

# Zero-Based Budgeting

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Founder

Numbers 4 Nonprofits LLC



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Managing Money with Mission

- Audited nonprofits while working at Williams Young from 2000-2003
- Self-employed since 2004
- Nonprofit CFO work began in 2006
- During 2014, we will spend 3000 hours with our 24 Dane County nonprofit clients
- Our current capacity would allow for 2-4 new clients without adding additional personnel

# What is zero-based budgeting?

- Reverses the process of traditional budgeting by starting at \$0 and adding items in, rather than using last year's budget as the baseline
- Time for reflection on what is important to fulfilling our mission
- Uses some historical perspective while asking "What do we want to do this year versus last year?"
- Requires input from all areas of the organization, including finance, programming, development, admin

# Revenues

- Grants
  - Temporarily restricted – funds received in advance
  - Cost reimbursement
- Fundraising events
  - Timing of funds received
  - Year-round sponsorships
  - Tickets/silent auctions

# Revenues continued

- Unrestricted contributions
  - Sources – individual, business, government, etc.
  - How are we going to achieve the stated goal?
    - Setting monthly fundraising goals and tracking against them
- Program fees
  - Are they meant to cover all costs? When were they last reviewed?
- Other sources
  - Interest income on reserves
  - Distributions from endowments – NOT INCOME

# Expenses

- Personnel
  - What is important to our mission?
  - What commitments do we have with our current grants?
  - What personnel are covered directly by grant funds versus unrestricted funds?
  - What raises do we want to provide our staff?
  - What incentives, if any, do we want to consider throughout the year?
  - What are the costs of are current benefits?
    - Do we need to consider changes to the benefits we provide?

# Personnel Grid

Awesome Nonprofit Inc  
2014 Personnel  
Created October 2013

	2013	COLA	Pay	Annual			Insurance		Life &		Total
	Rate	3%	Periods	Salary	FICA/SS	SUI	Health	Dental	Disability	Retirement	EE Cost
Employee A	896.35	923.24	24.00	22,157.77	1,695.07	595.00	5,400.00	300.00	300.00	1,107.89	31,555.73
Employee B	1,170.00	1,205.10	24.00	28,922.40	2,212.56	595.00	5,400.00	300.00	300.00	1,446.12	39,176.08
Employee C	3,125.00	3,218.75	24.00	77,250.00	5,909.63	595.00	5,400.00	300.00	300.00	3,862.50	93,617.13
Employee D	1,170.00	1,205.10	24.00	28,922.40	2,212.56	595.00	5,400.00	300.00	300.00	1,446.12	39,176.08
Employee E	1,170.00	1,205.10	24.00	28,922.40	2,212.56	595.00	5,400.00	300.00	300.00	1,446.12	39,176.08
Employee F	1,552.42	1,598.99	24.00	38,375.82	2,935.75	595.00	5,400.00	300.00	300.00	1,918.79	49,825.36
Employee G	1,166.67	1,201.67	24.00	28,840.08	2,206.27	595.00	5,400.00	300.00	300.00	1,442.00	39,083.35
Employee H	2,416.67	2,489.17	24.00	59,740.08	4,570.12	595.00	5,400.00	300.00	300.00	2,987.00	73,892.20
Employee I	1,402.77	1,444.85	24.00	34,676.47	2,652.75	595.00	5,400.00	300.00	300.00	1,733.82	45,658.05
Employee J	1,126.67	1,160.47	24.00	27,851.28	2,130.62	595.00	5,400.00	300.00	300.00	1,392.56	37,969.47
Employee K	1,300.00	1,339.00	24.00	32,136.00	2,458.40	595.00	5,400.00	300.00	300.00	1,606.80	42,796.20
Employee L	704.17	725.29	24.00	17,407.00	1,331.64	595.00	5,400.00	300.00	300.00	870.35	26,203.99
				425,201.72	32,527.93	7,140.00	64,800.00	3,600.00	3,600.00	21,260.09	558,129.73

# Expenses continued

- Direct Program Costs
  - Specific printing
  - Specific one-time expenses
  - Use of subcontractors
- Fundraising/Event Expenses
  - Venue
  - Catering
  - Prizes



# Expenses continued

- Larger budget items
  - Occupancy – rent/utilities (or debt payments on purchased facility)
  - Insurance other than health – using broker to get competitive bid
  - Printing – can the organization anticipate its entire annual spending and go out to bid?
  - Contracted services – for audit, technology, finance, program, etc.

# Other items to consider when budgeting

- Debt payments
  - In order to cover the principal portion of debt payments, we will need to budget a surplus.
- Replacement reserves
  - If we own our facility, do we have a plan for building up reserves to replace roofs, furnaces, etc? Surplus budgeting is a must.
- Cost reimbursement grants
  - These grants are often paid 30-90 days after expenses have been incurred. How do we float those expenses in the interim? Line of credit or cash reserves?
- Pledge payments
  - Does our budgeted income include pledges that may be collected in subsequent years?

# Bring it together then compare to prior years

	<b>Budget</b>	<b>Projected</b>	<b>Budget</b>	<b>Projected</b>		
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>Diff</b>	<b>2012 Actual</b>	<b>2011 Actual</b>
<b>Income</b>						
<b>Grants</b>	180,000.00	150,000.00	160,000.00	-10,000.00	150,000.00	100,000.00
<b>Fundraising</b>	440,000.00	390,000.00	390,000.00	0.00	360,000.00	400,000.00
<b>Donations</b>	201,000.00	180,000.00	195,000.00	-15,000.00	170,000.00	150,000.00
<b>Total Income</b>	821,000.00	720,000.00	745,000.00	-25,000.00	680,000.00	650,000.00
<b>Expenses</b>						
<b>Personnel</b>	610,000.00	520,000.00	565,000.00	-45,000.00	500,000.00	443,000.00
<b>Rent</b>	41,000.00	39,000.00	40,000.00	-1,000.00	39,000.00	37,000.00
<b>Office Supplies</b>	8,000.00	8,000.00	5,000.00	3,000.00	6,000.00	5,000.00
<b>Insurance</b>	31,000.00	28,000.00	27,000.00	1,000.00	26,000.00	26,000.00
<b>Program Costs</b>	30,000.00	21,000.00	18,000.00	3,000.00	17,000.00	15,000.00
<b>Event Expenses</b>	89,000.00	89,000.00	77,000.00	12,000.00	80,000.00	116,000.00
<b>Printing/Copying</b>	10,000.00	10,000.00	11,000.00	-1,000.00	10,000.00	10,000.00
<b>Total Expense</b>	819,000.00	715,000.00	743,000.00	-28,000.00	678,000.00	652,000.00
<b>Surplus Deficit</b>	<b>2,000.00</b>	<b>5,000.00</b>	<b>2,000.00</b>	<b>3,000.00</b>	<b>2,000.00</b>	<b>-2,000.00</b>

# And now that it's done . . .

	<b>Actual</b>	<b>Projected</b>	<b>Total Projected</b>	<b>Annual Budget</b>	
	<b>Jan-Feb 2014</b>	<b>Mar-Dec 2014</b>	<b>2014</b>	<b>2014</b>	<b>Variance</b>
<b>Income</b>					
4010 · Private Pay	40,000.00	161,000.00	201,000.00	205,000.00	-4,000.00
4012 · Room Rental Fees	4,471.00	20,000.00	24,471.00	21,600.00	2,871.00
4013 · Activity and Class Fees	2,978.76	15,000.00	17,978.76	11,100.00	6,878.76
4020 · Memberships	316.67	16,800.00	17,116.67	17,200.00	-83.33
4030 · COP/CIP	3,019.83	11,000.00	14,019.83	26,400.00	-12,380.17
4035 · United Way	15,000.00	80,000.00	95,000.00	95,000.00	0.00
4036 · Dane County Grant	70,000.00	231,000.00	301,000.00	303,600.00	-2,600.00
4040 · Local Government Support	0.00	197,702.00	197,702.00	197,702.00	0.00
4045 · Event Income	1,000.00	65,000.00	66,000.00	66,000.00	0.00
4050 · Contributions	12,000.00	65,000.00	77,000.00	78,000.00	-1,000.00
4060 · Interest Income	2.99	9.00	11.99	12.00	-0.01
4070 · Food Service Fees	3,019.06	12,000.00	15,019.06	18,600.00	-3,580.94
<b>Total Income</b>	<b>151,808.31</b>	<b>874,511.00</b>	<b>1,026,319.31</b>	<b>1,040,214.00</b>	<b>-13,894.69</b>
<b>Expenses</b>					
5000 · Employee Costs	120,966.54	600,000.00	720,966.54	716,000.00	4,966.54
5043 · Programming Expenses	880.46	3,000.00	3,880.46	3,600.00	280.46
5045 · Event Expenses	133.73	16,500.00	16,633.73	16,500.00	133.73
5150 · Supplies on Grants	912.04	4,500.00	5,412.04	5,400.00	12.04
5210 · Conferences and Training	142.00	1,000.00	1,142.00	1,000.00	142.00
5250 · Professional Fees	4,752.00	35,900.00	40,652.00	40,500.00	152.00
5255 · Technology	3,366.60	5,000.00	8,366.60	14,500.00	-6,133.40
5260 · Licenses and Fees	83.34	2,400.00	2,483.34	2,400.00	83.34
5300 · Bank and Merchant Fees	104.51	2,000.00	2,104.51	2,400.00	-295.49
5330 · Postage	241.22	3,000.00	3,241.22	3,600.00	-358.78
5340 · Telephone	1,357.46	7,425.00	8,782.46	8,925.00	-142.54
5350 · Travel/Mileage Reimbursement	982.20	5,500.00	6,482.20	6,600.00	-117.80
5410 · Food Costs	13,568.03	75,000.00	88,568.03	90,000.00	-1,431.97
5530 · Office Supplies	735.73	5,000.00	5,735.73	6,000.00	-264.27
5640 · Printing	117.08	3,000.00	3,117.08	3,600.00	-482.92
5720 · Vehicle Costs	1,505.23	15,000.00	16,505.23	18,000.00	-1,494.77
5840 · Utilities	8,053.00	30,000.00	38,053.00	36,000.00	2,053.00
5850 · Supplies	1,927.69	10,000.00	11,927.69	12,000.00	-72.31
5860 · Repairs and Maintenance	4,138.74	18,000.00	22,138.74	21,600.00	538.74
5910 · Insurance	3,767.13	18,500.00	22,267.13	22,200.00	67.13
<b>Total Expenses</b>	<b>167,734.73</b>	<b>860,725.00</b>	<b>1,028,459.73</b>	<b>1,030,825.00</b>	<b>-2,365.27</b>
<b>Surplus (Deficit)</b>	<b>-15,926.42</b>	<b>13,786.00</b>	<b>-2,140.42</b>	<b>9,389.00</b>	<b>-11,529.42</b>

# THANK YOU!

If you have additional questions/concerns or would like to discuss outsourcing the financial management of your organization, please contact:

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