

## **HOW TO DEVELOP AN ANNUAL BUDGET**

A budget is a plan that identifies the financial resources required to achieve programmatic objectives. Once constructed, this plan assists societies in managing the organization both programmatically and financially throughout the year.

Establishing a schedule of key action and decision points in the process allows adequate time for information gathering and decision making. How long the process should take and who should be involved varies depending on the management style and complexity of the organization. Typically the budgeting process should begin at least four months before the end of the fiscal year to ensure the budget is approved by the Board before the start of the new year.

### **Keys to a successful budgeting process**

1. Clearly identify programmatic objectives that are aligned with the mission and strategic plan.
2. Determine the financial resources needed and available to achieve program goals.
3. Involve staff and board members in the process to improve accuracy of information and commitment to the plan.
4. Document! Don't rely on memory. Write down assumptions and formulas. This will be very important in managing the budget throughout the year.
5. Customize your process. The steps each organization takes will be somewhat different.

#### **Compilation and Revision**

- Have one person compile all information, review it for consistency and redistribute to everyone involved
- Leave plenty of time for review and revisions.

#### **Committee Review**

- Have the finance and/or executive committee and other appropriate staff and board committees review a budget draft and key assumptions
- Be sure to allow enough time between committee meetings and the final approval deadline to address questions and recommendations and make revisions.

#### **Final Approval**

- Distribute information to the board prior to the board meeting, including budget draft, program goals and other supporting information;
- Have the finance and/or executive committee or treasurer present the budget proposal to the board.

Implementation and Management - The real work begins once the budget is approved:

- Communicate budget, program goals and timelines for the next year to society committees and staff if applicable
- Review actual income and expense compared to the budget on a monthly basis
- If there are significant changes board may need to approve revisions.