



Budget Basics for Financial Health & Sustainability

For additional information on non-profit fiscal management trainings,
visit www.healthhiv.org or prevention@healthhiv.org

2000 S Street, NW | Washington DC 20009 | 202-232-6749 | training@healthhiv.org

www.healthhiv.org

HealthHIV's Fiscal Management Series

Helping build and sustain organizations offering HIV services in communities across the country is the mission of **HealthHIV**. One way **HealthHIV** achieves this goal is by helping organizations to better understand the basics of the budgeting process and how a financially healthy non-profit can sustain and expand HIV services.

For more than six years, HealthHIV has delivered in-person fiscal management trainings through the Health Resources and Services Administration funded **Communities Learning Together: Advancing HIV Care and Support through Effective Fiscal Management** project. Additionally, **HealthHIV** has developed a series of materials, including online factsheets and webinars, addressing the most common concerns raised by non-profit administrators, including: financial managers, non-financial managers, executive directors, CEOs, and Board members.

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The Process

- ☑ Identify your program goals.
- ☑ Align your program goals with the mission of your organizations.
- ☑ Determine what financial resources you need
- ☑ Involve your staff and Board in developing a budget process.
- ☑ Document your budget process.
- ☑ Customize your budget planning process.
- ☑ Use your budget as a guide.

The Basics

A budget is a plan that identifies the fiscal resources required to achieve an organization’s program objectives. Once constructed, a budget assists the Board of Directors, management, and staff in guiding effective operation to implement programs and initiatives which support the organization’s mission.

A budget also includes a schedule of key action and decision points and identifies time for information gathering and decision-making.

There different types of budgets commonly prepared for successful management of a non-profit’s resources. They include:

<p>Annual Operational Budget:</p> <p>Captures all expected sources of revenue (such as, contributions, grants, membership dues, etc.) alongside all the expected expenditures on a yearly basis.</p>	<p>Cash Flow Budget:</p> <p>Projects cash receipts and required cash expenditures over a given period.</p>
<p>Program or Activity Budget:</p> <p>Addresses specific funding sources (such as government or corporate grants), details the funds expected to be received from each source and assigns funding toward an expected use.</p>	<p>Other-Financial Budgets:</p> <p>Captures all expected sources of revenue (such as, contributions, grants, membership dues, etc.) alongside all the expected expenditures on a yearly basis.</p>
<p>Capital Expenditure Budget:</p> <p>Projects revenues and expenditures for tangible items (such as land, buildings and equipment), which provide benefit to the organization over an extended period.</p>	<p>Program or Activity Budget:</p> <p>Allows management to see if the organization is making efficient use of particular resources. Common types of these budgets include: fundraising, communications, technology, or staffing.</p>

The Budgeting Process (Step-by-Step)

While approving and implanting a budget is the goal, the process of achieving this is equally important, therefore the budgeting process should begin at least four months before the end of the fiscal year. This ensures there is ample time to develop, review, and receive Board approval for the budget before the start of the new fiscal year.

Step 1	Plan	<ul style="list-style-type: none"> • Identify who will coordinate the budgeting process and which staff, Board members, and committees need to be involved • Agree upon key definitions, assumptions and document formats • et timelines and key deadlines
Step 2	Communicate	<ul style="list-style-type: none"> • Clearly communicate responsibilities, expectations and deadlines to everyone involved in the budget process • Explain and distribute forms and assumptions to appropriate staff, Board members and committees
Step 3	Set Goals	<ul style="list-style-type: none"> • Determine program goals • Project staffing requirements, as well as salary and benefit assumptions, based upon program goals • Seek the Board’s approval on program goals, salary and benefit assumptions
Step 4	Gather Information	<ul style="list-style-type: none"> • Research information about program income and expenses based on goals and budget assumptions • List budget details on a program by program basis • Communicate regularly to avoid duplication of efforts and to share information and budget assumptions
Step 5	Compile and Review Information	<ul style="list-style-type: none"> • Identify one person to compile all information, review it for consistency and redistribute to appropriate staff, Board members, and committees • Allow time for review and revisions
Step 6	Committee Review	<ul style="list-style-type: none"> • Ask finance committee, appropriate staff and Board committees to review a budget draft and key budget assumptions • Allow enough time between committee meetings and the final approval deadline to address questions and recommendations, as well as make revisions
Step 7	Final Approval	<ul style="list-style-type: none"> • Distribute information to the Board including budget draft, program goals and other supporting information • Ensure program and development committees play a role in making an informative presentation to the Board based on the opportunities, challenges and resources behind the budget numbers • Present the budget proposal to the Board
Step 8	Implementing and Managing	<ul style="list-style-type: none"> • Communicate the approved budget, program goals and timelines to staff • Review actual income and expenses compared to the budget on a monthly basis • Update and revise the budget as changes occur during the year. Depending on the significance of changes, the Board may need to approve revisions