

Letter of Transmittal

Medical Students For Choice Board of Directors:

Per your request, a careful analysis of the budgetary data for 2004-2007 was used to project a reasonable and responsible budget for 2008. In an effort to create an accurate projection, a trend, share and variance analysis was performed on the revenues and expenditures. The 2008 proposed budget reflects current growth trends for the organizations and reflects a 6% growth in revenues and a 2% growth in expenditures.

The following proposal for the 2008 budget is intentional and respectful of strategic goals and objectives for Medical Students For Choice. The main objective of this budget proposal is to bring together the perspectives and interests of organizational stakeholders and clearly communicate budgetary support of priorities, goals, and plans. The 2008 proposed budget was composed using sound budgeting practices and realistic planning. This proposal serves to provide relevant information to support and justify the revenues and expenditures for 2008, which serve to fulfill MSFC goals and objectives. Specific attention went into anticipating expenses and changes to revenues and expenditures that may occur due to the organization recent move from Oakland, CA to Philadelphia, PA.

Please find the following in this proposal: organizational highlights for 2008, an organizational chart with budget development and responsibility details, an overview of the proposed budget, details of the proposed budget, corresponding justification and analyses, and recommendations for the organization.

It is my hope that this budget provides the full financial and operation guidance and resources needed to achieve the immediate goals for the organization while providing recommendations to ensure long-term financial health for the organization.

Thank you,

Yarrow Sandahl, Budget Analyst, Nonprofit Finance Consulting Group

Medical Students For Choice-Organizational Highlights for 2008

Medical Students for Choice (MSFC) staff have been working to implement strategic program goals supported by the board of directors. The 2008 budget is thoughtful and deliberate in its support of strategic goals by providing funding to support the following work:

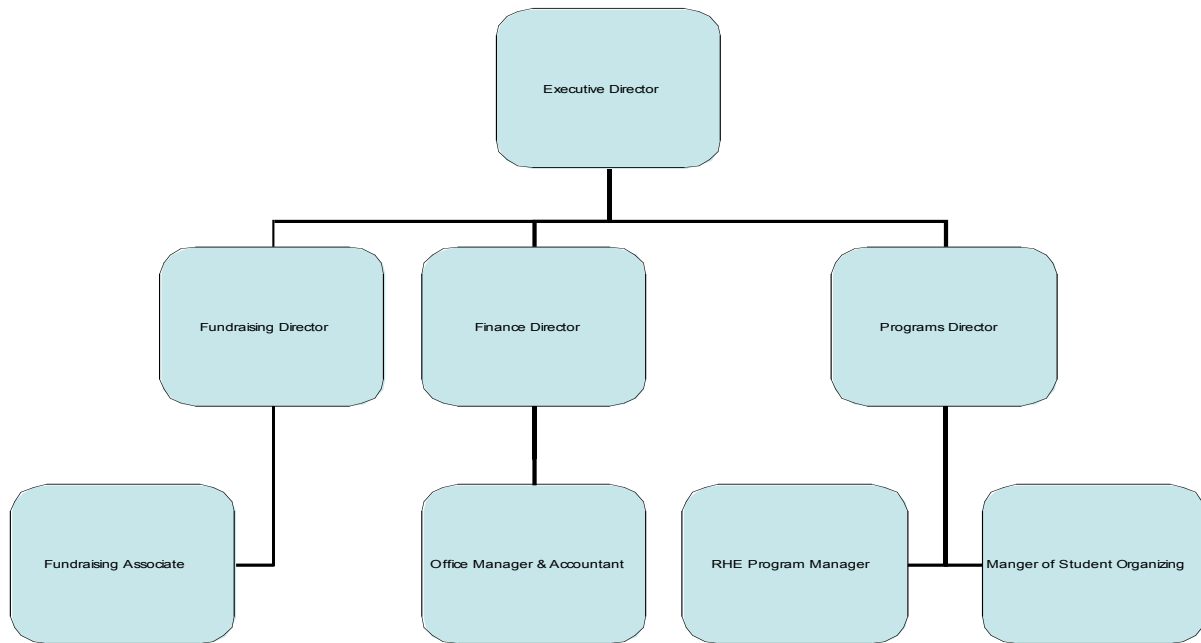
- Advocating for comprehensive reproductive health care training on all medical campuses across North America,
- Educating medical students in topics that aren't available to them through their medical schools
- Training a new generation of pro-choice doctors in leadership, advocacy, and organizing skills.

Measurable Goals and objectives the 2008 budget is supporting:

- MSFC is to hold largest Annual Meeting to date for the organization
- MSFC launched a new residents' support program in 2007 and would like to organize 500 residents in 2008.
- MSFC is looking to expand from 116 school groups to 125 school groups.

Today, MSFC has an organizing base of over 10,000 medical students and residents on 116 medical school campuses. The success of MSFC involves carefully setting goals and developing budgeting plans to support those goals. The top priority of MSFC is staying solvent and budgeting is the primary tool for achieving this. The proposed 2008 budget allows all MSFC stakeholders to be aware of goals and priorities, the work to be done to reach those goals, and the resources needed to work towards achieving those goals.

Medical Students For Choice-Organizational Chart



Program managers and directors independently construct their program budgets as they are best equipped to provide detailed information regarding operating costs, staffing and equipment needs, and costs for evaluating and expanding current programs. Budgets are submitted to the finance director at the end of July. The Finance Director evaluates each programs budget, develops income and expense forecasts, collaborates in setting expense and income targets, and writes up recommendations for allocating resources. It is the role of the executive director to ensure the budgeting schedule is met, options and recommendation are made to guide budget development, and budget provisions and their consequences are explained to the board. This budget is presented to the board of directors at their September meeting and is subsequently approved or approved pending revision. It is the responsibility of the board to ensure MSFC's mission, strategic goals are being supported by the budget, and that budget policies are being followed.

Over View of Proposed Budget-Revenue Data

	05-Actual	06-Actual	2007 Estimated	2008 Proposed	Y-3-4\$ Difference	Y3-4% Difference
Revenues						
4010 · Individual Contributions	\$130,588	\$140,075	\$109,710	\$ 116,293	\$6,583	6.0%
4020-Student Group Contributions		35,512.50		-	-	
4130 · Foundation Grants	127,000.00	616,594.50	187,272	198,508	11,236	6.0%
4150 · Discount on grants & pledges				-	-	
4230 · Interest Income	23,379.65	38,184.88	24,970	26,468	1,498	6.0%
4075 · Gain on Investments	56.70			-	-	
4350 · Unrealized Gain/(Loss)	-17.73	7,061.01		-	-	
4510 · Donated Services		522.86		-	-	
4520 · Donated Equipment	93.29		62	66	4	6.0%
4210 · Inventory sales-program related	518.10	1,102.97	406	430	24	6.0%
4410 · Meeting Registration Fees	29,757.39	26,657.47	21,588	22,884	1,295	6.0%
4610 · Other Income	0.00	94.45	104	110	6	6.0%
4900 · Time Restrictions Expired	764,945.69	0.00	746,487	791,276	44,789	6.0%
4950 · Program Restrictions Satisfied	52,142.25	0.00	41,616	44,113	2,497	6.0%
Total	\$ 1,128,463	\$ 865,805	\$ 1,132,215	\$ 1,200,148	\$ 67,933	6.0%

Revenues for MSFC have remained rather constant with the exception of 2006. 2006 revenues were unexpectedly short due to the IRS and state freezing monies that were promised to the organization until probate closed on an individual donor's estate. Recommendations for improving cash flow management are discussed later in this report. Aside for 2006, the organization's revenues have been experiencing, on average, a 4-5% growth. For 2008, the proposed budget was estimated using a 6% growth rate for revenues. Revenue projections were forecasted with specific needs that may need to be addressed pending the organizations move to Philadelphia These are discussed in more detail in the budget justification and analyses section.

Over View of Proposed Budget-Expenditure Data

Expense	05-Actual	06-Actual	2007 Estimated	2008 Proposed	Y-3-4\$ Difference	Y3-4% Difference
5010 · Student Group Fund Disbursement	\$ 13,193	\$ 28,721	\$ 15,606	\$ 15,918	\$ 312	2.0%
5020 · Allocations to Affiliated Orgs.				0	0	
5030 · Honoraria and Awards	4,094.36	3,692	6,398	6,526	128	2.0%
5050 · Student Activism Fund	9,603.69	9,341	10,404	10,612	208	2.0%
5070 · Extern Stipends	64,332.49	57,211	67,626	68,979	1,353	2.0%
5090 · Scholarships	9,359.54	8,857	10,404	10,612	208	2.0%
5110 · Salaries & Wages	380,598.78	395,299	418,363	426,730	8,367	2.0%
5120 · Retirement	25,032.64	18,326	27,432	27,981	549	2.0%
5130 · Health Benefits	31,904.10	36,353	31,816	32,453	636	2.0%
5140 · Other Benefits	4,133.25	4,448	4,581	4,672	92	2.0%
5150 · Relocation Expenses	31,639.71	1,140		-	-	
5160 · Payroll Taxes		33,654	33,503	34,173	670	2.0%
5165 · Staff Recruitment	534.00	1,976	520	531	10	2.0%
5310 · Payroll Fees	1,905.95	1,942	1,873	1,910	37	2.0%
5830 · Staff Development	3,481.39	2,005	6,242	6,367	125	2.0%
5190 · Professional Fundraising Fees		180		-	-	
5230 · Accounting Fees	2,900.00	3,100	6,242	6,367	125	2.0%
5250 · Legal Fees	6,047.14	2,570		-	-	
5270 · Professional Services	16,160.54	23,637	15,398	15,706	308	2.0%
5330 · Office Supplies	5,620.89	7,477	10,061	10,262	201	2.0%
5370 · Telephone/Internet	8,901.26	13,803	10,140	10,343	203	2.0%
5390 · Postage and Delivery	21,585.36	16,019	28,620	29,193	572	2.0%
5410 · Mailing Services	4,467.28	1,554	3,849	3,926	77	2.0%
5430 · Rent	63,847.32	67,892	66,426	67,755	1,329	2.0%
5450 · Utilities	476.00	552	473	483	9	2.0%
5470-Moving Expenses		17,588		-	-	
5490 · Equipment Rental & Maintenance	61.84	260	4,838	4,935	97	2.0%
5510 · Software Expense	1,004.05	926	2,549	2,600	51	2.0%
5530 · Printing and Publications	48,276.77	36,523	52,123	53,165	1,042	2.0%
5550 · Books, Subscriptions, & Ref.	1,296.47	336	996	1,016	20	2.0%
5600 · Travel	105,894.73	95,141	133,811	136,487	2,676	2.0%
5710 · MSFC Conferences and Meetings	133,367.28	124,328	112,254	114,499	2,245	2.0%
5730 · Conferences and Meetings-Others	915.00	1,515	2,393	2,441	48	2.0%
5770 · Depreciation	10,891.11	8,376	12,484	12,733	250	2.0%
5790 · Insurance	14,327.85	10,804	17,260	17,605	345	2.0%
5810 · Memberships and Contributions	834.00	757	1,270	1,296	25	2.0%
5850 · Bd./Staff Recognition & Meals	2,534.98	1,487	1,613	1,645	32	2.0%
5930 · Bank Charges	2,502.90	1,931	1,913	1,952	38	2.0%
5990 · Advertising & Publicity		160		-	-	
6000 · Miscellaneous	178.13	2,660	1,718	1,752	34	2.0%
Total	\$ 1,031,904	\$ 1,042,537	\$ 1,121,201	\$ 1,143,625	\$ 22,424	2.0%
Net Revenues over Expenditures	\$ 96,559	\$ (176,732)	\$ 11,015	\$ 56,524	\$ 45,509	

Expenditures for 2008 are based on an average yearly growth of 1-2% over the last three years. 2006 was a time of budgetary change for the organization 1) Due to the IRS and state withholding funds and 2) MSFC was preparing to move to from Oakland CA, to Philadelphia, PA. Due to these two unusual organizational transitions, expenditure and revenue data saw massive non-incremental changes that were uncharacteristic of the organization.

Details of Proposed Budget

2008 budget projections relied heavily on 2004 and 2005 actual budgeted data since 2006 was an unusual year for the organization.

A proposed 2008 budget projects continued growth in both revenues and expenditures.

There have been no significant increases in expenditures as the organization has remained fairly constant with no non-incremental changes occurring outside of 2006.

Revenues are projected to grow at a 6% increase and expenditures are expected to increase by 2%.

Moving expenses are zeroed out since that move is over and the organization is stable.

Staff recruitment funds have been decreased to previous year averages since all staff positions are filled and staffing is fairly stable.

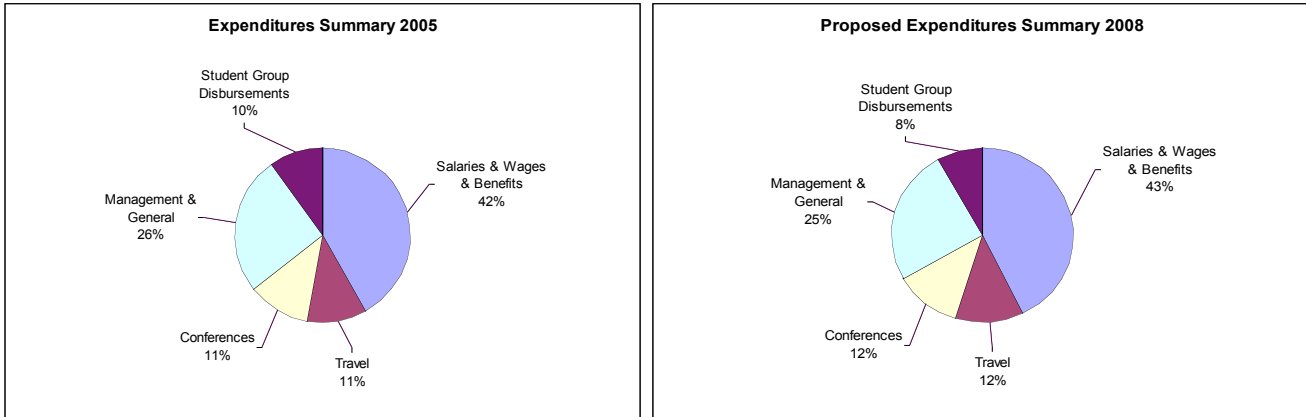
A large amount of time restricted revenue was released in 2007. These monies are earmarked for immediate expenditure and will be used before using any general, unrestricted funding.

Individual contributions are decreased from previous years as the organizational move will impact individual donor relations and an opportunity for local fundraising events will need to be re-established.

Items that had typically not been budgeted remained at zero or blank. These items generally include the expenditures that are unpredictable and costs that are infrequent.

Share allocations for expenditures shows slight incremental changes over the last three years, illustrated below.

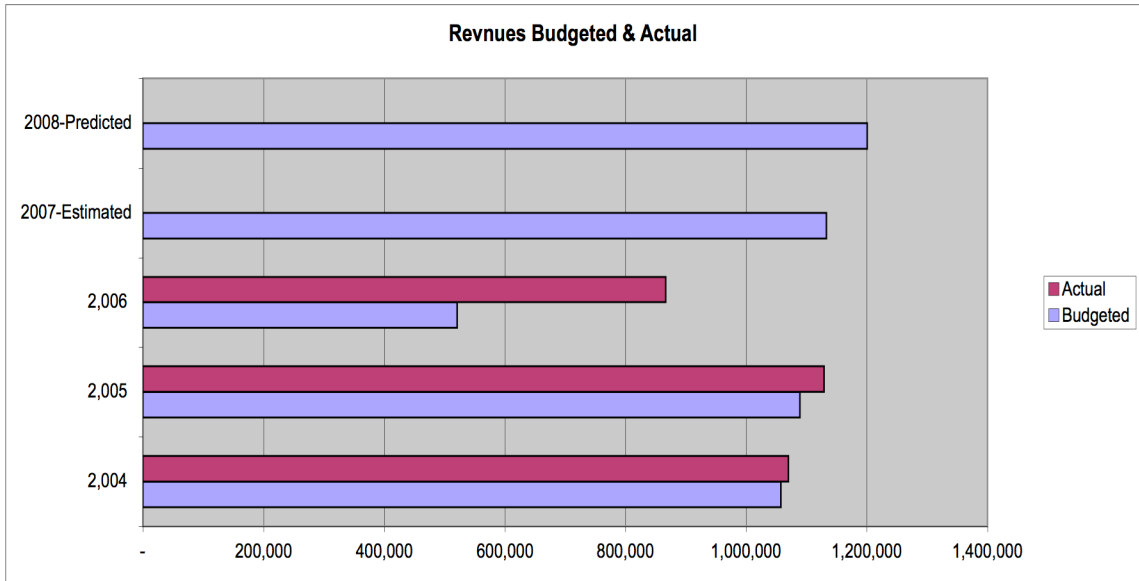
MSFC Expenditure Highlights



Expenditures for MSFC have remained rather constant over the last two years. The proposed 2008 budget reflects small incremental increases for the organization that were projected based on the 1-2% yearly increases MSFC has been experiencing. While only a 2% increase in expenditures may seem conservative, this takes into account that MSFC is no longer operating in Oakland, CA and is now in Philadelphia. Organizational expenses for rent, salaries, payroll taxes, and benefits will all reduce slightly since Philadelphia is less expensive than Oakland. The 2% increases is more like a 3%-4% increase when considering the expected change savings for the organization.

As with most organizations, salary, wages, and benefits consume the majority of the budget. Salary, wages & benefits are decreased slightly for 2008 reflecting anticipated savings from operating in Philadelphia. There is a slight increase in conference expenditures as one of the 2008 goals is to plan the largest conference the organization has ever held. Management and general has slightly decreased reflecting expected saving from operating in Philadelphia rather than Oakland. Student group disbursements have slightly decreased, as 2% of funds will now go to supporting resident organizing events.

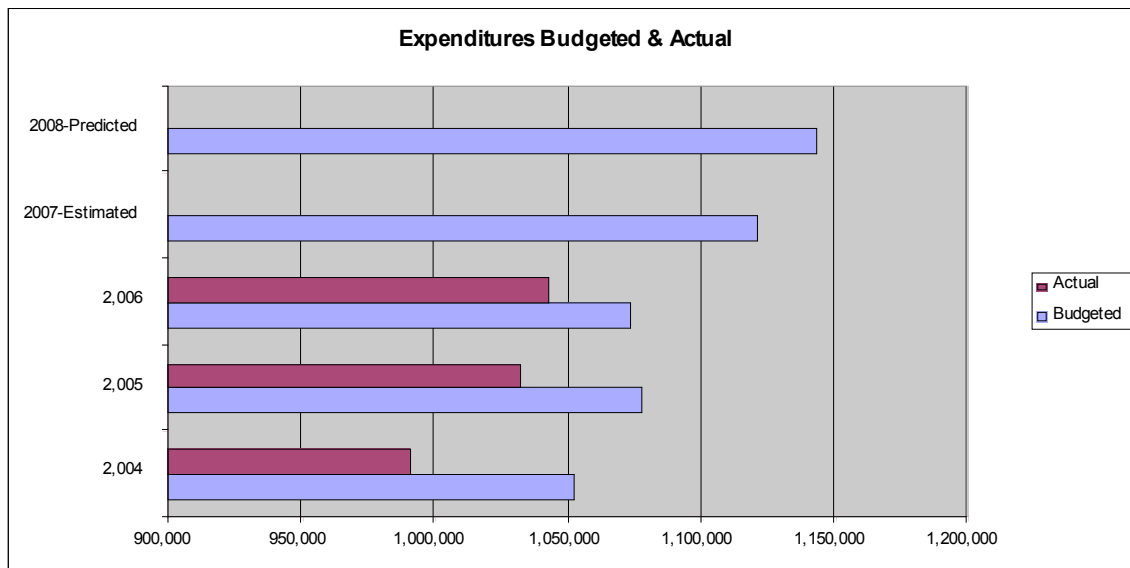
Budgeted Vs Actual Revenue Trends



MSFC Revenue stream has continued to grow, on average, between 3-5%. In 2006, a major financial contributor to the organization past away and promised funds in the amount of 1 million dollars were frozen by the Internal Revenue Service and state court until probate cleared. This was an unexpected and unforeseen cash flow problem for the organization.

MSFC was lucky to have a large fund balance they could draw from to make it through 2006. The organization also benefited from hiring a Fundraising Director at the end of 2005 bringing in 2006 contributions that exceeded forecasted amounts. The 2008 budgeted revenue reflects continued growth for the organization at 6% which just 1% over the project growth for 2007. This is a modest increase in revenue as it is predicted individual donations may suffer from the organizations move to Philadelphia and the disturbance in foundation relations that may occur when a new Fundraising Director is hired.

Budgeted Vs Actual Expenditure Trends



MSFC expenditures have come in under budget fairly constantly. It is projected that the organization will incur a very small increase in expenditures in 2008 despite allocating new funds to resident organizing efforts, a larger annual meeting, and the expansion of school groups. This is again due to the savings the organization will receive from their move to Philadelphia.

It is advised that the organization monitor closely the resident organizing costs, monitor expenses, explore options for changes, and make sure there are resources available to achieve strategic goals. With all new programs, clear and realistic projections are made yet unforeseen operating costs, staff time, and technical needs can result in being over budget. Monitoring closely new program expenses can also help to gauge program success and evaluate strengths and weaknesses.

Programmatic Budget Justifications & Analyses

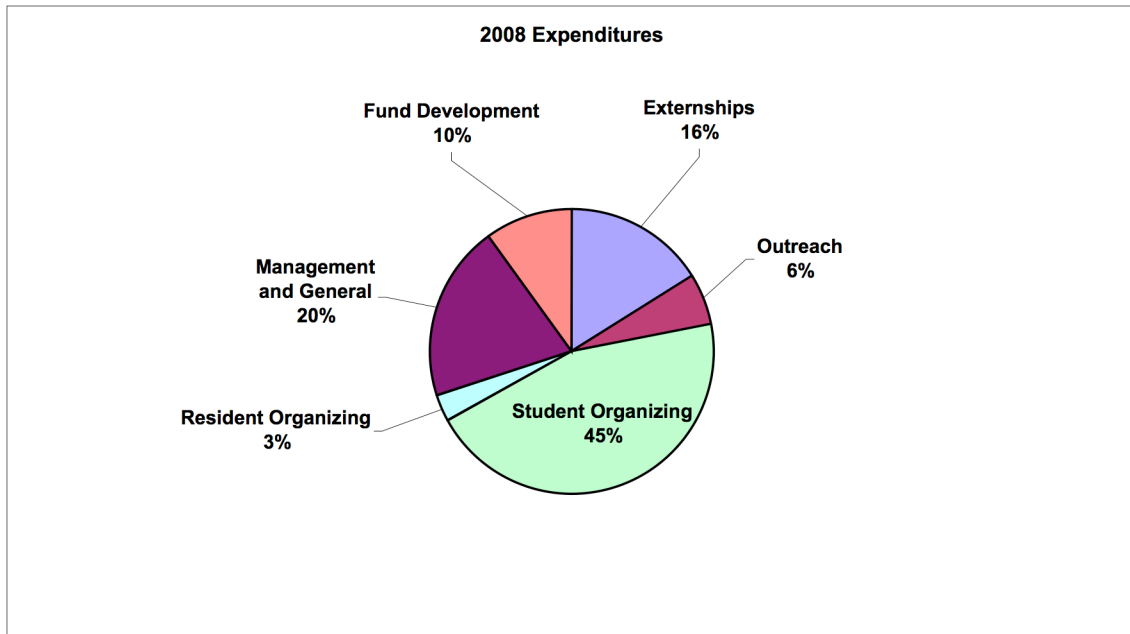
Sound budgeting practices involve carefully setting goals and developing a logical and informed process for allocating resource. Budgeting should bring together the perspectives and interests of the organizations stakeholders and clearly communicate to stakeholders the priorities, goals, and plans of the organization. Budgeting is also an ongoing process that must be monitored, revised, analyzed, and altered when necessary. (Dropkin & LaTouche,1998).

With these important considerations in mind, a thorough analysis of four years of revenue and expenditure data has been conducted and a responsible 2008 budget is projected. Due to the unusual revenues and expenditures that occurred in 2006, traditional forecasting methods such as trend of moving average and moving average were replaced with a trend, a share and variance analyses. The combination yielded a much more thorough understanding of trends in revenues and expenditures for the organization.

Prior to 2006 the organization was experiencing on average a yearly revenue growth of 5% and expense growth of 2%, as it was detailed above. Given conversations with staff and an overview of financial statements, it is reasonable to expect this trend to continue. The organization has excellent relationships established with funders and MSFC continues to get new interests from foundations supporting the work of the organization. However, fundraising success depends largely on relationship fostering and support. Staff turnover in the Fundraising Director role may result in slight decreases in individual donor contributions. Staff time will need to be spent reestablishing relationship with funders and assuring all contributors that a move to the East Coast does not change or alter MSFC's mission or vision.

The 2008 budget is committed to supporting the goals of the organization. As illustrated below, resources are being allocated to program areas based upon organizational goals and

priorities. 70% of the organizations budget is going to program costs with the majority of funding going to student organizing. With over 10,000 and a 2008 goal of 125 student groups, student organizing takes up a large share of program expenditures yet it is also the heart of a grassroots organization. With out MSFC' support of student groups and members, the organization would not be able to achieve its mission.



Forecasting is a tricky business that often succumbs to unforeseen and unexpected revenue and expenditure changes rather than technical problems. Underlying all these techniques and analyses in an assumption that the future will look like the past, the trends will continue as they are, and growth will be incremental. Forecasting and budgetary predications are based overall on judgment that is not immune from influence or a desire to project things in a positive light. It is important for organization to monitor economic issues and address fiscal weaknesses (Lee, Johnson, & Joyce, 2004).

To address fiscal weaknesses and better prepare for economic changes, Medical Students For Choice may benefit from implementing Cash Flow Budgets. This will require the organization to project and describe the scheduling, nature, and amount of revenue and expenditures. Cash flow analysis is often overlooked by nonprofit organizations until there is not enough cash to meet obligations, as the organization experienced in 2006. Cash Flow budgeting highlights times when gaps are likely to occur (negative cash flows) and periods when cash is available for investment (positive cash flow). This can serve as an early warning device for MSFC, helping the organization prepare and troubleshoot potential problems prior to their occurrence (Dropkin & LaTouche, 1998).

MSFC may also benefit from Opportunity Budgeting. MSFC revenue and funding is now secure and with the organizational move complete with all staff in place, MSFC is primed to explore growth opportunities. Opportunity budgeting will allow MSFC to research possibilities for expansion that further promote organizational mission and vision. Clear, efficient, and realistic planning are three important elements to this process. This will allow MSFC to be primed with relevant information and research on hand to make the best decisions about revenue expenses involved in committing to a new opportunity. Opportunity budgeting allows the organization to take advantage of any situations that help to fulfill MSFC's goals and objectives. With the move to the East Coast, the organization will surely be exposed to new opportunities, collaborations, projects, and programs. An opportunity budget will help MSFC distinguish between those opportunities that will prove successful, and those that will fail (Dropkin & LaTouche, 1998).

Works Cited:

Dropkin, Murray and LaTouche, Bill. (1998). *The Budget-Building Book for Nonprofits: A Step-by-Step Guide for Managers and Boards*. San Francisco, Jossey-Bass, A Wiley Company.

Lee, Robert D., Johnson, Ronald W., and Joyce, Philip G. (2004). *Public Budgeting Systems, 7th editional*. London, Jones and Bartlett Publishers International.