



Tool: Developing and implementing an annual comprehensive budget

Note: This document is provided for information purposes only. Health professional associations making use of this resource should revise and modify it for use in their specific circumstances.

Templates of an Annual comprehensive budget and Annual comprehensive budget – Monitoring performance are also available in this toolkit (see Tools 3.18 and 3.20).

The annual comprehensive budgeting process is vital to the success of a health professional association. Its main purpose is to allow the Board/Executive Committee and the Management (when the association has staff) to properly plan the association's financial operations for the upcoming year. It is a critical planning tool that is used for monitoring and evaluation purposes and thus ensures the use of the association's limited resources in the most efficient and effective way.

This tool has been designed to assist health professional associations develop an annual comprehensive budget that reflects its overall operations, including all expenses/costs related to maintaining its national secretariat, core staff, main activities and projects. The budget should be consistent with the association's annual operational plan, and both need to relate to its strategic plan.

The following outlines the main steps in developing, implementing and monitoring the association's financial resources through an annual comprehensive budget process. As for all new processes, the development and use of the annual comprehensive budget to monitor the association's financial operations may be difficult in the first year, but with practice the process will become easier.

Steps	Suggestions to move forward
1. Determine your association's business cycle: <ul style="list-style-type: none"> • Choose a 12-month period that reflects your operations. 	<ul style="list-style-type: none"> • Adopt the most frequently used business cycle in your environment.
2. Plan the development of your budget before the year starts: <ul style="list-style-type: none"> • If your business year is from January to December, your budget should be in place (i.e. approved by your Board/Executive Committee) by November of the previous year. 	<ul style="list-style-type: none"> • It will take approximately two to three months to develop a first annual comprehensive budget. • If the association has an Executive Director/Chief Executive Officer, the individual should lead the process. He/she should also work in close collaboration with the Treasurer and the Finance Committee, if one exists. • If the association does not have an Executive Director/Chief Executive Officer, the development of the annual comprehensive budget should be led by the Treasurer, with the assistance of the Finance Committee, if one exists. • Administrative staff and project managers should have

	input into the process. They could provide valuable information on categories of expenses and estimated costs.
<p>3. Develop your first draft:</p> <ul style="list-style-type: none"> • Review the budget template and the revenues and expenses sections to ensure the budget items listed reflect your own revenues and expenses. If not, adjust. • Complete the expenses section. • Complete the revenues section. • Ensure that the revenues and expenses sections balance. 	<ul style="list-style-type: none"> • Forecasts for revenues and expenses should be based on actual revenues and expenses (i.e. use as a guide the revenues and expenses of the previous year): <ul style="list-style-type: none"> ○ What was received (from membership dues, industry/sponsors, fundraising activities, projects, etc.)? ○ What were the expenses (costs related to maintaining the secretariat, core staff, annual scientific congress, annual business meeting etc.)? • Budgets should be prepared on a month-to-month basis for 12 months. This will assist in knowing when and how much cash will be required during the year. • Use budget notes to further explain how you arrive at your numbers (meeting costs include: rental of venue room to hold the annual general meeting, small reception held after the meeting, extra costs related to printing/photocopying, etc.). • Consider including your annual scientific congress as a project in itself. • Include only the revenues and expenses of projects for which a contract agreement has been or is about to be signed. • If sufficient revenue cannot be identified, expenses need to be reduced.
<p>4. Once the first draft has been completed, present it to the Board/Executive Committee for discussion. If necessary, modify document in light of comments, and re-submit for discussion.</p>	<ul style="list-style-type: none"> • If the annual comprehensive budget process is led by the Executive Director/Chief Executive Officer, it must be reviewed in detail by the Treasurer and the Finance Committee (if one exists) before it is submitted to the Board/Executive Committee. • The Treasurer should be able to present and answer questions related to the proposed budget when it is presented to the Board/Executive Committee for discussion.
<p>5. Adopt the annual comprehensive budget.</p>	<ul style="list-style-type: none"> • The Board/Executive Committee must ensure that the budget is balanced and realistic for the association.
<p>6. Monitor performance by comparing the actual revenues and expenses against the approved budget throughout the year. This should occur at</p>	<ul style="list-style-type: none"> • Variances in the budget (including revenues and expenses) should be explained by: <ol style="list-style-type: none"> a. The Treasurer and/or b. Executive Director/Chief Executive Officer and/or

<p>minimum on a quarterly basis.</p>	<p>c. The accountant/bookkeeper.</p> <ul style="list-style-type: none"> • Variances may impact on your annual comprehensive budget and may thus require a review of the budget as to ensure that the expenses do not exceed the revenues. This may mean that core expenses are cut, activities not conducted, more funds need to be generated or reallocation from other budget lines are done.
<p>7. Prepare a financial report at the end of the year.</p>	<ul style="list-style-type: none"> • At the end of a 12-month period (or a fiscal year), prepare a report that summarises the financial results of the year compared to the budget. • If the association has an Executive Director/Chief Executive Officer, this individual should lead the process. He/she should work in close collaboration with the Treasurer and the Finance Committee, if one exists. • If the association does not have an Executive Director/Chief Executive Officer, the Treasurer should lead the process and should be assisted by the Finance Committee, if one exists. • Administrative staff and project managers should also have input in the process, especially in explaining the variances.
<p>8. Adopt the annual comprehensive financial report.</p>	<ul style="list-style-type: none"> • The Board/Executive Committee must ensure that the report is complete before adopting it. • This report can be more credible if it were audited or reviewed by an outside auditor. • This report should also be presented and accepted by the membership at the annual business meeting.
<p>9. Repeat the process</p>	<ul style="list-style-type: none"> • Use the outcome of the previous year to inform the development of next year's annual comprehensive budget. • Budgets for subsequent years need to take into account actual revenues and expenses and how they are expected to change over the course of the next year.