

## Budgeting Effectively Despite Economic Uncertainty

2024 Christian Leadership Alliance Outcomes Conference

### Session Description

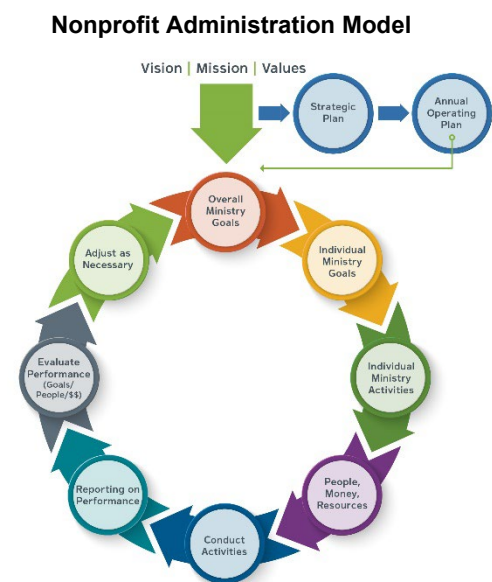
The unknowns of the current economic uncertainty can create challenges as well as opportunities as you develop an effective budget. We'll share crucial considerations and steps to help your ministry budget strategically for what's ahead.

### Learning Objectives

- Identify how to tie your budget to your strategic plan
- Apply practical strategies to set priorities and challenge your assumptions
- Assess how and when to revisit your budget and prepare for what's ahead

### Key Takeaways

- The challenge:
  - Ongoing fallout from the pandemic and economic and social circumstances creates uncertainty regarding future revenues, expenses, opportunities, and challenges
  - Shifting priorities, strategies, tactics
- This is an opportunity — and an imperative — to reenvision your ministry and budget
- Key considerations:
  - Don't let ambiguity lead to inaction — act on what you know or can anticipate
  - Understand changes and how they impact ministry activities and required resources
- Budgeting directions
  - Top-down – efficient, but lack of ownership by others
  - Bottom-up – buy-in and more realistic, but time-consuming and difficult to administer
- Cash flow is vital
  - Update cash flow forecast
  - As granular as required
- Budget strategies should be driven by your organization's strategic plan
  - Key first step
  - 1 year, 2 year
  - Example: Nonprofit Administration Model®



- Remember that the budget is a tool to help you give proper attention to your priorities
- Ask what has changed in these areas:
  - Strategic plan
  - Annual operating plan
  - Overall ministry goals
  - Key assumptions or drivers
  - Revenue
  - Expenses
- Review and challenge your assumptions about fixed, semi-fixed, and variable expenses
- Analyze your budgeted expenses
- Don't:
  - Ignore cash reserves
  - Make unrealistic income forecasts
  - Make across-the-board cuts
  - Fail to inform donors and interested parties
  - Let emotions drive difficult decisions
- Do:
  - Communicate, communicate, communicate
  - Solicit input from all levels of the organization
  - 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
- What if the revised budget shows an unsustainable loss?
  - Don't panic
  - Revisit analysis — challenge your assumptions again
- When deciding what costs to cut, take a 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
- Maintain perspective
  - Today's challenges won't last forever — but they will be replaced by new ones
  - With challenges come opportunities
  - Consider what your organization will look like in the future
  - Changes now may seem painful, but when addressed correctly you will position the ministry to flourish

- Consider:
  - Rolling budgets
  - Building/rebuilding cash reserves — target three to six months of expenses
  - Debt reduction strategies
  - Imagine and re-imagine... creativity counts
  - Look for operational improvements
- Helpful free budgeting tools available at [capincrouse.com/budgeting-tools](https://capincrouse.com/budgeting-tools)
  - *How to Budget Effectively in Changing Times* e-book
  - Budget analysis template
  - Cash flow template

Additional nonprofit resources, including articles, blog posts, and recorded webcasts, are available at [capincrouse.com](https://capincrouse.com).

### Questions? Contact:

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