



# Church Budget Guide

Practical Steps for Strategic  
Financial Stewardship



# Understanding Your Financial Landscape: Key Metrics and Principles

As you enter the budget season, it's crucial to assess the current financial position and plan strategically for the future. Here's a guide to help pastors and executive pastors navigate this process, focusing on key metrics and principles for effective financial stewardship and cost-saving strategies.



# Assessing Your Current Financial Position

**A. Income Analysis:** Evaluate your income sources over the past year. Look at tithes, offerings, grants, and other revenue streams. **Key metrics include:**

- Monthly Average Giving: Track the average giving per month to identify trends and fluctuations. Note months that are low for cash flow.
- Giving per Attendee: Calculate the average giving per regular attendee to understand engagement and generosity levels. Track these numbers year over year to develop trends.

**B. Expense Review:** Categorize and analyze all expenses, including staff salaries, utilities, rent or building expenses, ministry programs, administration, and maintenance costs. **Key metrics include:**

- Staff-to-Budget Ratio: Ensure that staff salaries do not exceed a healthy percentage of your total budget (typically around 50%)
- Operational Efficiency: Compare your administrative and operational expenses against industry benchmarks to identify potential savings. You want your total personnel and operational cost to be 70% or less of your giving.



# Assessing Your Financial Position

**C. Debt and Savings Analysis:** Review your current debt obligations and savings. **Key metrics include:**

- Debt-to-Income Ratio: Assess the proportion of income used for debt servicing to ensure it's manageable.
- Emergency Fund Coverage: Ensure you have a minimum of 3-6 months of operating expenses in reserve.

## D. Tools & Helpful Insights

- Review your P&L from the past 36 months to discover trends in giving and expenses.
- Utilize percentages to understand where you spent the most this past year in comparison to the entire budget.
- Interest payments for a mortgage will show up on your P&L, but your mortgage principle will show up on your balance sheet. Utilize both documents and tools to assess your financial position properly.
- Know your restricted funds and evaluate accordingly.



# Setting Budget Priorities

**A. Mission Alignment:** Prioritize budget items that align with your church's mission and vision. Consider the impact of each expenditure on your core values and community outreach.

- Your ministry values are more evident in your budget than anywhere else.
- Have a Kingdom mindset: How do we best expand God's kingdom through our finances?

**B. Program Effectiveness:** Evaluate the effectiveness of current programs and ministries. Consider discontinuing or scaling back less impactful initiatives.

- Ask your staff to identify each program or initiative's intended outcome and rate how well the initiative accomplishes its intended purpose.
- Host a blue sky session with your team. Ask what other ways you should consider accomplishing God's mission for our church.

**C. Staffing and Compensation:** Review staffing needs and compensation structures. Ensure fair and equitable pay while considering potential cost-saving measures.

- Think creatively about benefit structures and create opportunities to care for your team.



# Implementing Cost-Saving Strategies

**A. Energy Efficiency:** Invest in energy-efficient lighting, heating, and cooling systems to reduce utility costs. Ensure office equipment (printers, lamps, TVs, etc.) is turned off daily. Only light and heat/cool necessary parts of your building.

**B. Volunteer Engagement:** Increase volunteer involvement in administrative and operational tasks, reducing the need for paid staff. (Think: running errands, visitor follow-up, prayer team, etc.).

**C. Digital Tools and Automation:** Make sure you have the most up-to-date tools that automatically talk to each other. Stop spending time on double entry or outdated communication, website, financial, and calendaring systems.

Sometimes the most up-to-date tools cost more than the old tools initially, but it will save money over time especially if you calculate the added time lost on manual work that could be automated.

**D. Strategic Partnerships:** Consider partnering with a ministry partner for accounting, HR, IT, graphic designs, etc. Of the 150+ ministries Novum Partners serves, we **save churches over 30%** on their accounting, HR, and payroll expenses.



# Forecasting and Planning for Growth

**A. Scenario Planning:** Develop multiple budget scenarios based on different income and expense projections to prepare for various financial situations. Here are three types of budgets:

- **A Zero-Based Budget:** Use the total giving amount from the past year and plan for it to be the same for the upcoming year. Plan for “zero” changes in revenue.
- **A Sub-Zero Budget:** Determine the giving trends for the past 12 months and anticipate a 5-10% decrease in giving this year.
- **A Vision Budget:** Evaluate your church’s giving and attendance trends over the past six months and anticipate a continued growth trajectory for the next 12 months. Plan for additional expenses and revenue to support the growth.

**B. Growth Investment:** Allocate a portion of the budget for growth initiatives, such as outreach programs or facility improvements, to ensure your church continues to thrive.

- **If you own a building:** Budget 5-10% of your total revenue for maintenance and improvements to your facility.
- **If you rent:** Budget 5-8% of your total revenue to save for a permanent facility or unexpected rent increases.



# Monitoring and Accountability

**A. Regular Financial Reporting:** Implement a system for regular financial reporting to keep leadership and congregation members informed about the church's financial health.

- **Weekly** review giving trends compared to last year.
- **Monthly** review of total giving and expenses. Always know your cash-flow situation or meet regularly with someone who is watching over it for you, such as an accountant, treasurer, CFO, etc.
- **Quarterly**, wisely share with your congregation about the impact of their giving and the church's financial state.

**B. Budget Adjustments:** Be prepared to adjust the budget throughout the year based on actual income and expenses. It's best to do this on a quarterly rhythm.

**C. Financial Policies and Audits:** Establish clear financial policies and conduct regular audits to ensure transparency and accountability in your church's financial management.

# Let us help

As the strategic accounting and HR partner for the Church, we offer tailored financial solutions to help you navigate budgeting, optimize costs, and ensure financial transparency.

**Contact us today to schedule a consultation and discover how we can support your church's financial health and growth.**

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