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Page Title: Tips for Nonprofit Budgeting | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] provides tips to help you prepare for the specialized budgeting process for your nonprofit organization.

Headline: Tips for Nonprofit Budgeting

BODY COPY:

Budgeting for a not-for-profit (NFP) organization requires careful attention. You must make sure you follow all of the legal requirements for a tax-exempt entity while fulfilling the organization's purpose. NFPs can engage in activities that can appear almost indistinguishable from for-profit ventures. An NFP can raise money by making and selling goods, for example. It can also obtain revenue through donations, grants and other sources that are often not available to the for-profit sector. These revenue sources often come with both legal and contractual restrictions. The NFP's budget must reflect this, so you cannot rely on the same assumptions and projections that you might use when budgeting for a for-profit business. The following tips can help you prepare for the specialized process of NFP budgeting.

Business activities

As mentioned above, many NFP activities resemble ventures in which almost any other business enterprise might engage. An NFP might sell goods to generate revenue. It might charge fees for services it provides, or tuition for a school that it operates. Budgeting for these types of activities is essentially the same whether the organization is a tax-exempt nonprofit or a business entity with shareholders who expect a return on investment. The assumptions underlying most business activities are not likely to change based on the organization's for- or nonprofit status.

Prior year results can serve as the basis for the following year's projections for both income and expenses. This assumes you will be making no significant changes in your organization's business model or strategies. Similar organizations can provide guidance on how to budget for new revenue-generating activities.

Certain expenses are not easily predictable. You should account for this in the budget. At best, you know these types of expenses are likely to change, but you cannot easily project when or by how much. An organization with a growing workforce, for example, is likely to see changes in its payroll expenses from one year to the next. The amounts of these changes, however, rely on a vast number of variables.

Donations

The longer an NFP has been around, the more likely it is to have a dedicated base of donors and consistent, predictable donation revenue. A donor database can help you evaluate how many donors are likely to continue their support in the coming year. Newer organizations can make projections based on planned outreach, events and other strategies for attracting donors.

Restrictions often apply to the use of donation revenue. The budget should reflect the limited use of those funds. It should also anticipate the most efficient use of the funds in light of the organization's mission.

Grants

Grants can be a reliable revenue stream once an NFP has built a relationship with a grantor. Maintaining this relationship can be labor-intensive at certain points in the year, such as when grant applications are due. This form of revenue, therefore, tends to have associated expenses, such as payroll for a grant writer or grant-writing team. An NFP's budget needs to reflect both the expected income and the likely expenditures.

If your organization will be applying for new grants in the coming year, your budget can include that potential revenue. Research into granting organizations is necessary to understand factors like their funding criteria and the likelihood of a successful application.

Grant funding often comes with restrictions, such as a requirement that an organization uses the funding for one or more specified purposes. Budgeting for the organization's expenses should reflect these restrictions as much as possible.

Events

Regular fundraising events, such as an annual luncheon or gala for donors, can be major sources of revenue for NFPs. The organization's own past events can provide a reasonable source of projections for the coming year's events. If your NFP is planning a new kind of event, you can look at the experience of other NFPs that have hosted similar events.

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