Managing Risk in Budget Forecasting

by the Nonprofit Risk Management Center

Effective budgeting and forecasting are vital components of sound risk management. A nonprofit’s budget should provide an accurate forecast of anticipated revenues and a roadmap for appropriate spending. When the nonprofit’s board and staff have a common understanding of the challenges and opportunities facing the organization, as well as its strengths and weaknesses, they will be well equipped to develop budgets that guide resources to accomplish the vision and mission of the nonprofit. When budgets are developed without care and planning, the nonprofit reduces its opportunities for long-term success. Examine your budget with the following questions in mind:

1. Does the budget reflect the mission and goals of the organization? Are critical priorities supported with adequate financial resources?

2. If scaling back is required due to diminishing resources, have thoughtful selections been made about which projects to trim? Did the board and finance committee have the information needed to consider and approve necessary program cuts? Have contingencies been established in the event that revenues rebound?

3. Was the budgeting process inclusive? What additional help is needed from those involved in the process as the organization reaches the mid-point of its fiscal year?

4. What changes in the budgeting process should be considered for the next go-around?

This article was written by the Nonprofit Risk Management Center (NRMC). NRMC is a MCN partner and provides training, technical assistance and informational resources for controlling risks that threaten a nonprofit’s ability to accomplish its mission. For more information about all of MCN’s partners and discount programs for members, visit Cost Saving Programs for MCN Members.