

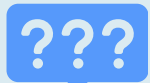
IMPROVEMENT *Burst*

Forecasting Expenditures with Confidence



what is it?

A simple approach to accurately **predicting and managing expenses** so your nonprofit stays financially stable and proactive.



why it works?

Nonprofits often struggle with fluctuating funding and unexpected costs. A **clear, proactive forecasting process** helps you stay ahead, adjust plans early, and avoid financial shortfalls.

Reflection: Why this matters to you ?

Before refining your budgeting approach, think about:

- **What financial forecasting challenges have I encountered?** Have I underestimated costs, struggled with cash flow, or lacked clarity on trends?

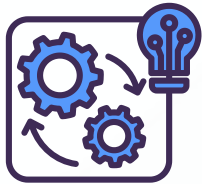
- **What has prevented me from improving forecasting in the past?** Limited data? Lack of time? Uncertainty in predicting future expenses?

- **What will be different now?** What new habits or tools can I implement to ensure more accurate financial planning?



How to Use It Right Now ?

1. **Use the 80/20 Rule** – Identify the **20% of expenses** that make up **80% of your budget** (e.g., salaries, rent, major program costs). Focus on forecasting these first.
2. **Identify Stable vs. Fluctuating Costs** – List which expenses **stay the same** month over month and which **fluctuate**. This helps predict which costs could change unexpectedly.
3. **Look at Past Trends** – Review the last 1–3 years of expenses. Identify seasonal trends **and external drivers that may impact costs** (e.g., inflation, higher expenses at year-end, slow funding periods).
4. **Account for “Hidden” Costs** – Consider unexpected expenses: staff turnover, emergency repairs, inflation. Build in a **contingency buffer (5–10% of the budget)**.
5. **Update Monthly, Not Annually.** Set a **standing monthly check-in to** update forecasts based on **real-time data**.



Example in Action

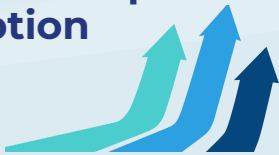
Instead of:

"We ran out of training funds earlier than expected."

Try:

"Based on last year's data, training costs rise in Q3. Let's allocate a reserve fund now."

Power-Up Option



Use a **simple forecasting spreadsheet** that automatically updates based on actual expenditures, helping you **adjust early**.

Use AI to find trends in your expenses. Consider putting three years of expenses into a secure AI system to see what the data may reveal.