

Budgeting and Spending Assessment Pack



VISION & GOALS



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This Assessment Pack from BuildingChurchLeaders.com is a collection of tools to use with your leadership team. Each tool has been designed to help you and your team measure how well you budget and spend church resources.

Here's how to use your Building Church Leaders assessments with your board, committees, or staff:

- ◆ Print and photocopy the assessment tool you'd like to use (you have permission to photocopy for church or educational use).
- ◆ Hand it to your team to complete.
- ◆ Lead a discussion based on the team's answers.

For more assessment packs, complete training themes, or other training tools for church leadership, see our website at www.BuildingChurchLeaders.com.

Budget Basics

Applying fundamental principles can take some of the uncertainty out of church finances.

Luke 14:28

These are some basic steps to take in handling the finances of your church. Evaluate how well you understand these basic principles. Put a checkmark in all the boxes that describe your church.

The Budget Team

A budget will establish the priorities for ministry and improve money management, as well as provide a periodic review toward goal achievement. You must carefully select the people who fashion the budget. They may not be experts at the intricacies of finance, but they must know the church's ministry priorities. After the budget is finished, it must be closely followed as the gauge for all spending.

- We have already identified the people who will fashion the budget.**
- These people are not so concerned about the mechanics of finance that they miss the point of ministry.**

Accountability

No one on the finance team should be exempt from accountability. When accountability is built into the church organization, risks are kept to a minimum, groups or individuals are kept from building a power base, and regular audits are the norm.

- The person who writes the checks is not the person who authorizes expenditures.**
- The treasurer is required to issue regular, detailed financial reports.**
- A qualified accountant conducts audits yearly.**
- Items are not hidden in the budget under "miscellaneous."**
- Funds are not solicited for one cause and then used for another.**
- Figures are not changed to make them look good.**

Monitor Finances

Whether done by a solo pastor in a small church or by staff in a larger congregation, monitoring the budget is the eye that keeps the church and its financial goals on course. To monitor doesn't mean to be a watchdog over all expenditures; it means that all facets of the budget are reviewed regularly and corrections are made when needed.

- We know whether funds are immediately available for emergencies, improvements, and bills without having to borrow.**
- Accounts payable are kept up to date.**
- Non-budgeted items are not paid in place of budgeted items.**
- We are aware of the amount of dollars raised/spent placed against the number of months left in the budget.**
- We monitor expenses and research undocumented bills.**

BUDGETING AND SPENDING

Watch Investments

Not all churches need to worry about investing, but some need to consider it as a wise transaction. A church with inactive/escrowed funds should consider investing them in treasury bonds or whatever vehicles afford the most interest for the shortest amounts of time and greatest security. The following checklist is helpful regarding investments:

- We have identified which funds can or should be invested.
- We have determined whether investments should be short-term or long-term.
- We have determined how returns from the investments will be used.
- We use the services of a financial consultant who knows the mission and methods of the church.

—C. NEIL STRAIT

Discuss

1. What is the relationship between faith in the provision of God and good stewardship?
2. Think about the items that are unchecked. Which of these are the most important to your church, and why?
3. What action steps will you take to turn the items you selected into reality?

Avoid Budget Snares

Traps your church can bypass as you craft a budget.

Philippians 2:3–4

How church leaders work out disagreements at the dollars-and-cents stage of finances requires humility, patience, and looking at the big picture, as the Scripture above calls for. Here are some traps to avoid as you determine funding for each of your ministries:

1. Line-item trap. Line items are usually designed for administrative purposes. A couple of families met with me regarding the lack of funding for the youth ministry. After some research I discovered the budget line item for youth ministry didn't show other expenses scattered throughout the budget, under "administration" and "personnel," for instance. The ministry to youth was more important than the line item showed.

◆ *Have we thoroughly analyzed each line item for its total expenditures?*

2. "Higher-priority-means-more-money" trap. Many church leaders assume that by giving more money to a ministry they are giving that ministry a higher priority. This works on the mistaken assumption that giving more money is the only way to raise a ministry's status. But every congregation has at least three budgets, and only one is financial. To make a ministry a priority may not mean more money but instead involve giving a program a better time slot on the church schedule or more emphasis from the pulpit—either of which can, in turn, bring in the needed funds.

◆ *Are we examining non-financial alternatives to raising a ministry's priority?*

3. Easy-compromise trap. Competing priorities bring inevitable conflict. The missions people and the youth-ministry people each want 10 percent increases, but there is only enough money to give 10 percent to one. The easy solution is to give 5 percent increases to each. Although they reduce tension, these solutions fail to construct a budget according to the church's priorities. If the church has previously determined that youth ministry is to be the top priority, then the compromise is a disservice.

◆ *Do we make allocations based on compromises designed to make everyone happy or on our ministry priorities?*

4. Equal-funding trap. Last year I received a copy of a church budget divided into four areas: evangelism, missions, ministry, and worship. Line items were listed under each area, with funding equal to one-fourth of the budget for each. It was obvious, though, that someone had spent time adjusting figures and tinkering with the process so that all areas would be equal. Although every church does have to seek balance, don't assume that balance must be measured in terms of equal funding.

◆ *Do we fund ministries based on priorities or a desire to achieve equality among them?*

—GARY FENTON

Discuss

1. Which of the above traps are we most prone to?
2. Are our stated priorities truly priorities at budget time? Why or why not?
3. What is an example of a time when we compromised too quickly on a budget disagreement? When we worked to bring a better solution?

Setting Budget Priorities

Making choices moves budgeting from theory to practice.

1 Kings 3:9

Every budgeting process involves this basic question: “How much should we give to each ministry and line item?” From this major question, a series of other questions needs to be answered. Use this assessment tool to find out what progress your church has made in answering them. Under each item, check the box that is the most accurate description of your church.

Who really sets the budget?

Most churches use some type of committee structure to formulate the budget, but a “paper chase” study of these committees’ duties does not usually explain who really determines the budget.

- A budget committee, or board sub-committee, has each ministry turn in its projected costs for the year. The finance committee then evaluates these and puts together a total budget for the church.**
- The finance committee does little more than total the figures turned in and determine how the budget will then be presented to the church.**
- The finance committee looks at each ministry’s reports and then evaluates them in terms of church-wide goals and objectives, and, as a result, may alter those figures.**

What does the budget reveal about the church’s ministry priorities?

You must understand the actual values of a congregation before you can effectively influence the budget process. And often the budget is the best indication of what the leadership values.

A church boasts that it is a strong missions congregation. A glance at the budget seems to confirm this, but a closer look reveals that most items in the mission section of the budget are not really “mission support.” It turns out that anything leadership wanted but thought might be difficult to sell to the church was labeled missions. So the mission section of the budget was bulging with children’s and preschool ministry activities.

- Our budget accurately indicates what church leadership values.**
- We fund potentially controversial items by placing them in the budgets of more popular ministries.**

What are the non-negotiables?

Churches, because they are made up of people, frequently spend because of feelings rather than objective reality. Some ministries and line items can achieve untouchable status and escape serious budget scrutiny.

- We base all budget expenditures around needs and good stewardship.**
- We have ministries and line items that were once good ideas but have outlived their usefulness.**

—GARY FENTON

Discuss

1. Who are the people in your church that possess discernment about budgeting priorities?
2. How do you communicate budget priorities to your congregation? What role does input from the congregation play in your budget process?
3. What changes do you foresee in your church for the next three to five years? How will your budgets reflect those changes?

Know Where the Money Goes

Accountability can be achieved without resorting to a complicated reporting system.

Luke 19:15

Every church has to find a way to avoid cumbersome reporting of purchases and yet accurately monitor expenses. How well is your church doing in accomplishing both of these goals?

For each category, rate your church's performance on a scale of 1(not well) to 5 (excellent).

Our budget is organized and reported using specific ministry categories.	1	2	3	4	5
Each ministry's leaders know their financial parameters and stay within their budgets.	1	2	3	4	5
We are able to document where money is being spent and which account to charge it against.	1	2	3	4	5
Each ministry team has oversight of its own budget, with one person responsible for monitoring finances.	1	2	3	4	5
At least one member of the church's governing board has oversight.	1	2	3	4	5
The church leadership has clarity about the levels of budget responsibility and authority.	1	2	3	4	5
Each ministry understands the church policies about reporting changes in their spending plans.	1	2	3	4	5
One person has been appointed to keep an eye on the entire budget and hold department heads accountable for their choices.	1	2	3	4	5
Official approval is required before spending on non-budgeted items.	1	2	3	4	5
The church reimburses individuals for ministry expenses.	1	2	3	4	5
The church has an adequate petty cash fund to be used instead of charge accounts.	1	2	3	4	5
In the event of a budget shortfall, we are able to determine where income and expenses are according to projections.	1	2	3	4	5

—RICHARD BERGSTROM

Discuss

1. In Luke 19:15, the servant gives a budget report to the king. Who in a church should receive budget reports, and when?
2. What is your church's overall score on the assessment tool? What does this tell you about strengths and weaknesses in your expense reporting?
3. What steps are taken, if any, when spending exceeds the budget for a particular line item?

When Money Is Tight

Evaluate your ability to take the proper steps when the budget goes into the red.

1 Corinthians 4:2

The fastest, most painless way to resolve a budgetary crisis is to get more money. The other option is to cut expenses. Evaluate your congregation's ability to do both those things.

Share the need from the pulpit. While “begging for money” is considered by many the greatest faux pas any non-televized pastor can commit, an honest conversation with the flock is sometimes the best thing to do. When a congregation loves and trusts its pastor, it can take a dose of financial honesty now and then.

◆ *Is our pastor comfortable talking to the congregation about the church's financial needs?*

Use assets creatively. The church building itself is a potential income generator as a safe, comfortable, and rentable meeting place for local community groups. In many cases, this revenue-maker sits idle as much as six days per week. A church will want to avoid renting to a group whose purpose is contrary to the church's mission. A facilities-use policy will safeguard both the property and the reputation. But allowing the community to rent the facility can even advance a church's mission.

◆ *Are we realizing income by renting our facilities out to the community?*

Manage seasonal shortfalls with credit. Particularly if a church's giving patterns tend to be cyclical, a short-term equity line of credit can float the budget through low tide. A financial professional can help determine if a credit strategy is advantageous. Using credit can pay big dividends if it allows the church to continue a ministry or service project until the offerings pick back up.

◆ *Do we use short-term credit to move the church through budgetary lean periods?*

Focus on core ministry. Core personnel and core operations, a church's unique niche and calling to ministry, must be funded first. The fundamental mission of a church is no place to cut.

◆ *Have we identified our core ministries and given them top priority in the budget?*

Look for inefficiency. Often churches think they have to cut something, when they simply need to more efficiently manage what they have. Look for ways to cut costs in areas such as telephone service, energy use, insurance policies, and building/grounds maintenance.

◆ *Before making budget cuts, do we thoroughly examine operations and eliminate inefficiencies?*

Humble thyself in the sight of thy creditors. When a temporary shortfall makes paying bills difficult, contacting creditors before the bill is past due is better than making them give chase.

◆ *Do we contact creditors to discuss bill payment options?*

—STEPHEN B. BOX

Discuss

1. In what way is avoiding deficit spending a sign of faithfulness?
2. Has our church had to raise money or cut expenses to overcome a budget shortfall? How well did these measures succeed?
3. When cuts are necessary, which method is most effective, and why: across-the-board cuts or selective cuts?

Managing Designated Funds

How to make sure your church is making good use of ministry-specific donations.

1 Chronicles 29:3

Designated giving—by which people can indicate where specifically in the church their gifts will go—is becoming more common. Is your church comfortable with designated giving? Are your written policies and actual practices at variance? Are you making good use of designated giving? Use this assessment tool to find out.

	Often	Sometimes	Never
A policy on designated giving is printed on all receipts for donations or the quarter contribution statements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
During the budget process, we anticipate the amount and nature of designated gifts by learning what special ministries and problems interest people.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gifts are accepted or rejected based on how the leaders feel about the ministry or program the donor wants to underwrite.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We give people choices by identifying tangible needs not in the operating budget that would be appropriate for memorial gifts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
All donors are informed about the tax-deductible status of their gifts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
All donors are thanked appropriately and quickly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gifts are publicized in the church newsletter or bulletin.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

—GARY FENTON

Discuss

1. If someone handed you their personal treasure, what would you do with it?
2. Is your church comfortable with designated giving? Why or why not?
3. How would an increase in designated giving affect the level of non-designated contributions?

Harnessing Large Bequests

Keep major endowments from planting the seeds of big budget trouble.

Ecclesiastes 7:11

A large bequest to a church sounds wonderful. But horror stories abound of congregations that became dependent on the dead to pay the bills incurred by the living. If a major gift has come your way, are you managing it well?

Use Large Bequests Wisely

One congregation decided to construct a new sanctuary. The first three-year campaign went well. During the third year, a committee was appointed to plan a new campaign for the second three years of mortgage payments. About that time, the committee received news that a member had died and her bequest to the church would provide income to more than cover the mortgage payments. The committee never met again, and the congregation began a habit of liberally dipping into the endowment fund for other purposes.

How closely does this situation mirror how your church handles endowment funds?

	Yes	Usually	Sometimes	No
We borrow income from bequests to cover deficits in our operating budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If we borrow money from that fund, we return it.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Create Your Own Foundation

Congregations have identified a way to encourage a larger number of bequests while minimizing the negative effects of a large endowment. They have created their own foundation or trust with its own set of trustees to administer the funds. Usually this takes the form of a separate legal corporation, but sometimes it is created under the legal umbrella of that congregation's incorporation as a nonprofit religious organization.

If your congregation has a foundation, how diligent is it in keeping these safeguards?

	Yes	No
No one is simultaneously a trustee of the foundation and holds a policy-making or fiduciary office in the congregation.	<input type="checkbox"/>	<input type="checkbox"/>
The trustees of the foundation serve staggered terms.	<input type="checkbox"/>	<input type="checkbox"/>
The terms are long enough—five, seven, or nine years—that trustees can develop the expertise to administer the funds.	<input type="checkbox"/>	<input type="checkbox"/>
The foundation and the congregation have separate agendas and reporting systems.	<input type="checkbox"/>	<input type="checkbox"/>

—LYLE SCHALLER

Discuss

1. What could turn a large inheritance into a negative factor for our church?
2. How well do people in our congregation understand their opportunities to endow the church? How well have we communicated how these funds could be or are being used?
3. What factors determine when and where to spend endowment funds?