

BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the organization's programs and activities simultaneously in light of the available resources.

Preparation and Adoption

It is the policy of AAPS to prepare an annual budget on the accrual basis of accounting. To prepare the Organization budget, the Accounting Manager shall gather proposed budget information from all Department Directors and others with budgetary responsibilities and prepares the first draft of the budget. Budgets proposed and submitted by each department should be accompanied by sufficient backup detail to support the sources and uses of funds and be prepared to explain all material fluctuations in budgeted amounts from prior years when the draft budget is reviewed. After appropriate revisions and a compilation of all department budgets by the Director of Finance and Administration, a draft of the organization-wide budget, as well as individual department budgets, is presented to the Executive Director for discussion, revision, and initial approval.

The revised draft is then submitted to the Finance Committee, and finally to the entire EC for adoption.

It is the policy of AAPS to adopt a final budget at least 30 days before the beginning of the Organization's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the accounting department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Monitoring Performance

It is the policy of AAPS to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the accounting department and distributed to each employee with budgetary responsibilities. These individuals shall be responsible for responding with a written explanation of all budget variances on a monthly basis.

Budget Modifications

Reclassifications and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the EC.