

Nonprofit Budgeting in Leadership Mode: Optimizing the Moment

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Moderators



Mark Hager
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NFC Moderator and Founder
Principal of Cultivar
Consulting, LLC

Today's Presenter



Steve Zimmerman

Principal at
Spectrum Nonprofit Services

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Who is here?

1. What Is Your Organization's Expense Budget? (Single choice) [L] [SEP]

- Below \$250K [L] [SEP]
- Between \$250K and \$1M [L] [SEP]
- Between \$1M and \$5M [L] [SEP]
- More than \$5M

2. What is your organization's mission area? (Single choice) [L] [SEP]

- Animals & Environment
- [L] [SEP]Arts & Culture
- [L] [SEP]Advocacy & Organizing [L] [SEP]
- Capacity Building & Leadership Development [L] [SEP]
- Community Development & Workforce [L] [SEP]
- Healthcare & Aging [L] [SEP]
- Housing & Shelter
- [L] [SEP]Social Services
- [L] [SEP]Education & Youth [L] [SEP]
- Self-Help, Peer Support, Associational [L] [SEP]
- Other (in the chat)

3. What is your job role? (Single choice) [L] [SEP]

- CEO/CFO/ED [L] [SEP]
- Board member [L] [SEP]
- Operations Manager / COO
- [L] [SEP]Financial Director / External Consultant
- [L] [SEP]Other



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Budget Fundamentals

Budget Nuances

Using the Budget

Your Budget is Not a Math Problem: *It is an opportunity!*

- ▶ The budget reflects your organizational values.
- ▶ Everyone in the organization is paying attention to finance!



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- ▶ The budget reflects your organizational values.
- ▶ Everyone in the organization is paying attention to finance!
- ▶ It is at the center of what an organization does.



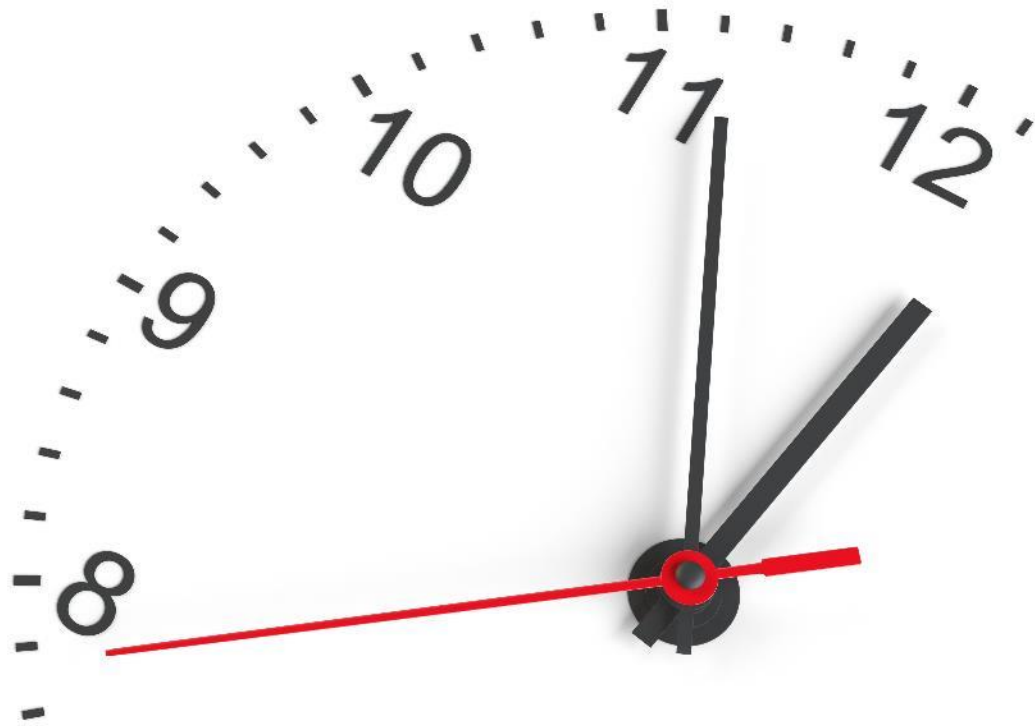
Who should be involved?

Everyone!



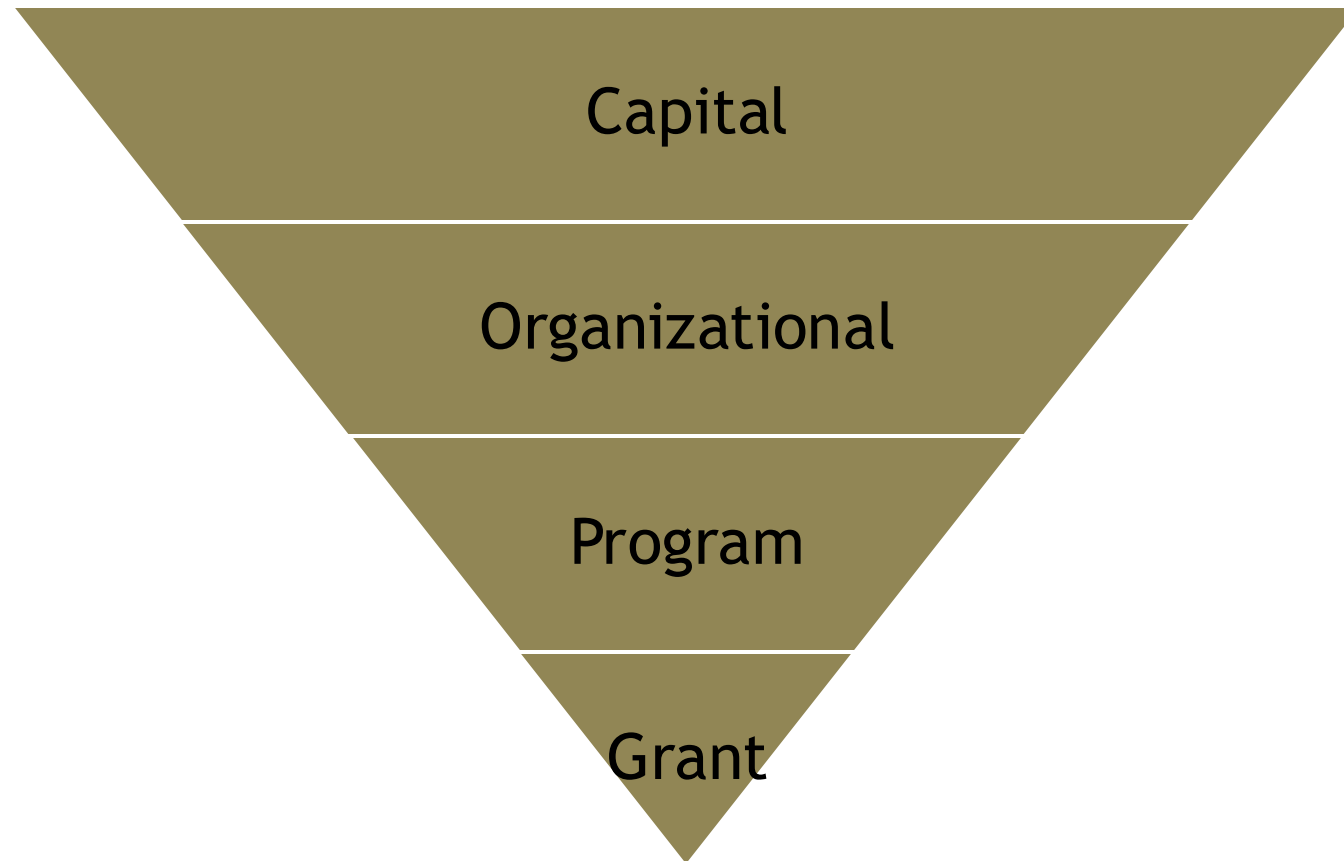
- ▶ Financial understanding / skills
- ▶ Surface new ideas
- ▶ Accountability

Doesn't that take forever?

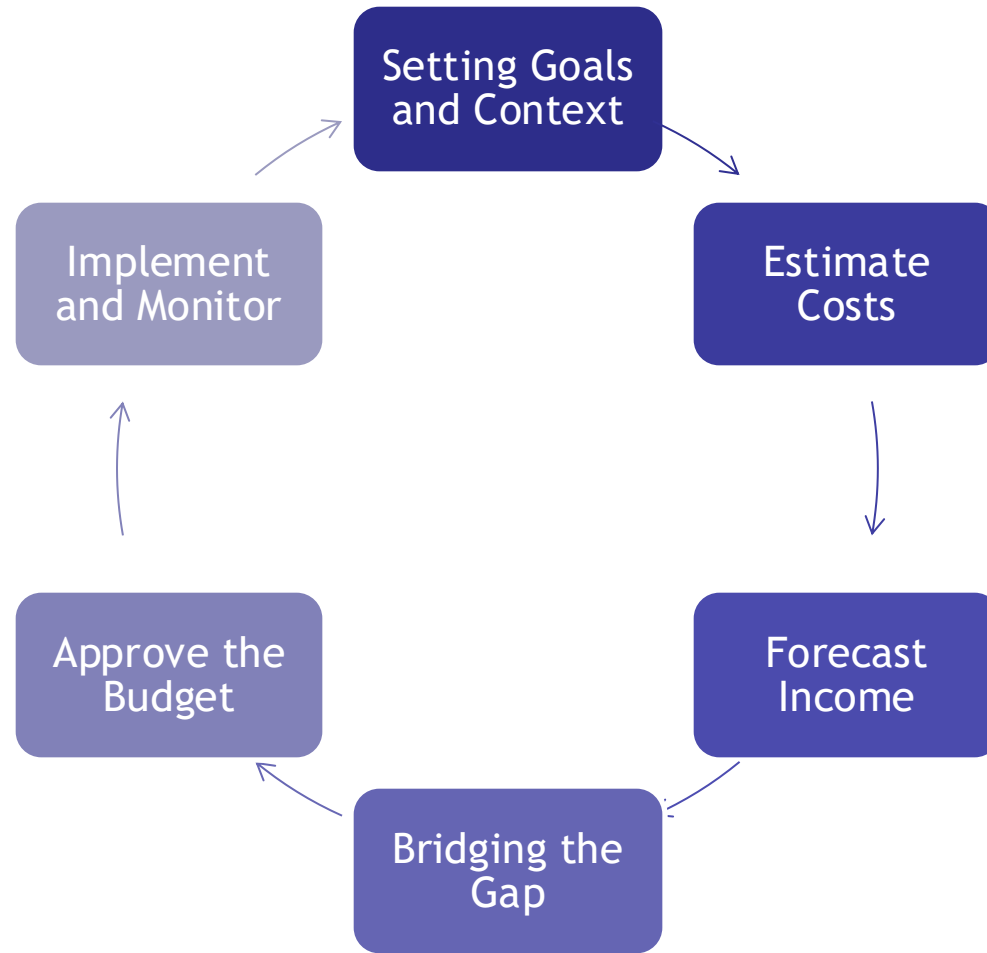


- One Quarter of Work:
 - Start in the 4th quarter of your fiscal year:
 - Projections - how do you need to finish the year?
 - Where are we going?
- Normalize the budget and finances
- You're doing grant budgeting year-round already

Different Types of Budgeting



The Budget Process

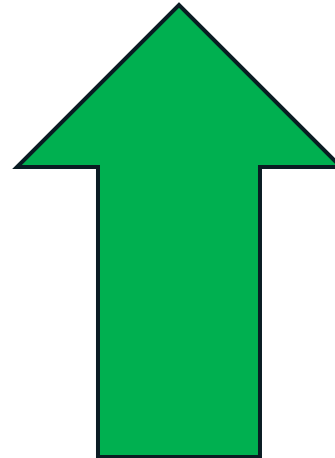
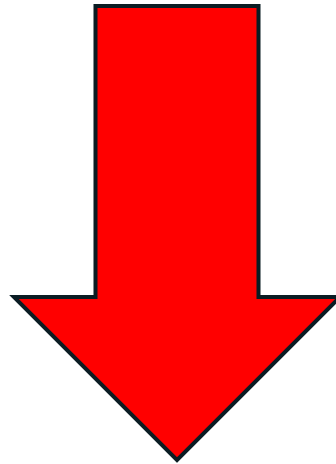


Does the Budget Need to Balance?

“Instead of ‘How can we make the budget balance?’ the annual budgeting cycle should begin with the question, ‘What financial outcome does our organization want or need this year?’”

- Jeanne Bell

Surplus or Deficit?





Budget Nuances

Capital Budgeting

What do we mean by capital?

- ▶ Equipment
 - ▶ Building maintenance
- ▶ Working capital
- ▶ Change capital
- ▶ Human capital

Considerations

- ▶ Depreciation
- ▶ Consider new equipment and efficiencies
- ▶ Cash requirements
- ▶ Innovation and Start-Up Time
- ▶ Livable wage

Capital Budgeting:

The intersection with your business model



Infrastructure Needs



Timing



Flexibility

Risk:

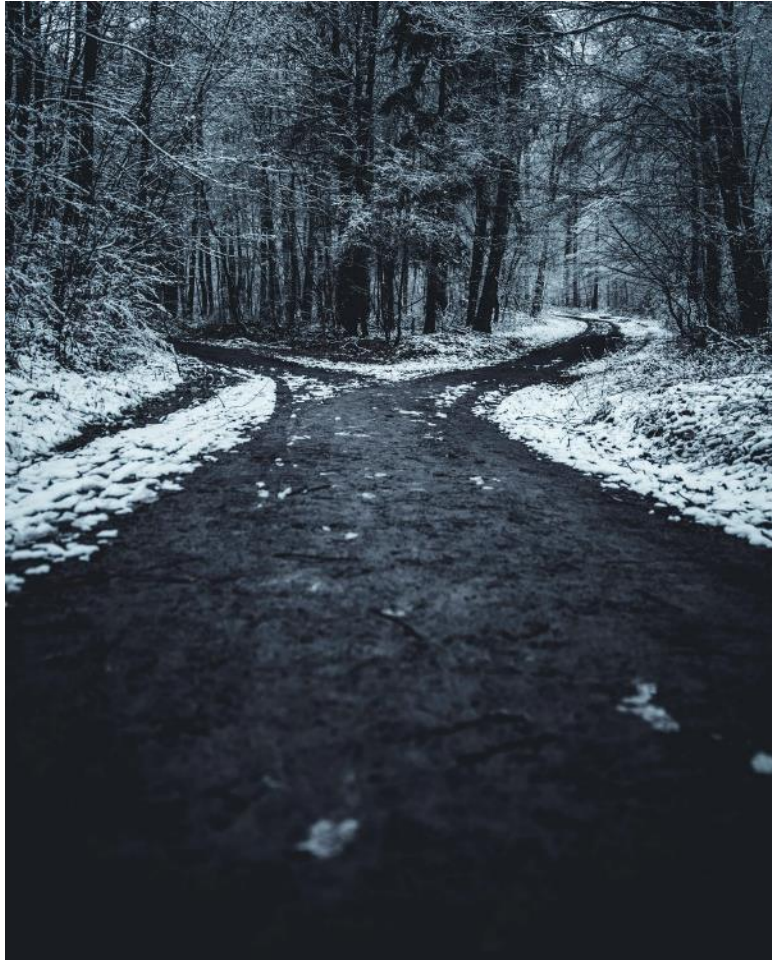
What is your organization's appetite?

- ▶ What is your financial position?
- ▶ Where are the assumptions?
- ▶ Great Board discussion
- ▶ A budget is a guess!



Created by Yazmin Alanis
from Noun Project

Scenario Planning



- ▶ Understand your assumptions.
- ▶ What will trigger different scenarios?
- ▶ How many scenarios do you have?
- ▶ How much time do you have?

What about uncertainty?

Scenario Planning

- ▶ Understand your assumptions.
- ▶ What will trigger different scenarios?
- ▶ How many scenarios do you have?
- ▶ How much time do you have?

Contingency

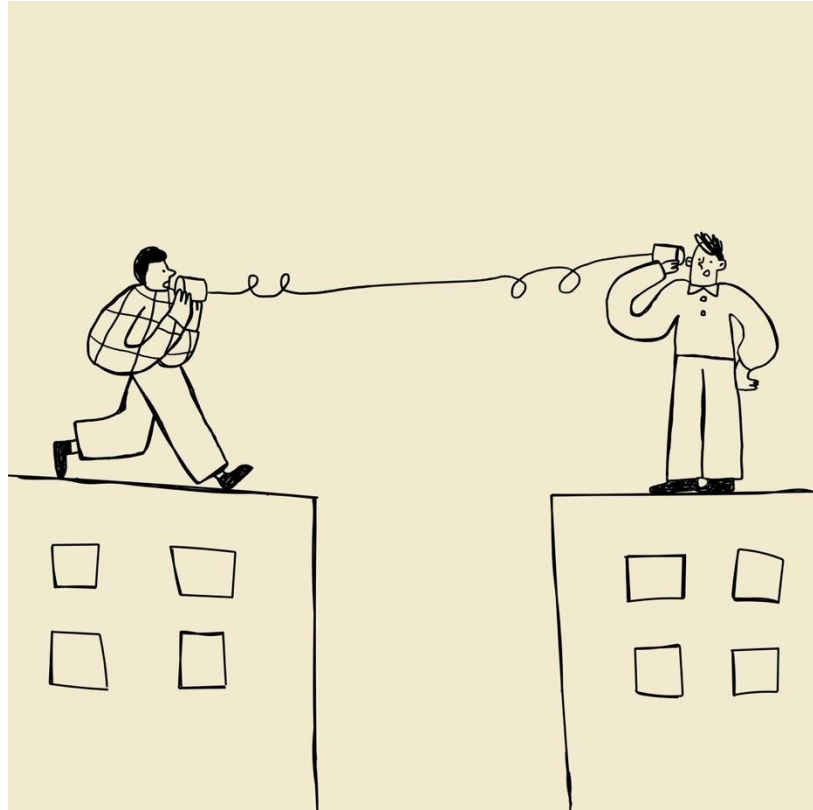
- ▶ What level contingency do you need? How do reserves interact with your contingency?
- ▶ Understand the assumptions or which numbers are “at risk” as well as your level of risk tolerance.
- ▶ What will trigger “using” the contingency.



Using the Budget

How often do you update the budget?

- ▶ Significant changes to your programs or business model
 - ▶ Starting a new program or closing a program
- ▶ Use budget plus projections
- ▶ More numbers does not necessarily lead to more understanding



Budget Reporting

- ▶ Meaningful numbers and columns
- ▶ Natural vs. Functional Reporting
- ▶ Dashboards

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Resources & Wrap Up

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Upcoming webinars in the Budgeting Series:

January:

A Optimistic Realist's Guide for Projecting Nonprofit Revenue

February:

A Guide to Budgeting Shared Costs and Cost Centers

Stay Connected on the Forum

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Most commons have a forum where community members can meet to surface mutual concerns and exchange resources. At the Nonprofit Financial Commons, THIS is that space. Any question you have about nonprofit finances, whether it has to do with high strategy or granular practice, can be brought here. Here you can glean the rich wisdom of your peers and share your own hard-won insights and knowledge. Be and spread the change you wish to see.

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