



**BOYS & GIRLS CLUBS  
OF WESTERN LANE COUNTY**

**STEWARDSHIP & GOVERNANCE**

**BUDGET PROCESS**

<b>CATEGORY: Financial</b>	<b>APPROVED : April, 2017</b>
<b>APPROVING AUTHORITY: BGCWLC Board of Directors</b>	<b>LAST UPDATE: April 7, 2017</b>
<b>CONTACT: BGWLC Executive Director</b>	<b>NEXT REVIEW: April 1, 2018</b>



**BOYS & GIRLS CLUBS**  
OF WESTERN LANE COUNTY

# STEWARDSHIP & GOVERNANCE

## THE BUDGET PROCESS

The Boys & Girls Club of Western Lane County has adopted a comprehensive set of Financial Management Policies and Procedures, which establish guidelines for the Board of Directors and staff about standards and procedures to be applied when developing financial goals and objectives, making financial decisions and reporting the financial status of the organization in alignment with the Club's governing documents. In addition, the Fiscal Policies and Procedures provide guidelines to allow for an effective management of the organizations funds.

A key component of financial sustainability is the commitment of board and staff to financial management that includes timely review of financial reports and advance planning. One way that board and staff plan for income and expenses in the future is by creating a budget. Approval of the annual budget is one of the fundamental building blocks of sound financial management.

A budget is a guide that helps The Club plan for the future as well as assess its current financial health. The Club periodically reviews the budget as well as compares it to the actual cash flow and expenses, to determine whether they are playing out as expected during the course of the year. It may be necessary to amend the budget during the year.

The budget is a document that is referred to many times throughout the year - by staff and board members who play different roles within a nonprofit. Budgets may even be requested by parties involved in financial transactions with the nonprofits, such as banks, or by donors/grantmakers considering a gift to the nonprofit.

# IMPORTANCE OF BUDGETS

Financial Guides

Quantify Planned Activities in Financial Terms

Tools for Monitoring and Comparing Performance

Strategic Planning

Mission Priorities

Fiscal Accountability and Transparency

Conservative, Practical and Realistic

# QUESTIONS TO GET STARTED

1. Are there any anticipated changes to the organization?
2. What programs will be added, increased, decreased, discontinued?
3. What locations will be added, closed, expanded, decreased?
4. What staff positions and hours will be added, increased, decreased?
5. What are our fundraising goals and why?
6. What new grants will impact new expenses?
7. Are there any special budget reporting requirements required by funders, banks, federal or state government groups that should be taken into account?
8. Are there any one-time expenses to be added or deleted?
9. What is the minimum amount of funding we need to keep the Club solvent?
10. How do we price services/programs?
11. How much do we need to fundraise from donors?
12. How much do we need to fundraise from grant foundations?
13. What programs costs the most?
14. For which programs should we prioritize fundraising?
15. After a draft is completed, what are the plans for a positive or negative net income in the budget?
16. What are the significant assumptions and/or changes from prior year.

# COLLABORATION

The budgeting process is a collaborative effort, documented, with individual responsibilities, budget timelines and deadlines all clearly laid out.



**Executive  
Director**



**Program  
Directors**



**Treasurer**



**Finance  
Committee**



**Board  
Members**

# ASSUMPTIONS

1. Write a budget narrative to explain significant assumptions and/or changes from prior year.
2. Don't rely on memory, write down assumptions and the way you got to those assumptions.
3. Document prior 12 months' actuals versus budget.
4. Create spreadsheet for all restricted funds
5. Create assumption notes on all GL (General Ledger/Chart of Account) line items. For example:
  - Wage increase 2%
  - Increase in membership 6% based on prior FY
  - Increase in insurance/benefits of 10% per insurance agent quote
  - Increase in benefit costs due to employee eligibility having been met
  - Same as average last 2 fiscal years
6. Create spreadsheets for all supplemental budgets with assumptions.
7. Look at each program and determine the following:
  - What is the service offered?
  - What resources are needed to offer the service
  - Whom is the service targeted at
  - What are the true costs of providing the service (all costs)
  - What is the potential source of funding to cover those costs
8. Allocate Direct Costs
  - Direct costs are program – specific expenses
  - Examples of direct costs:
    - ✓ Salaries and benefits for staff working on specific programs
    - ✓ Travel expenses and personal equipment costs attributable to these staff members
    - ✓ Supplies and materials for particular programs
    - ✓ Contract fees for the program's partners
    - ✓ Price the service at a level that covers the true costs of providing it
    - ✓ Prioritize core programs (After School Programs) that must be protected even in economically hard times

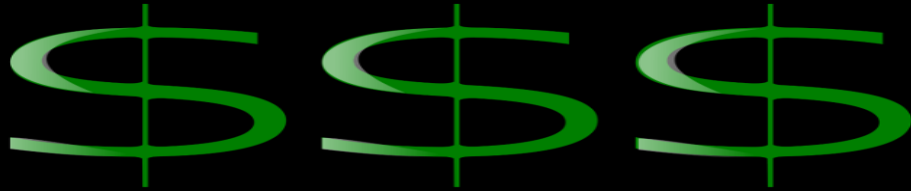
9. Create a budget for each grant outlining:
  - Time Period
  - Expenses covered with detail
  - Restrictions
10. Payroll
  - Position, program and funding
  - Overtime
  - Fringe Benefits such as taxes and insurance
  - Salaried rate by hour
11. Building/Facilities Improvements
12. Building Maintenance/Facilities Reserve for unexpected repairs
13. Sports Equipment repair, replacement, certification
14. Annual Audit costs and requirements
15. Operating Cash Reserve – minimum of four months is best practice
16. Identify peripheral and financially unhealthy programs to eliminate
17. Liability Reduction
  - Short Term Debt
  - Long Term Debt

# THE BUDGET CALENDAR

<b>Fiscal Year End: December 31</b>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Prepare mid-year budget revision for current fiscal year based on-actual results for Q1 & Q2							
Obtain Finance Committee approval of mid-year budget revision for current fiscal year							
Begin next fiscal year budget process; budget timeline, gather info to develop expense and revenue budget for next fiscal year							
Assemble draft budget for next fiscal year							
Review draft budget with senior mgmt., incorporate comments & recommendations							
Circulate draft budget and budget narrative to finance committee, incorporate comments & recommendations							
Send budget package to board of directors, board meets to approve budget for next fiscal year							
Update cash flow templates for coming 12-month period							



# OTHER INCOME TO CONSIDER



- ✓ In-Kind Income and Expenses
- ✓ Investment/Interest/Dividends - Above or Below the Line?
- ✓ Endowment Funds
- ✓ Board Member Contributions

# CASH FLOW

Beginning and  
Ending  
Cash for the  
Year

Reserves In-  
Flows  
and Out-Flows

	A	B	C	D
1	<b><u>Cash Projection Budget</u></b>	<b><u>Jul</u></b>	<b><u>Aug</u></b>	<b><u>Sept</u></b>
2	Beginning Cash	50,000	30,500	-
3	Income (Cash and A/R)	6,000	5,000	25,000
4	Expenses (PR, Liabilities and A/P)	(25,500)	(37,500)	(21,500)
5	Ending Projected Cash	30,500	(2,000)	3,500
6				
7	Beginning Operating Cash Reserve	75,000	75,000	73,000
8	In-Flow/Out-Flow Operating Cash Reserve	-	(2,000)	2,000
9	Ending Operating Cash Reserve	75,000	73,000	75,000

# THE APPROVAL PROCESS



## Secure Board Approval

**Executive Director submits draft budget to Treasurer**

**Treasurer makes revisions with Executive Director**

**Treasurer submits draft budget to the Finance Committee**

**Senior Management and Finance Committee make revisions**

**Once approved by Finance Committee, submit to full Board of Directors**

**Full Board of Directors approves before the new fiscal year begins**

**Executive Director, Treasurer, President, Secretary signs budget**

**Executive Director communicates budget to Program Directors**

# MONITORING THE BUDGET

Monthly		
Program Managers	Executive Director	Board of Directors
<ul style="list-style-type: none"> <li>• Budget-to-actual revenue &amp; expenses for the program(s) they oversee</li> </ul>	<ul style="list-style-type: none"> <li>• Budget-to-actual revenue &amp; expenses for:               <ul style="list-style-type: none"> <li>✓ Each program</li> <li>✓ Year-end forecast</li> <li>✓ Cash flow projection</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Management narrative</li> <li>• Budget-to-actual revenue &amp; expenses for:               <ul style="list-style-type: none"> <li>✓ Each program</li> <li>✓ Organization-wide</li> </ul> </li> <li>• Balance Sheet</li> <li>• Year-end forecast</li> <li>• Cash flow projection</li> <li>• Dashboard</li> </ul>

# KEY PERFORMANCE INDICATORS

- Budget versus C/Y actual versus P/Y actual
- Cash on hand/Cash flow
- Net asset balances (by category)
- Grant status and project activity reporting
- Program outcomes (ie – kids served, performance hurdles)
- Unit cost
- Personnel/FTEs
- Funds required to cover management and general fundraising expenses
- Construction project status
- Revenue Percentage – Grants
- Revenue Percentage – Individual Donors
- Endowment Funds
- Annual Campaign
- CACFP
- Outstanding PTO Liability