



# Nonprofit Budgeting I: Budget Basics

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*CompassPoint intensifies the impact of fellow nonprofit leaders, organizations, and networks as we achieve social justice together.*



# Welcome

- 9:30am – 4:00pm. 1 hour lunch around noon.  
A break in the morning and afternoon.
- Please sign in
- Silence mobile phones
- Wifi = CPGuest / Password = CPwelcome
- Return from breaks on time
- Questions are encouraged
- Confidentiality

# Introductions

- Name, organization, and role
- Budget size
- One word about budgeting

# Learning Objectives

## By the end of this workshop, you will:

- Understand the components of a budgeting process so that you can begin to develop a customized step-by-step checklist for your organization or program's budgeting process;
- Begin to explore how power dynamics influence budgeting and financial decision-making at your organization;
- Increase your understanding of the terminology and concepts involved in nonprofit budgeting;
- Practice reading different budgets and explore what might be the right format for your organization or program;
- Deepen your understanding of your role(s) in the budgeting process and begin to identify how you can positively influence the process at your organization.

# Agenda

- Why We Budget
- How We Budget
  - Process Overview
  - Budget Structures
  - Monitoring Reports
- Action Planning



## Table Talks

# Why do we budget?

*Brainstorm as many reasons as you can with others at your table. Record each idea on a separate post-it note.*

# Budgeting Overview: Inclusive Process

Meaningful collaboration on organizational processes **yields better outcomes**. The annual budgeting process is no exception to this.





# Power Mapping

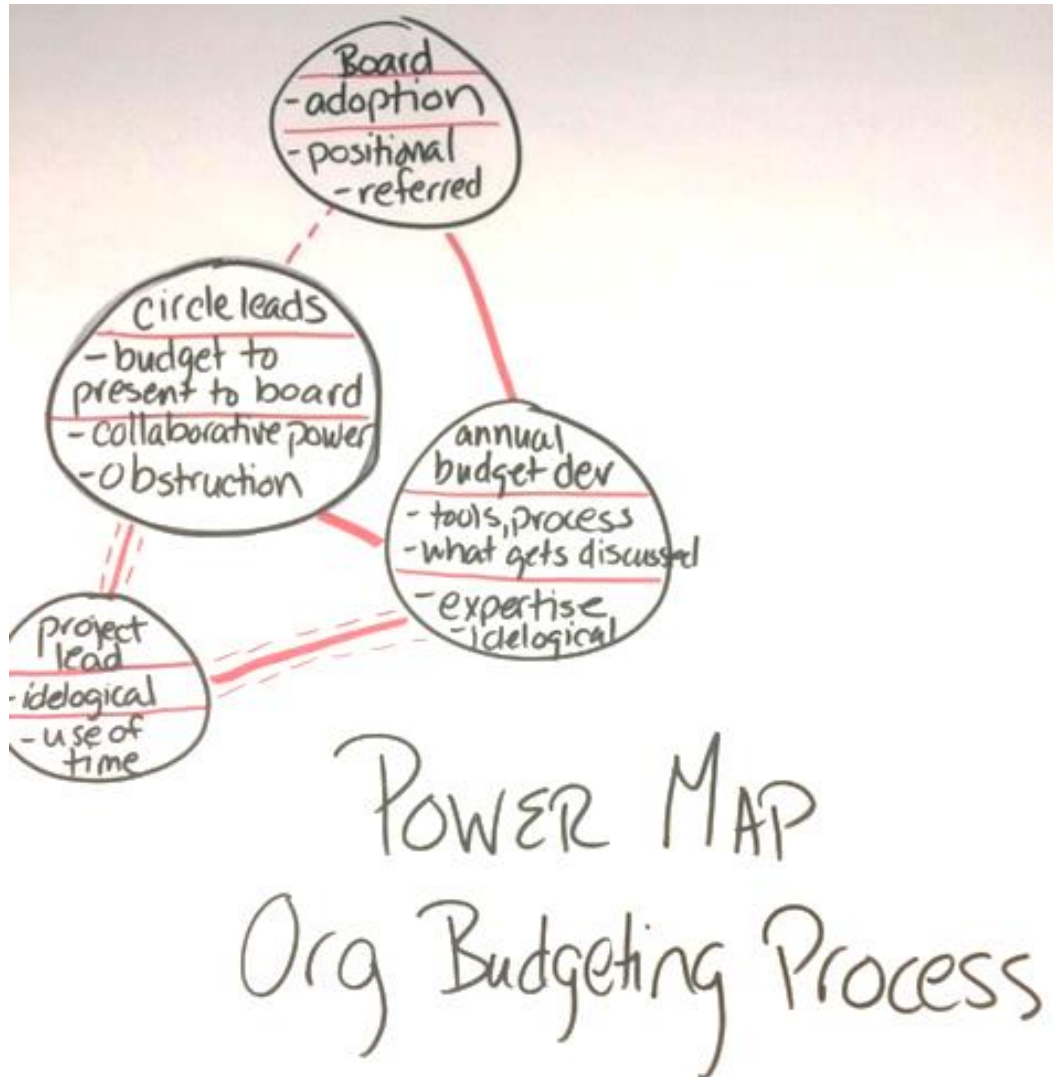


“Power in its most basic form is the ability of people to achieve the change they want.”

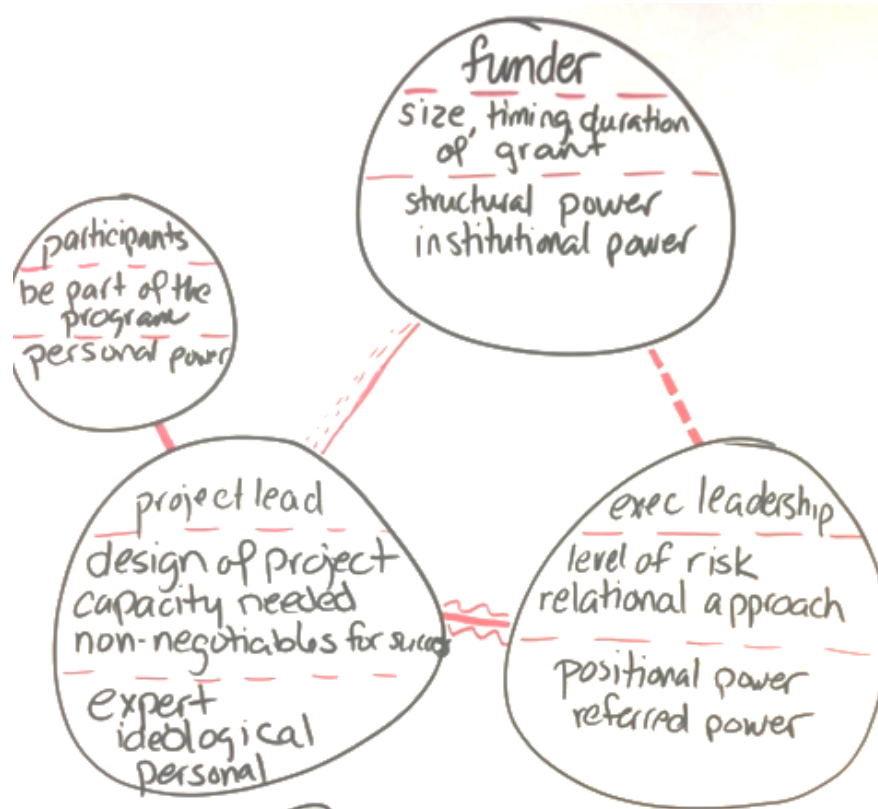
Source: Power: A Practical Guide for Facilitating Social Change  
(Hunjan and Pettit)

1. Who is involved in, affected by, and/or influencing the budgeting process?
2. What *sources of power* do they draw upon?
3. What is the quality of connections between these people?

# Power Map Example



# Power Map Example

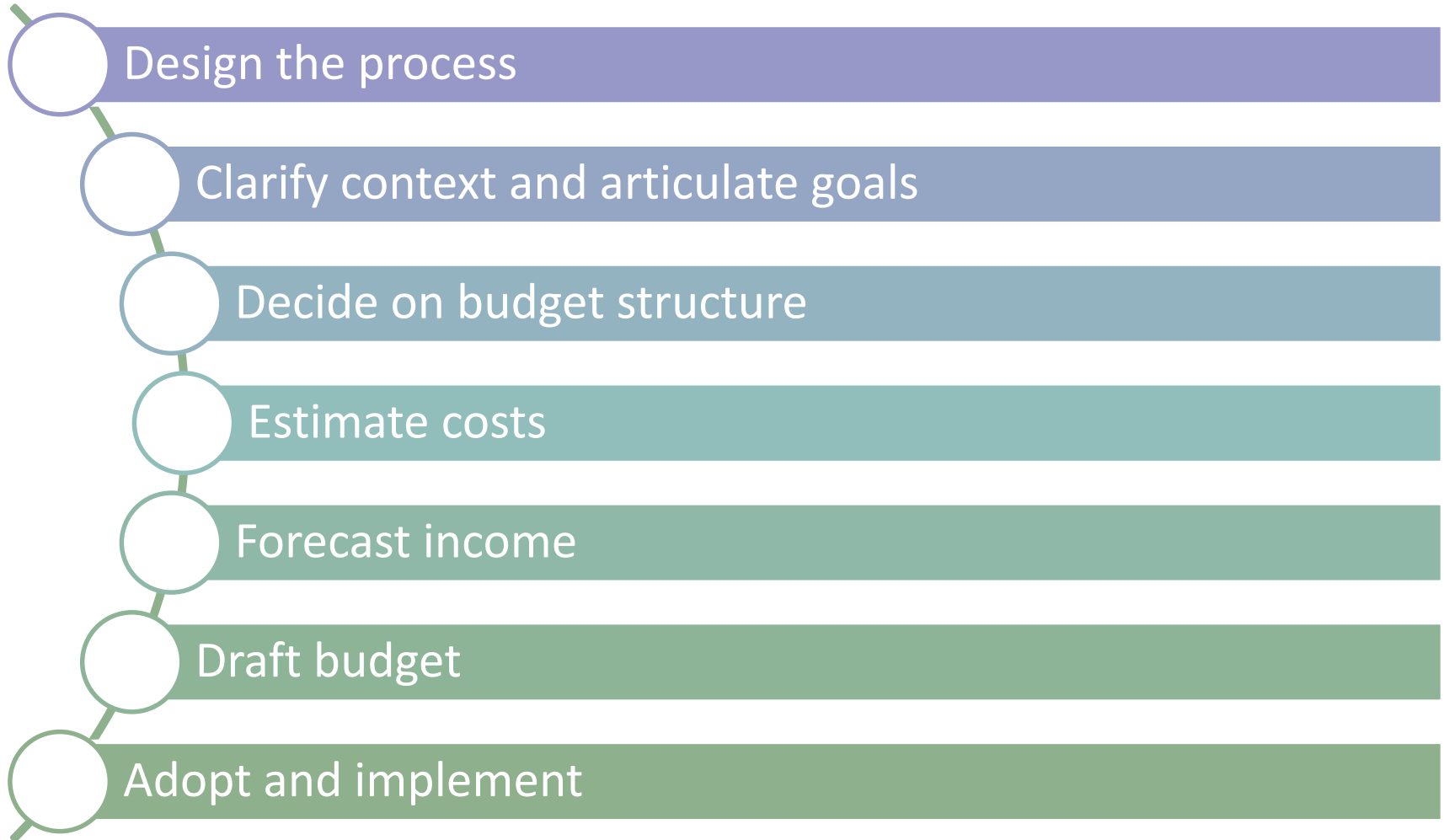


POWER MAP  
Grant funding approach  
for specific program

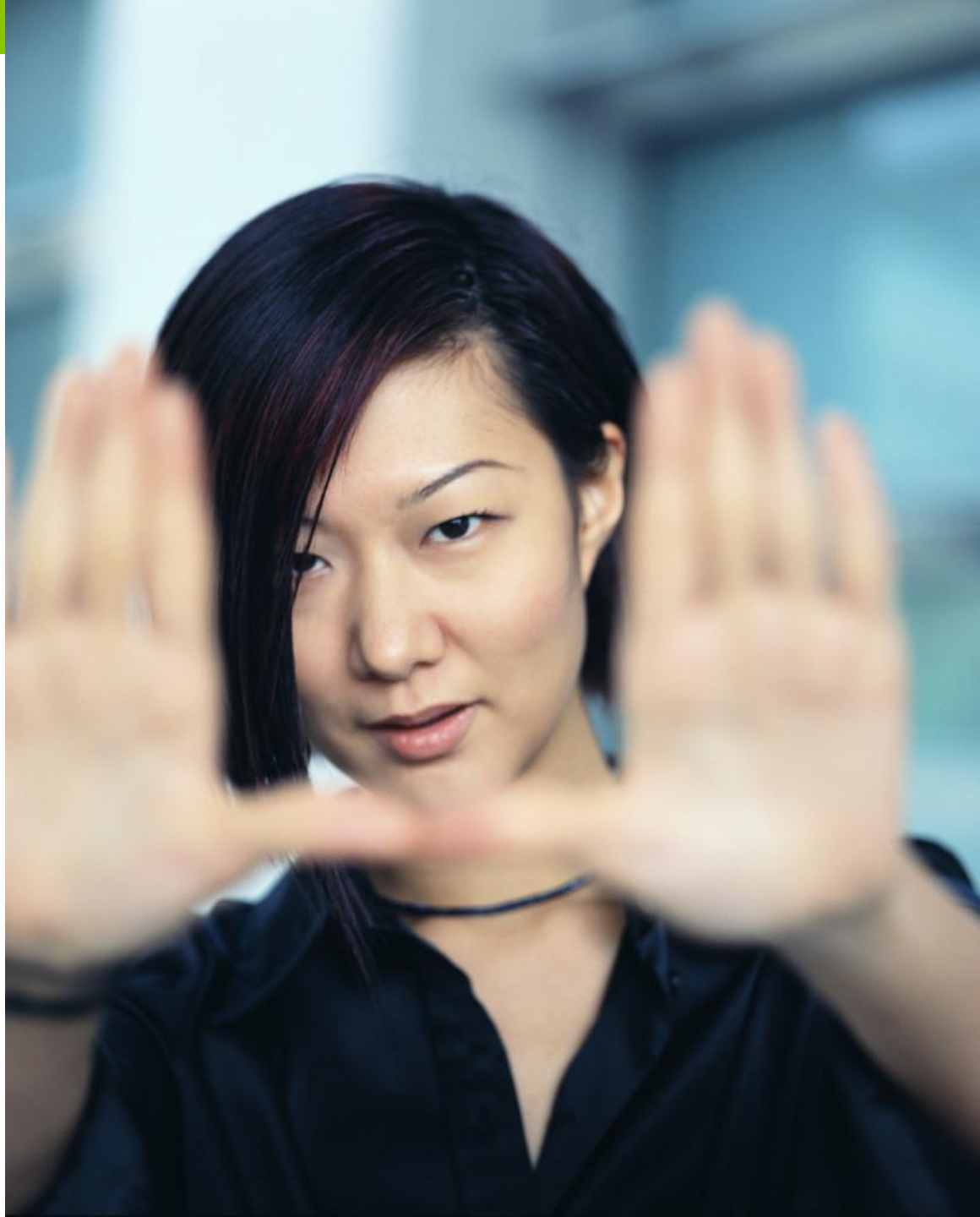
# Reflection: How is Power Distributed?

- How is decision-making power currently distributed in your organizational budgeting process?
- Are there concentrations of power that should be dissipated for an improved process?
- Are there new connections that should be made?
- Who is positioned to influence these changes?  
Drawing from which source of power?

# Budgeting Overview: 7 Stage Process



# Exploring Budget Structures



DV Intervention & Prevention Agency FY 16-17 Organizational Budget	
Contributions	80,000
Fundraising events – net	135,000
Foundation grants	125,000
<b>Total support</b>	<b>340,000</b>
Government contracts	815,009
Interest and dividends	10,000
<b>Total earned revenue</b>	<b>825,009</b>
Released from restriction	450,000
<b>Total income</b>	<b>1,615,009</b>
Salaries	800,830
Payroll taxes	82,085
Employee benefits	80,083
Training	5,600
<b>Personnel expenses</b>	<b>968,598</b>
Accounting	17,500
Bank charges	5,000
Building expenses	27,500
Clients, direct assistance to	250,000
Conferences and meeting	17,500
Depreciation	38,897
Dues and subscriptions	3,650
Equipment rental/maint.	3,200
Insurance	29,000
Interest	8,016
Other professional fees	39,500
Postage and delivery	12,000
Printing and copying	16,000
Supplies	51,500
Telephone	36,000
Travel	20,250
Utilities	42,500
<b>Non-personnel expenses</b>	<b>618,013</b>
<b>Total expenses</b>	<b>1,586,611</b>
<b>Change in net assets</b>	<b>28,398</b>

# The Basics

Income

Minus Expense

Equals Change in Net Assets

*(also called net income, surplus or deficit, profit or loss):*

Overall financial result of an organization over a period of time (i.e. month, quarter, year). When this result is positive (surplus), the organization is building reserves. When negative (deficit), the organization is drawing from reserves.

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# The Basics: Change in Net Assets

When should you budget for surplus, breaking even, or deficit result?

## Change in Net Assets

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# The Basics: Income

## What types of income do you have?

### Contributed Support:

Income that is obtained in support of the organization's cause or mission (such as donations, bequests, or foundation grants).

### Earned Revenue:

Income that is obtained by providing a good or service in exchange for fees (such as tuition, ticket sales, and some but not all government contracts).

### Net Assets Released from Restriction:

Income that is recognized for use when the donor-designated restriction (time or purpose) has been met. For example, funds that are restricted for a particular program are "released" for use as the costs to run the program are incurred.

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# The Basics: Expense

Does your budget provide expense information in useful groupings?

## Expense

Nonprofit budgets generally list **personnel expenses** first, as they are the largest expense for most organizations. Some organizations further group **non-personnel expenses** into other meaningful categories, which can be helpful for producing summary reports.

Your budget categories should always align to the **chart of accounts** in your accounting system. Before you change categories a budgeting tool, be sure that you can also align it to the accounting system for useful monitoring reports.

# Small Groups: Budget Review

- ✓ What do you learn about this organization, given this budget structure?
- ✓ What questions come up for you when reviewing this budget?
- ✓ What does this structure suggest about decision-making?

# Source-based budgeting

	Total 2016-17	Allen Foundation	Babcock Foundation	Dept of Human Services	Fundraising	All Sources	Unfunded/ Indirect
Contributions	80,000	-	-	-	80,000	80,000	-
Fundraising events - net	135,000	-	-	-	135,000	135,000	-
Foundation grants	125,000	-	-	-	125,000	125,000	-
<b>Total support</b>	<b>340,000</b>	-	-	-	340,000	340,000	-
Government contracts	815,009	-	-	815,009	-	815,009	-
Interest and dividends	10,000	-	-	-	-	-	10,000
<b>Total earned revenue</b>	<b>825,009</b>	-	-	815,009	-	815,009	10,000
Net assets released from restriction	450,000	125,000	320,000	-	5,000	450,000	-
<b>Total income</b>	<b>1,615,009</b>	<b>125,000</b>	<b>320,000</b>	<b>815,009</b>	<b>345,000</b>	<b>1,605,009</b>	<b>10,000</b>
Salaries	800,830	62,500	156,789	321,764	115,500	656,553	144,277
Payroll taxes	82,085	6,875	17,247	31,279	11,839	67,240	14,845
Employee benefits	80,083	7,000	18,679	32,735	-	58,414	21,669
Training	5,600	440	1,500	2,000	-	3,940	1,660
<b>Personnel expenses</b>	<b>968,598</b>	<b>76,815</b>	<b>194,215</b>	<b>387,778</b>	<b>127,339</b>	<b>786,147</b>	<b>182,451</b>
Accounting	17,500	-	-	-	-	-	17,500
Bank charges	5,000	-	-	-	-	-	5,000
Building expenses	27,500	1,500	-	15,000	-	16,500	11,000
Clients, direct assistance to	250,000	-	-	250,000	-	250,000	-
Conferences and meeting	17,500	10,000	-	700	2,000	12,700	4,800
Depreciation	38,897	-	-	15,000	-	15,000	23,897
Dues and subscriptions	3,650	600	1,805	1,000	250	3,655	(5)
Equipment rental/maint.	3,200	-	-	1,600	-	1,600	1,600
Insurance	29,000	-	-	12,500	-	12,500	16,500
Interest	8,016	-	-	3,600	-	3,600	4,416
Other professional fees	39,500	7,500	30,000	-	-	37,500	2,000
Postage and delivery	12,000	1,000	1,000	-	4,000	6,000	6,000
Printing and copying	16,000	-	5,000	1,000	10,000	16,000	-
Supplies	51,500	3,800	10,000	14,990	2,500	31,290	20,210
Telephone	36,000	2,500	7,500	14,000	-	24,000	12,000
Travel	20,250	-	15,000	3,750	1,000	19,750	500
Utilities	42,500	5,000	7,500	20,000	-	32,500	10,000
<b>Non-personnel expenses</b>	<b>618,013</b>	<b>31,900</b>	<b>77,805</b>	<b>353,140</b>	<b>19,750</b>	<b>482,595</b>	<b>135,418</b>
<b>Total expenses</b>	<b>1,586,611</b>	<b>108,715</b>	<b>272,020</b>	<b>740,918</b>	<b>147,089</b>	<b>1,268,742</b>	<b>317,869</b>
Indirect allocation, based on funder guidelines		16,285	47,980	74,091	-	138,356	(138,356)
		125,000	320,000	815,009	147,089	1,407,098	179,513
<b>Change in net assets</b>	<b>28,398</b>	-	-	-	197,911	197,911	(169,513)

Presents annual budget based on its funding source reporting requirements rather than its activities.

# Small Groups: Budget Review

- ✓ What do you learn about this organization, given this budget structure?
- ✓ What questions come up for you when reviewing this budget?
- ✓ What does this structure suggest about decision-making?

# Activity-Based Budgeting

	Program Activities		Supporting Activities		Common Costs	Total 2016-17
	Shelter Services	Support Groups	Admin-istration	Fund-raising		
Contributions	-	-	-	80,000	-	80,000
Fundraising events - net	-	-	-	135,000	-	135,000
Foundation grants	-	-	-	125,000	-	125,000
<b>Total support</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340,000</b>	<b>-</b>	<b>340,000</b>
Government contracts	815,009	-	-	-	-	815,009
Interest and dividends	-	-	10,000	-	-	10,000
<b>Total earned revenue</b>	<b>815,009</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>825,009</b>
Released from restriction	-	445,000	-	5,000	-	450,000
<b>Total income</b>	<b>815,009</b>	<b>445,000</b>	<b>10,000</b>	<b>345,000</b>	<b>-</b>	<b>1,615,009</b>
Salaries	295,920	194,450	106,000	115,500	88,960	800,830
Payroll taxes	30,332	19,931	10,865	11,839	9,118	82,085
Employee benefits	-	-	-	-	80,083	80,083
Training	3,600	500	500	-	1,000	5,600
<b>Personnel expenses</b>	<b>329,852</b>	<b>214,881</b>	<b>117,365</b>	<b>127,339</b>	<b>179,161</b>	<b>968,598</b>
Accounting	-	-	17,500	-	-	17,500
Bank charges	-	-	5,000	-	-	5,000
Building expenses	-	-	-	-	27,500	27,500
Clients, direct assistance to	250,000	-	-	-	-	250,000
Conferences and meeting	1,000	10,000	2,500	2,000	2,000	17,500
Depreciation	-	-	-	-	38,897	38,897
Dues and subscriptions	1,000	2,300	100	250	-	3,650
Equipment rental/maint.	-	-	-	-	3,200	3,200
Insurance	-	-	-	-	29,000	29,000
Interest	-	-	-	-	8,016	8,016
Other professional fees	20,000	12,000	2,500	-	5,000	39,500
Postage and delivery	-	-	-	4,000	8,000	12,000
Printing and copying	1,000	5,000	-	10,000	-	16,000
Supplies	15,000	10,000	-	2,500	24,000	51,500
Telephone	-	-	-	-	36,000	36,000
Travel	3,750	15,000	500	1,000	-	20,250
Utilities	-	-	-	-	42,500	42,500
<b>Non-personnel expenses</b>	<b>291,750</b>	<b>54,300</b>	<b>28,100</b>	<b>19,750</b>	<b>224,113</b>	<b>618,013</b>
Total specific costs	621,602	269,181	145,465	147,089	403,274	1,586,611
Allocation of common costs	181,473	125,015	44,360	52,426	(403,274)	
Allocation of admin costs	109,139	53,572	(189,825)	27,114		
<b>Total expenses</b>	<b>912,214</b>	<b>447,768</b>		<b>226,629</b>		
<b>Change in net assets</b>	<b>(97,205)</b>	<b>(2,768)</b>	<b>10,000</b>	<b>118,371</b>	<b>-</b>	<b>28,398</b>

Presents annual budget based on its activities (programs and supporting activities of administration and fundraising) rather than its specific funding sources.

# Activity-Based Budgeting

	Program Activities		Supporting Activities		Common Costs	Total 2016-17
	Shelter Services	Support Groups	Admin- istration	Fund- raising		
Contributions	-	-	-	80,000	-	80,000
Fundraising events - net	-	-	-	135,000	-	135,000
Foundation grants	-	-	-	125,000	-	125,000
<b>Total support</b>	-	-	-	<b>340,000</b>	-	<b>340,000</b>
Government contracts	815,009	-	-	-	-	815,009
Interest and dividends	-	-	10,000	-	-	10,000
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Bank charges	-	-	5,000	-	-	5,000
Building expenses	-	-	-	-	27,500	27,500
Clients, direct assistance to	250,000	-	-	-	-	250,000
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What are your “full program costs”?

## Full Program Costs:

While there is no precise definition of this phrase, it typically refers to the total of a program’s direct costs, as well as an allocation of “indirect” costs that may include common costs and supporting costs (administrative and/or fundraising costs). Calculating full operating costs in this way can help to ensure effective fundraising targets for programs and support effective cost recovery efforts from grants and contracts.

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<b>Change in net assets</b>	<b>(97,205)</b>	<b>(2,768)</b>	<b>10,000</b>	<b>118,371</b>	-	<b>28,398</b>

## Functional Expenses:

Categorizing organizational expenses based on the activity that incurs them. This way of categorizing costs is driven by the requirements of the Form 990 and by Generally Accepted Accounting Principles (GAAP). Expenses are categorized as either **program services** (activities that result in goods or services being distributed to beneficiaries, customers, or members in order to fulfil the purpose or mission for which the organization exists) or **supporting services** (activities other than program services, including management/administrative and fundraising).



# Activity-Based Budgeting

	Program Activities		Supporting Activities		Common Costs	Total 2016-17
	Shelter Services	Support Groups	Admin-istration	Fund-raising		
Contributions	-	-	-	80,000	-	80,000
Fundraising events - net	-	-	-	135,000	-	135,000
Foundation grants	-	-	-	125,000	-	125,000
<b>Total support</b>	-	-	-	<b>340,000</b>	-	<b>340,000</b>
Government contracts	815,009	-	-	-	-	815,009
Interest and dividends	-	-	10,000	-	-	10,000
<b>Total earned revenue</b>	<b>815,009</b>	-	<b>10,000</b>	-	-	<b>825,009</b>
Released from restriction	-	445,000	-	5,000	-	450,000
<b>Total income</b>	<b>815,009</b>	<b>445,000</b>	<b>10,000</b>	<b>345,000</b>	-	<b>1,615,009</b>
Salaries	295,920	194,450	106,000	115,500	88,960	800,830
Payroll taxes	30,332	19,931	10,865	11,839	9,118	82,085
Employee benefits	-	-	-	-	80,083	80,083
Training	3,600	500	500	-	1,000	5,600
<b>Personnel expenses</b>	<b>329,852</b>	<b>214,881</b>	<b>117,365</b>	<b>127,339</b>	<b>179,161</b>	<b>968,598</b>
Accounting	-	-	17,500	-	-	17,500
Bank charges	-	-	5,000	-	-	5,000
Building expenses	-	-	-	-	27,500	27,500
Clients, direct assistance to	250,000	-	-	-	-	250,000
Conferences and meeting	1,000	10,000	2,500	2,000	2,000	17,500
Depreciation	-	-	-	-	38,897	38,897
Dues and subscriptions	1,000	2,300	100	250	-	3,650
Equipment rental/maint.	-	-	-	-	3,200	3,200
Insurance	-	-	-	-	29,000	29,000
Interest	-	-	-	-	8,016	8,016
Other professional fees	20,000	12,000	2,500	-	5,000	39,500
Postage and delivery	-	-	-	4,000	8,000	12,000
Printing and copying	1,000	5,000	-	10,000	-	16,000
Supplies	15,000	10,000	-	2,500	24,000	51,500
Telephone	-	-	-	-	36,000	36,000
Travel	3,750	15,000	500	1,000	-	20,250
Utilities	-	-	-	-	42,500	42,500
<b>Non-personnel expenses</b>	<b>291,750</b>	<b>54,300</b>	<b>28,100</b>	<b>19,750</b>	<b>224,113</b>	<b>618,013</b>
Total specific costs	621,602	269,181	145,465	147,089	403,274	1,586,611
Allocation of common costs	181,473	125,015	44,360	52,426	(403,274)	
Allocation of admin costs	109,139	53,572	(189,825)	27,114		
<b>Total expenses</b>	<b>912,214</b>	<b>447,768</b>		<b>226,629</b>		
<b>Change in net assets</b>	<b>(97,205)</b>	<b>(2,768)</b>	<b>10,000</b>	<b>118,371</b>	-	<b>28,398</b>

## Common Costs:

*(also called shared costs):*  
Organizational expenses that cannot be attributed to a single function or activity of the organization. Expenses such as rent, general office supplies, or insurance are often categorized as common rather than attributed to a specific program or supporting service.

## Examples of common costs:

- Office supplies, postage
- Occupancy (rent and utilities)
- Salaries of staff who support all activities (IT Manager, ED)
- Payroll taxes and benefits

# Activity-Based Budgeting

	Program Activities		Supporting Activities		Common Costs	Total 2016-17
	Shelter Services	Support Groups	Admin-istration	Fund-raising		
Contributions	-	-	-	80,000	-	80,000
Fundraising events - net	-	-	-	135,000	-	135,000
Foundation grants	-	-	-	125,000	-	125,000
<b>Total support</b>	-	-	-	<b>340,000</b>	-	<b>340,000</b>
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## Cost Allocation:

The process of distributing common costs among two or more activities that benefit from those costs. Many organizations allocate common costs based on staff time for each activity, square footage allotted for each activity and/or total direct expenses of each activity. Cost allocation process should be reasonable, documented, and consistently applied.

## Frequently used cost allocation rates

<b>FTE</b>	$\frac{\text{FTE for Each Activity}}{\text{Total FTE} - \text{Shared Cost FTE}}$
<b>Square Footage</b>	$\frac{\text{Square Footage for Each Activity}}{\text{Total Agency Square Footage}}$
<b>Specific Expense</b>	$\frac{\text{Specific Expenses for Each Activity}}{\text{Total Specific Expenses for the Org}}$

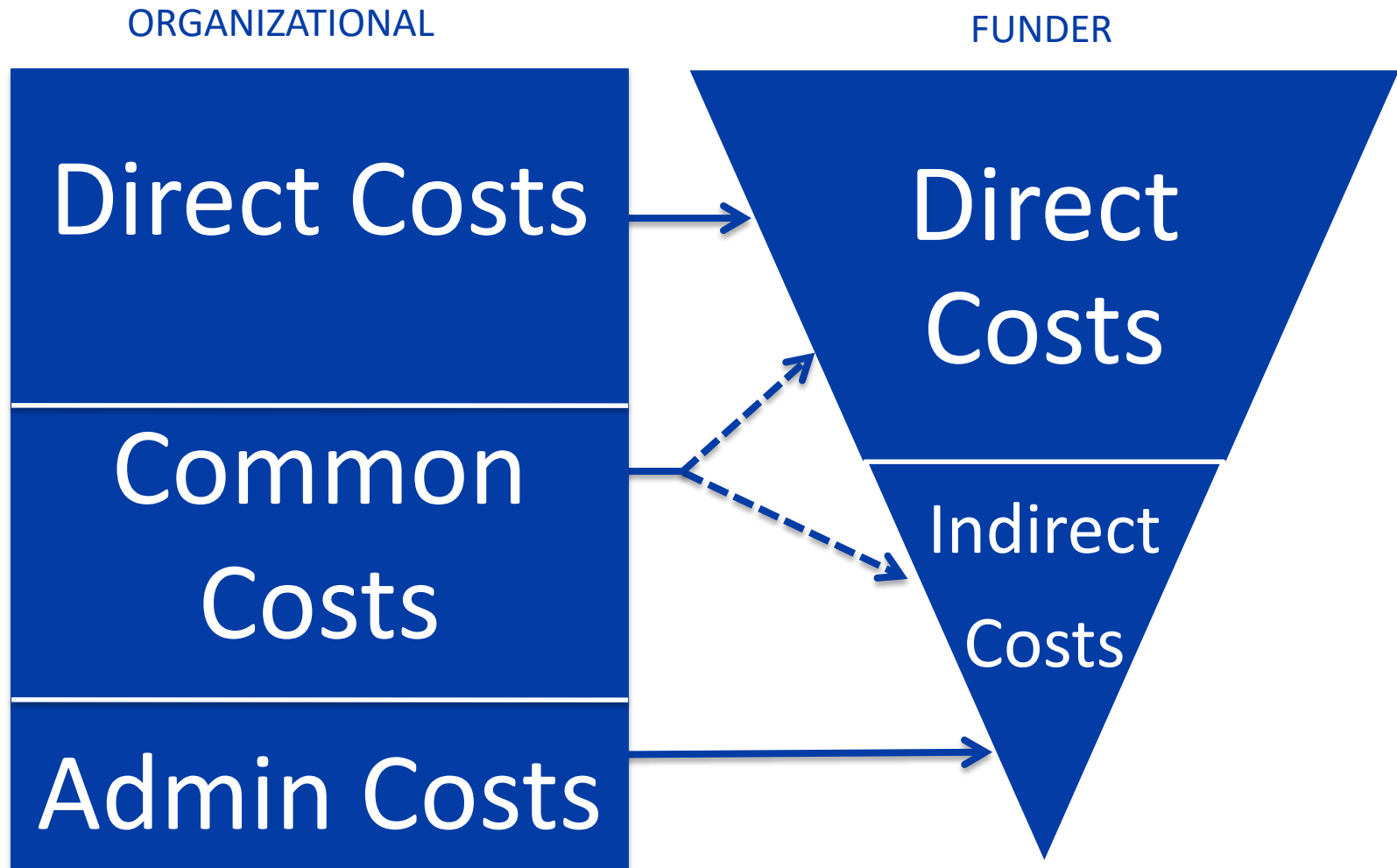
# Activity-Based Budgeting: Cost Allocation

As of May 29, 2016

	Shelter Services	Support Groups	Admin	Fund- raising	Common Costs	Budget 2016-17
Personnel expenses	329,852	214,881	117,365	127,339	179,161	968,598
Non-personnel expenses	291,750	54,300	28,100	19,750	224,113	618,013
Total specific costs	621,602	269,181	145,465	147,089	403,274	1,586,611
% of FTE's	45%	31%	11%	13%	100%	0%
Allocation of common costs	181,473	125,015	44,360	52,426	(403,274)	-
Expenses before admin costs	928,075	469,196	189,825	224,514	-	1,586,611
% of direct costs	57%	29%	100%	14%	0%	(0)
Allocation of admin costs	109,139	53,572	(189,825)	27,114	-	(0)
Total expenses	912,214	447,768	-	226,629	-	1,586,611

- Common Cost Allocation (FTE basis)
- Administrative Cost Allocation (Specific Expense Basis)

# Activity-Based Budgeting: “Indirect”



# Small Groups: Budget Review

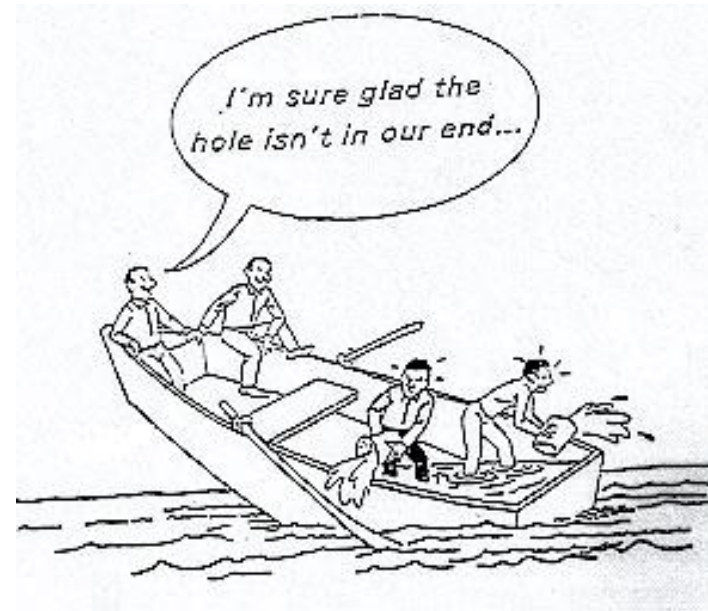
- ✓ What do you learn about this organization, given this budget structure?
- ✓ What questions come up for you when reviewing this budget?
- ✓ What does this structure suggest about decision-making?

# Activity-Based Budgeting:

## Budgeting for Compliance and Cost Recovery

What are the unintended consequences of this model?

- Funding-driven and siloed structure and practice
- False compartmentalization of efforts in an era of increasing integration/systems-thinking
- False separation of action, reflection, and learning
- Maintenance of systems and reporting that do not reflect how people actually want to and are working to contribute to impact
- Under-capitalization



Cartoon credit: <http://www.chumans.com/blog/wp-content/uploads/2012/03/Systems-Thinking.jpg>

# Changing the conversation...

- The Overhead Myth (2013/2014)
- OMB Revisions on Indirect (2014)
- Nonprofit Overhead Project (2015)
- The Real Cost Project (2015)
- “Why Funding Overhead is Not the Real Issue: The Case to Cover Full Costs” by Claire Knowlton, NPQ (2016)
- “Pay-What-It-Takes Philanthropy” by Jeri Eckhart-Queenan, Michael Etzel, & Sridhar Prasad, SSIR (2016)
- “Demanding that Nonprofits Not Pay for Overhead is Preventing Them from Doing Good” by Ben Paynter, Fast Company (2016)
- “A Graphic Re-visioning of Nonprofit Overhead” by Curtis Klotz, NPQ (2016)



# Small Group Discussions

Based on excerpts from: “Why Funding Overhead is Not the Real Issue: The Case to Cover Full Costs”  
by Claire Knowlton, Nonprofit Finance Fund - Nonprofit Quarterly, January 26, 2016

- What is “overhead”?
- What are “full costs”?
- What is “the doom loop” and how do we contribute to it?
- How can we contribute to changing these dynamics?



# Closing Exercises

Your choice!

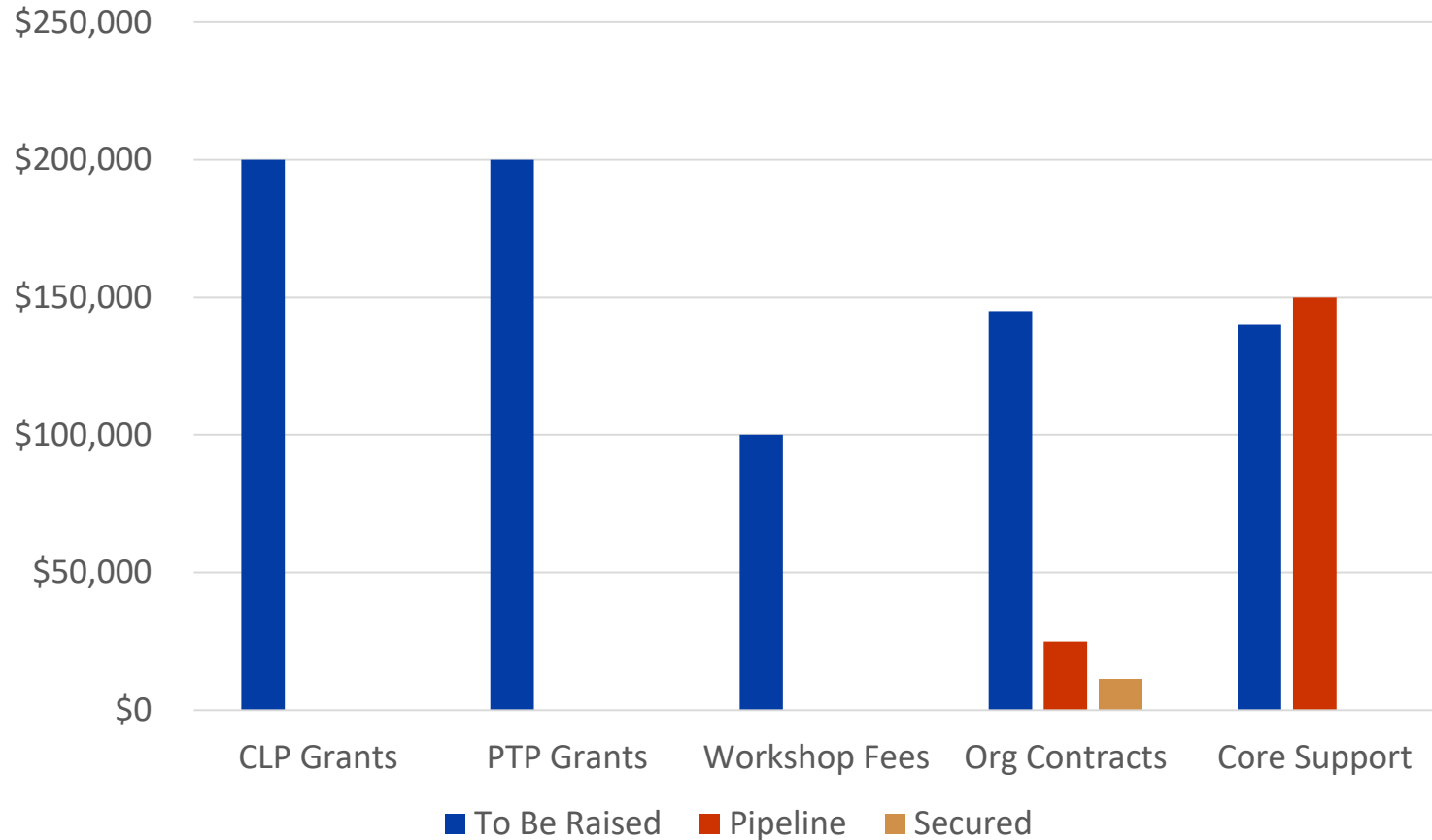
- Process planning reflection (pp. 7-8)
- Circle of concern/influence (pp. 10-12)
- Program planning tool (pp. 24-25)

# Case Study: 2019 CompassPoint Budget

2019 REVENUE SUMMARY	Secured/ Reliable	To Be Raised in 2019	TOTAL REVENUE
Foundation Grants - CLP Restricted	\$976,136	\$200,000	\$1,176,136
Core Support (change capital)	\$750,000		\$750,000
Workshop Participant Fees	\$245,000		\$245,000
Foundation Grants - PTP Restricted		\$200,000	\$200,000
Workshop Participant Fees - Experiments		\$100,000	\$100,000
Organizational Contracts	\$5,000	\$145,000	\$150,000
Core Support (indiv/foundation)		\$140,000	\$140,000
Interest & Miscellaneous	\$7,500		\$7,500
<b>TOTAL REVENUE (without pass through)</b>	<b>\$1,983,636</b>	<b>\$785,000</b>	<b>\$2,768,636</b>

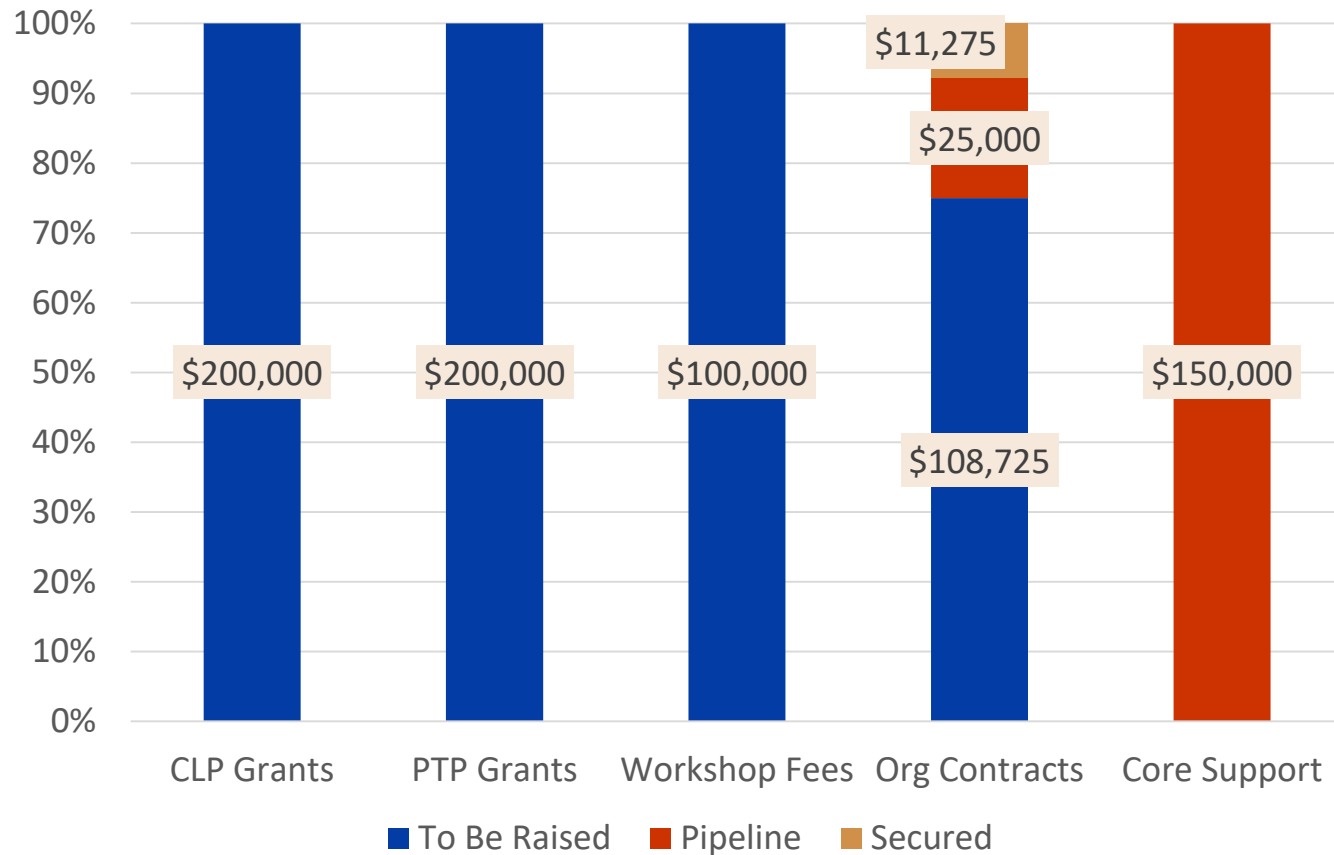
# Headlines and Bottom Lines:

## \$785K in revenue to be raised

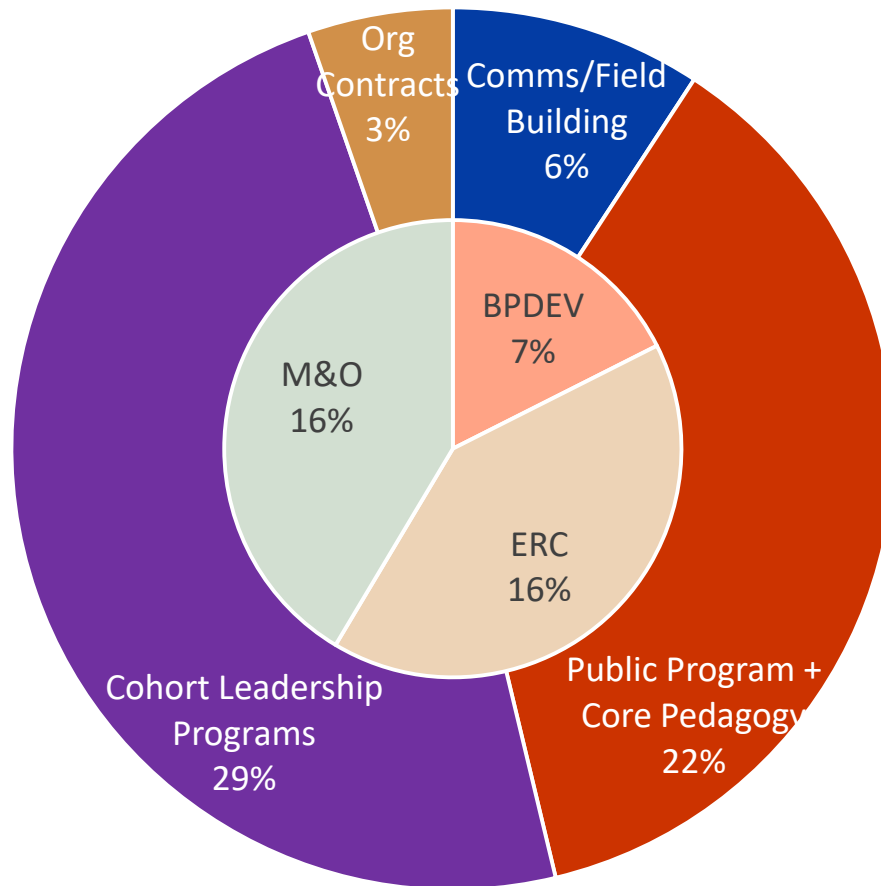


# Headlines and Bottom Lines:

## \$785K in revenue to be raised



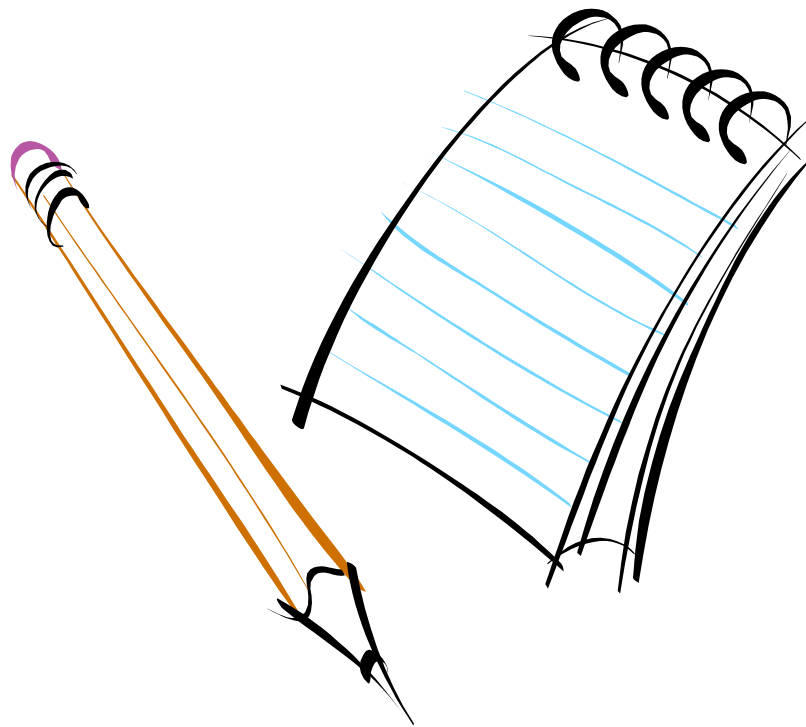
# 2019 Projected Staff Time Distribution



# Action Plan

Three things I will do differently, practice, focus on additional learning, try, or share with my coworkers:

- 1.
- 2.
- 3.



# Wrap up & Evaluation

- Resources will be emailed after workshop
- Email me with questions –  
[shannone@compasspoint.org](mailto:shannone@compasspoint.org)
- Other upcoming workshops
- Evaluation
- Thank you!



# Block Party!



“Why Funding Overhead is Not the Real Issue: The Case to Cover Full Costs” by Claire Knowlton, Nonprofit Finance Fund

- Nonprofit Quarterly, January 26, 2016



# Spreading the fires of injustice...



“How the focus on overhead disenfranchises communities of color and fans the flames of injustice”  
by Vu Le

- Nonprofit with Balls, April 3, 2017

“The “Overhead” Myth is no longer a laughing matter. Families are being torn apart. Parents and children are living in fear. Hate crimes have increased. The policies for equity and inclusion we’ve helped to advance over the past few decades are getting erased day by day.

Funders and donors, if you are restricting funding and focusing on “overhead,” you are actively preventing nonprofits from doing their work. You are helping to spread the fires of injustice. And at the same time, you are also disenfranchising the organizations led by communities of color and other communities most affected by inequity.”

# “Full Program Costs” – expanded definition

The Nonprofit Finance Fund defines the guiding equation of full costs like this - add together:

- Day-to-day operating expenses
- Unfunded expenses (e.g., underpaid staff)
- Working capital (cash for day-to-day needs)
- Reserves (e.g., savings, rainy day fund)
- Fixed asset/technology additions  
(money to purchase a building, or new computers)
- Change capital (e.g., resources to adapt, grow, and/or expand)
- Debt

# Impact-Based Budgeting

	Core Work	New Costs/ Change Capital	Variable/ Pass-Through	Total 2016-17
Contributions	80,000	-	-	80,000
Fundraising events - net	135,000	-	-	135,000
Foundation grants	90,000	35,000	-	125,000
<b>Total support</b>	<b>305,000</b>	<b>35,000</b>	<b>-</b>	<b>340,000</b>
Government contracts	565,009	-	250,000	815,009
Interest and dividends	10,000	-	-	10,000
<b>Total earned revenue</b>	<b>575,009</b>	<b>-</b>	<b>250,000</b>	<b>825,009</b>
Net assets released from restriction	408,000	-	42,000	450,000
<b>Total income</b>	<b>1,288,009</b>	<b>35,000</b>	<b>292,000</b>	<b>1,615,009</b>
Salaries	778,910	21,920	-	800,830
Payroll taxes	79,849	2,236	-	82,085
Employee benefits	80,083	-	-	80,083
Training	5,600	-	-	5,600
<b>Personnel expenses</b>	<b>944,442</b>	<b>24,156</b>	<b>-</b>	<b>968,598</b>
Accounting	17,500	-	-	17,500
Bank charges	5,000	-	-	5,000
Building expenses	27,500	-	-	27,500
Clients, direct assistance to	-	-	250,000	250,000
Conferences and meeting	7,500	-	10,000	17,500
Depreciation	29,634	9,263	-	38,897
Dues and subscriptions	3,650	-	-	3,650
Equipment rental/maint.	3,200	-	-	3,200
Insurance	29,000	-	-	29,000
Interest	8,016	-	-	8,016
Other professional fees	7,500	-	32,000	39,500
Postage and delivery	12,000	-	-	12,000
Printing and copying	16,000	-	-	16,000
Supplies	51,500	-	-	51,500
Telephone	36,000	-	-	36,000
Travel	20,250	-	-	20,250
Utilities	42,500	-	-	42,500
<b>Non-personnel expenses</b>	<b>316,750</b>	<b>9,263</b>	<b>292,000</b>	<b>618,013</b>
<b>Total expenses</b>	<b>1,261,192</b>	<b>33,419</b>	<b>292,000</b>	<b>1,586,611</b>
Change in net assets	26,817	1,581	-	28,398

Presents an annual budget that distinguishes between an organization's "core" work and specific projects that may be temporal or require particular focus, including capital investments, one-time events, and pass-through funds such as subcontracts or direct program expenses that would not be incurred without a specific source of funding.

# Impact-Based Budgeting

	Core Work	New Costs/ Change Capital	Variable/ Pass-Through	Total 2016-17
Contributions	80,000	-	-	80,000
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Change in net assets	26,817	1,581	-	28,398

**Change Capital:** Specific infusion of funds meant to support periods when the organization is experiencing volatility in its pursuit of change. During these periods, organizations must take risk and have room in their budgets for trial and error.

**Pass-through revenue:** Funds provided to the organization that must be spent on behalf of, or passed through to, a secondary agent. Common examples include re-grants or specifically funded program expenses such as site rental or participant stipends.

# Impact-Based Budgeting

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Change in net assets	26,817	1,581	-	28,398

**Fixed Costs:** Expenses that have to be paid by the organization regardless of the revenue generated. These costs do not change when the amount of services increase or decrease. For most organizations, basic operating expenses such as salaries, rent, and insurance fall into this category.

**Variable Costs:** Expenses that increase or decrease depending on the amount of services provided. For example, the cost of workshop personnel and supplies could vary with the number of sessions offered, the cost of meals could vary with the number of participants served, or the cost of filing fees will vary with the number of legal orders filed.

# Change Capital

Change Capital is defined as an investment that is:

- **Extra-ordinary, and of limited duration:** it is not meant to function as regular earned or contributed revenue.
- **Flexible:** how the organization chooses to spend the investment matters less than what it achieves.
- **Understanding:** the funds are meant to support periods when the organization is experiencing volatility in its pursuit of change. During these periods, organizations must take risk and have room in their budgets for trial and error. It can, on occasion, cover planned temporary operating deficits.
- **Must support long-term sustainability:** Once the capital is spent, the organization should be able to more fully cover costs using reliable revenue, until their next period of change.

# Change Capital

Organizations use Change Capital for a variety of purposes, which include but are not limited to:

- Supporting projects (e.g., technology, facility, services) specifically intended to improve the efficiency or quality of its programs or operations.
- Supporting growth, downsizing, or other adjustments to the size and scope of the organization.