**BUDGET GUIDELINES
Checklist for church budgeting process**

**What is a budget?**

In its simplest form, a budget is a one year view of how much money there is to spend with a detailed

Plan on how it will be spent. The budget is also a work –in-progress that is refined over time the actual results of each year will provide the basis for future budgets.

**Why is budgeting important?**

The budget is a simple financial tool that effectively allows the church to facilitate ministry and future

Growth. It helps leadership determine if the church can actually afford to spend money on new projects

And equipment, or if the cost of current operations and ministry are keeping within reasonable limits.

Once the budgeting process has been developed and refined, it provides a financial picture of where the church is going and where it needs to be in years to come.

The primary objective of the budget is to provide:

* Faithful stewardship- the efficient use of resources of operational and ministry costs
* The financial portion of the overall plan to facilitate church growth and ministry
* The international use of funds on projects and ministry that are important to the goals

Of the church

**When is the budget prepared?**

The budgeting process should be done at least two or three months before the beginning of the

next church fiscal year.

**Who should be involved in the budgeting process?**

The main people involved in the budgeting process are pastor, council treasure, and

accounting staff. The church council may decide to form a finance committee that could also

Include other church leadership. Once the proposed budget has been completed, it should then be

Presented to the church council for approval.

The approved budget is to be published at the annual membership meeting. A copy of the

Approved budget is also to be sent to the Gilgal head office.

**How is the budget maintained and reported?**

The budget results should be maintained and reported on monthly basis. This is usually done

In conjunction with the normal financial reporting. Budget amounts are divide into twelve equal

Parts and then reported in comparison with actual operating results. A sample of a standard budget

Report is include in step 6.

 When comparing actual results to the budget amounts, large differences should be addressed

By the pastor and church council in timely manner. There may be occasions where unexpected

Events arise that will increase expenses or reduce revenues beyond budget projections. Church

Leadership and /or the church council will have to assess the total impact and determine the

Appropriate actions.

**What steps are taken to set up the budget?**

The next page provides a step-by-step checklist of procedures to follow in setting up budget.

The pages following the checklist provide further instructions and examples each a step.

**STEPS TO COMPLETE BUDGET PROCESS**

 Completed(x)

1. **Actual Income and Expenses**(page3)
* Income & Expense Statement (previous year, up to 3 years) ----------------------
1. **Strategic plan – future Ministry & Projects** (page4)
* Church Ministry – Goals, Plans & Costs for the year -----------------------

(Include each ministry department and overall)

* Projects-Building, Personnel, Equipment -----------------------
1. **How Much Income**?(page5&6)
* Budget Worksheet-Section A: Projected Income -----------------------
1. **What Will Expenses Be**? (page5&7)
* Budget Worksheet- Section B: Projected Expenses ------------------------
1. **Balancing the budget** ( page8) -----------------------
2. **Maintaining the Budget**(page9&10) -------------------------

**STEP 2: Strategic plan- future ministry & projects**

The **second step** is to develop a strategic plan future ministry and projects. These are the

Plans and goals that the church has projected to be implemented or continued in the coming budget

Year. The plan should be broken down into two categories:

**Church ministry**

Each ministry department should submit written details of plans and goals for the budget year,

As well as projections of the income and expenses that is expected to be incurred from ministry

Activity. Ministry expenses should include increases in personnel and equipments purchase

(Audio/video)

* Will the costs be covered by contribution income or are there plans to raise additional funds?
* Are there sufficient funds in the operating budget to cover these costs if fund raising efforts

Do not meet expectations?

* Are the goals reasonable and attainable? Should the plans be projected over a longer period of time (five years instead of one)?
* Has an evaluation of existing ministries been done to determine whether they are still viable? What are the current costs? Will they be discontinued or increased?
* Are new ministries in line with the direction the church is taking or wants to go?
* Are the plans flexible to incorporate changes or unexpected events?

**Projects**

There should be some consideration given to non- ministry projects and expenditures that the

Church may plan to make in the coming budget year. These would include building maintenance,

Additions to administrative personnel, and major purchases of office equipment and furnishings.

* Has the church developed a systematic approach to building maintenance and repair?
* Are there short-term (one year) and long-term (5or more years) plans for projected building and equipment costs?
* Can large expenditures be postponed until the funds can be raised (rather than assuming debt)? Is there excess income in the budget that can be set aside over a period of time to be allocated to large projects?
* Are there cost effective alternatives that need to be considered before proceeding with the project?

**SAMPLE BUDGET WORKSHEET**

 Budgeted

 Yearxxx1 yearxxx2 yearxxx3 Amount

|  |
| --- |
| **SECTION A: REVENUE** |

Tithes &offerings XX,XXX.XX XX,XXX.XX XX,XXX.XX

Other income XX,XXX.XX XX,XXX.XX XX,XXX.XX

**TOTAL REVENU XX,XXX.XX XX,XXX.XX XX,XXX.XX**

|  |
| --- |
| **SECTION B: EXPENSES** |

**Contributions**

National tithe XX,XXX.XX XX,XXX.XX XX,XXX.XX

Mission tithe XX,XXX.XX XX,XXX.XX XX,XXX.XX

 **XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**BUILDING**

Rent/mortgage XX,XXX.XX XX,XXX.XX XX,XXX.XX

Repair & maintenance XX,XXX.XX XX,XXX.XX XX,XXX.XX

Insurance XX,XXX.XX XX,XXX.XX XX,XXX.XX

City taxes(exempt) XX,XXX.XX XX,XXX.XX XX,XXX.XX

City utilities XX,XXX.XX XX,XXX.XX XX,XXX.XX

Gas XX,XXX.XX XX,XXX.XX XX,XXX.XX

Hydro XX,XXX.XX XX,XXX.XX XX,XXX.XX

Janitorial XX,XXX.XX XX,XXX.XX XX,XXX.XX

Snow garbage removal XX,XXX.XX XX,XXX.XX XX,XXX.XX

 **XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**Office expense**

Telephone XX,XXX.XX XX,XXX.XX XX,XXX.XX

Advertising XX,XXX.XX XX,XXX.XX XX,XXX.XX

Office supplies XX,XXX.XX XX,XXX.XX XX,XXX.XX

Postage/shipping XX,XXX.XX XX,XXX.XX XX,XXX.XX

Photocopier (contract) XX,XXX.XX XX,XXX.XX XX,XXX.XX

Computer/software XX,XXX.XX XX,XXX.XX XX,XXX.XX

Bank interest charge XX,XXX.XX XX,XXX.XX XX,XXX.XX

 **XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**Salary & benefits**

Salary XX,XXX.XX XX,XXX.XX XX,XXX.XX

Housing XX,XXX.XX XX,XXX.XX XX,XXX.XX

Car allowance XX,XXX.XX XX,XXX.XX XX,XXX.XX

Benefits XX,XXX.XX XX,XXX.XX XX,XXX.XX

Travel & conference XX,XXX.XX XX,XXX.XX XX,XXX.XX

Payroll tax XX,XXX.XX XX,XXX.XX XX,XXX.XX

 **XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**Ministry**

Children XX,XXX.XX XX,XXX.XX XX,XXX.XX

Youth XX,XXX.XX XX,XXX.XX XX,XXX.XX

Benevolence XX,XXX.XX XX,XXX.XX XX,XXX.XX

Missions XX,XXX.XX XX,XXX.XX XX.XXX.XX

Sunday school XX,XXX.XX XX,XXX.XX XX,XXX.XX

Home groups XX,XXX.XX XX,XXX.XX XX,XXX.XX

Pastoral care XX,XXX.XX XX,XXX.XX XX,XXX.XX

Outreach XX,XXX.XX XX,XXX.XX XX,XXX.XX

 **XX,XXX.XX XX,XXX.XX** XX,XXX.XX

**TOTAL EXPENSES XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**EXCESS/(DEFICIT) XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**STEP 3: How Much Income?**

You should now have (1) an income/ expense statement of actual operations for the year (up to three years )and, (2) a strategic plan for the coming budget year. The third step is to budget the projected income for the year.

Budgeted income is based on actual income reported in preceding year. A church that has been in operation for more than couple of years can determine trends and percentage increases over those years . for instance, if over the past three years the church has experienced an average yearly increase of 2%, then the budgeted amount would be 2% increase over the current year contributions. Actual contributions for the year of $25,000 would then be budgeted at $25,500.

If the church is in its first years of operation, it is advisable to use the same amount of income realized in the first year as the budgeted income for the coming year. For example, if the church has received general contributions for the first year in the amount of $25000, then use $25000 as the projected income for the budgeted year.

The bust rule-of-thumb is to be conservative when determining the income amount.

The types of income a church receives can vary greatly. Fore budgeting purposes, the main source of income is tithe and offerings. In some cases, the church may be receiving rental or interest income and can be included for budgeting purposes. Amounts that are received for designated purposes are not be included.

* What trends is the church currently experiencing:
* Is giving potential of congregation increasing, decreasing, staying the same?
* Is the church looking at other ways to generate revenue?
* Is there a contingency plan in place in the event of extraordinary contributions? For example, an offering is made for &5000.00. Does the church council want these funds to be consumed in general operations or is it to be allocated to debt reduction or special projects?
* Is there a contingency plan in place in the event of large deficits income? what expense areas are flexible enough to be reduced in the event of shortfalls? Does the church make some provision in the budget for saving to cover unexpected expenses?

**STEP 4: What will expenses be?**

**Step four** is similar to step three. The actual expenses for previous years, and their trends, will

Determine the amounts to be used in the budget. For instance, if utilities have been around $2000 a

Year for the past three years, then you would budget $2000. However, if you know that there will

Be a 5% increase then you would budget $2100. This step will be repeated for each expenses item.

Expenses are classified in several ways:

1. Fixed Expenses-cost that occur every month and are for fixed amounts.
* Extension tithe
* Ministry
* Rent or mortgage
* Payroll & benefits
* Utilities, phone, internet
* Equipment
* Insurance
* Property taxes
* Debt payments
1. Debt payments-fixed monthly obligations that are under banking agreements or legal contracts.
* Mortgage
* Short term loans
* Equipment
1. Variable Expenses- discretionary expenses that fluctuate or can be reduced without affecting overall operations
* Office
* Building
* Travel
* Additional staffing
* Some ministry
1. Savings or reserves –planed savings for large projects or purchases that may be done in conjunction
* Building funds(purchase or maintenance)
* Equipment purchase

 One expense area in particular that will need an annual review is the salary and benefits for the

Senior Pastor. The administration manual provides some guidelines. More detailed information on this process can be obtained on request from the national office.

When budgeting for expenses, first priority should be given to debt payments and fixed

Expenses. Income will have to be sufficient to cover these expenses before any other expenses can

Be calculated. It is important to channel income towards the “needs” before the “wants”. Priority

Should then be given to variable expenses and savings amounts that supports the plans and goals of the church

**STEP 5: Balancing the Budget**

**Step Five** puts everything together. It is essential that a balanced budget be adopted ~ expenses

Should equal income! In most case, the budget will not balance on the first try. It is even more

likely that expenses will exceed income

**If expenses exceed income:**

It is not recommended that income be arbitrarily increased to cover expenses. Unless there are

Solid ways that the church can increase income it is best to reduce expense.

* Are there effective ways to cut these expenses?
* Are particular costs absolutely necessary?
* For new projects or plans, are these costs realistic? Costs tend to be higher in the beginning stages (training costs, hidden costs)

**Income exceeds expenses:**

The first tendency would be to “pad” expenses to meet the expected income. If the church is

Not experiencing an excess of actual cash in the bank account then it may be that income has been

Projected too high. If expenses seem to be correct then the proper course of action would be to

Reduce income to meet expenses and balance the budget.

* Was income projected based on actual trends or was it based on anticipated growth?
* Does the church normally experience excess funds in bank account?
* Are costs for new projected or plans realistic?

**STEP 6: Maintaining the Budget**

**SAMPLE BUDGET WORKSHEET**

 Current month current month year-to -date year-to-date Actual Budgeted Actual Budgeted

REVENUE

Tithes &offerings XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Other income XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

**TOTAL REVENU XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX**

EXPENSES

**Contributions**

National tithe XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Mission tithe XX,XXX.XX XX.XXX.XX XX,XXX.XX XX,XXX.XX

 XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

**BUILDING**

Rent/mortgage XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Repair & maintenance XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Insurance XX,XXX.XX XX,XXX.XX XX,XXX.XX XX.XXX.XX

City taxes (exempt) XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

City utilities XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Gas XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Hydro XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Janitorial XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Snow garbage removal XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

 XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

**Office expense**

Telephone XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Advertising XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Office supplies XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Postage/shipping XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Photocopier (contract) XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Computer/software XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Bank interest charge XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

 XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

**Salary & benefits**

Salary XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Housing XX,XXX.XX XX,XXX.XX XX,XXX,XX XX,XXX.XX

Car allowance XX,XXX,XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Benefits XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Travel & conference XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Payroll tax XX,XXX.XX XX,XXX.XX XX,XXX.XX XX.XXX.XX

 **XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**Ministry**

Children XX,XXX.XX XX,XXX.XX XX.XXX.XX XX,XXXX.XX

Youth XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Benevolence XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

Missions XX,XXX.XX XX,XXX.XX XX,XXX.XX XX.XXX,XX

Sunday school XX,XXX,XX XX,XXX,XX XX,XXX.XX XX,XXX.XX

Home groups XX,XXX.XX XX,XXX.XX XX,XXX.XX XX.XXX,XX

Pastoral care XX,XXX.XX XX,XXX,XX XX.XXX.XX XX,XXX.XX

Outreach XX,XXX.XX XX.XXX.XX XX,XXX,XX XX,XXX.XX

 XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX

**TOTAL EXPENSES XX,XX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**Over/(under)BUDGET XX,XXX.XX XX,XXX.XX XX,XXX.XX XX,XXX.XX**

**STEP SIX** is the ongoing process of reporting and evaluating the budget results. Below is a sample report that can be used to show the actual results in comparison to the budget. The first two columns are for the results of the current reporting month; the last two columns of numbers are the year-to-date cumulative amounts.