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**Help YOU**

A photograph of three women sitting in a row, likely at a meeting or conference. They are all wearing blue lanyards. The woman in the foreground is a Black woman with short dark hair, wearing a black blazer and large pearl earrings. The woman in the middle is a white woman with long brown hair, wearing a light blue striped shirt. The woman in the background is a white woman with long brown hair, wearing a white shirt. They are all looking towards the left of the frame.

# Financial Management Basics: *Making Your Budget Work for You*

WEDNESDAY, MAY 17TH, 12PM – 1:00PM | FACILITATOR: WENDY SELIGSON



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# Financial Management Basics:

## Making Your Budget Work for You

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May 17, 2023



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# Jewish Community Council of Greater Coney Island's

## NonProfit Help Desk

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*We focus on small and emerging nonprofits, offering:*

*Workshops \* Training \* Consulting*

2,500 organizations have worked with us, benefiting from support in:

- financial management
- fundraising
- governance
- human resources
- management & operations
- marketing and social media
- strategic planning
- technology



# WELCOME

- Facilitator welcome and introduction
- Introduce yourselves in the chat – name, org, title
- Participant Polls



# AGENDA

- Overview
- Financial Management in Action
  - Setting Up Your Chart of Accounts
  - Budgeting
  - Reporting, Analysis and Decision-making
- A Word about Cash





# Overview

- What is financial management?
  - Making a financial plan to achieve your goals
  - Monitoring how you are doing against the plan
  - Making changes, as needed, to stay financially healthy



# Overview

- How is this accomplished?
  - By creating a budget
  - Monitoring income & expenses against the budget
  - Adapting the budget when things change; a budget is a “living document”



# Overview

- Why is financial management important? So that you
  - Know where you stand
  - Get on the same page with Board, staff, funders
  - Identify trends & evaluate performance to keep improving





# Overview

- What are the key tools?
  - **Budget** - financial plan
  - **Reports** - “actual results” against budget
  - **Chart of Accounts** - recordkeeping system to track financial activities, tailored to your organization
  - **Accounting software** – place to keep the records and report them



# Overview

- Breaking it down: What is the Chart of Accounts?
  - Recordkeeping system for tracking income and expenses
  - Consistent over the life of your organization
  - Tailored to your operations



# Overview

- Two common software accounting packages



QuickBooks®





# Overview

- Is financial management a solo activity?
  - No. It's a team sport!
  - It takes good, open communication between Management, Finance, Program, Operations and the Board





# Small group discussion

- What reports against budget do you need? What do you get right now?
- How do you go about adapting and making financial changes? How do you document these changes?



# FINANCIAL MANAGEMENT IN ACTION

- Case Study: Neighborhood Community Center
  - 2 years old
  - Programs - After school, senior activities and lunch program, art classes, summer camp
  - Revenue – fees, government funding, contributions
  - Expenses – staff, contractors, rent, program supplies
  - New program starting July 1 – medical screening

# FINANCIAL MANAGEMENT IN ACTION

## LET'S GET STARTED: SETTING UP THE CHART OF ACCOUNTS

- For annual operations
  - Revenue accounts
    - Individual contributions
    - Government grants
    - Events
  - Expense accounts
    - Personnel related
    - Other Than Personnel Services, e.g. rent, supplies, etc.
- Note: the Charts of Account also covers Assets (like property and Liabilities (like amounts owed). This is not part of today's webinar.

# FINANCIAL MANAGEMENT IN ACTION

## NEIGHBORHOOD COMMUNITY CENTER'S CHART OF ACCOUNTS

Individual Contributions		Revenue
Government Grants		Revenue
Foundations		Revenue
Events		Revenue
Membership		Revenue

Salaries		Expense
Benefits		Expense
Rent		Expense
Insurance		Expense
Program Supplies		Expense
Office Expenses		Expense
Software/licenses		Expense
Consultants		Expense



# FINANCIAL MANAGEMENT IN ACTION

## BUDGETING: CREATING THE BUDGET

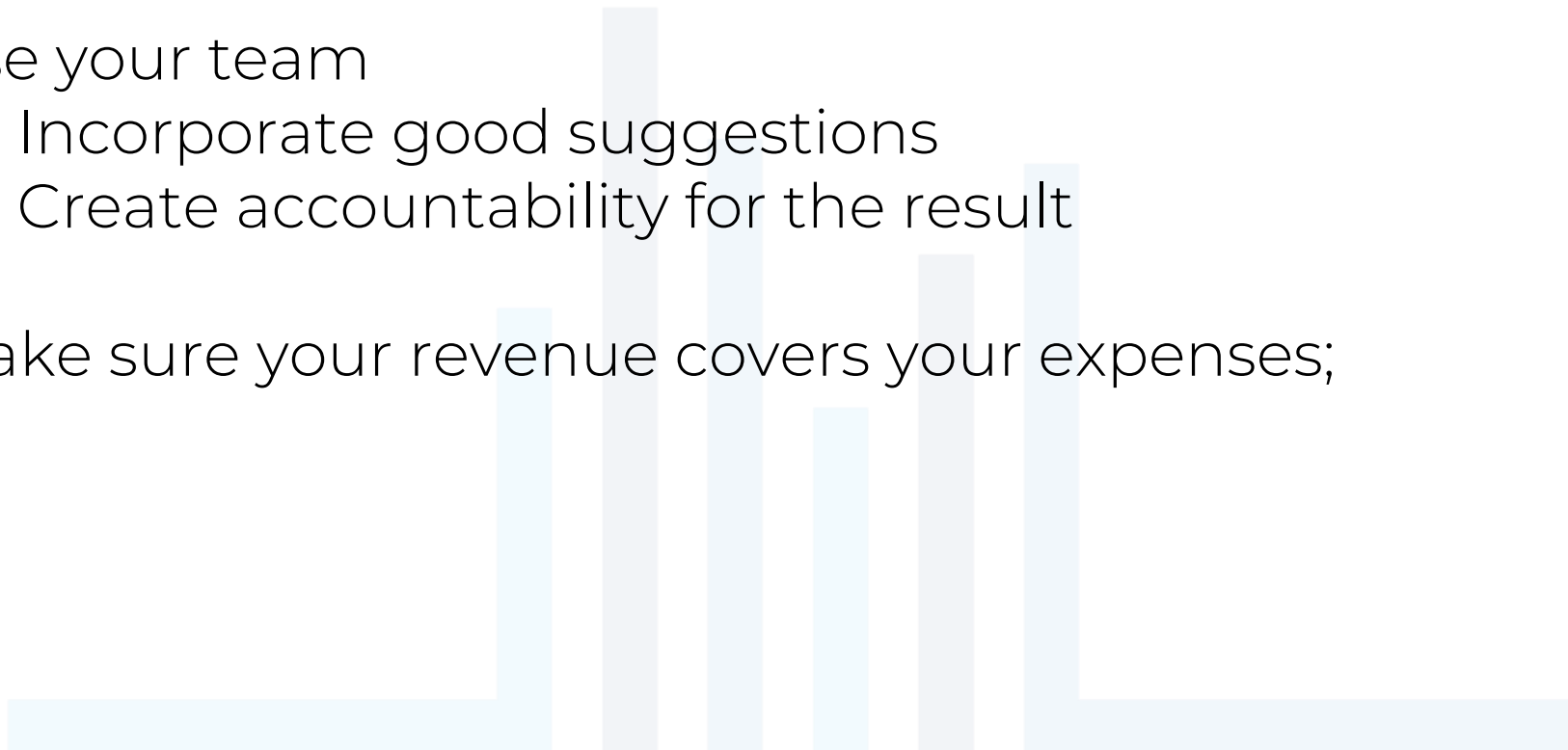
Basic guidelines to creating a strong budget

- Leave enough time to work with your team
- Use the “ground up” approach – base your estimates on actual experience and/or achievable goals
- Make your estimates realistic
- Use the budget lines in your Chart of Accounts

# FINANCIAL MANAGEMENT IN ACTION

## MORE TIPS FOR CREATING THE BUDGET

- Establish clear program goals to base your budget on
- Use your team
  - Incorporate good suggestions
  - Create accountability for the result
- Make sure your revenue covers your expenses;



# FINANCIAL MANAGEMENT IN ACTION

## BUDGETING FOR GRANTS AND CONTRACTS

- Create grants and contracts budgets that line up with your overall goals and budget
  - If you design for funders, you can lose your mission and direction
- If your plans change (take Covid as an example) –go back to your funders and change your budgets to match your plans

# FINANCIAL MANAGEMENT IN ACTION

## NEIGHBORHOOD COMMUNITY CENTER'S BUDGET

Revenue		
Individual Contributions		20,000
Government Grants		200,000
Foundations		50,000
Events		10,000
Membership		<u>20,000</u>
	<b>Total Revenue</b>	<b>300,000</b>

Expenses		
<u>Personnel</u>		
Salaries		150,000
Benefits		30,000
<u>Other Than Personnel Services</u>		
Rent		30,000
Insurance		5,000
Program Supplies		20,000
Office Expenses		10,000
Software/licenses		15,000
Consultants		<u>20,000</u>
	<b>Total Expenses</b>	<b>280,000</b>

<b>Surplus/Deficit</b>		<b>20,000</b>
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# FINANCIAL MANAGEMENT IN ACTION

## PRODUCING MONTHLY AND QUARTERLY REPORTS

- Produce reports on a regular monthly basis to monitor performance
- Identify variances from the budget
  - Research, analyze and explain them
  - Make changes if needed
- Use the reports to communicate results to your team;

# FINANCIAL MANAGEMENT IN ACTION

## NEIGHBORHOOD COMMUNITY CENTER'S REPORT

		Budget	6 Mo Budget	YTD Actuals	Variance
<b>Revenue</b>					
	Individual Contributions	20,000	10,000	12,000	2,000
	Government Grants	200,000	100,000	90,000	(10,000)
	Foundations	50,000	25,000	50,000	25,000
	Events	10,000	5,000	-	(5,000)
	Membership	<u>20,000</u>	<u>10,000</u>	<u>10,500</u>	<u>500</u>
	<b>Total Revenue</b>	<b>300,000</b>	<b>150,000</b>	<b>162,500</b>	<b>12,500</b>

# FINANCIAL MANAGEMENT IN ACTION

## NEIGHBORHOOD COMMUNITY CENTER'S REPORT

<b>Expenses</b>		Budget	6 Mo Budget	YTD Actuals	Variance
<i><u>Personnel</u></i>					
	Salaries	150,000	75,000	67,500	(7,500)
	Benefits	30,000	15,000	13,500	(1,500)
<i><u>Other Than Personnel Services</u></i>					
	Rent	30,000	15,000	15,000	-
	Insurance	5,000	2,500	0	(2,500)
	Program Supplies	20,000	10,000	12,000	2,000
	Office Expenses	10,000	5,000	4,000	(1,000)
	Software/licenses	15,000	7,500	8,000	500
	Consultants	<u>20,000</u>	<u>10,000</u>	<u>5,000</u>	<u>(5,000)</u>
	<b>Total Expenses</b>	<b>280,000</b>	<b>140,000</b>	<b>125,000</b>	<b>-15,000</b>
<b>Surplus/Deficit</b>		<b>20,000</b>	<b>10,000</b>	<b>37,500</b>	<b>27,500</b>

# A WORD ABOUT CASH

- Accounting records can be kept one of two ways:
  - Cash basis – record transactions when cash received or paid
  - Accrual basis – match revenue and expense to the time period they relate to
- For smaller organizations a combined approach is sometimes most practical
  - Use cash basis for ordinary expense
  - Use accrual for major 12-month grants, donations or expense items that cover a longer time period



# FINANCIAL MANAGEMENT IN ACTION

## TAKE AWAYS

- Budgeting is a team sport
  - Incorporate good ideas and gain your team's buy in
- Tailor your list of income and expense to your organization
  - Use the same, consistent list for your Chart of Accounts, Budget and Report
- A budget is a living document
  - Do regular reporting against the budget so you can see where you stand
  - Make changes when you need them to keep things on track overall



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# Q & A

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# Register for Upcoming NonProfit HelpDesk Workshops

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# Thank you!

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