

{Literary]
(Arts
/Fund}

Budget Best Practices

Presented May 7, 2026

Please note:

Upcoming session for the field:

2026 Innovation Project Grants Information Session
Thursday, June 18, 2026, at 2 p.m. ET

For questions: info@literaryartsfund.org

literaryartsfund.org

Budget Session Overview

- Preparing an annual operating budget
- Presenting an annual operating budget
- Sample of a literary arts nonprofit organization's and a publisher's annual operating budget
- Sample project budget
- Other related resources

Nonprofit annual operating budget

A nonprofit's annual operating budget is the financial companion to its annual programmatic priorities as identified in its overall plan for the year and/or strategic plan. The annual operating budget should be aligned with these priorities and the nonprofit's mission.

Concretely, an annual operating budget is the revenue a nonprofit staff and Board project to raise and earn, and the expenses the team projects to have, in the 12 month period that is the nonprofit's fiscal year.

Preparing an annual operating budget: planning & review

- This work typically begins 3 to 5 months before the end of the current fiscal year.
- Review each revenue and expense line item in the current fiscal year's budget and compare what was projected against the actual year-to-date results.

- Project the actual revenue and expenses for the remainder of the current fiscal year to have a sense of what the full fiscal year is looking like.
- Review the prior fiscal year's actual revenue and expenses. This is so you are rooted in what the nonprofit raised and spent across at least two years.

Preparing an annual operating budget: **drafting**

- Draft the upcoming fiscal year's annual operating budget, assigning the amount you are projecting to raise, earn, and spend on each revenue and expense line.
- Take into consideration typical annual increases in expenses (usually 3-5%), and any information you know and have confirmed.

Tip: avoid magical mathematical thinking

While you want to challenge yourself and your team to raise and earn more and spend prudently, it can be risky to over and under estimate.

In general: an annual operating budget should be based on your actual financial results from the previous year and not aspirational/magical thinking.

Tip: have a diverse mix of revenue

sources

Based on Literary Arts Fund research, we estimate that nonprofit literary arts organizations typically have revenue that is 70% - 75% contributed (funds you raise), and 25% - 30% earned (funds you make through things like writing workshops, classes, and events).

And, that publishers have revenue that is typically 55% - 60% contributed, and 40% - 45% earned.

On both sides— contributed and earned— ideally nonprofits have several revenue sources so if one is lost the nonprofit can still remain operationally stable.

On the contributed side this could include donors, foundations, corporations, events, with donors always being the most reliable supporters year-over-year.

On the earned side, depending on your literary arts nonprofit's work, this could include admissions, workshop fees, advertising sales, book sales, and rights.

Preparing an annual operating budget: approval & monitoring

Once you've prepared the draft of your next fiscal year's annual operating budget, it's typically shared with your Board's Treasurer for feedback, then presented to your Board's Finance Committee for approval, and then, finally, to your full Board, which has ultimate fiduciary responsibility, for approval.

This process is also an opportunity to remind and engage your Board in the fundraising work ahead.

Once the annual operating budget is approved, it's the plan your nonprofit lives by for the year.

But as it's a plan, you will want to track on a monthly and quarterly basis how you are actually doing against that plan. As successes and problems arise, it's advisable to inform your Board.

Presenting an annual operating budget

The Literary Arts Fund doesn't require or even suggest a general operating budget format to applicants.

Applicants can present the budget they use for other funders.

Tips: budget presentation

- Make sure that when the budget document is saved as a PDF, the budget fits on a page.
- Applicants don't need to break out the budget month by month. That is, your annual budget in one column and 12 subsequent columns to the right.
- Applicants don't need to include a column next to the budgeted amount that shows actuals to date.

- Add notes at the bottom of the budget document about any extraordinary items, i.e., any line items on the revenue or expense side that are markedly different from the previous year's statements.
- If the current annual operating budget includes a deficit, it is very helpful to explain this as well. Similarly, if the budget includes a substantial surplus.

Tips: preparing a project budget

- A project budget should include costs related to the project only (and not other general operating costs).
- Be specific and add details/explanations of revenue and expense items.
- Direct costs/expenses are those necessary to complete the project. Indirect costs/expenses are overhead and typically 10-15%.

For the Literary Arts Fund, indirect costs = $0.15 \times$ direct costs, or 15%

Resources:

Accounting software:

<https://www.techsoup.org/accounting/accounting-and-finance-tools>

Budgeting:

<https://nonprofitfinancials.org/>

<https://nff.org/insights/making-your-budget-the-backbone-of-your-nonprofit/>

<https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/budgeting-nonprofits>

<https://wallacefoundation.org/toolkit/strongnonprofits-toolkit>

<https://learning.candid.org/nonprofit-budget-examples/275332>

<https://npgps.org/>

Samples of a literary arts organization's and publisher's annual operating budgets, and a project budget.

Learn more at literaryartsfund.org

Write to us: Info@literaryartsfund.org