

A BUDGET PROCESS IN SUPPORT OF MINISTRY*

All too often church budgets are formulated by examining expenditures and contributions from the past year, making a few reasonable adjustments, and publishing the new budget for examination and approval by the congregation. During the budget formulation, little reference is made to ministry goals or how the budget can best support them. New or additional budget items are adopted with reluctance because most small churches struggle to pay the pastor's salary, utilities, and other current expenses. But, if the budget is to support the ministry, it is important that the church budget be formulated with significant input from those who are actively involved in the ministries of the church and recognition of how the budget can best support those ministries. Because most small churches have limited financial resource, sound financial practices are necessary in order to keep financial priorities in line with ministry priorities.

The remainder of this article discusses the biblical foundation for a sound budget, a process for formulating a budget, critical factors in giving, and pitfalls to avoid.

THE BIBLICAL FOUNDATION

Proper financial principles are not just an organizational necessity, but are a biblical responsibility that the church needs to uphold.

- 1. The basis for a budget is faith.** Faith is not necessarily trusting that God will provide more, rather it is the firm conviction that God will provide all that is *needed* to accomplish what he is calling the church to perform (Phil. 4:19; 2 Cor. 9:8). If the church follows the leadership of God, it will have all the needed finances, no matter how small the budget may be.
- 2. The budget should reflect the vision and priorities of the church.** In evaluating a church budget, it is important that the church does so in light of its priorities and values (Matt 6:21). Without a clear assessment of the priorities, the budget can drive the church rather than the purpose, mission and vision.
- 3. The budget reflects the spiritual maturity of the congregation.** How people give, to what they give, and how much they give is an indication of the priorities and spirituality of the people (2 Cor 8:7). Preaching and teaching on the importance of giving is part of developing the maturity of the congregation.
- 4. The budget should challenge.** The church should continually be encouraging people to give generously and sacrificially (2 Cor 9:6-7). Not just because of the financial needs of the church, but the importance of the discipline of giving (Phil 4:17).
- 5. The foundation of giving is obedience.** More important than the amount people give is their attitude towards God and towards the Scriptures (2 Cor 8:5). The ultimate strength of the church is not found in its budget but in its obedience to God's Word. The church's spirituality determines the viability and stability of the church, not its bank account. When people are

taught correctly about giving, so that they are first obedient to Scripture, the finances will be sufficient to the needs which God has determined. Ultimately, giving is not a budgetary issue, but an obedience issue.

6. The church must manifest integrity in its financial practices. The church is to be the model of financial responsibility. Therefore, care should be given concerning how it handles its finances (Prov 13:11). Designated money should be used only for the designated project. Quick fund-raisers that compromise the church's integrity will ultimately be destructive (Prov 10:16). The resources should be used to benefit people outside the church and not just for the church's own organizational benefit (Prov. 28:8).

PRINCIPLES FOR DEVELOPING A SOUND BUDGET

How the church goes about forming its budget not only will influence the success it has in maintaining it, it will affect the way people give. A budget driven church is one in which the financial plan is formed by transferring the previous years expenditures (with any increases in utilities, etc.) into the projected funds for the coming year. The ministries then must operate for the coming year within the confines of this plan. As a result the budget dictates the programs. When this occurs people will be reluctant to give because they have little desire to contribute to a perceived organization. A ministry driven church forms its budget based upon the needs of the ministries and programs that serve people. When ministries, programs, and needs of others dictate the finances, people readily give because they see the importance of their contribution.. To be have a ministry driven budget, the following steps should be taken. Each step requires time and effort on the part of leaders in the church and the budget process should be initiated well before the final budget is needed.

Step One: Develop goals for each area of ministry.

Each area of ministry should determine the goals for the following year. These should be developed through a prayerful consideration of what God desires the church to accomplish within the particular program. While the goals should take into account the previous financial giving of the church, they should not necessarily be dictated by it.

Step Two: Each ministry should formulate a budget for their ministry goals.

Once a ministry team has identified the goals for their programs, they should then determine the specific costs that will be involved in accomplishing them. These costs should be seen not as organizational expenditures but rather, money invested in the lives of people through the particular ministry.

Step Three: The board should review the goals and needs of each ministry.

The purpose of this review is to assure that the goals of each ministry correspond to the vision and direction of the church. Goals should be examined to assure that they are realistic, achievable, and beneficial to the overall health of the congregation.

Step Four: Each proposed program budget is reviewed by the Finance Committee.

The finance committee has a two-fold responsibility. First, they make sure that the budget of each program is realistic and cost effective. Second, they evaluate each individual budget with the overall church financial status to assure that the money designated corresponds to the fiscal needs of the church. If the Finance Committee determines that cost reduction is needed, it communicates to the ministry teams the reasons for the reduction and work with them in formulating a revised budget proposal.

Step Five: The Finance Committee should formulate a church budget to propose to the congregation.

Once the Finance Committee has reviewed each program budget the information is condensed into a proposed church budget. This proposal does not just communicate the amount of giving that will be required for the coming year, but includes an explanation showing how each item relates to the goals and ministries of the church. When it is presented to the congregation, people should understand why this money is needed. The report is not a financial statement, but a statement of ministry objectives.

Step Six: Challenge people to commit to the ministry rather than just the budget.

When people are asked to vote on the budget, they are not voting on a financial report, but on a ministry plan for the coming year. People are more willing to give to that which meets the needs of people than they are to support a perceived administrative institution. When the budget is presented, it must be clearly communicated that the fiscal plan is not just an assessment of monetary needs to keep the church fiscally solvent, but a projection of the needed resources to minister effectively.

Step Seven: Pray and trust for God's provision.

Once the ministry goals and budget has been accepted, the church should be committed to pray regularly for the ministry and for the financial provisions. When there is a shortfall in the giving, the prayers focuses not just upon the church finances, but upon the ministries of the church and the people affected by the lack of resources.

Step Eight: Maintain flexibility within the budget.

The budget guides rather than dictates the church ministry. Inevitably needs will arise that were not foreseen. Because the ministry environment is always changing, the budget needs to be adaptable and flexible. The church should develop policies and procedures for adjusting to these ongoing changes so that the ministry is not hampered by an outdated budget.

Three Critical Factors in Giving

(from Lyle Schaller, *The Pastor and the People*)

1. The people's perception of the need.
2. The quality of internal communication.

3. The degree of member's involvement in the life, program and ministry of the congregation.

When people who are actively involved in the church receive clear communication on a ministry need, they will respond to the extent God has enabled them.

SOME PITFALLS TO AVOID

As in all areas of life, there are pitfalls to avoid, and the same is true when formulating a church budget. Some common pitfalls are noted below.

1. Avoid developing a budget without prayer. The church is not merely an organization, but a spiritual organism that is to be organized around spiritual principles. The financial needs of the church are ultimately a question of God's sovereign supply rather than people's giving. Therefore, prayer should be made not only for wisdom in forming a budget, but in the realization of the budget, and the attitude of people in giving.

2. Avoid developing a budget based solely upon past performance. Typically a budget is developed by examining last year's income and expenditures. While it is important to examine the past, it should not dictate what the future will be. If the formation of the budget is based only on the past, then there will be no room for growth, little challenge to the people, no avenue for faith, and no need for dependency upon God. The process of developing a budget should focus on a prayerful seeking of God's direction and provision rather than upon the bank account.

3. Avoid developing a budget that is unrealistic. Asking a church of fifty to support a \$300,000 building may not only be unrealistic, but may put the future of the church at risk. Overspending the amount people can realistically give can cause a church to become financially strapped so that it will be unable to support its core ministries. This is not to say that the church should never take any financial risks, but that they should do so very carefully, thoughtfully and prayerfully. Developing a budget involves the interplay between wisdom and faith. Without wisdom it becomes a burden. Without faith it remains shortsighted.

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