

MINISTRY OF PRESBYTERY OPERATIONS

PRESBYTERY OF FLORIDA

ESTABLISHING SOUND FINANCIAL PRACTICES

Each church should prepare a budget for the calendar year before the beginning of the new year. This budget should be a comprehensive financial document that incorporates the plan of operation for the next year of the church.

First – Some Don'ts

Some organizations do a “rolling” budget that projects into the near future, which means that the budget could be amended after each month. This is not recommended as the amount of time and talent to administer normally exceeds the available church resources.

Some organizations also may balance their budget utilizing reserves, which may change their budget each month. This may cause some misunderstanding within the church family.

Adding 10% to last year's budget is not a plan! At the same time, a stewardship program should be ongoing to collect financial pledges for the next year. Once all the information is collected, the financial committee responsible for the budget will be tasked with matching the revenue with the expenditures, and, hopefully, they will be equal. But what if they are not?

Another solution for some is to borrow money. This is never a good idea and can cause long-term issues for the future of the church. In addition, the loan will normally have a requirement for a church member, or church members, to personally guarantee it. The issue here is that if the church cannot repay the loan and interest, the church member or members who guaranteed it will have to personally repay the loan. This could mean consequences not only for the church but also for those who guaranteed the loan. However, if long term borrowing is available, this may be the only choice if you truly must have a deficit budget. Also, any loan must be approved by the Presbytery because if a church should close while still paying on the debt, if not backed by a church member would revert to the Presbytery for repayment.

Second – Some Do's

Each ministry or committee of the church should provide their plan for the year and submit that plan along with the estimated dollars necessary to accomplish that plan to the finance committee. How does the asking amount compare to the anticipated offerings?

You must look at your balance sheet. Do you have excess cash that would be available for any extra expenses? Do you have other assets that could be converted into cash, such as property that is not being utilized? Do you have designated money that could be utilized for some of the requested expenditures requested?

If any of the above situations exist, you could continue with the budget approval for the next year, but only to the extent of the additional assets you have.

Third – Some Yes, Buts...

But what if your only choice is a deficit budget? This will require a dedicated concentration on behalf of the Pastor, Treasurer, finance committee, and the Session. You must realize that if there are no excess contributions during the year or you are unable to borrow the funds needed, some expenses will not be able to be paid. The Pastor, Treasurer, finance committee, and Session must prioritize expenses – which ones will be paid, and which ones can wait.

Obviously, the payroll must be paid and, very importantly, the payroll taxes. If the payroll taxes are not paid on time, or at all, this will become a personal liability of whomever signs the checks. Next would be the items that keep the church open and operating. What about benevolence? This is an important part of church ministry and must not be the last items to be paid.

But what if the pledges are greater than the requested expenses? This creates an opportunity for the church to build reserves for the future. Reserves are extremely important to the future of the church, as you may have years as discussed above. A good policy is to “budget” contributions to reserves within your annual budget. Any reserves should be invested safely. Some possibilities include a savings account, money market account, certificates of deposit, or government bonds. You can even make extra contributions to the Presbytery. These accounts should have maximum control and should be reviewed monthly.

Conclusion

Sound financial management takes regular and dedicated focus by all that are involved. It should never be the job of just one person. Make sure all are involved and take as much time explaining the financials and financial situation as needed. If you have questions or issues, please remember you can always reach out to the Presbytery Bookkeeper/Treasurer for advice and/or assistance.