

NARHA'S

# STRIDES

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**The Administrator Issue**

**NARHA Centers  
Go Green**

**Better Budgeting  
Breeds Success**

**Cultivating Donors**

**Guidelines for Growth**



# Money Management

Feeling the financial squeeze?  
Proper budgeting can help your  
center ensure sustainability.



## Better Budgeting Breeds Success

By Bryan McQueeney

Taking the temperature of a horse is hardly an enjoyable task. Still, the knowledge gained by such a simple tool yields invaluable insight into the overall health of your equine. Combined with a few simple observations of pulse, respiration and behavior, you can often rule out dozens of possible illnesses, implement a treatment strategy with greater confidence and avoid more serious problems down the road. Budgets are similar: a bit unpleasant for most of us but they yield incredible insight into our centers that can help them thrive.

The best budgets develop from an intimate knowledge of your organization, and they drive an organization towards its strategic objective. As the center administrator, founder and/or wearer-of-many-hats, you can build a better budget than any CPA or number-cruncher because you have a good sense of your organization's issues and opportunities. Budgets can fix problems and capitalize on opportunities, but first you need to drill down

and expose what may be difficult truths. The annual budgeting process forces you to take stock by measuring your success, examining your weaknesses and setting targeted goals for the coming year.

The best budgets require:

- Goals: knowing where you want to go
- Insight: the ability to divine why plans didn't work
- Accountability: the discipline to look back and learn
- Knowledge: understanding what's working well and what isn't

### The Budgeting Cycle

Budgets reflect priorities and, in that sense, they respond to changing circumstances. For instance, over the course of the year, as executive director of Ride On Therapeutic Horsemanship, I will get a sense of what's working well and what needs work by developing a budget. Each October, key staff and board members

are consulted as I draft a set of priorities reflecting these thoughts: Are salaries competitive? Are we improving health coverage or retirement benefits? Do we need to add or trim staff or raise lesson fees?

Whether a center is brand new or a 200-riders per week program, the same six variables are involved: staffing, horses, volunteers, tack and equipment, facilities and funding. Inevitably, one of these areas will need more attention than others. That's where a center needs to dedicate resources by either trying to generate new resources or diverting existing resources from other areas.

It is critical to step back from the day-to-day operation of a center and gain perspective. Start with your long-term strategic goals: can the center push forward on one front by investing in a certain area? At Ride On, for example, each significant policy decision is drafted for board review in November and, after discussion and revision, approved in December. A board-approved budget becomes the



blueprint for the coming year, and it gives the staff authority to act.

Drafting the actual budget begins by going through every single way your center makes money (in our case, 66 ways) and spends money (91 ways). Then you need to estimate for each month of the coming year what you will take in and what you will spend. Projecting income and expenses month by month is very important and software makes it easy. Quick Books, for example, allows you to create such a budget (go under Company/Planning and Budgeting/ Set Up Budgets in QuickBooks).

### Determining Your Profit or Loss

Once the budget is set up, you can run a "Profit and Loss Budget vs. Actual" report as often as you like and get an accurate answer to the central question: Is my organization behaving as I thought it would? This is a center's thermometer, or critical early warning system, which can tell you if your center is running too hot (over-budget) and may be in trouble. By learning to use this report and paying attention to its warning signals, you can figure out why your plans diverged from reality.

Continue your budgeting process by estimating expenses. These tend to be more predictable. Income tends to be episodic and, at least on the fundraising side, more volatile. In your first budget pass, you do not care if income equals expenses. You want an honest first take on what you want to accomplish this year (expenses) and what you think you will earn and fundraise (income).

If the two are equal, or you have a surplus, move on. If there is a deficit, look at your assumptions for the year. Can you afford to do what you want to do? Do you need to cut back on staff or invest more

in fundraising or grant writing? Don't just change the numbers! Revise the goals or invest more in an area that generates revenue (i.e., spend \$5,000 more on grant writing to raise \$40,000).

### Making Accurate Forecasts

How exactly do you estimate 100 or more items a year in the future? You look at what you did last year (or last month) and ask: How easy was that? If reaching a given goal was easy, how much more can you do? If it was hard, what do you need to make it easier and how much will it cost?

Sound too simple? In his book *Blink*, Malcolm Gladwell examines thinking that happens in the blink of an eye. Gladwell's point is that what

happens in the first two seconds of "rapid cognition" yields instant conclusions that are powerful, important and "sometimes, really good." You can build an incredibly valuable and surprisingly accurate budget by asking the simple question, "How easy was that?" and listening to your answer.

In this case, "easy" equals "sustainable." Building sustainable capacity requires that you can accomplish work day-in and day-out, forever; your organization must be designed to handle the work precisely so that it is not stressful. Identify where you are under stress and invest—dedicate resources in your budget—to fix that area. Not enough resources? Invest in areas that generate resources. Everything under stress you say? Set priorities and start with them one by one.

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#### Sample Budget

The sample budget vs. actual report below can suggest a range of questions: Are you under-investing or over-investing in areas like administration and fundraising? Is program performance suffering because of it? Is the organization sustainable running like this? Is it mismanagement or malfeasance?

<h2>Profit &amp; Loss</h2>			
<b>Budget vs. Actual</b>			
	Jan - Dec		% of
	Actual	Budget	Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
BTR Boarding	26,138.45	33,600.00	77.79%
Donations	126,560.53	72,700.00	174.09%
Fundraiser	20,443.50	17,500.00	116.82%
Lessons	54,238.00	76,600.00	70.81%
Other Income	1,033.27	2,340.00	44.16%
<b>Total Income</b>	<b>228,413.75</b>	<b>202,740.00</b>	<b>112.66%</b>
<b>Expense</b>			
Administration	992.50	15,960.00	6.22%
Fundraising	4,134.30	5,150.00	80.28%
Program Expenses	171,500.37	177,550.00	96.59%
Uncategorized Expenses	0.00		
<b>Total Expense</b>	<b>176,627.17</b>	<b>198,660.00</b>	<b>88.91%</b>
<b>Net Ordinary Income</b>	<b>51,786.58</b>	<b>4,080.00</b>	
<b>Net Income</b>	<b>51,786.58</b>	<b>4,080.00</b>	



All centers must address some of the five variables shown here: staffing, horses, volunteers, tack and equipment and facilities. The sixth variable—funding—will determine what level of support the center can give each area.

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Estimating dozens of variables 15 months in the future is the definition of uncertainty. Don't let fear of making a mistake or running out of money paralyze your organization. Give yourself permission to make an honest, knowledge-based estimate. The critical part comes when you begin the next budget cycle: You have to look back and see how you did. Were you right or were you wrong and why? This insight will create a learning cycle in which you are able to develop more accurate budget forecasts over time.

Honest self-examination of where you missed a target is vital to your future. You want to build a board and staff culture that values learning and improving each year. Missing a target is a learning opportunity, not a crime. If, as the leader of the organization, you consistently identify these weaknesses and address them, your credibility will grow over time. Your board will grow to trust your judgment and, with that trust, you and your organization will be more effective.

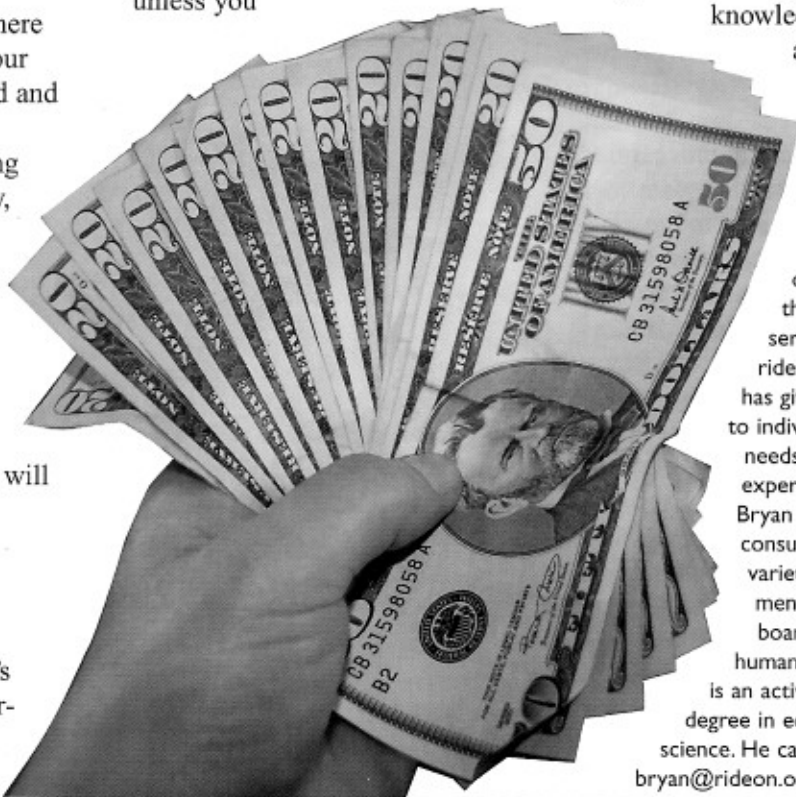
## Strategic Planning & Budgeting

Budgets reflect priorities so it's no surprise that they impact overall strategy. Budgeting for the long-term looks at:

- **Balancing sources of income.** For example, one goal could be to have four roughly equal sources of income from lessons, special events, donations and grants. The loss of any one of these would be serious, but not fatal. Over-reliance on a single source of support exposes the organization to risk if that source is lost.
- **Identifying and quantifying the gap** between what each lesson generates in revenue and what it costs to provide. This deficit is part of the EAAT business model, and developing strategies to address it is critical to long-term success. For example, say you want to expand capacity by 25 riders a week. Serving 25 riders for a year amounts to about 1,000 lessons. If each lesson generates \$30 dollars in revenue and costs your center \$100 to provide, then a decision to expand capacity by 25 riders a week must include a long-term strategy for covering an added \$70,000 annual deficit.
- **Assigning a dollar cost to accomplish each of your strategic goals,** which cannot be reached unless you

- dedicate resources to them; most often those resources cost money.
- **Balancing cash flows over the year.** If a disproportionate share of your revenue arrives in one or two months, this increases the demands on management to budget carefully and exposes the organization to risk if some outside event (wildfire, earthquake, flood, hurricane, etc.) occurs.
- **Eliminating "single points of failure"** in the organization. This could be losing a key individual or skill set, or losing your ranch.
- **Identifying and investing in backup systems** can help mitigate the risk.

A budget allows you to take the temperature of your organization and, critically, set the temperature of your center. It is not simply the means of tracking or predicting income and expenses. The true power of a good budget is to drive an organization in a direction you determine. The budgeting process allows you to step back, examine your goals and hold your organization accountable for its performance, or lack of performance. You know your center better than anyone else and you already have the knowledge needed to create a good budget.



Bryan McQueeney is the co-founder and Executive Director of Ride On Therapeutic Horsemanship which operates two ranches in the Los Angeles area. Now serving over 190 riders per week, Ride On has given over 44,000 lessons to individuals with special needs. With over 23 years experience in nonprofits, Bryan has lectured, written and consulted nationally on a wide variety of program development, grant writing, finance, board performance and human resource issues. Bryan is an active horseman with a degree in economics and political science. He can be reached at [bryan@rideon.org](mailto:bryan@rideon.org).