

Review: How to set up successful Monthly Budget Allocations. (Tutorial #4030)

- Evaluate how much is needed monthly by knowing what is being spent.
- Assess what is coming in through offerings.
- Budget accordingly, based on those two factors.
- Adjust the budget for unexpected expenses. (board voted - specifics recorded in minutes)
- Adjust the budget when the income changes. (board voted - specifics recorded in minutes)
- Re-balance the funds by:

Transferring extra funds back into Church Budget (if they originally came from Church Budget, they can be transferred back into Church Budget to be used in other accounts)

Transferring funds from Church Budget to zero out negative balances in Local Funds. (Tutorial #8210)

Your treasurer or a finance committee can bring suggested budget numbers to the board for a vote. *Your support person can help if there are any questions on how to identify/document those numbers.*

Church Budgeting that works is dependent on accurate, consistent recordkeeping.

- Posting to the correct funds. Every time.
- Refusing to use “sideways transfers” to fill holes. (Tutorials #8150, 8160)
- Having a treasurer who understands how the budget process works, can watch for problems and make recommendations to the board, and a treasurer that is trusted by the board. (Tutorials #4040, 2170)
- Having a board that will listen to the treasurer’s input, make decisions and record the votes.

Budget Busters – “Sideways Transfers” and Random Posting (Tutorials #8150, 8160)

“Sideways transfers,” transfers of money between non-related funds, just to fix a negative number or to make a purchase, should not be done, for three reasons.

1. Sideways transfers make accurate tracking of expenses for future budget planning very difficult.
2. Sideways transfers can result in Trust Fund violations, *which are against policy and could even be illegal.*
Example: *“Sabbath School Expense has a lot of money. Let’s vote to transfer \$500 from Sabbath School Expense to Utilities.”*

Caution: If the money that was in the Sabbath School Expense fund was donated during Sabbath School to pay for Sabbath School Expenses, those are Trust Funds. *They cannot be used to pay Utilities.*

3. Sideways transfers leave behind the origins of the donations – who gave them and for what purpose.

NOTE: *When a Local Fund is low, money should come from Church Budget to fill it, not from a non-related Local Fund. Moving money from one Local Fund to another just because one is empty is not good church finance. It is like playing a shell game--robbing Peter to pay Paul.*

Random Posting, when the Local Fund you need to use has a negative balance:

DO NOT pay bills from a different, random Local Fund. *“Sabbath School Expense has a lot of money. Let’s just pay the electric bill from there.”* No. Pay from the correct Local Fund.

If a fund is empty but you have an expense to post to it, go ahead and post it. It will result in a negative balance, which then can be addressed by the board.

NOTE: Eliminate Budget Busters and Trust Fund violations with these three simple rules.

- 1) *Post donations to the correct local fund.*
- 2) *Keep them in that fund until they are needed. Don’t move/transfer them around.*
- 3) *Use/spend them directly from that fund, being careful to honor the intent of the donor*

When a Local Fund has a chronic negative Ending Balance, the cause should be investigated.

- Is it being funded in the monthly Budget Allocations?
- If so, should the allocations be increased?
- If not, where is the money to fund it going to come from?

If it is caused by an unexpected expenditure, sometimes a one-time infusion from Church Budget is all that is needed. Sometimes the Budget Allocation amount needs to be raised. Sometimes, if finances are tight, the expenditures from that Local Fund may need to be questioned.

FAQs

Can we zero all the Local Funds out at the end of the year and start over?

It is actually a good idea to zero out many of the expense funds at the end of the year. All Budget Allocations that came from Church Budget originally can be transferred back into the Church Budget fund, ready to be allocated in the new year. *(Tutorial #8220)*

However, not all Local Funds can be returned to zero. Trust Funds should not be transferred out to Church Budget. *(Tutorials #6630, 6640)* If needed, the auditor can assist in making sure that Trust Funds remain untouched during this annual closeout and transfer.

How are Church Ministries funded?

Ministries like Women's Ministries or Social Events can be given, by the church board, a budgeted amount for the year. That amount is divided by 12 and transferred into the Ministry Fund by the monthly Budget Allocation, or, if the church has the funds available, they can transfer the annual amount all at once in January. As the funds are spent, the Ending Balance decreases accordingly until it is all gone.

Can the treasurer make transfers without a board vote? *(Tutorial #2180)*

No. Any non-budget or non-approved transfers (anything that is not a regular, monthly transfer or one that the board has instructed the treasurer to carry out) must be voted by the board and recorded in the minutes, before the treasurer makes the transfer.

What if we no longer need the money that is in a certain fund? Can we move it? *(Tutorial #6630)*

According to the SDA Church manual, donor designated trust funds are not to be borrowed or used for *any purpose* other than that for which they were donated. This is also state law, most often enforced by the state Attorney General office.

That said, if a specific project, such a building fund, is ever abandoned, as in, never started and won't be, there are very specific procedures that can be followed regarding the money that was donated to that project. *(Tutorial #6550)*

What if a Local Fund such as Sabbath School Expense has more than it can use, but donations continue to come in?

The board can vote (and let the SS members know) that all SS offerings from now on, for a specific time, will go for Building Fund or Church Budget or where else they vote to put them. Let SS members know that it will take a period of time to use the current balance, so SS Expense offerings are being temporarily halted. The important thing is that the donors be made aware. You should also temporarily inactivate any SS Expense options you have on your Adventist Giving local envelope. *(Tutorial #3090)*

Corresponding videos: 4.2 – Care and Feeding of Local Church Funds. Find at <https://www.gccsda.com/auditing/10963>

4.3 – Money That Can't Be Spent – Trust Funds

4.4 – Church Budget Basics

4.5 – Negative Balances & Sideways Transfers

2.4 – Consistency in the Use of Accounts

For more tutorials on BUDGETING AND ALLOCATIONS, see section 4000 on the gccsda.org auditor webpage.

*This information has been brought to you by the Georgia-Cumberland Conference Audit Team
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