

BUDGETING FOR KINGDOM IMPACT

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The logo for AcctTwo features a stylized '2' icon on the left, composed of a white square with a green wavy line. To the right of the icon, the text 'AcctTwo' is written in a white, sans-serif font. A green horizontal line runs through the middle of the 'AcctTwo' text.

AcctTwo

Faith-Based Finance Collaborative

CPE CREDIT FOR THIS COURSE

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1. Sign the sign-in sheet for each course.
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3. There will also be printable certificates available for you to download at the end of the conference. Please be sure to attend our last session to find out more!

Without these items we are not properly able to credit you for this course.

SESSION OBJECTIVES

At the end of this session you will be able to:

- Understand the basic structures of budgeting
- Identify the tools to best suit your organization's budget plan
- Create a road map for how to approach budgeting for your organization

OVERVIEW

- Resource allocation and Biblical Stewardship
- Church Administration Model
- Planning
- Budgeting Approaches
- Structure for change

RESOURCE ALLOCATION

- No organization has an infinite supply of resources
- Use them effectively and efficiently
- Accounting and accountability are both important

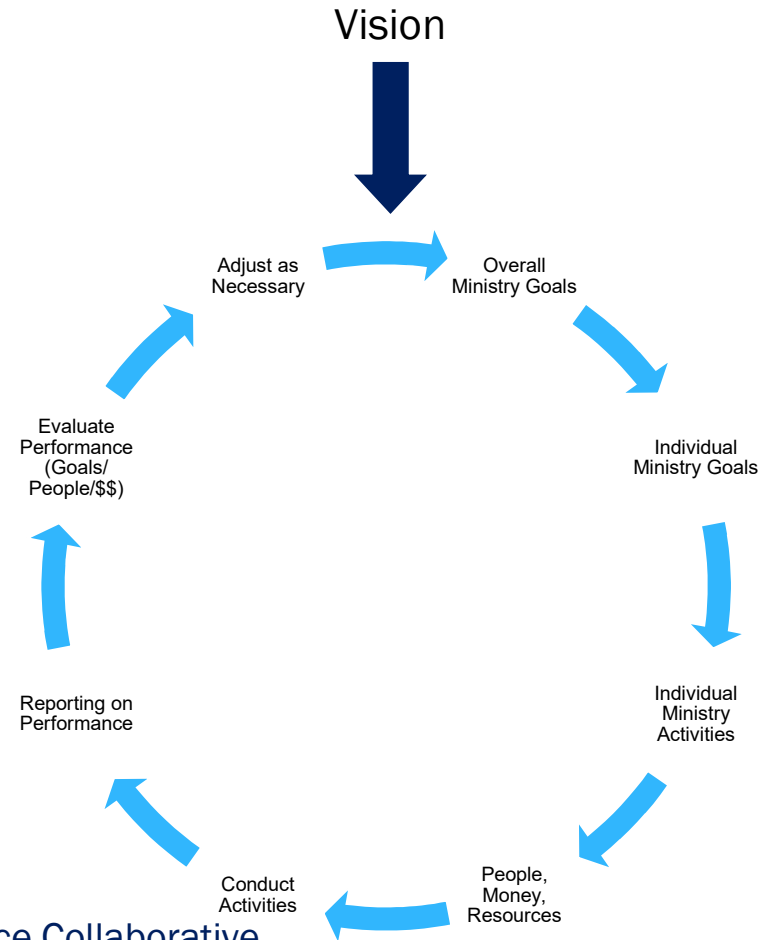
BIBLICAL DEFINITION OF STEWARDSHIP

- Utilizing and managing all resources God provides for the glory of God and the betterment of His creation.

“Each of you should use whatever gift you have received to serve others, as faithful stewards of God’s grace in its various forms.”

- 1 Peter 4:10 (NIV)

Strategically Vital Church Administration Model



VISION

“Plans fail for lack of counsel, but with many advisers they succeed.”

– Proverbs 15:22 (ESV)

PLANNING

- Relates to overall objectives of the church – Vision and Mission
- Should be done before budgeting
- What is the driving goal?
- List the five main goals and objectives of your church in descending priority order

KEYS TO PROPER PLANNING

- Stating goals – overall intent and direction
- Stating individual ministry goals
 - Be specific
- How will goals be accomplished?
 - What activities?
- Establishing priorities – what if you can't do it all?
- Being able to evaluate progress
- Consider short-term and long-term

LONG-RANGE PLANNING

- Think beyond one year
- Consider the growth or decline of your neighborhood
- Philosophically, where do you want to go?
- Corporately, do you have what you need?

MASTER PLAN

- Five-year, continuous plan
- Identify...
 - Different needs for the future than now
 - What goals, objectives, and programs might be needed
 - Anticipated sources of income to meet the needs
- Should simplify the budget process



BUDGETING TO ALIGN WITH YOUR MINISTRY GOALS

WHAT ARE YOU CALLED TO ACCOMPLISH, AND HOW MUCH WILL IT COST?

BUDGETING PROCESS

- Budget is not an absolute ending, but destination
 - The Budget will never be 100% right.
- Used as a benchmark to discuss and explain what has happened.
- Always factor in “What-ifs” and reserves

STRATEGIC BUDGETING

Strategic budgeting is **aligning the mission of the organization with the finances**. It is important for all managers and the board to be in agreement on where the ministry is headed. The dollars should then follow these goals.

Each department or project should prepare a budget based on what they plan to accomplish. **This type of budgeting facilitates better communication and less overlap between departments.**

BUDGET APPROACHES

Top-down: In this method, the budget is prepared by senior management and communicated down to other managers and staff.

- **Pros** – efficiency
- **Cons** – lack of ownership by those outside of senior management

BUDGET APPROACHES

Bottom-up: This method encourages significant participation by those who are most involved in the day-to-day activities. Budgets are prepared by frontline personnel and passed up to senior leadership for review and difficult decisions.

- **Pros** – buy-in by staff and more realistic of operations
- **Cons** – time-consuming and difficult to administer

BUDGET APPROACHES

Types of financial budgets:

- **Zero-based** – Each year begins a new process. You will look at what the expected income and expenses will realistically be and budget accordingly. All things are questioned and new projects are considered at this time.
- **Incremental** – Simply take the prior-year budget and add a predetermined amount (e.g. 2%). This is an expeditious way to budget, but doesn't allow you to really consider what worked and what didn't. You don't evaluate what you are trying to accomplish and tie that to the budget in this method.

BUDGET APPROACHES

Incremental Budgeting

- Last year + expected changes
- Example: 100 participants * \$30 = \$3,000
125 participants * \$40 = \$5,000
- **Pros** – easy
- **Cons** – doesn't challenge what's been done because it focuses on costs rather than objectives

BUDGET APPROACHES

Program Budgeting

- Budgets by program, not natural expenses
- Requires the ministry to identify each program/activity and the needs it serves
- **Pros** – better understanding of programs, lends to cost/benefit analysis, provides clarity for staff and volunteers
- **Cons** – time-consuming

BUDGET APPROACHES

Consider Using Multiple Budgets and Approaches

A multiple budget process prepares a baseline budget and additional budgets above and below that. While it seems like this could be a cumbersome process, once the initial budget is prepared it takes relatively little time to prepare variations of it.

The benefit is that if more or less income is received, you have already determined what cuts or additional projects will be impacted. We all understand that managers don't like to give up their funds and stand ready to receive extra money if there is surplus. The practice of multiple budgets eliminates some of the emotion from unexpected income fluctuations.

EVALUATING PERFORMANCE

- Ministry metrics
 - Attendance
 - Percentage of involvement in small groups
 - Some things may be immeasurable

What do you do?

BUDGETING BASICS

Budgeting By Month

- It is very important to allocate the budget on a monthly basis. This allows for an accurate picture of budget to actual comparisons of income and expenses.
- It can be done two ways –
 1. Fixed (annual budget amount divided by 12)
 2. Flex (using expected monthly amounts to equal total annual budget)
- Flex budgets are a useful management tool because they consider the ministry cycle of when income is received and expenses are incurred.

BUDGETING BASICS

Budget Timeline

This is a year-round process. It seems that as soon as a new fiscal year starts you are monitoring the current-year budget and beginning to plan for the next year.

Sample timeline:

- 2nd quarter – begin process of budgeting for the next fiscal year, including management meetings and initial planning by managers
- 3rd quarter – prepare internal budget
- 4th quarter – obtain board feedback and ultimately their approval

OTHER TYPES OF BUDGETS

- **Monthly cashflow budget** – what will be the net cash inflow or outflow by month as a result of the financial operations budget?
- **Capital spending budget** – what major purchases will be made, and when and how?
- **Debt retirement budget** – a plan to pay down or pay off existing debt

SUMMARY

THE WHO, WHAT, WHEN, WHERE, WHY, AND HOW

Who – management and the board

What – budget preparation

When – throughout the year

Where – throughout the organization

Why – to help accomplish the vision that God has laid on the leaders' hearts, both past and present

How – through diligent work, effective communication, and an ongoing commitment to financial health

TOP 10 BUDGETING BENEFITS

10. Allows time to lend or borrow prudently
9. Allows for continued operation when cash receipts and disbursements are mismatched
8. Generates confidence in the church's leadership
7. Increases the commitment to giving
6. Gets members involved

TOP 10 BUDGETING BENEFITS

5. Assists in communication and coordination
4. Is a basis for control and provides the necessary authorization for church officers to spend money
3. Is a basis for performance evaluation
2. Reduces emotion-charged discussions
1. Formalizes planning

STRUCTURE FOR CHANGE

- What deficiencies exist in your church's budgeting process?
 - Important vs. minor
 - Easy to fix vs. difficult to fix
- What pushback will you receive?
- How can you anticipate and plan for the pushback?

KEN'S 4 Cs OF BUDGETING

- 1.) Collaborative
- 2.) Comprehensive
- 3.) Concise
- 4.) Conservative

QUESTIONS?



THANK YOU!

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