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Budgeting Basics For Non-Profits

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What is a budget?

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- Definition

- Wikipedia

- A quantitative expression of a plan for a defined period of time

- Webster

- A breakdown of a spending plan

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A planning tool

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Why produce a budget?

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- To control resources
- To communicate plans to various managers
- To motivate managers to achieve budget goals
- To evaluate the performance of managers
- To provide visibility into the organization's performance

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Types of budgets

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- Operating
- Cash
- Capital
- Program
- Grant

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Who creates the budget?

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- Collaborative effort
 - Staff
 - Board members

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Everyone in the organization needs to understand the budget

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To understand the budget is to understand the non-profit's goals.

Done by a committee and approved by the board



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Responsibility for the budget

- Each member of the organization must own their part of the budget
- Input from all staff and all board members
 - Creates ownership and responsibility

The budgeting process

- Start a few months prior to your fiscal year end
- Create committee responsible for final budget
- Assess cash flow
 - Two types of budgets initially
 - Known
 - What if?
- Ask questions - ie
 - Will there be a change in revenue?
 - Any unusual expenses?
 - Any personnel changes?

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Prepare revenue budget

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- Known
 - Approved Grants
 - Approved Contracts

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- What if
 - Donations
 - Corporate
 - Individual
 - Possible Grants and Contracts

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Prepare expense budget

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- Program expenses
- Administrative expenses
- Fixed expenses
- Variable expenses
- Contingency

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Budget report

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- Revenues should equal expenses (balanced budget)
- Combination of various budgets
 - Committee approves
 - Presents to the board for their approval
- Needs to be realistic

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Using the budget

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- Budget report comparing actual to budgeted amounts should be reviewed monthly
- Analyzed and discussed at each board meeting
 - Accuracy
 - Software
- Not set in stone

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Controlling the budget

- Centralize purchasing
- Don't spend now and hope the funds will follow
- Don't pad line items
- Avoid vague categories
- Revise the budget throughout the year as needed
- Avoid catch-all "miscellaneous" account
- Don't procrastinate in making unpopular decisions
- Include everyone in controlling the budget
- Celebrate successes