HOW TO BUILD A CHURCH BUDGET

Before you develop a budget for your church, make sure you have done a thorough review of all annual church revenues and expenditures. As you begin constructing your budget make sure that it provides a concise and useful reflection of the church’s financial activities. You will need to decide whether it will detail all of the church’s revenue and expense categories, or whether you intend to present it in a subcategory format. Whatever format you choose, make sure it is both useful and understandable to the user, whether they are the church treasurer, the church board, the pastoral staff, the support staff, or the congregational members and adherents.

As you begin the budget process it is extremely helpful to meet with those directly responsible for the various ministries and departments of the church. As budget owners review their own department or ministry anticipated revenues and projected expenses for the upcoming year, it not only helps them plan the upcoming year’s events and activities, but to also understand how their specific department or ministry impacts the global church budget. Meeting with these individuals will help to avoid unexpected events or activities not accounted for in the global church budget. Church budgets are often stretched to capacity to cover salary and benefit costs, administrative overhead costs, utility costs, ministry costs, and capital improvements during the year without the addition of any other surprise expenditures.

The church may also find it advantageous to appoint a Salaries and Allowances committee to review and determine the next year’s compensation packages. This committee will be responsible to do research to find comparisons in the workplace industry in determining annual increases or ceiling levels for all salaried positions.

Once you have met with the various budget owners and have received the report from the Salaries and Allowances Committee, you can begin to construct the framework of the next year’s budget. If the budget process is happening in the fall, you will need a YTD financial report, as well as the prior year’s financial report. You may find that you will need to use the first 10 months of the current year, and the last two months of the prior year in or to construct a 12-month budget. It may be helpful to use more than one prior year’s financial history in setting the next year’s financial budget for the church. Designing your budget spreadsheet with prior year actuals or budget numbers as separate columns, will assist you with comparisons at a glance, as you set the next year’s budget.

Most church revenue categories include general offerings and tithes, missions, building fund, benevolence, and other. Remember to include corresponding budget lines in the expense categories that offset these. For example, any designated funds received must be disbursed by the end of the calendar year, particularly missions and building fund, unless they are being raised over time for a specific purpose or project. Under expenses, include budget lines for to tithes to the District office on the general fund, or for the disbursement of benevolent or other designated funds. Any undisbursed designated funds should show as Designated Accounts Payables on the church’s year-end Balance Sheet, as they must eventually be disbursed. Some funds can be accumulated for future purposes, such as those received for the building fund, if the church is planning future expansion, upgrades, or relocation of the facility. For giving purposes this information should be presented to the congregation if the funds are not intended for use for the regular maintenance of the church’s current facility. This will avoid any confusion as to the purpose and use of any and all Building Fund donations collected. The church may also have an established benevolent fund policy which governs the process of disbursements to qualifying individuals, whether they are part of the church or in the community. For example, special benevolent offerings at Thanksgiving and Christmas may be intended for the purpose of distributing food baskets to families, instead of replenishing the regular benevolent fund.

In the mission's area you may want to include not only funds intended for international purposes, but also for local home missions' purposes or agencies, such as the Pregnancy Crisis Centre, or Youth for Christ.

The final objective of a church’s global budget is that it is reflective of the upcoming year’s anticipated revenues, and projected expenditures. It should be reasonable in its approach. Never intentionally inflate revenues so they are unrealistic or unachievable to cover expenses. Budgets should always be balanced out to zero or project a surplus, never prepare or present to the congregation a deficit budget. When attempting to balance the church’s budget, the largest categories where expenses can be reduced are salaries, ministries, and capital expenditures. Unfortunately, some of these three categories can be the most difficult areas in which to reduce costs depending on the church’s unique situation.

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