Annual Budget Process Best Practices for Not-for-Profits

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Presenters

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10K+
team members

160+
offices

32
states

22
major markets

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CBIZ Not-For-Profit Industry Group

Our National Not-for-Profit Practice provides unique insight, superior quality, and consistency to all not-for-profit clients across our organization. This experience, combined with our active participation in organizations that matter to you offers a deeper level of industry immersion, and thus a deeper knowledge of your organization.

6K
Not-For-Profit Clients Served Nationwide

CBIZ CPAs Local Nonprofit, & Government Qualifications Experience
We are equally committed to meeting the needs of our tax-exempt and government entity clients.

Industry Expertise

Arts & Cultural Institutions	Colleges Universities & Schools	Public Charities	Private Foundations
Health & Welfare Organizations	Professional & Membership Trade Associations	Religious Entities	Government

CBIZ Services

We deliver holistic client solutions through integrated services led by dedicated industry specialists

Accounting

- Financial Statement Audits & Reviews*
- Employee Benefit Plan Audits*
- SOC Reporting*
- Transaction Services
- International Capabilities

Tax

- Tax Preparation & Planning
- Tax Compliance
- Tax Consulting
- Tax Incentives
- Tax Controversy
- Private Client Services
- International Tax
- State & Local Tax

Advisory

- Outsourced Accounting
- Internal Audit
- Construction Cost Reviews
- Transaction Advisory Services
- Risk Advisory Services
- Forensic Consulting & Litigation Advisory
- Financial Accounting & Advisory
- Valuation

Human Capital

- Human Capital Management
- HRIS Technology
- Executive Search
- Compensation Analysis
- Pay Study
- Talent Acquisition Subscription
- HR Assessments & Compliance
- Policies & Procedures
- Payroll Management

Benefits

- Benefits Consulting
- Total Rewards Data Analytics
- Employee Experience Consulting
- Retirement Plan Consulting
- Actuarial Services
- Benefits Administration

Insurance

- Property & Casualty
- Risk Management Services
- Captive Insurance Programs
- Alternative Risk Solutions
- Program & Specialty Insurance
- Individual Insurance

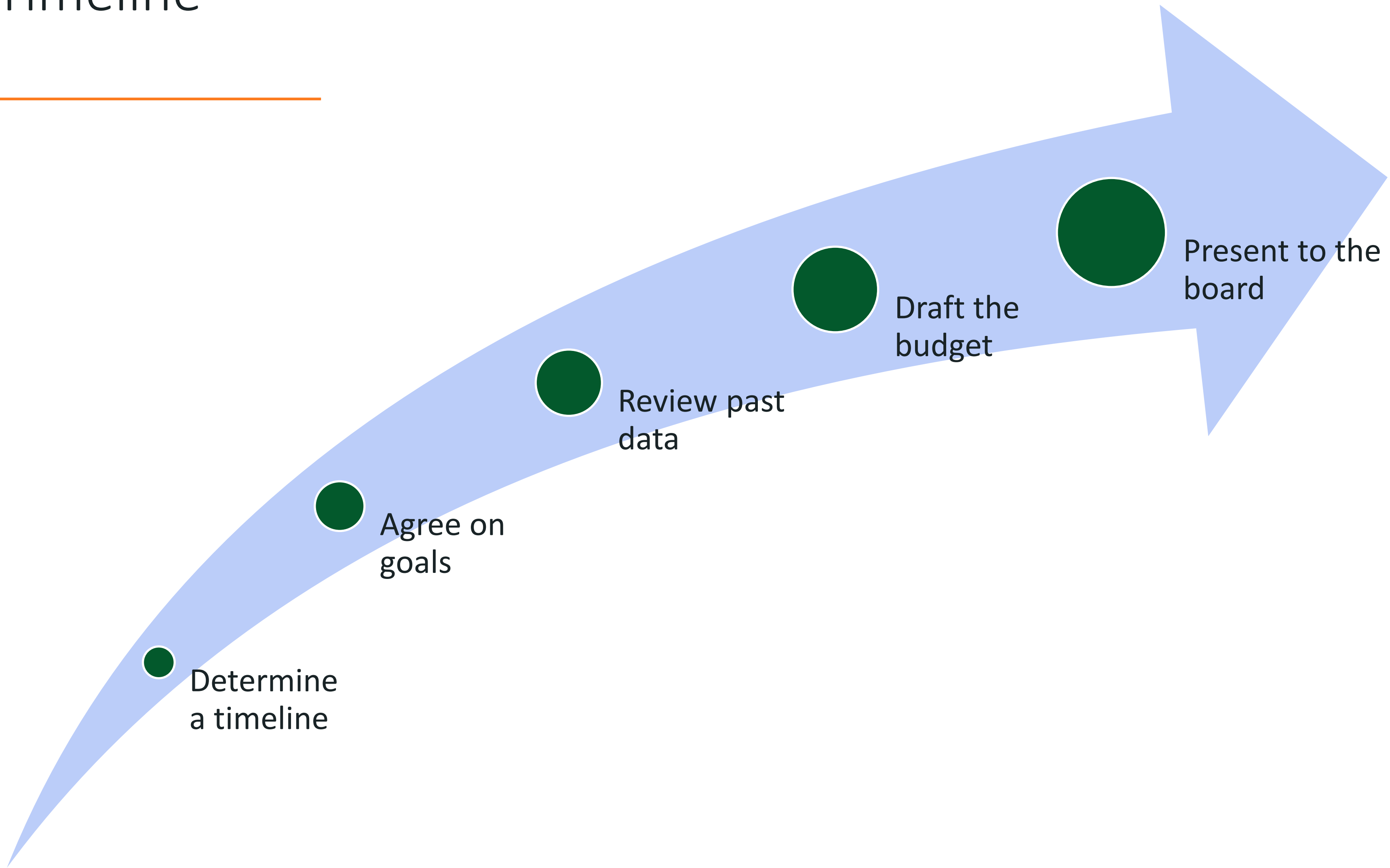
Technology

- Cloud & Infrastructure Solutions
- Managed IT Services
- PCI Compliance
- Cybersecurity, GRC & DFIR Services
- Enterprise Performance & Technology
- Strategic IT Consulting
- Emerging Technology

Agenda

- Timeline
- Stakeholders
- Budget and Organizational Goals
- Understand Current Financial Status
- Budget Approaches
- Budget Assumptions
- Budget Approval Process
- External Budget Approval
- Budget Monitoring

Budget Timeline



Stakeholders

Departmental or programmatic budget owners

The Finance/Accounting Team

Leadership

- CEO
- Executive Director

Board

- Financial planning committee
- Finance committee
- Executive committee

Budget and Organizational Goals

Set organization budget-wide goals

Strategic plan

Environmental factors

Budget Goals

Revenue targets

Inflation

Balanced vs. Operating at a loss

Utilization of investment reserves

Understand Current Financial Status

Review	Forecast	Analyze	Review
Review current year income and expense compared to current year budget	Forecast through the end of the current fiscal year	Analyze and understand variances to budget	Review Year over Year actuals

Budget Approaches

Income-based Approach	Zero-based Approach	Incremental Approach
Accrual basis	Modified cash basis	Modified cash basis
Prioritize Income	New budget each year	Builds upon budget from previous year
	Accurate, efficient but time consuming	Quick, easy but more difficult to find funding

Budget Assumptions

Revenue Budgeting

- Recognize organization's revenue trends
- Diversification of revenue streams
- Understand organization's strategic goals
- Use of restricted grants received in prior periods

Expense Budgeting

- Understanding organization's programmatic cost drivers
- Impact of general and administrative expenses
- Considering capital expenditures
- Staffing model that is supported by revenue streams - Largest expense – What is the impact of salaries and benefits

Budget Review Process

Develop

- Develop internal and external approval process

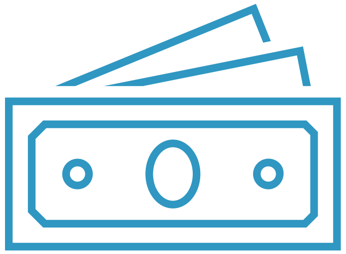
Consistency

- Finance checks for consistency

Review

- Review final draft for all goals and objectives

External Budget Approval



Present to any financial planning committees

Present to the board for approval

Budget Monitoring

Budget vs. Actual Report

Budget Reforecast

Scenario Planning

Examples

Budget showing net asset release and use of reserves

2025 Agency Budget											
2025 Agency Budget	Program 1	Program 2	Program 3	Program 4	Program 5	Program 6	Program 7	Development & Communications	Gen & Admin	2025 Proposed Budget Total	2024 Budget
INCOME											
Government grants	2,533,365.68	1,045,869.02	1,691,751.08	-	80,364.49	771,184.94	-	-	-	6,122,535.20	5,260,314.25
Coalition membership dues	-	-	-	-	-	-	500,000.00	-	-	500,000.00	400,000.00
Corporate grants/Foundations	-	-	374,000.00	-	465,000.00	150,000.00	225,000.00	421,746.33	-	1,635,746.33	763,000.00
Contributions	-	-	-	200,000.00	-	-	-	420,000.00	-	620,000.00	250,000.00
Conference registration income	-	-	95,000.00	-	41,250.00	-	22,000.00	220,000.00	-	378,250.00	147,000.00
Other / Honoria / Contracts / Merchandise	-	15,000.00	225,000.00	-	8,612.00	-	-	160,000.00	-	408,612.00	36,000.00
Special events	-	-	-	-	-	-	-	-	-	-	-
Net restricted net assets	-	-	(120,656.00)	379,021.33	417,890.00	603,333.33	174,086.33	273,110.00	-	1,726,785.00	3,234,233.00
Future funds		-	200,000.00	750,000.00	-	-	-	-	-	950,000.00	-
TOTAL INCOME	**2,533,365.68**	**1,060,869.02**	**2,465,095.08**	**1,329,021.33**	**1,013,116.49**	**1,524,518.27**	**921,086.33**	**1,494,856.33**	-	**12,341,928.52**	**10,090,547.25**
EXPENSES											
TOTAL EXPENSES	**2,820,284.45**	**1,058,320.72**	**2,245,082.63**	**793,695.83**	**1,006,267.36**	**1,545,321.10**	**884,822.22**	**1,149,890.98**	**341,820.74**	**11,845,506.03**	**10,207,546.00**
NET INCOME WITH RESTICTED FUNDS	**(286,919)**	**2,548**	**220,012**	**535,326**	**6,849**	**(20,803)**	**36,264**	**344,965**	**(341,821)**	**496,422**	**(116,999)**
Board Approved Release of Unrestricted Funds	-	-	-	-	-	-	-	-	-	-	
Annual Conference	**286,919**									286,919	**221,926**
RELT									**70,000**	70,000	**100,000**
Directors Meeting									**25,000**	25,000	**25,000**
Advocacy Days	-	-	-	-	-	-	41,659	-	-	41,659	-
35th Anniversary Celebration										-	-
Website								30,000		30,000	-
Total Expense Special Projects	**286,919**	-	-	-	-	-	**41,659**	**30,000**	**95,000**	**453,578**	**346,926**
Net Income, After Board Release of Unrestricted Funds	-	**2,548**	**220,012**	**535,326**	**6,849**	**(20,803)**	**77,923**	**374,965**	**(246,821)**	**950,000**	**(346,926)**
Less Funds for Future years	-	-	(200,000.00)	(750,000.00)	-	-	-	-	-	(950,000.00)	-
Net Income, After Board Release of Unrestricted Funds and revmoval of funds for future years	-	2,548.30	20,012.45	(214,674.50)	6,849.12	(20,802.83)	77,922.85	374,965.35	(246,820.74)	0.00	(346,925.56)

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Budget vs actual

Budget vs Actual
For the Four Months Ended April 30, 2025

	Actuals to Date	Annual Budget	$ Over/(Under) Annual Budget	% of Annual Budget	
Revenue					
Government Grants	$ 1,461,029	$ 5,260,314	$ (3,799,285)	28%	
Conference Fee Registrations	57,845	147,000	(89,155)	39%	
Corporations/Foundations	249,651	763,000	(513,349)	33%	
Coalition Membership Dues	195,446	400,000	(204,554)	49%	
Contributions	80,295	250,000	(169,705)	32%	
Honoraria/Contracts/Merchandise/Other	83,067	36,000	47,067	231%	
Total Revenue	2,244,333	6,856,314	(4,611,981)	33%	A
Expenses					
Salary and Wages	1,748,532	4,958,572	(3,210,040)	35%	
Fringe Benefits	404,717	1,063,813	(659,096)	38%	
Consultants	415,477	2,141,016	(1,725,539)	19%	
Professional Fees	310,874	316,575	(5,701)	98%	
Communications	31,534	93,963	(62,429)	34%	
Subscriptions/Renewal Fees/Licenses	23,000	198,912	(175,912)	12%	
Office Supplies & Expense	41,908	93,783	(51,875)	45%	
Occupancy	92,918	275,000	(182,082)	34%	
Staff Travel	75,196	334,273	(259,077)	22%	
Participant Travel	181	44,000	(43,819)	0%	
Contractual Travel	-	26,200	(26,200)	0%	
Consultant Travel	4,054	21,288	(17,234)	19%	
Conferences and Meetings	76,929	379,209	(302,280)	20%	
Insurance	5,379	19,679	(14,300)	27%	
Equipment & software	29,403	228,386	(198,983)	13%	
Depreciation	681	1,391	(710)	49%	
Staff conference fees	2,710	-	2,710	0%	
Miscellaneous Expense	9,976	-	9,976	0%	
Other Expenses	-	11,487	(11,487)	0%	
Total Expenses	3,273,469	10,207,547	(6,934,078)	32%	
Change in Net Assets from Operations	$ (1,029,136)	$ (3,351,233)	$ 2,322,097		
	-				

A The difference between this and the approved board budget are the net asset carryover from prior year that represents grants already received but the expenses have not yet been incurred.

Budget used to project reserves

Annual Operating Expenses (FY26 Budget)	
Payroll Expenses	13,113,504
Professional Services and Contracts	2,552,863
Occupancy Charges	2,226,700
Business Expenses	115,008
Equipment	83,160
Training	263,882
Office Expenses	520,058
Communications	20,371
Child Services and Activities	975,198
Travel and Meetings	292,854
Construction Costs	11,301
Total:	$20,174,897
Monthly Average	$ 1,681,241
3 months reserve target	$ 5,043,724
6 months reserve target	$10,087,449

Change in Operating Net Assets - without donor restriction - Actuals:	
Total Without Donor Restrictions - Ending Balance, 6/30/2025	21,722,879
Total Without Donor Restrictions - Ending Balance, 6/30/2024	(20,171,587)
Net Change in Operating Net Assets - without donor restriction	**1,551,292**
Less Kini Fund $1M Contribution	1,000,000
Total Recommended for Reserve	**551,292**

Recommended Reserve Adjustment FY25:	**Unadjusted Ending Balances**	*For Approval*	**Adjusted Ending Balances**
Operating Reserve - 75%	2,829,868	413,469	3,243,337
Building Reserve - 25%	1,753,424	137,823	1,891,247
Total Board Designated	**4,583,292**	**551,292**	**5,134,584**
Board Designated Operating Reserve			**3,243,337**
Undesignated Net Assets			**5,476,319**
Total Operating Reserve & Undesignated Net Assets			**8,719,656**
Operating Reserve & Undesignated Equivalency to Number of Months of Expenses*			**5.19**

**Based on FY26 budget*

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Conclusion

This course helped you better understand the budgeting timeline, various budget stakeholders and their responsibilities, and understanding organization’s needs and priorities.

You also learned on how to build out departmental/ programmatic budgets and how to best roll them up to the organization-wide budget.

And lastly, we discussed budget assumptions, operational strategies behind budgeting and various ways in monitoring budgets.

Thank You

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