

TINY

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Budgeting and forecasting for small nonprofits

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[Origin story]

The Past Problem

Financial reports are great

**Financial reports are great
at showing us what has already happened**

But the past

**But the past
has already passed**

[pause for pun appreciation]

[still pausing]

3 ways financials can help us see the future

3 ways financials can help us see the future

Budgets

3 ways financials can help us see the future

Budgets
Cash flow

3 ways financials can help us see the future

Budgets

Cash flow

Pro forma and ad hoc financials

Review

Cash
Assets
Liabilities
Income / Revenue
Expenses
Net assets

Balance Sheet

(also called *Statement of Financial Position*)

Balance Sheet

(as of a specific date)

Assets

=

Liabilities

+

Net assets

Balance Sheet

as of June 30, 2018

Cash	\$500
<u>Furniture</u>	<u>200</u>
Total Assets	\$700
Debt	\$200
Net Income	300
<u>Net Assets</u>	<u>200</u>
Total Liab and Net Assets	\$700

Income Statement

(also called *Statement of Financial Activities*)

Income Statement

(start date through end date)

Revenues

-

Expenses

=

Change in Net Assets

Income Statement

July 1, 2017 – June 30, 2018

Grants	\$900
<u>Membership Dues</u>	<u>400</u>
Total Revenues	\$1,300
Consultant Fees	\$700
Rent	300
<u>Total Expenses</u>	<u>\$1,000</u>
Net Income	\$300

Some wrenches:

Class Financials

Cash vs Accrual

Restricted vs Unrestricted

Budgeting

Budgeting
is my favorite thing to talk about

[soap box]

Organizations that do big things

**Organizations that do big things
have big plans**

**A budget is just a numbers-y version
of a strategic plan**

**A budget is basically an income statement,
but completed backwards**

Budgeting Process

Budgeting Process

Take what you're planning to do

Budgeting Process

**Take what you're planning to do
Figure out how much that's going to cost**

Budgeting Process

Take what you're planning to do
Figure out how much that's going to cost
Figure out how you're going to pay for it

Integrated Budget

Integrated Budget

Total budget

=

Total of a series of smaller budgets

**Because it's too hard to think about
your whole organization all at once**

Setting up a budget

Setting up a budget

Take a blank income statement

Setting up a budget

**Take a blank income statement
add headers for future months**

Setting up a budget

**Take a blank income statement
add headers for future months
and set up a different sheet for each part of
your organization**

Setting up a budget

**Take a blank income statement
add headers for future months
and set up a different sheet for each part of
your organization
then add them all together**

Integrated nonprofit budget template

Some tips for budgeting

Start with what you know

Start with what you know

Recurring bills (cable, rent, etc)

Start with what you know

**The more you chip away at small expenses,
the more the big picture will become clear**

Get input from your team

Get input from your team

The folks closest to the action know the most

Separate payroll

**Separate payroll
if you have it**

Separate payroll

**Easier to share and distribute document
without any compliance worries**

Aspirational budgeting

Aspirational budgeting

**It's OK to include a few stretch goals
in your planning**

Aspirational budgeting

**Just don't make everything
contingent on them**

Budget revenue and expenses separately

Budget revenue and expenses separately

Because just writing down a revenue amount greater than expenses is cheating

Budget revenue and expenses separately

**Give as much thought to what you can raise
as you do to what you want to spend**

Budget revenue and expenses separately

**Then compare the amounts,
and adjust as necessary**

Revenues and expenses should balance

**Consider the audience and the purpose
when presenting budgets**

**Consider the audience and the purpose
when presenting budgets**

(org budget for board, grant budget, etc)

**Consider the audience and the purpose
when presenting budgets**

What do they need to see?

Budgeting is a lifestyle

Budgeting is a lifestyle

Budget, execute, measure, learn, repeat

Cash Flow

A cash flow projection

**A cash flow projection
is like a budget for your cash**

Instead of projecting income

**Instead of projecting income
it's a projection of ending cash balance**

Sources and uses method

Sources and uses method

Cash in - cash out = change in cash

Sources and uses method

Old cash balance + change = new balance

Nonprofit cash flow template

Some tips for cash flow projections

**Start with numbers from your budget,
and adjust for collection estimates**

**If you're using cash basis accounting,
then these will be the same starting point**

**Cash flow can be updated all the time
as you get new information**

**Cash flow can be updated all the time
as you get new information**

Budgets should be updated sparingly

Be conservative in projecting cash

Be conservative in projecting cash

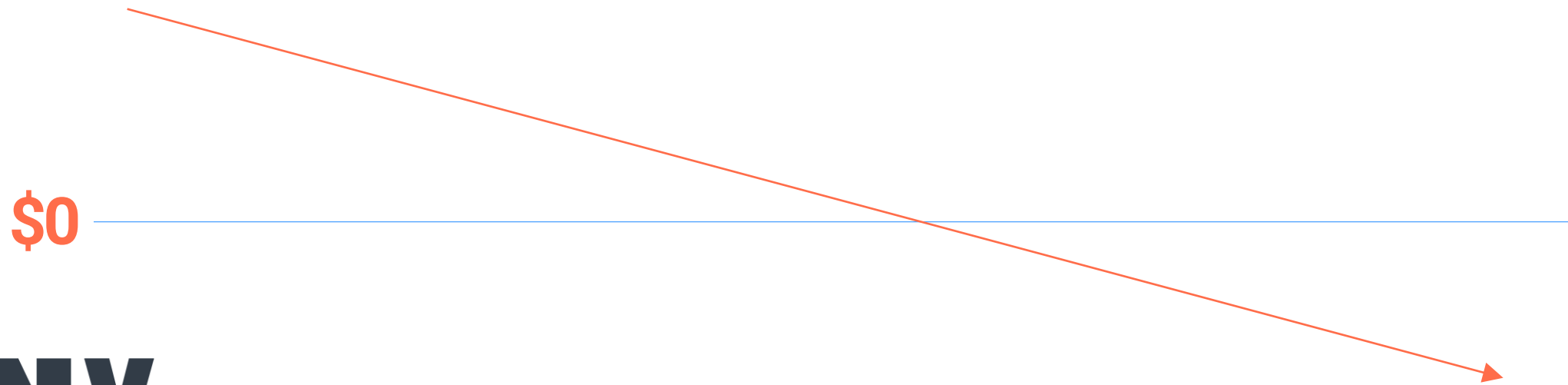
**Missing cash forecasts can be more
problematic than missing a budget**

**Use average monthly expenses as a metric
for your organization**

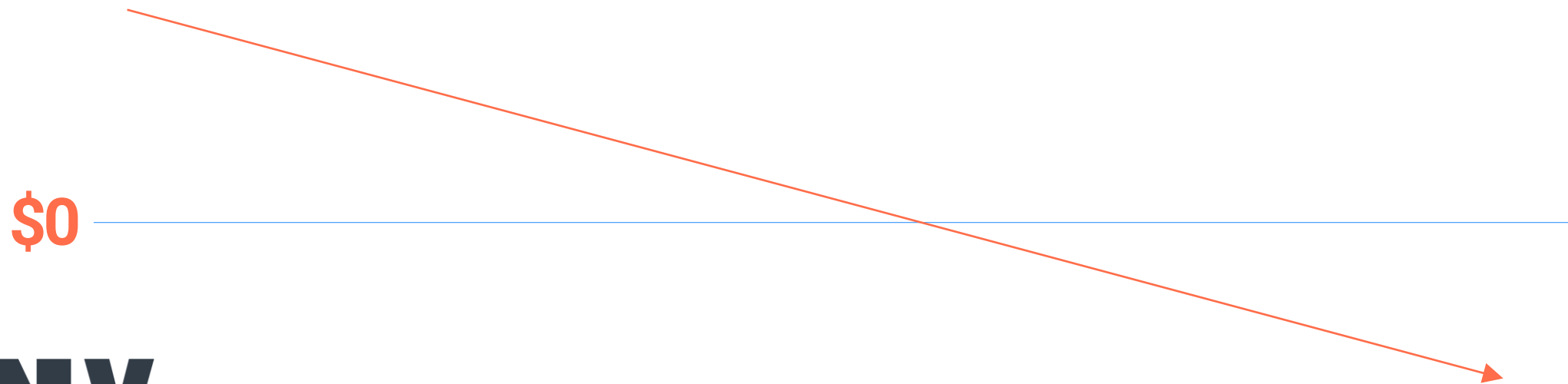
**Use average monthly expenses as a metric
for your organization
= monthly burn**

**Use average monthly expenses as a metric
for your organization
= monthly burn
(cool kid financial term)**

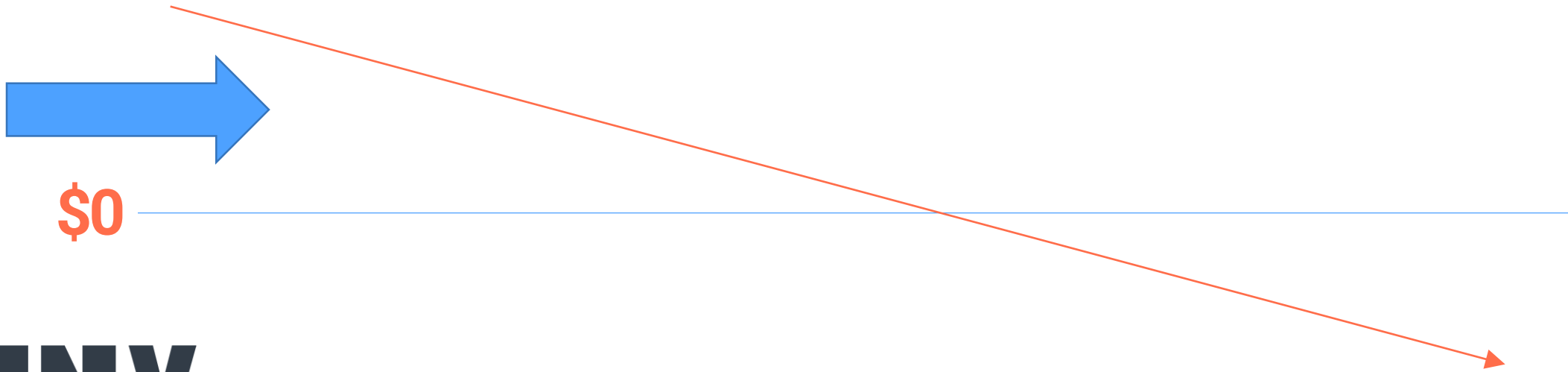
**If you project out far enough,
cash projections almost always look like this**



**Because recurring expenses will continue
past your ability to project revenue**



Your goal is to manage when this happens



Next Level

**Next Level:
Pro formas and ad hoc reports**

[Latin]

Pro forma = for forma

Ad hoc = to hoc

**Quick projections done for a specific
purpose**

**Use the principles of budgeting
to make quick estimates on the fly**

**Great for considering new programs
or other possible future scenarios**

How

TINY
OPERA  HOUSE

Can Help

Webinars and workshops like this!

Templates and blog resources

Office hours and consultations

Small Nonprofits Doing Big Things

Facebook Forum

Tiny Opera House Forum

Tiny Opera House Platform

Tiny Opera House Platform

The easiest way to manage your finances

Questions?

Thank you!

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