

Chapter 23: Budgeting

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23.100: Introduction

Advanced planning, whether for one, two or five years, is necessary to ensure the achievement of a goal. Within the church, planning is frequently done in the form of a budget. The budget is a tool to ensure that funds are available for continued operations and for the expansion of ministry. The budget is monitored through revenue received and expenditures made as compared to the budget.

Income is budgeted on the basis of pledge information received from members plus other income. Expenses are budgeted on the basis of input from all boards and committees using the prior year's expenditures and needs for the future as guides. When adopted, the budget becomes the financial guide for the forthcoming year.

As budgets are reviewed each year, it is also important to look at balance-sheet changes. Changes in cash balances, capital expenditures, and both short term debt (Accounts Payable) and long-term debt need to be considered when planning spending levels for future years.

23.200: Budget Preparation

23.205: Objectives of a Budget

The objectives of a budget are as follows:

1. To be good stewards of the money with which the church has been entrusted.
2. To develop a total congregational plan (budget) to facilitate and guide planning and expenditure decisions during the following year(s).
3. To facilitate sharing of goals and budget considerations among leaders of the congregation.
4. To harmonize church council (board of directors) goals with individual committee goals and congregational needs and concerns.
5. To facilitate financial reporting to the district office.

23.210: Elements of a Budget

For a budget to provide information and control, four elements must be present:

1. The budget must be well-conceived and prepared or approved by the board or council.
2. The budget must be broken down into periods corresponding to the periodic financial statements.
3. Financial statements must be prepared on a timely basis throughout the year and a comparison made to the budget.

4. The board (council) must be prepared to take action when the comparison with the budget indicates a significant deviation.

23.215: Kinds of Budgets

1. Same as last year: Most commonly used in the church. Begins with the amount and format from the prior year with minor adjustments for the coming year.
2. **Zero-based budget:** This budget requires much more work and forces rigorous defense of spending plans. Each program and committee begins with a zero balance and must justify any request as to need and how it will contribute to the total mission of the church.
3. **Unified budget:** Puts all the congregation's receipts and disbursements into "one basket." Every source of funding (pledges, building fund, Sunday school, etc.) and every allocation of those funds is placed in one comprehensive budget.
4. **Capital budget:** A capital budget plans for the future acquisition of capital assets, such as office furniture, copiers, computers, software, automobiles, buses and major site improvements.
5. **Construction budget:** Provides a budget plan for new construction and alterations. It is a specialized budget for a special situation.
6. **Special Funds Budget:** Provides a budget plan for the use of restricted and designated funds. The receipts and disbursements are carefully recorded in these accounts to reflect the original purpose and use of these funds.

23.230: Budget Committee

The church council or board of directors may appoint a budget committee. The committee might consist of the pastor, president of the congregation, treasurer and representatives of the congregation at large; or it may be comprised of members of the various committees.

23.300: Budget Process

Suggested steps in preparing the congregational budget are as follows:

1. The church council appoints the budget committee.
2. The individual program and administrative committees are made aware of their responsible areas and are given a timetable for submitting a budget estimate to the budget committee.
3. The committees evaluate their needs and goals for the coming year and prepare a budget estimate. Part of this process involves an evaluation of the effectiveness of the past year's programs.

4. The committees forward their budgets and programs to the budget committee.
5. The treasurer, pastor, financial secretary and stewardship committee compile the income budget based on member pledges or a historical analysis of the congregation's income.
6. The individual committee chairpersons and the budget committee meet to review the budget and program recommendations of the committees. Here arguments are presented to remove or retain certain budget items.
7. The budget committee compares all program, capital, construction and administrative budgets with the anticipated income and prepares a balanced budget that it presents to the church council.
8. The council reviews the budget, makes any final adjustments, and presents the approved budget to the voters' assembly.
9. The budget is presented at the voters' assembly, discussed and eventually approved.

23.310:

Determining Congregational Potential Income

The congregation, in its budget planning, should analyze the potential giving of its members based on the various types of households that the congregation serves. With an indication of types of households, a more accurate indication of giving can be made or projected. Determining this potential also assists the congregation in measuring the members' stewardship level overall.

The Congregation Budget Planning Worksheet (see 22.320) is a form that is helpful in determining the congregation's potential income.

23.320:

Congregation Budget Planning Worksheet

	Factor	Avg No of Households	Adjusted Households
A. Households			
1. Husband and wife (two incomes)	1.50	55	83
2. Husband and wife (one income)	1.00	25	25
3. Singles, single parent	0.50	10	5
4. Mixed marriage (two denominations)	0.33	10	3
5. Restricted incomes (retired, disabled, etc.)	0.25	20	5
6. Unemployed	0.00	10	0
7. Inactive members	0.10	20	2
8. Total households		150	123
B. Annual average household income			32,000
C. (Line A.8xB)			3,929,600
D. Total Congregation Giving			185,000
E. Percentage of income given per household (divide D by C)			4.71%
F. Giving Potential	%	Offerings would be:	Increase (Decrease)
If membership contributed:	3%	117,888	(67,112)
	5%	196,480	11,480
	7%	275,072	90,072
	10%	392,960	207,960
	12%	471,552	286,552

23.400:

Budget Calendar

The timetable before the voters' assembly approves the budget is as follows:

1. **Three months:** The council appoints the budget committee and the program committees are formed.
2. **Two months:** The budget committee meets with the program committees. The pledge process begins.
3. **One month:** The budget committee presents a balanced budget to the church council.
4. **Two weeks:** The council approves the budget and brings the recommendation to the voters for adoption.

23.600:

Sample Budgets

22.610

Budget Summary

		Current Year	Last Year	Increase/Decrease
Contributions—Budget Contributions				
	Worship service offering	450,000	427,000	23,000
	Mission offering	4,500	4,200	300
	Building Fund offerings	80,000	75,000	5,000
	Organ Fund offerings	0	0	0
	Plate offerings	16,500	16,000	500
	Flowers and decorations	0	0	0
	Sunday School offerings	0	0	0
	Christmas Day	3,000	3,000	0
	Christmas Eve	6,000	6,000	0
	New Year's Day	1,000	1,000	0
	Thanksgiving	2,000	2,000	0
	Lent	500	500	0
	Advent	1,500	1,500	0
	Gifts and bequests	1,500	1,500	0
	Interest and investment income	12,000	11,000	1,000
	Tuition—members	25,000	25,000	0
	Tuition—non members	220,000	210,000	10,000
	Registration fees	4,600	4,500	100
	Book rentals and fees	25,000	24,000	1,000
	Total Budget Income	853,100	812,200	40,900
Budget Expenses				
	Outreach—beyond congregation	24,820	22,700	2,120
	Pastoral support	83,850	76,050	7,800
	Christian worship	2,250	2,050	200
	Christian witness	800	600	200
	Christian stewardship	600	600	0
	Christian growth	6,400	5,950	450
	Christian youth	5,800	2,900	2,900
	Christian welfare	2,500	2,500	0
	Christian day school	496,825	458,300	38,525
	Administration	65,593	62,200	3,393
	Church property	119,800	114,200	5,600
	Total Expenses	809,238	748,050	61,188
	Operating Surplus (Deficit)	42,862	63,150	(20,288)
	Debt Service—Principal on Loan	(13,000)	(15,000)	
	Depreciation included in operating surplus	82,000	85,000	
	Fixed asset additions	(30,000)	(30,000)	
	Total Non Operating Adjustments	39,000	40,000	
	Total Surplus (Deficit)	81,862	103,150	

23.620:
Budget Detail

First Lutheran Church
Expense Budget — Detail

Acct No.	Account	Current Year	Last Year	Increase/Decrease
50100	Outreach—beyond congregation			
50180	District-Synod support	22,000	20,000	2,000
50185	Convention assessment	720	700	20
50189	Local mission support	2,100	2,000	100
	Total Outreach Beyond Congregation	24,820	22,700	2,120
50200	Pastoral support			
50201	Salaries	37,000	36,000	1,000
50203	FICA and Medicare taxes	0	0	0
50204	Employee benefits	19,500	13,500	6,000
50207	Housing allowance	19,500	19,000	500
50209	Automobile expense	4,300	4,200	100
50210	Continuing education	2,000	1,800	200
50211	Utilities allowance	0	0	0
50212	Conferences and workshops	650	650	0
50219	Guest pastors/speakers	900	900	0
	Total Pastoral Support	83,850	76,050	7,800
50300	Christian worship			
50321	Altar supplies	250	250	0
50322	Service bulletins	1,000	1,000	0
50323	Hymnals	650	500	150
50324	Choir music	350	300	50
	Total Christian Worship	2,250	2,050	200
50400	Christian witness			
50425	Publicity/signs	800	600	200
50426	Radio-TV	0	0	0
	Total Christian Witness	800	600	200
50500	Christian stewardship			
50528	Offering envelopes	600	600	0
	Total Christian Stewardship	600	600	0
50600	Christian growth			
50640	Sunday school materials	2,800	2,600	200
50641	Vacation Bible school	1,300	1,200	100
50642	Adult Bible study materials	600	500	100
50643	Church library	500	500	0
50644	Lutheran Witness®	300	350	(50)
50645	Portals of Prayer®	0	0	0
50647	Audio visual materials	900	800	100
	Total Christian Growth	6,400	5,950	450

Acct No.	Account	Current Year		Last Year		Increase/Decrease
50700	Christian youth					
50712	Conferences and workshops		5,000		2,000	3,000
50760	Leadership training		800		900	(100)
	Total Christian Youth		5,800		2,900	2,900
50800	Christian welfare		2,500		2,500	0
50900	Christian Day School					
50901	Salaries		225,600		212,600	13,000
50903	FICA and Medicare taxes		8,400		8,100	300
50904	Employee benefits		110,025		95,000	15,025
50907	Housing allowance		66,200		62,500	3,700
50909	Automobile expense		1,000		1,000	0
50910	Continuing education		2,500		2,500	0
50911	Utilities allowance		0		0	
50912	Conferences and workshops		2,700		2,300	400
50919	Substitute teachers		2,000		1,500	500
50920	Office supplies		2,600		2,400	200
50948	School curriculum		32,000		30,000	2,000
50952	Equipment maintenance		2,500		2,500	0
50953	Equipment repairs		3,400		3,200	200
50954	Depreciation—equipment		4,700		4,200	500
50970	Telephone		3,500		3,000	500
50972	Utilities		25,000		23,000	2,000
50973	Insurance		4,500		4,300	200
50990	Other expense		200		200	0
	Total Christian Day School		496,825		458,300	38,525
51000	Administration					
51001	Salaries		39,000		37,500	1,500
51003	FICA and Medicare taxes		3,650		3,450	200
51004	Employee benefits		12,363		11,500	863
51007	Housing allowance		0		0	0
51012	Conferences and workshops		275		300	(25)
51020	Office supplies		2,080		1,750	330
51052	Equipment maintenance		1,650		1,500	150
51053	Equipment repairs		1,200		1,100	100
51054	Depreciation		2,300		2,100	200
51070	Telephone		2,500		2,400	100
51090	Other expense		575		600	(25)
	Total Administration		65,593		62,200	3,393
51100	Church property					
51151	Rental					
51172	Utilities		20,000		20,000	0
51170	Telephone		0		0	0
51174	Maintenance and repairs		8,000		7,000	1,000
51176	Depreciation—building		75,000		70,000	5,000
51177	Interest expense		16,800		17,200	(400)

Acct No.	Account	Current Year	Last Year	Increase/Decrease
51177	Interest expense	16,800	17,200	(400)
51178	Utilities—parsonage	0	0	0
51179	Repairs—parsonage	0	0	0
51190	Other expense	0	0	0
	Total Church Property	119,800	114,200	5,600

23.630:

Budget Narrative

First Lutheran Church

Budget Narrative

	Amount	% of Budget
Outreach beyond congregation— Support for foreign, national and district missions and ministries, and local social ministries and Christian counseling	24,820	3.07
Pastoral support— Provisions made for the cost of providing pastoral support for the congregation. This includes salary and housing allowance and expenses incurred for the ministry of the congregation.	83,850	10.36
Christian worship— Various costs incurred with developing worship materials and supplies for communion, choir and music materials.	2,250	.27
Christian witness— Includes the costs for promotion of the congregation in the community through publicity and signs and through radio announcements.	800	.10
Christian stewardship— Costs incurred to encourage members of the congregation to express their support for the ministry of the congregation.	600	.07
Christian growth— Educational materials to assist all ages of members in the congregation in their spiritual growth.	6,400	.79
Christian youth— Providing the opportunity for the youth of the congregation to grow in their faith and service to the congregation.	5,800	.72
Christian welfare— Provide a source of help to members of the congregation or residents in the community that are in need of assistance in food or clothes or financial help.	2,500	.31
Christian Day School— The operations of the Christian Day School which includes all salaries and benefits of the teaching staff and the various expenses in maintaining the school operations.	496,825	61.39
Administration— The work of the office staff and providing equipment to carry out the administrative matters of the congregation.	65,593	8.11
Church property— Expenses of maintaining the entire church property, which includes maintenance, utilities, parking lot and capital expenditures.	119,800	14.81

23.700: Payroll Budget

Establishing the payroll cost for the congregation requires a great deal of time and attention for the leadership of the congregation. A payroll budget should be prepared to analyze the total salaries and benefits for the congregation workers.

The sample payroll budget is as follows:

Employee	Salary	Housing Allowance	Total	FICA Taxes (6.20%)	Medicare Taxes (1.45%)	Total FICA and Medicare	CHP	CRP	CDSP	Total Employee Benefits
Pastor	37,000	19,500	56,500				14,150	3,955	1,395	19,500
Church secretary	25,000		25,000	1,550	363	1,913	10,000	1,750	613	12,363
Custodian	14,000		14,000	868	868	1,736				0
Total Administration	39,000	0	39,000	2,418	1,231	3,549	10,000	1,750	613	12,363
School principal	35,600	17,200	52,800			0	14,150	3,696	1,294	19,140
Teacher (Full time)	26,000	16,000	42,000			0	10,000	2,940	1,029	13,969
Teacher (Full time)	27,000	18,000	45,000			0	14,150	3,150	1,103	18,403
Teacher (Full time)	35,000	0	35,000	2,170	508	2,678	10,000	2,450	858	13,308
Teacher (Full time)	28,000	15,000	43,000			0	10,000	3,010	1,054	14,064
Teacher (Full time)	30,000	0	30,000	1,860	435	2,295	14,150	2,100	735	16,985
Teacher (Part time)	18,000	0	18,000	1,116	261	1,377	0	1,260	441	1,701
School secretary	26,000		26,000	1,612	377	1,989	10,000	1,820	637	12,457
Total School	225,600	66,200	291,800	6,758	1,581	8,339	82,450	20,426	7,149	110,025