

BUDGET DEVELOPMENT PROCESS

What is a Budget?

- A financial plan that identifies the financial resources required to achieve program objectives.
- This plan assists the staff, volunteers and board in managing programs and finances during the year.

Why is a Budget Important?

- Ensures that resources are available for the organization to attain its mission and vision
- Provides a framework for organizational decision making
- Tool for monitoring financial activity
- Help identify gaps between planned spending and actual expenses

Budget Development Steps

- 1) Plan the Process and identify a budget committee
 - a) Suggested Members: President, President-elect, Treasurer, Treasurer-elect, NPD Chair
- 2) Communicate responsibilities, expectations and deadlines
- 3) Determine program goals and objectives
- 4) Determine and document assumptions
- 5) Get board agreement on goals and assumptions Construct budget details
 - a) General & Administrative
 - b) Personnel
 - c) Programs
 - d) Allocations
 - e) Capital needs
- 6) Committee Review and Input
- 7) Final Board Approval
- 8) Implement and Manage
- 9) Compare actual results to budget (monthly and YTD)
- 10) Analyze major variances to budget
- 11) Organize By natural account, By program, cost center or department
- 12) Forecast remaining months

How Do You Use a Budget?

- On a monthly basis review actual income and expenses compared to the budget
- Explain significant variances between budget and actual
- Use actual results to develop year-end projected results
- Update and revise the projected results as changes occur during the year
- Communicate variances and projections to staff and to the board.