



Budget 101 for Nonprofits

Preparing and having the board approve an annual budget and program plan is one of the most important legal responsibilities of nonprofit groups. Making a budget is straightforward. First determine the main sources of income, and the expected amounts for each. Then determine your planned expenses and amounts for each. Reports should be prepared regularly throughout the year that show actual income and expenses compared to the budget. For example, a nonprofit budget might look like the following:

Revenue	
Individual Contributions (memberships, annual appeal, memorial gifts)	\$92,000
Corporate Contributions	12,500
Foundation Grants	90,000
Government Grants	30,000
Investment Income	28,000
Contracted Services	7,500
Events	10,000
Merchandise Sales	2,000
Total Revenue	\$272,000

Expenses	
Payroll & Benefits	\$195,000
Professional Fees — Engineering & Fundraising Consultants	12,000
Professional Fees — Bookkeeping, Audit, & Legal	10,000
Printing and Reproduction	8,000
Travel/Mileage Reimbursement	7,500
Rent	7,000
Insurance (liability, directors & officers)	4,700
Supplies (office & field)	3,500
Advertising & Marketing	3,000
Bank Fees & Payroll Processing Fees	3,000
Postage	2,500
Interest Expense	2,500
Equipment and Software	2,500
Internet Access & Web Page Design	2,000
Professional Development	2,000
Dues, Fees, & Memberships	1,800
Meals and Lodging	1,000
Total Expenses	\$268,000

Frequently Asked Questions

Is the amount paid for items purchased from an auction or fundraiser tax-deductible for the buyer?

No. Anytime a donor receives something of value in return for the money paid, it is not considered a tax-deductible contribution. However, to the extent that a purchaser pays more than the fair market value of an item, a deduction may be taken for the amount paid that exceeds the fair market value. For example, if a donor pays \$50 for a \$25 gift certificate to a local restaurant, the donor may deduct the amount exceeding the fair market value (\$25) as a contribution. Some items, however, such as a quilt or painted furniture, are considered “one-of-a-kind items.” These items cannot be easily valued and therefore the price paid is considered by the IRS as the fair market value. Similarly, the cost of a raffle ticket is considered its fair market value because it is the price a willing buyer will pay for the chance to win the prize being raffled.

Must a nonprofit, tax-exempt group spend all of its funds each year? If not, is there a limit on the amount of funds that may be carried over?

There is no legal requirement that nonprofit, tax-exempt organizations spend all their funds and there is no limit on the amount of funds that may be carried over to subsequent years. Many large nonprofits hold funds equal to one year or more operating budget in reserves. Small groups frequently carry forward at least minimal sums to get the next year started.

We take care of the paperwork so you can focus on your goals!

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Once your profile is completed, we'll file all of your required state and federal paperwork.