

# ALASKA



## FOOD COALITION

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“Balancing your budget is like protecting your virtue.  
You have to learn when to say no.”

*Ronald Regan*

## Planning For a Capital Budget

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### What is a Capital Budget?

Your agency’s financial plan should include a capital budget each year. Capital items are *things*, such as equipment, a new truck, walk-in freezer, loading dock, a building renovation, or any fixed asset. A capital budget is the amount of money you set aside for the purchase of these capital items or projects. The capital budgeting process helps you determine which projects are worth pursuing. Because the amount of funding for new projects is limited, it is recommended you use capital budgeting techniques to help you determine which projects will give the biggest return.

### Techniques to Get You Started

Capital budgeting is a process of making long-term planning decisions for the capital projects your agency is considering or anticipates. Good long-term planning can assist your agency in expanding the services you provide. There are six stages of capital budgeting:

- *Identification:* Make a list of the capital expenditure projects
- *Search:* Identify possible funding sources
- *Evaluation:* Evaluate your proposed projects and the cost and the benefit of each
- *Selection:* Choose your projects
- *Financing:* Decide on the best source of funding for the project
- *Implementation and Control:* The process of undertaking the project and monitoring progress

### Evaluation

The Evaluation stage should include the following:

- *Collect data.* Gather as much information about the project as you can, including possible costs and options (which type of equipment, how many, etc).
- *Examine the non-financial variables.* How will this impact your ability to meet your mission? How will affect your staff and volunteers and your agency culture?
- *Assess in context.* You will rarely have only one possible capital item. Which are most important? Which are most expensive? Which are most likely to be funded?
- *Remember that waiting has a price.* You may have to continue using inadequate equipment, decreasing efficiency and risking safety. The cost of the capital item may increase with time.

## **When Not to Make a Capital Budget**

If your organization is operating at a deficit – that is, your revenues are less than your expenses – you should probably not attempt a capital budget. Instead, any extra funds you raise should be directed to reducing your deficit and putting some money in the bank for a reserve.

This does not mean that you cannot seek small capital items when funding opportunities arise, of course. Many local businesses are willing to support small capital expenses – or offer discounts on equipment. Attending meetings of the Chamber of Commerce and local business organizations will help build relationships with local business leaders who have access to the resources or services you need. A list of Alaska foundations that have resources for nonprofits interested in growing their programs and resources can be found at the Alaska Community Foundation Website:

<http://www.alaskacf.org/AcrossAlaska/FoundationNonprofitResources/tabid/285/Default.aspx>

## **RESOURCES**

Non-profit Accounting Basics

<http://www.nonprofitaccountingbasics.org/internal-reporting-good-management/budgeting/budgeting-capital>

Capitol Budget Techniques

<http://campus.murraystate.edu/academic/faculty/larry.guin/FIN330/CapBudTechniques.htm>

Financial Management of Not-For-Profit Organizations

[http://www.blackbaud.com/files/resources/downloads/WhitePaper\\_FinancialManagementForNPO.pdf](http://www.blackbaud.com/files/resources/downloads/WhitePaper_FinancialManagementForNPO.pdf)

*The Alaska Food Coalition is here to help. Copies of Alaska Food Coalition White Papers are available online: <http://www.alaskafood.org/whitepapers.shtml> for additional information, contact Vanessa Salinas, Alaska Food Coalition Manager: [afc@foodbankofalaska.org](mailto:afc@foodbankofalaska.org)*

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