

2013 Church Budget Allocations, Learning Priorities, and Quarterly Financial Trends

 eccu.org/resources/advisorypanel/2013/surveyreports20

SUMMARY

In December 2012, we asked members of ECCU's exclusive [Ministry Advisory Panel \(MAP\)](#)* about their 2013 budget allocations based on 32 budget line-items and 5 expense categories. We also asked which topics would be of interest to them for future ECCU resources. Finally, we captured churches' financial performance and other key metrics from the third quarter of 2012.

Here are some key findings:

- Although budget allocations differ significantly when compared to a [2009 Christianity Today International survey](#), on average, they remain consistent across churches of varying sizes.
- The personnel expense category received the highest budget allocation by responding churches with an average of 58%.
- 9% of the survey respondents are reducing or excluding programs from their 2013 budgets because of a lack of funds or other resource constraints, while 3% are expanding their programs.
- The topics of greatest interest to survey respondents were *donor behavior* (34%) and *digital giving* (26%).

** The MAP is composed of ECCU member and non-member ministry staff and leaders representing evangelical Christian churches, businesses, schools, and other ministries. This report was produced by ECCU's research department.*

2013 BUDGET ALLOCATIONS

Most economists expect 2013 to be a year of recovery, continuing the momentum from 2012 and culminating with the end of federal economic stimulus programs in early 2014. Despite this popular sentiment, economic results such as the GDP being down 0.1% in the fourth quarter of 2012 and greater-than-expected jobless claims in January 2013 reinforce the need for ministries to remain cautious and not to overestimate economic recovery in 2013.

Based on the data gathered from this survey, it appears that churches are realigning their budget priorities differently in some areas than they were in 2009 when NationalChristianPoll.com conducted a [survey](#) for Christianity Today International (CTI) on the subject of "Church Budget Priorities."

In December's MAP survey, we asked panelists for a detailed breakdown of their 2013 budgets. Below is the complete summary of budgeted expenses by church size. In the far right column we've included each line item's average for all church segments.

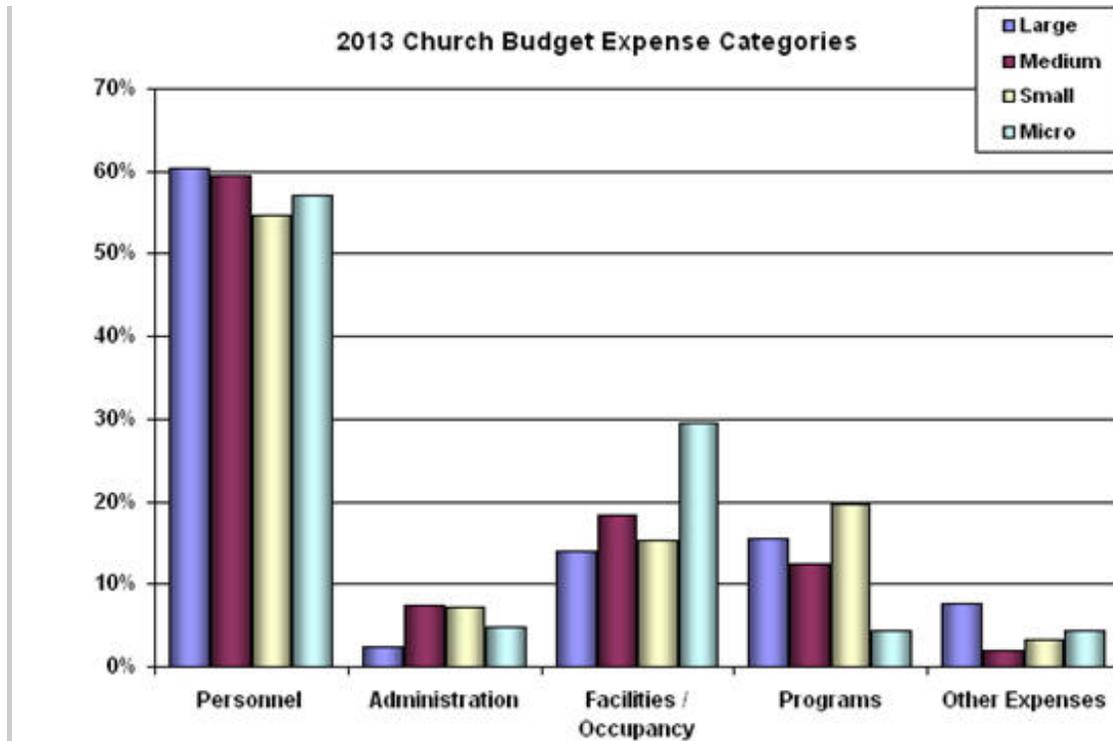
Expense Categories / Line Items	Micro	Small	Medium	Large	MAP Avg
Personnel Expenses					
Pastoral/Executive Salaries	36%	36%	36%	38%	36%
Part-Time Salaries and Temporary Help	7%	10%	1%	10%	7%
Pension Plan Contributions	3%	2%	2%	2%	2%
Employee Benefits (Not Including Pension)	10%	6%	9%	2%	7%
Payroll Taxes	3%	2%	2%	3%	2%
Professional Fees (Accounting, Legal, etc.)	0%	0%	1%	1%	1%
Fundraising Fees	0%	1%	0%	0%	0%
Grants, Contracts, and Direct Assistance	0%	0%	0%	0%	0%
Other Personnel Expenses	1%	2%	3%	1%	2%
Total Personnel Expenses:	60%	59%	55%	57%	58%
Administration Expenses:					
Office Supplies and Equipment	0%	3%	3%	2%	2%
Postage, Printing, and Copying	2%	2%	1%	1%	2%
Dues, Subscriptions, and Resources	0%	1%	0%	0%	0%
Travel and Meeting Expenses	0%	1%	0%	1%	1%
Other Administration Expenses	0%	2%	2%	1%	1%
Total Administration Expenses:	2%	8%	7%	5%	6%
Facilities/Occupancy Expenses					
Utilities	8%	4%	7%	15%	6%
Maintenance and Upkeep	5%	3%	5%	8%	4%
Debt Service (Mortgage)	2%	10%	0%	7%	6%
Other Debt Service	0%	2%	0%	0%	1%
Rent, Parking, Other Occupancy	0%	0%	3%	0%	1%
Other Facilities Expenses	0%	0%	1%	0%	0%
Total Facilities / Occupancy Expenses:	14%	18%	15%	29%	18%
Programs Expenses					
Children and Youth Programs	4%	3%	4%	2%	3%
Adult Programs	3%	2%	2%	1%	2%
Music/Worship Programs	2%	3%	2%	1%	2%
Evangelism/Outreach Efforts/Events	6%	1%	6%	1%	3%
Scholarships/Tuition Forgiveness	0%	0%	0%	0%	0%
Local/National Benevolence	1%	1%	1%	0%	1%
International Benevolence	0%	1%	4%	0%	2%
Other Program Expenses	0%	1%	0%	0%	0%
Total Programs Expenses:	16%	13%	20%	4%	14%
Other Expenses					
Fixed Asset Purchases (Land, Equipment, etc.)	0%	0%	0%	1%	0%
Building Fund	2%	1%	0%	1%	1%
Debt Retirement Fund	0%	0%	0%	0%	0%
Cash Reserves	6%	1%	3%	2%	2%
Total Other Expenses:	8%	2%	3%	4%	3%
	100%	100%	100%	100%	100%

Because the numbers above are averages, it's hard to discern significant differences among church size segments; but here are some observations that stood out:

- The following expense items were not budgeted for: *Grants, Contracts, and Direct Assistance*; *Scholarships/Tuition Forgiveness*; and *Debt Retirement Fund*

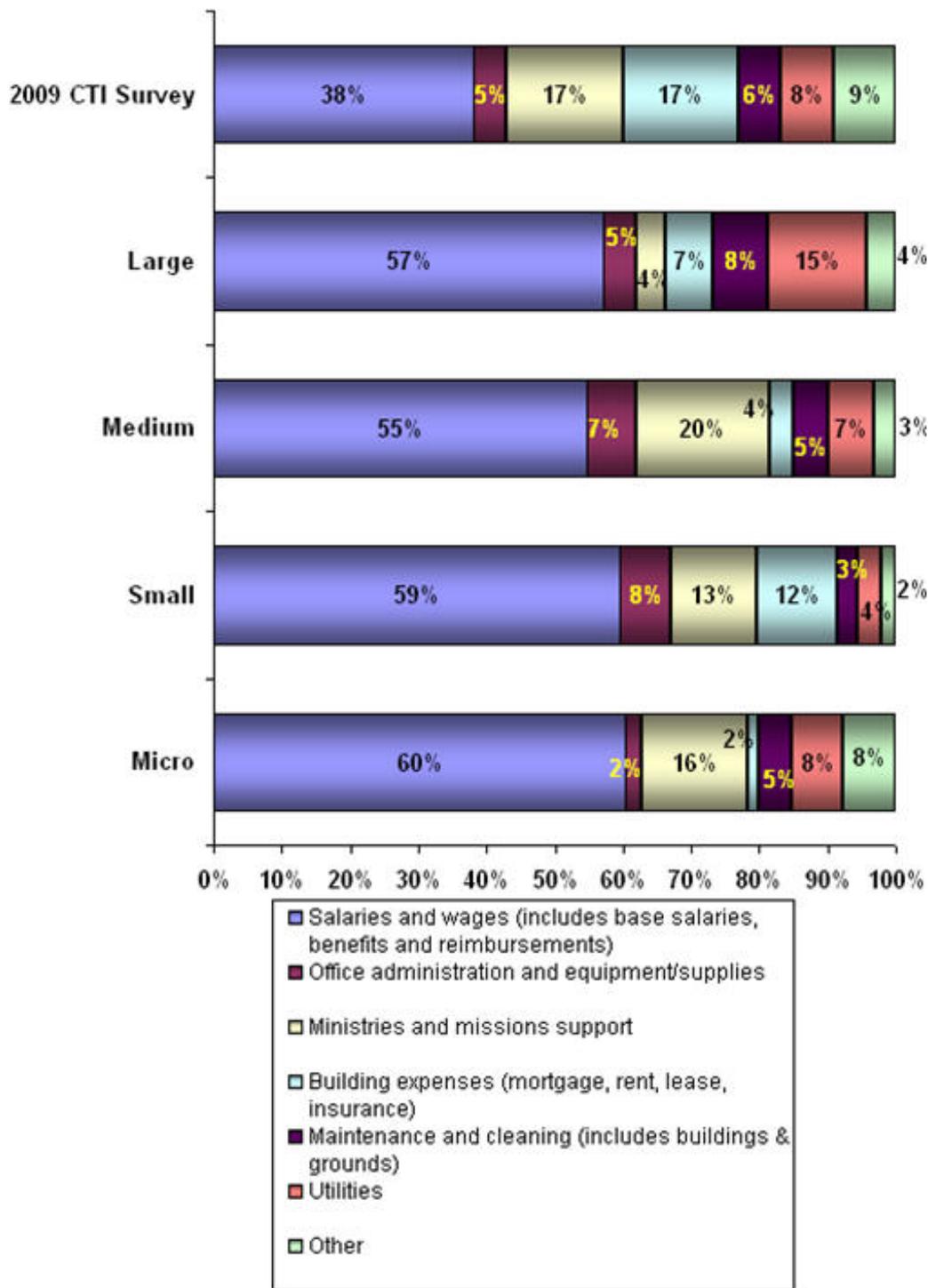
- Large churches budgeted significantly more for facilities/occupancy expenses than other size segments (29%, followed by 18% at small churches).

This chart illustrates the category averages:



From this perspective, it's easier to appreciate certain differences more clearly.

We compared these findings to the [2009 CTI survey](#). The 32 budget line items in our December MAP survey and the 11 budget line items in their survey combine easily into 7 budget categories. The chart below compares our survey findings, by church size segment, with their survey findings, which include all churches regardless of size.



Note the significantly lower personnel expenses in the 2009 CTI survey. It's hard to tell the reasons for this 19% difference, but it might be related to the drastic actions churches were taking to reduce expenses in 2009, including salary freezes, pay cuts, and layoffs.

Micro churches had the highest personnel expense, but the lowest maintenance/cleaning and building expenses compared to all other size segments.

FINANCIAL LEADERS' LEARNING PRIORITIES

ECCU provides financial professionals at evangelical ministries with learning opportunities throughout the year. The goal is to help them become more effective at financial management so they can focus their

efforts on fulfilling their ministries' missions. We asked the MAP panelists which of these 13 topics would be of interest to them for future ECCU resources. Here's how they responded:

Increasing revenue remains the foremost concern among most ministry financial leaders. Transactional concerns like account utilization and reconciliation are of least interest to them.

CHURCH FINANCIAL TRENDS THROUGH Q3 2012

Results are in for the third quarter of 2012. It seems that economic conditions continue to be most challenging for the smallest ministries (i.e., churches with weekend worship adult attendance of less than 200).

Quarterly financial trends have been captured in this format since the [second quarter of 2010 \(base period\)](#). Ministries are segmented by type and size each reporting period. The type and size segmentation framework used is as follows:

Topic	%
Donor behavior (e.g., preferences and trends)	34%
Digital giving (e.g., online, mobile, and automated)	26%
Maximizing investment return	15%
Accounting systems (e.g., for donor recordkeeping, financials, chart of accounts, and restricted funds)	13%
Making deposits (e.g., cash handling and remote deposit methods)	11%
Debit, credit, and prepaid cards	8%
Physical cash handling and cash needs	6%
Payroll (e.g., issues, software, and vendors)	6%
Cash concentration (i.e., movement of funds to/from ministry locations and/or accounts)	4%
International payments	4%
Accounts utilized (e.g., checking, money market, and mutual funds)	2%
Accounts payable	0%
Reconciliation issues (e.g., fraud, lost checks, and multiple accounts)	0%

Segmentation Framework				
Segment	Churches (Attendance)	Colleges (Enrollment)	K-12 Schools (Enrollment)	Parachurches (Revenue)
Micro	< 200			<\$1,000,000
Small	200 to 424	< 400	< 200	\$1,000,001 to \$5,999,999
Medium	425 to 2,000	400 to 2,300	200 to 500	\$6,000,000 to \$19,999,999
Large	2,001 to 4,999	> 2,300	> 500	\$20,000,000 to \$94,999,000
Mega	>= 5,000			>= \$95,000,000

(Every effort is made to ensure a broad representation of ministries by type and size, but seasonality and the overall nature of online survey panels impact our ability to provide statistically significant results. Where statistical significance cannot be achieved, the results are omitted.)

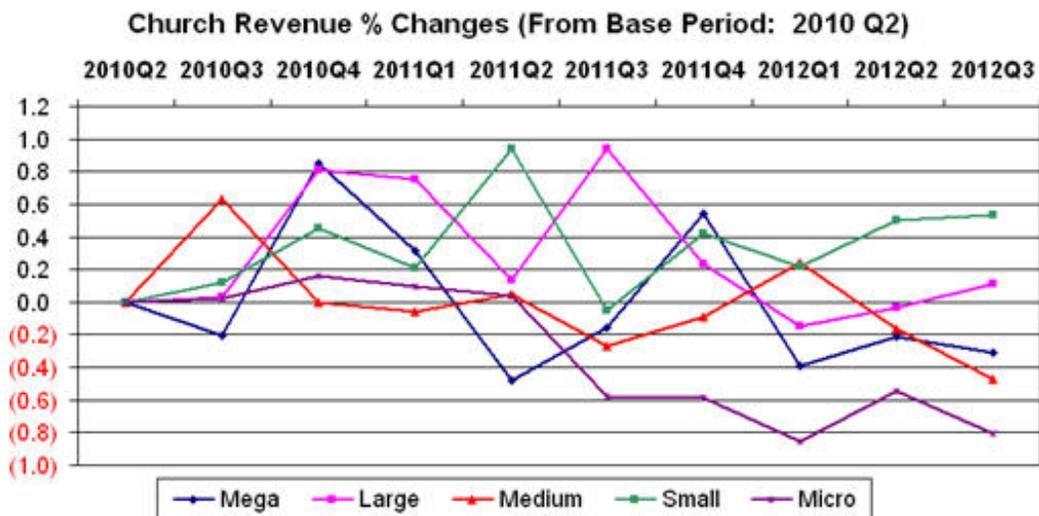
Churches

This is the quarterly revenue change index beginning with the Q2 2010 base period:

Revenue % Change from Base Period (2010Q2)										
Size	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3
Mega	0%	-20%	85%	31%	-48%	-16%	54%	-39%	-21%	-31%
Large	0%	3%	81%	75%	14%	94%	23%	-15%	-3%	12%
Medium	0%	63%	0%	-6%	4%	-27%	-9%	24%	-16%	-48%
Small	0%	12%	46%	21%	94%	-5%	42%	22%	50%	53%
Micro	0%	3%	16%	10%	4%	-57%	-59%	-85%	-55%	-81%

Seasonality plays a big role in these results as the third quarter tends to be a challenging season for many churches. Small churches seemed to buck the trend, as well as large ones to a lesser extent.

Here is another way of looking at the information presented in the table above:

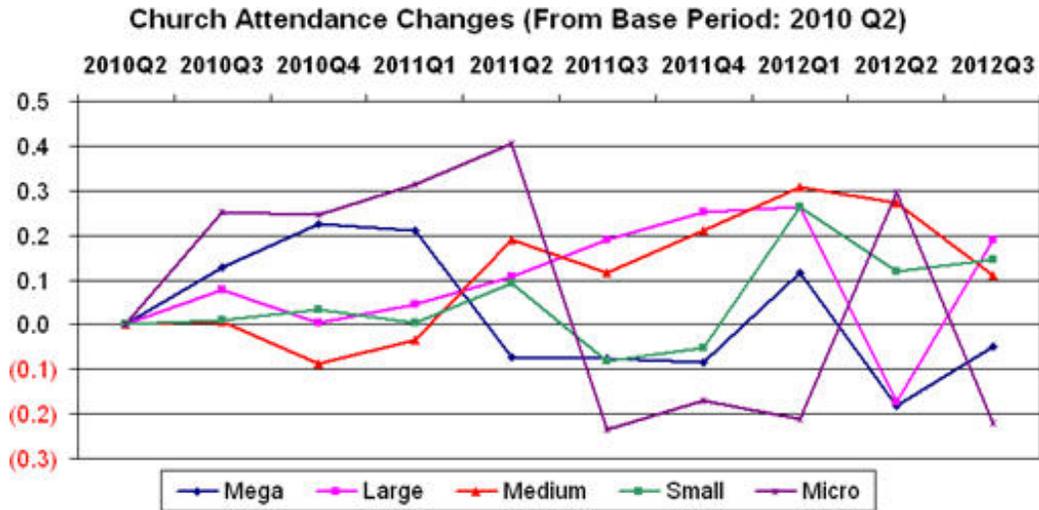


The following table represents a running quarterly attendance change index beginning with the Q2 2010 base period:

Attendance % Change from Base Period (2010Q2)										
Segment	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3
Mega	0%	13%	23%	21%	-7%	-8%	-8%	12%	-18%	-5%
Large	0%	8%	0%	5%	11%	19%	25%	26%	-17%	19%
Medium	0%	1%	-9%	-4%	19%	12%	21%	31%	27%	11%
Small	0%	1%	3%	1%	9%	-8%	-5%	26%	12%	15%
Micro	0%	25%	25%	32%	41%	-24%	-17%	-21%	30%	-22%

During the second quarter of 2012, we saw a rare spike in micro church attendance. That spike quickly disappeared in the third quarter, leading to a declining trend from the baseline period of 22%. Overall, however, attendance seems to have increased, but this may be due to seasonal attendees rather than additional giving units.

Here is another way of looking at the information presented in the table above:



The following two tables report attendance and revenue averages by church size for the third quarter of 2012. The “Low” figure represents the lowest reported number in its segment. The “High” figure represents the highest reported number in its segment.

Size	Attendance			Revenue		
	Avg.	Low	High	Avg.	Low	High
Micro	78	15	125	\$ 29,367	2,100	64,000
Small	327	200	458	231,978	127,800	410,000
Medium	848	400	1,750	323,267	15,000	675,714
Large	2,906	1,134	5,000	1,468,186	734,534	2,133,591
Mega	5,633	4,400	8,000	2,641,500	1,783,000	3,500,000

This table shows the average revenue per church attendee, the previous quarter’s average revenue per church attendee, and the percent difference between the two.

Avg. Rev./ Attendee	Previous Quarter	% Change
\$ 387	\$ 433	-12%
713	529	26%
464	732	-58%
555	349	37%
417	592	-42%

To better represent the metrics that are most indicative of a ministry’s financial health, we captured the average number of giving units in addition to adult attendance. Although the definition of a giving unit varies by ministry, 46% of ministries track giving in this manner. The method least used (7%) is giving per member.

The table below represents the first period of such data and will be the basis for comparison in future reports.

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Size	Giving Units			Avg. Rev./
	Avg.	Low	High	Giv. Unit
Micro	30	15	43	\$ 884
Small	306	71	1,057	1,602
Medium	372	4	900	1,321
Large	1,447	740	2,000	977
Mega	2,683	865	4,500	1,420

Commentary:

Although our panelists are clearly interested in learning how to increase their ministries' revenue, it's important to note that another way to improve cash flow is by increasing efficiency to reduce operational expenses. One way to achieve the latter is by optimizing your banking accounts and transaction activity. Reach out to your primary bank and ask for a banking assessment to be sure you are maximizing your return and minimizing fees.

If you found this survey report helpful, please pass it along to other members of your ministry team and peers using the Share with a Friend tool below.

- [2013 Church Budget Allocations, Learning Priorities, and Quarterly Financial Trends](#)

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