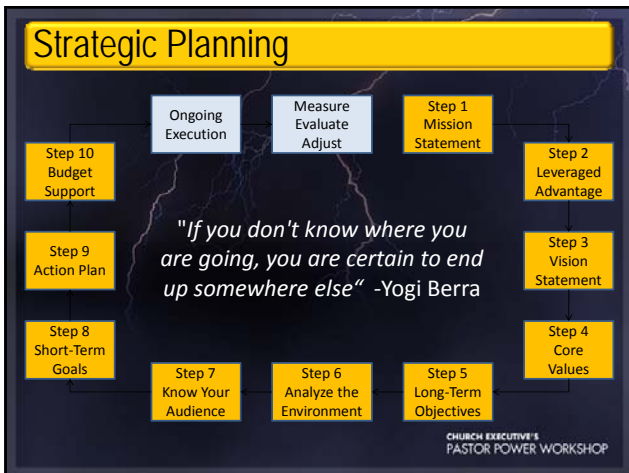
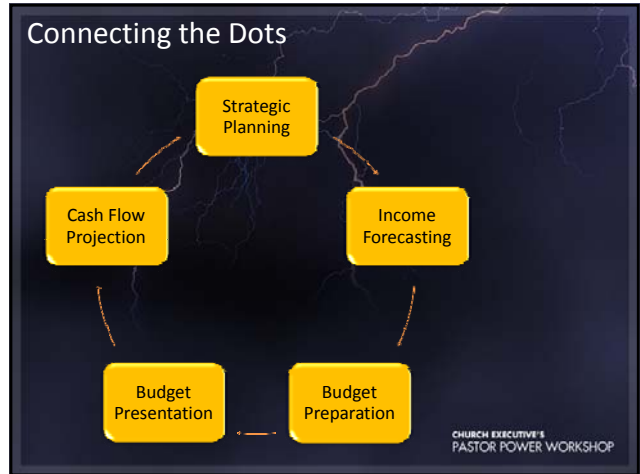


# Breakthrough Budgeting for Churches

Rev. Paul Clark

CHURCH EXECUTIVE'S PASTOR POWER WORKSHOP



## Step One: Mission Statement

1. In light of all that God has commanded and all the needs we see around us, why do we exist?
2. What do we intend to accomplish in this world?
3. What is the rallying cry that will motivate our people in moving forward?

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### Step One: **Mission Statement**

1. A Mission Statement provides...
  - A fixed point of reference
  - A vantage point for looking into the future
  - An unchanging course to follow
  - A criteria to measure choices
  - An identity for people to adopt
  - An identity that will inspire

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### Step One: **Mission Statement**

1. A Mission Statement should be...
  - Concise
  - Memorable
  - Relevant
  - Inspiring
  - Realistic
  - Easily Understood
  - Able to answer the “what” and the “how”

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### Step Two: **Leveraged Advantage**

1. What does your church do really well?
2. What do you do or what do you have that is unique?
3. What are the cultural distinctives that you offer your congregant?
4. What sets your church apart from the others in your area?

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### Step Two: **Leveraged Advantage**

5. What are your unique strengths?
6. What are your “core competencies”?
7. Identify:
  - **Passion:** What are you deeply passionate about?
  - **Purpose:** Why do you exist? What services are you well-positioned to provide?
  - **Resources:** What skills, resources and assets set you apart?

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## Step Two: Leveraged Advantage

<p><b>Unique Strengths</b></p> <p>What do you do well?</p> <p>Mining your passion, your purpose and your resources...</p> <p>Examples: Music, worship, Fine Arts, expository preaching, evangelism, community, social action</p>	<p><b>Competencies</b></p> <p>What do you do better than others?</p> <p>Examples: longevity, missions, outreach, children's ministry, facilities, support groups</p>	<p><b>Leveraged Advantage</b></p> <p>How can you build upon these strengths and competencies? How can you leverage your strengths and competencies to meet the spiritual and physical needs of your faith community and your seeking community?</p>
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## Step Three: Vision Statement

1. Visualize the future—help people see the end state.
2. What will your church look like in 10 years?
  - Describe it
  - Touch it
  - Feel it
  - Live it
  - Experience it

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## Step Three: Vision Statement

3. To provide a clear mental picture of where the church is going five years from now.
4. To set a direction and to provide a path for purposeful action.
5. To identify the qualities and character of your ministry into the future.

What will your church look like five years from now?  
What new ministries will you pursue?  
What will you be doing to make a real difference?

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## Step Four: Core Values

*The values of any organization control priorities, provide the foundation for formulating goals, and set the tone and direction of the organization.*

-Lyle Schaller

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### Step Four: Core Values

1. Enduring, passionate core beliefs
2. Unchanging
3. Guide to activities, behaviors, goals and attitudes
4. Foundation for leadership, culture and decisions

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### Core Values

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### Step Five: Long-Term Objectives

1. The effort, actions, and broad direction that will move your church from its' mission to its' vision.

*Mission: where you are now*

*Vision: where you're going*

*Long-term Objectives: how you will get there*

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### Step Five: Long-Term Objectives

1. Ongoing strategic activities
2. Broad direction that will allow progress from mission to vision
3. Organizational
4. Programmatic
5. People- focused (internal & external)
6. Facilities
7. Values-based

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### Step Five: Long-Term Objectives

1. What five long-term objectives could you write that would be broad and continuous, and would bring movement from your mission to your vision?

facilities... organizational development... staffing...  
ministry development... cultural change... financial  
foundations...

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### Step Six: Analyze the Environment

1. SWOT Analysis
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats

*Why? So that we can build on our strengths, shore up our weaknesses, capitalize on our opportunities and guard against threats*

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### Step Six: Analyze the Environment

1. SWOT Analysis
  - Strengths
    - What you do well
  - Weaknesses
    - What you lack or do poorly that places you at a disadvantage

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## Step Six: **Analyze the Environment**

1. SWOT Analysis
  - Opportunities
    - Situations that exist, which if acted upon, could benefit the mission/vision
  - Threats
    - Conditions which exist and could threaten or be a barrier to accomplishing the mission/vision

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## Step Seven: **Know Your Audience**

1. Who are your constituents—who do you serve?
2. What do they value?
3. What satisfies their needs/wants?
4. What do they appreciate most about your church?
5. How can you serve them better?
6. What groups exist in your church?
7. How do groups' needs/wants differ?
8. What are the demographics of your community?

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## Step Seven: **Know Your Audience**

### Why is this important?

Knowing your audience allows you to position and present your ministries in ways that are relevant, meaningful, and strategic. Pursuing an unchanging mission through a clear vision—within the context of understanding the people to whom we are ministering.

- Veterans, Boomers, X'ers, or Nexters
- Economically depressed, upwardly mobile or affluent
- Families, singles, divorced, broken

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## Step Eight: **Short-Term Goals**

1. One-year goals that turn the mission, vision and long-term goals of the church into actionable targets.
2. SMART Goals
  - Specific: Who, what, where, when, why...
  - Measureable: How much? How many?
  - Attainable: Stretching, worthwhile, possible
  - Relevant: Congruent with vision
  - Time-Specific: By when?

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## Step Eight: Short-Term Goals

### 2. SMART Goals

6-month Work Plans

Motivational, exciting, strategic goals that can be analyzed, implemented, measured, celebrated and rewarded!

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## Step Nine: Action Plan

1. The "execution" of your short-term goals.
2. Action items that lead to achieving your short-term goals.
3. A "To-do" list for each of your short-term goals.
4. Assigning responsibility and deadlines: "Who needs to do what in the next 90 days...the next 90 days...the next 90 days."

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## Step Nine: Action Plan

Goal	Action Item	Person Responsible	Deadline
Launch new website design by Sept. 1, 2007	Create a strategy map for the website	Paul Clark	May 15, 2007
	Create navigation hierarchy	Paul Clark	June 1, 2007
	Create several graphical design proposals for review/approval	Graphic Designer/ Webmaster	June 15, 2007

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## Step Ten: Budget Support

1. Budget is a tool to support the strategic plan of the church.
2. Budget is a financial roadmap to get you from where you are to where you want to be at the end of the budget period.
3. ...a tool, not an end-in-itself
4. ...to support short and long-term goals
5. ...anchored in mission and vision

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# Best Practices

- What kinds of strategic planning do you do in preparation for the annual budget?
- How connected is the budget process to strategic planning?

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## Income Forecasting

Before we can sit down and begin putting budget numbers to the page, we need to forecast income:

The best forecasting combines accurate information and common sense. Even still, forecasting is an uncertain process. We don't know the future, yet it is challenging to budget without some estimate of income.

### 1. Total Income

#### What to consider:

Giving patterns. Historical Income. Data trend line.

X Factors. Growth in membership. Faith.

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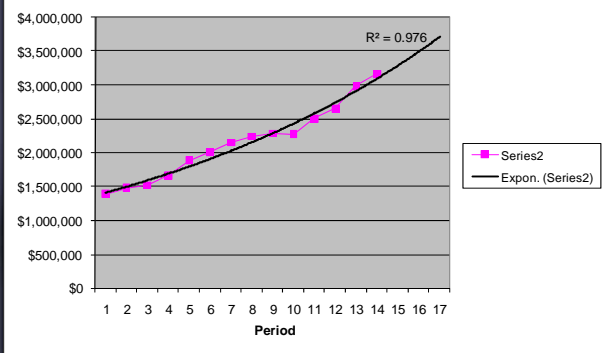
Average Increase?

Peaks or Valleys?

Trends/Cycles?

Giving patterns. Historical Income.  
Data trend line.

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Plot the data

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Using the trend line, you may be able to get a reasonable estimate of the next period's projected figure

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Ministry Operating Fund Income to meet the 2005 needs is projected as follows:

January****	200,000
February	188,000
March	213,000
April	205,000
May****	238,000
June	196,000
July****	252,000
August	193,000
September	202,000
October****	210,000
November	230,000
December	<u>476,500</u>
	\$2,803,500

\*\*\*\* Five Sunday month

Historical Averages.  
Seasonality.  
Special projects.  
Non-cash gifts.  
Unusual expenses.

Using your forecasted income, you can then project monthly income based on historical trends or percentages

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## Best Practices

- Do you utilize income forecasting as part of your budget process?
- Is this anti-faith?
- How valuable of a tool is it to you?

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## Budgeting Preparation

- A budget is a plan (tool) for allocating available resources. It is **simply a matter of setting priorities**, so that the church's money is used to accomplish the mission and vision of the church.
- Budgets are the **result of reasoned decisions** – arrived at by faith – about what God wants you to do with the financial resources He has given you.
- The budget is a **“road map”** to help you get from where you are to where you are going financially. It helps you stay on the road and not get lost. It also **helps you evaluate how you are doing in allocating resources against your strategic plan.**
- Budgets are meant to **guide people**, but **people, ultimately, control budgets.**

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### Budget Creation Philosophies:

**Top Down Approach:** Developed in a centralized mode, the completed budget is passed down to various departments.

**Bottom Up Approach:** Each budgeting department develops its own budget independently and passes the totals up.

**Combined Approach:** Goals established at top and budgets prepared at department level and subjected to review. Each budgeting department develops its own budget independently.

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### Top Down Approach:

**Pros:** Simple, Efficient, High Control.

**Cons:** No "buy in" due to lack of input, Forced answers may be wrong.

### Bottom Up Approach:

**Pros:** Ownership or "buy in", More accurate projections, Many people involved.

**Cons:** Time consuming; Many interactions needed, Divergence from big picture goals.

### Combined Approach:

**Pros:** More interaction, team based, accurate projections, many people involved, follows overall goals.

**Cons:** Somewhat time consuming, many reiterations necessary.

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## Teamwork

### Advantages of Collaborative Budgeting:

- Creates Ownership: The budget becomes "their budget," not the preacher's budget or the church's budget.
- Educates Members. Members participating in the budget development become aware of the church's goals and priorities.
- Reduces Late Changes. All relevant input is included in the early stages of budget development.
- "Sells" The Budget Ahead of Time. All pertinent questions are answered during budget development instead of at the time for approval.
- Creates a healthy environment of participatory leadership.

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## Types of Budgets:

### Fixed Budget

This is the most common church budget. It is used when church leaders are reasonably certain that conditions will remain fairly constant. A figure is determined for income, and the yearly expenses are divided by twelve.

**Pros:** Very Easy To Create  
Not A Lot Of Buy-In Necessary

**Cons:** Maintains Status Quo  
Based More On Budget Than On Vision or Goals  
Does Not Consider The Possibility Of An X Factor

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## Types of Budgets:

### Incremental Budgeting

This is when the team starts with last years budget data and projects next year's budget based on incremental factors. (i.e., increase everything 5%)

**Pros:** Easy To Administer  
Creates Method To Share Revenues Evenly

**Cons:** Doesn't Challenge Activities  
Maintains the Status Quo  
Doesn't Recognize Fluctuation Between Areas  
Doesn't account for fixed vs. variable costs

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## Types of Budgets:

### Revenue Driven Budget

This is when the church simply starts with revenue projections and determines the budget within the limitations of the projected revenue (sometimes negatively referred to as budget driven, instead of vision driven).

**Pros:** Generally Begins with Realistic Revenue Projections  
Less Contention Since Income Establishes Allocations

**Cons:** Doesn't Challenge Activities  
Doesn't Account for Fixed vs. Variable Costs  
Driven By Limitations Rather Than Possibilities

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## Types of Budgets:

### Zero Based Budget (ZBB)

This is when the team starts at a zero point for income and expenses, determines goals and objectives for the year, and then projects revenue and expenses from scratch.

**Pros:** Forces Review of Activities  
Evaluates Contribution Towards Overall Goals (instead of departmental goals)  
Prioritizes Goals  
Creates Buy-In for Team and Church  
Identifies Sacred Cows

**Cons:** Not Practical For All Areas (fixed or near-fixed expenses)  
Can Be Administratively Burdensome (time consuming)

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## Flexible Budgeting Is Key

A flexible budget allows for the adjustment of the budget when operating costs are variable at different times during the year.

Each leader or department head needs to be aware of every line item cost in their budget, and adjust when appropriate. The ministry leader will then maintain spending at the allowable percentage as adjusted throughout the year.

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### Avoiding Pitfalls

- The line-item trap: Comparing one line item to another to determine relative importance, fairness and value.
- Higher priority means more money trap: Does not consider relative costs in comparing ministries, or the value of the church calendar, or the value of pastoral emphasis.
- Easy compromise trap: Allocate resources to avoid conflict rather than to address strategic goals and commitments.
- Meaningless motto trap: Using words or motto's that have little meaning or relationship to reality.

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### Avoiding Pitfalls (cont.)

- Inability to Articulate Clear Goals
- Lack of Ownership
- Poor Assumptions
- Inadequate Monitoring and Reporting
- Church Structure: Too Rigid for Flexibility
- Personnel Involved in Budgeting Are Not Properly Trained
- Sacred Cows
- Non-negotiables

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### Provide Budget Kits

- distribute in a training session
- standardized format
- Create simple templates and instruction sheets
- keep the template the same from year to year
- Include other helpful "big picture" information
- Provide detailed expense account reports

### Keep to a Timeline

- Create their budgets within two weeks

### What about items that won't fit?

- Turn them in anyway
- Rank unfunded requests by strategic priority
- If funds become available, implement

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## Best Practices

- What are some of your budgeting "best practices"?
- If you could improve one aspect of your budgeting process and product, what would it be?

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## Budgeting Presentation

### 1. Lead with Vision:

Every year as we cross the threshold of a new year, there is a sense of awe and thankfulness for the past year. Transformation is happening in the life of our church family. We are seeing a greater interest in being community-focused and a greater awareness for "Reaching 2." There's a greater sense of community and fellowship, a greater heart of service, and a greater commitment to giving. As the articles on the following pages demonstrate, we see a greater number of people thirsting for transformation. God is continuing to build His church within us.

In this booklet, you will find year-end financial figures that demonstrate that God was very gracious in providing all of our needs. Our income exceeded our expenses by over \$45,000. Our 2006 actual spending was held below our budget projection which speaks to good stewardship. You will also see that our budget for 2007 is an 8% increase over 2006. Our vision is increasing as we imagine what God wants to do here at Fairhaven.

Though I am filled with awe and thankfulness for 2006, I look ahead to 2007 with a sense of excitement and wonder. I am convinced that we need to "Imagine." We need to imagine what God will do for us, in us and through us! Let's imagine together!

Living the Journey, Sharing the Story.

*David Smith*  
David Smith  
Senior Pastor

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## Budgeting Presentation

### 2. Communicate your Values:

#### Measuring the Health of Fairhaven

**2006 STATISTICS**

- 1. People
- 2. Our life
- 3. People
- 4. Attend
- 5. The w
- 6. There
- 7. New ministries are beginning as God imparts vision.
- 8. Guests are being connected to church life.
- 9. Covenant membership is increasing.
- 10. Our budgetary needs are being met.
- 11. Leaders are being developed and placed in ministry roles.
- 12. Scripture is central to our message.
- 13. Staff relationships are healthy.

**56 Baptized**

**84 New Members**

**13 Short-term Missions Trips involving 220 Fairhaven people**

**592 Salvations**

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## Budgeting Presentation

### 3. Share Your Strategy:

**2007 Budget Objectives**

Our ministry budget reflects our vision, which includes both our present ministry of spiritual transformation and future expansion as we seek to reach others in our community for Christ.


1. To place greater emphasis on assimilation, guest services and updated facilities for continued excellence.
2. Continue our commitment to world evangelization and local outreach consistent with the growth of our overall budget.
  - a. 2004 - Total giving to International Ministries - \$667,320
  - b. 2005 - Total giving to International Ministries - \$774,587\*  
\* Includes special Hurricane Katrina offering
  - c. 2006 - YTD giving to International Ministries - \$772,084
3. Increase children's ministry budgets to provide for growing attendance and ministry costs.
4. Continue to support a growing Worship and Fine Arts ministry and improve funding for Easter and Christmas events.
5. Continue to provide a cash reserve to handle unexpected expenses and capital needs.
6. Provide modest salary increases for our staff.

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## Budgeting Presentation

### 4. Provide Rationale:

**3. Attendance**



**2. Giving Units**

YTD 2005		YTD 2006	
Total Dollars Given:	\$2,478,027	Total Dollars Given:	\$2,617,273
Total Average Dollars:	\$272,646	Total Average Dollars:	\$297,225
Average Gift \$\$ Avg:	\$269	Average Gift \$\$ Avg:	\$284
Average Gift \$\$ Given:	\$2,446	Average Gift \$\$ Given:	\$2,497
Individuals Giving:	1,013	Individuals Giving:	1,048
Times Contributed:	12,784	Times Contributed:	13,503

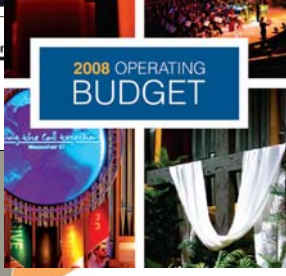
Plus: Recent Request by Dick Wolf for 75 new Giving Envelopes

**1. Faith**

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## Budgeting Presentation

### 5. Present the Budget:



Account #/Line Description	2007 Budget
<b>WORSHIP</b>	
Concert Series	
000/51110 Guest Musicians	0,000
000/51120 Christmas Season	0,000
000/51130 Passion Season	0,000
Personnel	188,335
General Operations	

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## Best Practices

- What has worked really well for you in presenting your budget to the leadership or congregation in a way that creates enthusiasm and support?
- How do you get people to see past the \$\$\$ to the VISION?

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## Cash Flow Projection

### 1. Why do it:

- Peace of mind
- Better decisions
- Faster responsiveness to opportunities
- Fewer surprises
- Better communication to leadership

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## Cash Flow Projection

### 1. How do it:

- Review current economic conditions; consider X-factors and how they will affect your income.
- Forecast income for the budget period.
- Forecast expenses for the budget period.
- Prepare a profit-and-loss projection.
- Run a reality check on the numbers. Compare them to your goals and historical figures.

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## Cash Flow Projection

### 1. How do it:

- Project monthly cash inflows for the budget period.
- Project monthly cash disbursements (outflows) for the budget period.
- Project operating data. Move controllable items around to achieve the best positive cash flow possible.
- Prepare your cash flow budget: the "finished" cash flow projection. Look for periods of negative cash flow, as well as unusually positive periods.
- Compare budgeted with actual performance monthly.

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## Cash Flow Projection

### 1. How to use it:

- Context for decision-making
- Identify the need for short-term borrowing
- Project ability to invest short term surplus
- Project addition or cancellation of projects or expenditures

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## Best Practices

- How do you utilize cash flow projections?
- What "best practices" do you have that you'd like to share with the group?

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