

## **Setting financial goals — the budget**

The budget of a congregation establishes the financial goals and overall objectives for the current year and also constitutes a good internal control system. The budget is a plan for revenue and expenditures to support activities the congregation has decided to undertake in order to fulfill the goals of the congregation.

Estimating revenue and expenditures is an inexact science; information from previous years can be a good starting point but should not be the only pre-determining factor for the proposed budget.

Once the budget is established, it is the treasurer's responsibility to report on a monthly or quarterly basis to the council and members of the various service committees. This report typically compares actual revenue and expenditures to budget for the current period and compares revenue and expenditures to the same period from the previous year. Significant deviations from budget should be highlighted and investigated.

### **Budget Types**

The budget may be one of the following types:

#### **Zero-based budget**

This budget starts at zero, and every item that is presented for inclusion in the budget must be justified as to its need and the benefit it provides. This type of budget typically requires more effort to produce but also forces an in-depth look at every budget line item.

#### **Same as last year budget**

This budget starts with last year's budget and adds percentage increases or makes minor adjustments for the next year. This is the type of budgeting done by most congregations, because it is fairly easy to put together. Unfortunately, using a "Same as last year budget" tends to preserve the status quo and can be an obstacle to vision and development.

#### **Unified budget**

A unified budget pulls together all of the congregation's receipts and disbursements into one budget. Included in this one budget would be anticipated receipts and disbursements of each church group which previously may have had their own budget and even their own bank account. These might include the youth group, the women's group and the construction budget.

#### **Capital budget**

A capital budget provides for the addition of capital items such as office equipment, furniture and fixtures, land and construction. In the event of a construction project, a capital budget may extend for a period of longer than one year. It normally is developed for the life of the project.



## **Congregational Treasurers and Bookkeepers Financial and Accounting Guide**

*A resource provided by the Office of the Treasurer of the Evangelical Lutheran Church in America*

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### **Program budget**

A program budget is a way of presenting the budget that puts all expenditures into various program categories, e.g., worship, learning, outreach, etc. Salaries can also be prorated into each program category. A program budget can be an effective communication and planning tool. It can show ministry emphasis more clearly than a line-item budget.

### **Line-item budget**

A line-item budget groups individual items under categories and further lists each item that makes up that category. An advantage of the line-item budget is that it provides a systemic step by step mechanism for formulating the budget but it should be noted that a listing of every line item is not effective in communicating the overall plan or mission of the congregation.

### **Debt-retirement budget**

A debt-retirement budget is a special budget that lists all of the funds and use of these funds needed to pay off indebtedness.



## **The budget process**

The following is a suggested method:

- The congregation council appoints a budget committee.
- The various church committees are made aware of their budget responsibilities and the timeframe they have to submit an estimate of their budget to the budget committee.
- The committees determine their needs for the coming year.
- The committees forward their budgets to the budget committee.
- The financial secretary develops an estimate of the next year's income.
- A representative from each committee meets with the budget committee to review the budget submitted by that committee. Discussion to keep or remove certain budget items occurs at this time.
- The budget committee compares all the budgets submitted with the anticipated income and prepares a balanced budget which it presents to the congregation council.
- The council reviews the budget, makes any adjustments it deems necessary and presents the budget to the congregation.
- The budget is presented, discussed and approved by the congregation. If not approved, the budget goes back to Step 6 above for further evaluation and follows the remaining steps.

In an effort to expand participation and increase support of the budget, alternatives to this model may include:

- open forums including the entire membership could take place prior to Steps 2 and 3;
- budget hearings could be held prior to Step 4; and
- the budget could be presented in one meeting with a second meeting scheduled within a few weeks to take action on the budget.

For a budget to be effective, the following must be present:

- The congregation should have clear objectives and goals stated in dollar amounts.
- The budget must be well thought out and approved by the council and congregation. The budget needs to be owned by every member of the congregation.
- Participation in the process by as many people as possible is critical for support.



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- Financial statements must be prepared on a timely basis and comparison made to the budget.
- The council must be prepared to take action if budget variances show a significant deviation.

### **Budget contingency planning**

It is both prudent and strategic to develop contingency plans as part of the budget development process. Because a large percentage of a congregation's operating budget is from weekly offerings, small variances in the percentage of income shared or the number of households giving can have a significant impact on a congregation's budget plan.

A guide for budget contingency planning can be found at:  
[www.ELCA.org/treasurer/congregations](http://www.ELCA.org/treasurer/congregations).

