



Budgeting For Success

A financial expert offers essential keys.

By Greg Heitkamp

It's no coincidence that the most successful nonprofit organizations are careful with their money. And the key to intelligent expenditures is a well-organized, detailed budget that's prepared early and reviewed often. By taking time to budget the right way, you can save yourself trouble later and promote your organization's health.

What Your Budget Should Cover

As you work to bring your spending in line with your goals, here are a few areas your budget should address:

Staffing issues. Too few staff members can be just as harmful as too many. While planning your budget, make sure you balance the workload with the right number of employees to get projects done on time and on budget.

Project selection. Your budget must establish a foundation that leads to solid decision-making. One of your most pivotal decisions is which projects to take on. Put your emphasis on projects that are part of the budget.

Communication. A crucial purpose of your budget is to inform staff of your financial goals. Evaluate your budget not only for accuracy but for clarity, to ensure it can't be misunderstood.

Fraud identification. A well-organized budget makes it easier to identify irregular activities such as fraud. A good budget also points to any mistakes that can cause compliance issues or other financial problems.

The longer a problem goes unidentified, the greater the eventual impact. So it's important to conduct frequent reviews of spending.

Make It Happen

A budget is a useful tool for determining whether your organization is meeting its goals. When you exercise proper care in preparing your budget, you're providing the means for your organization to move forward.

Keep in mind the following tips to make budget preparation more effective:

Accuracy is key. You may be tempted to pad your budget in anticipation of future revenue. But if that money falls through, you'll find yourself scrambling to revise your plans. Be as accurate as possible, and make changes only when necessary.

The more detail, the better. Your budget will be more effective if it itemizes individual expenses rather than vague umbrella categories. Imagine how difficult it would be for managers to staff their departments if you had one "salary" budget number, rather than department-specific allocations. The same is true for projects.

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The more specifically you can lay out the budget, the easier it will be to remain within established parameters.

Listen. Because the entire organization will be affected by the budget you set, be sure to ask staff members for input. They're a good source of ideas that can improve efficiency.

Remember the big picture. Certain financial decisions, such as reducing the budget for employees, can be difficult. But delaying action can be far more harmful. If you need to eliminate a small number of jobs in order to keep the organization healthy and secure employment for the rest of your people, it's important to take action immediately.

Learn from the past. Review your past budgeting efforts to see what has worked and what hasn't. If you find that you must revise your budget in a certain area each year, make corrections in your initial budget to save yourself work in the long run.

Monitor Progress

A common mistake is to prepare a budget and then assume everything will work out according to the plan. But you need to review your planned spending regularly and compare it to actual spending. Take this step quarterly, if not more often, to make sure that your expenses aren't exceeding the allotted budget.

When you conduct regular reviews, it's easier to make adjustments to bring expenses in line with the budget in time for the end of the fiscal year. And if you find new revenue, you can plan for additional projects to make use of the extra funds sooner, without having to wait for the next budget. **\$**

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