

# HOW TO PLAN AN ANNUAL CHURCH BUDGET

## I. WHO NEEDS A BUDGET?

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 are projected to be and from where your few dollars are projected to come. Who needs an annual budget? Your church does. It is an important step in being a good steward of God's money. It certainly is an important planning activity of good administration.

## II. WHY HAVE AN ANNUAL BUDGET?

There are several reasons for preparing an annual budget. The first obvious reason is so that you may know how much income your church will need for the coming year and thereby eliminate a crisis approach to church financing. Secondly, rather than being a dreaded, meaningless chore, a projected annual budget can be a great tool in aiding future planning. It 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 may be important). You should be budgeting to fulfill God's purpose for your church at this time in this place.

There are other side benefits to having a budget. It provides a control for expenditures so someone doesn't unwisely, and without approval, spend money for a pet project. It gives you a handle on your church's present financial situation and the means to adequately communicate that situation to the congregation. You know how much is needed each Sunday to meet your obligations. If you fall short, you know exactly how much you need to get back where you should be. You can eliminate the constant badgering for money that turns off visitors and fringe people. It is much better to calmly tell your congregation that \$175 extra is needed in order to be current with your budget obligation than to just say you need more money. Everyone needs more money. The questions which need answering are, "Why?" and "How much?"

## III. HOW DOES A BUDGETING PROCESS WORK?

One approach is to have a committee on finance and stewardship composed of the pastor, a chairman elected from the Local Board of Administration, the church treasurer, the assistant treasurer, the chairman of the board of trustees and other elected members. They can conduct a study of the current year's financial performance, collect proposed program cost estimates from the various departments of the church, and propose a budget to the Local Board of Administration. When the Local Board of Administration is satisfied that the program needs of the church will be met and progress will be made toward fulfilling the church's mission, the budget can be presented to the Local Church Conference for adoption.

Once the budget is officially adopted as the formula for the disbursement of funds for the coming fiscal year, any expenditures not included in that budget must have LBA approval. Good and compelling rationale must be given for the validity of an expenditure which is not included in the budget, as well as a plan for raising the additional money needed to cover the expenditure.

Normally, the pastor administers the budget, along with the guidance of the committee on finance and stewardship. If someone wants to purchase something, the pastor can have a quick answer for them, if it has already been included in the budget, the timing is right and the cash flow will permit it. An equally quick answer may be given for an unwise purchase if it was not a part of the adopted budget. The pastor does not have to call a board meeting for getting certain things done if the purchase or program was anticipated in the budget proposal and appropriations were authorized.

A budget is a projection based upon certain assumptions. Those assumptions may not prove to be true. Therefore, the pastor should receive a weekly report from the church treasurer indicating what the offerings were the past Sunday. A quarterly worksheet will keep the pastor informed regarding how much of the budget has been spent and how much is

left with which to work. Programs may need to be trimmed or equipment not purchased in order to keep the budget balanced if the income does not meet what was projected or if emergency expenses are incurred which were not anticipated.

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 every expenditure can be made during the months of the finance year even though it was 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 administer the budget from that vantage point with a set of priorities for expenditures. In most cases, this will be the pastor.

#### **IV. HOW DO YOU MAKE A BUDGET?**

- 1. Using a worksheet, which shows the amount budgeted for the past two years and the actual amount received and disbursed, study the trends and accuracy of your past projections. The past actual disbursements become a part of the factor in future projections.**
- 2. The second factor comes from your plans and goals for the future. Prior to the budget meeting all areas of ministry within the church should be surveyed to determine what their plans are for the year and how much they feel they need in order to accomplish their mission. The pastor should share his/her dreams and goals for the church in the coming year and estimate the costs of moving the church toward their fulfillment.**
- 3. Certain costs are fairly fixed, such mortgage and loan payments, phone bills, etc. These are entered on the worksheet.**
- 4. Salaries may have already been established by the LBA and LCC and may be entered. Honorariums for pulpit supply, special speakers, and other staff persons should be determined and entered.**
- 5. From the past year's utility expenses, estimate additional costs due to changes in facility usage and/or rate increases.**
- 6. Ask, "What do we need? Are there repairs which will be necessary? Is there equipment to purchase? What do we want to see happen through the church this year?" Based upon last year's expenses and projected needs, raise or lower the amount budgeted in each line item and enter on the worksheet.**
- 7. Total up all of the projected needs and wants and break the total down to an average needed per Sunday. Then ask, "How does this compare with what we are now receiving? Does it seem realistic? Where can we trim in order to bring it to a place that seems realistic while still accomplishing our goals and demonstrating faith in God's ability to help us meet our financial needs?"**
- 8. When the finance committee feels good about their budget proposal, present it to the LBA for recommendation to the LCC.**

All this sounds like a lot of work, and it is. However, it may turn out to be the easiest work you can ever do to bring your church finances under control and relieve some of the financial pressure experienced by you and your people. Rather than money being the thing everyone hates to talk about, it should be the vehicle through which the church sees its mission being fulfilled, as well as a means of developing stewardship principles in the lives of your people. Spiritual maturity includes a biblical understanding of stewardship. God intends for His people to be generous, cheerful givers— and He does not intend for His church to struggle financially.

## LOCAL CHURCH ANNUAL BUDGET WORKSHEET

	06-11 Budgeted	06-11 Actual	07-12 Budgeted	07-12 Actual	08-13 Projected
<b>RECEIPTS:</b>					
Tithes and Offerings	_____	_____	_____	_____	_____
<b>Designated Offerings:</b>					
World Missions	_____	_____	_____	_____	_____
Evangelism & Church Growth	_____	_____	_____	_____	_____
Education	_____	_____	_____	_____	_____
Building Fund	_____	_____	_____	_____	_____
Miscellaneous Benevolences	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Other Income	_____	_____	_____	_____	_____
<b>TOTALS:</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>DISBURSEMENTS:</b>					
Pastor's Salary	_____	_____	_____	_____	_____
Other Pulpit Expense	_____	_____	_____	_____	_____
Special Speakers	_____	_____	_____	_____	_____
Paid Staff Salaries	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Office Expense	_____	_____	_____	_____	_____
Secretary's Salary and Benefits	_____	_____	_____	_____	_____
Equipment, Supplies, Etc.	_____	_____	_____	_____	_____
Postage	_____	_____	_____	_____	_____
Phone	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Buildings and Grounds Expense:	_____	_____	_____	_____	_____
Loan Principal & Interest	_____	_____	_____	_____	_____
Repairs	_____	_____	_____	_____	_____
Property and Liability Insurance	_____	_____	_____	_____	_____
Church Utilities	_____	_____	_____	_____	_____
Parsonage Utilities	_____	_____	_____	_____	_____
Janitor's Salary	_____	_____	_____	_____	_____
Janitor's Supplies	_____	_____	_____	_____	_____
Grounds Maintenance	_____	_____	_____	_____	_____
Furniture and Equipment	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Christian Education Expense:	_____	_____	_____	_____	_____
Sunday School	_____	_____	_____	_____	_____
Youth	_____	_____	_____	_____	_____
Children's Programs	_____	_____	_____	_____	_____
VBS	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Employee Expenses and Benefits:	_____	_____	_____	_____	_____
Pastor's housing Allowance	_____	_____	_____	_____	_____
Pastor's Car Expense	_____	_____	_____	_____	_____
Pastor's Desk & Book Allowance	_____	_____	_____	_____	_____
Pastor's Continuing Education	_____	_____	_____	_____	_____
Social Security	_____	_____	_____	_____	_____
Health Insurance	_____	_____	_____	_____	_____

**Paid Staff Benefits**

**Other**

_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**Budget Assessments:**

**General Church Budget**

**District Budget**

_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**Benevolences:**

**World Missions**

**Evangelism & Church Growth**

**District Extension**

**Local Benevolences**

**Other**

_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**General Miscellaneous Expense:**

**Worship**

**Flowers**

**Other**

**Contingency**

_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**TOTALS:**

<b>\$</b> _____				
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**Total Projected Income:**

**\$** \_\_\_\_\_

**Amount Needed Per Sunday:**

**\$** \_\_\_\_\_