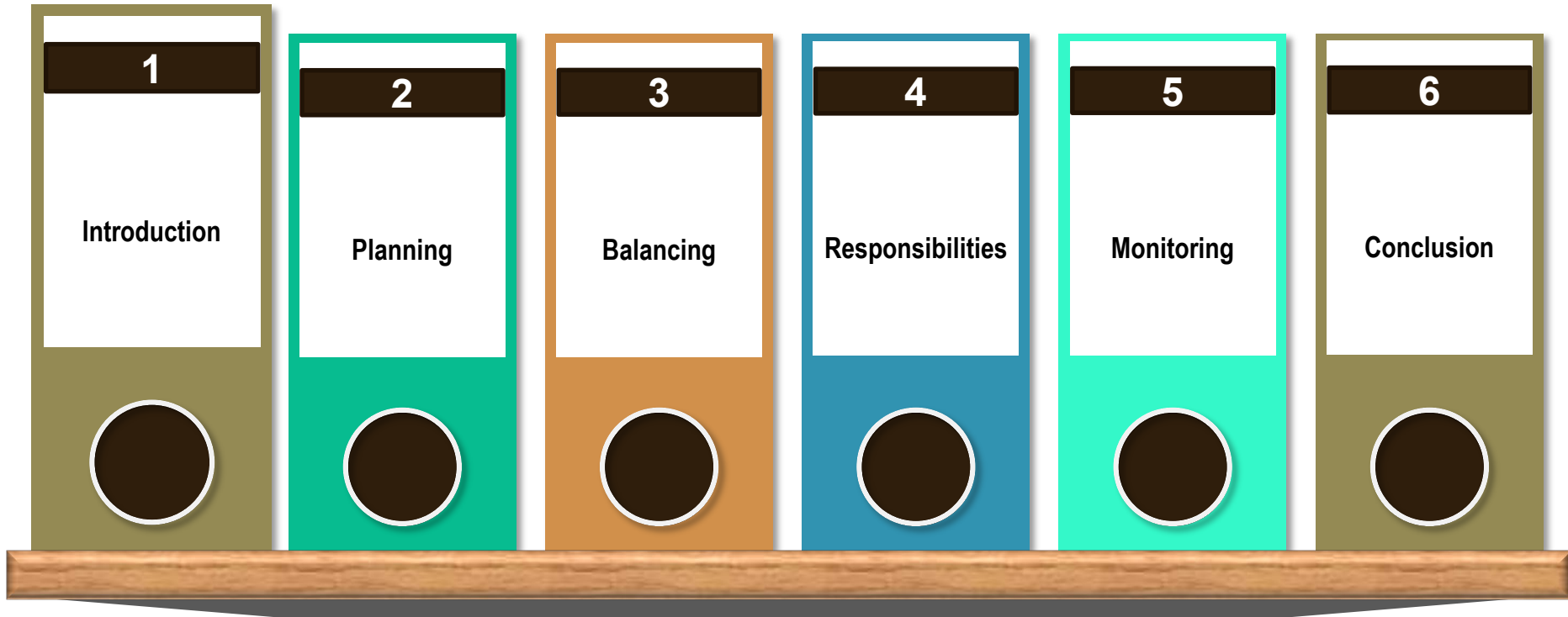
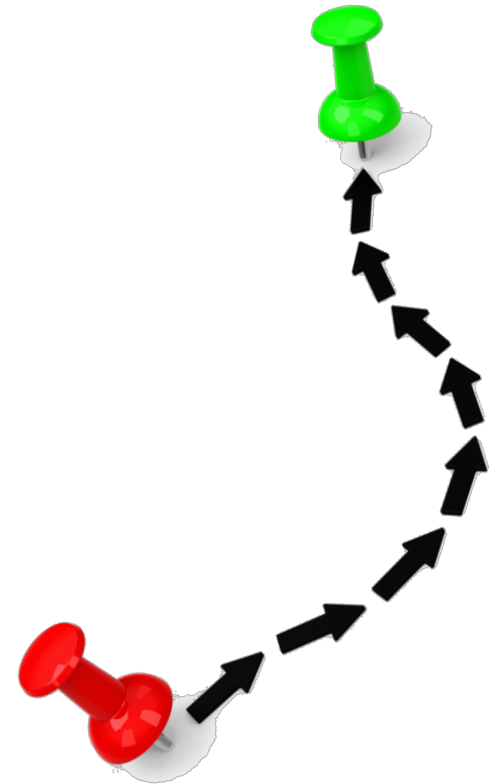


NOT FOR PROFIT BUDGETING – AN INTRODUCTION



Today's Schedule

Topic	Time
Introduction	10:00 am – 10:10 am
Planning	10:10 am – 10:30 am
Procedures	10:30 am – 11:00 am
<i>Break</i>	<i>11:00am – 11:05am</i>
Responsibilities	11:05 am – 11:10 am
Comparisons	11:10 am – 11:30 am
Conclusion & Questions	11:30 am – 12:00



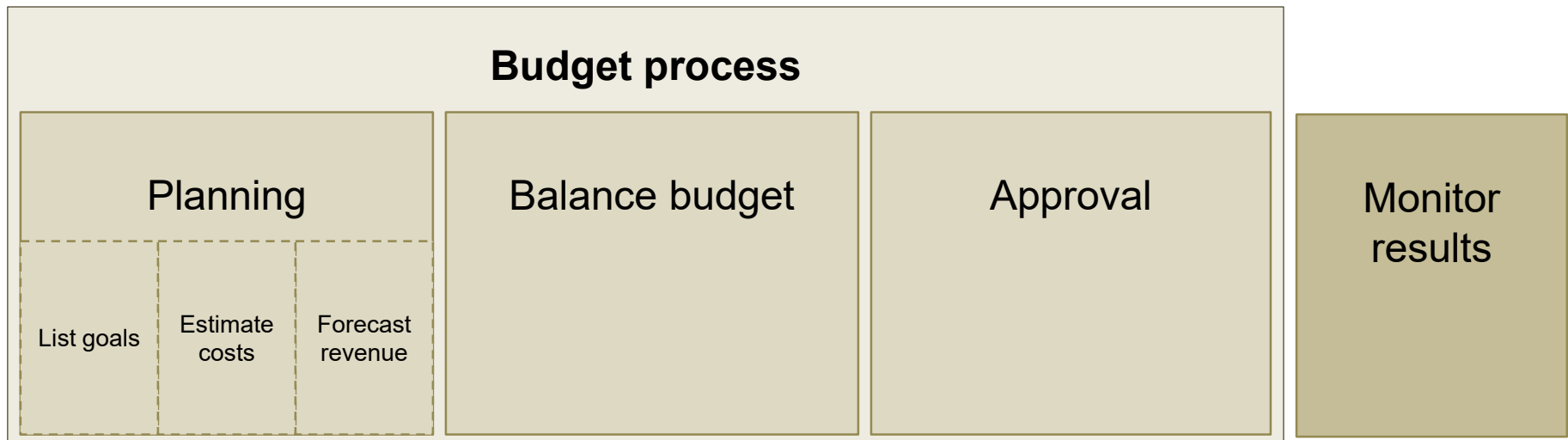
Objectives

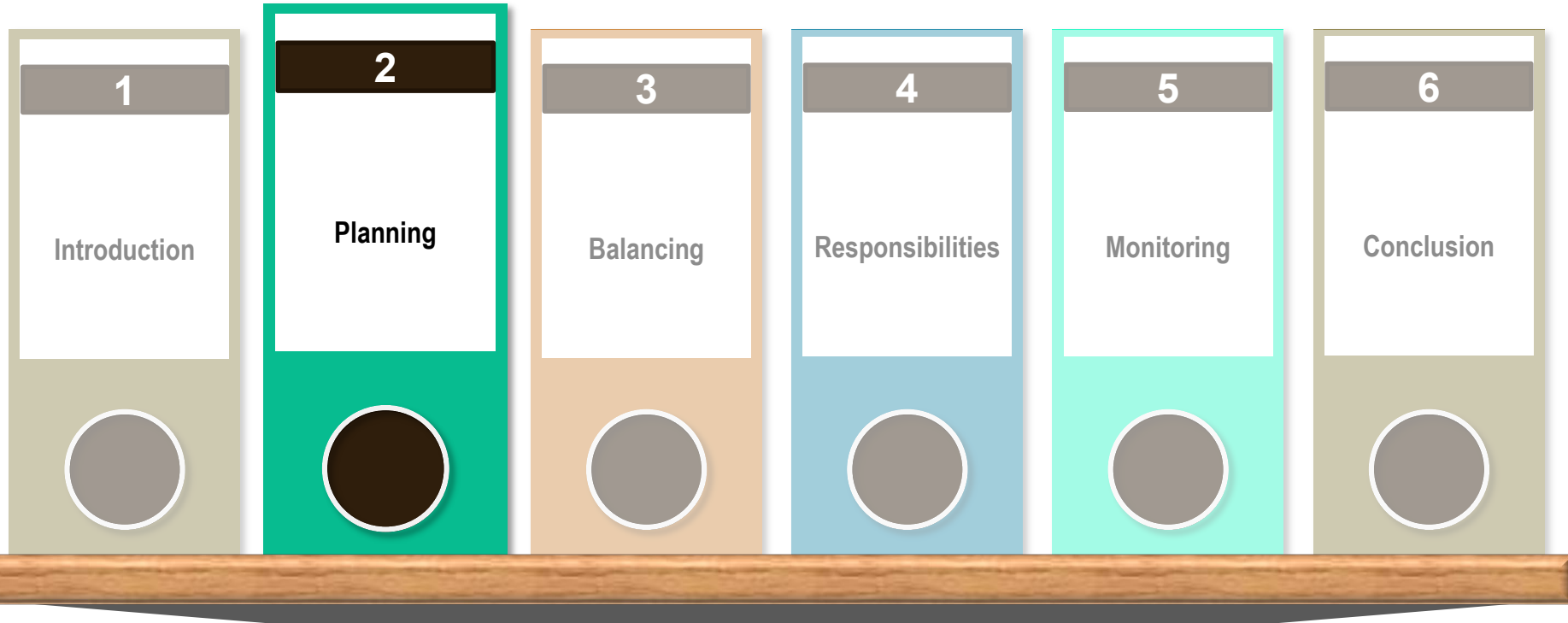
- Upon completion of this session, you will be able to:
 - Improve the efficiency & effectiveness of the budget process
 - Use budgets for short and long term planning (operational and capital)
 - Monitor financial activity continually throughout the year
 - Use budgets to reduce common risks (cash shortfalls, fraud)



Purpose of This Session

- To assist Board members with preparing budgets more effectively & efficiently & producing higher quality financial management
- To improve the efficiency & effectiveness of:
 - Each phase of the budget process
 - Using budgets to monitor financial activity







Budgeting ISN'T listing expected revenues & expenses then tweaking to break even



Budgeting IS an exercise of identifying what the entity's goals are & determining the financial plan of action to make it happen

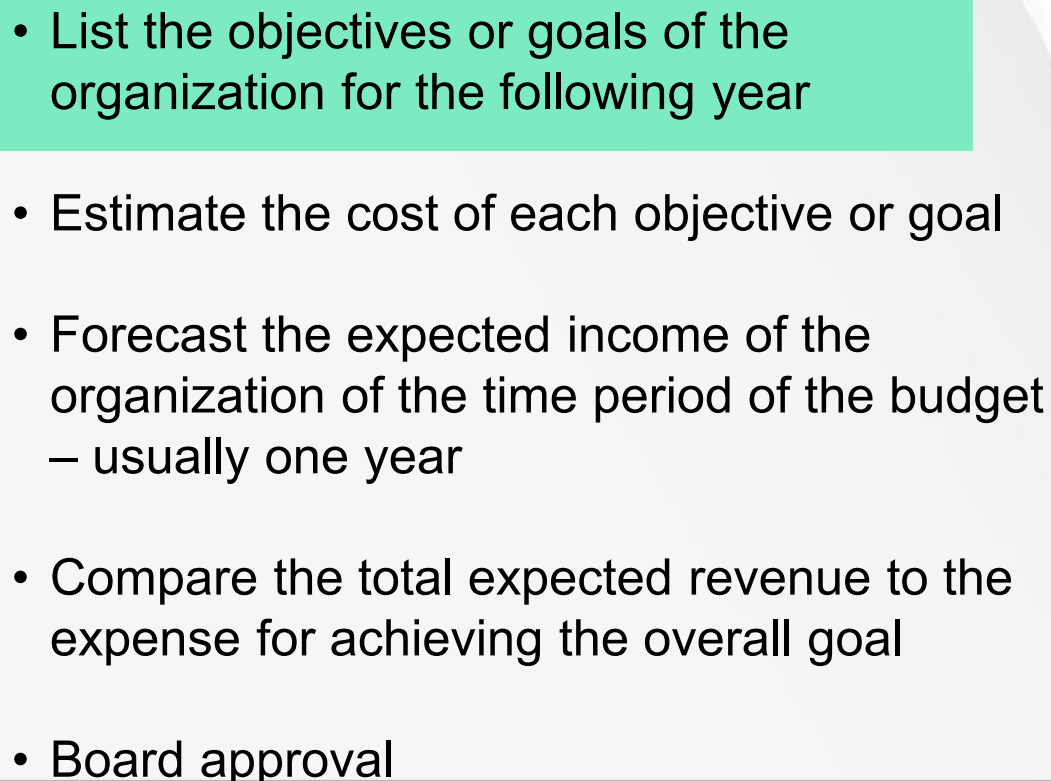
Possible Outcomes of Not Properly Budgeting

- Inability to effectively price (programs, services)
- Poor cash flow
- Improper revenue and/or expense tracking

Planning is Key!!!

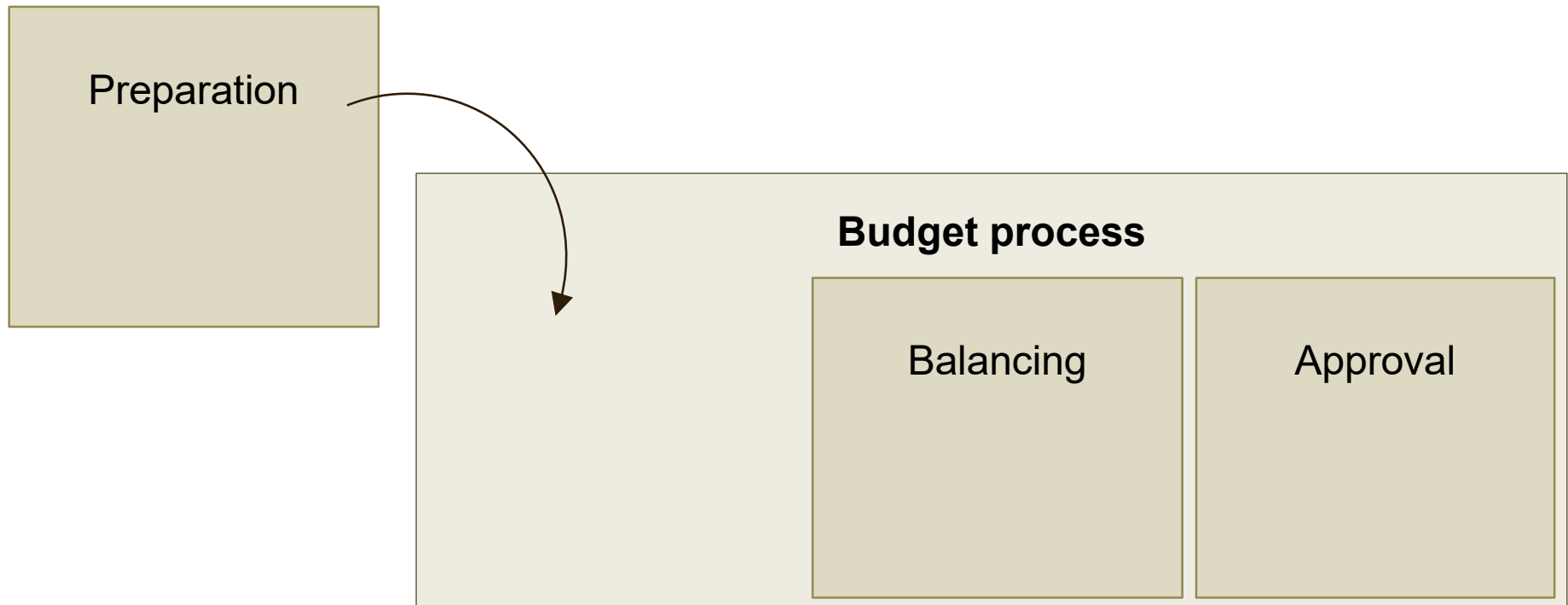
- Sets foundation & direction
- Plan each year's operations
- Budgeting is a key component to efficiency
- Assess new information & incorporate it into budget
- Know WHY a surplus/deficit occurred & HOW it is expected to be covered/used
- Think critically while budgeting

Components of Successful Budgeting

- 
- List the objectives or goals of the organization for the following year
 - Estimate the cost of each objective or goal
 - Forecast the expected income of the organization of the time period of the budget – usually one year
 - Compare the total expected revenue to the expense for achieving the overall goal
 - Board approval

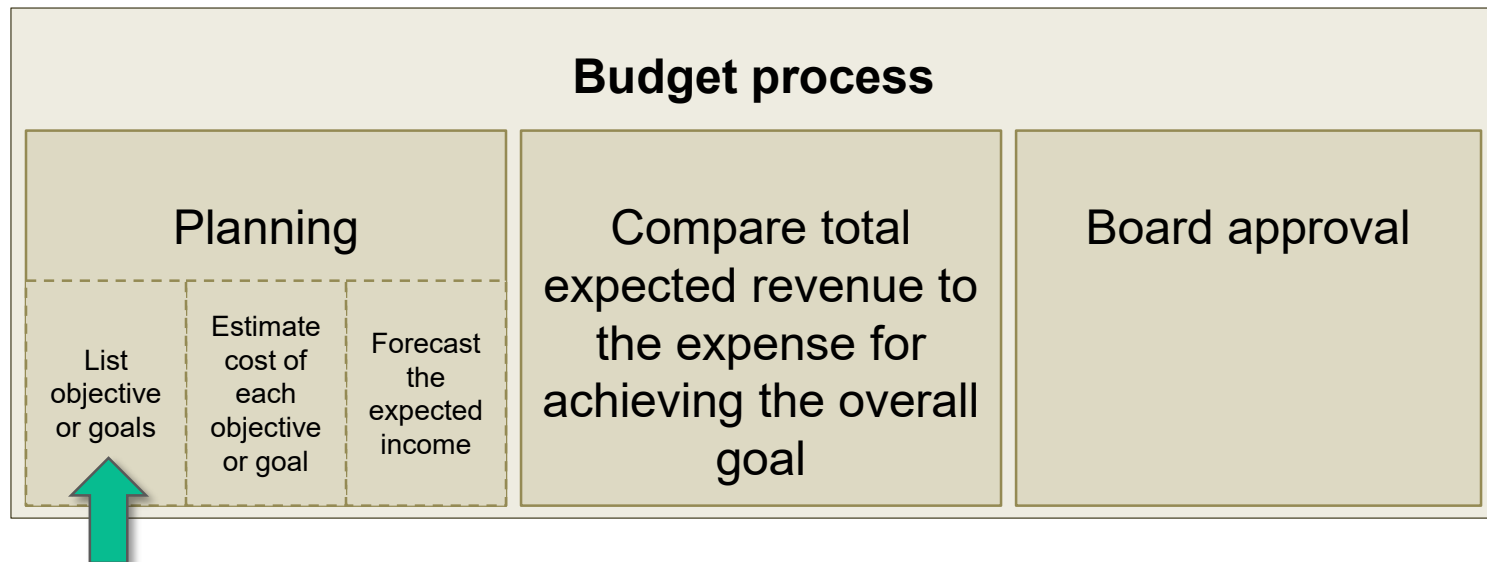
Proper Timing of Budgeting

- In order for budgeting to be effective, it must be done prior to the start of the year, not partway through



Listing objectives/goals

- This is part of the “planning” phase, at the start of the budget process



Budget process

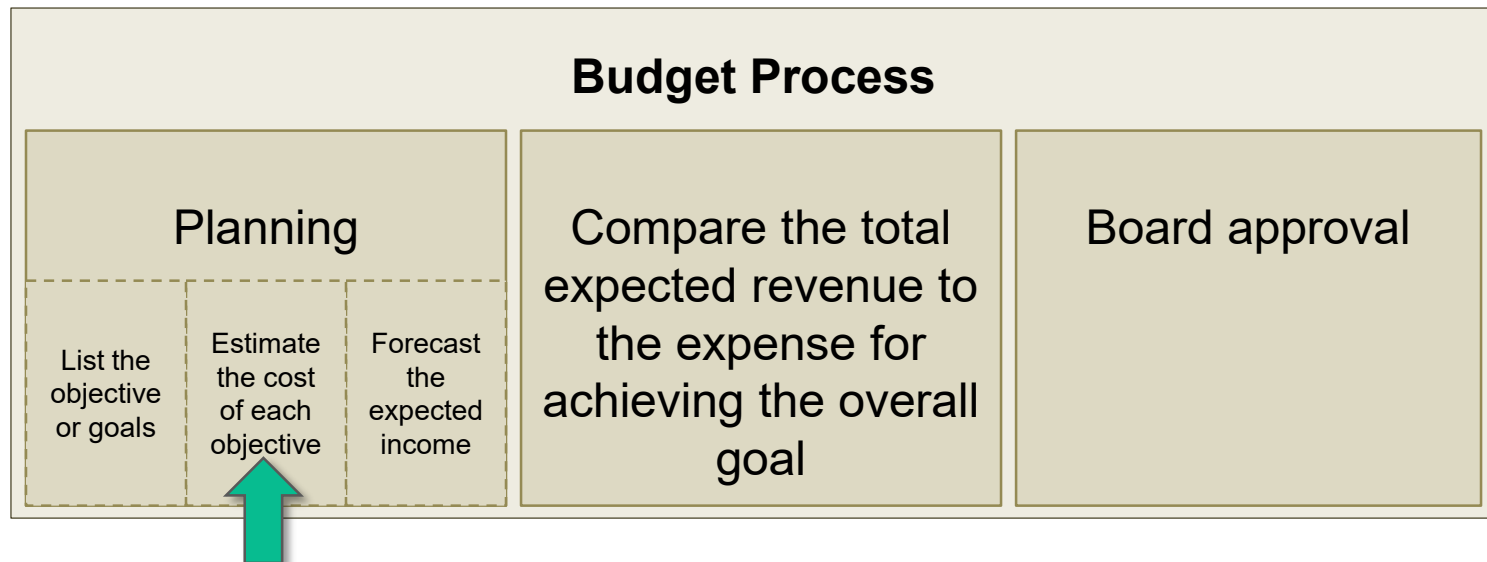
Planning Efficiency




If the organization has senior staff, then the Board can delegate to the senior staff some of the responsibility for preparing a budget

- May also want to consider a budget committee made up of select Board members
- Consider using Excel to prepare your budgets for easy manipulation

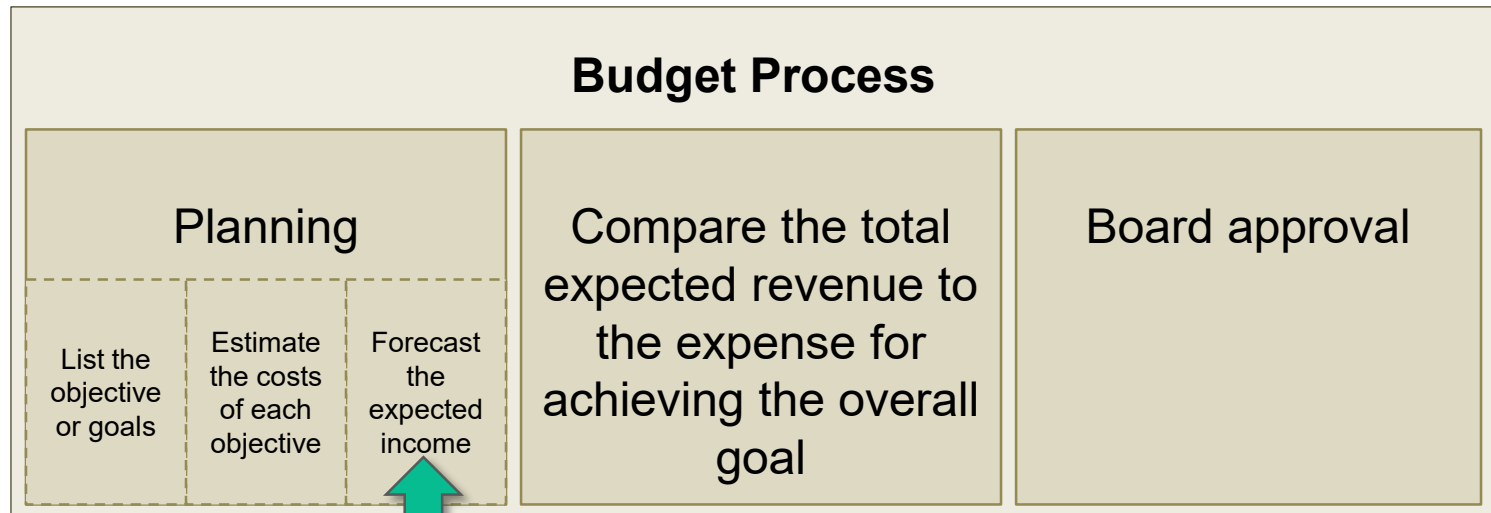
Preparation Prior to Budget Approval



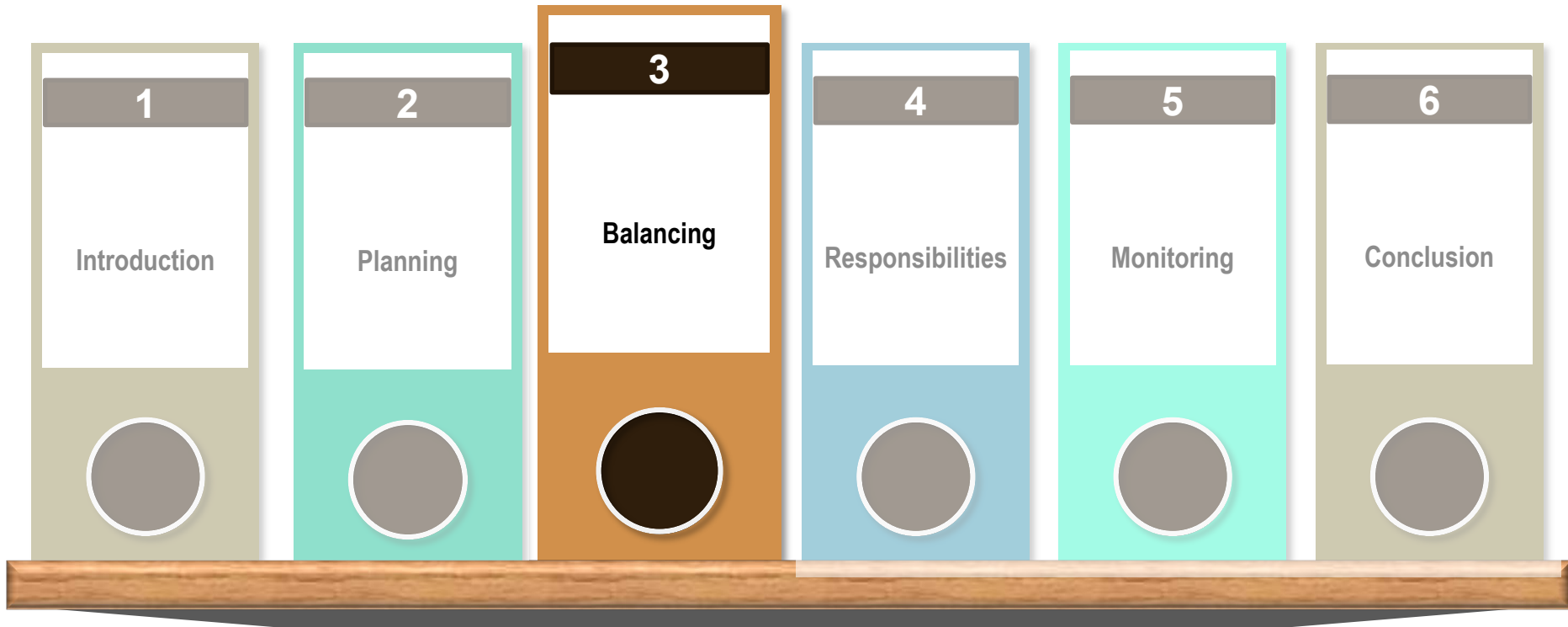
Estimate the cost of each objective or goal

- Last year's actual expense
- Last year's budget 
- Identify one time expenses
- Estimate costs for new programs or modifications to existing programs (what does it impact – expenses, salaries)
- Do not underestimate costs!





Do not overestimate revenues!
Especially fundraising/donations



Compare total expected revenues to the expenses

- Match expenses to related revenues:
 - If you are running a single service or limited number of services, then it is not necessary to do these kinds of allocations

Compare total expected revenue to the expense

Most critical element

- Ensure there is good information
 - Want reliable income and expense figures
 - Ask the question “Is it possible that the expenses have been underestimated or that the revenues have been overestimated?”
 - If you have limited cash reserves or limited possibilities in terms of finding additional funding, then care needs to be taken when constructing the budget.

Safety margins

- Allow leeway in preparing the budget in order to meet unexpected events
- “Contingency planning”
- Resist the temptation to set up a large contingency fund as an expense
- How much surplus is appropriate?

5 minutes

1

Introduction

2

Planning

3

Balancing

4

Responsibilities

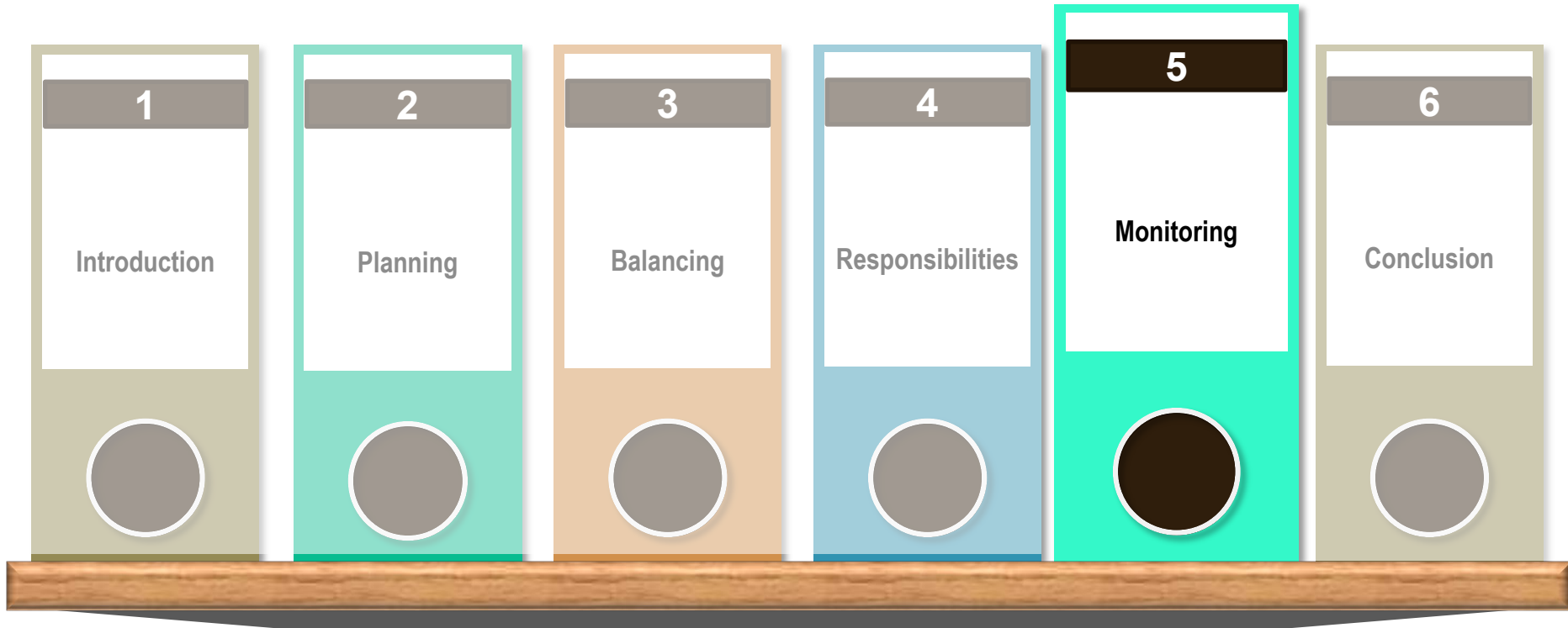
5

Monitoring

6

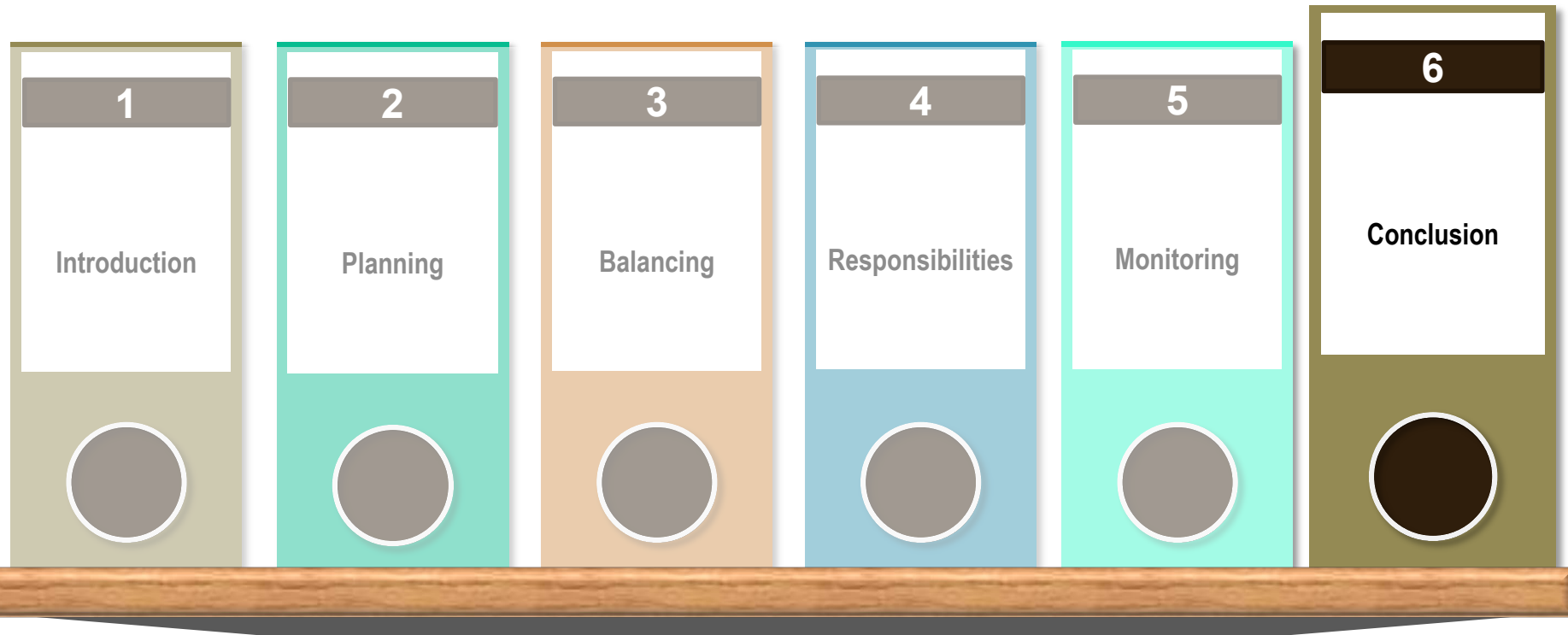
Conclusion

- Responsibility for preparing budget usually straight forward
 - Senior staff
 - Treasurer
 - Budget committee
 - Board as a whole
- Policy decisions:
 - Do not want one single individual making policy decisions that grow from the budget
 - Advantage of having budget committee
 - Board as a whole must approve policies & budget



Monitoring policy & comparisons

- Once the budget has been approved by the Board, the next major task is to monitor it on a regular basis
- Budget process does not end with the preparation of one year's budget
- Budget must be monitored, monthly or quarterly, depending on detail budget was prepared with
- Assess how the plans and estimates compare with the facts
- In addition to general monitoring, the Board usually stipulates specific items it approves (purchase of capital items, lease agreements, hiring new staff, wage increases)



Additional Resources

- Websites with resources you may find useful:
 - www.alberta.ca/running-non-profit-organization.aspx
 - http://volunteeralberta.ab.ca/programs_services_resources/information-center/
 - www.aascf.com
 - www.handbellmusicians.org/resources/budgeting-for-comm-groups/BudgetingForNonProfits.pdf



THANK YOU!