Building Sustainable Budgets

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Chief Operating Officer
October 26, 2017
Session Overview

- Review the budget development cycle to promote active participation at all levels in the organization.
- Prepare a budget that combines attainable fundraising goals, realistic expense expectations, and contingency plans.
- Present a comprehensive annual plan to the Board that covers operating, budget, and fundraising activities.
Where We WERE

Overly reliant on Dues and Contributed Income
Declining Membership Numbers
Workshops/Trainings Attendance Slowing
Year End Break Even/Deficits
Action Steps/Key Decisions

Initiated Deep Dive Sustainability Process
Engaged Board from Strategic Standpoint
Crafted New Strategic Plan
Developed Growth Budget & Operating Plan
Where We ARE

New Mission/Rebranded Organization
New Membership Model/Dues Structure
Expanded Statewide Presence

Focused in Our Work:

- Increase Investment to Sector
- Develop Top Talent
- Promote Collection Action/Strategic Partnerships
- Improve Systems & Policies
- Build Organizational Capacity
## Current Revenue Mix

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Membership Dues</td>
<td>40%</td>
</tr>
<tr>
<td>Grants/Contributions</td>
<td>40%</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>12%</td>
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<tr>
<td>Education Programs</td>
<td>3%</td>
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<tr>
<td>Annual Luncheon</td>
<td>2%</td>
</tr>
<tr>
<td>Contracted Trainings</td>
<td>2%</td>
</tr>
<tr>
<td>Consulting &amp; Fiscal Arrangements</td>
<td>1%</td>
</tr>
<tr>
<td>Service</td>
<td>Revenue Mix</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Membership Dues</td>
<td>37%</td>
</tr>
<tr>
<td>Grants/Contributions</td>
<td>37%</td>
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<tr>
<td>Sponsorships</td>
<td>8%</td>
</tr>
<tr>
<td>Education Programs</td>
<td>3%</td>
</tr>
<tr>
<td>Annual Luncheon/Annual Conference</td>
<td>3%</td>
</tr>
<tr>
<td>Contracted Trainings</td>
<td>4%</td>
</tr>
<tr>
<td>Consulting &amp; Fiscal Arrangements</td>
<td>8%</td>
</tr>
</tbody>
</table>
Future Challenges

Adapting to Changing Environment
Maintaining Strong Value Proposition
Ensuring Capacity for Growth
Budgeting Is Increasingly Challenging....

In response to implications from the Illinois State Budget impasse, many nonprofits are cutting services, laying off staff, and planning for continued uncertainty.
The Budget Process Often Reflects:

- Little or No Input from Program Staff
- Lack of Planning/Rushed Process
- Lack of Engagement & No Buy – In
- Unrealistic Program/Financial Goals
- Go It Alone Approach & Finger Pointing
The Budget Process Should Reflect....

- Inclusiveness
- Realistic/Achievable Program & Financial Goals
- Strong Planning/Clear Timeline
- High Staff & Board Engagement
- Shared Leadership & Ownership
Key Players

• Executive Director/President & CEO
• Finance Director/CFO
• Department Staff
• Treasurer
• Finance Committee
• Board Chair
• Board of Directors
How Would You Rank Your Organization?

1. Inclusiveness
2. Realistic/Achievable Program & Financial Goals
3. Strong Planning/Clear Timeline
4. High Staff & Board Engagement
5. Shared Leadership & Ownership
1. Develop Plan/Timeline

- Establish “Owner(s)” of the Process (senior program & finance staff)
- Make Process a Priority of the Leadership Team
- Integrate into Work of Committees & Board
- Set Realistic Timeframe (work backwards from presentation to Board)
- Start Immediately after 6 month results are available (both program and finance)
2. Reporting/Projections

- Provide update on Progress Toward Achieving Current Year Plan
- Project Income and Expenses for Current Year
- Analyze Cash Position/Financial Resources
- Determine Impacts on Coming Year Plans/Budget
- Revise Projections Prior to Finalizing Coming Year Plans/Budget
Operating Plan Progress (Mid-Year)

- List Programs Goals Approved for Year
- Highlight Milestones Achieved
- List Core Program Progress
- Identify Learnings
- Present Next Steps
Income & Expense Projections

• Use Prior Year and YTD Information to Project Figures
• Involve All Departments, Committees, and Board
• Be Accurate and Not Overly Optimistic
• Use as Initial Framing for Subsequent Fiscal Year
• Share Information with Staff, Be Mindful of Messaging
3. Operating Plan

- Establish Overarching Organizational Goals
- Prioritize Program Objectives
- Evaluate Current Programs
- Map out Specific Activities for the Year
- Consider New Initiatives
- Use As Basis for Developing Budget
Dual Bottom-Line Matrix

- High Mission Impact
  - Low Sustainability
- High Mission Impact
  - High Sustainability
- Low Mission Impact
  - Low Sustainability
- Low Mission Impact
  - High Sustainability

Mission Impact

Financial Sustainability

Forefront
<table>
<thead>
<tr>
<th>Name of Program/Business Line</th>
<th>Net Profit/Loss of Program/Business Line</th>
<th>Mission Impact of Program/Business Line</th>
<th>Expense Total of Program/Business Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising</td>
<td>92,631</td>
<td>1</td>
<td>91,359</td>
</tr>
<tr>
<td>E</td>
<td>232,495</td>
<td>4</td>
<td>1,143,940</td>
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<tr>
<td>B</td>
<td>11,517</td>
<td>4.5</td>
<td>234,310</td>
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<tr>
<td>C</td>
<td>8,703</td>
<td>3</td>
<td>54,803</td>
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<tr>
<td>D</td>
<td>192,151</td>
<td>4.5</td>
<td>3,136,761</td>
</tr>
<tr>
<td>F</td>
<td>(27,107)</td>
<td>4</td>
<td>239,830</td>
</tr>
<tr>
<td>A</td>
<td>(15,225)</td>
<td>2</td>
<td>28,920</td>
</tr>
<tr>
<td>RENTAL</td>
<td>50,847</td>
<td>0.5</td>
<td>19,153</td>
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</tbody>
</table>
**Instructions:** Please rate each opportunity on the following nine criteria by entering the appropriate rating number (3 for "a lot", "very much", 2 for "some"/"to some extent," etc.) in the orange squares. The total score will tally automatically. Before beginning, please assess whether the opportunity meets the mission. IF ONLY "A LITTLE" OR "NOT AT ALL," ELIMINATE FROM CONSIDERATION.

<table>
<thead>
<tr>
<th>PROGRAM/ACTIVITY NAME:</th>
<th>A Lot (3)</th>
<th>Some (2)</th>
<th>A Little (1)</th>
<th>Not at All (0)</th>
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<tbody>
<tr>
<td>A</td>
<td>Does this opportunity meet mission of the organization?</td>
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<tr>
<td>1 Will this opportunity help to enhance the brand?</td>
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<td>E.g., does it increase visibility with key audiences and/or outside the Chicago area; advance reputation and credibility as a thought leader; advocate for the sector?</td>
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<td>2 Are the proposed activities of interest and value to constituents?</td>
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<td>E.g., do program enrollment/event registration or constituent survey statistics demonstrate or predict active usage by / satisfaction among constituents? If no applicable internal data exists, do other information sources suggest likely constituent interest in these activities?</td>
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<td></td>
<td></td>
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<tr>
<td>3 Will this opportunity lead to outcomes and impacts stipulated by Key initiatives?</td>
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<td>E.g., will it attract investment to the sector, promote development of top talent, improve systems and policies, increase organizational capacity?</td>
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<td>4 Does organization have adequate capacities to carry out this initiative?</td>
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<tr>
<td>E.g., does organization have staffing, technology resources, and other capacities needed to carry out this initiative effectively? Can temporary contracting assistance fill in the gaps?</td>
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<td>5 Will this opportunity yield net revenues for organization?</td>
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<tr>
<td>E.g., given resource demands for this initiative, will it incur significant additional costs? If yes, do we have a pricing and/or sponsorship/other funding model in place to balance these costs?</td>
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<td>Is this opportunity financially sustainable in the long-term?</td>
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<tr>
<td>E.g., does it have a one-time only or a continuous/renewable funding source? Does it offer future financial growth potential, such as access to a new geographic market or new funding sources?</td>
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<table>
<thead>
<tr>
<th>Do external market factors (e.g., level of competition) support this initiative?</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>E.g., are the resources offered unique - and, if not, do they offer competitive advantages other resources do not? Can we enhance their competitiveness by partnering with other organizations?</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Are there non-financial benefits to this opportunity that potentially outweigh financial considerations?</th>
<th></th>
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<tbody>
<tr>
<td>E.g., will proceeding with this opportunity strengthen strategic partnerships or create new partnership opportunities? Will it extend geographic reach?</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Are there non-financial implications/risks incurred by not pursuing this opportunity?</th>
<th></th>
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</table>

<table>
<thead>
<tr>
<th>Sum of Columns</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL SCORE</td>
<td>0</td>
</tr>
</tbody>
</table>
4. Fundraising Plan

- Analyze Historical Fundraising Performance
- Evaluate What Has Worked/New Opportunities
- Identify Vulnerabilities
- Establish Attainable Goals for Year
- Prepare Summary Document Outlining Plan
- Get Input from Staff, Committees, and Board
## Fundraising Plan

**Overarching Goal:**
*Develop long-term, sustainable fundraising strategies to increase grants, contributions, and sponsorship.*

<table>
<thead>
<tr>
<th>Key Fundraising Strategies and Tactics</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Strategies</strong></td>
<td><strong>Tactics</strong></td>
</tr>
<tr>
<td>Expand funding base by identifying, researching, and cultivating new opportunities.</td>
<td>Create new funder relationships and explore other revenue opportunities.</td>
</tr>
<tr>
<td>Develop new ways to attract sponsors.</td>
<td>Package events and program series in ways that appeal to sponsors.</td>
</tr>
<tr>
<td>Explore individual giving opportunities.</td>
<td>Develop a case for individual donors and explore other opportunities for sustainable growth.</td>
</tr>
</tbody>
</table>
4. Budget

- Get Initial Input from Finance Committee and Board
- Provide General Parameters to Staff
- Outline Income First and Expenses Second
- Use Operating Plan as a Guide
- Determine Use of or Replenishment of Reserves
- Secure Treasurer and Chair Buy-In
5. Contingency Plan

- Prepare for the Unanticipated
- Revenues and Expenses Can Change In the Year
- Timing is Crucial – Identify Action Points
- Develop Plans During Budgeting
- Decisions Will Be Difficult – Keep Everyone Informed
Revenue Items to Consider

- Access Reserves
- Ramp Up Fundraising
- Seek New Funders/Sponsors
- Seek Increased Board Support
Expense Items to Consider

- Reduce Operating Expenses
- Postpone/Delay Projects
- Furloughs
- Salary Reductions
- Reduce Staffing
- Share Back Office Functions
- Partnerships or Mergers
Pulling It All Together....

- Budget Narrative
- Operating Plan
- Budget
- Fundraising Plan
- Contingency Plan
Resources

www.blueadvacado.org

www.myforefront.org

www.foundationcenter.org

www.thenonprofittimes.com

www.fmaonline.net
Questions/Wrap Up