

# Budget Basics: How to Read, Analyze and Prepare a PACD Budget

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Presented by

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# PACD Budget Basics

- Why Budgets are important to PACD
  - Operating budget is reflection of financial plans
  - Core of budget is listing of anticipated revenues and expenditures for coming year
  - More detailed budget may contain additional supporting information

# PACD Budget Basics

- Why budgets are important to PACD
  - No amount of additional detailed information changes core information: revenues and expenditures
  - Extent to which budget clearly presents basic message is measure of clarity and value of document
  - Additional information intended to add more thorough understanding of plan and purpose

# PACD Budget Basics

- Why budgets are important to PACD
  - Supporting information can and sometimes does add confusion
  - But absence of information can and sometimes does create confusion
  - Today we will look at how to prepare, analyze, and read a budget

# PACD Budget Basics

- Operating Budget Document comprised of three sections:
  - **Introduction:** Highlight changes from current year, priorities and issues for funding for next year and assumptions used in preparing estimates
  - **Second Section:** Describes organization, Operating Budget Document, and process for developing operating budget

# PACD Budget Basics

- Operating Budget Comprised of Three Sections:
  - Documents short and long term financial budget policies, highlight strategic goals and objectives and explains financial structure

# PACD Budget Basics

- Operating Budget Comprised of Three Sections:
  - **Third Section**, Summaries, includes graphs, charts, etc. and provides overview of all revenues included in Operating Budget.
  - Full details contained in approved budget

# Basics in Preparing a PACD Budget

- **Strategies for Developing Operating Budgets**
  - 1. Set outcome goals
  - 2. Set income and expense targets
  - 3. Show priorities for increased, decreased and unchanged total budget amounts

# Basics in Preparing a PACD Budget

- **Set Annual Organization Outcome Goals**
  - Consult with others before drafting the budget
  - Define measurable outcome goals to ensure:
    - Specific draft budgets and plans for coming year support established goals and
    - Everyone is clear on what needs to be done

# Basics in Preparing a PACD Budget

- **Set Annual Organization Outcome Goals**
  - Assess available resources for next fiscal year
  - Base assessment on most recent income and expense figures and projections
  - Base assessment on outcome goals for coming year
  - Outcome goals must be specific and measurable
    - Decrease amount of water pollution by 15% over 12 month period

# Basics in Preparing a PACD Budget

- **1. Set Annual Organization Outcome Goals**
  - Sample Performance Measure:
    - Actual reductions in water pollution determined by comparing pollution levels for the same month in different years, the year before and year after services were provided
    - Becomes basis for developing budget by describing what you intend to achieve and how results measured

# Basics in Preparing a PACD Budget

- Include Board-approved goals in package for developing draft budgets
- Write brief narrative explaining how core activities, new initiatives, proposed changes in draft budget will contribute to overall goals for coming year
- In deciding on final budget, use narrative explanations about each draft budget to help assess each budget's potential merits and contributions toward goals for year

# Basics in Preparing a PACD Budget

- **2. Set Annual Income and Expense Targets**
  - Set expense and income targets for the coming year for the board
  - That way you know in advance the available income during the year

# Basics in Preparing a PACD Budget

- 3. Prepare draft budgets that show priorities
  - Step 1: Decide what percentage of variation should be among totals for three draft budgets
    - First is unchanged
    - Second 2-3% higher (or lower) depending on what is called for
    - Third drafts budgets reflect priorities and includes brief summary in each budget of likely impact specific changes will have on operations

# Basics in Preparing a PACD Budget

- 3. Draft Budgets that Show Priorities
  - Fourth, board adjusts up or down depending on most up-to-date understanding of coming year's income and expenses based on perspective on change
  - Board reviews, revises and approves final budget.
  - Board evaluates proposed budget and evaluates extent it will achieve outcome goals and income and expense targets set
  - May want to explore alternatives to proposed budget

# Basics in Preparing a PACD Budget

- Board should handle changes to budget or amendments as specified in bylaws
- Potential effects of any revisions should be identified and discussed before approving budget for coming year

# How to Prepare a PACD Budget

- Implement, monitor and modify budget
  - Final approved budget is distributed to relevant board members and entered into accounting/reporting system

# How to Read, Analyze and Monitor Budgetary Information and Expenses

- When reading the PACD budget, keep following rules in mind
  - Focus on largest dollar amounts
  - Small items, unless of specific interest, are not material to understanding budget
  - Look at absolute as well as relative % change

# Analysis, Reporting and Monitoring

- Regular Timely Financial Reporting and Monitoring
  - Regular monthly reports on actual versus budgeted expenses
  - Useful guideline is by 15<sup>th</sup> day of month following report period
  - Reports should identify variances with budget
  - Budget modifications revise financial plan based on new information

# Analysis, Reporting and Monitoring

- Keep following rules in mind
  - An item may increase/decrease by +/- 5 to 10%%, if the amount is in the hundreds or millions, the change can be very important
  - If you cannot understand or locate certain information, then find someone who can answer the question. Data may not be shown when it should be

# Analysis, Reporting and Monitoring

- Keep the following general rules in mind
  - Look for trends over several years. Year to year changes (large and small) can be misleading because of one time circumstances
  - Review both revenue and expenditures since both are equally important
  - Try to understand something about the background of the particular revenue/expenditure

# Analysis, Reporting and Monitoring

- Questions

- How is the revenue source changing?
- How does the change compare to neighboring conservation districts?
- Is the budget in balance and has it been balanced in Prior Years?
- Which expenditure is changing the most?

# Analysis, Reporting and Monitoring

- Questions
  - If budget has been reduced although increase was requested, may imply a reduction of service or deferral of expenditures

# Analysis, Reporting and Monitoring

- Questions
  - Which expenditure/program element is changing the most?
  - How is revenue changing?
    - State and federal revenue
    - Other revenue

# Analysis, Reporting and Monitoring

- Questions
  - What are sources of new revenue?
  - What factors most affect revenues and expenditures?

# How to Read a Budget Variance Report

- How to Read a Budget PACD Variance Report
  - Once a budget is established, main task is to understand variances between actual performance and budget
  - Format for Budget Variance Report
    - Variance reports, also called monthly operating reports
    - Titles for actual results along with budget, budget variance, % variance, abbreviated YTD

**PACD OPERATIONS**

	Draft Budget		Approved Budget		% Change
	2010/2011		2009/2010		
<b>Unrestricted Revenues</b>					
District Dues		80,000		80,000	0.0%
Interest		500		1,500	-65.7%
Forest Stewardship Deferred/Neer Admin Fees		48,000		38,450	27.4%
Engineering Admin Fees		22,000		0	n/a
Meaningful Watershed Etl Experience Admin Fees		4,000		0	n/a
Withdrawal from PA Resources		0		5,000	-100.0%
Rental Income from Tenants		34,000		13,600	76.5%
Rental Income from Guests		67,000		81,214	-17.5%
PAEE Accounting Services		2,400		2,400	0.0%
GoodSearch and GoodShop		200		1,000	-80.0%
Sales		170		200	-15.0%
<b>Total Unrestricted Revenues</b>		<b>249,270</b>		<b>223,867</b>	<b>11.6%</b>
<b>PACD Expenses</b>					
Marketing Convention Districts		2,900		5,000	60.0%
PACD Board Meetings/Conference Calls		1,000		1,000	0.0%
<b>PACD Travel:</b>					
PACD Staff	5,050		1,000		36.5%
PACD Officers	2,000		3,000		0.0%
PACD Region Directors	1,000		1,000		0.0%
Other PACD Representatives	250		400		-37.5%
<b>Total PACD Travel</b>		<b>8,310</b>		<b>7,400</b>	<b>12.3%</b>
PACD Office Supplies/Equipment		2,000		2,000	0.0%
PACD Postage		2,000		2,000	0.0%
PACD Dues/Subscriptions		2,200		2,000	10.0%
PACD Committees		800		600	33.3%
Embrothion Representatives		1,000		1,000	0.0%
PACD Activities		6,000		5,000	20.0%
<b>PACD Wages (76 Paid by PACD):</b>					
FT Executive Director (52%)	52,173		50,629		3.1%
FT Office Manager (15%)	9,464		4,841		85.5%
FT PACD Policy Specialist (87%)	47,690		18,387		67.7%
FT Administrative Assistant (25%)	10,116		8,034		25.5%
FT Education Specialist (42%)	541		2,472		-78.1%
FT Communication Specialist (4%)	506		1,100		-32.2%
FT Communication Specialist (17%)	1,852		1,365		59.7%
<b>Total PACD Wages</b>		<b>122,722</b>		<b>96,628</b>	<b>27.0%</b>
PACD Taxes and Benefits		28,138		18,541	51.7%
<b>PACD Overhead:</b>					
Mortgage Interest	22,880		18,843		-20.7%
Real Estate Broker Commission	1,000		1,805		-44.6%
Building Maintenance	2,500		2,100		0.0%
Real Estate Taxes	4,700		4,700		0.0%
Water/Sewer/Trash	2,700		2,700		0.0%
Janitorial	6,000		7,680		-21.0%
Heat	5,000		9,500		-5.3%
Electric	7,500		6,000		25.0%
HVAC Maintenance	4,000		3,500		14.3%
Pest Control	1,000		910		9.9%
Fire/Security	400		425		-5.9%
Snow Removal	350		500		-30.0%
Building Insurance	3,250		4,000		-18.8%
Telephone	2,600		2,355		-15.1%
Photocopier	750		580		29.4%
Audit	1,500		1,200		25.0%
Fees/License	550		500		10.0%
Public Officials Insurance	1,740		2,250		-22.7%
Legal fees	1,000		1,000		-50.0%
Book Charges	100		250		20.0%
<b>Total PACD Overhead</b>		<b>73,120</b>		<b>62,198</b>	<b>-11.0%</b>
<b>Total PACD Expenses</b>		<b>246,270</b>		<b>223,367</b>	<b>11.6%</b>
<b>PACD Profit (Loss)</b>		<b>0</b>		<b>0</b>	<b>0.0%</b>

**GRANTS AND CONTRACTS**

	<b>Draft Budget</b>	<b>Revised</b>	<b>Arroved</b>	<b>% Change</b>
	<b>2010/2011</b>	<b>Revenue</b>	<b>Budget</b>	<b>From Revised</b>
		<b>2009/2010</b>	<b>2009/2010</b>	<b>Revenue</b>
<b><u>Semi-Restricted Revenue</u></b>				
Conservation Reserve Enhancement Program	217,108	270,151	270,151	-19.6%
Plan Development Incentives Program	2,697	12,000	12,000	-77.5%
Forest Stewardship	0	39,917	39,917	-100.0%
Chesapeake Bay Education Grant	31,135	31,135	31,135	0.0%
319 Education Grant	176,772	143,700	143,700	23.0%
Ag Conservation Technical Training	0	23,000	0	-100.0%
Erosion & Sedimentation Technical Training	60,000	0	0	n/a
Engineering (Growing Greener)	396,401	360,000	268,061	10.1%
Engineering (CNMP)	150,000	150,000	0	0.0%
Chesapeake Bay Commission Trading Grant	20,500	26,754	26,754	-23.4%
Growing Greener Trading Grant	0	200,000	0	-100.0%
<b>Total Semi-Restricted Revenue</b>	<b><u>1,054,613</u></b>	<b><u>1,256,657</u></b>	<b><u>791,718</u></b>	<b>-16.1%</b>
<b><u>Semi-Restricted Expenses</u></b>				
Grant Wages and Benefits (1)	747,436		534,659	39.8%
Grant Travel	16,441		11,019	49.2%
Grant Equipment	24,714		18,811	31.4%
Grant Office Supplies	7,393		13,661	-45.9%
Grant Postage	3,635		7,475	-51.4%
Grant Overhead/Administration (2)	107,519		135,379	-20.6%
Grant Education and Assistance (3)	147,474		70,714	108.5%
<b>Total Semi-Restricted Expenses</b>	<b><u>1,054,613</u></b>		<b><u>791,718</u></b>	<b>33.2%</b>
<b>Semi-Restricted Profit (Loss)</b>	<b><u>0</u></b>		<b><u>0</u></b>	<b>0.0%</b>
<b><u>Restricted Revenue</u></b>				
CREP Cost-Share	6,000,000		6,000,000	0.0%
PDIP Cost-Share	83,168		126,000	-34.0%
Forest Stewardship Cost-Share	40,000		90,000	-55.6%
Meaningful Watershed Ed Experience	36,000			
<b>Total Restricted Revenue</b>	<b><u>6,159,168</u></b>		<b><u>6,216,000</u></b>	<b>-0.9%</b>
<b><u>Restricted Expenses</u></b>				
CREP Cost-Share	6,000,000		6,000,000	0.0%
PDIP Cost-Share	83,168		126,000	-34.0%
Forest Stewardship Cost-Share	40,000		90,000	-55.6%
Meaningful Watershed Ed Experience	36,000			
<b>Total Restricted Expenses</b>	<b><u>6,159,168</u></b>		<b><u>6,216,000</u></b>	<b>-0.9%</b>
<b>Restricted Profit (Loss)</b>	<b><u>0</u></b>		<b><u>0</u></b>	<b>0.0%</b>

4/27/2011

Lancaster County Conservation District  
April 1, 2011--April 27, 2011

Item #2

Program Name	April	Year-to-Date	2011 Budget	% of Budget
<b>District Operations Revenue</b>				
Ag - NRCS Clerical Support	-	7,829.74	16,550	47.3%
Ag - Ag Conservation Technician Program	2,585.13	8,536.68	32,965	25.9%
Ag - Bay/Ag Program DEP/NRCS/Grants	-	92,531.26	418,400	22.1%
Ag - Nutrient Management Program	-	162,304.39	327,938	49.5%
Ag - Ag Compliance	384.79	8,252.36	15,000	55.0%
Edu - Watershed Specialist Program	-	20,273.51	49,000	41.4%
Edu - Environmental Education Program	-	858.61	29,860	2.9%
Edu - Ombudsman Program	-	15,323.82	50,225	30.5%
Edu - Plain Sect Advocate	-	14,225.46	81,736	17.4%
Admin - County Commissioner Grant	19,875.00	79,500.00	251,750	31.6%
Admin - Co. Commr. Grant Transfer to E&S	(1,416.67)	(5,696.68)	(17,000)	33.3%
Admin - District Administrative Revenue	728.24	8,329.40	61,565	13.5%
Other Program Revenue	-	-	-	-
<b>Total District Operations Revenue</b>	<b>22,156.49</b>	<b>412,308.55</b>	<b>1,317,799</b>	<b>31.3%</b>
<b>District Operations Expenses</b>				
<u>Programs Expenses</u>				
Ag - NRCS Clerical Support	2,412.97	11,195.79	30,862	36.3%
Ag - Ag Conservation Technician	5,080.52	24,005.24	51,078	47.0%
Ag - Bay/Ag Program	29,452.36	131,004.61	447,057	29.3%
Ag - Nutrient Management Program	24,766.86	109,782.41	336,387	32.6%
Ag - Ag Compliance	1,879.13	8,623.36	18,095	47.7%
Edu - Watershed Specialist Program	5,878.53	24,719.47	82,761	29.9%
Edu - Environmental Education Program	5,540.13	25,681.09	80,980	31.7%
Edu - Ombudsman Program	5,520.35	25,430.77	66,468	38.3%
Edu - Plain Sect Outreach	5,943.28	27,086.61	80,794	33.5%
Admin - Administrative Program Expenses	13,268.48	59,571.22	175,131	34.0%
Other Program Expense	-	-	-	-
<b>Total District Program Expenses</b>	<b>99,562.55</b>	<b>447,110.56</b>	<b>1,369,613</b>	<b>32.6%</b>
<u>District Administration Expenses</u>				
General Office Expenses	159.96	2,108.21	8,300	25.4%
Capital Expenditures/Contingency Fund	-	-	10,000	0.0%
Tuition Reimbursement	-	1,636.80	-	-
Insurance	5.00	4,197.00	5,690	73.8%
Membership Dues	-	3,917.00	5,262	74.4%
Newsletter Expenses	-	4,193.55	5,500	76.2%
Professional Services	600.10	4,310.45	18,975	22.7%
District Planning & Promotion	19.95	3,550.48	3,780	94.7%
Rent/Supplemental	388.69	1,475.44	2,582	57.1%
Employee separation costs	-	-	8,000	0.0%
Other Admin	-	-	-	-
<b>Administrative Expenses for Allocation</b>	<b>1,213.87</b>	<b>25,386.94</b>	<b>68,059</b>	<b>37.3%</b>
Allocated costs expensed to above programs	-	(19,628.64)	(56,065)	35.6%
Transfer from E&S for allocated costs	-	(4,162.08)	(12,974)	32.2%
<u>Job Expenses</u>				
PACD, Regional, and NACD Meetings	126.85	1,979.74	4,100	48.3%
	-	2,092.64	4,400	47.6%
<b>Total District Operations Expenses</b>	<b>100,903.37</b>	<b>452,761.16</b>	<b>1,378,113</b>	<b>32.8%</b>

# How to Read a Budget Variance Report

- How to Read a PACD Variance Report
  - Body of Report will contain numbers associated with row and column titles
  - Most will have line for supplies:
    - Actual    Budget    Variance    Percent
    - \$900    \$1000    \$100    10%
    - This shows that although \$1,000 was budgeted, only \$900 was spent, leaving variance of \$100, which is 10%.
    - Percent is computed by dividing variance by budget, not actual amount

# How to Read a Budget Variance Report

- How to Read a PACD Variance Report
  - Variance is referred to as positive or favorable variance
  - Better that actual be lower than budget for expenses
  - When expenses greater than budget, known as negative or unfavorable variance
  - Formats vary

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 04/27/11  
 Accrual Basis

PA Association of Conservation Districts, Inc.  
**Profit & Loss Budget vs. Actual**  
 July 2010 through March 2011

	Jul '10 - Mar 11	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4000-00 - Grant/Contract	689,738.09	822,383.30	(132,645.20)	83.9%
4000-04 - PAEE Income	1,809.00	1,800.00	9.00	100.0%
4001-00 - Conservation District Dues	107,313.00	99,990.99	47,313.01	178.8%
4001-02 - Rental Income 26 N Front	19,794.72	19,000.00	794.72	104.4%
4001-03 - Rental Income for Overhead	16,676.00	50,248.88	(34,574.88)	31.2%
4002-00 - Capital Fund	317.00	0.00	317.00	100.0%
4004-00 - Admin Fees	4,000.00	59,249.92	(55,249.92)	6.8%
4060-00 - PACD Building Income	0.00	0.00	0.00	100.0%
4060-00 - PACD Auxiliary Income	322.00	0.00	322.00	100.0%
4200-00 - Meetings	8,075.00	0.00	8,075.00	100.0%
4203-01 - JAC Registration	2,010.00	0.00	2,010.00	100.0%
4203-03 - JAC Income for Meals	3,184.00	0.00	3,184.00	100.0%
4203-04 - JAC Fundraising	2,890.00	0.00	2,890.00	100.0%
4203-00 - JAC Auxiliary Income	0.00	0.00	0.00	0.0%
4300-00 - Interest	215.88	374.99	(159.11)	57.6%
4400-00 - Miscellaneous	339.55	149.99	189.57	226.4%
4500-00 - PA Resources Membership	25.00			
4900-00 - Sales	139.53	127.48	12.04	109.4%
<b>Total Income</b>	<b>854,198.78</b>	<b>1,012,335.75</b>	<b>(158,136.99)</b>	<b>84.4%</b>
<b>Cost of Goods Sold</b>				
6000-00 - Cost of Goods Sold	111.67	0.00	111.67	100.0%
<b>Total COGS</b>	<b>111.67</b>	<b>0.00</b>	<b>111.67</b>	<b>100.0%</b>
<b>Gross Profit</b>	<b>854,087.00</b>	<b>1,012,335.75</b>	<b>(158,248.69)</b>	<b>84.4%</b>
<b>Expense</b>				
5000-00 - Project Wages	382,810.50	456,886.18	(78,039.28)	83.4%
5001-00 - Benefit Wages	62,518.16	43,234.51	19,283.65	144.8%
5002-00 - Admin Wages	0.00	0.00	0.00	0.0%
5050-00 - PACD Auxiliary Expenses	732.55	0.00	732.55	100.0%
5100-00 - 401k	36,717.36	48,784.48	(12,077.12)	75.2%
5110-00 - Health Insurance	47,053.48	63,712.63	(16,659.00)	73.9%
5115-00 - Life & Disability Insurance	4,252.35	4,366.74	(104.39)	97.6%
5130-00 - Parking	870.00	0.00	870.00	100.0%
5140-00 - Payroll Taxes SUTA	7,051.92	8,965.69	(1,893.88)	79.0%
5160-00 - FICA (SS/Medicare)	34,058.75	39,675.10	(5,626.35)	85.9%
5180-00 - Education and Training	120.00	0.00	120.00	100.0%
5200-00 - Travel	20,855.52	19,482.02	1,373.50	107.1%
5300-00 - Office Supplies	4,498.00	4,653.73	(65.13)	98.6%
5302-00 - Equipment	1,946.39	17,535.50	(15,689.11)	10.5%
5303-00 - Field Supplies	445.00	0.00	445.00	100.0%
5400-00 - Postage	3,447.52	4,162.50	(714.98)	82.8%
5500-00 - Rent	41,355.03	43,655.03	(1,700.00)	95.1%
5501-00 - Electric	3,799.29	5,625.00	(1,825.71)	67.5%
5502-00 - Water, Sewer & Refuse	1,788.06	2,025.00	(236.14)	88.4%
5503-00 - Mortgage Interest Payments	6,889.32	34,489.92	(26,400.60)	17.4%
5504-00 - Steam Expense	7,134.26	6,750.00	384.26	105.7%
5505-00 - Janitorial	3,075.93	4,500.00	(824.07)	68.3%
5506-00 - Building General Maintenance	2,113.72	1,876.01	238.71	112.7%
5507-00 - Pest Management	590.00	790.01	(54.01)	92.8%
5508-00 - HVAC Maintenance	1,618.81	3,000.01	(1,381.20)	54.0%
5510-00 - Payroll Service	3,069.57	5,138.30	(1,137.73)	77.8%
5516-00 - Fees/Licenses	199.90	412.51	(212.52)	48.5%
5518-00 - Fire and Security	380.45	300.01	80.44	120.8%
5526-00 - Telephone/Fax	3,149.48	2,984.99	164.49	105.5%
5522-00 - Internet	0.00	0.00	0.00	0.0%
5525-00 - Taxes	4,489.74	3,524.99	964.75	127.3%
5528-00 - Snow Removal	201.69	252.49	(50.11)	79.5%
5530-00 - Photocopier	1,123.42	2,335.87	(1,212.45)	48.1%
5540-00 - Insurance	11,268.03	5,070.02	3,311.59	141.1%
5560-00 - Audit	16,869.75	12,000.01	6,869.99	157.3%
5570-00 - Computer Service	1,209.63	2,025.00	(825.00)	60.3%
5580-00 - Bank Charges	203.60	225.00	(21.00)	90.2%
6000-00 - Administrative Charges	0.00	26,389.21	(26,389.21)	0.0%

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04/27/11

Accrual Basis

**PA Association of Conservation Districts, Inc.**  
**Profit & Loss Budget vs. Actual**  
 July 2010 through March 2011

	Jul '10 - Mar 11	Budget	\$ Over Budget	% of Budget
5700-00 · Print Material	1,507.11	750.01	757.10	200.9%
5715-00 · Awards	248.83	149.99	98.64	165.8%
5720-00 · Mini-Projects	29,653.86	75,710.68	(46,056.82)	39.2%
5725-00 · Workshops	61,552.56	59,642.25	1,910.31	103.2%
5730-00 · Marketing	1,624.66	1,784.98	(160.32)	91.0%
5735-00 · Communications Expense	0.00	2,292.75	(2,292.75)	0.0%
5750-00 · Education/Training	0.00			
5760-00 · Web Site & E-mail Hosting	2,132.84	2,779.47	(646.83)	76.7%
6000-00 · Board Meetings/ Conferen...	330.28	750.01	(419.73)	44.0%
6100-00 · Meeting	8,110.80	0.00	8,110.80	100.0%
6183-01 · JAC Printing & Supplies	214.61	0.00	214.61	100.0%
6163-02 · JAC Meal Expense	6,110.90	0.00	6,110.90	100.0%
6163-03 · JAC Reception	0.00	0.00	0.00	0.0%
6163-04 · JAC Breaks	908.60	0.00	908.60	100.0%
6163-05 · JAC Meeting Room Rental	0.00	0.00	0.00	0.0%
6163-06 · JAC AV/Audio Equipment	675.20	0.00	675.20	100.0%
6163-07 · JAC Speakers/Presenters	148.00	0.00	148.00	100.0%
6163-09 · JAC Auxillary	0.00	0.00	0.00	0.0%
6163-20 · JAC Planning/Admin Expe...	803.88	0.00	803.88	100.0%
6163-30 · JAC Miscellaneous	232.81	0.00	232.81	100.0%
6163-40 · JAC Fundraising Expenses	338.39	0.00	338.39	100.0%
6300-03 · NACD	5,735.65	4,500.00	1,235.65	127.5%
6500-03 · Dues & Subscriptions	2,939.80	1,650.01	1,289.79	178.2%
6710-00 · Committees	116.77	599.99	(483.22)	19.5%
6800-00 · News & Notes	0.00	0.00	0.00	0.0%
7200-00 · Miscellaneous Expense	0.00	0.00	0.00	0.0%
7300-00 · Legal & Professional	1,370.72	1,500.02	(129.30)	91.4%
7920-00 · Capital Fund Bulding Exp...	0.00	0.00	0.00	0.0%
<b>Total Expense</b>	<b>845,475.87</b>	<b>1,031,165.63</b>	<b>(185,689.76)</b>	<b>82.0%</b>
<b>Net Ordinary Income</b>	<b>8,611.22</b>	<b>(18,829.88)</b>	<b>27,441.10</b>	<b>(45.7)%</b>
<b>Net Income</b>	<b>8,611.22</b>	<b>(18,829.88)</b>	<b>27,441.10</b>	<b>(45.7)%</b>

# How to Read a Budget Variance Report

- How to Read a PACD Variance Report
  - Explaining the Variances
    - Generally a requirement that managers prepare explanation of variances
    - Thresholds for variance reporting are different in different organizations
    - Typical threshold is 10% *and* \$5,000 but differs in larger departments/organizations
    - If variance meets both conditions, manager needs to research and explain why

# How to Read a Budget Variance Report

- How to Read a PACD Variance Report
  - Example, % variance is 10% but dollar amount is only \$1,000
  - Eliminates need for unnecessary work in researching and identifying small variances
  - If item is off budget by \$10,000, but is small %, no need for explanation
  - Some require explanation only if negative variance

# How to Prepare a Budget

- Preparing a PACD Budget
  - Estimating Income and Expenses
    - Step 1: Estimate coming year's income from various sources
    - Step 2: Carefully estimate expenses needed to operate for coming year
    - Step 3: Prepare Summary of budget highlights so board can understand program's priorities and perspectives

# How to Prepare a Budget

- Preparing a PACD Budget
  - Estimating Future Income
    - Difficult
      - Make policy decisions in advance
        - » Policies regarding uncertain income
        - » May include pending grants
        - » May be subject to reduction
        - » Clearly mark uncertain sources and identify associated expenses
        - » Be cautious about spending from uncertain sources

# How to Prepare a Budget

- Preparing a PACD Budget
  - How to Estimate Future Income
    - Changes in Service Fees
      - Decide if new service fees will be charged or existing fees increased
      - May require determining service costs
      - Determine expenses per unit
      - Will fee increase impact # using service?

# How to Prepare a Budget

- Preparing a PACD Budget
  - Ways to project income vary by source and nature of income
    - Document assumptions used to prepare income projections
    - Can help explain budget to others
    - For grant or contract income, indicators may be:
      - Actual income and estimates previously provided by funding sources
      - Funding-source payment schedules
      - Status of current negotiations

# How to Prepare a Budget

- Preparing a PACD Budget
  - For ongoing fund raising, income indicators:
    - Prior years' experience
    - Current pledge collection rates
    - Net income after expenses from any other fundraising activities

# How to Prepare a Budget

- Preparing a PACD Budget
  - For income from fees and charges, income indicators include:
    - Prior years actual experience
    - Any adjustments to fee amounts
    - Expected service levels

# How to Prepare a Budget

- Preparing a PACD Budget
  - Annual Policy Decisions
    - Decisions on following:
      - Cost increases: Will salaries, wages and operating expenses be increased? (If so, by how much?) Include planned and contractual increases
      - Costs of generating future income
        - » If anticipated but as yet unsolicited income (funding to be requested during coming year) included in budget, additional related expenses must be detailed

# How to Prepare a Budget

- Preparing a PACD Budget
  - Projecting Salaries and Wages
    - Largest part of annual operating budget so accuracy is especially critical
    - Failure to budget properly for equipment and other discretionary expenses can be fixed by delaying purchases
    - Failure to meet payroll because of incorrect forecasting is very serious

# How to Prepare a Budget

- Preparing a PACD Budget
  - Create spreadsheet to budget with list of all authorized positions (include vacant to be filled)
  - List wages for each position (total annual salary)
  - Maintain throughout the year
  - Use to calculate impact of any proposed changes during the year

CURRENT FILLED POSITIONS

COMMITMENT ITEM	DESCRIPTION	NUMBER POSITIONS	ANNUAL COST
501000	DEPARTMENT DIRECTOR (From Form 501-503)	1	\$67,982
502000	SOLICITORS/ATTORNEYS (From Form 502)	0	\$0
503000	DEPUTY/ASSISTANT DIRECTORS (From Form 501-503)	0	\$0
504000	DEPARTMENT SALARIES (From Form 504)	3	\$93,229
508000	MGRS & SUPERVISORS (From Form 508)	0	\$0
509000	NON-MGRS & NON-SUPERVISORS (From Form 509)	0	\$0
	TOTAL: TO PAYROLL SUMMARY	4	\$161,211

# How to Prepare a Budget

- Preparing a PACD Budget
  - Add columns to spreadsheet with formulas for calculating effect of variables (impact of salary increase and increase effective date)
  - Budget for overtime (if appropriate) in separate line item
  - Budget for part-time staff in separate line item

# How to Prepare a Budget

- Preparing a PACD Budget
  - Projecting Fringe Benefits
    - Vary according to:
      - size
      - law
      - benefits offered

# How to Prepare a Budget

- Projecting a PACD Budget
  - Be sure to include estimates of health care and other insurance increases

# How to Prepare a Budget

- Projecting other Operating Expenses
  - Requires year to year adjustment for
    - Any projected change in prices (increases) for goods and services
    - Any projected change in usage of volume of goods and services

# How to Prepare a Budget

- Projecting Other Operating Costs
  - Identifying Projected Prices
    - Identify increases built into leases and other contracts
    - Then project price changes for services, supplies, equipment etc needed to operate programs
    - Can contact vendors and ask for estimates
    - If cannot get info from vendors, then develop independent estimate
    - Usually estimate 2-3%

# How to Prepare a Budget

- Projecting Other Operating Costs
  - Certain costs experience higher volatility such as gasoline
  - When other operating costs are large part of expenditures, then take extra care in estimating cost
  - Contact vendors to get additional information

# How to Prepare a Budget

- Projecting Other Operating Costs
  - Identifying Changes in Usage or Volume
    - Identify changes in operations likely to reduce or increase use of supplies, materials, services, equipment, or other non-salary costs
    - Changes come from expanding or contracting existing programs or services
    - Increase or reduction in demand for programs or services

# How to Prepare a Budget

- Projecting Other Operating Costs
  - Budget Highlights
    - Include written summary of budget assumptions and highlights
    - Explain any significant changes

# How to Prepare a Budget

- Example of Budget Assumptions and Highlights
  - Total Income and Expenses
  - Example: draft budget shows next year's budgeted income for PACD is expected to exceed budgeted expenses by \$800 with expenses of \$55,000 and income of \$55,800

# How to Prepare a Budget

- Example of Budget Assumptions and Highlights
  - County informed us that our allocation for coming year would be reduced by \$5,000 due to legislative cutbacks. To address potential income shortfall, proposed budget calls for holding a 10K run next year which is expected to generate additional \$5,000-10,000 in individual and corporate revenue
  - Major increase in expenses reflects 2% increase in salaries and wages for eligible employees
  - Scheduled 10K run will increase printing, postage and consulting expenses by \$2,000.

# Summary

- Budgets are reflection of financial plans
- Important to set outcome goals
- Regular and timely reporting important
- Look for trends
- Understand background of particular revenue/expenditure