



Top 6

Reasons for Nonprofits to Budget

Table Of Contents

Click on a Topic to JUMP to it!

Who Will Benefit From This eBook?	2
Introduction	3
Why Your Nonprofit Needs A Budget	4
Building A Budget By Committee	6
When Should The Budget Process Start?	7
Do You Need More Than One Budget?	8
Nine Budget Building Best Practices	9
Credits	10
Appendix: Further Resources	11

Who will benefit from this eBook?

This eBook is intended for board members, executives and leaders, bookkeepers, office managers, or anyone else responsible for the integrity of their organization and the financial systems that are used for organizations.



Introduction

Planning a budget is rarely at the top of the popularity list when it comes to running a nonprofit. While every organization works with budgets every day, they can still be easily overlooked.

The ideal nonprofit budget prioritizes the organization's goals and maintains both its financial flexibility and sustainability.

This ebook looks at the whys and hows of building a budget that fits your organization's needs.



Why You Need a Budget

4 Building Blocks



A budget is your nonprofit's financial guideline. It allows your organization to plan its financial future and chart a course for the next month, quarter, or year. As time goes on, management can use budget reports to see if income and spending are on track. If they are not, the management team can make decisions on what adjustments are necessary.

A budget helps guard against financial risks. Your organization should review its financial statements and check the numbers against the budget at least once a month. If the numbers don't match up, it could be a sign of fraud and indicate something needs to be reviewed.

A budget helps secure funding. While for-profit businesses may concentrate on making money, nonprofits are focused on achieving results. Government

agencies, educational institutions, or corporate donors are not going to give your nonprofit organization funding without checking the budget first. Even the smallest donors want to know how their money is going to be spent, and a simplified version of the information in the budget is the perfect demonstration tool.

A budget helps your nonprofit grow. Many nonprofits invest

Information About

FRAUD

Non Profits
aren't immune.
Typical harm can
go on for years

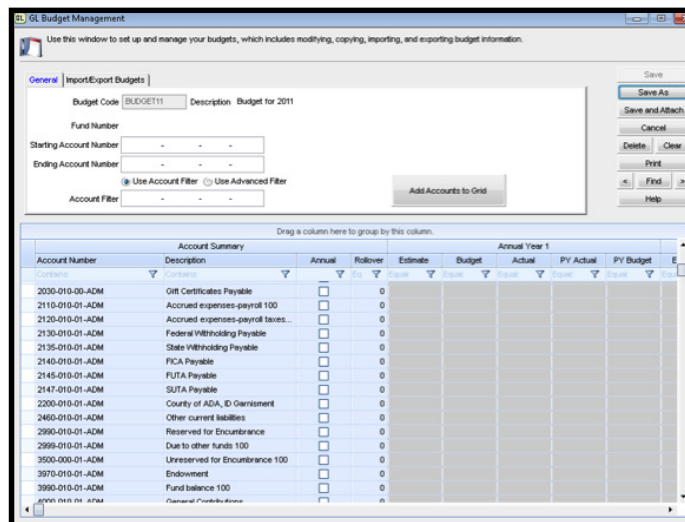
much of their income back into their services. When it's time for a major expense such as buying property, doing renovations, or adding a fleet of vehicles, a loan may be necessary. Financial institutions will want to check your organization's budget to verify its revenue and make sure it can repay the money. A well-prepared budget can help your organization get the money it needs at a reasonable interest rate.

DETAIL BOX

How Denali can help you build your budget

Denali Fund is built for non-profits. We understand that non-profits are not convenience stores or lawn care services. You need a budgeting tool built for the special needs of your organization.

Denali can walk you through the creation of your Chart of Accounts. After you enter your accounts into General Ledger, you can use the **General** tab of the **GL Budget Management** window to create or update budgets. The options in this window allow you to enter and adjust the actual and estimated budget amounts for general ledger accounts. You can assign one or all of your accounts to a Budget Code, and when you update a Budget Code, any accounts attached to the code will reflect the changes you make.



Visit our in-depth web help documentation for more information about building a budget in Denali.

[Budget Reports Help](#)

Click Here!

Building a Budget by Committee

In many nonprofits, the budget is created by a group of volunteers called the budget committee.

The ideal budget committee member is someone who:

- Is familiar with the process of budgeting, either on a personal or business level.
- Wants the best for the nonprofit as a whole and is not partial to a particular project or service.
- Already has information about the organization's finances from the previous year.

The budget committee has these tasks:

- Identify and prioritize a list of objectives and goals for the budget period.
- Estimate the costs and resources required to reach each objective or goal.
- Estimate the amount of revenue the organization will bring in and identify revenue tied to specific dates.
- Compare the income and payment dates with the estimated costs.



- Develop a completed budget.
- Present the budget to the board of directors for approval.
- Make any requested revisions.

When Should the Budget Process Begin?

The process of building the budget should begin at least three months before the end of your organization's fiscal year.

Three months will give the budget committee- or the management team time to go over the numbers, create the budget proposal, hear the response from the board, and make changes if necessary.

An example of an essential deadline: suppose your nonprofit's fiscal year ends on June 30th, but the organization relies heavily on a yearly grant with a deadline of June 1st. In this case, it's best to start the budget process no later than March 1st.



Do you Need More than One Budget?

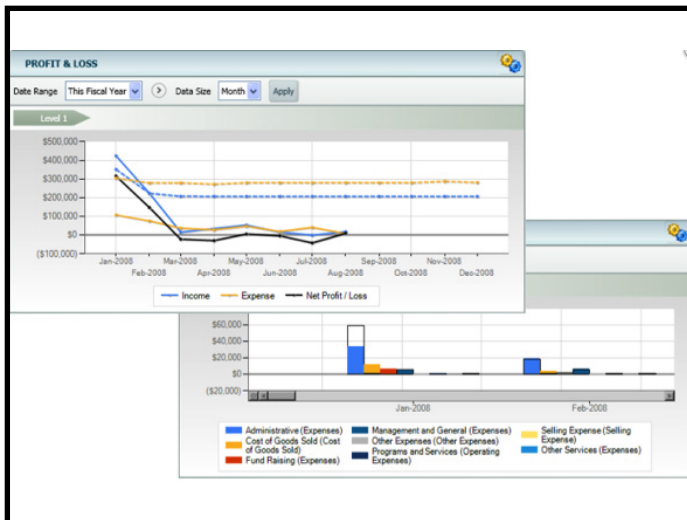
When the 2008 economic downturn hit, many nonprofits had to tighten their belts. If your nonprofit depends heavily on sources of funding that vary depending on economic conditions such as individual donations or interest earned on financial assets, your budget committee should prepare two separate budgets.

- A baseline budget that uses data about past revenue and spending as a basis for projections about the future. This budget should use the most realistic possible numbers for both revenue and expenses.
 - A "low revenue" budget based on reduced funding. This version needs to include the criteria for switching from the baseline budget, what the process is and where spending cuts should be made if necessary.
- Two budgets allows your organization to anticipate management decisions.

DETAIL BOX

How Denali can help you manage your budgets

Denali has all the tools you need to manage your budget once it is built. From routine data entry updates to a comprehensive reporting dashboard we help you get the most of your budget and keep you on track.



Demonstration Account Organization (DMOFUN) Budget Revenue & Expense Report				
8/31/2011 3:30:50 PM	10/1/2010 to 11/30/2011			Page 1
100 - General Fund	Actual Current	Actual YTD	Budget YTD	Variance YTD
Operating Revenue				
General Contributions	(4,500.00)	(4,500.00)	243,249.95	247,749.95
Special fundraising events	5,500.00	5,500.00	8,000.00	2,500.00
Donated works of art and similar assets	3,480.00	3,480.00	42.00	(3,438.00)
Sales to public/program related inventor	4,500.00	4,500.00	14,583.33	10,083.33
Total Operating Revenue	\$8,980.00	\$8,980.00	\$265,875.28	\$256,895.28
Revenue Adjustment				
Sales Discount	(8,980.00)	(8,980.00)	(1,166.67)	7,813.33
Total Revenue Adjustment	(\$8,980.00)	(\$8,980.00)	(\$1,166.67)	\$7,813.33
Total Revenue	\$0.00	\$0.00	\$264,708.61	\$264,708.61

Visit our in-depth web help documentation for more information about building a budget in Denali.

[Budget Reports Help](#)

← **Click Here!**

Nine Budget Building Best Practices

- 1** Your budget committee should base the budget on dependable revenue and use realistic fundraising expectations. Using variable revenue or being too optimistic on fundraiser results could set your organization up for a budget shortfall.
- 2** Understand the amount of resources and costs required for conditional or restricted funding, such as grants. A small nonprofit may end up spending more money than they take in just to meet the requirements.
- 3** Some restricted funds only become available on specific dates, such as an operations grant that renews every three months. Make sure the budget takes these dates into account.
- 4** Many grants and awards have restrictions on what your organization can use them for. The organization is legally bound to follow these restrictions. Do not budget this money for anything other than the specific purposes for which it was intended. A donor can legally require the organization to repay the money if the conditions are not met.
- 5** Make sure your organization's expenses are lower than its reliable revenue, and do not count on emergency fundraising to cover revenue gaps.
- 6** Use the budget to identify areas of risk. If your organization is dependent on a single donor or fundraiser for a large part of its revenue, it may need to diversify its funding sources. For example, what if your major donor has a bad financial year or decides they want to shift their spending and donate to another cause instead?
- 7** Don't neglect your organization's operations, personnel, or infrastructure. Many nonprofits spend so much of their revenue on programs and services that lack of investment in their own resources hurts their ability to serve their cause.
- 8** The person presenting the budget proposal should provide explanations for the figures in plain English when giving it to the board. Remember, some board members may not have a financial background.
- 9** The budget should be easy to understand. Use your accounting software to provide documentation and notes, and format the data for easy reading.



Credits

Cougar Mountain Software

Cougar Mountain Software was founded in 1982 with a vision to develop powerful business accounting, nonprofit accounting, and point of sale software solutions. [Our 30 years of success](#) comes from two key practices; (1) employing in-house accounting and business professionals for our sales, support, training, and development teams, and (2) listening to our clients. These two practices make our accounting solutions unique to competitors who outsource their support and build fixed and un-scalable solutions to meet the general needs of the masses.

www.cougarmtn.com

[Cougar Mountain Payroll Site](#)

[Cougar Mountain Business Site](#)

[Cougar Mountain Non Profit Site](#)

[Cougar Mountain Retail Site](#)



Cougar Mountain Software
7180 Potomac Dr.
Boise, ID 83704
Phone: **208.375.4455**
Fax: **208.375.4460**

Visit Us Online



Appendix: Further Resources

Blog Resources

[Cougar Mountain Nonprofit Blog](#)

Customer Service Documentation System Web Resources.

[CPA Practice Advisor review of Denali Fund](#)

[Documentation about setting up your budget](#)

[Importing and exporting budgets](#)

[Budget Data in Cougar Details](#)

[Budget reports](#)

[Creating Advanced report groups](#)

[Setting up budgets using Denali Nonprofit Software](#)

[Viewing budgets using Denali Nonprofit Dashboards](#)

[How to import and export budgets to csv or xml file formats](#)

Copyright © 2013-2015 Cougar Mountain Software

