

## BUDGETS

A budget is a map, expressed in financial terms, that shows where an organization plans to go, that is, what it wishes to accomplish and how it plans to get there. It is a key tool for getting everyone in an organization to agree on what it intends to do, or not do, in the coming year.

Preparing an effective budget starts with asking leaders to estimate the resources they will need to carry out their organization's goals and to provide specific proposals for financing the costs. Reviewing the previous year's budget is an essential part of the process. In the new budget, cost and revenue estimates need to be reasonable and attainable.

Timely, reliable financial information is the underpinning of good stewardship and sound financial decision making. Without this information, it is impossible to track budget performance.

An affiliate's operational budget is the foundation from which all its work will be carried out. It allows an affiliate to establish benchmarks, gauge financial health from one year to the next, and determine priorities.

Here are some key steps in developing a budget:

1. Establish the budget period.
2. Review program achievements and financial performance for the prior year.
3. Set program and goals for the budget period.
4. Estimate operating costs, including operating expense such as insurance and admin costs, background checks and variable costs such as staff (if any). For a guide regarding budgeting for program operating costs, please see the section below of sample costs.
5. Estimate affiliate program expenses, (transportation, program costs, supplies, food, events, scholarships)
6. Set a fundraising goal for your estimate anticipated revenue.
7. Plan for needed cash flow and development of cash reserves.
8. Align expenses and revenue and adjust if necessary.

The Board should review and approve the affiliate's budget each year. From there, it becomes a tool to monitor progress and determine areas for refinement, if necessary. The budget should also be provided to the Board at all meetings, along with comparisons to the prior quarter and prior year. It is also helpful to provide projections for the remainder of the year.

When developing a budget, it is prudent to be conservative as well as practical about how much revenue can be raised. Such a budget sets realistic goals and manages everyone's expectations.

Various financial reports are helpful in the budgeting process. They include budget versus actual report, accounts receivable ageing (i.e., past due) and accounts payable aging.

While budgets are the targets for the annual expenditures of the affiliate and the amount of income needed to cover the expenses, the affiliate should have a goal of having put some money into the bank. It is a best practice for the affiliate to have at least 3 to 6 months of affiliate expense coverage in the bank.