



INTEGRALORG
Your mission is ours

Bringing Your Budget to Life

Board Leadership Lethbridge

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Agenda

- Introduction;
- Planning before creating a budget;
- Setting the stage – basic terminology;
- Different budget categories;
- Monitoring the budget and taking action;
- Identify good budgeting practices and budgeting pitfalls;
- Available resources to assist organizations in the budgeting processes.



Introduction

- Purpose of budgets;
- Creating the success environment.



Financial Stewardship

- Assuring sustainability:
 - That current spending programs are affordable and sustainable over time.
- Responsible planning and management of resources to meet the goals of the organization:
 - Board responsible for planning and monitoring and management of resources
 - Management's responsibility is to properly utilize and develop its resources, including its people, its property and its financial assets.

Expectations of Users of Financial Information

- Require financial information concerning:
 - Stewardship of funds:
 - Achievement of goals and objectives;
 - Financial stability;
 - Future plans and projections.



What Is a Budget?

- The budget is the financial plan of action based on the board's decisions for the future of the organization;

(Board Development 2009)

- Tool to monitor “how are we doing?” in relation to above.



Benefits of budgeting

- Can force organization to set priorities and goals;
- Assists in controlling expenses and timing of revenues;
- Budget process forces a deadline for planning;
- Helps with not being constantly reactive as budgets are proactive;
- Defines roles and responsibilities in policy;
- Monitoring helps insure funds available for all planned expenditures;
- Lets you know current state of finances and helps to control spending;
- Facilitates monitoring, evaluation and performance measurement;
- Budget can be used as a communication tool;
- Assigned responsibility of following budget.

Planning before creating a budget

- Link budget to organizational goals, plans, and activities;
- Articulate underlying assumptions of budget numbers;
- Use past history as a reference (actuals);
- Consider funders and programs from a budget perspective;
- People involved and project management of the budget process.

Planning Steps

- Gather budget information:
 - Ask for information and direction;
 - Obtain input from key stakeholders;
 - Link the budget to the organization's goals and priorities;
 - Be aware of budgeting policies and other financial policies;
 - Gather information from the prior period or periods.

(Board Development 2009)

Elements of a Useful Budget

- Thoughtfully prepared;
- Easily understood;
- Prepared in timely organized fashion;
- Prepared with input from committees & others;
- Can be broken down into same periods as financial statements;
- Compared to actual financial information prepared on a timely basis throughout year;
- Leads to discussion and action by management, board or committees if significant differences identified between budget and actual.

Budget Calendar 2018

| Timeline | Action | Person/Group Responsible |
|-----------------|--|---------------------------------|
| January | Review strategic plan/business plan Set goals and objectives for next year | |
| February | Re-evaluate previous programs and activities Set budget guidelines Ask for input from committees | |
| March | Input received from committees Collect necessary information | |
| April | Determine costs of goals and objectives Prepare revenues and expenses budget Adjust to produce balanced budget | |
| May | Board approves budget | Board |

Setting the stage – basic terminology

- Different types of budgets:
 - Operating:
 - Overall operational.
 - Capital:
 - Purchase of capital items;
 - Land & buildings;
 - Office furniture & equipment;
 - Program furniture & equipment.
 - Program;
 - Funder based.



Setting the stage – basic terminology

- Other considerations:
 - Cash flow – historical (past) and projections (future).
- Where does the cash come from?
- Where does it go?



| Example - Cash Flow Projection | | | | | | | | | | | | | |
|-------------------------------------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| September 1, 20x7 - August 31, 20x8 | | | | | | | | | | | | | |
| | Sept 20x7 | Oct 20x7 | Nov 20x7 | Dec 20x7 | Jan 20x8 | Feb 20x8 | Mar 30x8 | Apr 20x8 | May 20x8 | Jun 20x8 | Jul 20x8 | Aug 20x8 | Total |
| Beginning Cash | 30,000 | 24,400 | 6,200 | 7,100 | 4,500 | 17,300 | 14,200 | 11,100 | 34,400 | 58,800 | 43,700 | 56,500 | 30,000 |
| Estimated cash inflows | 60,000 | 40,000 | 45,000 | 60,000 | 70,000 | 70,000 | 70,000 | 80,000 | 80,000 | 55,000 | 65,000 | 55,000 | 750,000 |
| Total Available | 90,000 | 64,400 | 51,200 | 67,100 | 74,500 | 87,300 | 84,200 | 91,100 | 114,400 | 113,800 | 108,700 | 111,500 | 780,000 |
| Budgeted Expenses | 53,000 | 52,000 | 54,000 | 55,000 | 58,000 | 54,000 | 56,000 | 54,000 | 56,000 | 53,000 | 53,000 | 62,000 | 660,000 |
| Less: | | | | | | | | | | | | | |
| Noncash expenses | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 24,000 |
| Accrued expenses | 7,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 40,000 |
| | 44,000 | 47,000 | 49,000 | 50,000 | 53,000 | 49,000 | 51,000 | 49,000 | 51,000 | 48,000 | 48,000 | 57,000 | 596,000 |
| Current cash requirements | | | | | | | | | | | | | |
| Short term loans paid | | | | | | 20,000 | | | | | | | 20,000 |
| Loan instalment payments | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 6,000 |
| Staff bonuses paid | | | | | | | | 2,000 | | | | | 2,000 |
| Unbudgeted expenses | 600 | 700 | 600 | 600 | 700 | 600 | 600 | 700 | 600 | 600 | 700 | 600 | 7,600 |
| Accounts payable-paid | 2,000 | 7,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 39,000 |
| Capital assets purchased | 500 | 3,000 | 1,000 | 500 | | | | 1,500 | 500 | | | | 7,000 |
| Payments to related party | 18,000 | | | 18,000 | | | 18,000 | | | 18,000 | | | 72,000 |
| Total disbursements | 65,600 | 58,200 | 54,100 | 72,600 | 57,200 | 73,100 | 73,100 | 56,700 | 55,600 | 70,100 | 52,200 | 61,100 | 749,600 |
| Over (short) | 24,400 | 6,200 | (2,900) | (5,500) | 17,300 | 14,200 | 11,100 | 34,400 | 58,800 | 43,700 | 56,500 | 50,400 | 30,400 |
| Line of credit drawn | | | 10,000 | 10,000 | | | | | | | | | 20,000 |
| Ending cash | 24,400 | 6,200 | 7,100 | 4,500 | 17,300 | 14,200 | 11,100 | 34,400 | 58,800 | 43,700 | 56,500 | 50,400 | 50,400 |

Setting the stage – basic terminology

- Cash basis of accounting for transactions:
 - Recorded as income when received and recorded as expense when spent.
- Accrual basis:
 - Revenue recorded when earned or when used for pre-set purposes;
 - Expenses recorded when transaction occurred/invoiced.

Setting the stage – basic terminology

- Balance sheet:
 - Assets:
 - to be used in current or future operations;
 - property to be exchanged for goods and services;
 - Liabilities:
 - amount of assets that others own.
 - Net assets/fund balances:
 - what's left over once the liabilities are paid;
 - available for future use.
- Important budgeting considerations related to these statements.



Statement of Financial Position**As At March 31, 2017****ASSETS****Current**

Cash and cash equivalents

Temporary Investments

Accounts Receivable

Prepaid Expenses

Total Current Assets

Capital Assets (Net)

TOTAL ASSETS**LIABILITIES AND NET ASSETS/FUND BALANCES****Current Liabilities**

Accounts Payable and accrued liabilities

GST Payable

Total Current Liabilities

Deferred contributions related to operations

Deferred contributions related to property and equipment

TOTAL LIABILITIES**NET ASSETS/FUND BALANCES**

Invested in capital assets

Internally restricted

Unrestricted

TOTAL NET ASSETS/FUND BALANCES

Setting the stage – basic terminology

- Cash flow statement:
 - Where did the cash come from and where did it go;
 - May or may not match income statement.
- Income statement:
 - Revenue and expenses leading to net income that adds to net assets/fund balances.
- Important budgeting considerations related to these statements.

Setting the stage – basic terminology

- Deferred contributions:
 - Funds received that are externally restricted for specific purpose or timeline;
 - Contributor does not benefit, community does;
 - Examples - grants, government funding, donors;
 - Transfer of resources or assets to an NFP with nothing given in return.
- Deferred revenue:
 - Related to a future period;
 - Examples – membership fees paid in advance, theatre subscriptions.

Setting the stage – basic terminology

- Budgeting restricted/unrestricted funds (balance sheet) and adhering to funder restrictions:
 - Deferred items appear on the balance sheet and flow into revenue as expenses are incurred related to the restrictions (moves to revenue on income statement);
 - Amounts that apply to budget year should be part of the budget although related cash is already in assets
 - Unrestricted funds are recorded in the year received.

Different budget categories

- Revenue types:
 - Contributions:
 - Grants, donations, government funding.
 - Earned revenue:
 - Fees for service, social enterprises, ticket sales (not fundraising).
 - Fundraising;
 - Other:
 - Memberships;
 - Investments.



Different budget categories

- Possible expense categories:
 - Wages & benefits;
 - Program costs:
 - Supplies;
 - Transportation.
 - Rent;
 - Utilities;
 - Repairs & maintenance;
 - Insurance;
 - Professional fees;
 - IT costs;
 - Office costs.
- Fixed versus variable expenses;
- CRA reporting – registered charity versus non-registered.

Prepare the budget

- Use facts and document your assumptions;
- Facts plus assumptions equals projections;
- Allow yourself plenty of time to think things through;
- Forecast the revenues and compare to your estimated expenses;
- Follow the financial policies and budget guidelines of the organization;
- Identify fixed and variable costs;
- Be realistic.

Receive approval

- Finalize the budget and present to the board for approval;
- Be organized when presenting the budget and be prepared to answer questions;
- Make adjustments if new information comes to light during the presentation;
- Communicate the approved budget within the organization.

Budget monitoring

- Monitor and evaluate the approved budget:
 - Identify and review variances;
 - Determine reasons for significant variances;
 - Determine whether the organization is on track;
 - Review information monthly and be accountable;
 - Manage the budget and take corrective action if needed;
 - Begin preparing information for the next budget cycle.

Budget Monitoring

- Monthly or quarterly basis;
- Report budget versus actual;
- Match revenue and expenses;
- Report effects of new programs not in budget;
- Significant changes in the year;
- Dealing with variances:
 - Analyzing budget variances, and options for action.

| HOMPSON CENTRE PLAYERS | | | | | | |
|---|----------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| STATEMENT OF REVENUES AND EXPENSES WITH COMPARISON TO BUDGET | | | | | | |
| FOR THE MONTH OF AUGUST AND THE EIGHT MONTH PERIOD ENDING AUGUST 31, 2017 | | | | | | |
| | Actual | Budget | Variance | Actual | Budget | Variance |
| | Mo. to Date | Mo. to Date | | Yr. to Date | Yr. to Date | |
| RECEIPTS | | | | | | |
| Ticket Sales | - | - | - | 1,590 | 1,540 | 50 |
| Sponsorships | 5,000 | 4,500 | 500 | 12,400 | 11,500 | 900 |
| Casino | 500 | 417 | 83 | 3,500 | 3,336 | 164 |
| Grants | <u>10,000</u> | <u>10,000</u> | <u>-</u> | <u>25,000</u> | <u>15,000</u> | <u>10,000</u> |
| TOTAL RECEIPTS | 15,500 | 14,917 | 583 | 42,490 | 31,376 | 11,114 |
| EXPENSES | | | | | | |
| Administration | 245 | 250 | 5 | 1,830 | 2,000 | 170 |
| Office Supplies | 150 | 125 | -25 | 963 | 1,000 | 37 |
| Performance Equipment | 10,000 | 10,000 | - | 10,000 | 10,000 | - |
| Theatre Rent | - | - | - | 15,000 | 5,000 | -10,000 |
| Meetings | 200 | 300 | 100 | 1,375 | 2,400 | 1,025 |
| Promotion | 3,000 | 2,700 | -300 | 7,440 | 6,900 | -540 |
| TOTAL EXPENSES | <u>13,595</u> | <u>13,375</u> | <u>-220</u> | <u>36,608</u> | <u>27,300</u> | <u>-9,308</u> |
| EXCESS(DEFICIT) | <u>1,905</u> | <u>1,542</u> | <u>803</u> | <u>5,882</u> | <u>4,076</u> | <u>1,806</u> |

Identify good budgeting practices

- Bookkeeping approaches:
 - Keep chart of accounts reasonable;
 - Record transactions according to what is required for reporting financial statements:
 - Use the capabilities of your software.
 - Record in a timely fashion to provide timely reports;
 - Ensure budgets are entered into accounting system so that meaningful reports can be generated on a regular basis.
- Program reporting:
 - Understand what information is important to properly manage the program;
 - Be clear about what funders want to see in reports;
 - Use accounting system to make allocations if necessary.
- Funder reporting:
 - As above.

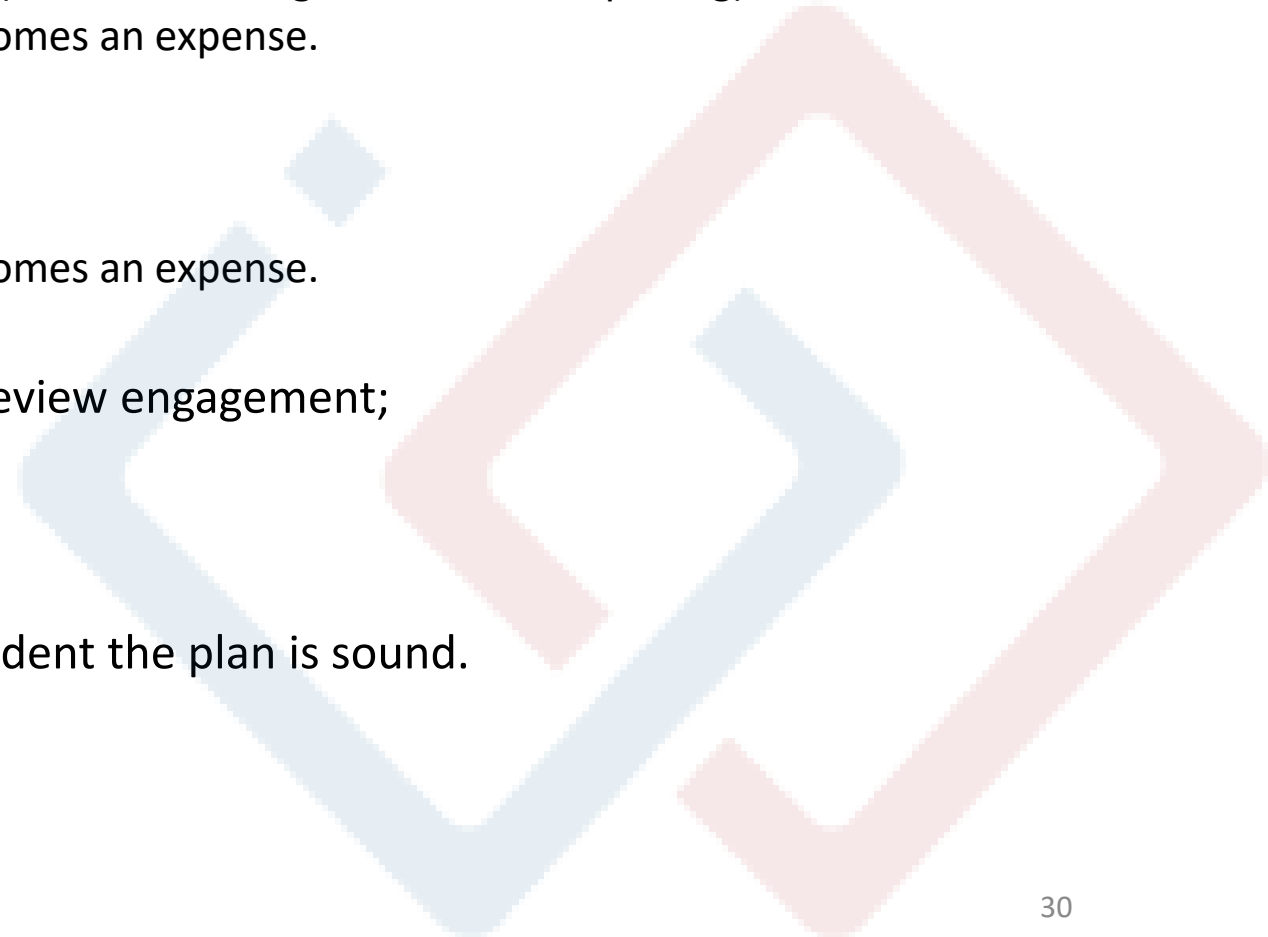
Identify good budgeting practices

- Understand who is doing what;
- Be timely;
- Be thorough;
- Be honest.



Budgeting pitfalls

- Non-profit CRA compliance:
 - Registered charities:
 - Registered Charity Information Return (T3010) (follow the CRA guidance on completing);
 - GST/HST – budget for portion not rebated, becomes an expense.
 - Non-registered not for profits:
 - Corporate Tax Return (T2);
 - Not for Profit Information Return (T1044);
 - GST/HST – budget for portion not rebated, becomes an expense.
- Accounting standards:
 - Need to be followed if you need and audit or review engagement;
 - Deferred contributions;
 - Capitalization.
- Depending on fundraising:
 - Never use to balance out to zero unless it is evident the plan is sound.



Resources to assist organizations in the budgeting process

- Websites:

- www.culturetourism.alberta.ca/community/programs-and-services/board-development/resources/info-bulletins-english/;
- Charityvillage.com;
- www.councilofnonprofits.org/tools-resources/budgeting-nonprofits;
- www.integralorg.ca.

- Books available from Indigo:

- The Budget Building Book for Non-Profits: Murray Dropkin, Jim Halpin, Bill La Touche;
- The Cash Flow Management Book for Non-Profits: Murray Dropkin, Allyson Hayden.