

The Nonprofit Guide to Collaborative Budgeting

Harnessing Teamwork to
Fuel Financial Success





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Nonprofits face a challenging landscape characterized by financial constraints and evolving stakeholder expectations. To navigate these challenges effectively, adopting innovative financial strategies like collaborative budgeting is essential. This approach not only aligns with an organization's mission but also enhances adaptability in a dynamic environment.

Why Collaborative Budgeting?

Collaborative budgeting transforms the traditional budgeting process by integrating both top-down and bottom-up approaches, fostering a middle ground where all organizational levels actively participate. This inclusion boosts transparency, enhances accountability, and promotes a deeper understanding of financial strategies among all stakeholders.

Key Benefits of Collaborative Budgeting

- **Efficiency and Speed:** Streamlines budgeting processes, reducing the time required and breaking down communication silos.
- **Agility:** Enhances the nonprofit's ability to respond to unexpected changes, ensuring resources are optimally allocated even as circumstances evolve.
- **Strategic Impact:** Empowers nonprofits to make informed decisions that resonate with their core mission, maximizing impact and fostering sustained growth.
- **Engagement:** Every team member contributes, ensuring diverse perspectives are considered, which leads to more robust financial planning.
- **Transparency and Trust:** Open dialogue about budgeting decisions builds trust and ensures all stakeholders are aligned with the organization's goals.

Research shows that about 30% of nonprofits fail within ten years, often due to financial challenges, including lack of funding. Nonprofits operate within a complex ecosystem where demands and expectations from stakeholders, donors, and beneficiaries continually evolve. Adapting to these shifting dynamics while remaining true to the mission can be challenging.

As we dive deeper into the mechanics of collaborative budgeting, we will explore practical steps for implementation, including continuous reforecasting and leveraging advanced tools to enhance financial planning and reporting.

Reforecasting is the process of reviewing and adjusting your budget based on internal and/or external changes.

What Is Collaborative Budgeting?

Until recently, budgeting had two options: top-down or bottom-up. This can lead to overly conservative budgets that cause frustration at the department level or aggressive approaches that are purely goal-driven and may not be rooted in the reality of day-to-day operations and fluctuating needs.

The sweet spot lies in the collaboration of both approaches, fostering meaningful conversations about goals while challenging assumptions and addressing biases. The outcome of this collaborative model is profound—an accurate and creative plan that arises through collective involvement.

Collaborative budgeting goes beyond just crunching numbers. It encourages open dialogue and constructive feedback, enabling organizations to make more informed financial decisions that align with their mission and values. By leveraging the collective wisdom and insights of their team members and stakeholders, nonprofit organizations can maximize their impact, optimize resource allocation, and drive positive change in their communities.

Collaborative budgeting integrates the best of top-down and bottom-up approaches, facilitating meaningful dialogues that challenge assumptions and foster inclusivity. This model results in creative, accurate financial plans developed through collective insight, ensuring strategies are closely aligned with organizational goals.

Collaborative Budgeting Checklist

Organizations are increasingly choosing collaborative budgeting for its accuracy, transparency, and time savings. In fact, many nonprofits who choose budgeting software cut their budgeting time by up to 50% over traditional methods such as spreadsheets.

Use this checklist to ensure your organization's transition to collaborative budgeting is as seamless as possible.

Prepare

- ☐ **Define your objectives.** Why will collaborative budgeting benefit your business? How will it tie into your mission and strategic plan?
- ☐ **Get leadership buy-in.** Ensure company executives are committed to this transition and will provide support for planning and implementation.
- ☐ **Create your timeline.** It's best to start at least 3 months before you begin budgeting for a new fiscal year, so that you have time to learn and train others on a new method.

Plan

- ☐ **Select a budgeting tool.** Factors to consider: security, cost, implementation time, training, and customer support.
- ☐ **Identify participants.** Determine who will be involved in collaborative budgeting, and what role they will take in the process.
- ☐ **Gather data.** Determine what data will need to be added to the new system to optimize budgeting and reporting.
- ☐ **Create a playbook.** Establish company guidelines, roles, responsibilities, and timelines before launching a new process. Questions to consider:
 - ☐ Which team members will have access?
 - ☐ What level of access does each individual need?
 - ☐ What new workflows and templates need to be created?
 - ☐ What existing workflows and templates need to be adjusted?
 - ☐ What deadlines need to be put in place to ensure optimal participation?
- ☐ **Schedule implementation and training.** Work with your budgeting software's support team to schedule a time to implement your new software and train key team members on use and best practices.

Launch

- ☐ **Kick Off.** Depending on the size of your business or organization, you may decide to launch the entire program at once, or deploy a small beta group to test your processes.
- ☐ **Check In.** During the initial launch stage, schedule regular team stand-ups and create open channels of communication to ensure everyone is participating, and identify any issues or discrepancies early on.
- ☐ **Celebrate!** Identify and share the small wins with both leadership and your team. Recognize the individuals who champion using new processes and tools.

Review

- ☐ **Analyze.** Carefully review budget data to check for discrepancies, trends, and areas that may need improvement.
- ☐ **Collect Feedback.** Ask participants what went well and what needs improvement so you can continue to hone the budgeting and reporting process.
- ☐ **Report.** Share both budget reports and the results of the new process with leadership. KPIs to consider:
 - ☐ Time spent on the budgeting process
 - ☐ Team member participation
 - ☐ Meeting submission deadlines and approvals
 - ☐ Budget-to-actuals
- ☐ **Refine.** Once you've completed your budgeting process, consider what areas can be improved: adjusting workflows to save time; boosting participation; restructuring reporting; etc.

Reforecasting: An Agile Approach to Collaborative Budgeting

The "set it and forget it" approach to budgeting is becoming a thing of the past. Nonprofits operate in dynamic environments where needs and circumstances can change rapidly. As stewards of mission-driven work, it's essential to maintain flexibility and responsiveness to serve your communities effectively.

Moving away from rigid annual budgets, nonprofits are increasingly adopting quarterly or monthly reforecasting to accommodate changing needs and seize emerging opportunities. This approach, which includes regular financial reviews, ensures adaptability and maintains alignment with long-term goals.

How Can a Budgeting Tool Help You with Collaborative Budgeting?



A good tool can help you get to the point where you can deliver on the mission and objective of your organization.



Five Essential Tips to Master Reforecasting

Reforecasting has become a critical tool for nonprofit organizations to navigate uncertainty and ensure financial resilience. Here are five practical tips to help you embrace reforecasting and enhancing your organization's financial planning capabilities.

- 1. Regular Assessment:** Update budget assumptions frequently to reflect changing conditions.
- 2. Engage Stakeholders:** Involve all relevant parties to gain diverse insights and enhance decision-making.
- 3. Scenario Planning:** Prepare for various outcomes to better navigate future uncertainties.
- 4. Monitor Metrics:** Track performance indicators to adjust strategies promptly.
- 5. Stay Agile:** Be prepared to adapt plans swiftly in response to new challenges and opportunities.

Aligning Your Budget and Mission

One of the primary benefits of collaborative budgeting for nonprofits is its ability to align financial plans with the organization's mission and values. By involving more team members in the budgeting process, nonprofits ensure that financial decisions align with their goals and objectives. This alignment enhances transparency and accountability, fostering a culture of stewardship and trust among team members and stakeholders.

Transparency and Clarity

When everyone has a voice in the budgeting discussions, it becomes easier to understand how financial resources are allocated to support the organization's mission and values. This transparency builds trust among team members and stakeholders, ensuring everyone is on the same page regarding financial priorities.

Strategic Resource Allocation

Collaborative budgeting allows staff members to prioritize projects and activities that directly contribute to advancing the organization's mission. As a result, resources are allocated in a way that maximizes impact and effectiveness, reinforcing the organization's commitment to its core values and goals.

Fostering Ownership and Accountability

When individuals are involved in setting financial targets and resource allocations, they are more likely to take ownership of budget performance and outcomes. This heightened accountability drives responsible stewardship of resources and ensures nonprofits remain true to their mission and values.

When staff members are actively engaged in the budgeting process, they develop a sense of ownership in the organization's financial health, translating into a commitment to use resources wisely and responsibly in alignment with the organization's mission and values. Moreover, the shared responsibility for budget performance encourages communication at all levels, fostering a culture of accountability throughout the organization.

Adaptability and Resilience

Collaborative budgeting facilitates agility by enabling organizations to quickly adjust financial plans in response to changing circumstances, unexpected challenges, and new opportunities. By tapping into staff's diverse perspectives and expertise, nonprofits engage in more strategic decision-making and proactive adjustments to budget priorities. This adaptability enhances the organization's resilience and ability to stay true to its mission and values amid changing conditions.

Empowerment and Engagement

When employees feel their input is valued and ideas heard, they become more engaged and invested in the organization's mission. This increased engagement translates into greater motivation and commitment to achieving shared goals, ultimately strengthening the nonprofit's capacity to fulfill its mission and uphold its values.

By championing transparency, stewardship, savvy resource allocation, adaptability, and empowerment, collaborative budgeting ensures that financial decisions dance to the tune of the organization's vision, increasing impact and effectiveness in fulfilling its mission.

Reporting: Leveraging Data for Stronger Social Impact

Nonprofit organizations rely heavily on the expertise and insights of their team members to drive social change. Collaborative budgeting enables nonprofits to leverage this collective expertise, tapping into their staff members' and stakeholders' diverse perspectives and experiences.

By involving individuals from across the organization in the budgeting process, nonprofits can make more informed decisions that maximize their impact and advance their mission.

However, collaborative budgeting doesn't just stop at the budget creation stage; the benefits extend into reporting as well, making the entire financial management process smoother and more effective.

One of the key advantages of collaborative budgeting in improving reporting is the alignment it fosters between financial data and organizational goals. When multiple stakeholders are involved in the budgeting process, they gain a deeper understanding of the financial drivers behind the organization's mission. As a result, the reporting process becomes more meaningful, with financial metrics directly linked to the impact on the ground.

Moreover, collaborative budgeting encourages transparency and accountability, which are essential elements of effective reporting for nonprofits. When stakeholders are involved in budgeting decisions, they are more likely to take ownership of the financial outcomes and be accountable for their areas of responsibility. This accountability culture translates into more accurate and reliable reporting, as stakeholders are motivated to ensure that the numbers reflect the reality of the organization's financial health.

Another way collaborative budgeting enhances reporting is by streamlining data collection and analysis. With a collaborative budgeting platform, all budget stakeholders have access to real-time financial information, eliminating the need for manual data gathering and reconciliation. This not only saves time and resources but also reduces the risk of errors associated with manual data entry.

Furthermore, collaborative budgeting allows for better integration between budgeting and reporting systems. Instead of treating budgeting and reporting as separate processes, organizations can use a unified platform that seamlessly integrates budget data into reporting templates. This integration ensures consistency and accuracy in reporting, as there is no need to manually transfer data between systems.

In addition to improving the accuracy and efficiency of reporting, collaborative budgeting also enables organizations to produce more insightful and actionable reports. By involving a diverse group of stakeholders in the budgeting process, organizations can capture a wider range of perspectives and insights, which can be invaluable in interpreting financial results and identifying areas for improvement.

Overall, collaborative budgeting offers significant benefits for nonprofit organizations looking to enhance their reporting processes. By promoting alignment, transparency, efficiency, and insightfulness, collaborative budgeting empowers organizations to produce reports that are not only accurate and reliable but also meaningful and impactful in driving organizational success.



Callout: Creating Engaging Reports

Tired of board or stakeholder meetings with lackluster budget reports? If so, you're not alone.

Better reporting isn't just about crunching numbers—it's about effective communication. By tailoring reports to decision-makers' needs and telling a compelling story, you can ensure that everyone is on the same page and working towards a common goal.

Three Tips to Create More Dynamic Reports

1. Understand Your Audience

From seasoned finance professionals to newcomers, understanding your audience is crucial. Tailor your reports to meet their needs and expectations to ensure maximum impact. Use charts and graphs when possible, but also include real-life examples of how budgets are changing lives and helping to meet the mission.

2. Include the Essentials

It's easy to get lost in the details and forget to share the big picture. In any board report, it's essential to highlight the essentials! Consider the key information every report should have, and create a template to ensure that data is front and center for each presentation.

While every organization functions differently, here are some questions to consider as you put together your next finance committee or board report:

- What do we have (cash liquidity)?
- What do we owe (payables and liabilities)?
- What is our revenue vs. expenses?
- What are our actuals vs budget?
- Where are we projected to be in the future?
- Are we successful?

3. Anticipate and Overcome Challenges

Time constraints, resource limitations, and unexpected formatting requests can throw a wrench into the reporting process. Overcoming challenges in budgeting reports requires a blend of creativity, flexibility, and strategic planning.

- For time constraints, prioritize essential information and streamline reporting processes to ensure timely delivery.
- Facing resource limitations? Leverage budgeting and reporting automation tools to maximize efficiency and accuracy.
- Establish clear communication channels with stakeholders to discuss report formats and set realistic expectations for the information they need and want to see.

By proactively identifying and addressing potential roadblocks, finance teams can navigate challenges seamlessly, delivering comprehensive and insightful board reports that drive informed decision-making and foster organizational success.

Choosing the Right Tools: Enhancing Collaboration Beyond Spreadsheets

While spreadsheets are a standard tool in financial management, they often fall short in supporting effective collaborative budgeting

Key limitations of spreadsheets:

- **Accessibility and Control:** Challenges in real-time access and version control.
- **Collaboration Features:** A lack of tools for simultaneous multi-user engagement.
- **Scalability and Reliability:** Prone to errors with complex data, lacking robust analysis features.



Empowering organizations with the right tools and resources is crucial. By leveraging user-friendly and intuitive budgeting tools, nonprofits can navigate the complexities of financial planning with confidence and ease, striking a balance between professionalism and approachability in their approach to budgeting.

Collaborative budgeting software provides a centralized platform where team members can collaborate seamlessly, regardless of their physical location. With features such as real-time updates and automated data consolidation, collaborative budgeting software streamlines the budgeting process and enhances transparency.

By transitioning from spreadsheets to software explicitly created for collaborative budgeting, nonprofit organizations can unlock new levels of efficiency and accuracy, enabling them to focus more on their mission and less on administrative tasks.

Selecting a Budgeting Tool That Supports Collaboration



Cloud-based



Good
integration
with
accounting
system



Scalable



Time-to-value



User friendly



Secure

Transform Your Nonprofit's Financial Management Today

Collaborative budgeting is not merely about managing finances; it embodies a strategic approach that can transform how nonprofits operate and achieve their missions. We encourage all nonprofit leaders and financial teams to consider auditing their current processes, engage with the concepts presented in this guide, and take active steps toward implementing a more collaborative budgeting process.





Martus Solutions makes budgeting, reporting, and forecasting a breeze for organizations of all sizes. Founded in 2008, our cloud-based solution provides real-time collaborative budgeting, in-depth reporting, and actionable data for more accurate forecasting. Martus currently serves over 650 organizations worldwide and integrates with 20+ ERP and accounting systems, including API integrations with Sage Intacct, QuickBooks Online, QuickBooks Desktop, Blackbaud's Financial Edge NXT, and Microsoft Dynamics 365 Business Central.

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