

Budgeting in Excel

Using Excel to Create Dynamic Budgeting



CERINI
&
ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Budget Planning and Monitoring

- ▶ Determine the organization's goals, priorities, and activities
- ▶ The budgeting process should begin several months prior to year-end
- ▶ Budgeting can be done for various periods, such as annually and monthly
- ▶ Include key finance and program staff so there is communication between departments
- ▶ Create departmental budgets and a master budget
- ▶ The budget should be a tool for management to monitor ongoing activities
- ▶ Modifications can be made to the budget as necessary



Identify Your Inputs

▶ Revenue Streams

- ▶ Contributions: baseline recurring contributions, multi-year restricted grants
- ▶ Enrollment: expected steady enrollment
- ▶ Government grants: contracts that have been secured by the organization
- ▶ Fee-for-service revenue: expected level of services provided



Identify Your Inputs

- ▶ Expected fluctuations in revenue
 - ▶ Change in rate
 - ▶ Established by organization
 - ▶ Established by funding sources
 - ▶ New contracts or expiring contracts
 - ▶ Restricted fund release schedule
 - ▶ Enrollment expectations
 - ▶ Fundraising plans
 - ▶ Other cyclical changes



Identify Your Inputs

- ▶ Fixed costs: expenses that do not change based on the amount of revenue earned or services provided
 - ▶ Administrative salaries
 - ▶ Occupancy
 - ▶ Insurance
- ▶ Variable costs: Expenses that increase or decrease based on the revenue earned or services provided.
 - ▶ Supplies
 - ▶ Meals
 - ▶ Programmatic salaries
- ▶ Cost allocations between programs, fundraising, and M&G



Identify Your Inputs

- ▶ Budget vs Cash Flow
 - ▶ Financing Payments
 - ▶ Noncash expenses
- ▶ Expected fluctuations in expenses
 - ▶ Additional staffing needs
 - ▶ Increase in insurance costs
 - ▶ Budget cuts
 - ▶ Planned capital purchases



Create Multiple Scenarios

- ▶ Conservative
- ▶ Realistic
- ▶ Expected growth
- ▶ Reach goal



Evaluate Outcomes

- ▶ Review the outcomes of each scenario and adjust accordingly. Consider the following:
 - ▶ Growth goals
 - ▶ Debt covenants
 - ▶ Overspending/underspending on deficit funded contracts
 - ▶ Use of surplus for capital expenditures



Using Excel to Create a Dynamic Budget

To reiterate the point, to prepare a dynamic budget you need to have a master budget already prepared and need to understand the behavior of your costs — this signifies making a perfect distinction between fixed, variable and semi-variable cost. Once you define these, you are ready to begin creating your dynamic budget in excel.

Key Point: The overall goal of creating a dynamic budget template is (1) Ease of use by the end users (2) Ability to analyze changing inputs on the fly. As we learned from the Pandemic, anything can change in an instant and as financial managers we need to be able to analyze meaningful changes on the operating budget quickly and efficiently.



Using Excel to Create a Dynamic Budget

- ▶ **Tip 1:** Create separate lists for each of your inputs that drive your budget
- ▶ **Tip 2:** Create a separate tab which matrixes out your inputs and how they will affect your budget
- ▶ **Tip 3:** Utilize nested excel formulas using a combination of INDEX MATCH, SUM, IF statements to create an algorithm that will automate your formulas
 - ▶ =SUMIF (range, criteria, [sum_range])
 - ▶ =index(array, row_num,[column_num])
 - ▶ =match(lookup_value,lookup_array,[match_type])
 - ▶ =index(array,match(lookup_value,lookup_row,[match_type],match(lookup_value,lookup_column,[match-type])
- ▶ **Tip 4:** Create a summary tab which will summarize the results of each of the scenarios you created