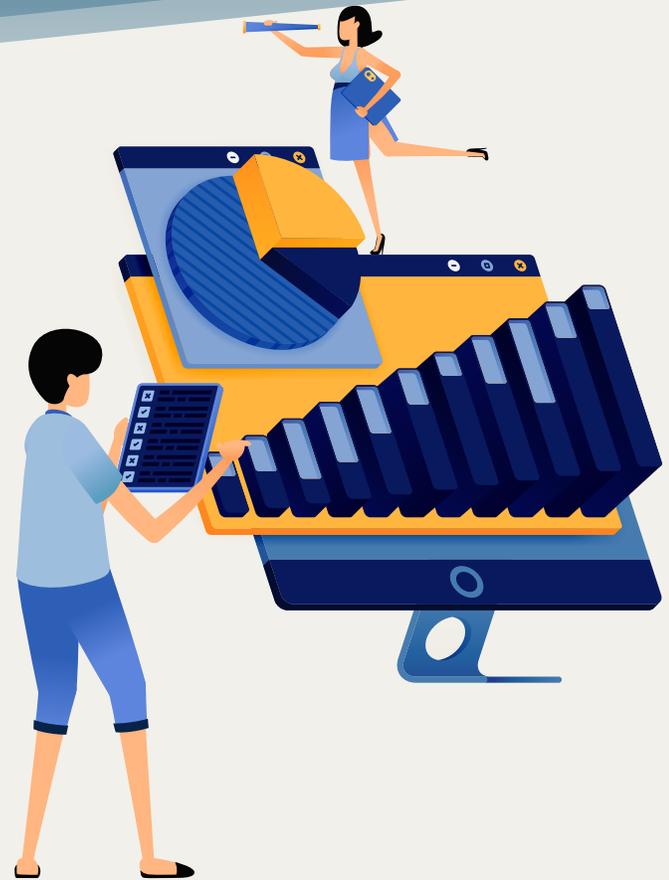


# CHECKLIST FOR CREATING A NONPROFIT BUDGET

## BUDGET METHODS

Decide on the type of budget your organization will use. Some common methods are:

- Annual Budget**  
Prepare a budget for your entire fiscal year and leave it alone. The budget doesn't change, but you may need to explain why actual amounts differ from what you budgeted for.
- Zero-Based Budgeting**  
Evaluate the needs and expenses for every part of your nonprofit and allocate an amount to that purpose when needed, justifying every dollar you intend to spend.
- Rolling Forecast**  
Update your budget periodically. Review your financials and adjust your budget regularly throughout the year, updating forecasted numbers based on actual amounts.



## FINANCIAL REPORTS TO GENERATE

Compile your financial reports. These are some helpful reports to generate:

- Balance Sheet** (for the month most recently reconciled)
- Balance Sheet** (for the end of each previous fiscal year you want to use for comparison)
- Income Statement by Month** (for the current fiscal year through the month most recently reconciled)
- Income Statement by Month** (for up to two years prior to the current fiscal year)
- Budget to Actual** (current month vs. last month)
- Budget to Actual** (current month vs. same month last year)
- Budget to Actual** (year-to-date)
- Budget to Actual** (current year vs. previous fiscal year)
- Budget by Fund** (for each of your funds)
- Budget by Tag** (for grants, departments, locations, projects, etc.)

## QUESTIONS YOUR REPORTS SHOULD ANSWER

Your reports should be able to answer some questions about a current budget, including:

- Are you meeting your income and expense goals?
- Are you meeting cash flow projections?
- What are your variances?
- Are your variances accurate and reasonable?
- Do your budget totals need to be adjusted?

## FINANCIAL DOCUMENTS AND POLICIES TO COMPILE

In addition to your reports, you will want to gather other documents, policies, etc., such as:

- Amounts for your income and expense accounts, including any notes for why you have allocated funds to certain areas
- Any updated income and expense categories you would like to include in the next fiscal year
- Cash flow needs
- Gift acceptance policy
- Board goals and directives
- Grant guidelines
- Obligations you may have to a bank or other entity
- Other considerations you may want to factor into your budget
- Any notes you have taken as you've considered preparing your budget

## GUIDELINES FOR BUILDING YOUR BUDGET

Here are some questions to help guide you through the budgeting process:

- Where are you starting?
- Where do you need to end?
- Is there a seasonality for your organization?
- Is anything starting in the next fiscal year?
- Is anything stopping in the next fiscal year?
- Do you need to restructure anything?
- Are there any foreseeable changes in revenue?
- Are you doing any fundraising?
- Are you expecting any grants or outside assistance?
- Are there any foreseeable changes in costs?
- Do you plan to make any large purchases or investments?
- Are there any ratios or standards you need to adhere to?



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