

Budgeting for Ministry Effectiveness (Budgeting and Church Finances)

1. Introduction

Establishing a budget for a church is sometimes formidable and daunting task. Once this is accomplished, however, the work has only begun as then the budget must be administered and managed, so bills are paid, ministries are funded, and the church ends the fiscal year as planned.

Prayer is an important factor in formulating the church budget. One must sense what God wants to do or change. Questions must be addressed. What is God doing now and what does He want to do next year? How much faith needs to be in the budget so God becomes a part of the process? How do I balance common sense with faith? Can the budget make everyone happy? Developing a budget knowing that souls could be at stake makes this a serious task not just a monetary exercise.

The budget process should begin only after much prayer. Once the budget has been developed, maintaining integrity with the finance committee, the church board, and the congregation is very important. No one likes surprises unless they are good ones. The budget must be administered and managed to achieve and maintain good monthly, quarterly, and year-end results. Protecting the integrity of the budget and those who manage the budget are priorities so as to keep the confidence of everyone. Integrity is an unspoken expectation. The budget should be managed by the highest accounting principles as well as adhering to all federal and state laws. Maintaining a high standard promotes confidence in contributors, attracts new contributors, maintains trust, and teaches good stewardship.

Well-developed budgets help promote a healthy church. Good budgets insure that ministries are funded, what God wants to happen happens, and that the church remains financially solid.

Included with this CD are several Excel files you may find useful. You may customize and use any of these Excel files. In addition to Excel files linked to related documents, there is an amortization schedule in Miscellaneous Excel Files.

13. Internal Control

Internal control procedures are very important in protecting the integrity of those involved in the finances of the church. These policies must be followed carefully. Not adhering to them opens the door for potential problems. Strict adherence to these policies and those of your auditing firm are of utmost importance.

Although many churches would never suspect someone dealing with God's money to even be tempted to steal or embezzle, the risk does exist. Lessening the exposure to temptation decreases the risk. Even the most honest person, who would never give in to such temptation, is not above suspicion. Implementing internal control procedures prevents suspicion. Not only must we be above reproach, but we must also be above the appearance of any wrongdoing.

Ushers

Users who receive the offering begin the process for the need of internal control. The offering should have at least two to four people in the presence of the monies at all times, lessening the chance for any potential problem.

Once the offering is received, the ushers should take the monies to a secure room which can be locked, preferably where the safe is located. Only one usher, most likely the head usher, should have the combination to the safe. The ushers should place the money in a locked bag for the money counters to count later. One usher should observe the head usher place the money bag in the safe and lock it. Under no circumstance should an usher be left alone with the money.

Money Counters

Money counters must meet the same Biblical standards as any church leader. They must be storehouse tithers. They are approved by the church board.

Money counting teams consist of six members. There are four teams who rotate weekly. This helps with confidentiality of donations.

Detailed procedures for counting the money are outlined in [Procedures for Money Counting.doc](#). Related files are [Bank Deposit Worksheet.doc](#), [Bank Deposit Summary.doc](#), and [Money Counter Commitment.doc](#). To access these documents, hold the control key and click on the desired document.

There are many funds that arrive in the mail and through the office. A deposit for these funds is prepared weekly by office personnel or volunteers.

The procedures are similar to those for the Sunday offering counting with minor fluctuations as the need demands.

Data entry is performed either by the money counting team or by office personnel. Use of a computerized program will increase speed and accuracy. Check scanners enhance the software by recognizing bank account numbers that have previously been associated with specific donors.

External Audits

It is recommended that the church have an annual audit by an independent accounting firm. This insures that the monies have been properly managed. An audit also insures that proper bookkeeping practices and federal and state laws are followed. A service lesser in scope and less costly than an audit is called a review. Most lending institutions will require an audit before any sizable loan.

A church audit provides the following:

- Reasonable assurance that no fraud is present.
- Informs the church that all donated funds are properly accounted for.
- Protects the integrity of those overseeing the management of all monies.
- Encourages giving by showing the church that you are safeguarding the monies donated.

Check Processing

Check requests (see forms section) must be initialed by the person responsible for the budget being charged and by the Director of Finance or Executive Pastor.

Requests must be submitted to the accounting office by Tuesday at the close of business for the checks to be mailed or picked up on Thursday afternoon. Of course, there are always exceptions, but this greatly increases efficiency in the accounting office.

Requests are processed by the Financial Ministry Assistant. He/she makes sure all the pertinent data has been filled in on the form and appropriate backup is attached. The requests are then submitted to the Director of Finance for his/her initials and verification of account number correctness.

Requests are returned to the Financial Ministry Assistant who then writes the checks. The person who writes the checks should not be the same person who signs the checks.

The checks are given to the Director of Finance for signature. Checks over \$1,000.00 require two signatures. Signers, on file with the bank, should be the Director of Finance, Executive Pastor, and members of the finance committee. When possible, it is preferable to have someone other than a pastor sign the checks. It is sometimes desirable to have, as an additional signer, someone who is readily available to sign checks in an emergency. Such a person could be a board member who lives nearby or volunteers who are frequently at the church.

Ideally, the checks are then given to a third person who prepares them for mailing. This is not always possible in small accounting offices and will depend on your individual situation.

The bank statement should be reconciled by someone who does not write or mail the checks, which would likely be the Director of Finance.