

How to Prepare the Annual Budget

(for Advisory Councils)

2020

Why we Need to Budget

Nonprofit organizations must constantly strive for sustainability, and an essential part of that quest is proper budgeting. A well-formulated nonprofit budget allows for the best use of limited nonprofit resources and focuses on the primary goals and objectives of the organization. A budget gives structure and substance to a nonprofit's plans. The budget makes a strong statement about the organization's intentions and plans as it indicates what it expects to tackle in the coming year. As importantly, it provides a way to monitor progress. The budget also plays a key role in forcing organizations to prioritize their activities to determine those that are most critical for fulfilling their mission. A budget is, therefore, an imperative tool for nonprofits. Without an annual budget, you're essentially operating in the dark, and could easily overspend, causing stress on the state's funds, or being unable to continue serving your Kairos graduates and participants.

Today's donors want to know where their money is going. They care about transparency and want to give money wisely. There are even websites out there ranking different nonprofits based on how well they're using their money. Once you have a budget, you can ask donors to give to your needs.

What is a Nonprofit Budget?

The process of building a budget is fundamentally a ***planning process***. A budget is a financial document that provides an overview of how the Advisory Council plans for what is needed to conduct the ministry and guides funding needs and spending. It is essentially the financial reflection of what the Advisory Council expects to accomplish over a 12-month period (annual budget). Once approved and accepted, the budget also becomes an essential financial management tool helpful in monitoring ongoing financial activities throughout the year. Each quarter, the Advisory Council and State should review the budget to actual expenses for a State report.

The Approach to Budgeting

Remember that it is never improper to plan for a net income at the end of the year. Nonprofits need to maintain a positive balance for the end of the year because we need reserves to help when the economy adjusts, and income is reduced. Budgeting to "\$ ZERO" is not necessary. However, we do not anticipate that any Advisory Council will plan to have a negative balance at the end of the year.

Tools

The Budget Template is updated annually to accommodate for new / removed general ledger accounts. Retrieve it here: [MyKairos Downloads](#). Download the Budget Template and the Budget Workbook. This will help you in creating numbers for your worksheet.

The Budget Worksheet is also located online and helps you plan the budget based on various activities you do to raise and expense funds for the ministry.

The 3-Year Profit & Loss Statement should be provided by your State Financial Secretary. This will help you see trends and can give you an idea of how much you have raised / spent in a particular category.

The National Controller can help you if you have any questions about if a fundraising idea or potential future expense. It is always better to ask in advance, so we are helping you best and so that we are protecting the donated dollars of the ministry.

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Start with Expenses, then work on Income

Chart out the things that you need to do in the coming year and let that be a guide into how much you need to expend. Once you have a total there, then you can think about how you are going to cover those expenses. Once you know how much you need to cover in expenses, you can look at trends for your income patterns in prior years. This is a very good guide in how to approach the income segment.

Using the **Budget Worksheet**, you can begin by going through each page answering the questions first. Then, you can use your **3-Year Profit & Loss Statement** to come up with the figures that should be entered for those activities. (i.e. You have an annual mail appeal / letter campaign. You send a letter for each weekend, the supplies cost \$250 for each mailing, and you spend \$275 in postage for each mailing. Now, you have dollar values for those. You will spend \$500 on mail appeal supplies, and \$550 for postage for the mail appeals.)

One item that we also want to plan for is anything that needs to be replaced. If you know your trailer's tires need to be replaced, then budget for new tires. If you know your chairs are all wobbly and you need to replace them, you may decide that 'this is the year' and you will make special plans to raise funds for replacing them.

Once you have a total of how much all this is going to cost, you need to come up with ways you are going to fund the expenses. Review the **3-Year Profit & Loss Statement** again to review your fundraising efforts in the past. You could start with multiplying your prior year's income by 1.05. That will increase it by 5%. If that is unrealistic or not enough to cover special, planned expenses (like new chairs), maybe it is time to consider some new ideas in fundraising.

Fundraising Ideas

Fundraising Ideas and other resources are also located on the Kairos website. Review these ideas here: [MyKairos Fundraising Ideas](#). Meal tickets have been gaining popularity and can be ordered on the Kairos Supply order form.

"Fundraising - Asking and Blessing Others - Facebook Donations" is a workshop that was presented at the 2019 Annual Conference. You can find the PowerPoint Presentation by scrolling on this link: [Workshop Presentations](#).

Facebook Fundraisers have also been super successful. (Find instructions here: [Facebook Fundraisers](#).) This is completely FREE and does not have any merchant fees associated at all. It is 100% preferred over other social media giving platforms (such as GoFundMe). An Advisory Council in Georgia has raised \$2550 so far in 2019. An Advisory Council in Texas has raised \$3828 so far in 2019! The key to a Facebook fundraiser is having multiple team members posting a separate fundraiser. It is important to have people who routinely use Facebook to do the fundraisers.