

Advanced Budgeting:
Budgeting for the Organization You Want to Be

#NPBudget

NPO

Welcome, Leading Edge Members!

February

Kim Klein on building a thriving major donor program

March

Paul Sussman on whether and how to have an endowment

April

Gina McDonald on the realities of FASB's liquidity disclosure

May

Vernetta Walker & Marla Cornelius on true board engagement

About our Guest Faculty

Kate Barr

President,

Propel Nonprofits



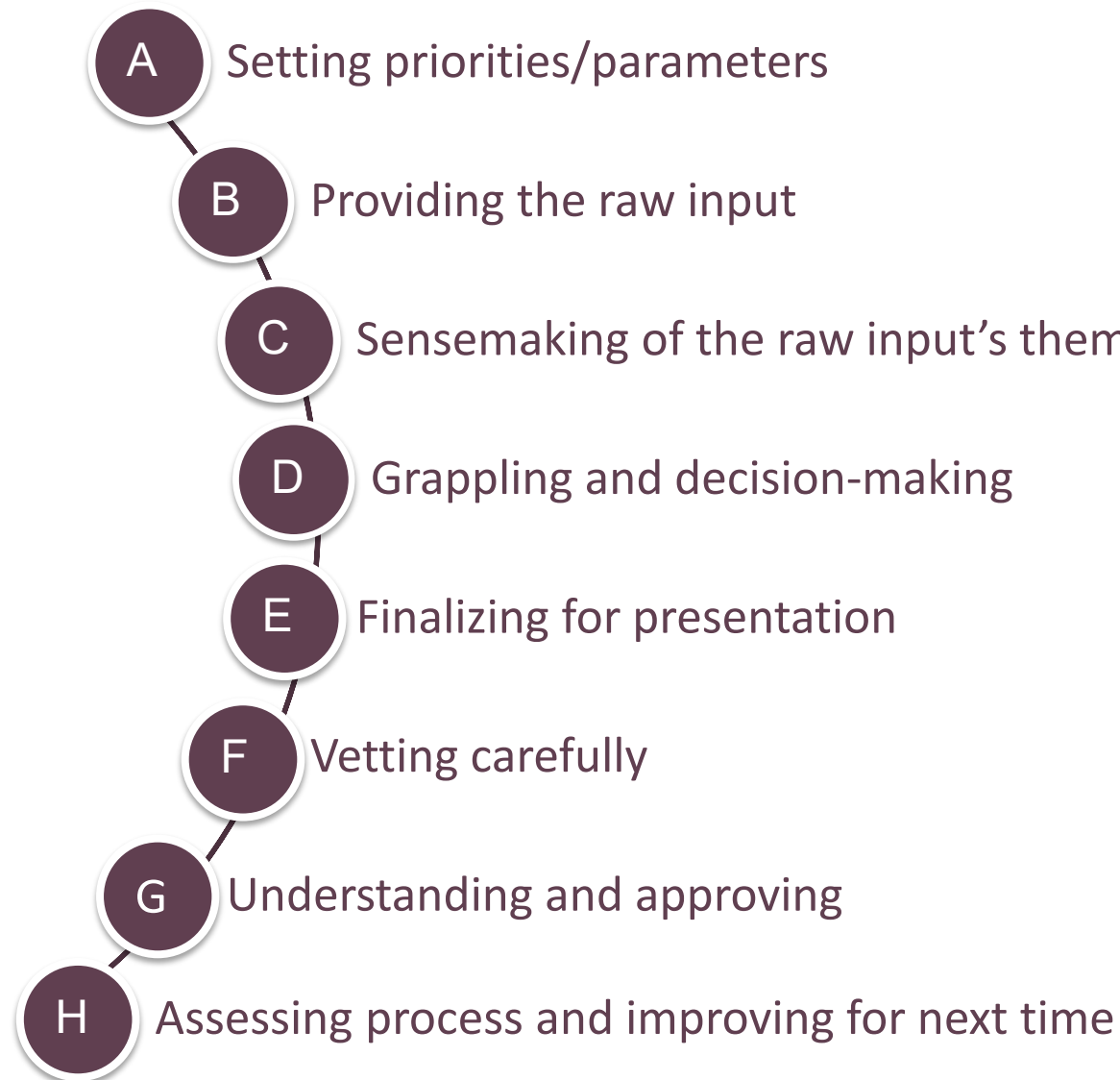
4 elements of a budget that drive its quality

1. The process to develop it, including who is involved
2. Its content
3. Its format
4. How it's operationalized



If you want a different result, adjust the levers above.

Unpacking budget development

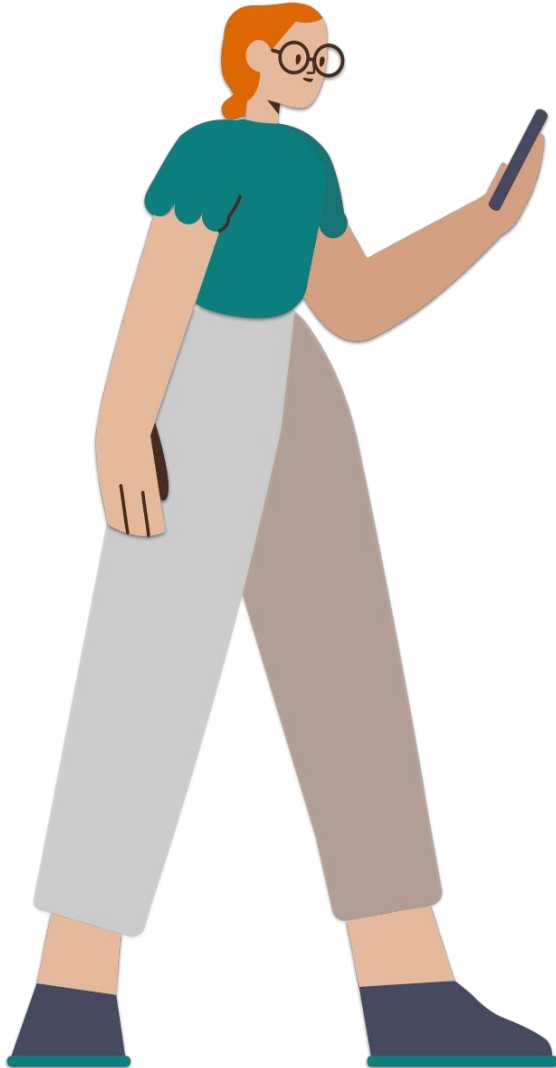


Always know where you are in the process and who needs to be involved.



“Advanced budgeting” is really the process of moving from a generic approach to an approach specific to the organization you want to be.

Valuing the time and effort of all the work



- ▶ Supervision and mentoring
- ▶ Professional development
- ▶ Research and development
- ▶ Collaboration
- ▶ Advocacy
- ▶ Evaluation and learning
- ▶ Diversity, equity, and inclusion work

TIP: Reflect on your time-tracking system. How does it interface with your budgeting approach?

Capturing one-time and periodic investments

- ▶ Strategy and change management efforts
- ▶ Rebranding
- ▶ Data/technology
- ▶ Building organizational infrastructure



Use columns to lift out change work/capital deployment

Annual Budget 2020			
	Operating	Change Capital	Total
Income			
Grants	\$ 1,250,000	\$ 100,000	\$ 1,350,000
Fees	\$ 345,000	\$ -	\$ 345,000
Total	\$ 1,595,000	\$ 100,000	\$ 1,695,000
Expenses			
Compensation	\$ 875,000	\$ 40,000	\$ 915,000
Consultants	\$ -	\$ 40,000	\$ 40,000
Supplies	\$ 55,000	\$ 20,000	\$ 75,000
Occupancy	\$ 300,000		\$ 300,000
Other	\$ 200,000		\$ 200,000
Total	\$ 1,430,000	\$ 100,000	\$ 1,530,000
Net	\$ 165,000	\$ -	\$ 165,000

This year, we have \$100,000 from the XYZ Foundation to do intensive equity and inclusion work.

Budgeting in times of change



Consider scenario budgeting when:

- ▷ The uncertainty is high
- ▷ Trying something new
- ▷ Planning for potential loss of income
- ▷ Grant or contract uncertainty
- ▷ Potential merger/collaboration
- ▷ Potential for significant growth

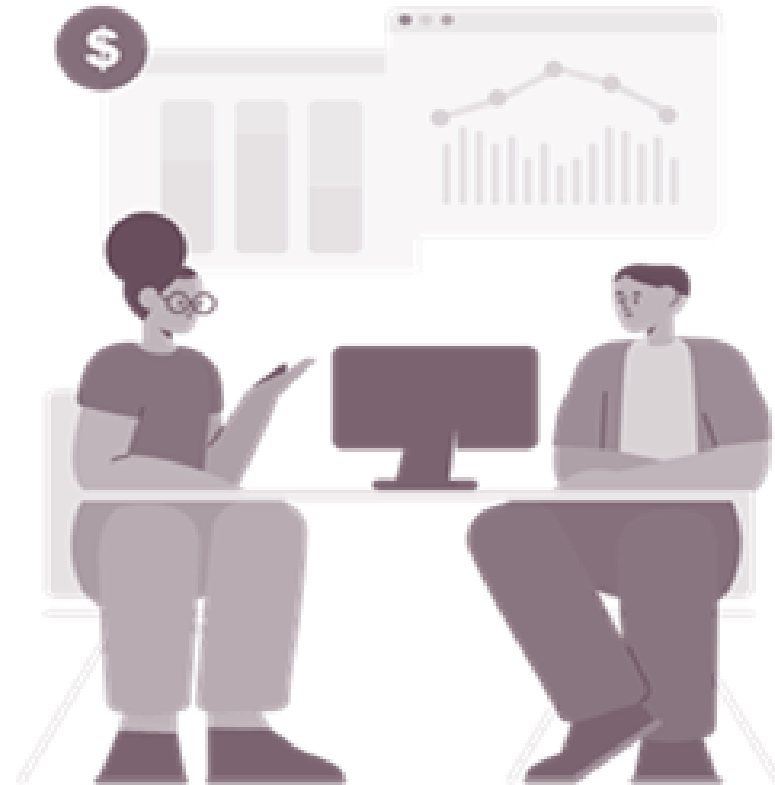
Use columns to lift out multiple scenarios

Annual Budget 2020			
	Conservative	Growth	Total
Income			
Grants	\$ 1,250,000	\$ 400,000	\$ 1,650,000
Fees	\$ 345,000	\$ 100,000	\$ 445,000
Total	\$ 1,595,000	\$ 500,000	\$ 2,095,000
Expenses			
Compensation	\$ 875,000	\$ 300,000	\$ 1,175,000
Consultants	\$ -	\$ 75,000	\$ 75,000
Supplies	\$ 55,000	\$ 20,000	\$ 75,000
Occupancy	\$ 300,000	\$ 100,000	\$ 400,000
Other	\$ 200,000		\$ 200,000
Total	\$ 1,430,000	\$ 495,000	\$ 1,925,000
Net	\$ 165,000	\$ 5,000	\$ 170,000

We hope to open a second location pending a \$400,000 grant from XYZ Foundation. Our fee income would also go up with service to more clients.

Budgeting to build reserves/self-investment capital

All nonprofits need money in savings to weather cash flow challenges and unexpected shortfalls. We also need resources to invest in our own growth and improvement. These are only possible with annual surpluses that are retained for future use.



Options for communicating surpluses

Annual Budget 2020	
Income	
Grants	\$ 1,250,000
Fees	\$ 345,000
Total	\$ 1,595,000
Expenses	
Compensation	\$ 875,000
Consultants	\$ -
Supplies	\$ 55,000
Occupancy	\$ 300,000
Other	\$ 200,000
Total	\$ 1,430,000
Net* (see note)	\$ 165,000

*Note: By policy of our board of directors, we maintain a 6-month, board-designated reserve. Modest annual surpluses maintain that balance.

Annual Budget 2020	
Income	
Grants	\$ 1,250,000
Fees	\$ 345,000
Total	\$ 1,595,000
Expenses	
Compensation	\$ 875,000
Consultants	\$ -
Supplies	\$ 55,000
Occupancy	\$ 300,000
Other	\$ 200,000
Board-designated reserve*	\$ 165,000
Total	\$ 1,595,000
Net	\$ -

*Note: By policy of our board of directors, we maintain a 6-month, board-designated reserve. Maintenance requires regular contributions.

Budgeting inside a strategic planning process



- ▷ More projection than budgeting
- ▷ Multi-year like the plan is
- ▷ Requires careful analysis of internal and external factors
- ▷ Factors in the sequencing of capacity and strategies
- ▷ Makes visible the required investments to achieve strategies

Budgeting for and during a CEO transition



- ▶ Ensure your board is up to speed
- ▶ Squirrel away some cash
- ▶ Discern if it will in fact be a down fundraising year
- ▶ Search and onboarding costs, including the possibility of higher compensation
- ▶ Assess: Will there be ripple effects, including other staff departures?
- ▶ Be very clear on financial assumptions to watch together



Centering EQUITY in budgeting

- ▽ Compensation (salary and benefits)—articulate a philosophy
- ▽ Workloads and workplace culture
- ▽ Who is in leadership? Who manages cost centers?
- ▽ Who is involved in the big financial decisions?
- ▽ Who gets access to reporting year-round?
- ▽ Who informs the course corrections?



Your values express the organization you want to be.

Use them to reflect on and evolve your approach to
the annual budget.

How are your values expressed in your annual budget?

Assessing our Annual Budgeting Approach				
	PROCESS	CONTENT	FORMAT	OPERATIONALIZING
OUR VALUES				
Integrity	We have a documented budget-building process that all staff and board know and understand.	All numbers in our annual budget are real; no plugged numbers to create false balances, etc.		
Client-centered	We are in the process of determining how and if clients can be engaged.	Our commitments to R&D and evaluation of results are reflected in the budget.		
Equity		Our compensation policy caps our high/low pay ratio at 4:1.		Budget-to-actual reports are provided monthly to all staff and board.

Q & A

**Thank you for
joining us!**

Please complete your brief evaluation!

#NPBudget

NPO