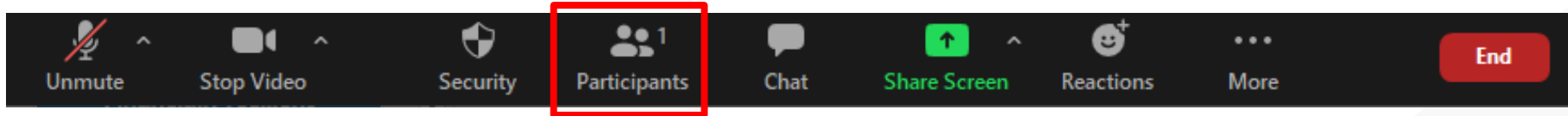


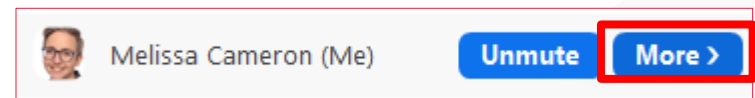
Welcome!

As you log in, please update your Zoom screen name with your first name, organization name, and your pronouns

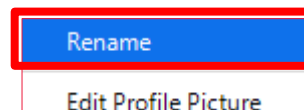
- Select Participants from the menu at the bottom of your screen



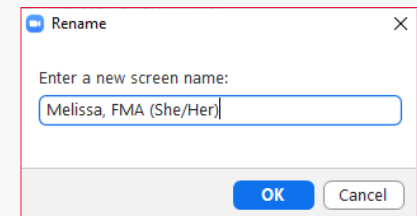
- Hover over your name and select “more”



- Select “Rename”



- Update with your first name, organization, and pronouns, then select “okay”





BUDGETING & TRUE COST

May 8, 2024

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Today's Team



GILLIAN GORRA

Senior Consultant, BDO

She/Her



BEBE HARDEN

Associate Consultant, BDO

She/Her

Meeting Norms: Participate Authentically



Respect each other - judge ideas, not people



Avoid multi-tasking



Be present & engaged



Be patient with tech



Expect confidentiality



Be prepared to use video 

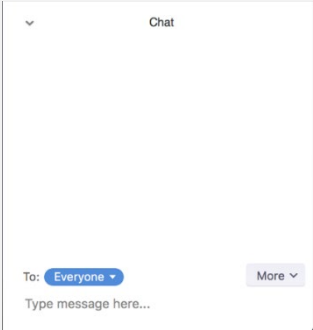
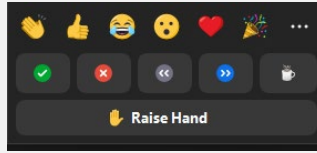
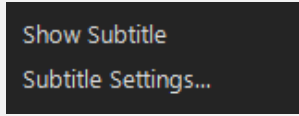


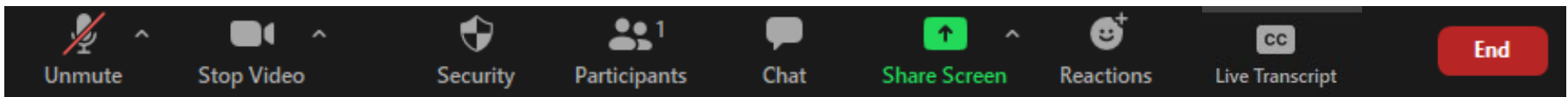
Expect active participation



Mute your microphone

Zoom Controls

Chat	Reactions	Closed Captioning
<p data-bbox="633 289 701 354">1</p> <p data-bbox="446 386 896 529">For questions and comments during the session, open the chat and send to everyone or a specific person</p> 	<p data-bbox="1097 289 1164 354">2</p> <p data-bbox="942 386 1362 491">To react (clap/thumbs up) to something, click “Reactions” and select a reaction</p> 	<p data-bbox="1595 289 1663 354">3</p> <p data-bbox="1425 386 1843 529">To turn on close captioning, click “CC Live Transcript” Select hide or show subtitles as needed.</p>  <p data-bbox="1421 725 1843 829">Note: if not already enabled, you may need to request access</p>



1

2

3



Today's Session

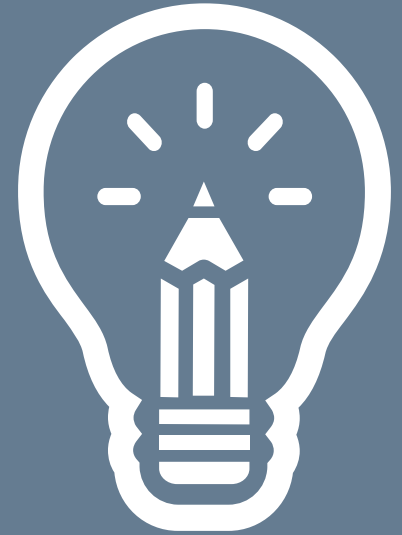
FINANCIAL PLANNING

- ▶ Welcome
- ▶ Introduction to Financial Planning
- ▶ True Cost: Budgeting Expenses
- ▶ Cost Allocation
- ▶ Revenue Planning
- ▶ Bringing it All Together
- ▶ Wrap-Up

Are You a Planner?

ANSWER IN THE CHAT:

In your personal life, are you the one making dinner plans weeks in advance, or do you feel more comfortable when you can make decisions in the moment?

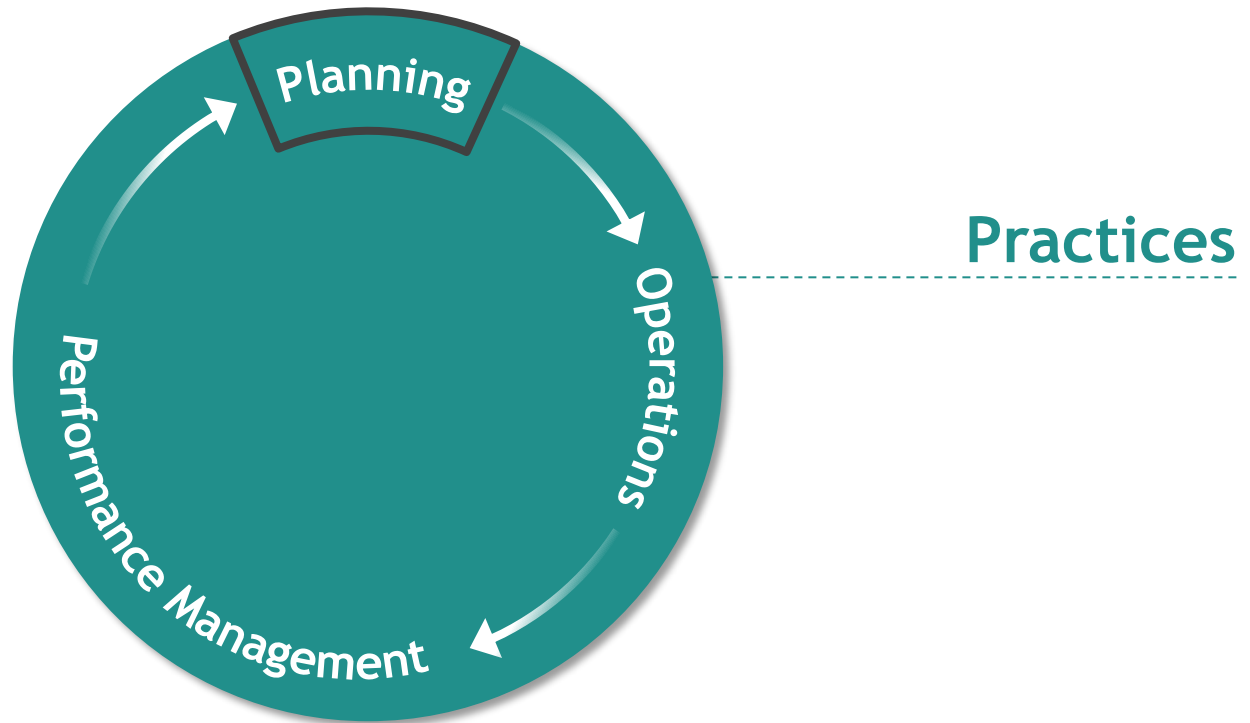




Financial Resilience



Financial Resilience





Financial Planning

A process to define how an organization's strategy will be funded.

Process:

- ▶ Inclusive and team-based
- ▶ Continuous and iterative
- ▶ Allows for recalibration and course correction
- ▶ Focused on the future but responsive to the present

Guiding principles include:

- ▶ Building organizational resilience
- ▶ Supporting diversity, equity & inclusion

Why Team-Based Budgeting?

Includes **program decision-makers** in the resources conversation

Increases **communication** throughout the agency

Ensures Finance has the most up-to-date **understanding of programs**

Promotes **collective ownership** over financial results

FINANCIAL PLANNING

A Budget Is...



An **OUTCOME** of the financial planning process



An **ACTION PLAN** stated in Dollar Terms



An **EXPRESSION** of an Organization's Values

Types of Budgets

Strategic Budget

Capital Budget

Operating Budget

Cash Budget

Program Budget

Grant Budget

Annual Budgeting Process



1. Assemble a
Budgeting
Team



2. Create a
Budget
Calendar



3. Prepare
for Budget
Process

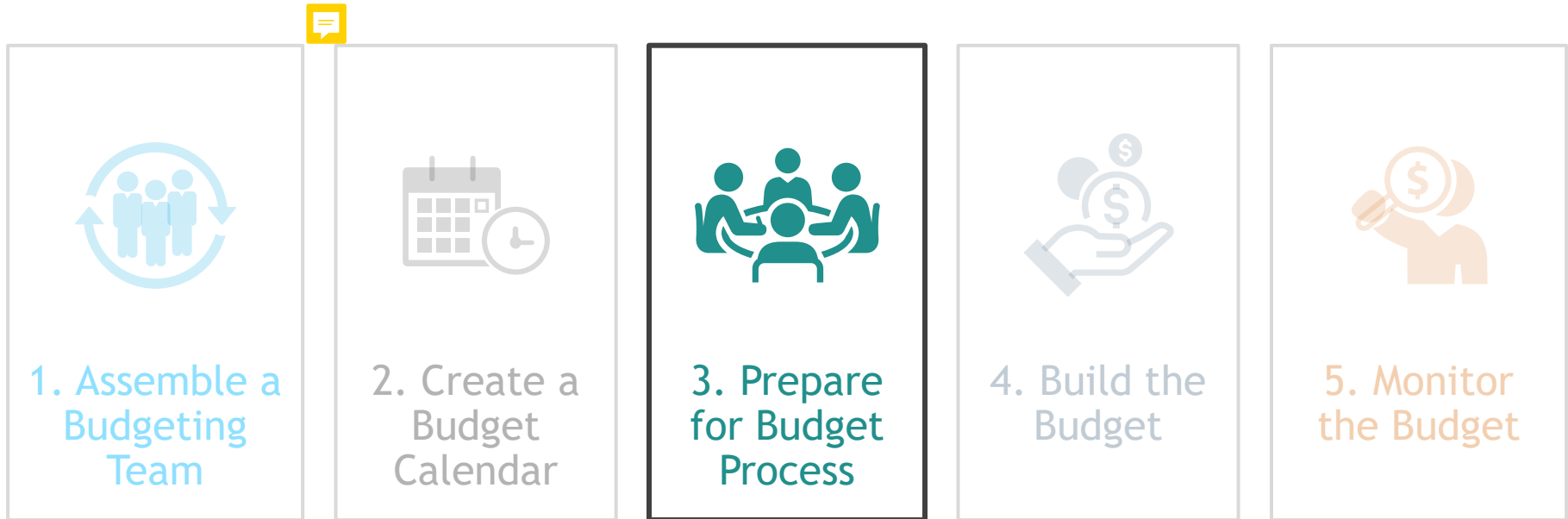


4. Build the
Budget



5. Monitor
the Budget

Budget Development: A Five Step Process



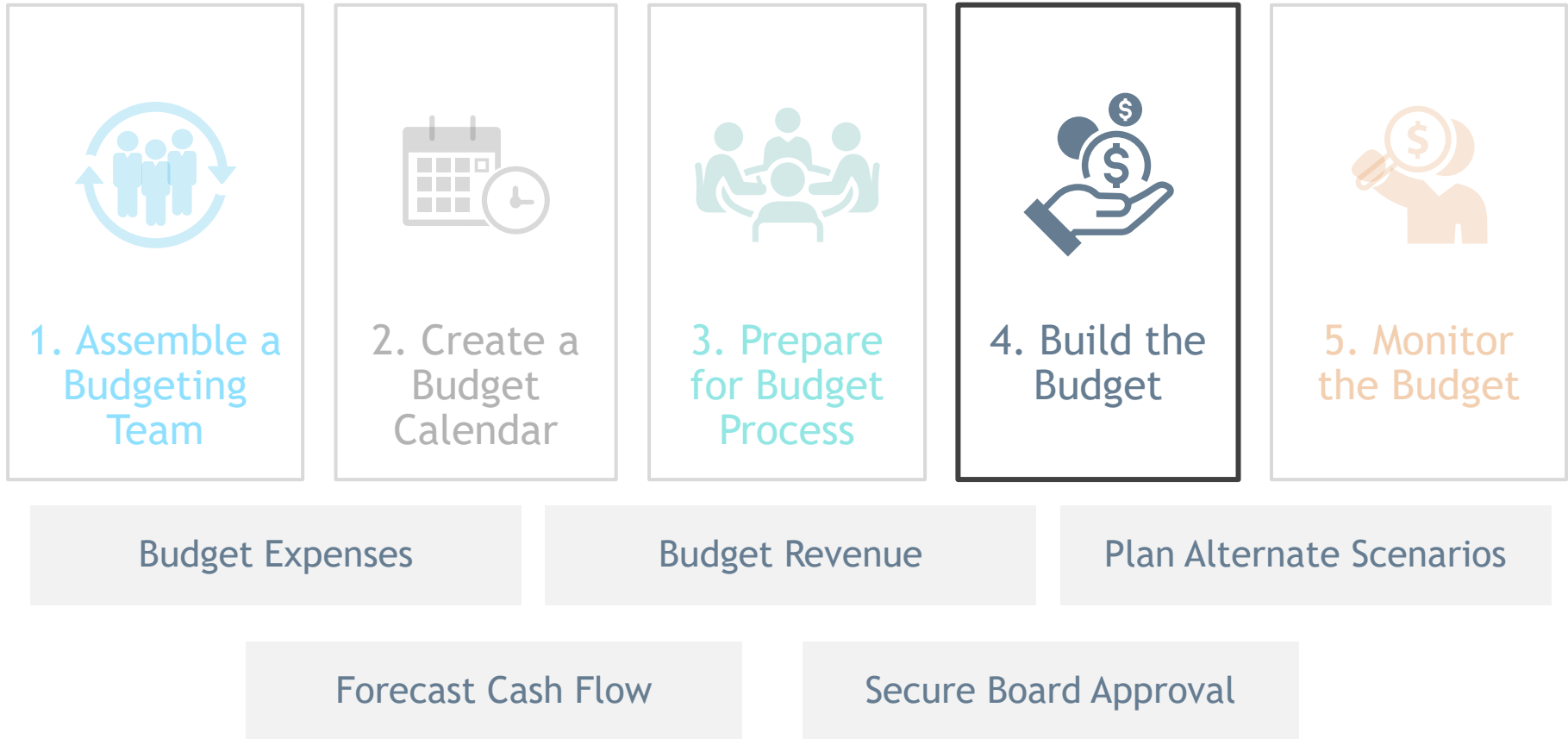
Set Financial Goals

Gather Data and Build Budget Template

Forecast Current Year Results

Conduct Team Kickoff Meeting

Budget Development: A Five Step Process



Budgeting: Overlooked Items



Team-based financial goal setting



Assessing if budget reflects values



Budgeting for capital expenses/depreciation



Negotiation process



Contingency Planning 



Debriefing process, planning improvements



Entering budget in accounting system for BvA



Case Study Activity

The organization in this case study has experienced operating deficits in three of the past five years. The organization's leadership understands the importance of reversing this trend. However, each April when they go through the process of creating the operating budget for the upcoming fiscal year, there never seems to be enough information to support cutting back on any particular activity.

Review the following budget and reflect on these questions:

- ▶ Does this budget give you a clear picture of the full costs of running each of the organization's programs?
- ▶ What challenges might this organization be facing in its attempts to cover its administrative costs?
- ▶ What more do you wish you knew about this organization's operations?

Budget for Fiscal Year 2019

Funding Source	State Contract TRJ	State Contract - MWT	City - DSS	State Contract for BRJ	City - Dept of Youth	City - Board of Education	DFSS Contract	Grant from Community Foundation	Project Reach	Grant from Foundation ABC	Administrative Costs	Total Projected Revenue & Expenses
Revenue	\$ 240,000	\$ 100,000	\$ 95,000	\$ 227,000	\$ 350,000	\$ 70,000	\$ 75,000	\$ 40,000	\$ 45,000	\$ 60,000	\$ 5,441	\$ 1,307,441
Salaries	144,999	32,288	70,000	142,518	252,000	50,000	46,528	40,000	7,551	53,879	167,657	1,007,420
Fringe Benefits	43,281	13,975	19,286	52,960	73,996	18,304	15,090	-	1,319	6,121	118,162	362,494
Contracted Services	-	50,000	-	-	-	-	-	-	-	-	-	50,000
Family Support Funds	-	-	-	-	-	-	1,850	-	-	-	-	1,850
Rent	18,557	830	1,000	8,000	-	-	-	-	-	-	112,541	140,928
Stipends	-	-	-	-	-	-	-	-	24,000	-	-	24,000
Client Support / Client Transportation	1,025	-	-	5,000	2,000	-	-	-	3,500	-	-	11,525
Training / Development	4,000	-	-	-	-	-	-	-	-	-	-	4,000
Technical Assistance / Workshops	-	385	-	-	-	-	-	-	-	-	-	385
Equipment Maintenance / Lease	4,000	700	-	2,400	-	-	1,000	-	-	-	-	8,100
Equipment Purchase	-	-	-	-	-	-	-	-	-	-	-	-
Telephone / Cellphones	7,000	539	-	4,320	5,400	796	2,820	-	-	-	11,525	32,400
Supplies / Materials	4,355	568	3,000	3,894	4,604	600	1,316	-	6,465	-	-	24,802
Travel / Lodging / Transportation	3,000	715	714	1,800	2,000	300	1,113	-	1,435	-	-	11,077
Cultural Field Trips / Youth Activities	-	-	-	-	10,000	-	-	-	-	-	-	10,000
Marketing / Public Relations	-	-	-	-	-	-	-	-	-	-	-	-
Audit	3,000	-	1,000	2,550	-	-	-	-	-	-	6,450	13,000
Insurance	6,783	-	-	3,558	-	-	572	-	-	-	19,087	30,000
SUBTOTAL	\$ 240,000	\$ 100,000	\$ 95,000	\$ 227,000	\$ 350,000	\$ 70,000	\$ 70,289	\$ 40,000	\$ 44,270	\$ 60,000	\$ 435,422	\$ 1,731,981
Loan Interest	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Administrative Cost	-	-	-	-	-	-	4,711	-	730	-	-	5,441
TOTAL EXPENSES	\$ 240,000	\$ 100,000	\$ 95,000	\$ 227,000	\$ 350,000	\$ 70,000	\$ 75,000	\$ 40,000	\$ 45,000	\$ 60,000	\$ 436,922	\$ 1,738,922
Variance	0	0	0	0	0	0	0	0	0	0	(431,481)	(431,481)

Thoughts & Questions

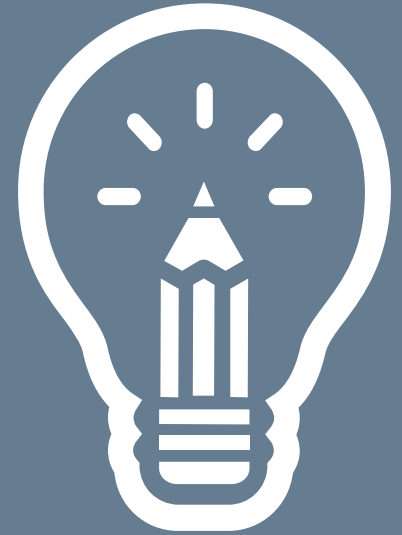


Break

What is True Cost?

ANSWER IN THE CHAT:

What do you think is included in the “true cost” of your programs?



Budgeting Concepts: Expense Categories



NATURAL EXPENSES

Expenses classified by the **nature** of the expense such as salaries, rent, utilities, supplies, etc.



FUNCTIONAL EXPENSES

Expenses classified by **the type of activity** for which the expense was incurred: programmatic, management and general, or fundraising.

Sample Operating Budget

NATURAL EXPENSES

FUNCTIONAL EXPENSES

	Program A	Program B	M&G	Fundraising	Total
Personnel					
Executive Director	25,900	16,280	18,500	13,320	74,000
Program Director	34,000	34,000	-	-	68,000
Teacher A	55,000	-	-	-	55,000
Teacher B	-	50,000	-	-	50,000
Bookkeeper	-	-	25,000	-	25,000
Grantwriter	-	-	-	20,000	20,000
Fringe	22,980	20,056	8,700	6,664	58,400
Non-Personnel					
Classroom supplies	12,200	14,600	-	-	26,800
Snacks	2,200	3,000	-	-	5,200
Bus rental	2,000	-	-	-	2,000
Audit fees	-	-	9,500	-	9,500
Conference travel	-	-	800	-	800
Event space rental	-	-	-	1,000	1,000
Event catering	-	-	-	3,200	3,200
Rent	13,011	12,097	3,868	3,024	32,000
Utilities	2,440	2,268	725	567	6,000
Office supplies	1,952	1,815	580	454	4,800
Depreciation	6,262	5,822	1,862	1,455	15,400
Total	177,944	159,937	69,535	49,684	457,100

Budgeting Concepts: Expense Categories



SPECIFIC EXPENSES

Expenses that can be specifically **assigned** to one or more program(s) or function(s), based on time or money spent directly on each program or function.

- ▶ Salaries for program personnel
- ▶ Salaries for fiscal staff
- ▶ Fundraising expenses



SHARED EXPENSES

Expenses that are shared among some or all programs and functions. These expenses must be **allocated** among functional areas on the basis of an appropriate methodology.

- ▶ Rent and utilities in a common space
- ▶ Office supplies
- ▶ Depreciation

Sample Operating Budget

SPECIFIC EXPENSES

SHARED EXPENSES

	Program A	Program B	M&G	Fundraising	Total
Personnel					
Executive Director	25,900	16,280	18,500	13,320	74,000
Program Director	34,000	34,000	-	-	68,000
Teacher A	55,000	-	-	-	55,000
Teacher B	-	50,000	-	-	50,000
Bookkeeper	-	-	25,000	-	25,000
Grantwriter	-	-	-	20,000	20,000
Fringe	22,980	20,056	8,700	6,664	58,400
Non-Personnel					
Classroom supplies	12,200	14,600	-	-	26,800
Snacks	2,200	3,000	-	-	5,200
Bus rental	2,000	-	-	-	2,000
Audit fees	-	-	9,500	-	9,500
Conference travel	-	-	800	-	800
Event space rental	-	-	-	1,000	1,000
Event catering	-	-	-	3,200	3,200
Rent	13,011	12,097	3,868	3,024	32,000
Utilities	2,440	2,268	725	567	6,000
Office supplies	1,952	1,815	580	454	4,800
Depreciation	6,262	5,822	1,862	1,455	15,400
Total	177,944	159,937	69,535	49,684	457,100

Expense Categories

1

Specific Program Expenses

2

Shared Expenses

3

Specific Management & General
and Fundraising Expenses


Budget Expenses

Type 3: SPECIFIC M&G/FUNDRAISING EXPENSES

	Program A	Program B	M&G	Fundraising	Total
<i>Personnel</i>					
Executive Director	25,900	16,280	18,500	13,320	74,000
Program Director	34,000	34,000	-	-	68,000
Teacher A	55,000	-	-	-	55,000
Teacher B	-	50,000	-	-	50,000
Bookkeeper	-	-	25,000	-	25,000
Grantwriter	-	-	-	20,000	20,000
Fringe	22,980	20,056	8,700	6,664	58,400
<i>Non-Personnel</i>					
Classroom supplies	12,200	14,600	-	-	26,800
Snacks	2,200	3,000	-	-	5,200
Bus rental	2,000	-	-	-	2,000
Audit fees	-	-	9,500	-	9,500
Conference travel	-	-	800	-	800
Event space rental	-	-	-	1,000	1,000
Event catering	-	-	-	3,200	3,200
Rent	13,011	12,097	3,868	3,024	32,000
Utilities	2,440	2,268	725	567	6,000
Office supplies	1,952	1,815	580	454	4,800
Depreciation	6,262	5,822	1,862	1,455	15,400
Total	177,944	159,937	69,535	49,684	457,100

Type 1: SPECIFIC PROGRAM EXPENSES

Type 2: SHARED EXPENSES

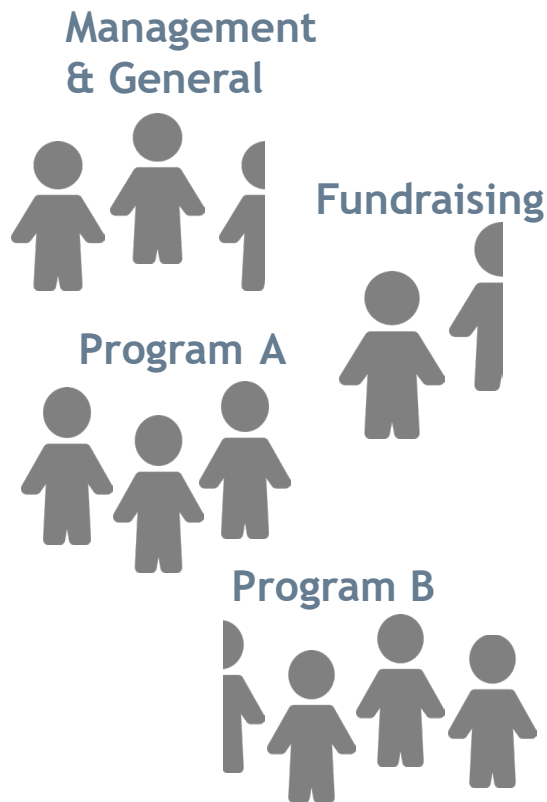


Poll: Do you have a documented allocation methodology at your organization?

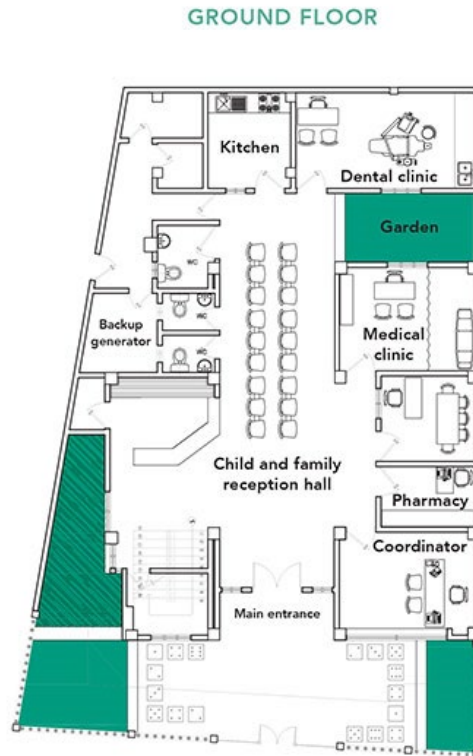
1	Yes
2	No
3	I don't know

Cost Allocation Methods

By Staff (FTE)

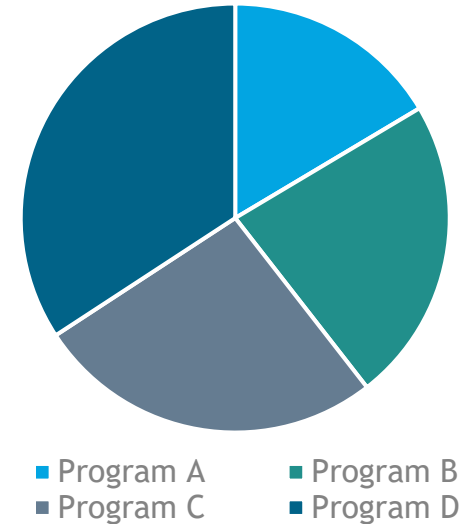


By Space Usage



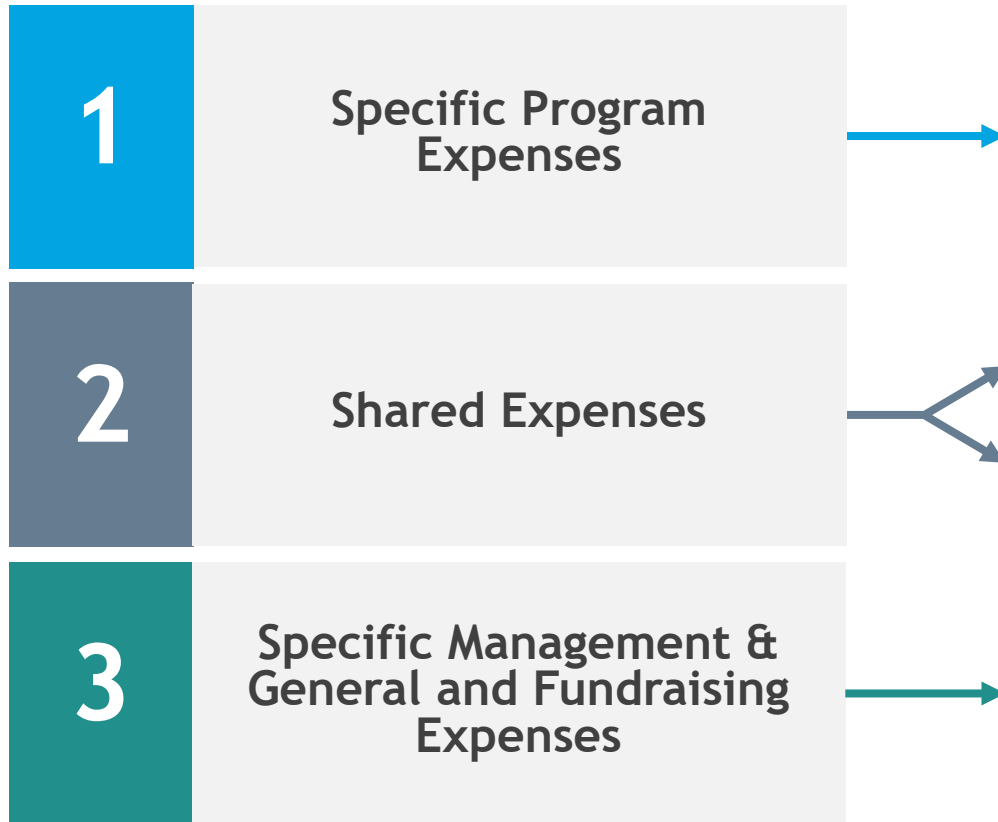
By Participants

Participants

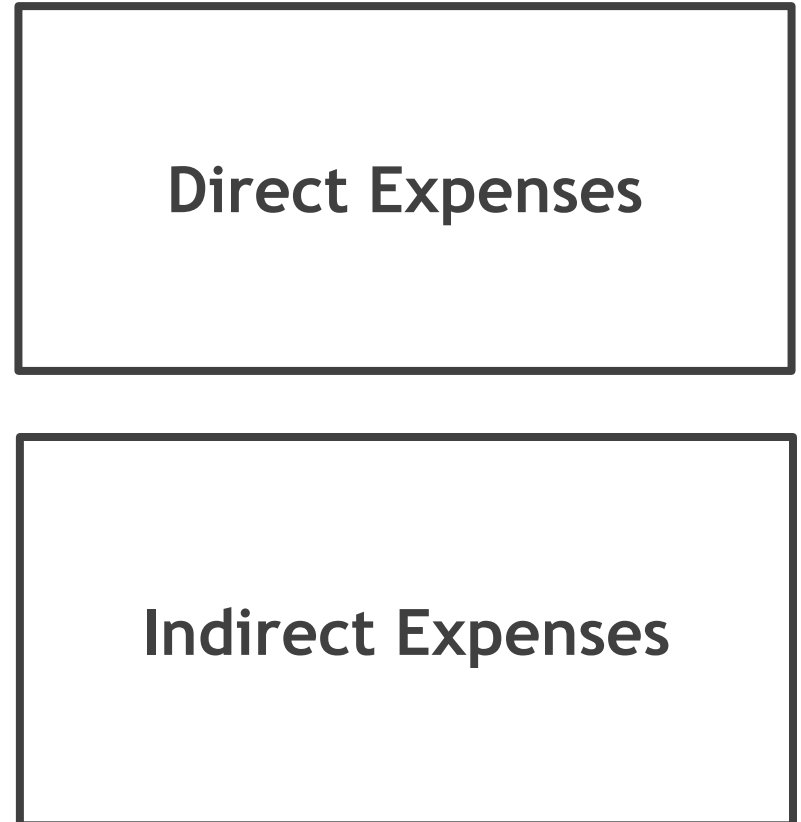


Translating Expense Categories

How we see our costs:



How funders see our costs:



Budget Expenses

OVERHEAD EXPENSES

Type 1:
SPECIFIC
PROGRAM
EXPENSES

Type 2:
SHARED
EXPENSES

	Program A	Program B	M&G	Fundraising	Total
Personnel					
Executive Director	25,900	16,280	18,500	13,320	74,000
Program Director	34,000	34,000	-	-	68,000
Teacher A	55,000	-	-	-	55,000
Teacher B	-	50,000	-	-	50,000
Bookkeeper	-	-	25,000	-	25,000
Grantwriter	-	-	-	20,000	20,000
Fringe	22,980	20,056	8,700	6,664	58,400
Non-Personnel					
Classroom supplies	12,200	14,600	-	-	26,800
Snacks	2,200	3,000	-	-	5,200
Bus rental	2,000	-	-	-	2,000
Audit fees	-	-	9,500	-	9,500
Conference travel	-	-	800	-	800
Event space rental	-	-	-	1,000	1,000
Event catering	-	-	-	3,200	3,200
Rent	13,011	12,097	3,868	3,024	32,000
Utilities	2,440	2,268	725	567	6,000
Office supplies	1,952	1,815	580	454	4,800
Depreciation	6,262	5,822	1,862	1,455	15,400
Total	177,944	159,937	69,535	49,684	457,100

Costs funded by
program grant(s)

Costs funded by indirect rate
from program grant(s) or
unrestricted revenue

Overhead vs Indirect Cost

OVERHEAD RATE

Management & General + Fundraising

Total **Organizational** Expense

INDIRECT COST RATE

Management & General + Fundraising

Total **Program** Expense

Revenue Sources



Individual
Contributions



Foundations



Corporations



Government



Earned
Revenue

Revenue Planning

	Program A	Program B	M&G	Fundraising	Total
REVENUES					
<i>Foundations</i>					
Foundation A	40,000				40,000
Foundation B		25,500			25,500
Foundation C		35,000			35,000
Satisfaction of Restriction (Foundation Y)	23,450				23,450
Satisfaction of Restriction (Foundation Z)		14,300			14,300
<i>Individual Contributions</i>					
Annual Appeal				30,000	30,000
Board Members				18,000	18,000
Other				2,000	2,000
<i>Government Contracts</i>					
City Dept of Youth		85,000			85,000
State Dept of Education	98,300				98,300
<i>Other</i>					
Special Events				65,000	65,000
Program Fees		4,500			4,500
Investment Income			1,400		1,400
Total Revenue	161,750	164,300	1,400	115,000	442,450

Funding True Cost

Surplus/Deficit
By Program

	Program A	Program B	M&G	Fundraising	Total
REVENUES					
<i>Foundations</i>					
Foundation A	40,000				40,000
Foundation B		25,500			25,500
Foundation C		35,000			35,000
Satisfaction of Restriction (Foundation Y)	23,450				23,450
Satisfaction of Restriction (Foundation Z)		14,300			14,300
<i>Individual Contributions</i>					
Annual Appeal				30,000	30,000
Board Members				18,000	18,000
Other				2,000	2,000
<i>Government Contracts</i>					
City Dept of Youth		85,000			85,000
State Dept of Education	98,300				98,300
<i>Other</i>					
Special Events				65,000	65,000
Program Fees		4,500			4,500
Investment Income			1,400		1,400
Total Revenue	161,750	164,300	1,400	115,000	442,450
EXPENSES					
Total Personnel	137,880	120,336	52,200	39,984	350,400
Total OTPS	40,064	39,601	17,335	9,700	106,700
Total Expense	177,944	159,937	69,535	49,684	457,100
Revenues Less Expenses	(16,194)	4,363	(68,135)	65,316	(14,650)



True Cost: The National Conversation



THE CHRONICLE OF **PHILANTHROPY**

SEPTEMBER 04, 2019

Ending the Nonprofit Starvation Cycle

THE **OVERHEAD** MYTH
MOVING TOWARD AN OVERHEAD SOLUTION



Pay-What-It-Takes Philanthropy

Forefr**o**nt
Real Talk About Real Costs

Philanthropy CA
**Full Cost
Project**
Real Costs. Real Outcomes.

Thoughts & Questions





Resources & Wrap Up

Financial Management Resources

This library of free tools and resources was created in collaboration with the Wallace Foundation to help organizations become “fiscally fit.”



Budget Template

strongnonprofits.org



Enter data into yellow cells only

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%
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%



Cash Flow Projection Template

strongnonprofits.org



	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)										

Resources: True Cost

THE CHRONICLE OF PHILANTHROPY

Ending the Nonprofit Starvation Cycle

- ▶ [Five Foundations Address the “Starvation Cycle”](#)
- ▶ [The Best Solutions Have a Compelling Story Behind Them](#)
- ▶ [The Price of Real Change](#)
- ▶ [How Foundations and Nonprofits Can End the “Starvation Cycle”](#)
- ▶ [How One Nonprofit Prepared for Tough Conversations With Funders](#)
- ▶ [Why Funders Should Pay for the True Costs of Nonprofits’ Work](#)
- ▶ [Five Nonprofit Survival Skills for Managing Low-Overhead Funding](#)
- ▶ [Learning Strategic Financial Management From the School of Hard Knocks](#)

Resources: True Cost



Robert Wood Johnson Foundation

Revised Indirect Cost Rate Policy

rwjf.org/content/granteeresources/legal-and-policy/Indirect_Cost_Rate.html



A Step Toward Supporting the True Cost of Nonprofits' Work

hewlett.org/a-step-toward-supporting-the-true-cost-of-nonprofits-work

MacArthur
Foundation

Changing How We Support Indirect Costs

macfound.org/press/perspectives/changing-how-we-support-indirect-costs/

About BDO USA

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