

4. Budgeting

What is a Budget?

A budget is a written plan for a stated time period (usually one year) which balances income and expenditures. It is a tool for ensuring that disbursements are not more than receipts. The basic functions of the budget are, first of all, to set goals for the coming year(s) and, second, to monitor the acquisition of these goals.

Objectives of a Budget

- To create a plan for the congregation that guides decisions during the year
- To be good stewards of the money that has been given to the church
- To solidify the goals of the church council and the various committees along with the needs of the congregation

Kinds of Budgets

- **Zero-Based Budget.** This budget starts at zero and every item that is presented for inclusion in the budget must be justified as to its need and the benefit it provides. This type of budget typically requires more effort to produce but also forces an in-depth look at every budget line item.
- **Same as Last Year Budget.** This budget starts with last year's budget and adds percentage increases or makes minor adjustments for the next year. This is the type of budgeting done by most congregations because it is fairly easy to put together. Unfortunately, using a "Same as Last Year Budget" tends to enshrine the status quo and can be an obstacle to vision and development.
- **Unified Budget.** It pulls together all of the congregation's receipts and disbursements into one budget. Included in this one budget would be anticipated receipts and disbursement of each church group which previously had their own budget and quite often even had their own bank account. This might include the youth group, the women's group and the construction budget in addition to the normal general fund items.

- **Capital Budget.** A capital budget provides for the addition of capital items such as office equipment, furniture and fixtures, land and construction. In some cases, especially in the event of a construction project, a capital budget may extend for a period of longer than one year. It normally is developed for the life of the project.
- **Program Budget.** A program budget is a way of presenting the budget by putting all expenditures into various program categories, i.e., worship, education, outreach, etc. Salaries can also be prorated into each program category. A program budget can be an effective communication and planning tool. It can show ministry emphases more clearly than a line-item budget
- **Line-Item Budget.** A line-item budget is a simple listing of every line-item. It is not effective in communicating the overall plan of the congregation but is a much easier budget to develop.
- **Debt Retirement Budget.** A debt retirement budget is a special budget that lists all of the funds and use of these funds needed to pay off indebtedness.

The Budget Process

The following is only a suggested method.

1. The council appoints a budget committee.
2. The various committees are made aware of their responsibility and of the timing they have to submit their requested budget to the budget committee.
3. The committees determine their needs for the coming year.
4. The committees forward their budgets to the budget committee.
5. The financial secretary determines an estimate of the next year's income.
6. A representative from each committee meets with the budget committee to review the budget submitted by that committee. Discussion to keep or remove certain budget items is presented at this time.
7. The budget committee compares all the budgets submitted with the anticipated income and prepares a balanced budget which it presents to the council.
8. The council reviews the budget, makes any adjustments it deems necessary and presents the budget to the congregation.

9. The budget is presented, discussed and approved by the congregation. If not approved, the budget goes back to step 6 above for further evaluation and follows the remaining steps, taking into consideration any direction received from the congregation.

In an effort to expand participation and increase support of the budget, alternatives to this model may include open forums which include the entire membership prior to Steps 2 and 3. In addition, budget hearings could be held prior to Step 4, or in Step 9 the budget could be presented in one meeting with a second meeting scheduled within a few weeks to take action on the budget.

Once the budget has been approved and formally put into place, the important work of using and reporting on the budget must take place. This is typically the responsibility of the Treasurer. Reports that compare actual receipts and disbursement to those budgeted must be prepared on a timely basis, must be consistent from one reporting period to the next, and must be able to communicate to the end user. That is, they must be easy to understand and highlight any deviations from the budget.

For a budget to be effective the following must be present:

- The congregation should have clear policies by which it operates and goals that are consistent with them. These policies and goals then need to be stated in dollar amounts.
- The budget must be well thought out, having been prepared by those who have been given that responsibility, and approved by the council and congregation. The budget needs to be owned by every member of the congregation.
- Participation in the process by as many people as possible is critical for support.
- Financial statements must be prepared on a timely basis and comparisons made to the budget.
- The council must be prepared to take action when the actual compared to the budget shows a significant deviation.