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**BUDGET DEVELOPMENT**

At the end of every fiscal year, you need to develop a budget for the year to come. This will be your association’s financial roadmap; even though your budget at the beginning of the year will almost never exactly match reality at the end of it, it is still important to have established guidelines for your organizational finances.

Your budget planning should begin with a look at the previous year’s budget, but it shouldn’t end there. You need to think about what expenses popped up over the last year that weren’t accounted for in the budget, and what new expenses you might have to prepare for in the coming year. Make sure you are factoring in all expenses, including your financial reserve. Look over the previous year’s finances and see where you may be able to trim costs, and be realistic about your expected income for the coming year. In most cases, budgeted revenue should equal or exceed budgeted expenses, but there are certain cases where it makes sense to plan for a deficit. This could be the result of an economic downturn, or a one-time expense that the association’s leadership considers worthwhile enough in the long term to go into the hole for (for example, an ad campaign to address a lack of public awareness about the association).

As stated before, there will always be differences between your budgeted and actual finances. However, you should continue to utilize your budget throughout the year as a reference point for financial management; review budget vs. actuals with your board on a monthly or quarterly basis to make sure you aren’t straying too far from your financial roadmap.

**BUDGET TYPES**

* **Operating** - A budget for the transactions necessary to keep the association operating
  + Sales - members, conference income, sponsorships, etc.
  + Expenses - payroll, overhead, etc.
* **Cash Flow** - Estimates cash flow in/out of the association over a given period
  + Unlike operating budget, focuses solely on actual money in the bank
* **Balanced** - Revenue is equal to or greater than total expenses