

Budgeting and Forecasting for Not-for-Profits & Charities

August 11, 2022



Presented to you by:



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Speaker Bio



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About Enkel

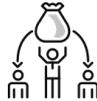
- Based in Vancouver, BC
- Worked with over 100 NPOs and Charities across Canada
- Provide outsourced bookkeeping and accounting services



Bookkeeping



Payroll



Accounts
Payable



Accounts
Receivable



Controllership



Agenda

1. Importance of a budget for financial sustainability
2. Budgeting roles and responsibilities
3. How NPO budgets differ from for profit organizations
4. The master budget vs. program budget
5. How funding agreements connect with the budget
6. Allocating administrative costs
7. When should you create your budget?
8. What happens when you go over budget?
9. Steps for the annual budgeting process
10. Best practices for creating a budget
11. Q&A

Financial Management for Not-for-Profits

Importance of a Budget for Financial Sustainability

- Transparency to stakeholders
- Accountability to the Board and Funders
- Ongoing planning
 - Managing surpluses
 - Managing deficits
 - Keeping the budget balanced

Budgeting Roles and Responsibilities

- Who creates the budget?
 - Executive Director/Finance Team
- Who contributes to the budget?
 - Board Members
 - Program Managers
 - Others (funders, donors)
- Who approves the budget?
 - The Board

Not-for-Profit vs. For-Profit Budgeting

Not-for-Profit

- Financial Sustainability
- Accountability to board, funders and donors
- Concerned with appropriate utilization and allocation of resources based on the mission
- Multiple programs and funds (restricted)

For-Profit

- Dividend/Shareholder returns
- Profitability
- More concerned with the bottom line
- Net income focused
- General ledger (self-balancing account)

Budgets: Master vs. Program vs. Event

- Deferral vs. Restricted fund methods
- Internally/externally restricted budgets should flow into the master budget
- Organizations running large events may want a separate budget for the event

Funding Agreements

- Have a budget attached to designate how funds received are to be disbursed (includes time frame)
- Must be accountable to funders to maintain the agreement
- The budget needs to agree to the funding agreement

Allocating Administrative Costs

- Funders set admin costs
- Costs need to relate to the grant and how it is spent
- Agencies take the cost into their budget
- Determine which operating expenses should be applied to different programs

When should you create your budget?

- Generally, start 3 months prior to the beginning of the fiscal year
 - Larger organizations that need to involve more people in the process may need to start earlier

What happens when you go over budget?

- Track actual to budget on a monthly basis to avoid surprises
- Make sure budget is in QuickBooks (or other program) on a regular basis
- Know your policies: What are provisions for going over budget?
- Overages generally require Board approval
- Budget for unexpected events (repairs, maintenance, legal costs etc.)

Steps for the annual budgeting process

- Review your funding agreements
- Review the last two years of financials for trends
- Consider any changes to revenues or expenditure for upcoming fiscal year
- Gather feedback from program managers and other key stakeholders
- Create program budgets (master budget)
- Send the draft budget to the board for approval

Best practices for creating a budget

- Create your budget in the same format as your chart of accounts in your bookkeeping system to easily allow budget vs actual tracking
- Focus on organizational sustainability vs surplus
- Ensure that the budget is approved by the board before the fiscal year
- Be realistic/conservative with your budget
- Alignment with your strategic plan

Questions?

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Download our free Nonprofit Budgeting 101 Guide



Link to download: <https://bit.ly/3QFgcoh>