



A FIVE-STEP GUIDE TO BUDGET DEVELOPMENT



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Financial Resilience





“

*At its core, financial
management is about the
allocation of resources.*

It is not neutral.

We make choices.

”

HILDA POLANCO
Market Managing Principal, BDO



Budget Development: A 5-Step Process



1. Assemble a
Budgeting
Team



2. Create a
Budget
Calendar



3. Prepare
for Budget
Process



4. Build the
Budget



5. Monitor
the Budget



Budget Development: A 5-Step Process



1. Assemble a
Budgeting
Team



Step 1: The Budget Team

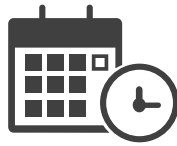




Budget Development: A 5-Step Process



1. Assemble a
Budgeting
Team



2. Create a
Budget
Calendar

Step 2: Budget Calendar

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Fiscal Year End: June 30	January	February	March	April	May	June
Prepare mid-year budget revision for current fiscal year based on actual results for first and second quarters						
Obtain Finance/Audit committee approval of mid-year budget revision for current fiscal year (if applicable)						
Begin next fiscal year budget process; identify Budget Director and timetable; gather information necessary to develop expense and revenue budget						
Assemble draft budget for next fiscal year, incorporating fiscal and program personnel						
Review draft budget with senior management; incorporate comments and recommendations						
Circulate draft budget and budget narrative to Finance/Audit Committee; incorporate comments and recommendations						
Send budget package to Board of Directors; Board meets to approve budget for next fiscal year						
Update cash flow templates for coming 12-month period and present to board as part of budget package						
Incorporate next fiscal year's board-approved budget into organization's accounting system						



Budget Development: A 5-Step Process



1. Assemble a
Budgeting
Team



2. Create a
Budget
Calendar



3. Prepare
for Budget
Process



Step 3: Prepare for the Budget Process



Set financial goals



Gather data and build budget template



Forecast current year results



Conduct team kickoff meeting



Budget Development: A 5-Step Process



1. Assemble a
Budgeting
Team



2. Create a
Budget
Calendar



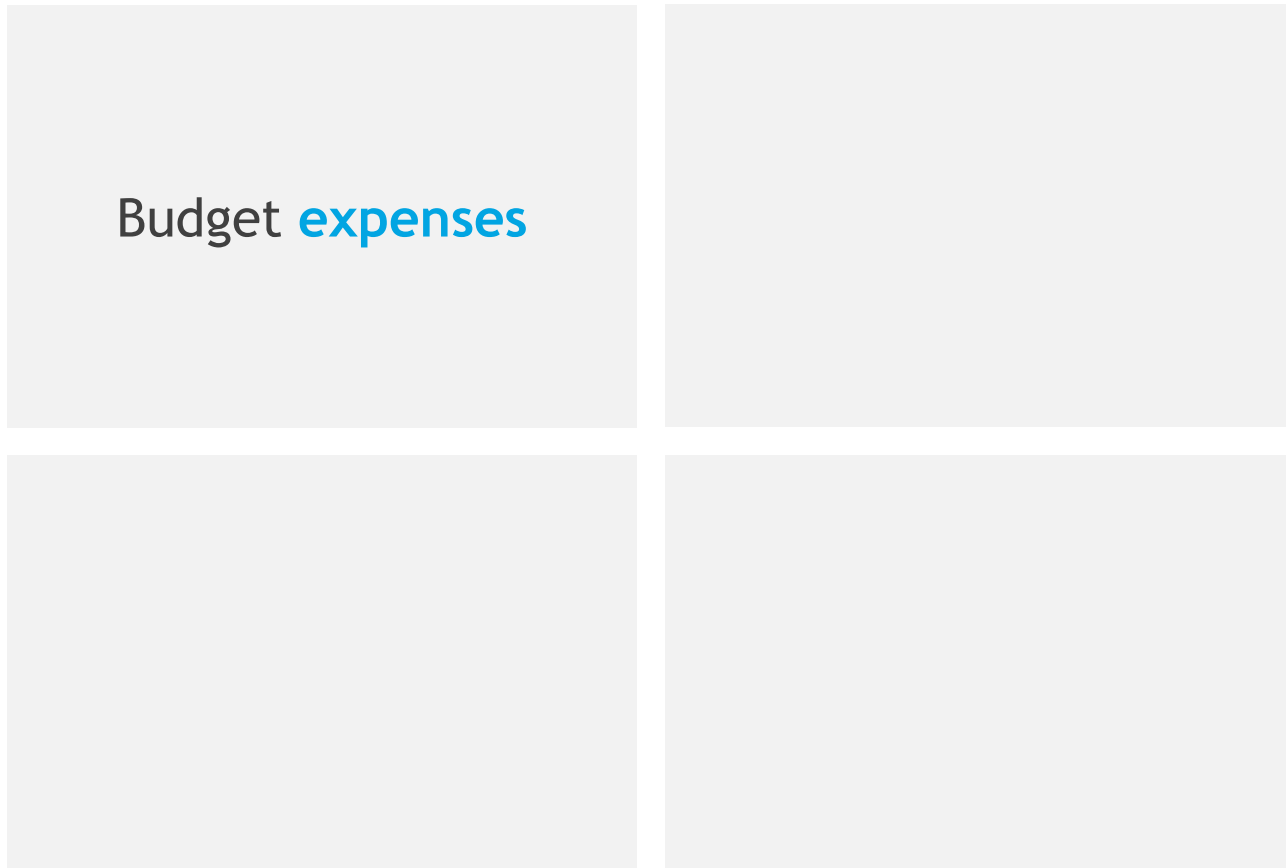
3. Prepare
for Budget
Process



4. Build the
Budget



Step 4: Building the Budget





Identifying Expense Categories



Nonprofit Budget Template

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Position or Expense Category	% of full time	Budget	Program 1	Program 2	Program 3	Program 4	Program 5	Program 6	Program 7	Administration	Fundraising	Total
PERSONNEL												
Full Time												
Enter Fringe Rate for FT Staff Here:			%	%	%	%	%	%	%	%	%	
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
	100%	\$ -										0%
Total Full Time Salaries/Wages		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
Total Full Time Fringe		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
Part Time												
Enter Fringe Rate for PT Staff Here:			%	%	%	%	%	%	%	%	%	
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
		\$ -										0%
Total Part Time Salaries/Wages		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
Total Part Time Fringe		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
TOTAL SALARIES/WAGES		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	



Step 4: Building the Budget

Budget **expenses**

Budget **revenues** and
plan **alternate
scenarios**

Revenue Analysis Worksheet

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Revenue Analysis Worksheet

Program/ Department/ Function	Funding Source	Total Possible Revenues (Current Year Portion only)	Likelihood of Receipt (%)	Revenue Scenarios			Notes	
				Best Case	Moderate Case	Worst Case		
<i>Pre-Kindergarten Program</i>	Government Contract A	\$ 275,000	100%	275,000	275,000	275,000		
	Government Contract B	\$ 75,000	75%	75,000	75,000			
	Grant from Foundation A	\$ 40,000	50%	40,000				
	VARIABLE: Earned program revenue	\$ 75,000	n/a	75,000	60,000	45,000		
	VARIABLE:			-	-	-		
FY Expense Budget for Pre-Kindergarten Program	\$ 400,000			Revenue Subtotal	\$465,000	\$410,000	\$320,000	
				Expense Budget	\$400,000	\$400,000	\$400,000	
				Surplus /Deficit	\$65,000	\$10,000	(\$80,000)	
<i>After-School Program</i>	Grant from foundation B	\$ 100,000	75%	100,000	100,000			
	Grant from foundation C	\$ 35,000	50%	35,000				
	VARIABLE: Participant fees	\$ 20,000	n/a	20,000	16,000	12,000		
	VARIABLE:			-	-	-		
	FY Expense Budget for After-School Program	\$ 150,000			Revenue Subtotal	\$155,000	\$116,000	\$12,000
				Expense Budget	\$150,000	\$150,000	\$150,000	
				Surplus /Deficit	\$5,000	(\$34,000)	(\$138,000)	
	Foundation X general operating support grant	\$ 50,000	75%	50,000	50,000			



Step 4: Building the Budget

Budget **expenses**

Budget **revenues** and
plan **alternate
scenarios**

Forecast **cash flow**



Cash Flow Projection Template

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	Prior Year Carryover	Current Yr Budget	Spread Evenly?	Jan	Feb	Mar	Apr	May	Jun	Jul
CASH RECEIPTS										
<i>Contributions & Support</i>										
Foundations										
Corporations										
Individual contributions [additional line item]										
<i>Government Contracts</i>										
Federal										
State/Local [additional line item]										
<i>Other Revenue</i>										
Investment income										
Program service fees										
Special events										
Miscellaneous										
<i>Prior Year Receivables</i>										
Foundation grants receivable										
Collection of other receivables										
Total Cash Receipts	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH DISBURSEMENTS										
<i>Personnel</i>										
Salaries & wages										
Payroll taxes										
Medical benefits										
Pension contributions										
Other (e.g. workers' comp, disability)										



Step 4: Building the Budget

Budget **expenses**

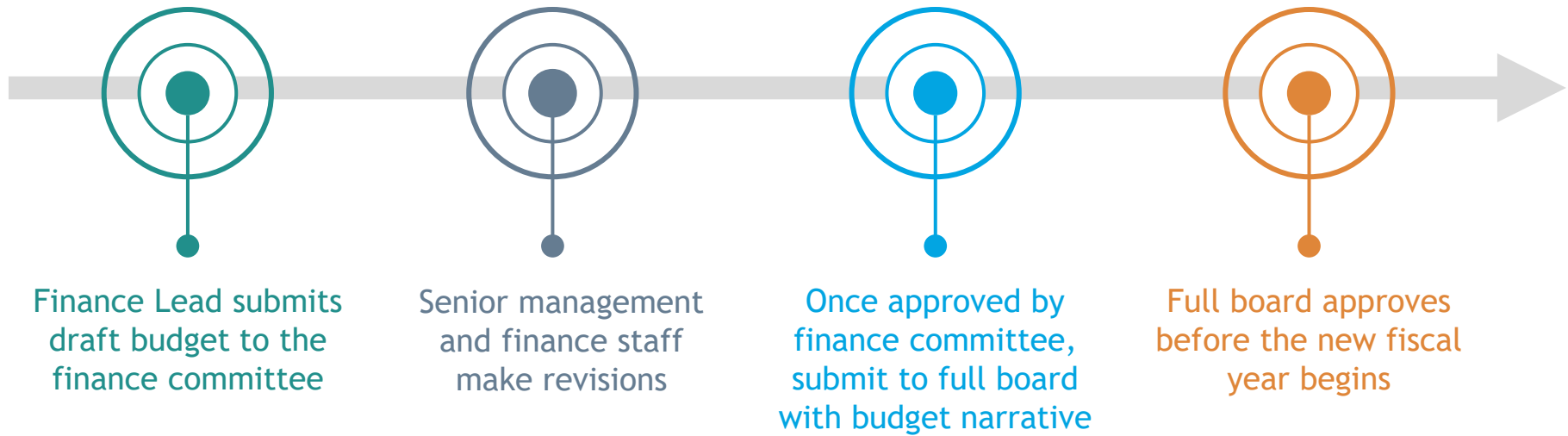
Budget **revenues** and
plan **alternate
scenarios**

Forecast **cash flow**

Secure **board approval**



Secure Board Approval



Once the budget is approved, the Finance Lead conducts an information session to orient managers to the overall organizational picture and to their budget for the year.



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the Budget

Financial Reports: Staff

A good starting point

MONTHLY

PROGRAM & OPERATIONS MANAGERS*

- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for the program(s) or function(s) and grants/contracts they oversee

EXECUTIVE TEAM**

- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
 - a) Accounts Receivable Aging
 - b) Accounts Payable Aging
 - c) Components of Net Assets with Donor Restriction ★
- ▶ Cash Flow Projection ★
- ▶ Year-end Forecast ★

*Includes Development, HR, IT, and other department managers, as applicable

**For small organizations, only the ED/CEO would receive this package of reports

★ Tool available on strongnonprofits.org



Financial Reports: Board

A good starting point

MONTHLY*

FINANCE COMMITTEE

- ▶ Management Narrative
- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
 - a) Accounts Receivable Aging
 - b) Accounts Payable Aging
 - c) Components of Net Assets with Donor Restriction ★
- ▶ Cash Flow Projection ★
- ▶ Year-end Forecast ★

QUARTERLY

FULL BOARD OF DIRECTORS

- ▶ Management Narrative
- ▶ Performance Dashboard
- ▶ Budget-to-Actual Revenue & Expenses for
 - a) each program
 - b) organization-wide
- ▶ Balance Sheet
- ▶ Year-end Forecast ★

*Larger organizations may opt to only provide reports to the Finance Committee on a quarterly basis

★ Tool available on strongnonprofits.org

Resources

STRONGNONPROFITS.ORG

Fiscal Year End September 30	April	May	June	July	August	September
Prepare mid-year budget revision for current fiscal year based on actual results for first and second quarters.						
Obtain Financial Audit committee approval of mid-year budget revision for current fiscal year (if applicable)						
Begin next fiscal year budget process; identify Budget Director and identifiable partner information necessary to develop expense and revenue budget						
Assemble draft budget for next fiscal year, incorporating fiscal and program personnel						
Review draft budget with senior management; incorporate comments and recommendations						
Circulate draft budget and budget narrative to Financial Audit Committee; incorporate comments and recommendations						
Send budget package to Board of Directors; Board meets to approve budget for next fiscal year						
Update cash flow templates for coming 12-month period and present to Board as part of budget package						
Incorporate next fiscal year's board-approved budget into organization's accounting system						

Funding Source	Total Revenue (Current Year Numbers only)	Percentage of Budget (%)	Revised Scenario		
			Best Case	Midrange Case	Worst Case
Int. Contract A	\$ 275,000	100%	275,000	275,000	275,000
Int. Contract B	\$ 75,000	75%	75,000	75,000	75,000
Foundation A	\$ 40,000	50%	40,000	40,000	40,000
Event program revenues	\$ 75,000	n/a	75,000	60,000	45,000
TOTAL			Revenue Total/Net	\$445,000	\$445,000
			Expense Budget	\$445,000	\$445,000
			Surplus/Deficit	\$10,000	(\$10,000)
Foundation B	\$ 100,000	75%	100,000	75,000	50,000
Foundation C	\$ 20,000	50%	20,000	20,000	20,000
Participant Fee	\$ 20,000	n/a	20,000	15,000	10,000

Fiscal Management Activities Calendar

MA		Enter data into yellow cells only									
Yr	% of Total	Budget	Program 1	Program 2	Program 3	Program 4	Program 5	Program 6	Program 7	Administrative	%
2019	100%	\$									
2020	100%	\$									
2021	100%	\$									
2022	100%	\$									
2023	100%	\$									
2024	100%	\$									
2025	100%	\$									
2026	100%	\$									
2027	100%	\$									
2028	100%	\$									
2029	100%	\$									
2030	100%	\$									

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CASH RECEIPTS												
Contributions & Support												
Foundations												
Corporations												
Individual contributions												
Government Contracts												
State/Local												
Other Revenue												
Investment Income												
Program service fees												
Special events												
Miscellaneous												
Prior year allocations												
Foundation grants/receivable												
Collection of other receivables												
Total Cash Receipts												
CASH OPERATING EXPENSES												
Personnel												
Salaries & wages												
Payroll taxes												
Benefits												

Nonprofit Budget Template

Cash Projection Template

About BDO USA

At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

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