

Church Budgeting

Bi-District Training Day

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Why Does Your Church Need a Budget?

In the *Book of Discipline of The United Methodist Church* (258.4) the committee on finance is charged with all of the following activities:

- Overseeing stewardship
- Compiling a budget annually
- Raising sufficient income to meet the budget
- Administering funds received by the church

Why Does Your Church Need a Budget?

- Your leadership role requires that you will be a faithful participant in the **mission of the church**, which is to partner with God to **make disciples of Jesus Christ for the transformation of the world**.
- The vitality of your church, and the Church as a whole, depends upon the faith, abilities, and actions of all who work together for the glory of God.
- What does vital ministry look like in the life of your congregation?

Why Does Your Church Need a Budget?

FINANCIALLY VITAL CONGREGATIONS

- These congregations are transparent in their relationship with money.
- These congregations engage in certain financial best practices that ensure their current financial health and long term sustainability.
- These congregations think missionally about budgeting and fundraising.

Mission is First in Missional Budgeting

Every United Methodist Church shares a common **mission**: to make disciples of Jesus Christ for the transformation of the world. This task includes four elements:

- *Reaching out* to members and non-members to receive them
- *Nurturing* them in the faith with information, experiences and practices that relate them to God
- *Equipping* them to perceive their own call from God that lives out the gifts and strengths that God has given
- *Sending* them into the world to use those gifts for the transformation of the world

Mission is First in Missional Budgeting

- **Vision** - The church council, pastors and other church leaders establish the vision of your particular congregation for the coming year – the results you hope to achieve.
- **Discernment** - Financially vital congregations include a period of time dedicated to discerning God's plan for the coming year in the annual budgeting process.
- Within a church, a budget is far more than a set of numbers; it reveals the true mission and purpose of the congregation.
- When the mission statement/vision of the church declares a set of priorities that are inconsistent with how funds are actually allocated and spent, a significant contradiction exists that can undermine the vitality of the congregation.

Put Mission Into Action

Financially vital congregations set specific goals and plans based on the vision and discernment:

- What are the specific goals that will enable you to meet your vision?
- What are the detailed objectives and outcomes of each goal?
- What specific steps towards the goal would God ask us to undertake this year?
- How much will the steps cost to accomplish?
- How will progress on the goal be measured and reported to the congregation?

Funding the Mission

Financially vital congregations understand the importance of focusing upon God's great abundance rather than what may seem to be the congregation's scarcity of assets.

- Budgeting income needs to be realistic; that is, aware of past and current giving patterns.
- At the same time, however, the committee must challenge the congregation to focus upon God's vision for them and the community of which they are a part.
- God has plans and a way of providing for them. The finance committee occupies the key position of reminding the church of this central reality.

Transparency is Good

Financially vital congregations open up the process of budgeting to a wide cross section of the congregation rather than setting the budget in a secretive, exclusive, behind-closed-doors manner.

- This participative style communicates the message that the finance committee understands its proper role – that of supporting the mission of the church and not of dictating that mission.
- A budget that is determined from the bottom-up, involving a high level of participation by the congregation is more likely to be supported by members than one that is created top-down by an exclusive, powerful finance committee.

Budgeting Methods

- *Incremental Budgeting* – examine what was spent on various line items in prior years and adjust up or down, as necessary. This works well for routine expenses, however one criticism of this method is that established expenditures are rarely examined.
- *Zero-Based Budgeting* – each line item of the budget is built from zero each year. This is time consuming, but examines the appropriateness of all expenses, even routine expenses.
- *Program Budgeting* – Each ministry area or activity has its own budget; all these budgets, when combined make up the master budget of the church. Shared costs, such as facilities or salaries are often allocated to each program budget (which can be somewhat arbitrary) to allow the church to see clearly how much a specific ministry costs to operate.

Building the Budget

Financially vital congregations match resources to missional goals:

- The finance committee invites the leaders of various committees and ministries within the church to submit their funding requests along with goals/plans.
- Leaders may also be asked to submit a narrative description of each spending category so that there will be no misunderstanding regarding the purpose for the funding being requested.
- Each ministry area should prioritize the various spending categories in order of their importance in fulfilling that area's ministry responsibilities.

Finalizing the Budget

- When all funding requests are received, the committee can prepare a preliminary budget. Spreadsheet software is helpful with this step.
- Projected income should come from giving patterns along with facilities rentals, investment income, and other sources of income.
- The difference between projected income and funding requests may result in increasing or cutting some funding requests – going back to the mission/vision/goals is key to this process.
- Once finalized, the finance committee presents the proposed budget to the church council for approval.

Budget Reporting

Financially vital congregations cultivate a culture of openness and transparency by sharing clear, easy to understand financial information with the congregation.

- The budgeting process described produces a *line item budget* that can be used by the finance committee to manage income and expenses.
- Another strong and effective communication tool that can both educate and inspire giving is a *narrative budget* – a simple, clear description of what the church would like to accomplish in each area of ministry, and the spending that will be necessary to achieve these goals.
- These reports compliment each other – the total dollars for each should be the same.

Budget Accountability

In financially vital congregations, the Treasurer prepares clear, thorough, easy-to-understand financial reports each month for review by the finance committee. One of these reports should be a Budget vs. Actual report.

- The church council also uses these reports to assess progress and make decisions.
- Leaders of various committees and ministries should be provided with detailed reports of their spending on a regular basis.
- Regular reporting is part of a strong system of internal financial controls.

Source Material and Contact Information

Guidelines Finance

Handling God's Money in the Church

Available at Cokesbury in printed and electronic formats for \$3.99

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