

Part A: The Budget

- ❑ A budget is a planning tool that translates your mission, goals and activities into numbers.
- ❑ A budget covers a period of time (such as the fiscal year).
- ❑ A budget shows the ways you plan to get money in (*revenue projection*), and how you will spend it (*expense projection*)

Example:

Can House of Hope Start a Parenting Group?

We at *House of Hope* want to start a new parenting group to support survivors of abuse.

We have a \$5,000 grant and can probably get food donated at a value of \$50/month. It costs \$500 per month to run the group (for simplicity's sake, we will not break down expenses today).

We want to run the group for at least 12 months.

Take a minute to sketch out a project budget, before you view the next slide.

Example – Income and Expenses

<u>Income</u>	
Grant	\$5,000
Food - in-kind donations, \$50/month x 12 months	\$600
<i>Total income</i>	<i>\$5,600</i>
<u>Expense</u>	
Group - costs \$500/month x 12 months	\$6,000
<i>Total expense</i>	<i>\$6,000</i>

- By listing each source of income and expenses into lines, we create *line items*.
- Income can be cash (a grant) and non-cash (food donation), which is called *in-kind*.

Example – The Bottom Line

- Do we have enough income to cover expenses?
Subtract expense from income:
 $\$5,600 - \$6,000 = (\$400)$
- The result is a *deficit* (also called *loss*) or a *surplus* (also called *profit*). This can also be called *net income*.
- Usually deficit or loss is represented in **red type** (literally, “in the red”) or in parentheses:
-\$400 is the same as \$400 and (\$400)
- *Balanced budget* is when income = expenses.

Example – Simple Project Budget

<u>Income</u>	
Grant	\$5,000
Food - in-kind donations, \$50/month x 12 months	\$600
<i>Total income</i>	<i>\$5,600</i>
<u>Expense</u>	
Group - costs \$500/month x 12 months	\$6,000
<i>Total expenses</i>	<i>\$6,000</i>
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<i>Surplus (Deficit)</i>	<i>(\$400)</i>

Uh oh, we do not have quite enough money to run the group without "operating at a loss." Time to raise more money, cut expenses, or dip into reserves!

Can Nonprofits Make a Profit?

Yes! Yes! Yes!

Accumulating savings, through budget surpluses, can be an important way for a nonprofit to ensure it can keep meeting the mission in the years to come.

For example, setting aside enough money for a rainy day helps the organization cope when the economy takes a nosedive. Of course, this should be balanced with the nonprofit's values and needs, such as spending enough today to continue programs, or paying staff fairly.

“Although charities do not exist to make money, they do work to build and maintain reasonable reserves of net assets. Growing its net assets helps a charity outpace inflation and sustain future program activities.” -Charity Navigator