



The Budget



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What is a budget?

A budget is a financial document used to project future income and expenses. The budgeting process is carried out by the Budget Committee to estimate whether the church can continue to operate with its projected income and expenses. A budget may be prepared simply using paper and pencil, or on a computer using a spreadsheet program like Excel, or with a financial application like Quicken or QuickBooks.

Many times churches with small annual incomes feel it is not necessary to have an annual budget. But neither the size of the church nor the size of the income should be the determining factor. In fact, the smaller the income, the more critical the need may be to know exactly what your financial needs projection and from where your dollars are projected to come.

Who needs an annual budget?

Your church does.

A budget is an important step in being a good steward of God's money. It certainly is an important planning activity for good administration.



Relationship of the Budget to the Church's Strategic Plan

There are several reasons for preparing an [annual budget](#). The obvious reason is so you can know how much income your church will need for the coming year, and thereby eliminate a crisis approach to church financing. However, rather than being a dreaded, meaningless chore, a projected annual budget can be a great tool in aiding future planning. Your budget is one step in [strategic planning](#).

Budget time is a time for setting goals and designing programs; of stretching your faith to see what you want your church to be and what you want to do in the next year; of seeking new vision from God for the mission and ministry of your church. The [financial planning](#) of our church should be [mission](#) driven, not maintenance constrained. You should not be budgeting to keep the lights on and the doors open (though that is important). You should budget to fulfill God's purpose for your church at this time in this place.

The budget provides a [forecast](#) of [revenues](#) and [expenditures](#) and enables the actual financial operation of the church to be measured against the forecast. The process for preparing a monthly budget includes a listing of all sources of annual income and a listing of all annual expenditures. A budget communicates the church's values and priorities. Therefore, resource use should be aligned with the church's [strategic plan](#). The staff will use the budget to determine whether resources are being appropriately and beneficially used to achieve the church's stated mission and objectives.

The budget is the numerical representation of an action plan for a specified time period. It expresses in dollars the action plan's future human and material resource needs. Identified in the budget are the sources of funds (namely, income) such as annual giving, enduring gifts, major project campaigns, and [fundraising](#), along with their planned uses (namely, expenditures), such as [salaries](#), [benefits](#), operations, ministry expenses, physical plant, supplies, and [tithes](#) to UFMCC.

A budget should be flexible enough to enable the church to take advantage of unexpected opportunities and to withstand the shock of unanticipated fluctuations in planned resources.

Budgeting is the process of matching planned uses to available resources. The foundation of a budget consists of estimates of the resources needed to deliver services and the costs of those resources.

A church's budget may include funding for [unrestricted](#) uses, such as ministry, as well as funding for [restricted](#) uses, such as benevolent activities and [endowed](#) scholarships. Resources whose use is restricted by either a donor or an external agency can only be budgeted and used for the specified purpose. Although unrestricted resources provide the greatest flexibility, contractual commitments to staff can limit the ability to shift even those resources from one use to another.

Typically, the Board of Directors creates and manages an [operating budget](#), which is the church's blueprint for the core missions of worship and community service. A ministry with special facility or equipment needs may be asked to identify resources in its operating budget that will be transferred to the church's [capital budget](#). A capital budget includes the resource plans for building or renovating new facilities, buying major pieces of equipment, or improving the church's infrastructure.

Relationship of the budget to the church's stewardship plan

A [stewardship campaign](#) is an organized program (plan) to educate and motivate the people in the local church to spiritual faithfulness. Although finances are usually the focus, an effective stewardship campaign is not just limited to finances. It includes the broader purpose of educating people in the proper management of their time, talent, and treasure for the glory of God, i.e., the total stewardship of the believer.

A formal stewardship campaign is important because this amount may not be feasible for some congregants, and others need reminders of how important their gifts are to the church. A good campaign can help the financial leaders of the church put together the annual budget and plan for capital expenditures. Stewardship encompasses more than just financial giving. It includes encouraging congregants to give their time and talent, as well as their money, in service to the church.

The primary purpose of the annual stewardship campaign is to create the congregational resources for the ministries that the church intends to undertake to fulfill its mission as expressed in the annual budget. A key to a successful campaign is not to place the emphasis on the project and the needed funding, but rather place the emphasis on the true purpose for which all church stewardship campaigns should be undertaken, ministering to the surrounding neighborhoods and beyond. An effective campaign will emphasize ministry awareness and challenge growth in faithful stewardship. Budgets inspire very few congregational members. On the other hand, the stories of ministries completed and ministries projected can be truly exciting and inspirational.

Initiating the stewardship campaign process is the much needed step of faith that should be followed by making sure the congregation believes the financial goal of the campaign is a realistic expectation. In other words, the congregation needs to believe that if they truly seek God's leading and make sacrificial decisions in relationship to that leading, that the campaign will reach its financial goal, and in doing so, will meet the vision goal of the campaign.

So, how much funding can be provided through a stewardship campaign? Something between 1.9 and 3.0 times a church's annual general budget is generally considered a reasonable expectation. Studies show that 98% of churches can raise the same amount as their annual budget; 55% can raise two times their annual budget; and 25% can raise three times their annual budget, assuming that the stewardship campaign is well received by the congregation, that the plan is well conceived, and that the plan is carried out in an organized and motivating manner.

Relationship of the Treasurer to the Stewardship Team

The [Stewardship Team](#) in the local church exists to educate the congregation in the Biblical principles of whole life stewardship. Therefore the committee should be made up of those who are not primarily responsible for the financial management of the budget, but those who are passionate about growing people and extending mission. The task of stewardship is the formation of the people of God into people who reflect God's generous character. This is a grace-filled and grace-fueled task that gives adequate room for the tension between grace and discipline in Christian formation.

The Treasurer works with the Stewardship Team to help members understand how the budget is the ["mission statement"](#) for the church. The Stewardship Team plans a year-round stewardship program in support of the church mission statement. The Stewardship Team serves the congregation. It does that best when it has a sense of the congregation's mission.



Role and Responsibilities of the Stewardship Team

Stewardship Team Mission Statement

The mission of the Stewardship Team is to further the mission of our church community by fostering an awareness of God's abundant blessings in the gifts God has given each of us; and encouraging and enabling our congregants to respond to God's love by freely sharing these gifts of time, talent, and treasures.

Stewardship Team Purpose

The purpose of the Stewardship Team is to serve God and minister in God's church in the teaching and development of Christian stewardship to the members and constituents of the congregation. The Stewardship Team assists the pastor in developing Christian Stewardship as a way of life in the church, i.e. an attitude of the mind and heart that is expressed in action; emphasizing that all people, things, and experiences are gifts from God. An active Stewardship Team is an important and necessary element in designing, implementing and maintaining the church's Stewardship process. This team is instrumental in assisting the pastor in the areas of education and formation, facilitation, communication, implementation, follow-up, and evaluation of the church's stewardship process.

Stewardship Team Responsibilities

Stewardship Team responsibilities will vary based on each church's needs and situation, but should include some or all of the following:

- Assist the Senior Pastor and church leadership in the overall design, implementation and evaluation of the church's stewardship process
- Develop a comprehensive timetable and related procedures to facilitate the annual renewal process
- Pursue available forms of communication to build awareness of stewardship and church activities, such as bulletins, the church website, newsletters, town hall meetings, etc.
- Coordinate stewardship efforts with the church welcoming program
- Maintain a catalogue of church ministries and organizations
- Review and revise, if necessary, the church time and talent commitment forms to be sure they appropriately represent the mission, ministries, activities, and structure of the church
- Host periodic stewardship presentations to church leadership explaining stewardship in general, the church renewal process, and the importance of stewardship in the church community
- Assist in seeking and selecting speakers for personal stewardship witness presentations.
- Recruit volunteers, if necessary, to assist the Stewardship Team in the preparation, assembly, mailing, and/or other distribution of stewardship materials and commitment forms
- Design and implement a timely thank you process to all congregants who complete and remit commitment forms.
- Promptly compile and distribute timely lists of volunteers to all church ministry leaders
- Work with the appropriate church ministries and church groups to ensure that those who volunteer are contacted and invited to become involved
- Evaluate church stewardship and awareness efforts on an annual basis

Timeline for Preparing the Budget

One issue that is paramount in doing a budget is getting the congregation to buy into the budget through ownership. Once this occurs, the congregation will have the confidence to realize the wisdom and purpose of the budget. This requires a specified number of church members to be involved in developing the annual budget, that is, no one person has control over the final outcome; it is a product of the empowerment of the church. A method of involving the most people in the budgeting process is most likely to produce these results. This process should produce top-down support for the budget and purpose of the church.

The [Budget Committee](#) should begin their task at least **five (5) months** prior to the date of the [Congregational Meeting](#) at which the annual budget will be approved (typically held in the Fall) as the proposed budget will need to be presented to and affirmed by the Board of Directors prior to the Congregational Meeting. The church fiscal year is typically 1 January through 31 December. Typically the draft budget would be finalized by the Budget Committee and reviewed/affirmed by the Board at the August Board of Directors meeting to be ready for presentation to the congregation at an October Congregational Meeting. An October vote allows for the possibility of a failure of the budget to pass at the regular Congregational Meeting and a revised budget to be drafted and voted on before the beginning of the next fiscal year.

A group of church leaders needs to be organized as a Budget Committee to orchestrate the development of the budget. Members of the Budget Committee should have strong financial management skills. Typically, the Budget Committee consists of the Treasurer, Assistant Treasurer (if you have one), the Fundraising Team Chair, and two or three other members from the congregation. It is vitally important that the leadership of the church be integrally involved in the process.

Working with a Budget Committee

The Budget Committee's charter is to develop an annual church budget, which is tied implicitly to the mission and vision, as well as the resources of the church.

Core Competencies of the Budget Committee

Each member of the Budget Committee must be a member of the church and be in agreement with the Bylaws of the church. Budget Committee members should have experience with the church and involvement in the ministries of the church. Committee members must be above reproach in all dealings regarding the church's financial resources. They are expected to be honest and to make decisions consistent with the bylaws and policies and procedures of the church.

While the Budget Committee members may have different strengths, each member is to recognize that the effectiveness of the Budget Committee comes from working together as a team. Members of the Committee are to serve in a spirit of mutual respect and trust. They are to be committed to a spirit of unanimity in decisions, and will seek to pray through issues until each member has a similar sense of how God is leading in a particular decision.

Prior experience with budgetary management is also helpful as the Budget Committee members should understand financial and quantitative information to make the highest impact financial decisions for the church. Each member is expected to regularly attend Budget Committee meetings, arrive at meetings on time, and make their commitment to the Budget Committee a high priority. Members of the Budget Committee are to be committed to listening intentionally to others, understanding the points of view of others, and to taking proactive steps to understand the financial needs and objectives of the church.

The Budget Committee will hold all sensitive financial data in strictest confidence. Members of the Committee may only share the church's confidential financial information with those individuals duly authorized to be given such information. Each member of the Committee will be asked to sign a Confidentiality Agreement whereby a commitment is made to keep confidential financial information within the Committee.

Relationship of Treasurer to the Budget Committee

The Budget Committee should be chaired by the Treasurer. The Treasurer and Fundraising Team Chair establish the overall budget amount (projected income) for the upcoming fiscal year. This is done with foresight into potential growth in revenue and challenges in ministry.

Role and Responsibilities of the Budget Committee (Sample Ministry Description)

The Budget Committee is responsible for recommendation and oversight of the church's budget. The Committee will also develop [financial policies](#) and will function throughout the year to recommend budget revisions, if necessary. All revisions to the budget must be approved by the Board of Directors.

The primary duties of Budget Committee are to:

- work closely with the church staff in preparing and presenting the budget for the ensuing year
- secure and receive recommendations from other committees for operating needs to be included in the annual budget
- Prepare a draft budget for review and approval by the church Board (the Treasurer will present the Board-affirmed budget proposal to the congregation at a Congregational Meeting)

The annual budget developed by the Budget Committee should be attainable and realistic, but challenging. Each ministry that requires a budget line item is given the opportunity to request funding for specific activities. The guidelines given to those requesting funding should be that each request be supportive of the goals of the church as determined in the [strategic plan](#) or by the Board of Directors. Any request that cannot be tied rigidly to the strategic plan of the church should be denied. All requests should reflect the vision of the ministry, and should be itemized and prioritized with adequate rationale provided.

- The *church staff* should receive each and every budget request and review them for completeness, comprehensiveness, and redundancies. Where required, they should make corrections and adjustments.
- The refined requests should then be provided back to the *Budget Committee*. The refined budget requests should be discussed by all Budget Committee members, providing opportunity to discuss and affirm each request.
- The *requesting ministry* should be provided opportunity to defend their request and prove the case for receiving funding for specific activities.
- The *Budget Committee* should wait until the last discussion has occurred before voting to affirm budget requests.
- A running total of requested funding is maintained by the *Budget Committee Chair (Treasurer)*.
- When the total approved requests match the established budget amount, the *Budget Committee members* must then shift and refine resources to maximize the effectiveness of the budget.
- When the budget is finally drafted, it goes to the *Board of Directors* for affirmation to be presented to the congregation for vote at a pre-determined congregational meeting.

How to Prepare a Budget

How the church goes about forming their budget not only influences the success the church has in maintaining it, but also affects the way people give.

A *budget-driven church* is one in which the financial plan is formed by transferring the previous year's expenditures (with any increases in utilities, etc.) into the projected funds for the coming year. The ministries, then, must operate for the coming year within the confines of this plan. As a result, the budget dictates the programs. When this occurs people will be reluctant to give because they have little desire to contribute to a perceived organization.

A *ministry-driven church* forms its budget based upon the needs of the ministries and programs that serve people. When ministries, programs, and needs of others dictate the finances, people readily give because they see the importance of their contribution. To have a ministry driven budget, the following actions should occur:

- Develop goals for each area of ministry
- Each ministry should formulate a budget for their ministry goals
- The senior staff should review the goals and needs of each ministry
- Each proposed program budget is reviewed by the Budget Committee
- The Budget Committee formulates a church budget to propose to the congregation
- Challenge the congregation to commit to the ministry rather than just the budget
- Pray and trust for God's provision
- Maintain flexibility within the budget

As in all areas of life, there are pitfalls to avoid. The same is true when formulating a church budget. Some common pitfalls are noted below.

- *Avoid developing a budget without prayer.* The church is not merely an organization, but also is a spiritual organism that is to be organized around spiritual principles. The financial needs of the church are ultimately a question of God's sovereign supply rather than people's giving. Therefore, prayer should be made not only for wisdom in forming a budget, but in the realization of the budget, and the attitudes of people in giving.
- *Avoid developing a budget based solely upon past performance.* Typically a budget is developed by examining last year's income and expenditures. While it is important to examine the past, it should not dictate what the future will be. If the formation of the budget is based only on the past, then there will be no room for growth, little challenge to the people, no avenue for faith, and no need for dependency upon God. The process of developing a budget should focus on a prayerful seeking of God's direction and provision rather than upon the bank account.
- *Avoid developing a budget that is unrealistic.* Asking a church of fifty to support a \$500,000 building may not only be unrealistic, but may also put the future of the church at risk. Overspending the amount people can realistically give can cause a church to become financially strapped so that it will be unable to support its core ministries. This is not to say that the church should never take any financial risks, but that they should do so very carefully, thoughtfully, and prayerfully. Developing a budget involves the interplay between wisdom and faith. Without wisdom it becomes a burden. Without faith it remains shortsighted.

DEVELOPING A BUDGET

The steps to prepare an annual church budget are as follows:

Step 1: Draft budget requests

Each area of ministry should determine the goals for the following year. These goals should be developed through a prayerful consideration of what God desires the church to accomplish within the particular program. While the goals should take into account the previous financial giving of the church, they should not necessarily be dictated by it.

This step of the process begins with a visioning meeting where members of the Budget Committee act as liaisons to the staff as the staff discerns where God is leading them in ministry. One way of accomplishing this is through a process of identifying strengths, weaknesses, opportunities and threats (i.e., a SWOT analysis) for ministry. Staff members should be challenged to review the opportunities set before them for ministry, the resources God has laid at their disposal to perform said ministry, and to discern where the church should be going.

Once a ministry team has identified the goals for their programs, they should then determine the specific costs that will be involved in accomplishing them. These costs should be seen not as organizational expenditures but rather, money invested in the lives of people through the particular ministry. It is important that each ministry or committee responsible for projected expenditures realize that their activities are not in a vacuum, but they must coordinate with one another to support each other. Thus, budget requests might well depend on the activities of other ministries. Ministry leaders should realize their need to work together in this request process.

The staff should prepare a draft calendar for the budget preparation that includes most of the projected church-wide activities. This calendar is intended to remind ministries of potential impacts to their budgets, not to limit their vision. Each ministry within the church should be asked to provide a draft budget request. It is important that these requests be tied directly to the mission statement of the church.

The congregation needs to realize that the church is on a mission, and that it is directing its resources to the accomplishment of this mission. These requests should be solicited two (2) months before any decision is to be made. It would be best to use a handout for guiding the preparation of these requests. The staff should then review the draft budget requests to discern obvious overlaps and redundancies. The purpose of this review is to assure that the goals of each ministry correspond to the vision and direction of the church. Goals should be examined to assure that they are realistic, achievable, and beneficial to the overall health of the congregation. With annotations, these draft requests are then forwarded to the Budget Committee.

The Budget Committee has a twofold responsibility. First, they make sure that the budget of each program is realistic and cost effective. Second, they evaluate each individual budget with the overall church financial status to assure the money designated corresponds to the fiscal needs of the church. If the Budget Committee determines that cost reduction is needed, it communicates to the ministry teams the reasons for the reduction and works with them in formulating a revised budget proposal. This is important in that unrealistic numbers or missing information may skew the budgeting process. Revisions to draft budget requests are expected for the upcoming budget workshop.

Step 2: Hold Budget Workshop

This is a time when the decisions regarding the final budget are made. Everyone involved in the budgeting process will have active participation in the determination of the final budget. The workshop is designed to provide the maximum number of people the opportunity to know how the mission of the church will be tied to budget allocations and church resources.

Plan to invest three or four hours in this budget workshop. It should be scheduled at a time to provide the maximum participation; a Saturday or Sunday is preferred. The place for this meeting should be large enough to comfortably handle the number of people attending and provide the resources necessary for the decision process. One necessary resource would be an overhead projector and viewing screen. It may also include a video projector for computer generated spreadsheets and presentations.

Seating should be provided for the Budget Committee members and all other participants. In order, each participant presents their budget requests with rationale provided. Both the Budget Committee and the requesting ministries will have an opportunity to fully understand the budget requests and how they fit into the overall mission of the church. It would prove beneficial to analyze the previous year's budget to provide some insight for the group. If possible, each budget item should be identified by its function in the ministry of the church. Some examples are: worship, connections, life development, outreach, and operations.

No decisions should be made until all budget requesters have had full opportunity to make their request before the Budget Committee. If decisions are made during this time, then all available resources will most likely be depleted before each ministry has opportunity to make their request. At the conclusion of the budget requests, the Budget Committee will begin to deliberate on the allocations for each requesting ministry. Each member of the Budget Committee and each representative of the requesting ministry will be given a vote in the final decision for allocating budget monies. By the conclusion of the budget workshop, the final budget numbers should be allocated. The desired final outcome of the workshop is that consensus is reached and every member is able to give a vote of affirmation to support the proposed budget.

Step 3: Schedule Annual Budget Discussion/[Forum](#)

Two weeks prior to the adoption of the annual budget, designate a time for a presentation of the proposed budget before the entire congregation. A Sunday afternoon would suffice for this forum following a morning worship service where the doctrine of stewardship is promoted.

It should be stressed that stewardship is more than money; it also includes our service and talent. No decisions are to be made at this meeting; it is only a time for discussion and review. The church may decide to make this meeting an approved business meeting to give the congregation assurance that they have a direct input into the final budget. In any event, information that comes out of this forum may well lead to changes in the final budget when further consideration is given. The congregation should realize that there is still an opportunity to make changes if they deem it necessary.

Step 4: Adopt Annual Budget at a Congregational Meeting

The adoption of the annual budget should be made by secret ballot during a congregational meeting. This vote will be taken without discussion from the floor. By this time, the church congregation has had ample opportunity to review the proposed budget and amend it. It is now time for a decision.

Step 5: Implement/Monitor Budget

Once the budget has been approved and the new fiscal year begins, it is imperative that accurate and precise bookkeeping be performed to provide quick feedback to the financial/stewardship functions of the church. During the year, the budget is a tool for monitoring and controlling the generation and use of resources. By comparing actual results with the budget plan, mid-course adjustments can be made as needed. The budget also provides the foundation for the next year's budget and, as such, is a valuable tool for evaluating the accuracy of planning assumptions.

A budget needs to be administered with the understanding that it is a projection based upon estimated expenses and income. Both of these factors are spread across twelve months. Not all anticipated income will be available during the first quarter of the year; therefore, not all expenditures can be made during these first few months of the finance year even though they were included in the budget. The fact that an item was included in the budget does not mean the funds are available at any given point to purchase that item. Someone needs to understand the total financial picture and to administer the budget from that vantage point with a set of priorities for expenditures. In most cases, this will be the Senior Pastor or Executive Pastor, if you have one.



**Anyname Metropolitan Community Church
Budget Example**

Account Type	Account Description	Budget
Revenue	General Offerings	\$ 500,000.00
	Fundraising	\$ 30,000.00
	Miscellaneous Income	\$ 20,000.00
	Capital Campaign Income	\$ 175,500.00
	Total Revenue	<u>\$ 725,500.00</u>
Expenses		
Administration	Salaries and Wages	\$ 200,000.00
	Employee Benefits	\$ 60,000.00
	Total Compensation	<u>\$ 260,000.00</u>
Overhead	Professional Expenses	\$ 15,000.00
	Equipment Expenses	\$ 5,000.00
	Office Expenses	\$ 5,000.00
	Utilities	\$ 15,000.00
	Insurance	\$ 30,000.00
	Physical Plant	\$ 20,000.00
	Building Services	\$ 15,000.00
	Miscellaneous Expenses	\$ 10,000.00
	Total Overhead	<u>\$ 115,000.00</u>
Programs	Worship	\$ 29,000.00
	Ministry	\$ 25,000.00
	Education/Discipleship	\$ 25,000.00
	Evangelism/Witnessing	\$ 25,000.00
	Operations	\$ 25,000.00
	Total Program Expenses	<u>\$ 200,500.00</u>
Asset/Liability Payments	Capital Asset Purchases	\$ 90,000.00
	Liability Payments	\$ 60,000.00
	MCC Tithe/ Global Outreach (13%)	\$ 71,500.00
	Total Asset/ Liability Payments	<u>\$ 221,500.00</u>
	Total Expenses	<u>\$ 725,500.00</u>

Budgeting by Line Item

[Line item budgeting](#) refers to a budgeting system in which the individual financial statement items are grouped by cost centers or departments. This system shows the comparison between the financial data for the past accounting or budgeting periods and estimated figures for the current or a future period. This form of budgeting retains line-item expenditures from year to year, making modifications as needs increase or decrease.

One advantage of line-item budgeting is that it eliminates the need for a detailed evaluation of needs each year. Since the line item budget is based upon proportional distribution, cuts for either can be made across the board. Yet, with line-item budgets, programs and expenditures that should be modified or eliminated are often carried forward without change. Furthermore, a proportional reduction of budget funding can affect a critical ministry program, rendering it virtually useless as less-important ministry programs move forward.



Budgeting by Program

Some churches have adopted [program budgeting](#). The program budget requires church leaders to evaluate program expenditures for the year with recommendations to sustain, modify, or eliminate each activity. Like the line-item budget, the program budget allows some recurring budget items to be carried into the new fiscal year without significant review.

What makes the program budget unique is that all budget items are prioritized according to their importance in carrying out the mission of the church. That way, if a money shortage calls for cutbacks, budget items that the congregation deems less of a priority can be reduced or eliminated. When money exceeds expectations, less-important budget items can be reevaluated and funded.



Creating Projections and Forecasts of Income and Expenses

Simply put, a budget consists of:

$$\text{Projected revenue} - \text{projected expenses} = \text{Projected surplus (deficit)}$$

A church budget should give a revenue projection based on the church's average annual revenue. This money comes in through offerings, donations and any business activities in which the church may be involved. Forecasting, to be more than mere guessing, requires a method to provide accuracy.

Happiness is positive cash flow - at least for church administrators. So how can a church increase that happiness? Proper management helps. Since cash flow describes how and when money comes into the church and is spent, [cash flow management](#) involves projecting income and expenses with the goal of paying bills on time and creating a surplus for growth.

As a first step, the church Treasurer should track giving patterns (i.e., plot income) over the last three years to evaluate the level of revenue and expected changes:

- Look for high - and low-income months and seasonal periods of greater spending (i.e., points where income is low and spending is high and vice versa).
- Look for overall trends: Is giving up each year? Flat? Falling? By how much? Is one year quite different from the others? Why?
- Look for variations. Aside from seasonal patterns (i.e., lower income in the summer), other factors may cause exceptions to the normal flow of giving and expenses. For example, a building program may produce a surge in offerings or a large Christmas pageant may occasion significant expenses.

When predicting future giving, work with whole numbers, not percentages. Base all projections on the actual numerical increase in giving each year. Look for a pattern - a numerical pattern, not a percentage, because a pattern will enable you to project more accurately.

Using the data from the three-year historical graph, estimates can be made of the coming year's income and expenses. Expect some variations in the future, just as were found in the past, but this process should help with making a reasonable cash flow projection. Create two or three spending plans, because a single budget doesn't allow for setbacks, unless surpluses are budgeted.

Developing Metrics

Another way to project income for the coming year is to observe your church's attendance trends and per capita giving ratio (see example below).

Projected Attendance x Projected Per Capita Method

Year	Average Attendance	Increase	Giving	Per Capita	PPG	Increase	
2006	291	–	\$300,000	1,031	÷ 52 = \$19.83		
2007	382	91	\$450,000	1,178	÷ 52 = \$22.65	\$2.83	
2008	471	89	\$600,000	1,274	÷ 52 = \$24.50	\$1.84	
2009	553	82	\$750,000	1,356	÷ 52 = \$26.08	\$1.58	
2010	667	114	\$970,000	1,454	÷ 52 = \$27.97	\$1.89	
Total		376		Total Increases		\$8.14	
		÷ 4				÷ 4	
Average Increase		94		Average Increase		\$2.04	
2010 attendance				667			
+ average attendance increase				94			
2011 projected average attendance				761			
2010 per capita giving				\$27.97/week			
+ average per capita increase				\$2.04			
2011 projected average per capita giving				\$30.01/week			
				x 52			
				\$1,561	projected per capita giving		
2011 projected average attendance				761			
2011 projected average per capita giving				\$1,561			
2011 projected giving				\$1,187,921			

Chart attendance and giving for the last three or four years. Divide the giving amount by the attendance figure. The result is your church's annual per capita giving. A good benchmark for a church is around \$1,000 per person per year.

If you know that your average attendance is growing by 100 people every year, then you can predict that next year's attendance is going to grow by this amount. Look to see if there is a trend of increases (or decreases) in your per capita numbers. Use your weekly per capita (per person giving or PPG) figure because it will be more accurate, as some months have five weeks.

It's important that the attendance and giving numbers used for calculating your per capita giving be consistent from year to year. You should use the same measures each year to determine the annual attendance and giving figures. A good test is to compare your numerical increase projection with your per capita projection. Are they close? If not, you could use the average of the two methods to project next year's income.

How to Modify the Budget

Making reductions to a church budget is not easy, especially when every ministry in your church is desperately trying to hold on to the money already allocated and needed for their programs. Sometimes church leaders have a hard time being decisive with budget cuts, especially since they don't want to hurt anyone's feelings. However, this is one area where decisiveness is critical! If you follow a predetermined plan, there can be no argument as to the final outcome in regards to budget modifications.

- *Keep the congregation in the loop.* Once the decision has been made to modify the budget, the congregation should be informed per the bylaws of the church.
- *Develop a new budget.* The Treasurer will work with the church leadership to develop a new budget. Modifications to the budget should be made in agreement with the bylaws of the church.
- *Ready the changes for presentation to the congregation.* After everyone has come to an agreement as to how the budget should be modified, the Treasurer presents the new budget to the Board of Directors for approval. Depending on the bylaws of the church, the new budget may require scrutiny from the congregation or other entity before it can be approved.
- *Appeal to the congregation for an increase in tithes and offerings.* This appeal may result in an increase in giving so that the budget does not have to be cut any further.

REFERENCES AND RESOURCES

Clear Creek Chapel www.ClearCreekChapel.org

Cross Roads Brethren in Christ www.crossroadsbic.com

Second Unitarian Church of Omaha www.secondunitarianomaha.org

Business Dictionary <http://www.businessdictionary.com>





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STEWARDSHIP TEAM MINISTRY DESCRIPTION (SAMPLE)

Stewardship Team Mission Statement

The mission of the Stewardship Team is to further the mission of our church community by fostering an awareness of God's abundant blessings in the gifts God has given each of us; and encouraging and enabling our congregants to respond to God's love by freely sharing these gifts of time, talent, and treasures..

Stewardship Team Purpose

The purpose of the Stewardship Team is to serve God and minister in God's church in the teaching and development of Christian stewardship to the members and constituents of the congregation. The Stewardship Team assists the pastor in developing Christian Stewardship as a way of life in the church, i.e. an attitude of the mind and heart that is expressed in action; emphasizing that all people, things, and experiences are gifts from God. An active Stewardship Team is an important and necessary element in designing, implementing and maintaining the church's Stewardship process. This team is instrumental in assisting the pastor in the areas of education and formation, facilitation, communication, implementation, follow-up, and evaluation of the church's stewardship process.

Stewardship Team Responsibilities

Stewardship Team responsibilities will vary based on each church's needs and situation, but should include some or all of the following:

- Assist the Senior Pastor and church leadership in the overall design, implementation and evaluation of the church's stewardship process
- Develop a comprehensive timetable and related procedures to facilitate the annual renewal process
- Pursue available forms of communication to build awareness of stewardship and church activities, such as bulletins, the church website, newsletters, town hall meetings, etc.
- Coordinate stewardship efforts with the church welcoming program
- Maintain a catalogue of church ministries and organizations
- Review and revise, if necessary, the church time and talent commitment forms to be sure they appropriately represent the mission, ministries, activities, and structure of the church
- Host periodic stewardship presentations to church leadership explaining stewardship in general, the church renewal process, and the importance of stewardship in the church community
- Assist in seeking and selecting speakers for personal stewardship witness presentations.
- Recruit volunteers, if necessary, to assist the Stewardship Team in the preparation, assembly, mailing, and/or other distribution of stewardship materials and commitment forms
- Design and implement a timely thank you process to all congregants who complete and remit commitment forms.
- Promptly compile and distribute timely lists of volunteers to all church ministry leaders
- Work with the appropriate church ministries and church groups to ensure that those who volunteer are contacted and invited to become involved
- Evaluate church stewardship and awareness efforts on an annual basis

BUDGET TEAM MINISTRY DESCRIPTION (SAMPLE)

Purpose

The Budget Committee's charter is to develop an annual church budget, which is tied implicitly to the mission and vision, as well as the resources of the church.

Role and Responsibilities of the Budget Committee

The Budget Committee is responsible for recommendation and oversight of the church's budget. The Committee will also develop [financial policies](#) and will function throughout the year to recommend budget revisions, if necessary. All revisions to the budget must be approved by the Board of Directors.

The primary duties of Budget Committee are to:

- work closely with the church staff in preparing and presenting the budget for the ensuing year
- secure and receive recommendations from other committees for operating needs to be included in the annual budget
- Prepare a draft budget for review and approval by the church Board (the Treasurer will present the Board-affirmed budget proposal to the congregation at a Congregational Meeting)

DEVELOPING A BUDGET (QUICK REFERENCE GUIDE)

The steps to prepare an annual church budget are as follows:

Step 1: Draft budget requests

Each area of ministry should determine the goals for the following year. These goals should be developed through a prayerful consideration of what God desires the church to accomplish within the particular program. While the goals should take into account the previous financial giving of the church, they should not necessarily be dictated by it.

This step of the process begins with a visioning meeting where members of the Budget Committee act as liaisons to the staff as the staff discerns where God is leading them in ministry. One way of accomplishing this is through a process of identifying strengths, weaknesses, opportunities and threats (i.e., a SWOT analysis) for ministry. Staff members should be challenged to review the opportunities set before them for ministry, the resources God has laid at their disposal to perform said ministry, and to discern where the church should be going.

Once a ministry team has identified the goals for their programs, they should then determine the specific costs that will be involved in accomplishing them. These costs should be seen not as organizational expenditures but rather, money invested in the lives of people through the particular ministry. It is important that each ministry or committee responsible for projected expenditures realize that their activities are not in a vacuum, but they must coordinate with one another to support each other. Thus, budget requests might well depend on the activities of other ministries. Ministry leaders should realize their need to work together in this request process.

The staff should prepare a draft calendar for the budget preparation that includes most of the projected church-wide activities. This calendar is intended to remind ministries of potential impacts to their budgets, not to limit their vision. Each ministry within the church should be asked to provide a draft budget request. It is important that these requests be tied directly to the mission statement of the church.

The congregation needs to realize that the church is on a mission, and that it is directing its resources to the accomplishment of this mission. These requests should be solicited two (2) months before any decision is to be made. It would be best to use a handout for guiding the preparation of these requests. The staff should then review the draft budget requests to discern obvious overlaps and redundancies. The purpose of this review is to assure that the goals of each ministry correspond to the vision and direction of the church. Goals should be examined to assure that they are realistic, achievable, and beneficial to the overall health of the congregation. With annotations, these draft requests are then forwarded to the Budget Committee.

The Budget Committee has a twofold responsibility. First, they make sure that the budget of each program is realistic and cost effective. Second, they evaluate each individual budget with the overall church financial status to assure the money designated corresponds to the fiscal needs of the church. If the Budget Committee determines that cost reduction is needed, it communicates to the ministry teams the reasons for the reduction and works with them in formulating a revised budget proposal. This is important in that unrealistic numbers or missing information may skew the budgeting process. Revisions to draft budget requests are expected for the upcoming budget workshop.

Step 2: Hold Budget Workshop

This is a time when the decisions regarding the final budget are made. Everyone involved in the budgeting process will have active participation in the determination of the final budget. The workshop is designed to provide the maximum number of people the opportunity to know how the mission of the church will be tied to budget allocations and church resources.

Plan to invest three or four hours in this budget workshop. It should be scheduled at a time to provide the maximum participation; a Saturday or Sunday is preferred. The place for this meeting should be large enough to comfortably handle the number of people attending and provide the resources necessary for the decision process. One necessary resource would be an overhead projector and viewing screen. It may also include a video projector for computer generated spreadsheets and presentations.

Seating should be provided for the Budget Committee members and all other participants. In order, each participant presents their budget requests with rationale provided. Both the Budget Committee and the requesting ministries will have an opportunity to fully understand the budget requests and how they fit into the overall mission of the church. It would prove beneficial to analyze the previous year's budget to provide some insight for the group. If possible, each budget item should be identified by its function in the ministry of the church. Some examples are: worship, connections, life development, outreach, and operations.

No decisions should be made until all budget requesters have had full opportunity to make their request before the Budget Committee. If decisions are made during this time, then all available resources will most likely be depleted before each ministry has opportunity to make their request. At the conclusion of the budget requests, the Budget Committee will begin to deliberate on the allocations for each requesting ministry. Each member of the Budget Committee and each representative of the requesting ministry will be given a vote in the final decision for allocating budget monies. By the conclusion of the budget workshop, the final budget numbers should be allocated. The desired final outcome of the workshop is that consensus is reached and every member is able to give a vote of affirmation to support the proposed budget.

Step 3: Schedule Annual Budget Discussion/[Forum](#)

Two weeks prior to the adoption of the annual budget, designate a time for a presentation of the proposed budget before the entire congregation. A Sunday afternoon would suffice for this forum following a morning worship service where the doctrine of stewardship is promoted.

It should be stressed that stewardship is more than money; it also includes our service and talent. No decisions are to be made at this meeting; it is only a time for discussion and review. The church may decide to make this meeting an approved business meeting to give the congregation assurance that they have a direct input into the final budget. In any event, information that comes out of this forum may well lead to changes in the final budget when further consideration is given. The congregation should realize that there is still an opportunity to make changes if they deem it necessary.

Step 4: Adopt Annual Budget at a Congregational Meeting

The adoption of the annual budget should be made by secret ballot during a congregational meeting. This vote will be taken without discussion from the floor. By this time, the church

congregation has had ample opportunity to review the proposed budget and amend it. It is now time for a decision.

Step 5: Implement/Monitor Budget

Once the budget has been approved and the new fiscal year begins, it is imperative that accurate and precise bookkeeping be performed to provide quick feedback to the financial/stewardship functions of the church. During the year, the budget is a tool for monitoring and controlling the generation and use of resources. By comparing actual results with the budget plan, mid-course adjustments can be made as needed. The budget also provides the foundation for the next year's budget and, as such, is a valuable tool for evaluating the accuracy of planning assumptions.

A budget needs to be administered with the understanding that it is a projection based upon estimated expenses and income. Both of these factors are spread across twelve months. Not all anticipated income will be available during the first quarter of the year; therefore, not all expenditures can be made during these first few months of the finance year even though they were included in the budget. The fact that an item was included in the budget does not mean the funds are available at any given point to purchase that item. Someone needs to understand the total financial picture and to administer the budget from that vantage point with a set of priorities for expenditures. In most cases, this will be the Senior Pastor or Executive Pastor, if you have one.

