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.
NFF Webinar Series
Part 2: Tools for Managing Day to Day & Communicating With Stakeholders

Budgeting Basics

Presented by

Dominique Hugg
Associate, Advisory Services
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

- Why
- When
- Where
- What
- How
- Who

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 & WHERE: Data Collection

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
**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

<table>
<thead>
<tr>
<th></th>
<th>Forecast FY 2017</th>
<th>Budget FY 2018</th>
<th>Variance Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total earned revenue</td>
<td>75,100</td>
<td>85,100</td>
<td>10,000</td>
</tr>
<tr>
<td>Total contributed revenue</td>
<td>662,000</td>
<td>815,000</td>
<td>153,000</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>737,100</td>
<td>900,100</td>
<td>163,000</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal salaries</td>
<td>367,000</td>
<td>389,700</td>
<td>22,700</td>
</tr>
<tr>
<td>Subtotal benefits</td>
<td>57,633</td>
<td>65,971</td>
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<tr>
<td>Total personnel</td>
<td>424,633</td>
<td>455,671</td>
<td>31,038</td>
</tr>
<tr>
<td>Total consultants/contractors</td>
<td>122,500</td>
<td>134,500</td>
<td>12,000</td>
</tr>
<tr>
<td>Total occupancy</td>
<td>22,500</td>
<td>24,437</td>
<td>1,937</td>
</tr>
<tr>
<td>Total support</td>
<td>107,975</td>
<td>125,025</td>
<td>17,050</td>
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<tr>
<td><strong>Operating Surplus / Deficit</strong></td>
<td>59,492</td>
<td>160,467</td>
<td>100,975</td>
</tr>
</tbody>
</table>
# HOW to Track Revenue With Restrictions

<table>
<thead>
<tr>
<th>Forecast FY 2017</th>
<th>Budget FY 2018</th>
<th>Variance FY 2018</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Community Foundation</td>
<td>85,000</td>
<td>85,000</td>
<td>-</td>
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<tr>
<td>Sunshine Foundation</td>
<td>100,000</td>
<td>240,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Farhills Foundation</td>
<td>10,000</td>
<td>15,000</td>
<td>5,000</td>
</tr>
<tr>
<td>XYZ Foundation</td>
<td>30,000</td>
<td>20,000</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Fair Weather Foundation</td>
<td>185,000</td>
<td>185,000</td>
<td>-</td>
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<tr>
<td>Stage Coach Bank Foundation</td>
<td>15,000</td>
<td>15,000</td>
<td>-</td>
</tr>
<tr>
<td>123 Foundation</td>
<td>65,000</td>
<td>65,000</td>
<td>-</td>
</tr>
<tr>
<td>NF Foundation</td>
<td>15,000</td>
<td>-</td>
<td>(15,000)</td>
</tr>
<tr>
<td>To be raised</td>
<td>30,000</td>
<td>30,000</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total foundations | 505,000 | 655,000 | 150,000 |
### WHAT Happens to the Projected Surplus?

<table>
<thead>
<tr>
<th></th>
<th>Forecast FY 2017</th>
<th>Budget Without Restrictions FY 2018</th>
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<td>Total earned revenue</td>
<td>751,100</td>
<td>85,100</td>
<td>-</td>
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<td>Total contributed revenue</td>
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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?

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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?

- Set Goals and Gather Data
- Forecast Revenue
- Project Expenses
- Approval
- Monitor

Monitor
## EXAMPLE
Reforecast Budget

<table>
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<td></td>
<td></td>
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<td>-</td>
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<td></td>
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<td>160,467</td>
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</tbody>
</table>
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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webinars@nff.org

nonprofitfinancefund.org
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  - [Making Your Budget the Backbone of Your Nonprofit](#)

- **Articles**
  - [A Five-Step Guide to Budget Development](#)
  - [Meaningful Budget Work by the Board](#)
  - [Budgeting: A Guide for Small Nonprofit Organizations](#)