

Managing Budgets Never Ends

It's that time of year again: Time to start thinking about next year's budget. Didn't we just do this? To effectively manage a budget, it should never be far from our minds.

We budget so that we can better manage our church's operations. Without a budget, how can we know where we are going financially and whether we made it or not? Budgets should be directly tied into the congregation's ministry goals as well. Setting arbitrary dollar amounts may keep us from participating in a ministry that would be vital to accomplishing the congregation's goals.

There are many benefits to budgeting. Consider the following tools that a budget provides:

Accountability tool – Adherence to the budget should be one of the factors in leaders' performance evaluations. If leaders are not abiding by the established budgets, they may be diverting ministry resources from an area of ministry that is a significant focus for your church. It's also not fair to have expectations of individuals that have not been communicated. By providing a budget as well as monthly reports comparing the budget to actual spending, leaders can know exactly what is expected in this area.

Empowerment tool – Budgets allow ministry leaders to make their own decisions, without being at the whim of the board or others in the organization. If they desire to make a purchase and it is within their ministry guidelines and budgeted amounts, they can just do it. This really encourages ministry leaders to accept responsibility and move forward with their programs.

Planning tool – Combined with a strategic ministry plan, a budget can set the church up for success. Of course, the opposite is also true. Many times when we see a ministry that is struggling financially, we can look at their budget and see where significant items have been overlooked, or that they chose to disregard the budget to purchase something unplanned or pursue an exciting opportunity. This may be valid, but if it was done without considering the budget or the financial implications, it can be very detrimental to the church.

The budget process is a year-round process. The budget should be prepared and finalized during the fourth quarter

of the fiscal year, and then evaluated with management and the board during each of the first three quarters. As part of this evaluation, it may become necessary to adjust the budget, or identify necessary expense reductions or creative income-generation ideas to help the church meet budgeted goals. Consider the following process for budgeting:

1. Ministry leadership submits preliminary budgets based on expected ministry outcomes for which they are responsible. This should be specific and detailed to allow good discussion on the ministry outcomes and budgeted amounts as they compare to the overall church goals.
2. The preliminary budgets are combined into an overall church budget. This is where you will identify what the overall shortfall is. Note that we identified it as a shortfall. We are not aware of many examples where the combined budgets resulted in a surplus.
3. Leadership now must consider the amount to be trimmed from the proposed budget and begin to identify areas where cuts are possible. Sometimes it will even become clear that there are items in multiple budgets that fulfill the same purpose. For example, the women's ministry may have a goal of reaching out to single moms while the children's ministry wants to provide back-to-school supplies for children of single parents. If both have amounts budgeted, it could be a duplication of resources. This can often be the case for youth mission trips and the missions committee as well.
4. When the draft of the budget is ready, the finance committee will be the first to review, question, and approve. From there, it typically goes to the full governing board for approval. It may even need to be ratified by the congregation, depending on the governance structure of the church.
5. Approval isn't the last step. Remember that managing the budget never ends. It must be monitored internally and by the board on an ongoing basis. The "glory days" of budgets that are not tight are over for most churches. We need to be proactive in determining potential shortages and implementing responses.

There are a few considerations that you may overlook as you get bogged down in the detail of budget preparation.

Take a moment to see if any of these ideas would be helpful to your church.

Multiple budgets – Usually the idea of this raises only concern. However, think for a moment about the time it would take and the potential benefits that could result. It won't take you that much longer to create one budget that factors in less income and another budget that factors in greater income. Once the initial work is done and you have carefully considered the church's ministry objectives, you will have a good idea of what would be added back should additional funds become available. You also will be aware of those expenses that were on the brink of being cut but were saved. Those would likely be the first items removed if the income ends up being lower than planned. Considering these scenarios in advance can reduce any drama if they occur. It is natural for every leader to want their share of additional funding and be more tight-fisted when there is a deficit. If you have an established plan in place, you can implement the new plan without as much controversy.

Fiscal year-end – It is unlikely that you are required to have the fiscal year-end that you currently operate under. It may be the best option for your operational cycle. If it's not, you might [consider whether there is a better option](#) and what impact that would have on the budget. December 31 is typically the last day of the fiscal year. December also is the largest giving month, and therefore many churches are always hopeful that it will be a great month and save the rest of the budget for the previous 11 months. This fiscal year results in donation statements, W-2s, 1099s, and year-end reporting all being done at the same time, however. There may be a fiscal year that better aligns with the ministry cycle of the church and eliminates some of the difficulty caused by these two specific issues. You will need to consider this carefully, though, as it's not a decision you want to change frequently.

Online access – Rather than running budget reports and distributing them, should ministry leaders be given online access to their particular budget area? They may take more ownership if they can look at the details surrounding their numbers.

Most of us would rather do just about anything else on our to-do list besides the budget. Since we can't avoid it, though, we should begin looking at it as an ongoing process that provides a management tool that helps the church accomplish its established ministry goals.

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