The Power of Budgets

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WHY BUDGET?

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Why budget?

- Create financial road map for your organization's future

- Provide an opportunity for the Board of Directors and management to set the short- and long-term directions



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How does a budget help you?

A well-developed budget will:

- Allocate financial funds to each program
- Help limit management and general expenses
- Limit expenses to the extent of revenue
- Provide a control over the safeguarding of the organization assets
- Provide the general direction of the organization for the near and the long term
- Communicate that direction to the employees and general public

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The benefits of budgeting

- Remind program directors of the financial ramifications of their purchasing or hiring decisions
- Allow the Board of Directors to be involved in the financial direction of the organization
- Provide financial information to the Board of Directors that they can monitor throughout the year

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Align your organization

- Planning your budget:
  - is a time for an organization's leaders to connect the dots between **mission** and **programs**
  - specify which activities and resources will be required to deliver those programs
  - establish performance measures that allow everyone to understand whether the desired results are being achieved.

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VARIOUS FORMATS OF BUDGETING

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Various budgets

- Agency-wide
- Cash flow budgets
- Budget to actual
- Traditional vs Outcome based
- Forecasting

Note: Be flexible in your budgeting process and develop flexible tools that can be used in the future to allow for various scenarios

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Agency-wide

- Income and expense by program and funding source
- Allocation of shared and indirect costs by program
- Fundraising separate from program expense
- Clearly identifies revenue sources (state, federal, etc.)

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Cash flow budgets

- Focus on the timing of cash receipts and reimbursements
- Avoid problems and shortages
- Provide stability to organization
- Manage and monitor regularly
- Respond to changes and adjust your plan

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Cash flow budget

Sample Cash Flow Budget for a Six-Month Period

	Annual Budget*	Month					
		January	February	March	April	May	June
Grants	$320,000	$50,000	$0	$75,000	$0	$0	$75,000
Contributions (fundraising)	150,000	0	0	0	0	0	75,000
Dues	70,000	35,000	15,000	10,000	1,000	1,000	1,000
Total Cash Received	540,000	85,000	15,000	85,000	1,000	1,000	151,000
Payroll	360,000	30,000	30,000	30,000	30,000	30,000	30,000
Consultants	50,000	8,000	3,000	2,500	3,500	2,000	3,000
Space rental	30,000	1,500	2,000	1,500	2,500	1,500	1,500
Equipment	100,000	5,000	25,000	5,000	5,000	10,000	5,000
Total Cash Disbursed	540,000	44,500	60,000	39,000	41,000	43,500	39,500
Cash surplus (deficit)		$40,500	($45,000)	$46,000	($40,000)	($42,500)	$111,500
Cash balances at end of month		$40,500	($4,500)	$41,500	$1,500	($41,000)	$70,500

*Assumption is that opening cash is $0.

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Budget to actual

- Comparing projections to actual results
- Allows you to monitor actual progress at a given point in time
- Can be reviewed quarterly, monthly, annually
- Will help control expenses and realize where anticipated revenues are
- Think about different ways of presenting this information

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Budget to actual

Source of Income	Percentage of Year Elapsed	Percentage of Funds Expended	Explanation of Variance and Action Needed
U.S. Department of Education	25%	35%	Services being provided faster than planned. Monitor to avoid cost overrun.
U.S. Department of Health and Human Services	25	10	Two vacant positions; personnel costs and services behind schedule. Fill vacant positions.
Community Development Block Grant	25	71	Overstaffed by 3; funds to be totally spent by June. Transfer extra staff now.
State Housing Authority	25	3	Number of tenants served is way behind plan. Improve application processing.
ABC Foundation	25	11	Services restricted to first-trimester pregnant women. Speed up recruitment.
DEF Foundation	25	0	Got funds 2 months late; staff being interviewed. Get 3-month budget modification.

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Traditional vs Outcomes

- Traditional Budgeting:
  - Plan the year by:
    - Estimating sources and amount of funding
    - Setting expenditures
    - Determining departmental and program use
- Change focus to tying in outcomes from budgetary plan
  - What kind of impact are we going to make with this budget?
  - What will Program A,B,C, produce this year based on our plan?

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Traditional vs Outcomes

Outcomes approach:

- **Inputs:** Resources a program or organization commits to an effort (time, money, etc.)
- **Program:** Products and services
- **Output:** What the program produces
- **Outcome:** Direct, intended beneficial effect on the stakeholders or interests our organization exists to serve

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Forecasting

Combines budgets with actual results:

- As the year progresses you can combine budgeted future time periods with results for actual previous time periods
- Provides opportunities to make changes and prepare for suspected budget overruns
- Is a live document that is updated regularly
- Keeps everyone informed on a more up to date basis

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DEVELOPING A BUDGET

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Developing a Budget

Questions to Consider:

- Who (should) prepare the budget?
- When should the budget be prepared?
- How will the budget be monitored?
- Who is responsible for amending the budget when necessary?
- Who is requesting prior approval when necessary?



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Developing a Budget

Examples of budget considerations:

- What is the experience level of the employees? If the employees are relatively new to their position, there may be a need for more training.
- How are supply levels? Do they need to be constantly restocked, or are there supplies on hand?
- Are there any open positions that need to be filled, or are there any positions that need to be eliminated?
- How have the changes in gas prices affected the transportation costs for the program?

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Developing a Budget

Examples of budget considerations: (cont.)

- Are there capital assets that need replacing in the coming year?
- How much is health insurance going up?
- Will changes to benefits affect your program? Higher costs may cause more employees to leave the health plan.
- What is your expectation for covering CACFP costs?
- Will you be receiving any program income?

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Developing a Budget

Tips for budgeting supplies:

- Focus on annual purchases and not the timing, unless there are unusual circumstances. For example, postage can be budgeted evenly throughout the year, but if there is a large mailing done once a year, adjust the postage budget upwards in the month prior to the mailing.
- Consider the amount of supplies on hand. Don't budget for 12 months' worth of paper if you already have 2 months on hand.
- Evaluate the need for all the items you purchased. Just because you bought something last year doesn't mean it's necessary to purchase it every year.
- Get staff feedback on supplies: What do they use, what don't they use and what would they like.

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Developing a Budget

Fixed costs cannot be changed in the short-term, for example rent or utilities. Tips for budgeting fixed costs:

- Review current and prior year fixed costs for any adjustments in the coming year.
  - Will rent go up?
  - Can you estimate heating and air conditioning costs?
  - Don't forget depreciation expenses.
- What are your plans for fixed costs in the future?
  - Will you remain in the same facilities or move?

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Developing a Budget

Semi-variable costs have characteristics of both variable and fixed costs. Examples of semi-variable costs include:

- Repair and maintenance costs
- Travel and training expenses
- Staffing levels
- Telephone/internet usage

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Developing a Budget

Tips for budgeting semi-variable costs:

- Semi-variable costs can be cut back if the program is overspent. For example, postponing training classes or pushing back supply purchases.
- Some semi-variable costs can be increased if there are funds that have to be spent. For example, sending employees to training or incurring certain repair and maintenance costs.
- If possible, focus on the total purchases for the year and then allocate evenly throughout the year.
  - Some expenses may need to focus on certain times of the year. For instance, floor waxing of a school is probably something to be done when school is not in session.

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Developing a Budget

Be aware of program expenses directly allocated to your program

- Rent
- Utilities
- Supplies
- Certain program personnel

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Developing a Budget

Be aware of administrative expenses directly allocated to your program or allocated through an indirect cost rate agreement

- Executive Director
- Finance Department
- HR and IT
- Space occupied by administrative personnel

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Developing a Budget

Take Program Income into Account

200.305(5) To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

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Budgeting monthly

To do this you need to be sure to budget correctly. This means if your program does not operate for 12 months, be sure your budget doesn't make that assumption. Otherwise, your budget will have odd fluctuating variances.

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Budgeting monthly

A true budget reflects anticipated activity during certain times of the year, not equally throughout the year.

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Budgeting monthly

Total Federal Head Start Grant annually	**$ 3,000,000**
(Calendar year end)	
Number of children to serve	**600**
Annual amount received per child	**$ 5,000**
Monthly amount received per child	**$ 417**

ASSUMES SAME ACTIVITY EACH QUARTER

	1st quarter	2nd quarter	3rd quarter	4th quarter
Budgeted costs per quarter	$ 750,000	$ 750,000	$ 750,000	$ 750,000
Budgeted costs year to date	$ 750,000	$ 1,500,000	$ 2,250,000	$ 3,000,000
Actual costs per month	$ 978,997	$ 848,951	$ 272,480	$ 905,550
Actual costs year to date	**$ 978,997**	**$ 1,827,948**	**$ 2,100,428**	**$ 3,005,978**
Variance per quarter	$ (228,997)	$ (98,951)	$ 477,520	$ (155,550)
Variance year to date	$ (228,997)	$ (327,948)	$ 149,572	$ (5,978)

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BUDGET BASED ON ACTUAL PERFORMANCE ACTIVITY

	1st quarter	2nd quarter	3rd quarter	4th quarter
Budgeted costs per quarter	$ 920,000	$ 925,000	$ 270,000	$ 885,000
Budgeted costs year to date	$ 920,000	$ 1,845,000	$ 2,115,000	$ 3,000,000
Actual costs per month	$ 978,997	$ 848,951	$ 272,480	$ 905,550
Actual costs year to date	**$ 978,997**	**$ 1,827,948**	**$ 2,100,428**	**$ 3,005,978**
Variance per quarter	$ (58,997)	$ 76,049	$ (2,480)	$ (20,550)
Variance year to date	$ (58,997)	$ 17,052	$ 14,572	$ (5,978)

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Monitoring Your Budget

What is your software setup like?

Can you easily monitor your budget?

Do you do the coding or does finance?



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Monitoring Your Budget

CAP Agency, Inc.
Head Start Grant - Ends 12/31/15
Budget vs. Actual Report
9 Months Ended September 30, 2015 (25% Remaining)

	Total Expenses	Award Budget	Remaining	Variance
Salaries	**2,804,987**	**3,500,000**	**695,013**	**19.9%**
FICA/FICA MED	214,582			
SUTA	56,717			
Worker's Comp	34,700			
Health Insurance	420,185			
Fringe Benefits	**726,184**	**895,000**	**168,816**	**18.9%**
Supplies-Classroom	96,018			
Supplies-Office	36,917			
Supplies-Cleaning	11,360			
Printing	7,060			
Supplies	**151,355**	**157,000**	**5,645**	**3.6%**
Phone Service	61,217			
Custodial Services	51,101			
Consultant Fees	40,541			
Contractual	**152,859**	**156,000**	**3,141**	**2.0%**
Fuel	79,014			
Rent	116,800			
Insurance-General Liability	76,800			
Building Maintenance/Repair	308,773			
Utilities	121,511			
Local Travel - Staff	38,511			
Board Expenses	2,505			
Publications/Memberships	3,724			
Other	**747,638**	**687,000**	**(60,638)**	**-8.8%**
Totals	**4,583,023**	**5,395,000**	**811,977**	**15.1%**

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Monitoring Your Budget

CAP Agency, Inc.
Head Start Grant - Ends 12/31/15
Budget vs. Actual Report With Projection
9 Months Ended September 30, 2015 (25% Remaining)

	YTD September	Estimated Oct - Dec	Total Projected	Award Budget	Remaining	Variance
Salaries	**2,804,987**	**934,996**	**3,739,983**	**3,500,000**	**239,983**	**6.9%**
FICA/FICA MED	214,582	71,527	286,109			
SUTA	56,717	18,906	75,623			
Worker's Comp	34,700	11,567	46,267			
Health Insurance	420,185	140,062	560,247			
Fringe Benefits	**726,184**	**242,062**	**968,246**	**895,000**	**73,246**	**8.2%**
Supplies-Classroom	96,018	32,006	128,024			
Supplies-Office	36,917	12,306	49,223			
Supplies-Cleaning	11,360	3,787	15,147			
Printing	7,060	2,353	9,413			
Supplies	**151,355**	**50,452**	**201,807**	**157,000**	**44,807**	**28.5%**
Phone Service	61,217	20,406	81,623			
Custodial Services	51,101	17,034	68,135			
Consultant Fees	40,541	13,514	54,055			
Contractual	**152,859**	**50,954**	**203,813**	**156,000**	**47,813**	**30.6%**
Fuel	79,014	26,338	105,352			
Rent	116,800	38,933	155,733			
Insurance-General Liability	76,800	25,600	102,400			
Building Maintenance/Repair	308,773	23,018	331,791			
Utilities	121,511	40,504	162,015			
Local Travel - Staff	38,511	12,837	51,348			
Board Expenses	2,505	835	3,340			
Publications/Memberships	3,724	1,241	4,965			
Other	**747,638**	**169,306**	**916,944**	**687,000**	**229,944**	**33.5%**
Totals	**4,583,023**	**1,447,770**	**6,030,793**	**5,395,000**	**635,793**	**11.8%**

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The Spend Down Mystery

- We are awarded a grant that goes from January 1, 2017 – December 31, 2017 for $5,395,000
- We want to spend the grant in its entirety which means we have to spend $5,395,000 to the penny as of December 31, 2017
- Is this even possible? If so, how do we do it?
- We shall see,
  but first a few regulations



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The Spend Down Mystery

§200.77 Period of performance.

Period of performance means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see 200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph

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§200.71 Obligations.

When used in connection with a non-Federal entity's utilization of funds under a Federal award, *obligations* means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

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§200.343 Closeout.

(b) Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

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The Spend Down Mystery

Project your expenses before the grant starts:

Random Wisconsin CAP, Inc.
Budget Projection - 1/1/16 - 12/31/16

	Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	Total Expenses	Award Budget
Salaries	**330,000**	**330,000**	**330,000**	**330,000**	**330,000**	**160,000**	**160,000**	**210,000**	**330,000**	**330,000**	**330,000**	**330,000**	**3,500,000**	**3,500,000**
FICA/FICA MED	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	294,000	
SUTA	8,700	8,700	8,700	8,200	7,000	3,000	3,000	3,200	4,000	4,000	2,500	0	61,000	
Worker's Comp	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000	
Health Insurance	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	504,000	
Fringe Benefits	**78,200**	**78,200**	**78,200**	**77,700**	**76,500**	**72,500**	**72,500**	**72,700**	**73,500**	**73,500**	**72,000**	**69,500**	**895,000**	**895,000**
Supplies-Classroom	9,000	9,000	9,000	9,000	9,000	6,000	0	4,000	9,000	9,000	9,000	9,000	91,000	
Supplies-Office	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000	
Supplies-Cleaning	1,300	1,300	1,300	1,300	1,300	1,300	1,000	1,000	1,300	1,300	1,300	1,300	15,000	
Printing	500	500	500	500	500	0	0	2,000	1,500	1,000	1,000	1,000	9,000	
Supplies	**14,300**	**14,300**	**14,300**	**14,300**	**14,300**	**10,800**	**4,500**	**10,500**	**15,300**	**14,800**	**14,800**	**14,800**	**157,000**	**157,000**
Phone Service	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	62,400	
Custodial Services	4,800	4,800	4,800	4,800	4,800	1,800	1,800	4,800	4,800	4,800	4,800	4,800	51,600	
Consultant Fees	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000	
Contractual	**13,500**	**13,500**	**13,500**	**13,500**	**13,500**	**10,500**	**10,500**	**13,500**	**13,500**	**13,500**	**13,500**	**13,500**	**156,000**	**156,000**
Fuel	1,200	1,200	1,000	1,000	1,000	1,000	200	600	1,000	1,000	1,000	1,000	11,200	
Rent	9,200	9,200	9,200	9,200	9,200	9,200	9,200	10,000	10,000	10,000	10,000	10,000	114,400	
Staff Training	0	6,000	6,900	6,300	6,300	6,300	6,300	10,000	6,300	6,300	6,300	6,300	73,300	
Insurance-General Liability	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800	
Building Maintenance/Repair	22,700	22,700	22,700	22,700	22,700	22,700	22,700	22,700	22,700	22,700	22,700	22,700	272,400	
Utilities	22,000	20,000	16,000	14,000	6,000	3,000	4,500	5,000	3,000	5,000	10,400	18,000	126,900	
Local Travel - Staff	500	500	500	500	500	500	500	500	500	500	500	500	6,000	
Board Expenses	200	200	200	200	200	200	200	200	200	200	200	200	2,400	
Publications/Memberships	300	300	300	300	300	300	300	300	300	300	300	300	3,600	
Other	**62,500**	**66,500**	**63,200**	**60,600**	**52,600**	**49,600**	**50,300**	**55,700**	**50,400**	**52,400**	**57,800**	**65,400**	**687,000**	**687,000**
Totals	**498,500**	**502,500**	**499,200**	**496,100**	**486,900**	**303,400**	**297,800**	**362,400**	**482,700**	**484,200**	**488,100**	**493,200**	**5,395,000**	**5,395,000**

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The Spend Down Mystery

Check and see how you are doing along the way:

Random Wisconsin CAP, Inc.
March Budget Projection - 1/1/16 - 12/31/16

	March YTD Actual	Projected April	Projected May	Projected June	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	Total Expenses	Award Budget	Remaining	Variance
Salaries	**936,048**	**330,000**	**330,000**	**160,000**	**160,000**	**210,000**	**330,000**	**330,000**	**330,000**	**330,000**	**3,446,048**	**3,500,000**	**53,952**	**1.5%**
FICA/FICA MED	70,547	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	291,047			
SUTA	25,017	8,200	7,000	3,000	3,000	3,200	4,000	4,000	2,500	0	59,917			
Worker's Comp	8,800	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	35,800			
Health Insurance	123,480	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	501,480			
Fringe Benefits	**227,844**	**77,700**	**76,500**	**72,500**	**72,500**	**72,700**	**73,500**	**73,500**	**72,000**	**69,500**	**888,244**	**895,000**	**6,756**	**0.8%**
Supplies-Classroom	24,320	9,000	9,000	6,000	0	4,000	9,000	9,000	9,000	9,000	88,320			
Supplies-Office	9,108	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	40,608			
Supplies-Cleaning	2,660	1,300	1,300	1,300	1,000	1,000	1,300	1,300	1,300	1,300	13,760			
Printing	1,120	500	500	0	0	2,000	1,500	1,000	1,000	1,000	8,620			
Supplies	**37,208**	**14,300**	**14,300**	**10,800**	**4,500**	**10,500**	**15,300**	**14,800**	**14,800**	**14,800**	**151,308**	**157,000**	**5,692**	**3.6%**
Phone Service	13,900	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	60,700			
Custodial Services	14,400	4,800	4,800	1,800	1,800	4,800	4,800	4,800	4,800	4,800	51,600			
Consultant Fees	10,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000			
Contractual	**38,800**	**13,500**	**13,500**	**10,500**	**10,500**	**13,500**	**13,500**	**13,500**	**13,500**	**13,500**	**154,300**	**156,000**	**1,700**	**1.1%**
Fuel	3,554	1,000	1,000	1,000	200	600	1,000	1,000	1,000	1,000	11,354			
Rent	27,600	9,200	9,200	9,200	9,200	10,000	10,000	10,000	10,000	10,000	114,400			
Staff Training	12,900	6,300	6,300	6,300	6,300	10,000	6,300	6,300	6,300	6,300	73,300			
Insurance-General Liability	19,200	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800			
Building Maintenance/Repair	76,489	22,700	22,700	22,700	22,700	22,700	22,700	22,700	22,700	22,700	280,789			
Utilities	58,000	14,000	6,000	3,000	4,500	5,000	3,000	5,000	10,400	18,000	126,900			
Local Travel - Staff	1,800	500	500	500	500	500	500	500	500	500	6,300			
Board Expenses	506	200	200	200	200	200	200	200	200	200	2,306			
Publications/Memberships	900	300	300	300	300	300	300	300	300	300	3,600			
Other	**200,949**	**60,600**	**52,600**	**49,600**	**50,300**	**55,700**	**50,400**	**52,400**	**57,800**	**65,400**	**695,749**	**687,000**	**(8,749)**	**-1.3%**
Totals	**1,440,849**	**496,100**	**486,900**	**303,400**	**297,800**	**362,400**	**482,700**	**484,200**	**488,100**	**493,200**	**5,335,649**	**5,395,000**	**59,351**	

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The Spend Down Mystery

Halfway through – any issues?

Random Wisconsin CAP, Inc.
June Budget Projection - 1/1/16 - 12/31/16

	June YTD Actual	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	Total Expenses	Award Budget	Remaining	Variance
Salaries	**1,671,959**	**160,000**	**210,000**	**330,000**	**330,000**	**330,000**	**330,000**	**3,361,959**	**3,500,000**	**138,041**	**3.9%**
FICA/FICA MED	139,047	24,500	24,500	24,500	24,500	24,500	24,500	286,047			
SUTA	40,217	3,000	3,200	4,000	4,000	2,500	0	56,917			
Worker's Comp	17,600	3,000	3,000	3,000	3,000	3,000	3,000	35,600			
Health Insurance	237,480	42,000	42,000	42,000	42,000	42,000	42,000	489,480			
Fringe Benefits	**434,344**	**72,500**	**72,700**	**73,500**	**73,500**	**72,000**	**69,500**	**868,044**	**895,000**	**26,956**	**3.0%**
Supplies-Classroom	57,065	0	4,000	9,000	9,000	9,000	9,000	97,065			
Supplies-Office	19,608	3,500	3,500	3,500	3,500	3,500	3,500	40,608			
Supplies-Cleaning	6,560	1,000	1,000	1,300	1,300	1,300	1,300	13,760			
Printing	2,120	0	2,000	1,500	1,000	1,000	1,000	8,620			
Supplies	**85,353**	**4,500**	**10,500**	**15,300**	**14,800**	**14,800**	**14,800**	**160,053**	**157,000**	**(3,053)**	**-1.9%**
Phone Service	31,014	5,200	5,200	5,200	5,200	5,200	5,200	62,214			
Custodial Services	26,018	1,800	4,800	4,800	4,800	4,800	4,800	51,818			
Consultant Fees	19,564	3,500	3,500	3,500	3,500	3,500	3,500	40,564			
Contractual	**76,596**	**10,500**	**13,500**	**13,500**	**13,500**	**13,500**	**13,500**	**154,596**	**156,000**	**1,404**	**0.9%**
Fuel	72,348	200	600	1,000	1,000	1,000	1,000	77,148			
Rent	55,200	9,200	10,000	10,000	10,000	10,000	10,000	114,400			
Staff Training	31,800	6,300	10,000	6,300	6,300	6,300	6,300	73,300			
Insurance-General Liability	38,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800			
Building Maintenance/Repair	281,494	22,700	22,700	22,700	22,700	22,700	22,700	417,694			
Utilities	93,018	4,500	5,000	3,000	5,000	10,400	18,000	138,918			
Local Travel - Staff	34,894	500	500	500	500	500	500	37,894			
Board Expenses	1,204	200	200	200	200	200	200	2,404			
Publications/Memberships	1,907	300	300	300	300	300	300	3,707			
Other	**610,265**	**50,300**	**55,700**	**50,400**	**52,400**	**57,800**	**65,400**	**942,265**	**687,000**	**(255,265)**	**-37.2%**
Totals	**2,878,517**	**297,800**	**362,400**	**482,700**	**484,200**	**488,100**	**493,200**	**5,486,917**	**5,395,000**	**(91,917)**	

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Helping People. Changing Lives. community Action PARTNERSHIP AMERICA'S POVERTY FIGHTING NETWORK

The Spend Down Mystery

One month to go and we are overspent!! Now what???

Random Wisconsin CAP, Inc.
November Budget Projection - 1/1/16 - 12/31/16

	November YTD Actual	Projected December	Total Expenses	Award Budget	Remaining	Variance
Salaries	**3,059,783**	**281,637**	**3,341,420**	**3,500,000**	**158,580**	**4.5%**
FICA/FICA MED	261,547	23,478	285,025			
SUTA	56,917	0	56,917			
Worker's Comp	32,600	2,900	35,500			
Health Insurance	447,480	40,013	487,493			
Fringe Benefits	**798,544**	**66,391**	**864,935**	**895,000**	**30,065**	**3.4%**
Supplies-Classroom	130,148	9,000	139,148			
Supplies-Office	33,417	3,500	36,917			
Supplies-Cleaning	12,460	1,300	13,760			
Printing	7,860	1,000	8,860			
Supplies	**183,885**	**14,800**	**198,685**	**157,000**	**(41,685)**	**-26.6%**
Phone Service	56,017	5,200	61,217			
Custodial Services	46,301	4,800	51,101			
Consultant Fees	37,041	3,500	40,541			
Contractual	**139,359**	**13,500**	**152,859**	**156,000**	**3,141**	**2.0%**
Fuel	78,014	1,000	79,014			
Rent	106,800	10,000	116,800			
Staff Training	72,000	6,300	78,300			
Insurance-General Liability	70,400	6,400	76,800			
Building Maintenance/Repair	396,301	22,700	419,001			
Utilities	128,019	18,000	146,019			
Local Travel - Staff	38,011	500	38,511			
Board Expenses	2,305	200	2,505			
Publications/Memberships	3,424	300	3,724			
Other	**895,274**	**65,400**	**960,674**	**687,000**	**(273,674)**	**-39.8%**
Totals	**5,076,845**	**441,728**	**5,518,573**	**5,395,000**	**(123,573)**	

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The Spend Down Mystery

One month to go and we are underspent!! "Yippee" or "oh no"??

Random Wisconsin CAP, Inc.
November Budget Projection - 1/1/16 - 12/31/16

	November YTD Actual	Projected December	Total Expenses	Award Budget	Remaining	Variance
Salaries	**2,980,473**	**281,637**	**3,262,110**	**3,500,000**	**237,890**	**6.8%**
FICA/FICA MED	256,237	23,478	279,715			
SUTA	56,717	0	56,717			
Worker's Comp	31,800	2,900	34,700			
Health Insurance	426,435	40,013	466,448			
Fringe Benefits	**771,189**	**66,391**	**837,580**	**895,000**	**57,420**	**6.4%**
Supplies-Classroom	130,148	9,000	139,148			
Supplies-Office	33,417	3,500	36,917			
Supplies-Cleaning	12,460	1,300	13,760			
Printing	7,860	1,000	8,860			
Supplies	**183,885**	**14,800**	**198,685**	**157,000**	**(41,685)**	**-26.6%**
Phone Service	56,017	5,200	61,217			
Custodial Services	46,301	4,800	51,101			
Consultant Fees	37,041	3,500	40,541			
Contractual	**139,359**	**13,500**	**152,859**	**156,000**	**3,141**	**2.0%**
Fuel	78,014	1,000	79,014			
Rent	106,800	10,000	116,800			
Staff Training	72,000	6,300	78,300			
Insurance-General Liability	70,400	6,400	76,800			
Building Maintenance/Repair	305,266	22,700	327,966			
Utilities	105,004	18,000	123,004			
Local Travel - Staff	38,011	500	38,511			
Board Expenses	2,305	200	2,505			
Publications/Memberships	3,424	300	3,724			
Other	**781,224**	**65,400**	**846,624**	**687,000**	**(159,624)**	**-23.2%**
Totals	**4,856,130**	**441,728**	**5,297,858**	**5,395,000**	**97,142**	

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The Spend Down Mystery

What!?!? Doing this again on December 15, how many times are we going to do this?

Random Wisconsin CAP, Inc.
December 15 Budget Projection - 1/1/16 - 12/31/16

	December 15 YTD Actual	Projected December	Total Expenses	Award Budget	Remaining	Variance
Salaries	**3,120,473**	**141,637**	**3,262,110**	**3,500,000**	**237,890**	**6.8%**
FICA/FICA MED	266,237	13,478	279,715			
SUTA	56,717	0	56,717			
Worker's Comp	31,800	2,900	34,700			
Health Insurance	426,435	40,013	466,448			
Fringe Benefits	**781,189**	**56,391**	**837,580**	**895,000**	**57,420**	**6.4%**
Supplies-Classroom	125,148	6,000	131,148			
Supplies-Office	33,417	3,500	36,917			
Supplies-Cleaning	11,260	100	11,360			
Printing	6,960	100	7,060			
Supplies	**176,785**	**9,700**	**186,485**	**157,000**	**(29,485)**	**-18.8%**
Phone Service	56,017	5,200	61,217			
Custodial Services	46,301	4,800	51,101			
Consultant Fees	37,041	3,500	40,541			
Contractual	**139,359**	**13,500**	**152,859**	**156,000**	**3,141**	**2.0%**
Fuel	78,014	1,000	79,014			
Rent	106,800	10,000	116,800			
Staff Training	72,000	6,300	78,300			
Insurance-General Liability	70,400	6,400	76,800			
Building Maintenance/Repair	305,266	3,507	308,773			
Utilities	105,004	16,507	121,511			
Local Travel - Staff	38,011	500	38,511			
Board Expenses	2,305	200	2,505			
Publications/Memberships	3,424	300	3,724			
Other	**781,224**	**44,714**	**825,938**	**687,000**	**(138,938)**	**-20.2%**
Totals	**4,999,030**	**265,942**	**5,264,972**	**5,395,000**	**130,028**	

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The Spend Down Mystery

What to consider with spending down a budget?

- How much of the monitoring and projections can be done with your accounting software?
- Consider if your projections are still appropriate
- Think about when to request a budget modification



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The Spend Down Mystery

Make it easy on finance and yourself!!!

- If you have invoices, make sure finance gets those promptly
- Don't order anything unless communicated with finance
- Review open purchase orders for what will and will not be purchased
- Watch those credit card charges
- Watch those under you that can spend too
- Do not bonus as a way to spend down!!!!

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MISSION AND GOALS

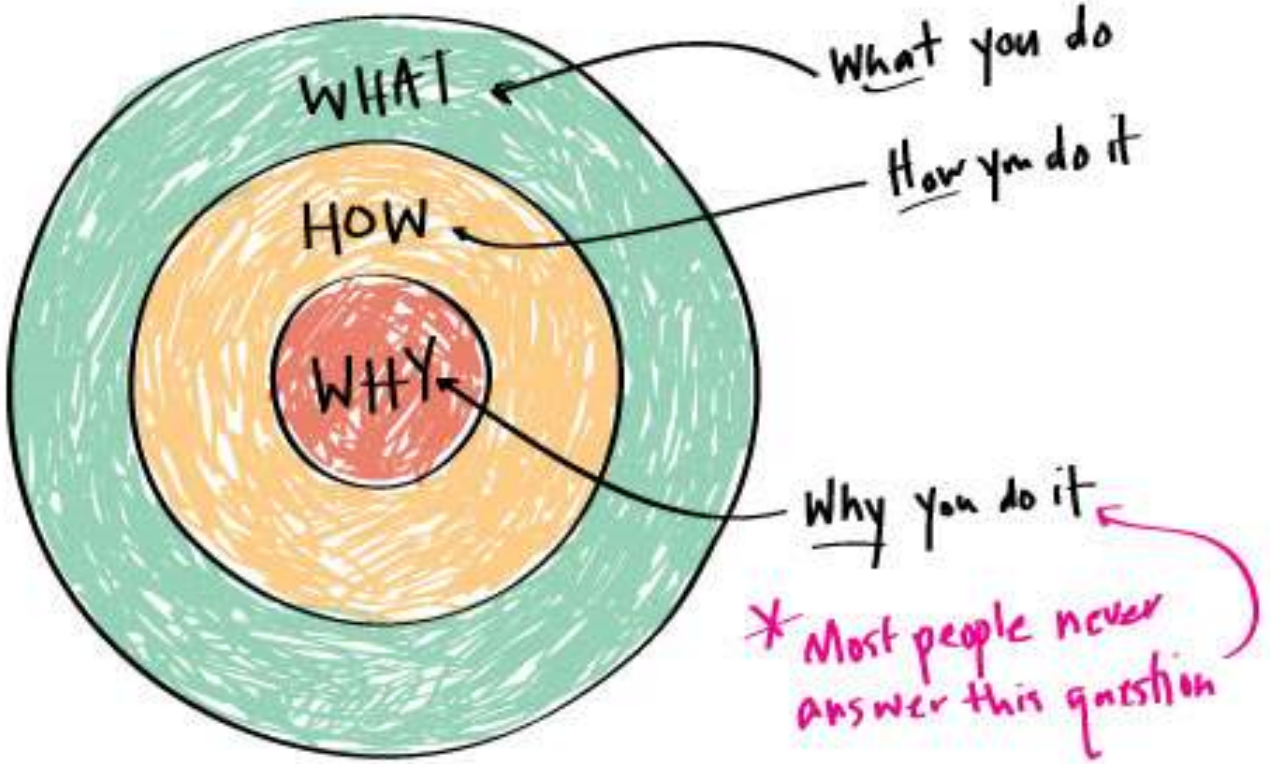
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Mission

- Connect your budget to your mission
- Involve multiple people in the process and connect to the mission
- The more clear, accurate and well thought out the budget is….the better you can connect your results to your mission and purpose
- Let’s talk about the Golden Circle

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The Golden Circle



The Golden Circle, Simon Sinek
Illustration by Alice Ratterree

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Goals

- What is your strategic plan?
- How does your budget address the plan?
- Look at the big picture vs. the year ahead and make those connections
  - Set specific goals
  - Examine past, present and future
  - Identify specific actions and costs needed to reach those goals

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The BIG picture

- Ensure that your budget will identify the goals to be achieved
- Create measurable results so that ongoing monitoring of the budget will allow you to achieve those results
- Work together to ensure all parties involved are responsible for playing a part in achieving the results set forth and more importantly carrying out the organization's mission (remember the "Why")



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PRESENTING TO THE BOARD

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Board of Directors

The Board of Directors has an important role in the budgeting process. They are responsible for:

- Monitoring that management is preparing the budget
- Providing final approval of the budget
- Align strategic plan/goals to budget
- Monitoring the budget throughout the year
- Possibly providing direction on how certain discretionary grants should be spent

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Board of Directors

The Board may review an early draft

- Board members can provide input on difficult situations such as responding to reduced funding or the need for staff cuts

Board members will have a better understanding of management decisions if they are involved throughout the budgeting process

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Board of Directors

The Board of Directors should review budget assumptions, ask questions of management and approve the final budget

Throughout the year, the Board reviews budget-to-actual reports to track how results match plans

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Board of Directors

The Board can be involved in the setting of the goals and uses of grant funds or other discretionary funds. For example:

- Support other programs that may overspend their grant
- Fund the administrative costs of the organization
- Fund a new program
- Or some combination of the above

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Presenting to the Board

It's important that you not only get the budget prepared and in balanced but you also need to successfully communicate the information to the Board.

Tell them a story

- What income and expense do we anticipate?
- What are the policies, goals and objectives that guide us to develop the budget for this year?
- Make it clear and concise

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Presenting to the Board

Organization-wide budget summary

- Summary of income by individual source
- Summary of expenses by broad category
  - Salaries/wages
  - Contracting services
  - Supplies
  - Facilities
- May include comparative data as well

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Organization-Wide Summary

ABC Corporation Summary Expense Budget for Board Review

Categories	Child Care	Community Services	Basic Needs	Executive Office	Housing	Administrative Services	Research	Medical/ Dental	Information/ Evaluation	Totals
Personnel	$254,130	$41,600	$82,253	$93,835	$31,085	$49,385	$122,920	$1,000	$36,910	$713,118
Fringe Benefits	68,615	11,230	22,208	25,335	8,395	13,335	33,190	270	9,965	192,543
Repairs					85,000					85,000
Utility Cost (Space/Rental)	2,000		2,000		10,620	2,810		3,000		20,430
Automatic Data Processing	675		125	135	45	126	225			1,331
Legal				5,000				100		5,100
Audit	1,300	100	100	1,000	320			500		3,320
Staff/Board Development	500	200	250	2,000	200	200	1,000		200	4,550
Vehicle, Fuel, Maintenance			5,000	2,000						7,000
Local Travel	250	200	500		500	500	100		100	2,150
Out-of-Town Travel			200	2,000			1,500		500	4,200
Desktop Supplies		300	500	1,500		150	640		250	3,340
Space Costs and Rental	15,455	1,130	12,000	5,610	1,130	2,260	5,605	13,105		56,295
Classroom Supplies	2,000									2,000
Client or Pupil Supplies		1,000								1,000
Maintenance Supplies		40	500	60	800		160	100		1,660
Reproduction Supplies	1,340		800	1,000	200	400	500		200	4,440
Project Supplies	100	40	200							340
Printing and Reproduction		1,700	2,000				500			4,200
Maintenance and Upkeep	500				1,000		60			1,560
Telephone	500	800	2,600	1,200	400		1,200	100	300	7,100
Postage		2,500	1,000	2,000			1,000		200	6,700
Computer Equipment			2,000	1,500			2,000		500	6,000
Equipment Service Agreement		700	1,600	1,000	700	9,900	1,000	11,485		26,385
Vehicle Insurance			500	1,500						2,000
Publications/ Subscriptions		25		200			200		500	925
Liability Insurance	7,855	300	1,740	210	785		210	1,245		12,345
Food Costs		500								500
Improvements			20,000			7,200		7,200		34,400
Consultants						1,500	3,000	2,000		6,500
Vehicle Operating Expenses										0
Field Trips										0
Equipment Maintenance and Repair	200					30,000		2,940		33,140
Other Child Services										0
Lease				5,000						5,000
Fiscal Accounting										0
Moving Expenses		600		900	300	900	1,500		300	4,500
Contingency								2,500		2,500
Miscellaneous			6,000					3,600		9,600
TOTAL:	$355,420	$62,965	$164,076	$152,985	$141,480	$118,666	$176,510	$49,145	$49,925	$1,271,172

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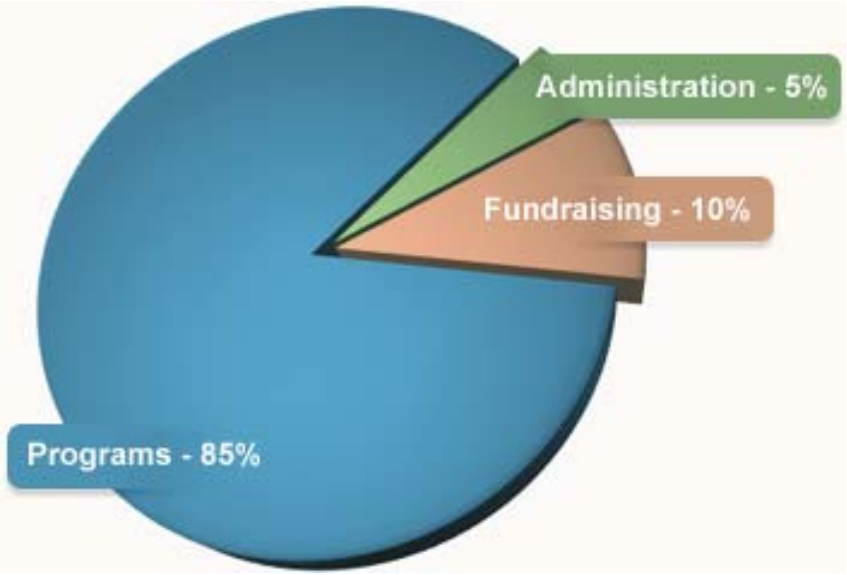
Other Useful Information

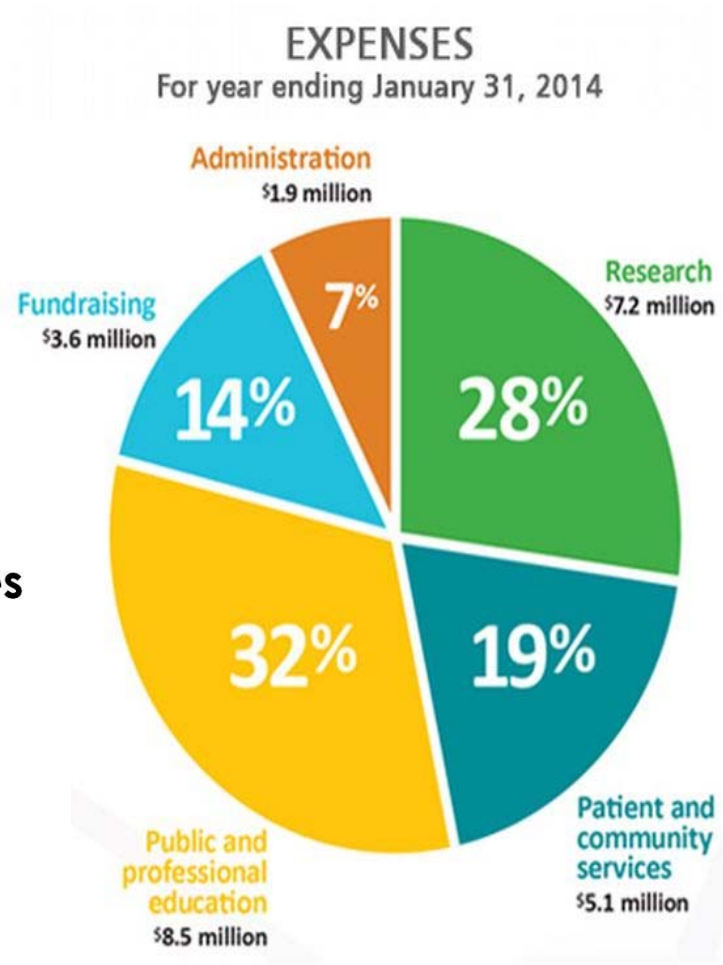
May include separate sections or appendixes:

- Glossary of terms – if you are using unfamiliar or technical language – remember who you are reporting to!
- Summary of major financial and budget policies reflected in the proposed budget
- Summary of the strategic goals (long-term) and objectives, defined by the board, that guide the NPO's long & short term financial planning
- A table of organization structure showing staffing levels by organization unit
- Graphs, pie and bar charts that depict expenses allocated by program, changes in expenses from prior years, or information showing demand and service levels over time

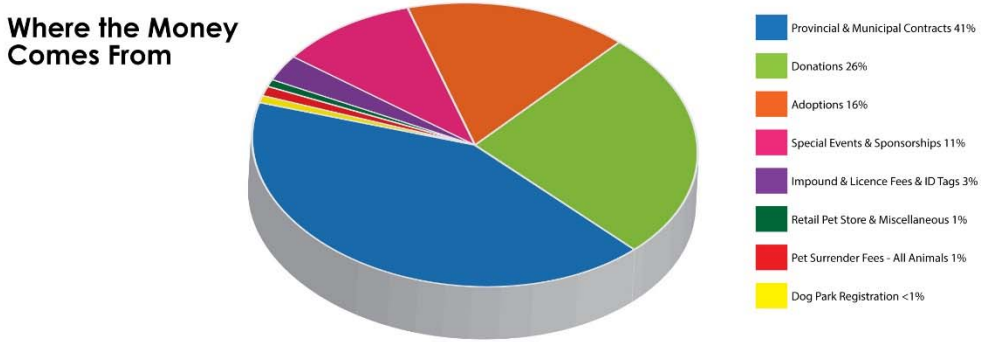
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Forms of Presentation





Income and Expenses



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In the end…

- Budgeting provides many benefits but takes time – take it seriously and get all parties involved in the process!
- It is important to plan out the budgeting process
- Keep the Board of Directors involved throughout the process
- Be transparent and clear, the more information you provide the Board the more it will allow you to carry out your organization's operations effectively
- Be flexible in your budgeting process, but develop flexible tools that can be used in the future and allow for various scenarios

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DASHBOARDS

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Dashboards

- Another tool is a monthly Dashboard of items that you, management, and the board can use.
- It can be tailored to your needs and is a way to be alerted to areas of concern.
- Think of your car, all the information you need just by glancing down instead of lifting the hood or dipping your finger in your gas tank!!

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Dashboards

- Helps boards, staff and management understand a lot of information and data in one place
- Can monitor trends over time
- Can give a snapshot of a particular item you want to track
- Can track progress on meeting goals

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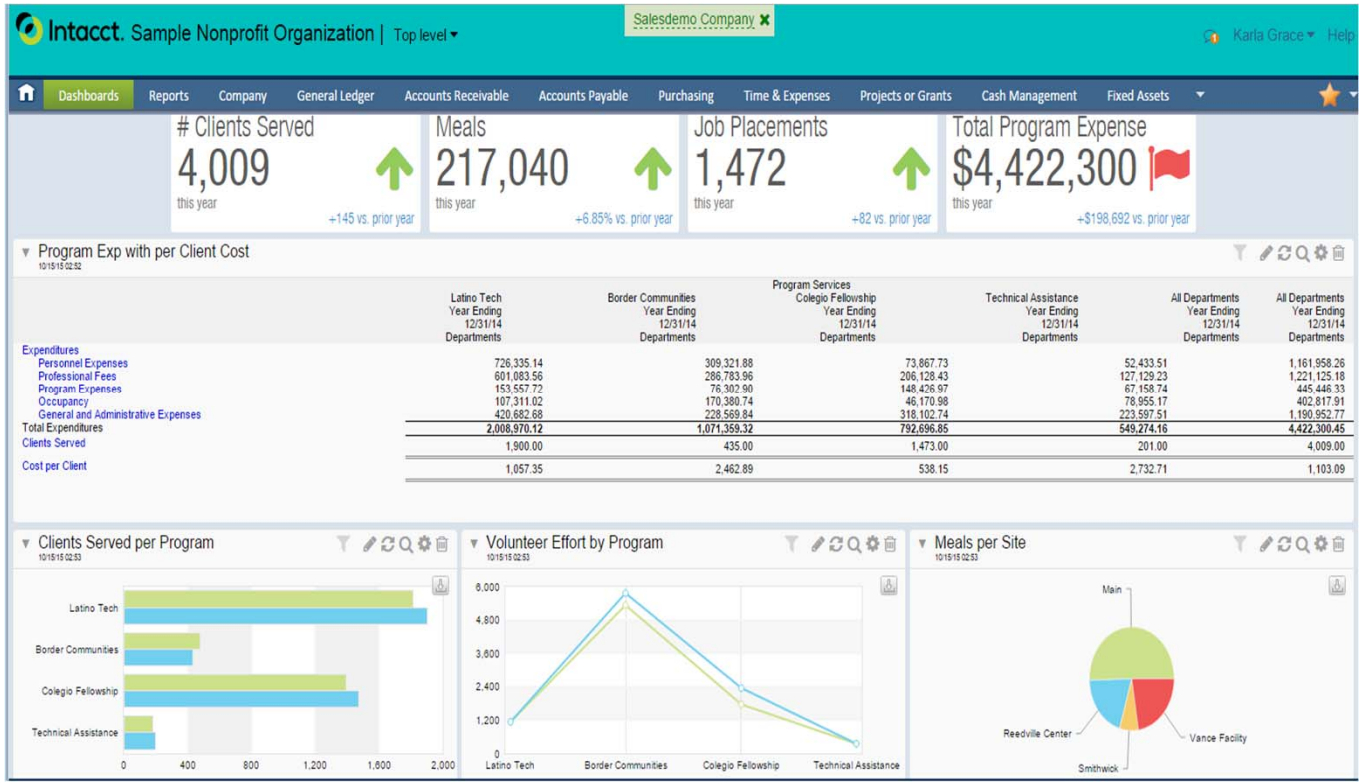
Monthly Dashboard

Financial Dashboard
November 30, 2011

Measure	Target	6 months ago	Now	Description
Current Ratio (Current Assets divided by Current Liabilities)	1.00 and above	1.16	1.06	Ability to pay off current obligations with current assets
Pay-Off Ratio (cash + a/r)/Accts Payable)	3.00 and above	2.59	2.82	Number of times existing cash balance can pay off existing accounts payable balance
Average Day Cash On Hand (cash & equivalents/avg exp per day	15-20 days	18.33	20.00	Number of days cash is on hand to pay average daily expenses
Average Days in Accounts Receivable (Accts rev/avg revenue per day)	20-30 days	14.42	31.49	Number of days cash is tied up in accounts receivable
Average days in Accounts Payable (accts payable/Avg exp's per day)	15-20 days	19.00	19.00	Number of days it takes to pay vendors
Debt to Net Assets Ratio (Total Liab/Total Net Assets)	100% and below	67%	75%	Determines how leveraged the organization is
Unrestricted Net Assets Reserve (Unrestricted Net Assets/Avg total expenses per month	2.00 and above	1.11	0.90	Measures the long-term sustainability of the organization
Revenue to Expense (total rev/total exp)	100%	99%	101%	Measures if the organization was profitable or not
Administrative Exp's to total Exp's (Admin/total exp)	10% and below	8%	8%	Computes the percentage of expenses that are paid for management activities vs. program activities

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Visibility: Demonstrating Outcomes and Impact



Share financial and operational results and collaborate in real-time

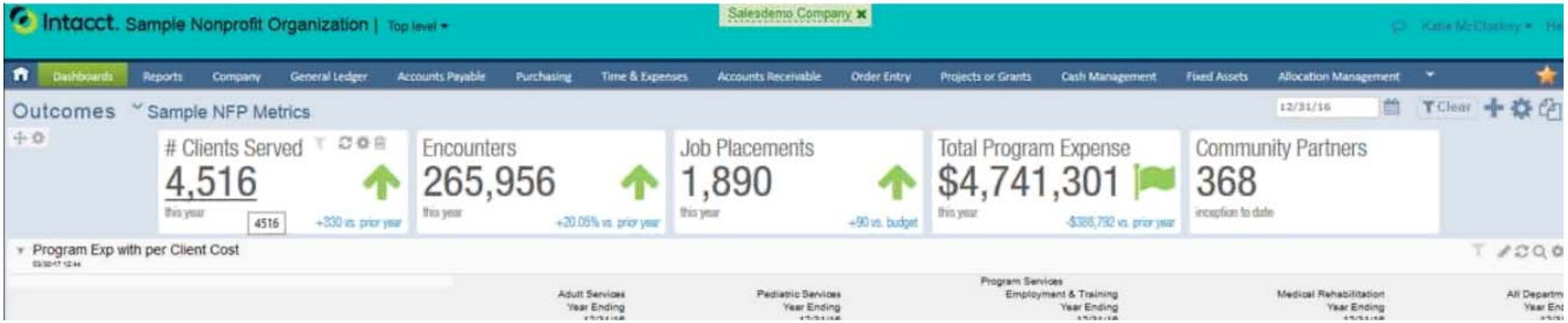
"Our fund visibility has been drastically improved because of Intacct's multi-entity, multi-dimensional architecture. With the many dimensions available within Intacct, we are able to easily keep track of each fund's separate cash or accounts payable balance, or roll up all of our funds to look at the Foundation's overall portfolio."

– Jodie Mote, Controller & Treasurer, University of Alabama Educational Foundation

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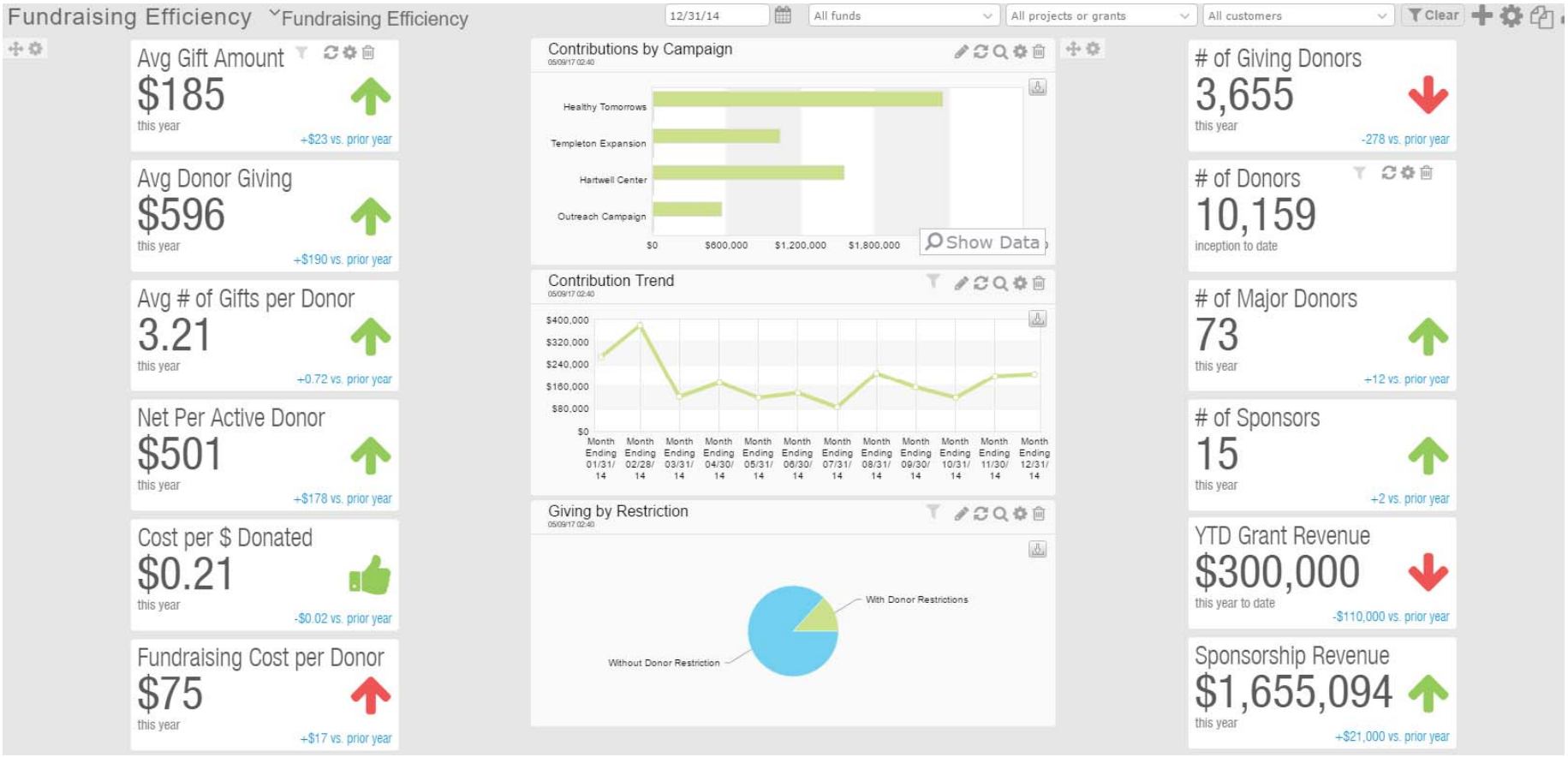
Dashboards – Measuring Outcomes



- Every NFP is trying to tell their story
- Statistical accounts do that for them
- Make it part of the everyday story at any time; assist in everyday decisions
- Pull into reports and dashboards

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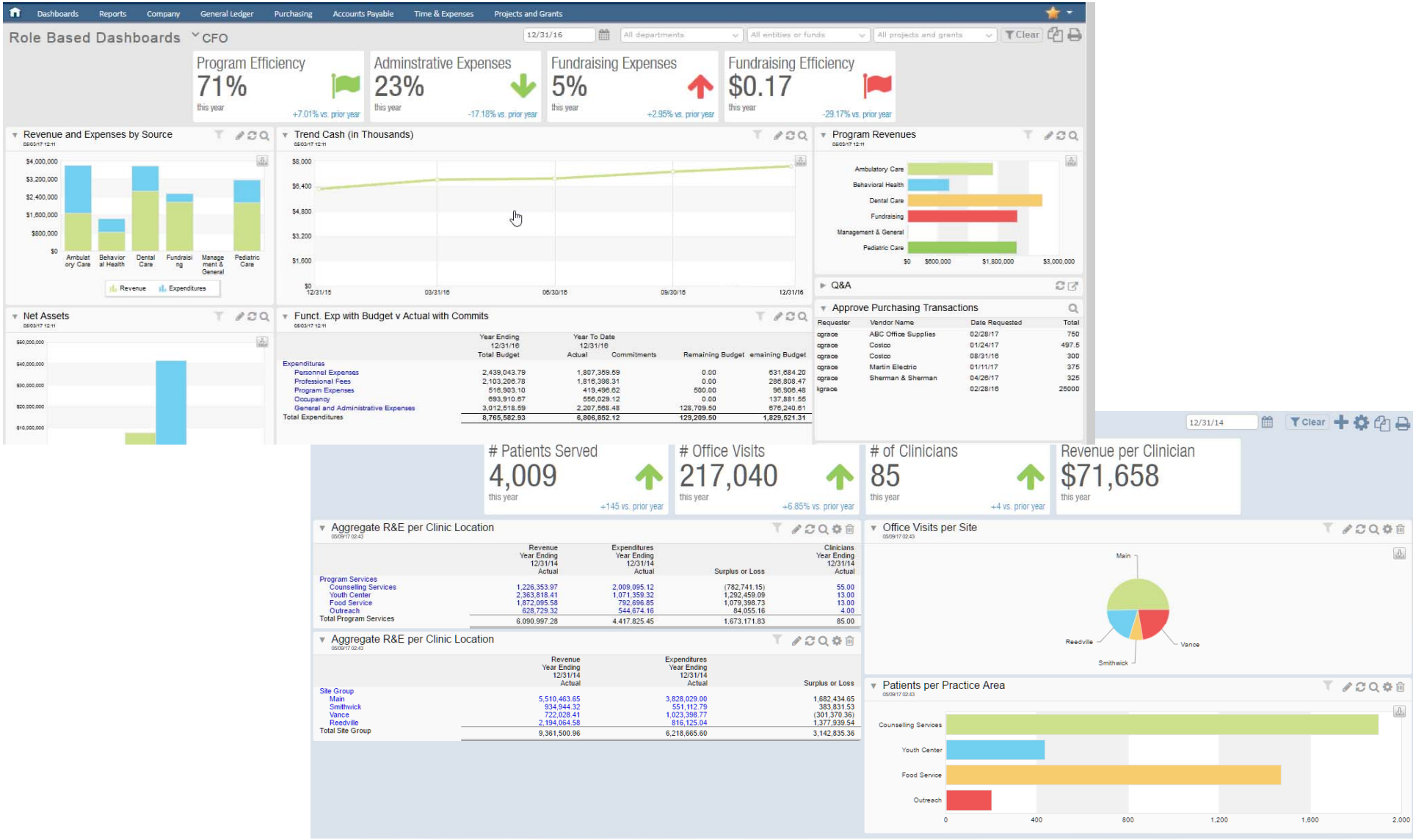
Fundraising Efficiency



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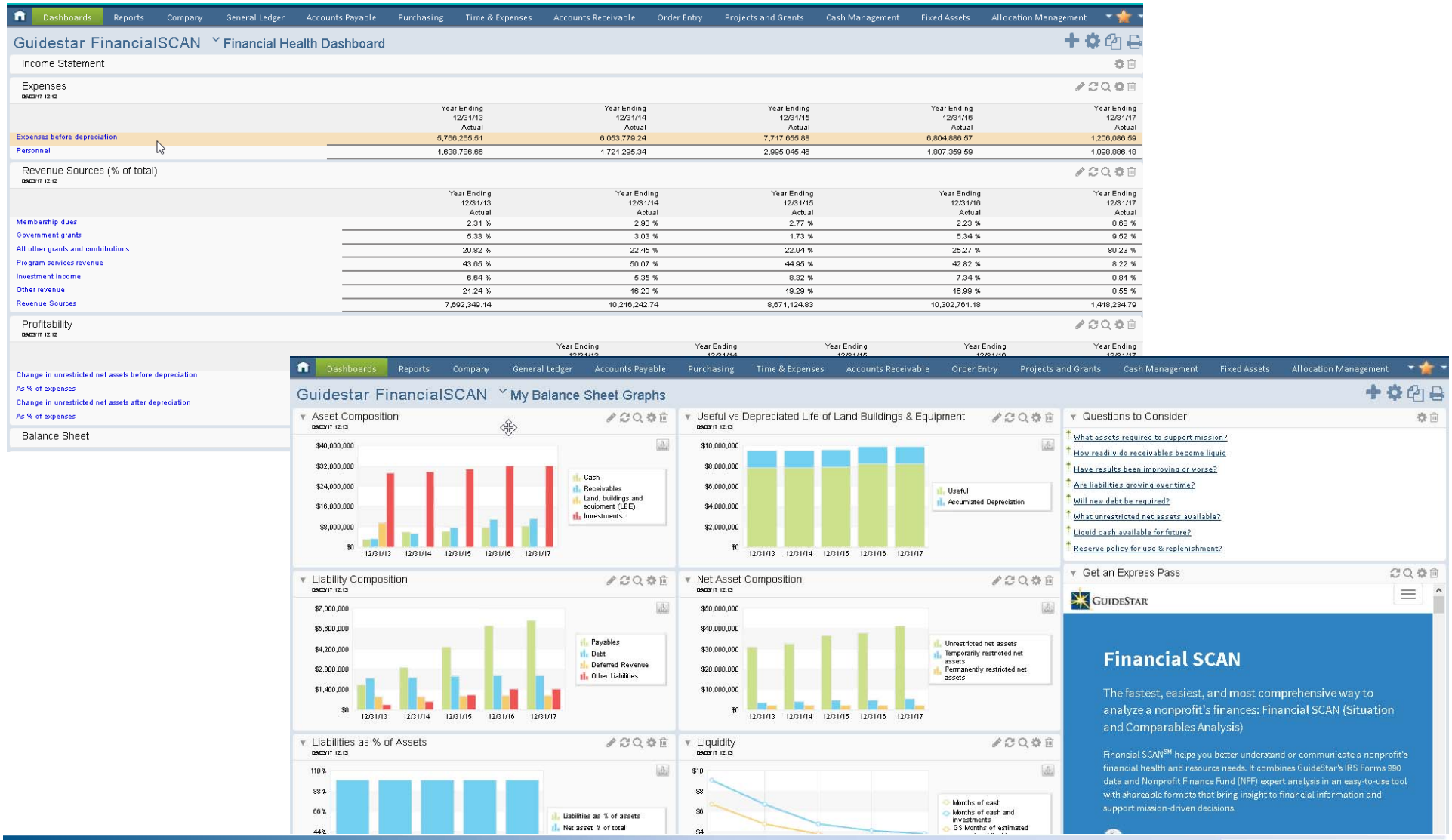
Outcome Dashboards



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