

3-2017

The Nonprofit Nerd (March 2017)

The Nonprofit Institute at Portland State University

Follow this and additional works at: https://pdxscholar.library.pdx.edu/np_i_newsletter



Part of the [Nonprofit Administration and Management Commons](#)

Let us know how access to this document benefits you.

Citation Details

The Nonprofit Institute at Portland State University, "The Nonprofit Nerd (March 2017)" (2017). *The Nonprofit Institute Newsletter* . 6.

https://pdxscholar.library.pdx.edu/np_i_newsletter/6

This Newsletter is brought to you for free and open access. It has been accepted for inclusion in The Nonprofit Institute Newsletter by an authorized administrator of PDXScholar. Please contact us if we can make this document more accessible: pdxscholar@pdx.edu.



THE NONPROFIT NERD

Research you can use.

This month's theme is **Evidence-Based Budgeting!**

Whether you're a newly-minted nonprofit employee or a seasoned executive director, chances are good that you are impacted by your organization's budget process. And if you're like many nonprofit professionals, you might now be in the midst of building a program or organizational budget for your upcoming fiscal year. While there is no universally right or wrong way to write a budget, you can save yourself some headaches later by using good data and information to inform your planning.

This month, we explore the role of data in budget planning! Let the resources and insights we share in The Nonprofit Nerd inspire you to get your nerd on and find innovative ways to make research and data work for you and your nonprofit!



RESEARCH SPOTLIGHT

At a basic level, good budgeting combines a look back and a look forward. What information do you have, and what can it tell you about how to plan for the future? Data plays a critical role in both of these steps! Looking back often starts with a comparison of the budget to what actually happened through your financial statements. There are many variations on this first step, such as a [Full Cost Analysis](#) to understand the true (and sometimes hidden) costs of operating your programs (see Nonprofit Quarterly's [recent webinar](#) and Nonprofits Assistance Fund's [True Costs E-study](#) for examples). You can analyze your financial information from a variety of lenses such as Nonprofit Finance Fund's [Top Indicators of Nonprofit Financial Health](#). Sometimes the most useful information comes not from external benchmarks, but from monitoring your nonprofit's finances over time (for an example see Nonprofits Assistance Fund's [Ratios Worksheet](#)). Finally, don't forget to consider other sources of information including your audit report, program evaluations and conversations with your staff to

understand the story behind your financial numbers. Frameworks like [Matrix Maps](#) can help paint a rich picture of the intersection between your financial and impact “bottom lines.”

With this picture in hand, you can look forward. Budgets are forecasting exercises, and it may be useful to forecast from [multiple value perspectives](#) in addition to financial lenses such as fundraising, cash-flow and service demand, to surface the underlying assumptions of members of your board and staff. Budgets have equity implications and are an important opportunity to apply an equity lens to your decision making (see City of Portland for an example of a [Budget Equity Assessment Tool](#)). [Scenario and contingency planning](#) through [role-playing and sensitivity testing](#) can also help your team establish forecast ranges and agreed-upon decision milestones in advance. Nonprofits that anticipate they’ll face tough decisions in the coming year may find Bridgespan Group’s [Managing in Tough Times Resource Center](#) (originally compiled during the great recession) to have useful suggestions. And if you’re curious what your fellow nonprofits expect in the coming year, check out Blue Avocado’s recent survey of [Financial Outlook for Nonprofits](#).



NERDS AT WORK



In this issue, we are proud to feature an interview with “Nerd at Work,” Amanda Green, Finance & Administration Director at Bitch Media, sharing her thoughts on using data to inform evidence-based budgets and budgeting strategies.

How does your organization use data and evaluation to inform your budgeting processes?

Data and evaluation are the cornerstone of our budgeting process. Every single line item is data informed. We use data from previous year’s actuals or we use projections that incorporate data from various sources.

Budgeting is an ongoing process. We evaluate our program efficacy monthly while we review our financial reports, noting discrepancies and successes as we go through the year. We use this ongoing evaluation to know the areas in which we are excelling and what areas need to be reconsidered or deprioritized. When it comes time to pull together our next budget we consider these evaluations when creating our plan for the upcoming year.

What sources of research and data do you find most valuable in your day-to-day work?

I find comparative data extremely helpful. I refer to past years or past campaigns to see how they compare to our current situation, especially when engaging in formal financial reporting. I find that reports do not make any sense in a vacuum. They always need comparative data.

Our development team relies on google analytics tools and a tool called Chartbeat on a daily basis to measure campaign success and see and compare conversion rates. We can see how many people come to our site and where they come from. We can see how much time people spend on our site, and whether or not they join or subscribe. We are able to spot patterns during campaigns that can help us change the arc of our campaign in real time.

I also will not overstate the value of empirical research. Go beyond just observing the data. Ask your audience directly. What do they want? What do they care about? Build your fundraising plans and campaigns around those needs. The same goes for budgeting - you can't just rely on your own inferences, you need to involve your entire team. Your staff could have capacity or structural issues on the front lines that the administrative folks don't know about. Budgeting is an opportunity to resolve capacity and structural problems. Leaving people out of the process prevents problems from coming to light and therefore can retard progress.

Why do you think it's important to incorporate evaluation costs and evaluation planning and capacity into larger budget strategy conversations?

How do you know if you are truly meeting your mission unless you evaluate your programs? The most significant promise that we make as organizations that do social good is to be good stewards of our donors' money. Our donors put their faith in us when they choose to buy into our mission and support our programs. We must be able to return that faith by showing them how well we are accomplishing our mission. We can only know this through meaningful and consistent evaluation.

You are only as good as your data, or rather, your budget is only as sound as your data. Your data is derived through evaluation and observation, and unless you have good evaluation structure in place, your organization will not be able to efficiently assemble or utilize your data to evaluate programs.

Additionally, evaluation helps you catch your mistakes. You might have a program that is not only effective, but is also draining on your resources. Evaluation helps you identify these drains and can potentially lead to cost savings, or even revenue increases. Evaluation will almost always pay for itself in the long run.

What advice do you have for fellow nonprofit professionals to encourage them in using research, data, and evaluation in their budgeting process?

First and foremost, your budget should be informed by your strategic plan, and your strategic plan should be based on evaluation and observation of your programs. Next, don't save your research and evaluation just for budgeting time. The budgeting process is daunting enough already. By engaging in the practice of continual and ongoing evaluation (I like to do it monthly during the financial reporting period), you save time in the long run and have a much better day to day grasp on your program efficacy and overall financial well-being. Last, make the investment in evaluation, whether it is an analytical tool or staff time. It will pay off in the long run.

And how would you suggest they get started?

Start now. Don't put it off. Do a 360 review of your organization's budgeting and evaluation processes and policies. What is missing from the process? Create a financial calendar that specifies evaluation pieces. Also, talk to your front line staff. They oftentimes have a wealth of observational evidence that can highlight program inefficiencies.

Other thoughts, advice, you'd like to share on the topic?

Don't let the numbers scare you away. I have encountered so many leaders in the nonprofit world that are scared away from budgeting and accounting due to the fact that it involves math and numbers. Seriously, you don't have to be a math whiz to be good at budgeting. The computational side of things is, in fact, very simple. It's the research, the empirical evidence and the specificity that matters most, and these things just take a little patience, time and planning.

Also, a good decision making tool can be very helpful to the budgeting process. There are a lot of meetings to be had and decisions to be made. In the modern world, most organizations aren't using

Robert's Rules to run meetings anymore. Meet with your staff and form a consensus around your organization's decision making process. This will help streamline many aspects of the budgeting process.

Know someone you'd like to see featured in the Nonprofit Nerd? Tell us who and why!



INSTITUTE NEWS

NPI is looking for a few community partners to work with PSU students during the spring term (April through mid-June 2017). Teams of students in the graduate-level Program Evaluation and Management course in PSU's MPA program will work with community partners to develop an evaluation plan for one of the organization's programs or projects. **Contact NPI Director Billie Sandberg** for more information about the course and how to apply.

RSVP to join us March 14, 6-9pm for an upcoming workshop with Young Nonprofit Professionals Network of Portland, where NPI Director Billie Sandberg will be reviewing rules for advocacy and lobbying for nonprofits.

This year's students in NPI's **Professional Certificate in Nonprofit Program Evaluation** are digging in to data collection and analysis this month. Watch for details coming soon on how you can apply for our next cohort starting this fall.



FELLOW NERDS

If you're interested in learning more about evidence-based budgeting, NPI recommends you get to know the great work of these fellow nerds, some of whom are based right here in Portland!

[Nonprofit Association of Oregon: Fiscal Managers Association](#)

[Oregon Society of CPAs: Not-for-Profit Knowledge Network](#)

[Nonprofit Finance Fund](#)

[Nonprofits Assistance Fund](#)

[Blue Avocado: Finance & Strategy](#)



JOIN THE NERD NATION

Join the #NonprofitNerd Nation through [Twitter](#) and [LinkedIn](#)!



(503) 725-5114 | npi@pdx.edu | pdx.edu/nonprofit-institute

Share this email:



Manage your preferences | **Opt out** using TrueRemove™

Got this as a forward? **Sign up** to receive our future emails.

View this email **online**.

Portland State University | Mark O. Hatfield School of Government | Center for Public Service PO Box 751
Portland, OR | 97207-0751 US

This email was sent to ariel@amyvarga.com.

To continue receiving our emails, add us to your address book.

