

# Budget Preparation



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# Budget Overview

- Budget is a future income statement – our estimate of revenue and expenses
- Most important financial management tool for goal setting and performance management
- Should be useful and realistic
- Good budgets help prevent overspending and financial reporting errors
- Most financial reporting requires a budget vs actual report
- Two types of budgets: for ongoing programs and for funding proposals



## Budget Preparation – Ongoing Programs

- Use most recent annual program income statement as the basis
- Think of your goal – surplus, no surplus or a deficit
- Start with what we know – funding (revenue) and payroll
- Revenue comes from the funding agreement
- Finance staff can help with payroll budget numbers – based on the current and expected program staffing and their wages
- Continue to recurring expenses such as rent, equipment lease, admin fees – use the current amounts with necessary adjustments
- Estimate the less consistent expenses such as travel, honoraria, training, etc. based on last year with adjustments for the anticipated program activities



# Budget Preparation – Ongoing Programs

## Continued

- Review the bottom line – is there a profit or loss?
- Review and adjust variable expenses to bring the bottom line to your goal
- If impossible to adjust, consider additional funding or expenses
- Final line-by-line review comparing to the most recent year
- May need to combine multiple budgets to create the organization's total
- Use help from finance staff
- Get leadership to approve budgets in writing



## Budget Preparation – Proposals

- Read proposal guidelines and lists of eligible and ineligible expenses
- Note the maximum funding available for the program and if there's a contribution required from your organization
- If you have questions about eligible costs or activities, contact the funder
- Contemplate and discuss with management proposed activities. What costs will they involve?  
Make a list of proposed costs
- Common cost categories are wages, consulting/contract fees, program supplies, travel, rental, technology and office/admin
- Does the program allow for admin expenses? Is there a set % of admin costs? If yes, use the suggested %



## Budget Preparation – Proposals Continued

- If the proposal has a budget template, use it. Otherwise use Excel or pen and paper
- Estimates work well for proposals, there's no need to be exact
- Put a budget together showing a detailed calculation for each line. The more info we provide to the funder, the stronger is our proposal
- Check budget total and funding requested – is it within the program's limit? Adjust costs, if necessary



# Budget Examples

IGNITE ACTION TO **STRENGTHEN** THE FUTURE



# Practical Application for First Nations Finance

Thank you for your time



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