



# 12 BEST PRACTICES

## *for church budgets*

### **Budgets Should Be Both Realistic & Challenging**

Often churches have budgets that are completely out of reach or too limiting. Landing between these extremes is the best strategy.

### **Budgets Should Be the Result of Significant Collaboration Between Laity & Staff**

Too often the budget is the work of a small group, and while it is not good to have too many voices at the table, significant input is critical to ensure all needs are adequately reflected.

### **There Are Positives & Negatives to Both Calendar & Non-Calendar Year Budgets**

Churches should understand the strengths and weaknesses for each approach and decide which is best in their context.

### **Only 40-60% of the Budget Should Be in Salaries & Benefits**

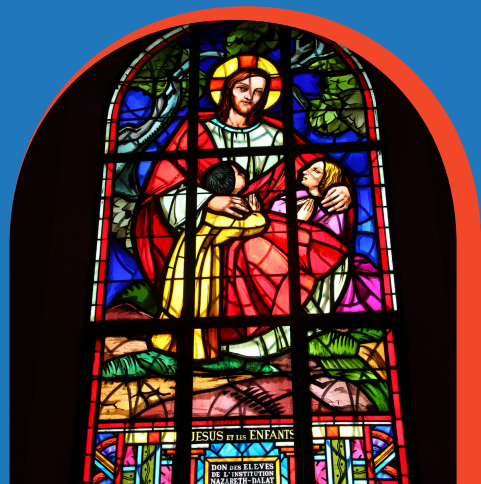
This long held idea for churches remains a good, healthy goal. While these are not the only fixed costs, this does allow that portion of the budget to be as low as possible. (This percentage may be greater, particularly in smaller, single staff churches. However, this remains an important percentage to monitor in churches of all sizes.)

### **Generosity Toward Staff Should Be a Yearly Budget Conversation & Goal**

This is a primary way of appreciating staff. However, being generous doesn't mean living beyond ones' means as is indicated by the previous best practice. Healthy congregations are constantly considering how to be generous and good stewards.

### **Budgets Should Model Generosity Toward Ministry & Mission Partners**

The budget should be an example of generosity. We think percentage giving is best and churches should have a goal of giving at least 10% of receipts to ministry partners.





### **Budget Line Items Should Be Treated as Guides Not Boundaries**

The idea that line items in a budget should never be overspent is not always the best policy. Line items are guides, but it is best to show real expenses. This is the only way to know how much ministries and services cost and to best prepare for future years.

### **Budgets Should Include a Line Item for Regular Church Audits**

Churches often do not practice financial accountability ensured by regular audits. An audit line item communicates to the church a desire to be careful with funds and creates expectation for an audit. (Internal and soft audits may be options for smaller congregations. Likewise, full audits once every few years rather than every year is an alternative for all churches.)

### **Pledging, Blank Slate, Projections, etc. Are All Acceptable Budget Starting Points**

Different theories abound on the best way to build a budget. Each methodology has strengths and weaknesses. The book, "Generosity, Stewardship and Abundance: A Transformational Guide to Church Finance", by Lovett Weems and Ann Michel describes each approach while leaving the final decision to the local congregation.

### **Budgets Are Only One Pillar of Church Financial Health**

While budget success is a major part, it is not the only part of fiscal well-being. Capital reserves, endowments, legacy giving, debt and other factors are also key elements of the overall picture.

### **Understanding Giving & Expenditure Trends is Key in Budget Management**

Most congregations have a rhythm to their financial year. Understanding nuances like historically high and low months for giving or when major local employers pay bonuses are critical. Knowing these patterns helps with promotion, lessens anxiety and can lead to dividing the budget into thoughtful monthly allocations.

### **Always Present Budgets Through the Lens of Missions and Ministry**

A clear, traditional, numerically focused budget is important. Presenting finances that fully consider ministry dreams, presented in a narrative form focused on impact for the church and community, helps communicate the importance of generosity on a different level.

