

Nonprofit Center of Northeast Florida Mission

The Nonprofit Center connects, strengthens and advocates for a strong nonprofit community.



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Essentials Series: Nimble Budgets

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Meet the Speaker!

Darien Reynolds

(She/Her/Hers)

Operations Director

Nonprofit Center of Northeast Florida



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Agenda

- The “What” and “Why” of a Budget
- Building a Budget –“Who”, “When” and “How”
- Tracking Your Budget
- Financial Policies and Procedures



Stronger Nonprofits Framework



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and advocates for a strong nonprofit community.

What is a Budget?

- An itemized estimate of income and expenses for a set period of time
- A plan/guide
- An internal AND external document
- A living document
- Specific, organized, and easily understood



Why Do We Need a Budget?

Legal

- Allows Board members to monitor fiscal activity
 - Board members must exercise due care in all dealings with the organization and its interest. This includes careful oversight of financial matters, attention to issues that are of concern to the organization and raising questions whenever there is something that seems unclear or questionable.

Planning

- Puts actions around strategic goals (costs and income)
- Illustrates shortfalls or surpluses
- Monitoring for changes allows time for behavior changes



Organizational vs. Program

Organizational

- Estimates for your fiscal year
 - a 12- month period of operations
- Your fiscal year can be a calendar year or another set of dates (look to your revenue sources to make a decision)
 - Federal fiscal year
 - October 1- September 30
 - City of Jacksonville fiscal year
 - October 1-September 30
 - State fiscal year
 - July 1-June 30
 - End of year giving
 - November and December

Program

- May be slightly different for developing a program budget
 - May not receive as much lead time
 - Needs potentially less oversight/approval from the Board
 - Any program changes that affect the Board's legal responsibility should be approved
 - May have committee input
 - Any significant changes to the bottom line should be communicated to the Board ahead of time and explained in updates



Different Types of Financial Documents

Planning:

- Budget

Monitoring:

- Financial Statements
- External –bank
- Internal –budgets vs actuals, profit and loss statement, balance sheet
- Reconciliation reports
- IRS Form 990

Evaluating:

- Audits
- Financial Reviews



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Types of Accounting

- **Cash**

- Income and expenses are recorded only when funds are received or disbursed.
- Easy and popular.

- **Accrual**

- Income is recorded when it is contracted (a “sale” is made); expenses are recorded when goods are received.



Budget Components

- **Income/Revenue – Money coming in**
 - Possible sources: grants, fundraising dollars, fee for service, special events
 - Restricted: can by law only be used for a specific purpose
 - Unrestricted: can be used for any type of expense
 - In-kind contributions: donated items or services (needed for the 990)



Budget Components

- **Costs/Expenses – Money being spent**
 - **Direct:** items that can be easily (directly) assigned or allocated to a particular project with a reasonably high degree of precision. Restricted: can by law only be used for a specific purpose
 - Examples: direct program staff, program equipment
 - **Indirect:** items that cannot easily be allocated to the project because they typically benefit multiple projects or activities.
 - Examples: computers, rent, electricity, accounting staff, insurance



Building Your Budget - Who

- **Staff**

- CEO, finance staff, program staff

- **Board**

- Small group -finance committee, budget committee, executive committee
- Full Board
- Look for individuals who know budgeting, understand the big picture, and are strategic in thinking



Building Your Budget -When

4 months before	<ul style="list-style-type: none">• Staff gathers information needed• Compiles first draft
3 months before	<ul style="list-style-type: none">• Committee reviews draft• Staff gets feedback and make tweaks
2 months before	<ul style="list-style-type: none">• Staff or committee presents budget to Board• Board approves
1 month before	<ul style="list-style-type: none">• Implement budget tracking systems• Document budget process



Building Your Budget - How

- **Goal Setting**

- Strategic Plan – what will your organization do long-term? Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy.
- Program – what is the strategy for updating or expanding program delivery?
- Financial – are there specific financial goals you are trying to meet?



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Building Your Budget - How

Generally speaking,

- Make your best, educated guess
- Overestimate expenses
- Underestimate income



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Building Your Budget - How

- **Expenses**

- Make an itemized list of expenses associated with the goal activities on your timeline
- Take a look at your expenses in the previous year (especially for operational purposes)
- Don't forget to include fundraising and advocacy costs
- Use a friend!



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Building Your Budget - How

- **Expenses Line Items**

- Technology
- Furniture and Equipment
- Insurance
- Subscriptions
- Licenses and Permits
- Office Supplies
- Meals, Food, Beverage
- Marketing
- Postage
- Printing
- Salaries
- Benefits
- Rent
- Phone
- IT
- Parking
- Repairs
- Travel
- Events
- Fundraising



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Building Your Budget - How

- Overhead ≠ Evil
- Guidelines from both the IRS and Financial Accounting Standards Board (Management/General and Fundraising)
- Remember to check on and plan for indirect costs in program grants



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Building Your Budget - How

- **Income and Revenue**

- Look at last year's income (actuals, bank statements, etc.) and make a list of what you expect this year
- Look at your strategic plan and make a list of what it calls for
- If you are 75% sure or greater that it is coming in, put it in. If you are less than 75% sure, leave it out
- Plot it on a calendar timeline for cash flow purposes



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Building Your Budget - How

- **Income Line Items**

- Unrestricted Grants
- Event Ticket Sales
- Sponsorships
- Restricted Grants
- Program Fees
- Fee for Service
- Reimbursed Expenses
- Miscellaneous Income
- Annual Campaign



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Building Your Budget - How

- **Compare**

- Cash flow – how money flows in and out (do you have enough money in the bank?)
- Analyze what is coming in vs. what is going out on a short-term basis. Look month by month to compare what your income vs. expenses will be
- Look at the overall result for the year
- Make adjustments to your plans accordingly



Building Your Budget - How

- If Income $>$ Expenses = Surplus Budget
- If Income = Expenses = Balanced Budget
- If Income $<$ Expenses = Deficit Budget



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Building Your Budget - Structure

- Determine Your Tracking System:
 - Who needs access to reports, and what do they need to include?
 - Do programs need the ability to track separately or get regular updates?
 - Will Excel work, or do we need accounting software?
 - Who is responsible for tracking budget to actuals?



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Building Your Budget - Wrap It Up

- Tell the story of your goals
- Focus on context, rather than too much detail
- Answer questions and accept feedback
- Get approval before the current fiscal year is over
- If this is your first budget, document the process for the following year



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Checking Actuals Against Your Plan

- Updates should include
 - Profit and Loss statement (your actual activity)
 - Compared to budget
 - And potentially compared to prior years, if available
 - Mid-way through the year, start including forecasting
 - Balance sheet (what you have in the bank and what you own)
- At least quarterly
 - Frequency will depend on your work and expectations of Board



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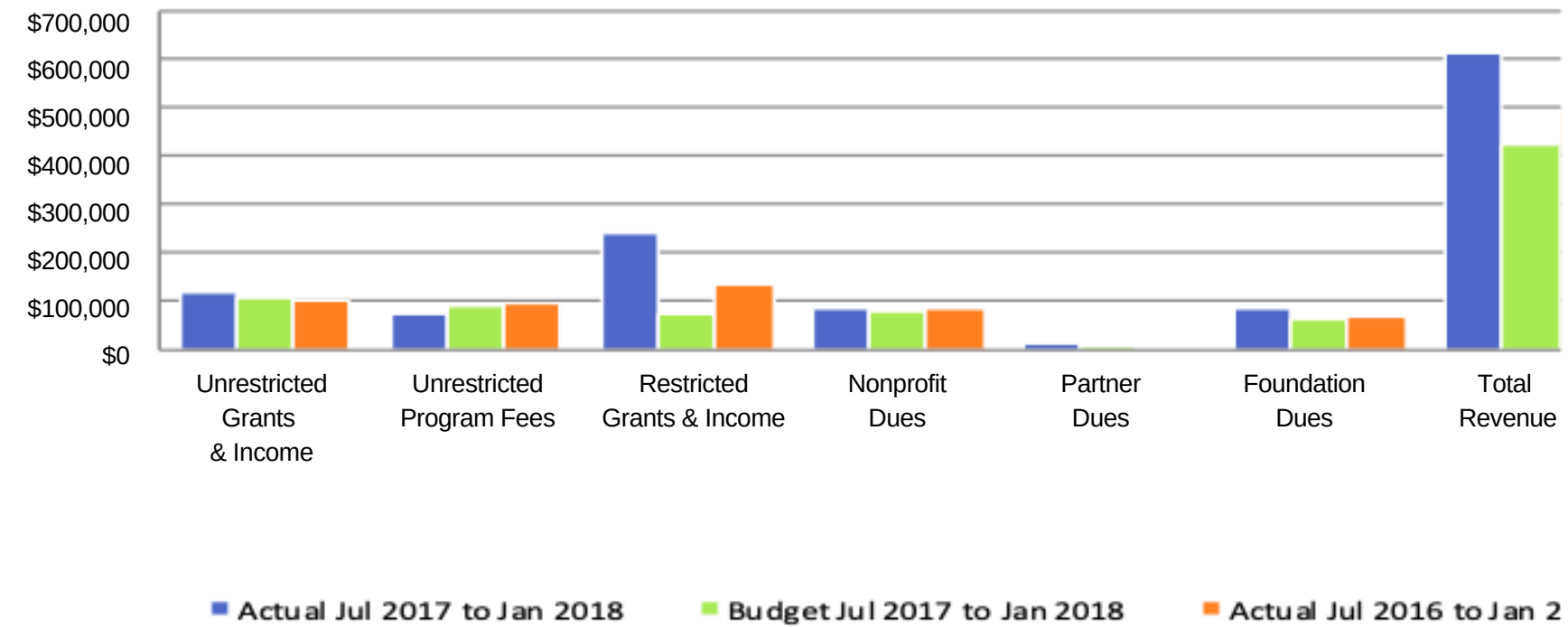
Checking Actuals Against Your Plan

- If income doesn't materialize
 - Can you replace it with other, additional revenue?
 - If not, can you change your timing?
 - If not, where can you cut expenses?
- If expenses don't materialize
 - Does that change your ability to achieve your goals?
 - Is there a plan if you end up with a surplus?
- What is a variance?
 - the difference between your budget and the actual activity

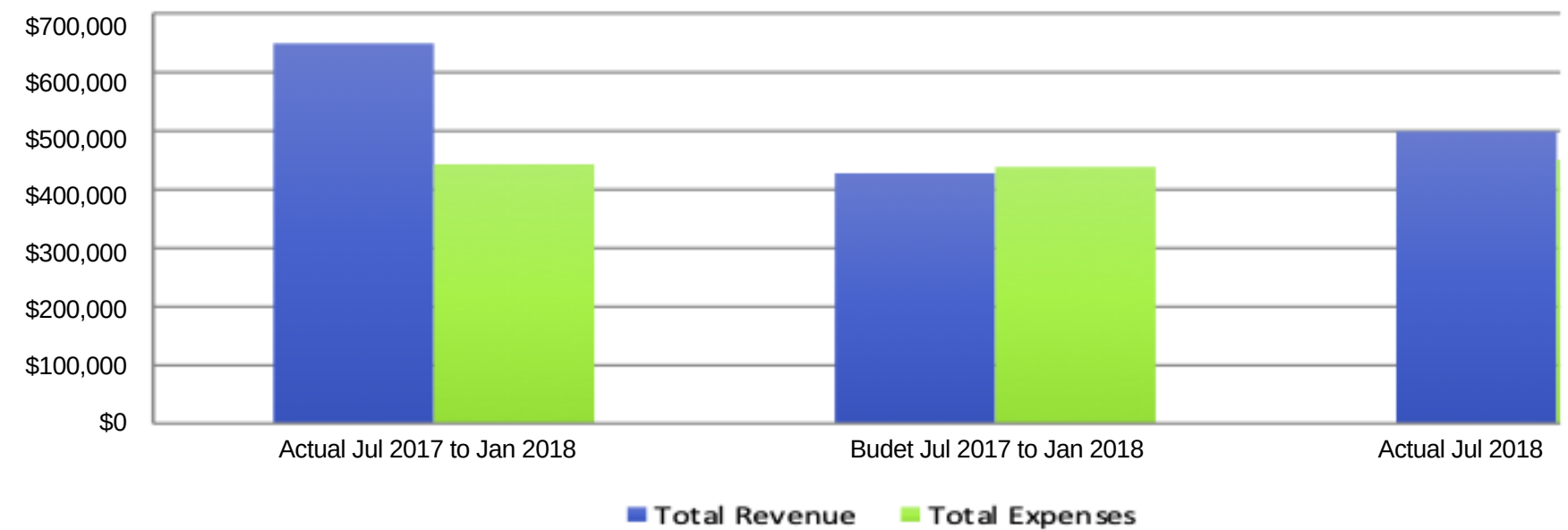


Financial Dashboard

Revenue



Revenue and Expenses Comparison



Financial Policies and Procedures

- Protect Your Organization and Yourself!
 - Finance manual
 - Authority for necessary and regular financial actions and decisions
 - Clear authority to spend funds, including approval, check signing, and payroll
 - Clear assignment of authority to enter into contracts
 - Clear responsibility for maintaining accurate financial records
 - Reimbursement procedures and travel policy
- Checks and balances – At least three people should have designated roles independent of each other



Financial Policies

- Conflict of Interest policy
- Document Destruction policy
- Whistleblower Protection policy
- Gift Acceptance policy
- CEO compensation review policy
- Budget Amendment and Approval policy
- Check signers policy
- Reserve Use policy
- Investment policy



RESOURCES

- Nonprofits Assistance Fund – www.nonprofitsassistancefund.org
- Budgeting for Small Organizations - <http://www.vscpa.com/Content/Files/vscpa/Documents/2011/Budgeting.pdf>
- National Council of Nonprofits - <https://www.councilofnonprofits.org/tools-resources-categories/financial-management> and <https://www.councilofnonprofits.org/tools-resources/budgeting-nonprofits>
- Nonprofit Budgeting - <http://www.blueavocado.org/content/nonprofit-budgets-have-balance-false>
- Budgeting Checklist - https://nonprofitsassistancefund.org/sites/naf-prod/files/publications/budgeting_checklist.pdf
- Program-Based Budget Template - <http://www.wallacefoundation.org/knowledge-center/Resources-for-Financial-Management/Pages/Program-Based-Budget-Template.aspx>
- Nonprofit Center Resource Library
- The Budget Building Book for Nonprofits, M. Dropkin
- Financial Health Assessment Framework by Michael Gellman



Thank You!

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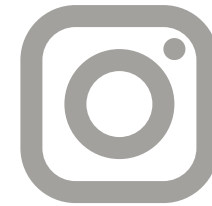
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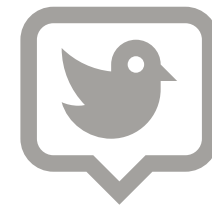
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