

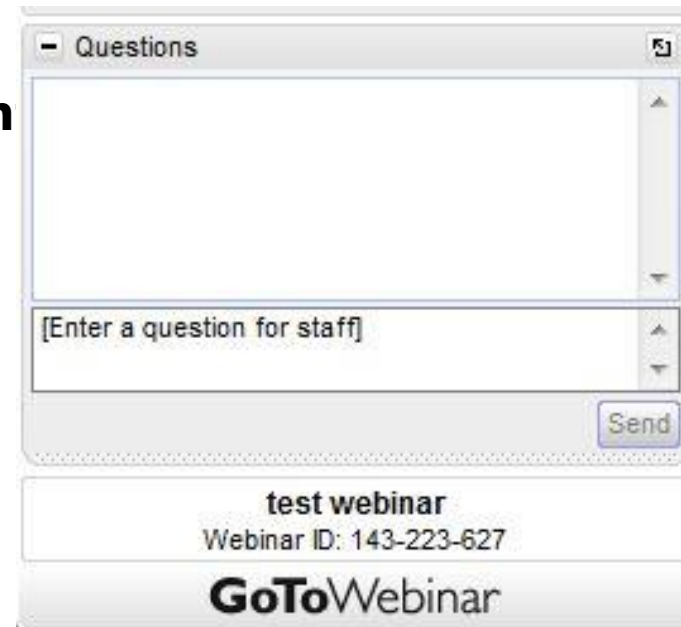
**Welcome! Below are a few housekeeping items to review before we get started.**

**If you can't get the audio through your speakers or by VOIP, try dialing in using your phone.**

**We have a number of participants on the call, so your phones are muted to ensure the best audio quality for everyone.**

**To ask a question, you can type it into the questions box (pictured to the right at any time. Questions will be addressed at designated intervals.**

**This webinar is being recorded.**  
**The slides and full recording will be provided to attendees. An email will follow with further instructions.**



The image shows a screenshot of a GoToWebinar interface. At the top, there is a window titled "Questions" with a close button. Below the title is a large empty text area for entering questions. Underneath this is a smaller text input field containing the placeholder text "[Enter a question for staff]". To the right of this input field is a "Send" button. Below the input field, the text "test webinar" and "Webinar ID: 143-223-627" is displayed. At the bottom of the interface, the "GoToWebinar" logo is visible.

# **NFF Webinar Series**

## **Part 2: Tools for Managing Day to Day & Communicating With Stakeholders**

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### **Budgeting Basics**



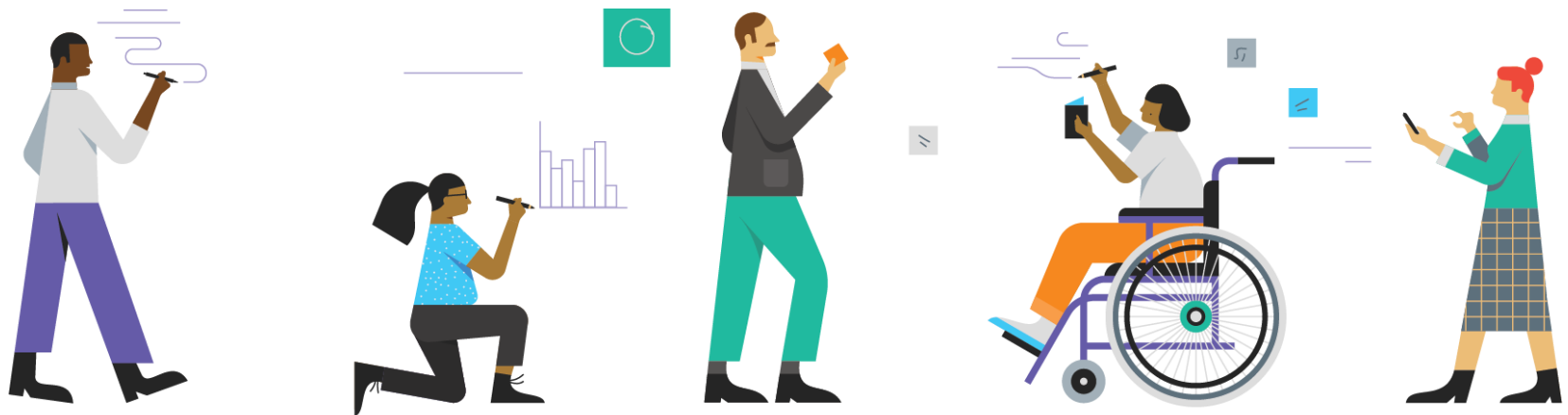
**Presented by**

**Dominique Hugg**  
**Associate, Advisory Services**

# Nonprofit Finance Fund: Where Money Meets Mission

*NFF envisions a world where capital and expertise come together to create a more just and vibrant society. **We unlock the potential of mission-driven organizations through:***

- **Tailored investments**
- **Strategic advice**
- **Accessible insights**



# 2018 National Webinar Series: Strategic Financial Management Tools



## Financial Literacy

Part 1: Basics of Nonprofit Finance

Webinar 1: The Big Picture

Webinar 2: Reading Financial Statements

Webinar 3: What Every Board Member Should Know About Nonprofit Finance

## Financial Communication

Part 2: Tools for Managing the Day-to-Day and Stakeholder Communication

Webinar 4: Budgeting Basics

Webinar 5: Strategic Budgeting

Webinar 6: Cash Flow Planning

Webinar 7: Dashboard Development

Webinar 8: Telling your Financial Story

## Financial Planning & Reporting

## Financial Management & Decision-Making

Part 3: Tools for Strategic Decision Making

Webinar 9: Program Economics

Webinar 10: Untangling Multiple Views of Cost

Webinar 11: Scenario Planning

Webinar 12: Planning for Growth

Webinar 13: Building Long-Term Financial Health to Manage Risk and Leverage Opportunities

Webinar 14: Partnerships and Collaborations

# GOALS



Review key budget terms, concepts & best practices



Outline stakeholders involved in the budgeting process



Explore approaches to building a budget that provides a view of management priorities and financial needs

# The Who, What, Whys of Budgeting



# WHAT is a Budget?

## WHY Create one?

**Organizations have limited resources with which to carry out mission**

**Need for an organizational plan** that reflects how to spend these resources for a stated period of time

**A budget is a**

- road map,
- a guide, or
- financial plan

**A good budget is a versatile**, often under-utilized tool that can help to:

- Allocate resources
- Monitor progress
- Increase focus
- Set realistic goals
- Implement strategy
- Communicate priorities

**“Our needs are unlimited, but our resources are limited. That’s why we need a budget.”**

*–Bruce Bonner, COO,  
Children’s Literacy  
Initiative*

# WHAT are Different Types of Budgets?





# WHO Creates the Budget?

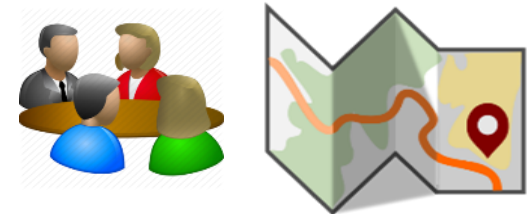
## Team approach to budgeting:

- “Advisory team”
- Senior leadership
- Program staff



## What information is needed?

- Strategic plan
  
- Financial information
  - This year's operating results
  - Past operating results
    - Last fiscal year
    - 6-month results
    - Year-to-date results
  - Current forecast
  - Funder data



## Where do I put the information?

- Excel or a similar spreadsheet-software system

# WHEN to Start the Budgeting Process? HOW Long Does it Take?

Set Goals and Gather Data

# CASE STUDY: Help for Homeless Youth

**Help for Homeless Youth** (HHY) is a nonprofit dedicated to providing food, clothing, mentorship, and job opportunities to young people in Philadelphia. HHY was founded in 1990 on the belief that everyone deserves access to opportunities for a better life.



**Jordan Johnson** is the Founder and Executive Director of HHY. She continues to explore new and innovative ways for HHY to better support vulnerable youth as they strive to realize their dreams. Jordan has a Master's degree from Penn State in Public Administration. In her spare time, Jordan enjoys listening to podcasts, bike riding along the Schuylkill River trail, and spending time with family.

# WHAT to Include HHY Example Budget

	<b>Forecast</b>	<b>Budget</b>	<b>Variance</b>
	<b>FY 2017</b>	<b>Total FY 2018</b>	<b>Total</b>
<b>Revenue</b>			
Total earned revenue	75,100	85,100	10,000
Total contributed revenue	662,000	815,000	153,000
<b>Total Revenue</b>	<b>737,100</b>	<b>900,100</b>	<b>163,000</b>
<b>Expenses</b>			
Subtotal salaries	367,000	389,700	22,700
Subtotal benefits	57,633	65,971	8,338
Total personnel	424,633	455,671	31,038
Total consultants/contractors	122,500	134,500	12,000
Total occupancy	22,500	24,437	1,937
Total support	107,975	125,025	17,050
<b>Total Expenses</b>	<b>677,608</b>	<b>739,633</b>	<b>62,025</b>
			-
<b>Operating Surplus / Deficit</b>	<b>59,492</b>	<b>160,467</b>	<b>100,975</b>

# HOW to Track Revenue With Restrictions



	Forecast	Budget	Variance	
	FY 2017	Total FY 2018	Total	Notes
ABC Community Foundation	85,000	85,000	-	Long-time funder, 100% likely
Sunshine Foundation	100,000	240,000	140,000	2-year grant; 100% likely
Farhills Foundation	10,000	15,000	5,000	75% likely
XYZ Foundation	30,000	20,000	(10,000)	Expecting a decline this year
Fair Weather Foundation	185,000	185,000	-	Long-time funder, but 75% likely
Stage Coach Bank Foundation	15,000	15,000	-	50% likely
123 Foundation	65,000	65,000	-	100% likely; received award letter
NF Foundation	15,000	-	(15,000)	Funder says we need to take a year off this year
To be raised		30,000	30,000	Proposals to 5 new funders expecting to receive \$10k from 3
Net assets released from restrictions		-	-	
<b>Total foundations</b>	<b>505,000</b>	<b>655,000</b>	<b>150,000</b>	

# WHAT Happens to the Projected Surplus?



	Forecast	Budget	Budget	Budget	Variance
		Without	With	Total	Total
	FY 2017	Restrictions	Restrictions	FY 2018	
		FY 2018	FY 2018		
<b>Revenue</b>					
Total earned revenue	75,100	85,100	-	85,100	10,000
Total contributed revenue	662,000	695,000	120,000	815,000	153,000
<b>Total Revenue</b>	<b>737,100</b>	<b>780,100</b>	<b>120,000</b>	<b>900,100</b>	<b>163,000</b>
<b>Expenses</b>					
Subtotal salaries	367,000	389,700	-	389,700	22,700
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<b>Total personnel</b>	<b>424,633</b>	<b>455,671</b>	<b>-</b>	<b>455,671</b>	<b>31,038</b>
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					-
<b>Operating Surplus / Deficit</b>	<b>59,492</b>	<b>40,467</b>	<b>120,000</b>	<b>160,467</b>	<b>100,975</b>



# HOW to Budget Expenses

## Initial Considerations

**Historical data:** What were last year's expenses?

### Programmatic changes:

- How will programmatic offerings / needs change?
- Will the staffing structure change?
- What will be the implications of these changes for overhead / infrastructure?

### Increases/Decreases in revenue:

- How might this affect the organization's activities?
- What will the organization do differently this year?

	Forecast	Budget	Budget	Budget	Variance
		Without	With	Total	
	FY 2017	Restrictions	Restrictions	FY 2018	Total
		FY 2018	FY 2018	FY 2018	
<b>Revenue</b>					
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Total support	107,975	125,025	-	125,025	17,050
<b>Total Expenses</b>	<b>677,608</b>	<b>739,633</b>	<b>-</b>	<b>739,633</b>	<b>62,025</b>



# HOW to Forecast Expenses

## Understand how your expenses function

**Operating expenses** are often more directly **within our control** than revenue; as such, they are often easier to forecast

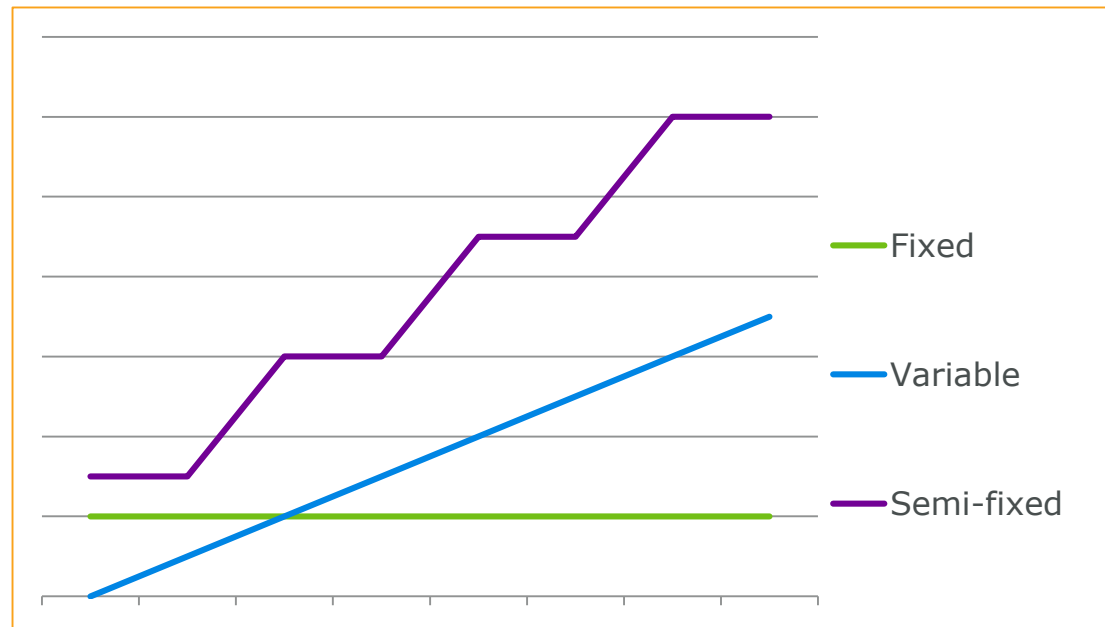
In light of revenue realities, management can adjust expenses with cost dynamics in mind. Consider:

### Are costs attributable to programs?

- Direct
- Indirect

### How do costs behave?

- Fixed
- Variable
- Semi-fixed



# My budget is approved...WHAT's next?

Monitor



# EXAMPLE

## Reforecast Budget

	Reforecast	Budget	Budget	Budget
		Without	With	Total
	FY 2018	Restrictions	Restrictions	FY 2018
		FY 2018	FY 2018	FY 2018
<b>Revenue</b>				
Total Revenue	738,100	780,100	120,000	900,100
<b>Expenses</b>				
Total Expenses	724,033	739,633	-	739,633
Operating Surplus / Deficit	14,067	40,467	120,000	160,467

# Wrap Up: Use your budget as a communications tool



Build your budget to **speak to your ambitions not your limitations**

**Give enough detail** to be able to assess and make certain decisions, but not too much detail so as not to get distracted

Include **assumptions and notes**

**Include a narrative** of significant changes in the operation and plans for the future

**Include select charts and graphs** for those stakeholders that are less likely to appreciate the numbers

**Be presented, discussed, and compared** to actual year-to-date results at periodic board meetings

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- 14: Partnerships and Collaborations

## Financial Management & Decision-Making

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