

The Church Budget: Helping You Reach Your Ministry Goals

By Ken Tripp

Pastors spend countless hours preparing sermons, ministering to the needs of their congregations, and organizing the various programs of their churches. All of this valuable investment of time is made in an effort to realize the ministry goals established by the pastor and the church leadership. It is no wonder that many pastors find little time to devote to the financial plans of the church operation. Yet the use of strategic planning and an operating budget can be a valuable tool for pastors in reaching their ministry goals.

The proper implementation and use of an operating budget will produce benefits that go beyond ensuring that you will have enough money in the bank to pay the monthly expenses. A church budget will aid you in establishing priorities in the ministries of the church. It will also promote accountability for those that have been entrusted with leadership positions in the church. Budgeting enables the key ministries of the church to function without interruption.

Churches have various approaches to the budget process. The following is a list of 10 frequently-asked questions concerning budget basics. The answers to these questions can help you determine if the budget process in your church is on target.

What types of budget can our church use?

There are several types of budget models, but each have the same basic components of income (or revenue) and expenses (or disbursements). Historical budgets are based on the financial experience of prior years; whereas zero based budgets require that each expenditure be evaluated without reference to a previous level of spending. Cash flow budgets utilize one of these budget models but takes into consideration the seasonal flows of income and expenditures. What type of budget you use is not as important as the fact that you do have a church budget.

Who should be involved in the budgeting process?

The pastor, church board, church treasurer, and all program leaders should be involved in the budgeting process. Involving these people in the budget process brings about accountability and keeps the budget from becoming “my budget” or “their budget,” but it becomes “our budget.” When the budget is finalized, it should be shared with the church membership or congregation. The annual church business meeting is an ideal time to do this. When the congregation is kept informed on how their tithes and offerings are being spent, they are encouraged to continue supporting the church.

When should the budget process begin?

A budget is prepared for the church’s fiscal year. For most churches, the fiscal year is the same as the calendar year. The budget process needs to begin at least two to three months prior to when the budget needs to be finalized.

What is first item to look at in our budget?

Typically, you would start with income, and you would budget based on your historical income. You want to make sure that you consider all of the income sources from previous years. You should also take into consideration trends in giving. Has giving in the church increased or decreased over the past 12 months?

How do we budget expenses?

First, start by budgeting the fixed expenses of the church. These are expenses that will occur without regard to the income of the church. They include items like mortgage payments, loan payments, rent, insurance payments, and maintenance contracts. Second, you need to budget for personnel expenses. Those are the salaries, wages, and benefits of the church staff.

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Next, you need to budget for ongoing variable expenses. These are expenses that are required for the church operation but may vary from month to month or year to year. These expenses include utilities, repairs, supplies, maintenance.

Finally, if there are enough funds available you can allow for discretionary expenses. These are for goods or services that, while important, aren't necessarily essential for the church to operate.

How do we include the budgets for all our programs?

All programs of the church need to be evaluated and budgets prepared for each program. Programs include Youth, Children's Ministries, Sunday School, Music, etc. The program leader should be asked at least two months in advance of the budget finalization to submit a budget that details the program needs. The requests must detail the needs and not just general line items requests for things such as supplies or materials. Budgeting for programs promotes accountability and determines the effectiveness of each program based on the level of funding.

Should we make allowances for reserves?

Churches are encouraged to keep at least two to three months of their operating expenses as a reserve. If you haven't obtained that yet, then you should begin budgeting towards that. You may not achieve that in one month, and you may not achieve that in one year; but that should be a goal and included in the budget.

How do we account for restricted funds?

Restricted funds are not normally included in the budget process and include contributions for Missions, Compassion Ministries, Building Fund, etc. However, the proper handling of restricted funds is vital to the integrity of the local church. The funds must be spent in accordance to the wishes of the donor. Never use restricted funds to pay for operational expenses.

How often should the budget be reviewed?

Once the budget is put into place, regular financial comparisons must be made between the budget and actual experience. Ideally these comparisons would be done on a monthly basis. The pastor and church board should review the financial reports and budget comparison at each board meeting. All program leaders should be supplied with regular reports on how their program financial activity compares to the annual budget.

Where can I find additional resources for help?

There are some resources that are available to you if you want more information about church finances. One helpful website is freechurchaccounting.com. This website covers several aspects of church accounting, and provides some understanding of basic accounting concepts and principles. There's also a book that I often recommend called *Essential Guide to Church Finances* by Richard Vargo and Vonna Laue.

Budgeting is important to the health and growth of the local church because every church needs to be concerned about who spends the church's money and how exactly it is spent. The church budget must be based on your vision and ministry goals. Just like your strategic plan says who you are, where you're going, and how you're going to get there, your budget will tell you the same thing.

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