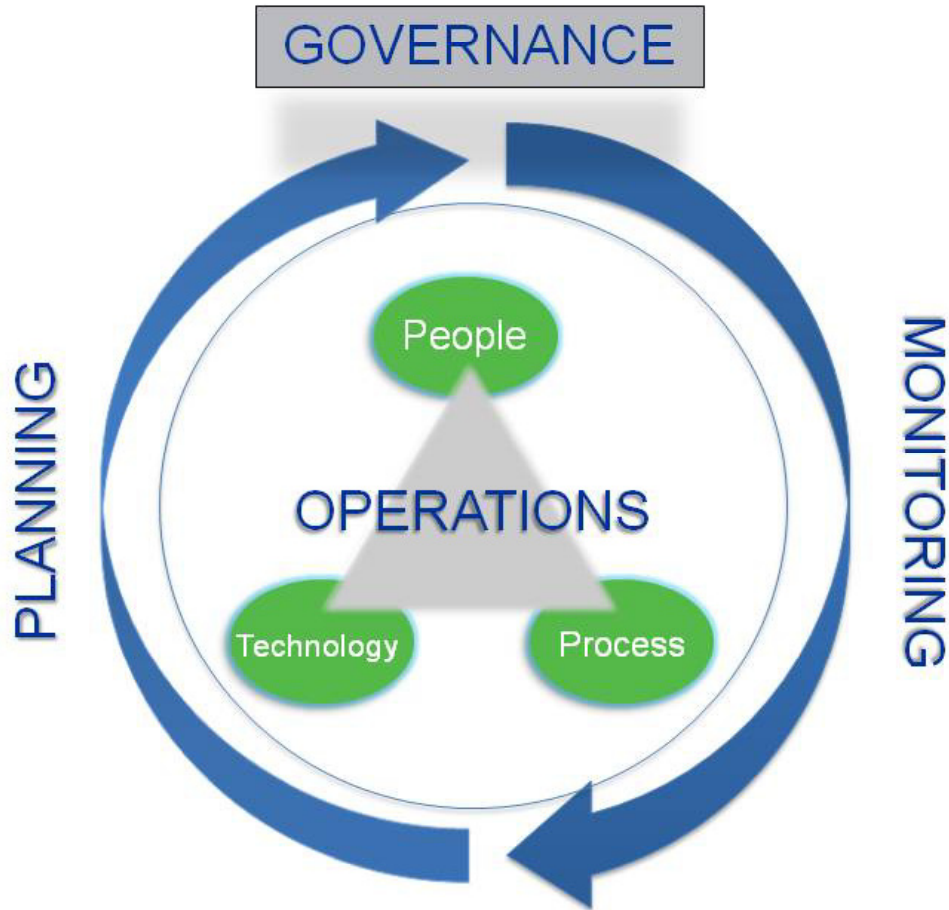




A Five-Step Guide to Budget Development

Hilda Polanco, Founder and CEO
John Summers, Director







Budget Development: A 5 Step Process

1. Assemble a budget team
2. Create a budget calendar
3. Prepare for budget process
4. Build the budget
5. Monitor the budget



Step 1: The Budget Team





Step 2: Budget Calendar

Fiscal Year End: June 30

	January	February	March	April	May	June
Prepare mid-year budget revision for current fiscal year based on actual results for Q1 and Q2						
Obtain finance committee approval of mid-year budget revision for current fiscal year						
Begin next fiscal year budget process; identify budget director and budget timetable; gather information necessary to develop expense and revenue budget for the next fiscal year						
Assemble draft budget for next fiscal year, incorporating fiscal and program personnel						
Review draft budget with senior management; incorporate comments and recommendations						
Circulate draft budget and budget narrative to finance committee; incorporate comments and recommendations						
Send budget package to board of directors; board meets to approve budget for next fiscal year						
Update cash flow templates for coming 12-month period						

[Download: Fiscal Management Activities Calendar](#)



Step 3: Prepare for the Budget Process

- Set financial goals
- Gather data and build budget template
- Forecast current year results
- Conduct team kickoff meeting



Step 4: Building the Budget

- Budget expenses
- Budget revenues and plan alternate scenarios
- Forecast cash flow
- Secure board approval



True Cost Program Budget

FMA FISCAL STRENGTH FOR NONPROFITS		Enter data into highlighted cells only						
Position or Expense Category	% of full time	Base Salary or Line Budget	Program 1	Program 2	Program 3	M&G	Fundraising	Total
1. Employee Level of Effort by Function								
Full Time								
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
	100%	\$ -	0%	0%	0%	0%	0%	0%
Total Full Time		\$ -	0.00	0.00	0.00	0.00	0.00	0.00
Part Time								
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
		\$ -	0%	0%	0%	0%	0%	0%
Total Part Time		\$ -	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL SALARIES		\$ -						
# of Full Time Equivalents (FTEs)			0.00	0.00	0.00	0.00	0.00	0.00
% of all FTEs								

[Download: Program-Based Budget Builder](#)



Revenue Analysis

Program/ Department/ Function	Funding Source	Total Possible Revenues (Current Year Portion <i>only</i>)	Likelihood of Receipt (%)	Revenue Scenarios		
				Best Case	Moderate Case	Worst Case
<i>Program 1</i>						
	VARIABLE:		n/a	-	-	-
	VARIABLE:			-	-	-
FY Expense Budget for Program 1	\$ -		Revenue Subtotal	\$0	\$0	\$0
			Expense Budget	\$0	\$0	\$0
			Deficit / Surplus	\$0	\$0	\$0
<i>Program 2</i>						
	VARIABLE:		n/a	-	-	-
	VARIABLE:			-	-	-
FY Expense Budget for Program 2	\$ -		Revenue Subtotal	\$0	\$0	\$0
			Expense Budget	\$0	\$0	\$0
			Deficit / Surplus	\$0	\$0	\$0

[Download: Revenue Scenario Worksheet](#)



Cash Flow Projection

Cash Flow Projection

Beginning Cash Balance

	Prior Year Carryover	Current Yr Budgeted	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	There-after	TOTAL	Variance
CASH RECEIPTS																	
<i>Contributions & Support</i>																	
Foundations																\$ -	0
Corporations																\$ -	0
Individual contributions																\$ -	0
<i>Government Contracts</i>																	
Federal																\$ -	0
State/Local																\$ -	0
<i>Other Revenue</i>																	
Investment income																\$ -	0
Program service fees																\$ -	0
Miscellaneous																\$ -	0
Prior Year Receivables																\$ -	0
Total Cash Receipts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0
CASH DISBURSEMENTS																	
<i>Personnel</i>																	
Salaries & wages																\$ -	0
Payroll taxes																\$ -	0
Medical benefits																\$ -	0
Pension contributions																\$ -	0
Other																\$ -	0
<i>Other than Personnel Expenses</i>																	
Rent																\$ -	0
Utilities																\$ -	0
Professional services																\$ -	0
Technology																\$ -	0
[additional line item]																\$ -	0
Prior Year Accruals																\$ -	0
Total Cash Disbursements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0
CAPITAL AND FINANCING																	
<i>Cash Receipts</i>																	
Cash received from financing																\$ -	0
Cash received from credit line																\$ -	0
<i>Cash Disbursements</i>																	
Capital purchases																\$ -	0
Repayment of loan principal																\$ -	0
Repayment of credit line principal																\$ -	0
NET CASH EXCESS (SHORTFALL)			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0
ROLLING CASH BALANCE			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0

[Download: Cash Flow Projection Template](#)



Secure Board Approval



Once the budget is approved, the CFO conducts an information session to orient managers to the overall organizational picture and to their budget for the year.



Step 5: Monitoring the Budget

Monthly		Quarterly
Program Managers	Executive Director	Board of Directors
<ul style="list-style-type: none">Budget-to-actual revenue & expenses for the program(s) they oversee	<ul style="list-style-type: none">Budget-to-actual revenue & expenses for<ul style="list-style-type: none">(a) each program(b) organization-wideBalance sheetYear-end forecastCash flow projection	<ul style="list-style-type: none">Management narrativeBudget-to-actual revenue & expenses for<ul style="list-style-type: none">(a) each program(b) organization-wideBalance sheetYear-end forecastCash flow projectionDashboard



Additional Resources

The following resources available on StrongNonprofits.org can assist you with particular elements of the budget process described in this presentation:

- [Fiscal Management Activities Calendar](#)
- [Program-Based Budget Builder](#)
- [Revenue Scenario Worksheet](#)
- [Cash Projection Template](#)

Resources for Nonprofit Financial Management

Organizations with strong financial management are better able to fulfill their missions and deliver high-quality services. With [Fiscal Management Associates](#), a leading financial management consultant for nonprofits, we've created this library of resources to help your organization become "fiscally fit."

[GO](#)

[Overview](#)

[Planning](#)

[Monitoring](#)

[Operations](#)

[Governance](#)

[All Resources](#)

FEATURED RESOURCE



- ▶ [Go or No-Go? A tool to help you decide if a contract or funding opportunity makes sense for your organization](#)

How to Strengthen Financial Management

Strong financial management involves four key elements – planning, monitoring, operations and governance. Here are resources for learning how to do them right. [More...](#)

Four Key Areas of Strong Financial Management



Planning

With budgeting and financial analysis, you can use your resources strategically to help achieve your organization's goals.



Monitoring

Regularly review financial results to ensure you're using resources according to your plan – and advancing organizational objectives.



About Fiscal Management Associates, LLC

FMA is a management consulting firm established in 1999 to serve not-for-profit organizations around the country.

- We provide customized financial management, accounting, software, organizational development, human resources, and other consulting services.
- We work directly with organizations or through funder-supported management and technical assistance programs.

FMA works to build a nonprofit sector where every organization practices the sound and effective management necessary to carry out its mission.

For additional information please contact:

Hilda Polanco, CPA

Founder and CEO

hpolanco@fmaonline.net

212-931-9240

440 Park Ave South, 3rd Floor

New York, NY 10016

John Summers

Director

jsummers@fmaonline.net

212-931-9133

440 Park Ave South, 3rd Floor

New York, NY 10016

www.fmaonline.net