

# Budgeting When Resources Are Scarce

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## Introduction

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- The Challenge
  - Scarce resources
  - High fixed and semi-fixed expenses
  - Board/leadership doesn't understand cost structure
  - Staff costs are a significant percentage of costs
  - Sacred cows
  - Non-existent or unclear strategic plan

## What We'll Cover

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- How to present the cost structure in a clear and compelling way
- How to tie budget to strategy
- Strategies for reducing costs

## Presenting the Cost Structure

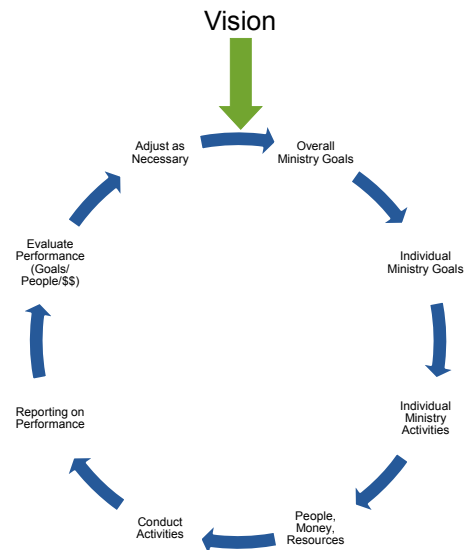
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- Excel Budget Template

## Budget Strategies

- Driven by church strategy
  - Key first step
  - 1 year, 2 year, 5 year
  - Example – Church Administration Model

## Strategically Vital Church Administration Model



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## Budgeting Directions

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- Top-down
  - Pros – efficient
  - Cons – lack of ownership by others
- Bottom-up
  - Pros – buy-in and more realistic
  - Cons – time-consuming and difficult to administer

## Budget Approaches

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- Incremental budgeting
- Traditional – last year + expected changes
- Or last year + X%
- Pros – easy
- Cons – doesn't challenge what's been done, focuses on costs – not objectives

## Budget Approaches

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- Program budgeting
- Budgets by program, not natural expenses
- Requires the church to identify each program/activity and the needs it serves
- Pros – better understand programs, lends to cost/benefit analysis, provides clarity for staff, others
- Cons – time-consuming

## Before You Start

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- Why are financial resources dwindling?
  - Lack of a strategic plan?
  - Lack of fiscal discipline?
  - Changing demographics?
  - Other reasons?

## Strategies to Reduce Expenses

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- Strategies to Avoid
  - Unrealistic income forecasts
  - Across the board cuts

## Strategies to Reduce Expenses

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- Ministry-by-ministry approach
  - Ineffective ministries – sacred cows, outdated ministries, etc.
  - Inefficient processes or practices
  - Non-strategic ministries
  - Core ministries
    - Operations/Finance
    - Adults
    - Students
    - Children
    - Worship

## Other Types of Budgets

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- Capital spending budget
- Debt retirement budget
- Event budgets

## Structure for Change

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- 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?

## Church Financial Health Index

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- Online dashboard
- Ratios and measures to help you assess your church's financial condition and track important financial trends
- Benchmark and peer information

Ask us about our  
Church Financial Health Index™

Financial Indicators and  
Measures to Help You Map  
the Best Route Forward



## Church Financial Health Index

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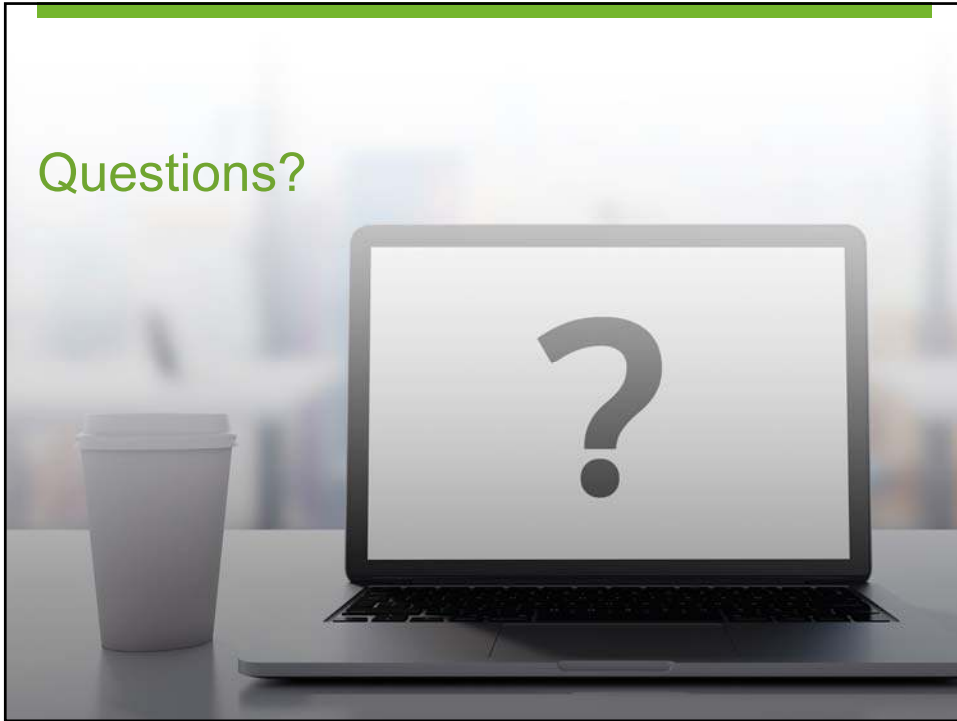
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Questions?



Thank you.

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