditures into those ministry priorities and does not include specific categories for personnel, building operations, mortgage or administrative expenses. Instead, it prorates

such expenses into the ministry categories they serve, drawing a straight line between giving and spending so that budget discussions can stay focused on mission priorities and impact.

You will still need a line-item budget for accounting purposes, but it is a mistake to ask the congregation to vote on a line-item budget. A narrative budget is mission-focused and can be included in your outreach packet for newcomers.

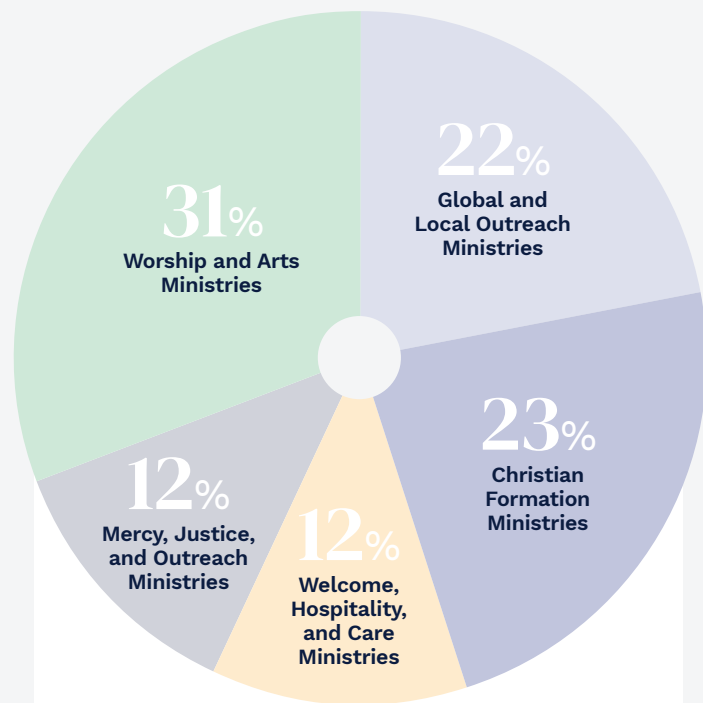
### **Advantages of a narrative budget**

- Closely connects the mission of the church with the budget.
  - Keeps the focus on how God is at work.
  - More clearly represents how expenses for personnel, building and maintenance costs, operational expenses, etc., are used to support mission and ministry.
  - Can help avoid arguments over small amounts of money and minor issues.
  - Acknowledges that a line-item budget is an accounting tool, not a picture of the church’s vision.
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# How to create a narrative budget

1. **Review your mission statement** to make sure it clearly states who you are and what you care most about.
2. **Identify 4-6 main areas of mission and ministry** (which usually involves combining some categories). Areas in Covenant churches often include:
  - Evangelism and Missions
  - Worship and Arts
  - Mercy and Justice
  - Christian Formation (all ages)
  - Care and Hospitality
3. **Write a short statement explaining the purpose of each area** (1-2 sentences). List examples of what your church is doing in each area, as well as new aspirations.
4. **Prorate expenses in each area**, such as staff salaries and benefits, building use, mortgage costs as a percentage of building use, administration. For instance, if the senior pastor spends 30% of her time on worship-related issues, then 30% of her employment costs are placed in the Worship and Arts area. Prorate the cost of building, utilities, mortgage, office equipment, etc., that support each ministry area. This may require some educated guesses. **IMPORTANT:** Categories such as personnel, building and grounds, operations, etc., never appear as discrete categories in a narrative budget.
5. You may choose to develop **methods to demonstrate volunteer hours** for each ministry area if the congregation wishes.
6. **Create a line-item budget for accounting purposes** to be used by the board (council, leadership team) and staff.
7. **Send a letter to the congregation ahead of your annual meeting** explaining that a narrative budget will be presented. (See *sample letter*.) At the meeting itself, **explain that a line-item budget is available in the church office** upon request.
8. Expect some questions, and be ready to explain why a narrative budget is important in helping the church stay focused on mission. **Celebrate the good ministry that is happening with short testimonials when possible.**

## Sample Covenant Church Proposed Budget



### SAMPLE MISSION STATEMENT

To bring Christ's hope, healing, and wholeness to our community and our world.

### EXPECTED INCOME

Tithes and Offerings . . . . .	\$475,000
Building Use Fees . . . . .	\$20,000
Interest and Other Income . . . . .	\$5,000
<b>Total 2022 Projected Income . . . . .</b>	<b>\$500,000</b>

**RESOURCES:** To view the instructional narrative budgeting video, and to learn more visit [covchurch.org/resources/narrative-budget](http://covchurch.org/resources/narrative-budget)

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**NARRATIVE BUDGET EXAMPLE**

**Your Covenant Church**

*Proposed 2022 Ministry Funding Plan*

**PLANNED MISSION AND MINISTRY EXPENDITURES**

*For 2023, our leadership team is presenting a narrative budget that places planned expenses into five major ministry priorities. In each category we have included the prorated amount of staff time (compensation costs), facility use (building costs), and administrative support (operational costs) to provide a clear picture of the investment our church is making in each ministry category.*

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**Global and Local Impact Ministries.** Blessing and bringing hope to those near us and far away with the good news of Jesus.

..... \$107,200 | **21.4%**

*Includes:* 3StrandStrong giving for the mission and ministry of the Evangelical Covenant Church (6.5%) and our regional conference (3.5%), FREE (Covenant anti-sex trafficking), Covenant World Relief and Development, Paul Carlson Partnership (healthcare in Congo), Johnsons (Covenant global personnel), Carlsons (Covenant global personnel), Millers (local Young Life staff), Jordans (MAF, Indonesia), and materials and supplies.

**Christian Formation Ministries.** Forming and shaping Christian disciples of all ages in the image of Christ.

..... \$116,800 | **23.4%**

*Includes:* Sunday school curriculum, teacher and leader training and development, nursery supplies, presentation Bibles, VBS, camp and retreat scholarships and subsidies, child-care for outreach events, brochures, small groups, Covenant devotional materials, new member class.

**Welcome, Hospitality, and Care Ministries.** Striving to make everyone feel at home and at ease when they attend our church for worship or a special event, and caring for each other with the love of Jesus.

..... \$61,150 | **12.2%**

*Includes:* Espresso stand, equipment, and supplies; main kitchen equipment maintenance and supplies; newcomer Bibles; newcomer giveaway mugs; church brochures and Welcome Center supplies; training for greeters, ushers, parking lot attendants.

**Mercy, Justice, and Outreach Ministries.** Witnessing to the Lordship of Christ through community outreach and acts of mercy and kindness while advancing our commitment to justice and racial reconciliation.

..... \$57,950 | **11.6%**

*Includes:* Outreach brochures, justice curriculum and training events, special speakers, equipment for community work projects, signage and communications, benevolence fund.

**Worship and Arts Ministries.** Glorifying God through inspirational corporate worship experiences on Sundays and special occasions.

..... \$156,900 | **31.4%**

*Includes:* Sanctuary decorations, communion supplies, musical instruments purchase and maintenance, leader and band training, sheet music and choir supplies, audiovisual equipment, CCLI license.

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**Total of All Mission and Ministries** ..... \$500,000 | **100%**



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## SAMPLE LETTER INTRODUCING NARRATIVE BUDGET

DATE HERE

### *Dear Congregation,*

We look forward to our upcoming annual congregational meeting on [date], and we request everyone to make your attendance a priority. This is an important time for us to discern how God is leading us in mission in the year to come. This year our church will join many other churches in following the recommendation of our denomination in presenting a narrative budget for the congregation's discussion and approval. A narrative budget is a story-focused way to demonstrate how funds will be used to accomplish our church's mission. Calling it a "narrative" budget means we are focusing on how we plan to invest in mission and ministry as we fulfill our commitment to [insert mission statement]. A narrative budget organizes all our planned expenditures around our key mission and ministry categories.

The categories we have identified are [insert categories your church leaders selected]. Expenditures such as administration, building and grounds, mortgage, and personnel are not listed as separate categories. Rather, their costs are integrated into the mission and ministry categories they support. The advantage of a narrative budget is that it more accurately reflects what we plan to spend on our church's mission by showing the portion of staff time, building use, administrative support, mortgage, etc., that goes toward each ministry category.

A traditional line-item budget remains a valuable accounting tool, and we will preserve it for our treasurer and finance staff to manage and record expenses. We hope this approach will give our meeting a greater focus on how we are attempting to live out our mission as a church.

Please be in prayer for a great and visionary annual meeting.

*Eagerly Serving,*

**First Last Name Signee** | TITLE HERE OF SIGNEE