

Integrating Program Design and Budget

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Agenda

- ▶ **Introductions**
- ▶ **Review Best Practice Budgeting for Non-Profits**
- ▶ **Activity 1 –Fiscal Lingo Bingo**

Break

- ▶ **Typical RFP Budget Questions**
- ▶ **Activity 2 - Characteristics of Ideal Program Budget**
- ▶ **Review Common Budget Mistakes**
- ▶ **Activity 3 – Program Budget Analysis**

Objectives, by the end of this session we want you to:

1. Have increased understanding of budgeting best practices.
2. Have increased understanding of fiscal terminology commonly used in the non-profit world.
3. Have improved awareness and appreciation of the importance of budgets in program design and grant writing
4. Know what mistakes to avoid when developing a program budget.
5. Be better equipped to develop a program budget, if needed.
6. Have laughed at least once 😊.

Best Practice Budgeting

Connecting the Mission with the Money



“If you don’t know where you are going, any road will get you there”

Lewis Carroll

Question

Is being “under budget” always good?

- Let’s identify 5 reasons it could be a good thing
- Let’s identify 5 reasons it could be a bad thing

Key Points about Budgets

- ▶ **A budget is a financial representation of an organization's strategy**
- ▶ **Expenses are not good or bad**
- ▶ **Effectiveness first, then efficiency**
- ▶ **Don't start with numbers – start with a rationale for investing**
 - ▶ How does this program/ department support the mission?
 - ▶ What outcomes do you expect to achieve and when?
 - ▶ Why are these expenses necessary?
 - ▶ How will these investments produce outcomes more effectively in the future than in the past?

3 Basic types of Budgets

Zero based & metric driven (best, but rare)

Last year +/- 5% (poor, but most common)

Funder determined (worst, but common)

Question

Have you ever participated in a “budget spend out”?

- What was the rationale used at the time?
- Identify 2 reasons why this could be a good thing
- Identify 2 reasons why this could be a bad thing

Best Practice Budgeting

The following Best Practices (BPs) are adapted from a variety of sources including AAFCPAs, Phrofix

- ▶ **BP 1: Assess Key Trends and Ratios**
- ▶ **BP 2: Zero-Based Budgeting**
- ▶ **BP 3: Assess Each Program for mission fit, if it is covering costs, and contributing to covering overhead**
- ▶ **BP 4: Assess Other Important Factors and Risks such as revenue concentrations and fixed cost changes**
- ▶ **BP 5: Budget for a Surplus**
- ▶ **BP 6: Avoid the “Nonprofit Starvation Cycle”**
- ▶ **BP 7: Build Budget Buy-In and Ownership**
- ▶ **BP 8: Monitor the Budget Throughout the Year**

Benefits of Best Practice Budgeting

The following Best Practices (BPs) are adapted from a variety of sources including AAFCPAs, Phrofix

- ▶ **Mission alignment within departments and across the organization**
- ▶ **Improved ownership and accountability**
- ▶ **Control over the information processes**
- ▶ **Faster and more reliable accounting processes**
- ▶ **Reduced risk**

Activity 1 -Fiscal Lingo Bingo

- ▶ Find a partner and get a FISCAL LINGO BINGO card
- ▶ First find the corresponding definition for each FISCAL LINGO on your card - hint there are more definitions than there are LINGOs - put the letter (i.e. b, or cc) - you have 10 minutes!
- ▶ Once all your LINGO words have been called you can call BINGO
- ▶ You will only win our amazing prize if your definitions are all correct (if you have even one wrong we'll resume the game)

Monday, December 7, 2009



Dilbert.com DilbertCartoonist@gmail.com



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Common Budget Questions

- What is your overhead or indirect rate?
- How will you sustain this program after this grant runs out?
- How will you use the funds if you receive this grant?
- If you receive a partial grant, will you still implement this program?

| Question | What you may want to say BUT SHOULDN'T!! | Instead you should... |
|--------------------------------|---|---|
| 1. What is your overhead rate? | It is too low. We systematically under-invest in human resources, financial management, and program management to keep it that way. By doing so, we have a nice, low overhead number to put on grant applications like this one. Please send money. | Use their allowable indirect rate. Use your federally approved indirect rate if you have one. |

<https://nonprofitaf.com/2018/02/answers-on-grant-proposals-if-nonprofits-were-brutally-honest-with-funders/>

| Question | What you may want to say BUT SHOULDN'T!! | Instead you should... |
|--|---|--|
| 2. How will you sustain this program after this grant runs out? | We will leave you alone and harass other people, continuing to spend half our time trying to convince other foundations that our programs and communities are worth being supported, instead of running and improving the programs that our communities desperately need. Then, after a year or so, when hopefully you forgot that we applied earlier, we'll reapply to your foundation. Please send money. | Give this question some serious thought, it's actually important 😊 |

| Question | What you may want to say BUT SHOULDN'T!! | Instead you should... |
|---|---|---|
| 3. How will you use the funds if you receive this grant? | We honestly really need this grant to pay for rent and utilities and for wages so our staff can do important work and feed their families, but since you won't allow your funds to be used for those things, we will say that your grant is paying for whatever you will actually fund, then get other funders or donors to give and then tell them that their money is paying for the stuff that they want to fund. We will ultimately waste hundreds of hours every year trying to figure out who is paying for what, hours that could be used to deliver services. Please send unrestricted money. | Summarize the types of costs that will be covered and connect them to activities and outcomes (if space permits). X% of grant funds will be spent on direct staff costs to deliver required services... |

| Question | What you may want to say BUT SHOULDN'T!! | Instead you should... |
|---|--|---|
| 4. If you receive a partial grant, will you still implement this program? | Likely we will, because the needs are so high, but it will not be the awesome program we envisioned, since we'll have to cut program components, not hire the staff we need, and not be able to serve as many people as we want. But if that's the only choice, we'll reluctantly take it. Then, on some nights, we'll stay awake, staring at the ceiling, crying a single tear that streaks down our worn faces, lit by the moonlight, imagining what could have been. Please send money. | Most reasonable answer may be that you can deliver some component or will serve fewer people. Or if the honest answer is "no" then that's what you say. |

Activity 2 -Discussion

What are the characteristics of a well-developed program budget?

What are funders looking for in a program budget?

REVIEW - Most Common Budget Mistakes

- ▶ Budget doesn't align with the design
 - *Items are included in budget that are not mentioned in the narrative*
 - *Staff titles are different in the budget than in the design*
 - *Costs are missing from budget*
- ▶ Budget doesn't follow RFP instructions or restrictions
- ▶ Individual line item costs are too high (or too low)
- ▶ Per unit cost is too high (or too low)
- ▶ In-kind line items details not provided – or with insufficient detail
- ▶ Mathematical errors
- ▶ Poorly developed budget narratives

Developing a Program Budget

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“This is a major project of utmost importance, but it has no budget, no guidelines, no support staff, and it’s due in 15 minutes. At last, here’s your chance to really impress everyone!”

Step-by-Step Approach to Developing a Program Budget

1. Look at your **program outcomes and strategies**

- *“what resources (in a logic model these are often called “inputs”) do we need to accomplish these outcomes?”*

- *“what resources do we already have that we can build upon?”*

2. **Review the RFP guidelines**

3. Create a **rough estimate budget**

3. Calculate the **per unit or per outcome cost**

- *“is this reasonable?”*

4. **Collect information** on actual and estimated costs

5. Develop your program budget in an **excel spreadsheet**

- have a column that documents the assumptions or math used in developing your budget or the source of an estimate
- divide costs between grant request and in-kind/match.

6. **Cross reference** your budget with the program narrative

7. Double check the **RFP instructions**

8. Double check your **math!**

Activity 3 - Program Budget Analysis

- ▶ Find a partner
- ▶ Review the example budget narrative and spreadsheet
- ▶ Complete the budget analysis worksheet

References and Resources

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