Lone Oak United Methodist Church

Budget Process Guidelines

It is more than just crunching numbers—it's about aligning financial stewardship with spiritual mission. Here's a clear breakdown of the essential steps to guide your church through the budgeting process:

1. Clarify the Church's Mission and Goals
    - Define the spiritual and operational priorities for the upcoming year.
    - Align financial planning with ministry objectives like outreach, worship, education, and facility maintenance.

2. Review Past Financial Data
    - Analyze previous budgets, income sources (tithes, offerings, grants), and expenses.
    - Identify trends, seasonal fluctuations, and areas of overspending or underspending.

3. Estimate Income Sources
    - Project expected revenue from:
        - Tithes and offerings
        - Fundraisers and events
        - Rental income
        - Grants or donations
    - Be conservative in estimates to avoid shortfalls.

4. List and Categorize Expenses
    - Break down costs into categories such as:
        - Staff salaries and benefits
        - Ministry programs
        - Building maintenance and utilities
        - Missions and outreach
        - Administrative costs
    - Include both fixed and variable expenses.

5. Choose a Budgeting Method
    - Line-item Budget: Lists every expense and income stream with projected amounts.
    - Program Budget: Evaluates each ministry or program based on cost and impact.
    - Zero-based Budget: Starts from scratch each year, justifying every expense.

6. Build the Budget Draft
    - Use spreadsheets or budgeting software to compile data.
    - Ensure the budget reflects the church's mission and is realistic.

7. Get Leadership and Congregational Input
    - Present the draft to church leaders or finance committee.
    - Invite feedback and make adjustments to ensure transparency and buy-in.

8. Approve and Implement
    - Finalize the budget through a formal approval process.
    - Communicate the budget clearly to the congregation to foster trust and accountability.

9. Monitor and Adjust Throughout the Year
    - Track actual income and expenses monthly.
    - Make adjustments as needed and report regularly to leadership.

Common pitfalls churches should avoid when crafting their budgets:

1. Overestimating Income
    - Assuming giving will increase without evidence can lead to shortfalls.
    - Always base projections on historical data and conservative estimates.

2. Underestimating Expenses
    - Forgetting hidden costs like maintenance, insurance hikes, or seasonal utilities.
    - Not budgeting for inflation or unexpected repairs.

3. Not Aligning Budget with Mission
    - Funding programs that don't support the church's spiritual goals.
    - Treating the budget as a financial document only, rather than a ministry tool.

4. Lack of Transparency and Accountability
    - Not having proper checks and balances can lead to misuse or even embezzlement.
    - Ensure multiple people are involved in financial oversight and reporting.

5. Failing to Monitor and Adjust
    - Creating a budget and never revisiting it.
    - Regular reviews help catch issues early and allow for course correction.

6. Ignoring Ministry Leaders' Input
    - Budgeting in isolation can lead to disconnect between financial plans and ministry needs.
    - Involve leaders to ensure resources are allocated where they're most impactful.

7. No Contingency Planning
    - Not setting aside emergency funds or reserves.
    - A small buffer can prevent crisis when unexpected costs arise.

8. Skipping Prayer and Discernment
    - Treating budgeting as a purely administrative task.
    - Prayerful planning invites spiritual alignment and wisdom into financial decisions.

Avoiding these pitfalls helps ensure your budget is not just balanced—but mission-driven and resilient.

LOUMC Compared to the Average Church[1]

Category	Average Percentage	LOUMC Percentage	Purpose
Staff Salaries	40-60%	59.8%	Pastoral, administrative, and support compensation
Facilities & Operations	20-30%	23.7%	Mortgage/rent, utilities, maintenance, insurance, and office expense
Ministries	10-15%	6.1%	Youth, worship, education, discipleship, and congregational programs
Mission & Outreach	10-15%	10.3%	Local and global missions, evangelism, charitable giving, and conference apportionments
Savings & Reserves	5-10%	5.2%	Emergency funds, future projects, and debt reduction

[1] *Churchtrac.com,* Average Budget Percentages for Small Churches