Basics of Budgeting

The financial report was the same every month—four pages, each with eight columns, listing debits and credits. Formatted with accounting software, it provided good information. The problem was that no one except the treasurer understood it. Each business meeting was taken up with questions. Finally, a few frustrated church members circulated a petition requesting a simpler report showing the financial condition of the church.

Another church struggles over finances for a very different reason. Every year when the annual budgeting process begins, people passionately argue over how much the church should allocate to particular areas of ministry. Choir members want to see more dollars for the music ministry. Youth workers press for more money for fellowships and trips. They also see the need for a bus and frequently remind the finance committee of this. The Sunday School director insists on more money for training. And a small but vocal group of older members expresses concern that too much of the budget goes to personnel expenses. This conflict occurs every year and leaves many members with hurt feelings.

Certainly it doesn’t have to be this way. Whatever size church, you can handle the finances without hampering its fellowship or impeding its ministry. People generally want to know seven things about the church’s finances.

- What we started with
- What we received
- What it is intended for (designated or undesignated)
- What we spent
- Where it went
- What we have left
- How we are doing

Every annual budget and financial report should be prepared, processed, and presented with five goals in mind.

Make It Clear
Budgets shape financial reports and both should be clear enough that any church member can understand them. Leaders need to know what the budget provides for and how it’s arranged.

Budgets and financial reports don’t have to include specialized terminology to convey this information. There may be a lot of detail under each heading, but simply using words such as income, expenses, under- or over-budget and balance will communicate what you need to share. Those who prepare a budget benefit from clarity as much as those who are in the pews.

Make It Correct
Mistakes create a sense of uncertainty and uneasiness on the part of church members. People get the impression that other financial data being presented has been prepared without care or without verification. In addition to thorough proofreading every month, the budget should be audited annually. Audits identify deficiencies and help prevent mishandling of funds.

Make It Complete
A good budget covers every facet of the church’s stewardship, from personnel to properties, missions to music, and education to evangelism. It includes designated and undesignated receipts and expenditures. It shows savings and checking accounts, certificates of deposit, and loan balances. Nothing should be omitted or there will be an incomplete picture of the church’s financial position and needs.

Make It Concise
Avoid clutter. Organize the budget logically, making it easy to work with and to present through reports. Though complete, it should not overwhelm or focus on minutia. Make sure to answer the essential questions without creating unnecessary distractions.

Make It Compelling
Budget discussions lose focus without compelling reasons for spending, saving, or receiving. Focus on what the church intends to do. Use a ministry-based budget. Don’t simply add a percentage.
or reduce last year’s budget. Let your plans drive your budget.

Talk about ministry, not money. Money is a tool to accomplish what God has called you to do. Budget for the fulfillment of God’s vision for your church. Include ministries that support that vision. When a ministry is no longer viable, use the money elsewhere.

Develop an annotated budget (sample below) explaining what each ministry will accomplish. Monthly reports have the same categories as the annual budget, but also include columns to show actual income, expenses, and variances from budgeted amounts. You’ll find that handling financial data this way is time and effort well spent.

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