

BUDGETING

It's NEVER about the Donuts

by Allison Moen Wagstrom

Sometimes, taking our
nonprofit budgets in
hand requires a deeper
dive than may feel
completely comfortable.
Think business model!

Editors' note: "It's Never about the Donuts" and partner piece, "Budgeting Time for Collaborative Budgeting," were first published as blogs on April 7, 2015, and May 22, 2014, respectively, by the Nonprofits Assistance Fund.

I FELT SICK TO MY STOMACH. AFTER A MONTH OF AVOIDING a serious look at our budget and a reforecast for the next six months, I was seeing a deficit of \$80,000. I knew that grant funding had not come in as expected and that donations were slower than in previous years. I knew that we had included more stretch goals than baseline fundraising goals. I rechecked my forecast as the dread and fear sunk in. Then I got to work cutting our expenses. First, I went to the things we didn't need for programs: the perks; like the donuts we occasionally brought in for staff meetings and the meal we provided for board meetings. I scoured my office. What else could I cut? The water cooler bubbled. I could cut that. We didn't need the delivered water—that was extravagant. I went to the supply orders over the past four

months. I looked into reduction of our printing expenses; I banned colored printing. It's been over six years since this happened, and I can still feel the dread in my stomach.

I was doing everything to avoid the personnel budget line. Our people are what make nonprofits work. Without them our impact would shrink. These people were my friends. I would not recommend cutting staff or salaries without first looking under every single rock. I totaled up my work and felt even sicker than before. I had only saved \$7,000. My deficit remained (\$73,000). Then it hit me: it's not about the donuts.

A Broken Budget Process

The forecast told me what I already instinctively knew: our business model wasn't working. Not only did we have issues with donations—funders had switched focus since the recession, and there was a competitive landscape for individual

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contributions—but our budgeting process in and of itself was broken. We didn't acknowledge the true funding environment. We did not challenge our assumptions. But, finally, we were forced to face our reality.

Collaborative Budgeting

At Nonprofits Assistance Fund, we talk about collaborative budgeting (see below). We recommend that your budget process be inclusive of other staff members and the full board. When you include more people in the process, you are

able to hold each other accountable to realistic assumptions. Working together, you can be more creative in your solutions. You have more time during the budget process to address issues with your business model than you do—like I did—in the late hours four months into your year.

So, may your budget assumptions come true and may your donuts be plentiful!

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Budgeting Time for Collaborative Budgeting

At Nonprofits Assistance Fund, we teach that a budget is just another version of a mission statement or strategic plan, expressed in a different language: the language of numbers. In order for this to be true in practice, a budget must be the cumulative effort of all who implement the organization's mission, including key leaders from all areas of the organization—board members, program directors, executives, HR leaders, and finance staff. The idea of including this many people in the budgeting process might be daunting for some financial leaders. Those of us with decades of experience trust ourselves to produce comprehensive, accurate budgets very efficiently. Involving people who are not as financially savvy or who may have a bias toward a particular program seems like begging for headaches and complication.

Over the past year, our staff has put a lot of energy into teaching the principles of collaborative budgeting. But our advocacy for nonprofit collaborative budgeting doesn't stop there. We like to practice what we preach by being our own client, always striving to implement the good advice we give. In anticipation of our fiscal year, we engaged in a collaborative budgeting process ourselves. As the finance director coordinating the process, I had a chance to stretch beyond spreadsheets and formulas.

Last year we had the advantage of having just gone through a six-month strategy-planning process that involved not only our board and staff but also a number of clients, funders, and community leaders. Using our new strategic framework as the guide, we began our budget process by focusing on what plans we had for the immediate fiscal year to come. We teach that a budget should start with the mission, plans, and strategies of an organization. To help us stay focused on our program goals, I put a stipulation on the first budget conversations I had with our board treasurer, our executive director, our associate director, and our program director: no numbers could be discussed. In each of these meetings, we talked about what aspirations we had, what ideas had come out of our strategy planning, what activities we envisioned would be necessary to achieve our mission over the next year. The narrative would guide the number crunching and not the other way around.

By putting the emphasis on mission, once we began to talk about numbers we could identify what resources we needed in order to accomplish our goals. We could prioritize how to deploy our resources across our various programs because we saw how they each fit into the larger plan for the whole organization. As we determined our needs for staffing, for travel, for infrastructure, we were also crafting our fundraising plan for the next year. As it came together, we could be confident that our one-year budget was built to help us achieve the vision and goals laid out in our long-term strategy.

A collaborative budget process might be an uncomfortable adjustment for many financial leaders, but it could very well be revolutionary for an organization. Our budget should be more than a mechanical formula. Our budget should be more than a fearful attempt to control spending. Our budget should be more than wishful thinking that some new donor will magically appear to fund our latest initiative. To be truly useful and relevant, our budget should be a collaborative effort that expresses our mission in financial terms. Try it yourself. Make time to budget collaboratively for your next fiscal year.

—Curtis Klotz, finance director, Nonprofits Assistance Fund

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