

# Budgeting in Uncertain Economic Times

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# Learning Objectives

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- After this webinar, participants will be able to:
  - Tie budgets to strategy, even in uncertain times
  - Create budget scenarios when everything is changing
  - Develop strategies for reducing costs

# The Challenge

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- Ongoing fallout from the pandemic and economic and social circumstances (rising interest rates, the Great Resignation, etc.) create uncertainty regarding future revenues, expenses, opportunities, and challenges
- Shifting priorities, strategies, tactics

# This Is an Opportunity

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“Man built most nobly when  
limitations were at their greatest.”

– Frank Lloyd Wright

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# This Is an Imperative

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Things will never be the same.

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“Adapt or die.”

– Brad Pitt, “Moneyball”

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# Key Considerations

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- Don't let ambiguity lead to inaction — act on what you know or can anticipate
- Understand those changes and how they impact ministry activities and required resources
  - What activities are stopping, and what are the associated costs?
  - What activities are starting, and what are the associated costs?
  - What new infrastructure is required?

# Cash Flow Is Vital

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- Update cash flow forecast
- As granular as required
  - Budget may look at monthly cash flow
  - Now it may need to be weekly or even daily



# Budgeting Directions

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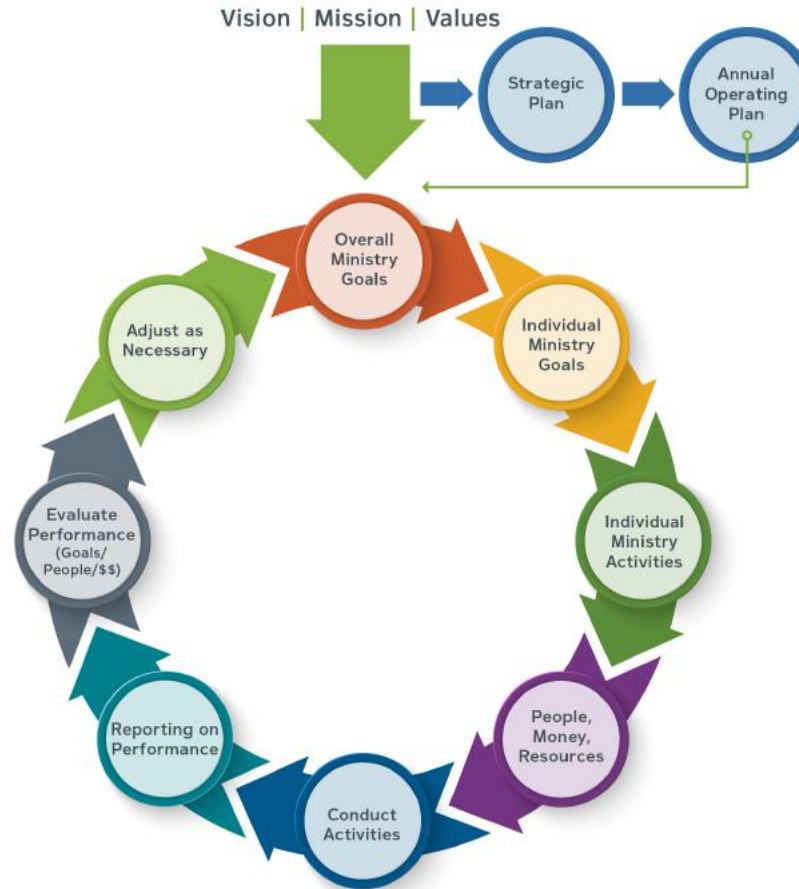
- Top-down
  - Pros – efficient
  - Cons – lack of ownership by others
- Bottom-up
  - Pros – buy-in and more realistic
  - Cons – time-consuming and difficult to administer

# Budget Strategies

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- Driven by the organization's strategic plan
  - Key first step
  - 1 year, 2 year
  - Example – Nonprofit Administration Model®

# Nonprofit Administration Model



# What's the Budget About?

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Priorities!



# Ask What Has Changed

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- Because of the impacts of COVID, increasing interest rates, the Great Resignation, etc. and the resulting uncertainty, how have the following changed?
  - Strategic plan?
  - Annual operating plan?
  - Overall ministry goals?

# Ask What Has Changed

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- What key assumptions or drivers have changed?
- Revenue
  - Expected giving?
  - Contracts/grants?
  - Other revenue sources?
- Expenses
  - Personnel?
  - Technology?
  - Other?

# Challenge Your Assumptions

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- Expenses
  - Fixed
    - Are they really fixed?
    - What can be negotiated, deferred, eliminated?
  - Semi-fixed
    - Personnel
    - Employee benefits
  - Variable

# Don't Do These

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- Ignore cash reserves
- Make unrealistic income forecasts
- Make across-the-board cuts
- Fail to inform the congregation
- Let emotions drive difficult decisions





# Do These

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- Communicate, communicate, communicate
- Solicit input from all levels of the organization



# Do These

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- Create multiple budgets
  - Baseline
  - Over baseline – 10%, 20%, more
  - Under baseline – 10%, 20%, more
  - Determine in advance triggers for additional spending/additional cuts
- Monitor actuals vs. budgets regularly



# The Revised Budget

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- What if the revised budget shows an unsustainable loss?
  - Don't panic
  - Revisit analysis – challenge your assumptions again

# What Costs to Cut?

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- Ministry-by-ministry or departmental approach
  - Ineffective ministries/departments – sacred cows, outdated ministries, etc.
  - Inefficient processes or practices
  - Non-strategic ministries
  - Personnel who aren't performing or are in non-strategic positions
  - Reverse order of how a start-up would build the church

# Maintain Perspective

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- Today's challenges won't last forever – but they will be replaced by new ones
- With challenges come opportunities
- Consider what your church will look like in the future
  - Changes now aren't just for survival but to position the ministry to flourish

# Things to Consider

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- Rolling budgets
- Building/rebuilding cash reserves
  - Target three – six months of expenses
- Debt reduction strategies
- Imagine and re-imagine... creativity counts
- Look for operational improvements

# Some Helpful Tools

- E-book: *How to Budget Effectively in Changing Times*
- Excel Budget Analysis Template
- Cash Flow Template

Scan this QR code or visit  
[capincrouse.com/budgeting-tools](https://capincrouse.com/budgeting-tools)



Questions?





# Thank you.

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