

## ***Budgets are Dreams ... Financial Statements are Reality!***

### **Budgeting is a Planning Activity**

A board approved organizational budget (as well as prior year's audit) and a project budget must be submitted along proposals. Private foundations, governmental agencies and corporations require financial information about your organization before they make an investment. Individuals making substantial gifts will also require financial information.

#### **Budgets Have Four Uses**

- 1. Policy Development** - Budget express an organization's policies and programs in financial terms. The expression is translated into specific types, qualities and amounts of service in order to achieve the mission and objectives.
- 2. Planning** - The budget is the financial component of the organization's strategic and annual plan. It represents an optimistic - yet realistic - projection of the resources to be acquired and expended to provide services. As such, budget development is part of the overall planning process. Planning and budgeting cannot happen independently.
- 3. Administration and Evaluation** - As part of the overall plan, budgets serve as a tool for measuring the agency's success in acquiring and utilizing resources. The ability to remain within budget is an indication of effective and efficient planning and resource management.
- 4. Fundraising** - Finally, the budget is the financial component of proposals submitted to grantmakers, it explains, in financial terms, how the funds given by the grantmaker will be used to successfully carry out the proposed program. The funder will use budget and evaluation tools to determine the agency's success in meeting the stated program objectives.

#### **Budgeting Process**

Budgeting is an integral part of an organization's annual and strategic planning process. The development of budgets can only take place after an organization has determined its program objectives through the planning process.

*Planning* involves the board reviewing the agency's history and mission, assessing strengths and weakness, identifying opportunities and threats and exploring and visioning the organization's future. After completing the planning process the board has the information to establish organizational and project objectives and set service priorities and levels. Staff acts as program consultants during the planning process. Their knowledge and experience working directly with clients and the community as well as their knowledge of funding sources and opportunities lends strength and credibility to the planning process.

Following the board's approval of goals and direction the leadership program committees (working with staff) projects the costs, identifies possible income sources and explores the funding required to meet the board proposed goals as established in the plan.

Program budgets are submitted to the board finance and fundraising committee (usually with assistance from the agency's financial and fundraising staff) to be compiled into an organizational budget. It is important that members of the **board of directors** understand and recognize that **board approval commits the board** to specific quantity and quality of service. Board members are responsible for **assuring the organization has the resources – both financial and human – to provide** that level of service.

**A final note:** Budgeting and accounting are two unique and different activities. Budgeting is primarily a planning tool and accounting is a management and reporting activity.

***If you don't have budget and service numbers  
attached to your strategic plans ...  
you only have Strategic Dreams!***

***Keep in mind that reviewers have calculators  
and know how to use them.***

## Caring Community Organization – Proposed Budget

<u>Expected Income</u>	<u>Cash</u>	<u>In-kind</u>	<u>Total</u>
Government	\$24,750.00		\$24,750.00
Foundation	\$30,000.00		\$30,000.00
Individuals	\$67,000.00		\$67,000.00
Corporations	\$9,000.00		\$9,000.00
Special Event (net)	\$23,000.00		
Memberships	\$32,000.00		\$32,000.00
Fees	\$49,500.00		\$49,500.00
Donations In-Kind	\$0.00	\$175,000.00	
City Contracts	\$12,589.00		\$12,589.00
State Contracts	\$17,411.00		\$17,411.00
Endowment Revenue	\$16,150.00		\$16,150.00
Interest	\$1,850.00		\$1,850.00
Gift Shop Sales	\$11,650.00		\$11,650.00
Total Income	\$294,900.00	\$175,000.00	\$469,900.00
 <b><u>Projected Income</u></b>			
Salaries + Benefits	\$195,000.00		\$195,000.00
Volunteer Time	\$0.00	\$124,000.00	\$124,000.00
Audits	\$4,800.00		\$4,800.00
Consultants	\$10,500.00		\$10,500.00
Occupancy	\$25,000.00		\$25,000.00
Utilities	\$4,300.00		\$4,300.00
Insurance	\$16,000.00		\$16,000.00
Supplies	\$2,000.00		\$2,000.00
In-Kind Supplies	\$0.00	\$6,000.00	\$6,000.00
Postage	\$3,200.00		\$3,200.00
Equipment	\$500.00		\$500.00
Equipment Maintenance	\$500.00		\$500.00
In-Kind Equipment	\$0.00	\$4,000.00	\$4,000.00
Travel	\$500.00		\$500.00
Telephone	\$2,500.00		\$2,500.00
Technology & Electronic Comm.	\$2,000.00		\$2,000.00
Printing	\$2,500.00		\$2,500.00
In-Kind Printing	\$0.00	\$6,000.00	\$6,000.00
Meetings and Conferences	\$6,000.00		\$6,000.00
Volunteer & Staff Training	\$6,000.00		\$6,000.00
Books/Publications	\$225.00		\$225.00
Advertising	\$500.00		\$500.00
Van	\$0.00	\$35,000.00	\$35,000.00
Gas & Maintenance	\$5,500.00		\$5,500.00
Auto Insurance	\$6,000.00		\$6,000.00
<b>Total Expenses</b>	<b>\$293,525.00</b>	<b>\$175,000.00</b>	<b>\$468,525.00</b>
<b>Total Excess</b>	<b>\$1,375.00</b>		<b>\$1,375.00</b>

## Caring Community Organization – Proposed Budget

<u>Expected Income</u>	<u>Total</u>	<u>Program A</u>	<u>Program B</u>	<u>Program C</u>
Government	\$24,750.00	\$14,000.00	\$10,000.00	\$750.00
Foundation	\$30,000.00	\$1,000.00	\$25,000.00	\$4,000.00
Individuals	\$67,000.00	\$7,000.00	\$0.00	\$60,000.00
Corporations	\$9,000.00	\$0.00	\$9,000.00	\$0.00
Memberships	\$32,000.00	\$32,000.00	\$0.00	\$0.00
Fees	\$49,500.00	\$0.00	\$49,500.00	\$0.00
Donations In-Kind	\$175,000.00	\$25,000.00	\$56,000.00	\$94,000.00
City Contracts	\$12,589.00	\$0.00	\$12,589.00	\$0.00
State Contracts	\$17,411.00	\$17,411.00	\$0.00	\$0.00
Endowment Revenue	\$16,150.00	\$4,000.00	\$2,000.00	\$10,150.00
Interest	\$1,850.00	\$0.00	\$0.00	\$1,850.00
Gift Shop Sales	\$11,650.00	\$11,650.00	\$0.00	\$0.00
<b>Total Income</b>	<b>\$446,900.00</b>	<b>\$112,061.00</b>	<b>\$164,089.00</b>	<b>\$170,750.00</b>
<b><u>Projected Income</u></b>				
Salaries + Benefits	\$185,000.00	\$60,000.00	\$85,000.00	\$40,000.00
Volunteer Time	\$124,000.00	\$50,000.00	\$74,000.00	\$0.00
Audits	\$4,800.00	\$1,600.00	\$2,000.00	\$1,200.00
Consultants	\$1,500.00	\$0.00	\$0.00	\$1,500.00
Occupancy	\$25,000.00	\$5,000.00	\$17,000.00	\$3,000.00
Utilities	\$4,300.00	\$1,100.00	\$2,200.00	\$1,000.00
Insurance	\$15,000.00	\$2,000.00	\$10,000.00	\$3,000.00
Supplies	\$2,000.00	\$100.00	\$500.00	\$1,400.00
In-Kind Supplies	\$6,000.00	\$5,000.00	\$500.00	\$500.00
Postage	\$3,200.00	\$100.00	\$1,900.00	\$1,200.00
Equipment	\$500.00	\$0.00	\$500.00	\$0.00
Equipment Maintenance	\$500.00	\$0.00	\$400.00	\$100.00
In-Kind Equipment	\$4,000.00	\$0.00	\$3,000.00	\$1,000.00
Travel	\$500.00	\$125.00	\$175.00	\$200.00
Telephone	\$500.00	\$200.00	\$250.00	\$50.00
Technology & Electronic Comm.	\$2,000.00	\$500.00	\$750.00	\$750.00
Printing	\$2,500.00	\$1,200.00	\$0.00	\$1,300.00
In-Kind Printing	\$6,000.00	\$3,000.00	\$1,000.00	\$2,000.00
Meetings and Conferences	\$5,000.00	\$100.00	\$4,000.00	\$900.00
Volunteer & Staff Training	\$6,000.00	\$1,500.00	\$1,000.00	\$3,500.00
Books/Publications	\$225.00	\$25.00	\$0.00	\$200.00
Advertising	\$500.00	\$0.00	\$500.00	\$0.00
Van	\$34,000.00	\$0.00	\$34,000.00	\$0.00
Gas & Maintenance	\$5,500.00	\$0.00	\$5,500.00	\$0.00
Auto Insurance	\$6,000.00	\$0.00	\$6,000.00	\$0.00
<b>Total Expenses</b>	<b>\$444,525.00</b>	<b>\$131,550.00</b>	<b>\$250,175.00</b>	<b>\$62,800.00</b>
<b>Total Excess</b>	<b>\$2,375.00</b>	<b>-\$19,489.00</b>	<b>-\$86,086.00</b>	<b>\$107,950.00</b>