

# Budget Basics

Stony Brook-Millstone Watershed Assoc.  
Watershed Institute Program  
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# How We'll Address Budgets

- *Compare Personal Budgets to Organizational Budgets*
  - Annual Budgets
  - Project Budgets
- *Sources for Budget Information*
- *Other Types of Budgets*
  - Capital Budget
  - Cash Flow Budget
  - Planning Budget (Estimates for new programs)



# What is in a budget?

- *The Time Period Covered*
  - *Annual Budget*
    - Income
    - Expenses
  - *Project Budget*
    - Income dedicated to Project
    - Expenses attributable to Project



# SECTION I

- INCOME
  - PERSONAL
  - ORGANIZATIONAL



# Sources of Personal Income

- *Salary*
- *Bonus*
- *Inheritance*
- *Commissions*
- *Winnings*
- *Alimony*
- *Royalties*
- *Annuity/Investment Income*



# Personal Income

Salary	48,000 Annually 4,000 Monthly
Bonus	2,000 December
Tax Refund	2,000 May



# Definitions of Organizational Income

## ■ Annual Budget

### □ *Income*

#### ■ Earned Income

#### ■ Unearned Income

##### □ Donations or Gifts

- *No strings attached*

##### □ Grants

- *Require application and reporting*



# Definitions of Organizational Income

## ■ *Unrestricted*

- General Operating Support
- Use as needed

## ■ *Temporarily Restricted*

- Can use it once a specific hurdle is overcome
- Can use it when donor restriction is lifted

## ■ *Permanently Restricted*

- Must be held permanently
- Earnings may be usable (depending upon donor's intent)



# Organizational Income

Medium Sized Budget		
Styx and Stones Association		
REVENUE	2005	2006
Fund for Hades	30,000	30,000
Maserati Foundation	35,000	40,000
EPA	45,000	45,000
Donations/membership	30,000	33,000
Styx Boatman Contribution	11,000	10,000
Watershed Institute	5,750	6,000
TOTAL Revenue	156,750	164,000



# Estimating Income

- *What happened in the past?*
- *What is reasonable when compared to our peers?*
- *What is reasonable when looking at funders' previous grants?*
- *What is our best case scenario?*
- *What is our worst case scenario?*



# Sources of Information

- *Watershed Institute*
- *Guidestar.org*
- *Call peers*
- *Attend conferences*



# SECTION II

- Expenses
  - Personal Expenses
    - Fixed and Variable
  - Organizational Expenses
    - Fixed and Variable



# Personal Expenses: Fixed Expenses

<b>Fixed Expenses</b>	<b>Monthly \$</b>
Rent/Mortgage	1,500
Insurance (Auto/Home)	200
Utilities	100
Telephone	50
Taxes	1,500
Auto Maint./Gas	100
Food	600
<b>Total Monthly Fixed</b>	<b>4,050</b>
<b>Annual</b>	<b>48,600</b>



# Personal Expenses: Variable Expenses

<b>Variable Expenses</b>	<b>Monthly</b>
Entertainment	450
Dining Out	200
Children's Activities	200
Books/Toys	100
Cel Phones	150
Dry Cleaning	80
Haircuts	40
Clothes	150
Vacation	200
<b>Total</b>	<b>1,570</b>
<b>Annual</b>	<b>18,840</b>



# Organizational Expenses:

- *Fixed or Nondiscretionary*

- Rent*
- Staffing*
- Insurance*

- *Discretionary or Variable*

- Marketing*
- Fundraising*
- Programs*

# Organizational Expenses:

Medium Sized Budget		
Styx and Stones Association		
EXPENSES	2005	2006
Director Salary	38,000	40,000
Staff Salary	30,000	31,000
Payroll Taxes	15,000	15,500
Medical benefits	2,500	2,750
Travel	1,000	1,000
Rent and Utilities	8,000	8,500
Phone/Fax Internet	3,000	3,000
Equipment	1,600	1,500
Office Supplies	1,600	1,300
Web Site	500	500
Printing	20,000	18,000
Postage	5,000	5,500
Advertising	300	300
Insurance	2,000	2,100
Accountant	7,000	7,000
Consultants (engineers, planners,	13,000	14,000
Stream Monitoring	5,500	5,500
Events	1,400	1,500
Training	1,500	1,500
<b>TOTAL EXPENSES</b>	<b>156,900</b>	<b>160,450</b>



# SECTION III

- The Budget

- Personal Budget

- $\text{Income} - \text{Expenses} = \text{Net}$

- Organizational Budget

- $\text{Income} - \text{Expenses} = \text{Net}$



# Annual Personal Budget

- *Income*
  - *What comes in*
- *Expenses*
  - *What goes out*
- *Net*
  - *What is left (or owed)*



# Personal Budget

<b>Income:</b>	<b>Annually</b>	<b>Monthly</b>
	\$68,000	5,667
<b>Expenses:</b>		
Savings	6,000	500
Housing (Rent, Ins. Util.)	22,200	1,850
Taxes (Incl. SS, etc.)	18,000	1,500
Food	7,200	600
Auto	3,600	300
Entertainment	3,600	300
Vacation	3,000	250
Misc.	4,400	367



# Annual Organizational Budget

- *Income*
  - *Earned and Donated*
- *Expenses*
  - *What was spent*
- *Net*
  - *What is left*



# Accounting

- **Cash Basis:**

- Money is recorded when it comes in and when it goes out.

- **Accrual Basis:**

- Money is recorded when it is contracted for or when it is obligated (that is, you record a debt for rent on the first of the month whether you paid it or not).

# Small Organizational Budget

Small Org. Budget	
Anduin Hobitat	
Income	
Restricted Grants	2006
Staff	5,000
Travel	400
Publications	2,000
Other Grant Income	1,125
Event Direct Income	3,170
Member Dues	2,200
Interest	8
Board Donations	1,650
Partner Reimbursements	450
<b>Total Income</b>	<b>16,003</b>

Expenses	
Salary	6,402
Travel	623
Event Expense	863
Publicity	350
Newsletter printing	1,074
Newsletter Postage	354
Membership Printing	423
Membership Postage	170
Appeal printing	914
Appeal Postage	165
Event Equipment & materials	524
Teacher's Guide	2,000
Admin (PO Box, checks)	442
Phone	231
Insurance	428
Web site	240
Misc.	143
<b>Total Expense</b>	<b>15,346</b>

# Mid Sized Organization

Medium Sized Budget		
Styx and Stones Association		
REVENUE	2005	2006
Fund for Hades	30,000	30,000
Maserati Foundation	35,000	40,000
EPA	45,000	45,000
Donations/membership	30,000	33,000
Styx Boatman Contribution	11,000	10,000
Watershed Institute	5,750	6,000
<b>TOTAL Revenue</b>	<b>156,750</b>	<b>164,000</b>

EXPENSES	2005	2006
Director Salary	38,000	40,000
Staff Salary	30,000	31,000
Payroll Taxes	15,000	15,500
Medical benefits	2,500	2,750
Travel	1,000	1,000
Rent and Utilities	8,000	8,500
Phone/Fax Internet	3,000	3,000
Equipment	1,600	1,500
Office Supplies	1,600	1,300
Web Site	500	500
Printing	20,000	18,000
Postage	5,000	5,500
Advertising	300	300
Insurance	2,000	2,100
Accountant	7,000	7,000
(engineers, planners, hydrogeologists)	13,000	14,000
Stream Monitoring	5,500	5,500
Events	1,400	1,500
Training	1,500	1,500
<b>TOTAL EXPENSES</b>	<b>156,900</b>	<b>160,450</b>
<b>TOTAL INCOME</b>	<b>156,750</b>	<b>164,000</b>
<b>NET</b>	<b>-150</b>	<b>3,550</b>

# Large Organization

Alph River Watershed Association		
INCOME	2005	2006
Gift/Grant Income		
Unrestricted	246,000	257,300
Restricted Grants	32,500	26,000
Memberships	16,798	17,560
Project Income		
Kayak Project	10,070	12,300
Eco-Cruise	42,390	40,210
Eco-Run	750	800
Eco- Walk	1,200	1,340
Eco-Crawl	290	450
Other Income		
Fees	3,555	4,005
Interest	1,188	1,097
T-shirt sales	1,295	765
<b>TOTAL INCOME</b>	<b>356,036</b>	<b>361,827</b>

EXPENSES		
Personnel		
Salaries	155,078	158,029
Payroll Taxes	18,609	18,963
Benefits	31,014	31,606
Part-Time	10,013	13,075
Consulting	11,444	6,540
Office Expense		
Rent	7,200	7,200
Utilities	3,670	4,694
Repairs	897	1,207
Phone	9,996	10,654
Internet Access	1,360	1,390
Computer	2,450	3,250
Depreciation	11,904	11,904
Postage	14,765	15,763
Other Expense		
Auto	9,275	8,755
Bank Fees	940	857
Dues & Subscriptions	1,200	1,250
Conferences	1,600	1,950
Equipment Rentals	700	250
Insurance	13,990	14,523
Printing	15,093	15,511
Travel & Entertainment	2,150	1,050
Program Expense	9,166	10,666
Kayak Expense	9,166	10,666
Supplies	9,166	10,666
<b>TOTAL EXPENSES</b>	<b>350,846</b>	<b>360,419</b>
<b>TOTAL INCOME</b>	<b>356,056</b>	<b>361,827</b>
<b>NET</b>	<b>5,210</b>	<b>1,408</b>



# Depreciation/Amortization

- Your buildings and equipment wear out.
- How much less are they worth each year?
  - IRS guidelines tell you the amount of your initial investment that you “lose” each year
  - This amount is an organizational expense, even though you spent the money a long time ago.



# Section IV

## ■ Cash Flow

- Adds the variable of time to the budget
  - When does the income arrive?
  - When do the expenses get paid?
- A well planned Cash Flow projection will help you predict trouble.



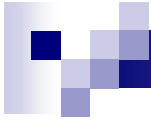
# Timing Is Important

- Personal Income

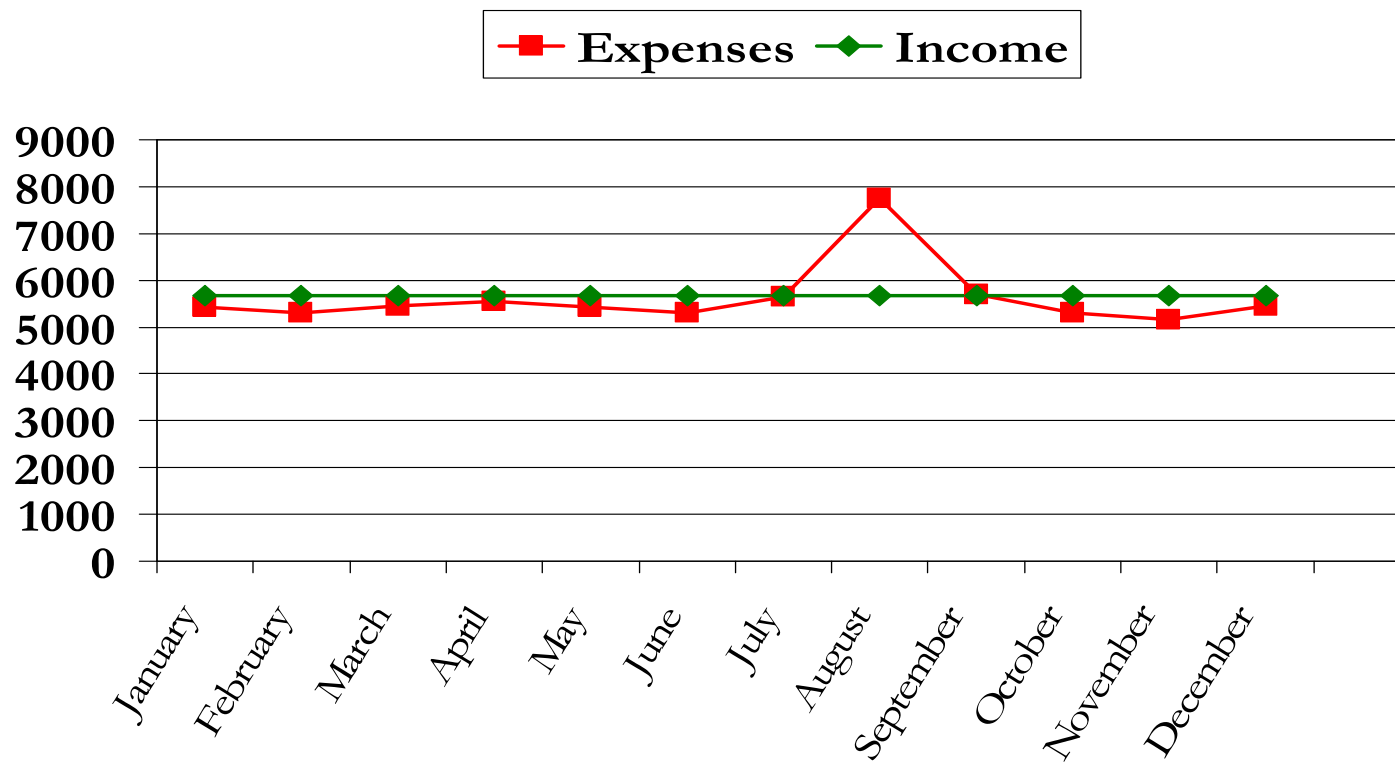
- Some earn a regular salary
- Some have erratic earnings

- Organizational Income

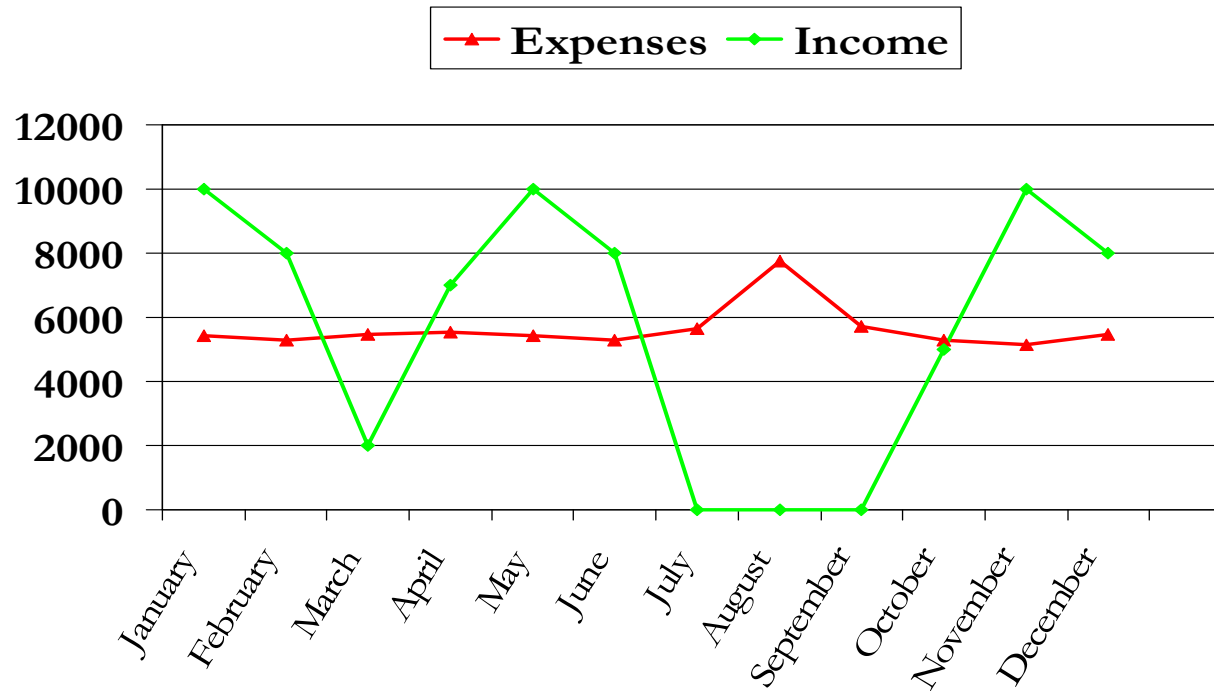
- Typically erratic



# Personal Cash Flow

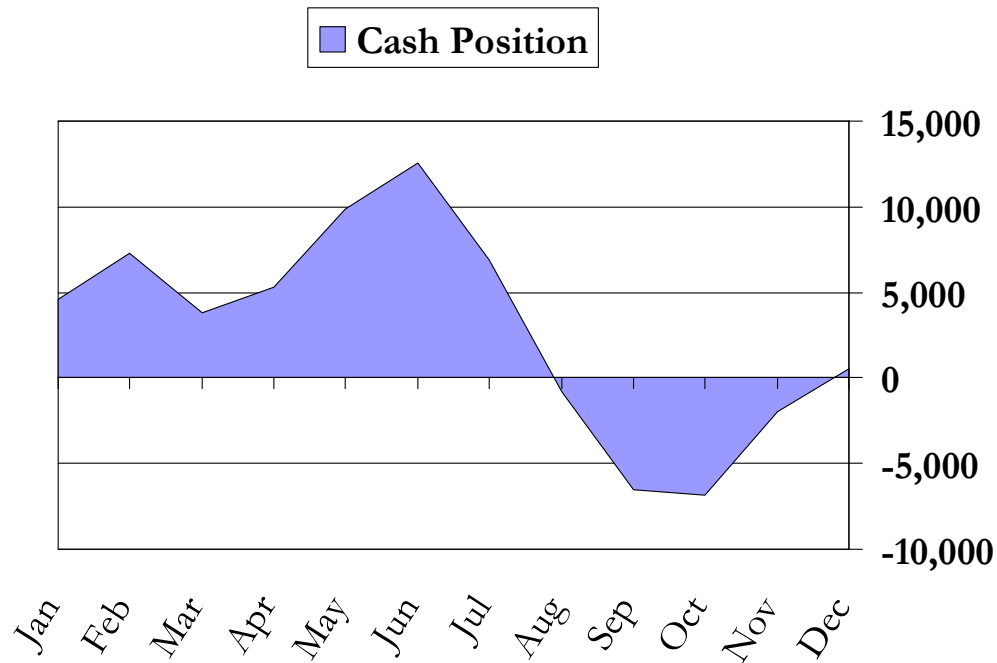


# Personal Cash Flow



# Personal Cash Flow

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Income	10,000	8,000	2,000	7,000	10,000	8,000	0	0	0	5,000	10,000	8,000
Expenses	5,420	5,300	5,450	5,550	5,420	5,300	5,650	7,750	5,700	5,300	5,150	5,450
Net	4,580	2,700	(3,450)	1,450	4,580	2,700	(5,650)	(7,750)	(5,700)	(300)	4,850	2,550
Carried Over		4,580	7,280	3,830	5,280	9,860	12,560	6,910	(840)	(6,540)	(6,840)	(1,990)
End of Month	4,580	7,280	3,830	5,280	9,860	12,560	6,910	(840)	(6,540)	(6,840)	(1,990)	560





# Section V: Project Budget

- *Income Associated with the Project*
  - And its timing
- *Expenses Associated with the Project*
  - And its timing



# Vacation Project Income

- *Income attributable to the project*
  - Regular savings
    - Equivalent to memberships
  - Expected Bonus
    - Grant income
  - Payment for Article in Travel Magazines
    - Earned Income

# Vacation Project Income Timing

VACATION PLANNING INCOME										
			Departure Date					Return Date	Apr/May	
INCOME	4/06-12/06	1,2,3/07	31-Mar	1-Apr	2-Apr	3-Apr	4-Apr	5-Apr		
Total Savings for Trip	2,700	900								
Expected Bonus Income		3,500								
Travel Article Income									1,000	
Total Income	2,700	4,400							1,000	8,100



# Vacation Project Expenses

- *Estimate of costs*

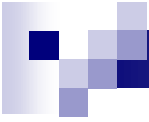
- Travel
- Hotel
- Park Tickets
- Meals
- Souvenirs
- Contingency

# Vacation Project Expense Timing

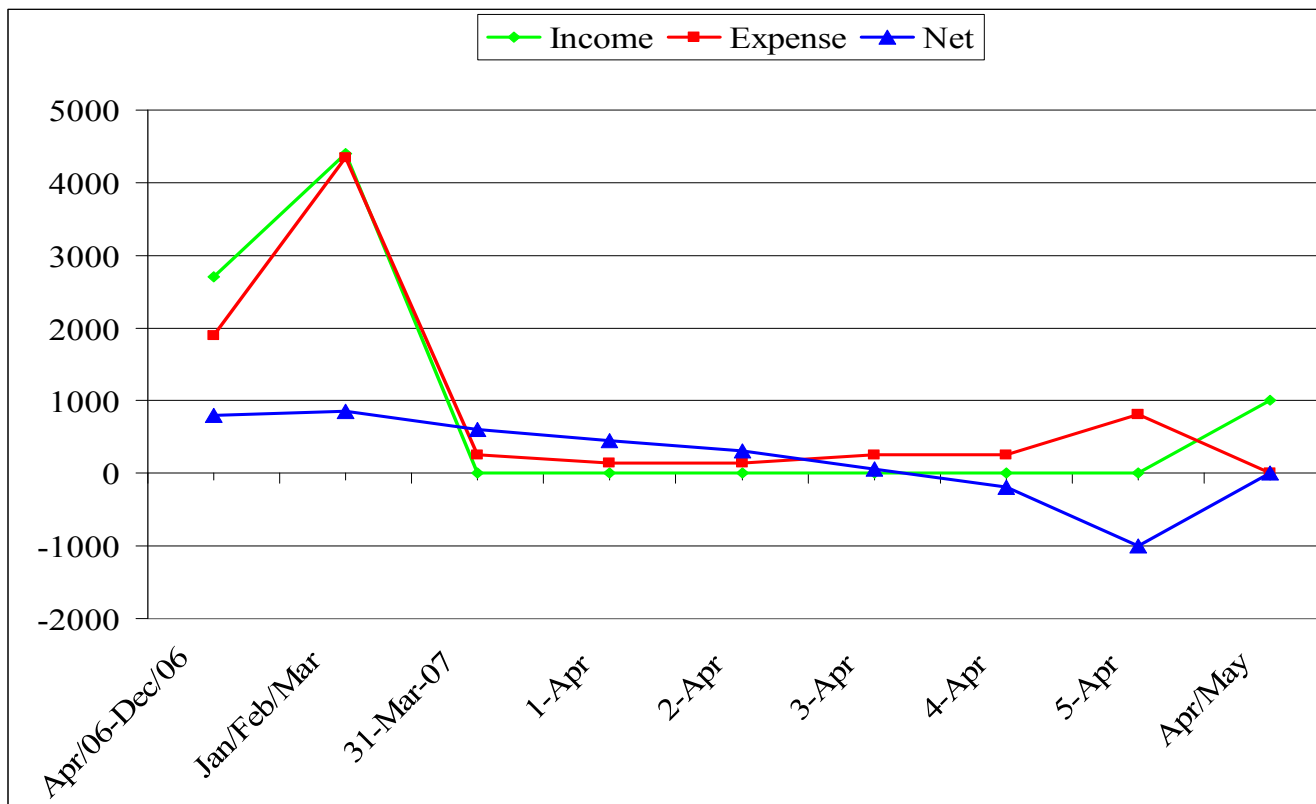
Vacation Cash Flow Expenses										
			Departure Date					Return Date	Apr/May	
	4/06-12/06	1,2,3/06	3/31	1-Apr	2-Apr	3-Apr	4-Apr	5-Apr		
Airport Parking								120		
Newark to Orlando airfare	1,700									
Car Rental in Orlando								250		
Hotel	200	3,550								
Park Admissions		795								
Food			150	150	150	150	150	150		
Souvenirs			100			100	100	100		
Miscellaneous								185		
<b>Total Expenses</b>	<b>1,900</b>	<b>4,345</b>	<b>250</b>	<b>150</b>	<b>150</b>	<b>250</b>	<b>250</b>	<b>805</b>		<b>8,100</b>

# Vacation Project Cash Flow

			Departure Date					Return Date	Apr/May	
INCOME	4/06-12/06	1,2,3/07	31-Mar	1-Apr	2-Apr	3-Apr	4-Apr	5-Apr		
Income	2,700	4,400	0	0	0	0	0	0	1,000	8,100
Expense	1,900	4,345	250	150	150	250	250	805	0	8,100
Carried Over	0	800	855	605	455	305	55	(195)	(1,000)	
Net	800	855	605	455	305	55	(195)	(1,000)	0	



# Vacation Cash Flow





# Vacation Project Cash Flow:

- What can go wrong?
  - What if the money doesn't come in?
- Do we have a contingency plan?
  - What can we still change?
- Can we “make it up” later?
  - Can we get other money in?

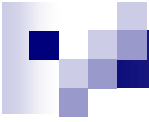


# Vacation Example

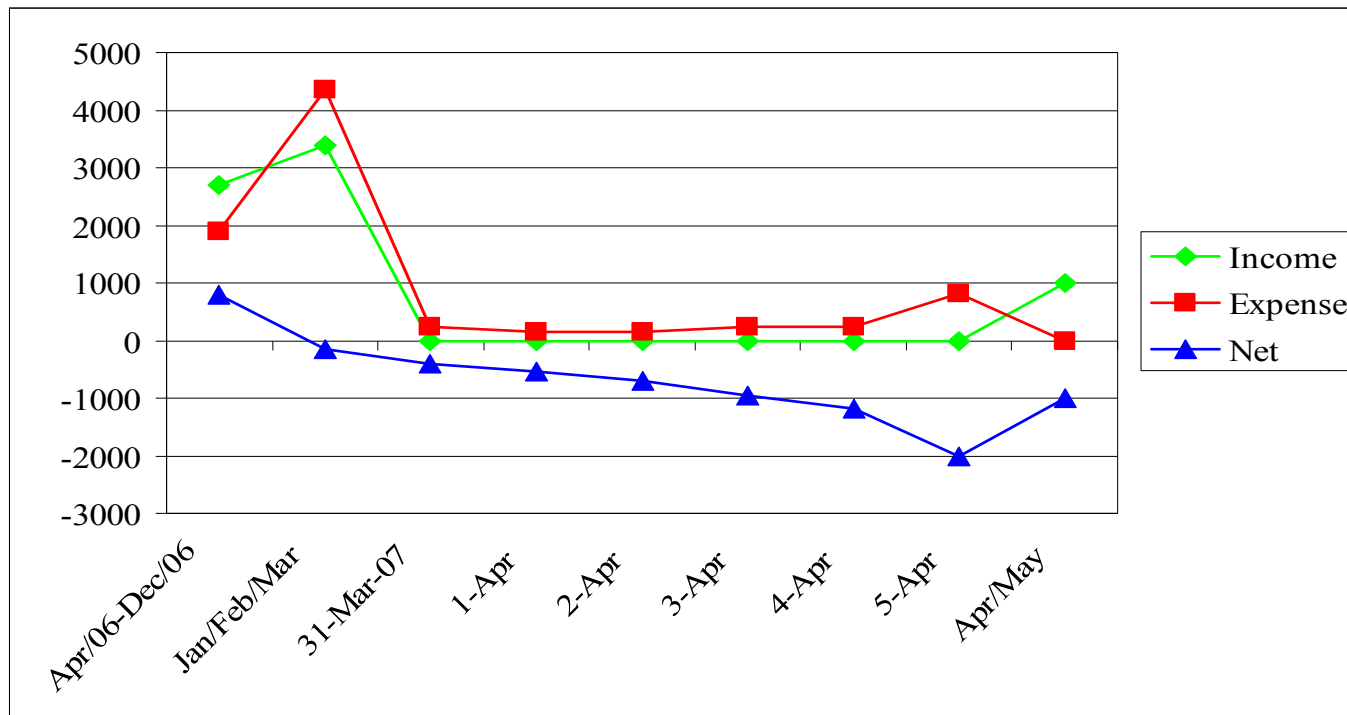
- *Half way through we find what?*
  - Less earned income
  - Higher meal costs
  - Contingency used for airfare increase

# Vacation Project Cash Flow

VACATION PLANNING OOPS!!!										
			Depart. Date					Return Date	Apr/May	
INCOME	4/06-12/06	1,2,3/07	31-Mar	1-Apr	2-Apr	3-Apr	4-Apr	5-Apr		
Income	2,700	3,400	0	0	0	0	0	0	1,000	7,100
Expense	1,900	4,345	250	150	150	250	250	805	0	8,100
Carried Over	0	800	(145)	(395)	(545)	(695)	(945)	(1,195)	(2,000)	
Net	800	(145)	(395)	(545)	(695)	(945)	(1,195)	(2,000)	(1,000)	



# Vacation Project Cash Flow





# Vacation Example:

- *Alter our duration?*
- *Stay someplace cheaper?*
- *Alter our meals?*
  - Feed only the kids?*
- *Seek additional income?*



# Watershed Project Income

- *Estimate of Income*
  - *What is reasonable?*
- *Sources of Income*
  - *Will they really give that much?*
- *Timing of Income*
  - *When will they get around to it?*



# Watershed Project Expenses

- *Type of Expenses*
- *Amount of Expenses*
- *Timing of Expenses*

# Project Budget: Small Org.

<b>River Shribble Monitoring Program</b>				
	Funds Requested	Partner Contributions	Total	Details
<b>Staff</b>				
<b>Phase I</b>				
Executive Director	1440		1440	36 hrs @ \$40
Admin Assistant	180		180	12 hrs @ \$15
Student Ecologist		540	540	36 hrs @ \$15
<b>Phase II</b>				
Executive Director	1760		1760	44 hrs @ \$40
Admin Assistant	60		60	4 hrs @ \$15
Student Ecologist		120	120	8 hrs @ \$15
<b>Phase III</b>				
Executive Director	960		960	24 hrs @ \$40
Admin Assistant				
Student Ecologist		180	180	12 hrs @ 15
<b>Supplies and Materials</b>				
Copies	25		25	
Office Supplies	50		50	
Postage	39		39	
Publication Policy	100		100	
LaMotte Nitrate/Nitrogen kit	180		180	NO3 (0-15 mg/L) Zinc
LaMotte pH kit #2117 (4 kits)	105		105	pH
LaMotte kit #5860 (4 kits @\$44.00)	176		176	Dissolved Oxygen
LaMotte thermometer #1066	78		78	Temperature
Kick Seine net (4@ \$60.00)	240		240	Macroinvertebrate testing
Trunks, clip Boards, etc. (4 @ \$50.00)	200		200	Team Supply Kit
<b>TOTAL</b>	5593	840	6433	

# Membership Campaign Budget

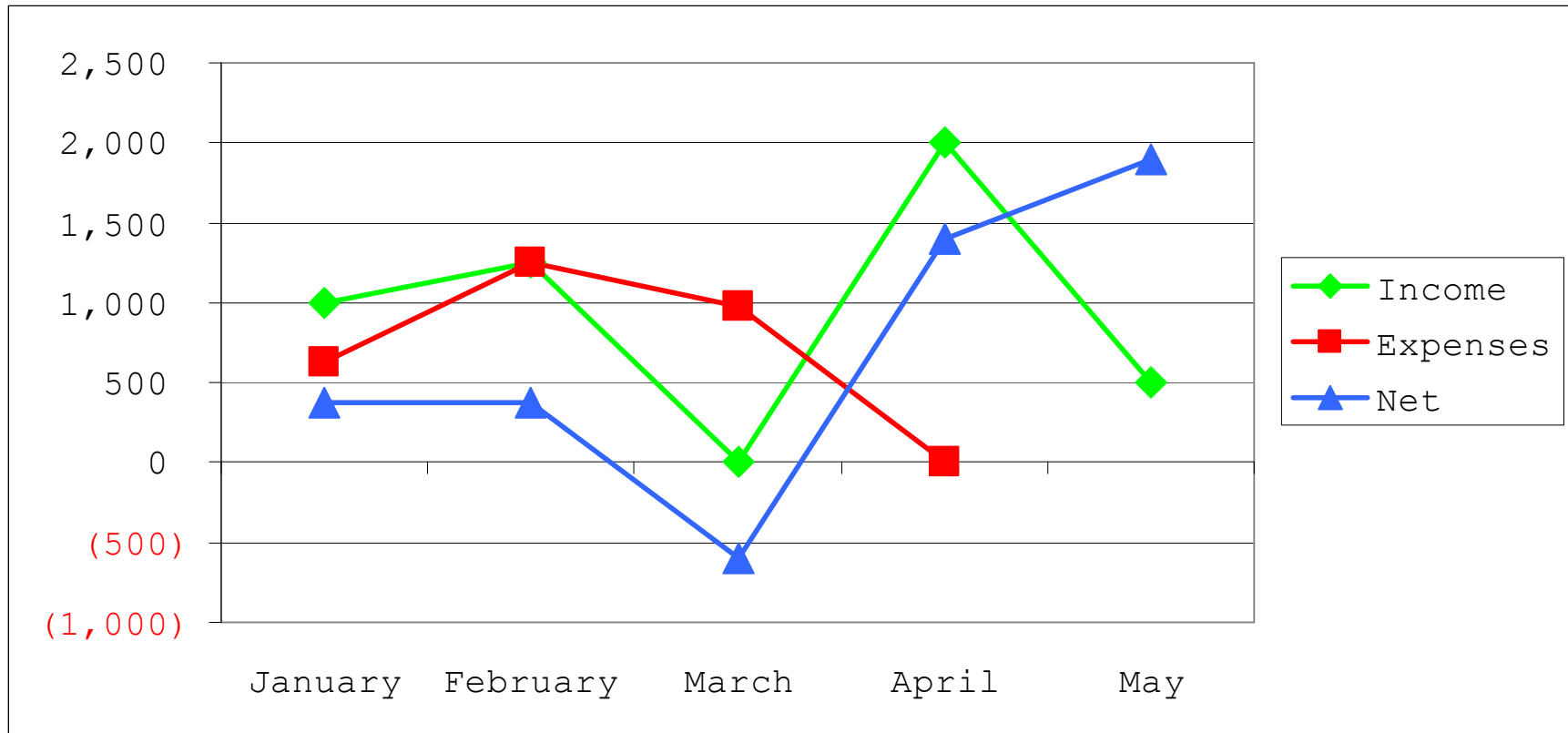
with 4% expected return

<b>Membership Mailing Campaign</b>	
<b>Expected 4% Response Rate</b>	
Income	
Watershed Institute Grant	500
Board Giving	500
In-Kind (Printing)	1,250
Memberships (100@\$25 = 4% response)	2,500
<b>Total Income</b>	<b>4,750</b>
Expenses	
Mailing List rental (2500 names)	400
Paper & Envelopes	225
Printing	1,250
Postage (2500 @.39)	975
<b>Total Expenses</b>	<b>2,850</b>
<b>Net Income</b>	<b>1,900</b>

# Membership Campaign Cash Flow With 4% Return

<b>Membership Mailing 4% response</b>					
	January	February	March	April	May
Income	1,000	1,250	0	2,000	500
Expenses	625	1,250	975	0	0
Carried Over		375	375	(600)	1,400
Net	375	375	(600)	1,400	1,900

# Membership Campaign 4% Return





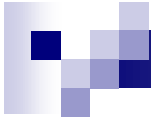
# Membership Campaign Budget

with 1% expected return

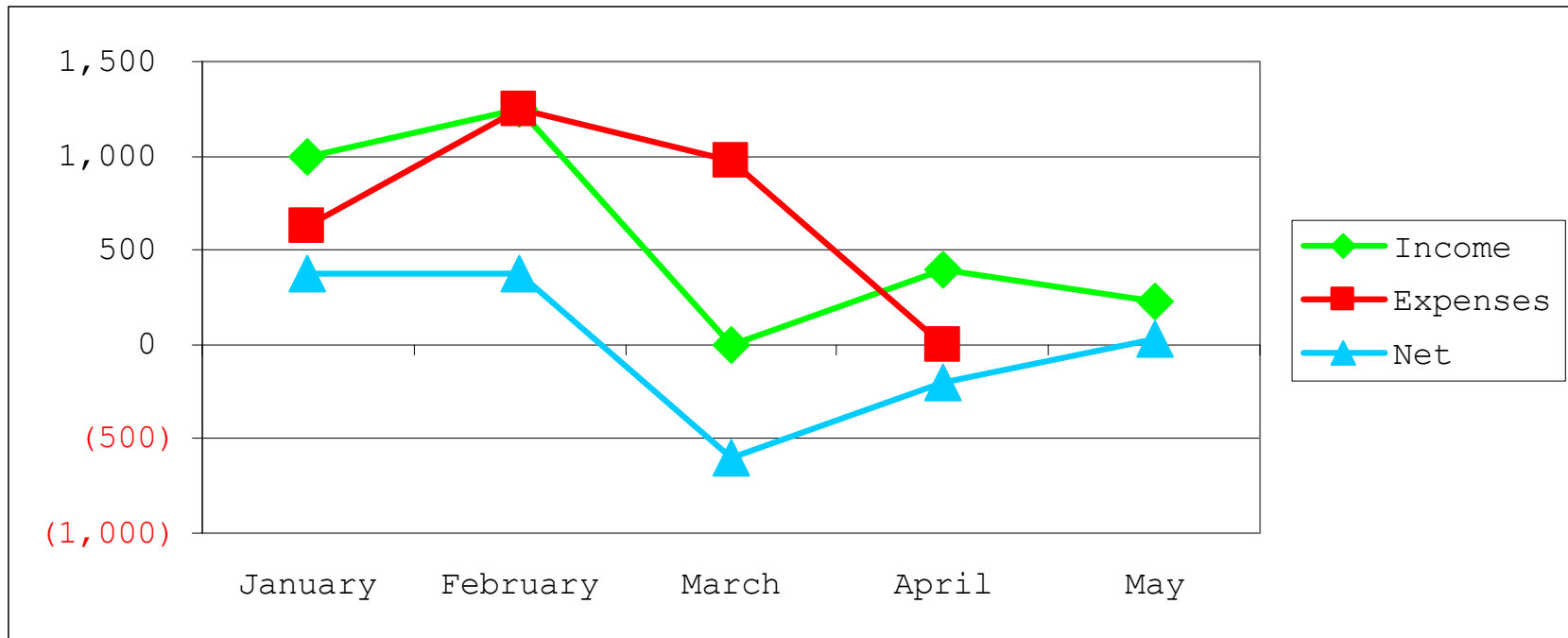
<b>Income</b>	
Watershed Institute Grant	500
Board Giving	500
In-Kind (Printing)	1,250
Memberships ( 25@\$25= 1% response)	625
Total Income	2,875
<b>Expenses</b>	
Mailing List rental (2500 names)	400
Paper & Envelopes	225
Printing	1,250
Postage (2500 @.39)	975
Total Expenses	2,850
Net	25

# Membership Campaign Cash Flow With 1% Return

Membership Mailing 1% response					
	January	February	March	April	May
Income	1,000	1,250	0	400	225
Expenses	625	1,250	975	0	0
Carried Over		375	375	(600)	(200)
Net	375	375	(600)	(200)	25



# Membership Campaign 1% Return





# How do we know if we're on track?

- *Are we getting the money when we thought we would?*
- *Are we postponing expenses until money is in hand?*
- *Do we have a plan to alter our budget if things don't go right?*



# You ALWAYS have choices

- *Some may be unpleasant.*
- *Consider all options.*
- *You can alter, postpone or scrap the project.*



# How do we get Project information?

- *Your own past experience*
- *Interview peers*
- *Contact funders*
- *Read relevant articles*
- *Watershed Institute*
- *Go online*
  - Prices
  - Chat rooms



## Finding Trouble When Examining Budgets

- *Compare to previous experiences*
- *Look for variances*
- *Be aware of timing issues*
  - Is income late?
  - Are expenses early?



# Have a contingency plan

- *Establish clear milestones*

- If we don't get the grant we don't do the project
- If we don't get advance reservations of 10 people we cancel
- We continue rain or shine



# Who is responsible?

- *Who will make what decisions when?*
  - *At what point do we stop eating?*
- *Set dates for these decisions*



# Budget Policies

- The Board can establish budget policies or guidelines
- Some percentage of income set aside for a big project?
- Some percentage of salary for training and conferences?



# Seeking Assistance For Your Organization?

- Ask friends or relatives for contacts
- Post requests on pro-bono accounting matching websites. Examples:

Clearinghouse for Volunteer Accounting Services,  
<http://www.cvas-usa.org/index.html>

New Jersey Society of CPAs,  
<http://www.njscpa.org/story.cfm?sid=8073>



# Types of Assistance

## Direct Accounting Assistance:

- Tax preparation
- Annual audit preparation
- Reduced-rate auditing
- Design accounting and control systems
- Training

## Consulting or Advisory Services:

- Tax matters
- Financial management
- Budgets and forecasts
- Responsibilities in reporting to government agencies
- Loan or grant applications
- Computer software selection
- Business startup consulting





# Thank you.

**We would like to thank the generosity of the  
Geraldine R. Dodge Foundation which  
provides the necessary funding for the  
Watershed Institute program.**

[www.FinanceArts.com](http://www.FinanceArts.com)

&

**The Watershed Institute Program**

