IT Budgeting for Non-Profits

October 23 2021, Pranav Shrestha

Putting together all technology related expenses of your nonprofit organization (NPO) in a single consolidated budget, not only gives the management a better picture of where all the IT dollars are going, but it can also be utilized as an exercise to integrate technology planning across different departments and different levels of management. If you oversee technology for your NPO, here are some tips for a successful IT budgeting process.

Inventory

Whether you use a simple spreadsheet or a network software to maintain your IT inventory, you can start prepping for the upcoming budget season by reviewing the list of all hardware and software applications/subscriptions that you manage. Except for maybe SaaS or cloud-based applications that comes with software assurance or include upgrades as a part of the subscription, all hardware and software in your inventory has a limited life span; servers, workstations, laptops, network switches, firewall, Wi-Fi access points, printers, standalone software applications and others. Some devices may have greater longevity than others, but they will eventually need to be replaced and there will be a price tag for it.

Technology Replacement Schedule

To help you forecast expenses for replacing technology from the budgeting standpoint, adding an anticipated replacement schedule for the product/application on your inventory system can be a useful tool. For example, when you purchase a server or a laptop and add them to your inventory, simply add a tentative date when you plan on replacing that device. A typical technology replacement schedule for a laptop or a server, could be 3-5 years, based on your organization's unique needs.

With a replacement schedule, it will be so much easier for you to create the next year's purchase list during the budgeting process. If the budget is tight and you do not get to buy everything on your list, consider extending warranty to meet your organization's business continuity needs, and update the replacement schedule dates in the inventory accordingly.

Technology Roadmap

Are the current technologies aligned with the organization's strategy? Or does it require upgrades or even an overhaul to improve its effectiveness and efficiencies? Are you paying attention to the ever-changing world of IT security threats that could adversely affect your organization? Does your IT infrastructure meet the organization's business continuity needs? Are there any changes to the organization's strategic plans that requires implementing a new software or database system in the upcoming year? If your organization has taken the time and effort to develop a technology roadmap document, these are examples of some of the questions that it can help you address.

Typically, a technology roadmap lists all the technology leveraged by the organization, currently as well as those that are planned for future deployment. This document can come very handy during the budgeting process. Pick the projects that are planned and prioritized for the next fiscal year and put together the cost estimates for the budget. If the list includes major projects that have significant impact to the organization, they may need approval from the leadership during the budgetary discussions.

Expense or Actuals vs Budgeted Reports

To better forecast upcoming year's expenses, you will need to have a better understanding of where your organization spends on IT in terms of dollars. Ask your accounting department for an expense report or even better, a comparative actuals vs budgeted figures of IT spending, if that is available to you. Get help from your CFO or controller if you don't understand all the accounting details, especially accounting jargons like capital expenditure and operating expense.

Next, review existing maintenance contracts, reach out to your vendors, and do your own research to estimate expenses for all the items in your list, for example, workstation replacement, server/network devices, cloud storage, webhosting, broadband, phone, backup and disaster recovery, cyber security, software licenses, user training and education, special projects etc. Also, make notes of which items need to be paid monthly or quarterly or yearly along with license renewal dates. Your accounting team will very much appreciate it.

Collaborate with Stakeholders

It is not at all uncommon to find that your organization's IT budget is dispersed within different department's own separate budget and managing it could be challenging. Each department's needs are different, and they could be purchasing software licenses or SaaS services on their own. Engage with the departments to gain a better understanding of their needs and identify their technology expenses. Who knows, you might even find some cost savings for the organization if there are opportunities to consolidate accounts or off-load redundant expenses.

Have conversations with all the stakeholders such as department heads of your organization to learn about their plans for the next fiscal year. Discuss all upcoming projects, or changes to the programs and operations that could impact the IT budget. Your objective is to identify any technology related implications such lack of cybersecurity planning, data compliance requirements, user training etc. Help them understand if their plans many incur any additional technology costs that may not be aware of. Also, discuss the timeline for the projects when they expect to implement them and need support of the IT team. If staffing changes are planned, make sure you update your budget for hardware/software requirements accordingly.

Creating a centralized IT budget can be tedious and challenging, but it can also be an opportunity to align technology with the strategic goals of the organization more effectively and set priorities for the year ahead.