

BUSINESS, CAPITAL, PROGRAM, & PROJECT BUDGETING

*... BASICALLY, JUST A PLAN FOR
YOUR MONEY.*



Budget: a planning tool that reflects an organization's programs, mission, and strategic plan.

TYPES OF BUDGETS:

- **Business** – your organization's financial plan
 - i.e., supports establishing fiscal policies & procedures | financial accounting for non-profits.
- **Capital** – process for evaluating major projects or investments
 - i.e., building improvements | renovations.
- **Program** – framework allowing an organization to allocate resources to different activities and helps to manage an organization's cash flow
 - i.e., expanded service provider programming.
- **Project** – total projected costs needed to complete a project over a defined period of time
 - i.e., library addition.

TOP TIPS FOR SUCCESS



Understand what you are budgeting for and why

Know your organization
Build the right budgeting team



Be...

Realistic, conservative,
flexible, & detailed



Be aware of financial relationships



Utilize the right tools



Share it

DETERMINE YOUR TIMELINE

Target

Target date for approval

Allow

Allow time to budget

Approve

Approve in advance

AGREE ON THE GOALS



PRIORITIZE PROGRAM
DELIVERY GOALS



SET ORGANIZATIONAL
FINANCIAL GOALS



CLARIFY ANNUAL GOALS
FROM STRATEGIC PLAN

CURRENT FINANCIAL STATUS



You need to understand what is going on.



Review current year income and expense compared to budget.



Forecast to the end of the year.



Analyze and understand your variances.

AGREE ON BUDGET APPROACH

Assign roles & responsibilities.

Who has the authority to make decisions?

Agree on the unknowns.

DEVELOP DRAFT INCOME | EXPENSE BUDGET

- Income
 - Estimate income.
 - Estimate new income.
- Expenses
 - What are the costs to reach the goal?
 - Determine costs to reach organizational and strategic goals.



REVIEW, REVIEW, REVIEW

- Verify budget meets overall goals.
- Review detail and discuss assumptions.
- Make adjustments.
- Review final draft for all goals and objectives.



APPROVE, DOCUMENT, & IMPLEMENT BUDGET



Present to budget team, committee(s); as needed.



Does it require Board approval?



Create a consolidated budget spreadsheet and file.



Keep track of your assumptions.



Assign management responsibilities.



Incorporate into your accounting system.



Monitor & report on changes.

- Strategic Process = Planning = Budgeting.
- Short term decisions can have long term effects.
- Think of your budget as a living, breathing, guiding document.
- Your budget should have a narrative.
- Involve staff.
- Keep everyone in the loop.
- Budgeting is an art and a science.

HOW TO BUILD A BETTER BUDGET



EXAMPLE: BASIC NON-PROFIT BUSINESS BUDGET

ABC Non Profit Proposed: FY'21 Budget				Budget												
Statement of Income & Expenditures	2020 Budget: As Approved	2021 Budget: Proposed	Variance (Under) / Over	07/2020	08/2020	09/2020	10/2020	11/2020	12/2020	01/2021	02/2021	03/2021	04/2021	05/2021	06/2021	
Income																
State of Vermont	37,500.00	-	(37,500.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
XYZ Funding	50,000.00	50,000.00	-	50,000.00	0.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	
Fundraising	-	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Municipal Contributions	90,000.00	90,000.00	-	90,000.00	90,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Event Income	6,150.00	6,150.00	-	6,150.00	0.00	0.00	0.00	0.00	0.00	550.00	2,450.00	3,150.00	0.00	0.00	0.00	
Total Income	183,650.00	146,150.00	(37,500.00)	146,150.00												
Expense																
Administrative																
Accounting / Insurance / Legal	2,532.00	2,546.00	14.00	2,546.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	212.00	214.00	
Meals / Travel / Cellphone	2,700.00	4,740.00	2,040.00	4,740.00	395.00	395.00	395.00	395.00	395.00	395.00	395.00	395.00	395.00	395.00	395.00	
Printing & Advertising	1,200.00	3,810.00	2,610.00	3,810.00	317.50	317.50	317.50	317.50	317.50	317.50	317.50	317.50	317.50	317.50	317.50	
Event Income	2,500.00	2,600.00	100.00	2,600.00	0.00	0.00	650.00	0.00	0.00	650.00	0.00	0.00	650.00	0.00	650.00	
Event Expense	4,500.00	1,700.00	(2,800.00)	1,700.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	850.00	850.00	0.00	0.00	
Special Programs	6,250.00	8,450.00	2,200.00	8,450.00	475.00	725.00	725.00	975.00	725.00	725.00	725.00	725.00	725.00	725.00	475.00	
Contracted Services																
Contracted Services	154,762.00	131,316.00														
Overhead	9,132.00	9,132.00														
Total Expense	183,576.00	164,294.00	4,164.00	23,846.00												
Net Income	74.00	(18,144.00)	(41,664.00)													
** Intercompany Monthly Billing																
Contracted Services		10,943.00														
Overhead / Office Space / Office Supplies / Postage		761.00														
Monthly Invoice		11,704.00														
*** Special Programs Budget																
Monthly Events	4,800.00	24 Events @ \$400 / Event														
Stering Committee Development	850.00	\$50 / Mo. Mtg. & \$250 / Annual Retreat														
Professional Development Grant Program	2,500.00	Competitive Application for up to \$500 / YP / Prof. Develop.														
Staff Expenses	300.00	Travel Reimbursement & Misc. Supplies														
Gala Expenses	4,500.00	Event Expenses														
Deferred Revenue: Gala Sponsorships FY'20	(2,800.00)	FY'20 Sponsorships														
Total:	10,150.00															

EXAMPLE: MULTI PROGRAM NON- PROFIT BUSINESS BUDGET

Sample #1:

<https://www.dropbox.com/scl/fi/6rc96i6celcx9bubeqzdx/BDCC-Budget-Template.xlsx?dl=0&rlkey=jjnbcge3ct7k5maf03jgmtwqx>

Sample #2: Thanks to Maine Association of Nonprofits

<https://www.nonprofitmaine.org/answer/sample-organizational-operating-budget/>

CAPITAL BUDGETING

Select projects that add value.

Continue over extended periods of time.

Fixed asset expenditures.

- Land acquisition
- Equipment
- Construction
- Maintenance & repair of fixed assets

Large expenditures.

What is level of capital outlay?

CAPITAL BUDGETING

Identify & evaluate opportunities

Estimate operating and implementation costs

Estimate cash flow or benefit

Assess risk

Implement

CAPITAL BUDGETING EXAMPLES

#2 Capital Project -

#1 Farm Expansion

- What is the investment cost?
 - Equipment purchase = \$10,000
- Project cash flow - how will this impact your earnings?
 - Estimated generated income = \$4,000
- "Pay Back" period, or how long will it be to make your money back?
 - $\$10,000 / \$4,000 = 2.5$ years

Note: scenario does not consider inflation, time value of money, etc.

Table 1. Capital Budgeting Example

Discount Rate = 7%
Tax Rate = 25%

	0	1	2	3	4	Year 5	6	7	8	9	10
Beginning Cash Flows											
Real Estate	(\$200,000)										
Equipment	(\$70,000)										
Working Capital	(\$30,000)										
Total	(\$300,000)										
Operating Cash Flows											
Volume of Sales		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Sale Price		\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
Cash Revenue		\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
Variable Cash Costs		(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)	(\$35,000)
Fixed Cash Costs		(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)
Cash Flow (before tax)		\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Building Depr. (20 yrs.)		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Equip. Depr. (7 yrs.)		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0
Depreciation Recapture Taxes		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000
Cash Flow (after tax)		\$42,500	\$42,500	\$42,500	\$42,500	\$42,500	\$42,500	\$42,500	\$40,000	\$40,000	\$37,500
Ending Cash Flows											
Cash Value of Buildings											\$100,000
Cash Value of Equipment											\$10,000
Return of Working Cap.											\$30,000
Total											\$140,000
Net Cash Flow	(\$300,000)	\$42,500	\$42,500	\$42,500	\$42,500	\$42,500	\$42,500	\$42,500	\$40,000	\$40,000	\$177,500
Present Value CF	(\$300,000)	\$39,720	\$37,121	\$34,693	\$32,423	\$30,302	\$28,320	\$26,467	\$23,280	\$21,757	\$90,232
Net Present Value											\$64,315

Discount Rate - Cost of Capital

Variable Costs - costs that change (i.e., direct labor / utility) when goods or services change

Fixed Costs - business costs, such as rent, constant regardless of quality of goods or services

Net Cash Flow - change in cash balance

Present Value CF - current value of a future sum of money or stream of cash flows given a specified rate of return.



PROGRAM | PROJECT BUDGETING

Purpose: to prepare specifically for a program | project

Advantages:

- Helps determine priorities.
- Helps with planning and management.
- Helps to spot "gaps".
- Monitors allocation of resources.
- Identifies potential areas for cost reduction.
- Gives an organization accountability.

PROGRAM | PROJECT BUDGETING

- Disadvantages:
 - Incorrect
 - Takes time
 - May continually change
 - Cross year impacts

Examples: Program Based Budgets

<https://www.dropbox.com/scl/fi/gbx5ekv4yrvjdr7hlubke/P3-Req.-Spreadsheet.xlsx?dl=0&rlkey=db9ww0j4cv0sec5n4gdtnymf8>

<https://www.cnjg.org/sites/default/files/files/events/Program%20Budgets%20for%20Activity.pdf>

Thanks to the Council of New Jersey Grantmakers

PROGRAM | PROJECT BUDGETING

Example: Expansion | Renovation

<https://www.dropbox.com/scl/fi/7dvifso1ndpc57vmpz9tt/Project-Expansion.Renovation.xlsx?dl=0&rlkey=6ak6ixtbtd9ad2jhqoz977qta>





EFFICIENT BUDGETING POLICIES & PROCEDURES

- Write it down
- Part of Financial Management Policies & Procedures
- Guideline for future plan of action expressed in financial terms within a set period
- Statement - Purpose
 - Applicability - How does this policy | procedure apply to your organization?
 - Roles & Responsibilities
 - Accountability
 - Administration
 - Resources
 - Approval
 - Review process

REACH OUT ANYTIME



Bobbi Kilburn



bkilburn@brattleborodevelopment.com



802-257-7731 x220



Questions?



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