

How to Budget Effectively in Changing Times

Rob Faulk, Partner
10.29.20



Learning Objectives

- After this webinar, participants will be able to:
 - Tie budgets to strategy, even in uncertain times
 - Create budget scenarios when everything is changing
 - Develop strategies for reducing costs

The Challenge

- Current pandemic and economic circumstances create uncertainty regarding future revenues, expenses, opportunities, and challenges
- Shifting priorities, strategies, tactics

This is an Opportunity

Man built most nobly when limitations were at their greatest.

- Frank Lloyd Wright

This is an Imperative

- Things will never be the same again
- “Adapt or die.” – Brad Pitt, *Moneyball*

Key Considerations

- Don't let ambiguity lead to inaction — act on what you know or can anticipate
- Understand those changes and how they impact ministry activities and required resources
 - What activities are stopping, and what are the associated costs?
 - What activities are starting, and what are the associated costs?
 - What new infrastructure is required?

Cash Flow is Vital

- Update cash flow forecast
- As granular as required
 - Budget may look at monthly cash flow
 - Now it may need to be weekly or even daily

Budgeting Directions

- Top-down
 - Pros – efficient
 - Cons – lack of ownership by others
- Bottom-up
 - Pros – buy-in and more realistic
 - Cons – time-consuming and difficult to administer

Budget Strategies

- Driven by the organization's strategic plan
 - Key first step
 - 1 year, 2 year, 5 year
 - Example – Nonprofit Administration Model

Nonprofit Administration Model[©]



What's the Budget About

- Priorities!

Ask What Has Changed

- Because of the impact of COVID and the resulting uncertainty, how have the following changed?
 - Strategic plan?
 - Annual operating plan?
 - Overall ministry goals?

Ask What Has Changed

- What key assumptions or drivers have changed?
- Revenue
 - Expected giving?
 - Contracts/grants?
 - Other revenue sources?
- Expenses
 - Personnel?
 - Technology?
 - Other?

Challenge Your Assumptions

- Expenses
 - Fixed
 - Are they really fixed?
 - What can be negotiated, deferred, eliminated?
 - Semi-fixed
 - Personnel
 - Employee benefits
 - Variable

Don't Do These

- Ignore cash reserves
- Unrealistic income forecasts
- Across-the-board cuts
- Fail to inform your donors, congregants
- Let emotions drive difficult decisions

Do These

- 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

The Revised Budget

- What if the revised budget shows an unsustainable loss?
 - Don't panic
 - Revisit analysis – challenge your assumptions again

What Costs to Cut?

- Ministry-by-ministry or departmental approach
 - Ineffective ministries/departments – sacred cows, outdated ministries, etc.
 - Inefficient processes or practices
 - Non-strategic ministries
 - Reverse order of how a start-up would build the church
 - Personnel who aren't performing or are in non-strategic positions

Maintain Perspective

- COVID-19 won't last forever
- With challenges come opportunities
- Consider what your church will look like post-pandemic
 - Changes now aren't just for survival but to position the ministry to flourish post-pandemic

Things to Remember

- There may be fear in your organization
- Communicate
 - As often as possible
 - As honestly as you can
 - Ask for input
- Don't sugarcoat, but don't catastrophize

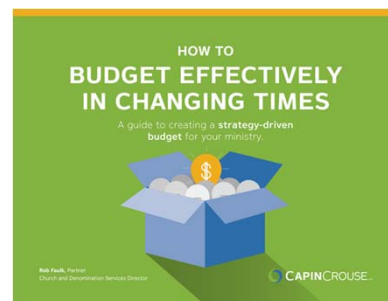
Things to Consider

- Rolling budgets
- Building/rebuilding cash reserves
 - Target three – six months of expenses
- Debt reduction strategies
- Imagine and re-imagine... creativity counts
- Look for operational improvements

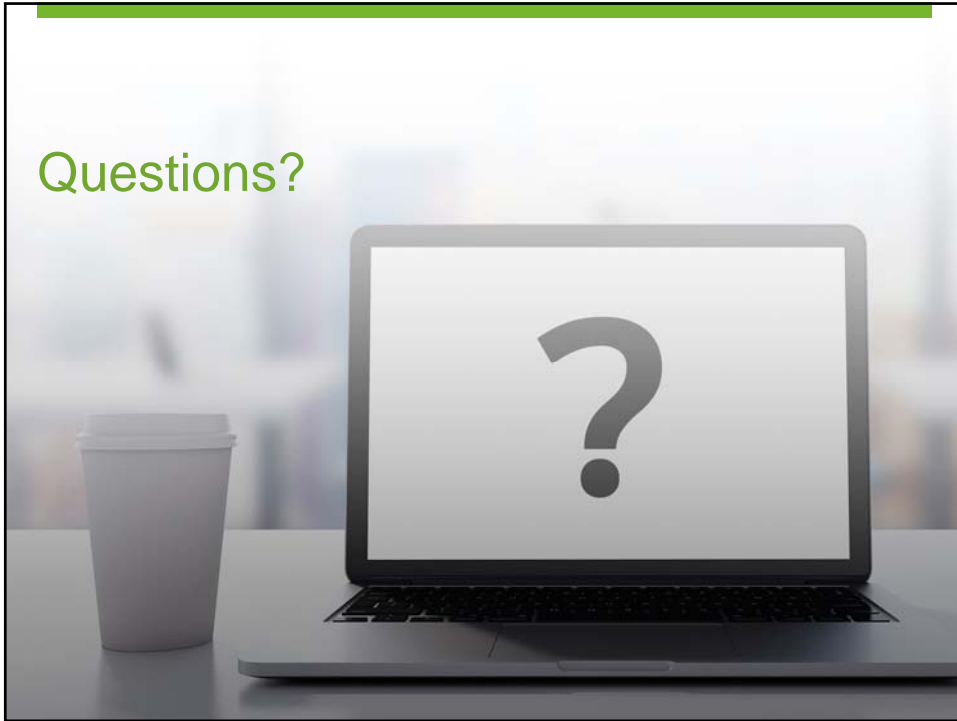
Some Helpful Tools

- E-book: How to Budget Effectively in Changing Times
- Excel Budget Analysis Template
- Cash Flow Template

Download these free resources at
[capincrouse.com/budgeting-tools](https://www.capincrouse.com/budgeting-tools)



Questions?



Thank you.

Rob Faulk, Partner
CapinCrouse LLP

✉ rfaulk@capincrouse.com

📞 505.50.CAPIN ext. 1652



© Copyright CapinCrouse 2020