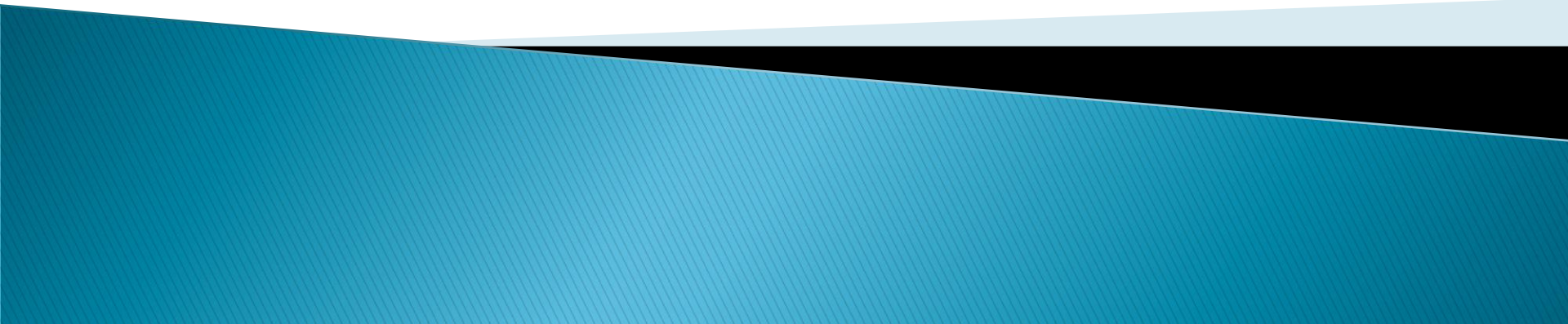
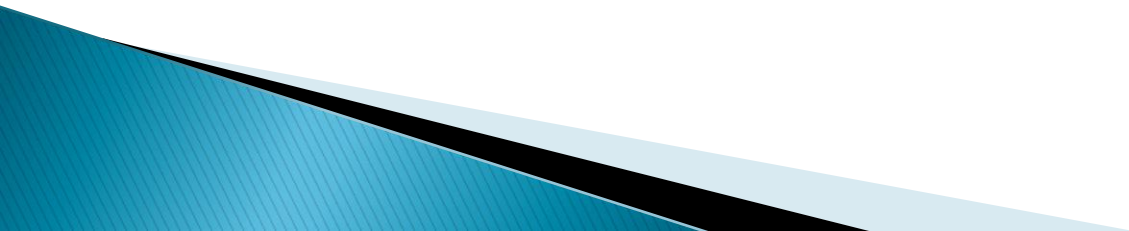


Successful Financial Management

(Planning and Budgeting Process)



Session will provide participants an introduction to the planning and budgeting process. At the end of the session, participants will understand a typical institutional planning process, the role of budgeting in the overall planning process, and how to manage your unit's budget.



Planning Process

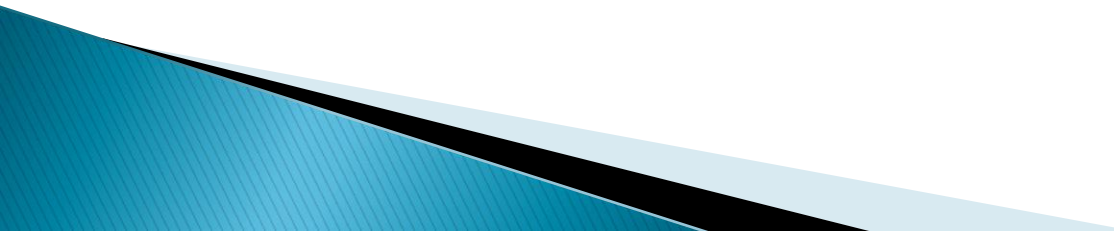
»» Why Do We Need to Plan?

Purpose of Planning

- To assist the entity in designing and then achieving its mission, goals and objectives.
- To identify and allocate the resources needed to achieve our goals, and to help us avoid risks.

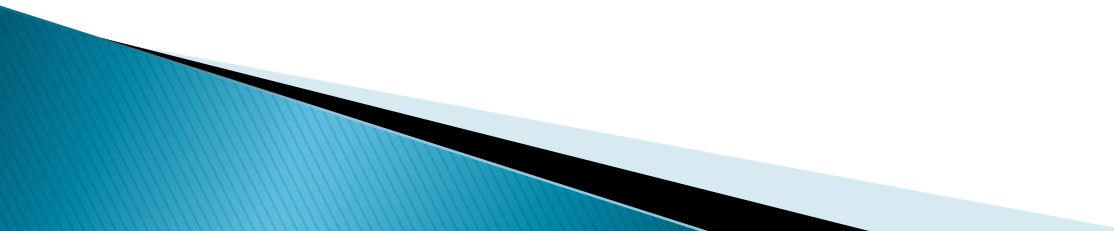


Benefits of a Well-Structured Planning Process

- Clearer direction and purpose
 - Increased accountability (*taking ownership of actions & outcomes*)
 - Tool to measure success
 - Ability to deal with change and unknowns
- 

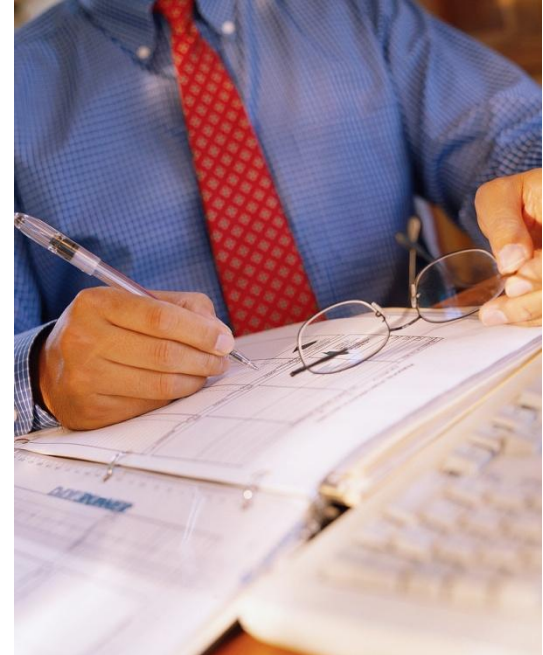
Types of Organizational Planning

Strategic Planning

- Clearly defining the mission and vision statement for the organization
 - Identifies where we are going and how we will get there
 - Strategic plans are long term, flexible, and involve many levels of the organization.
- 

Operational Planning

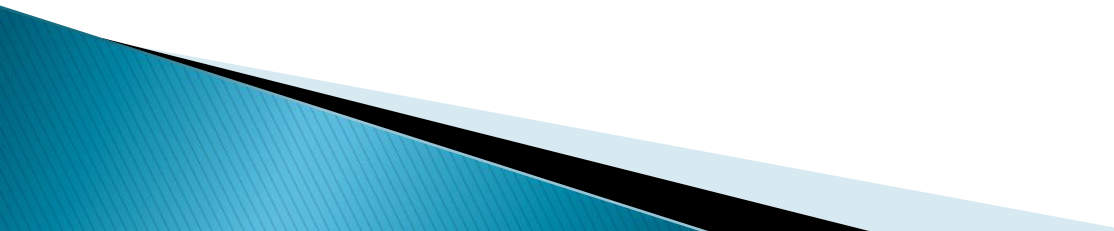
- Operational plans are short term and narrow in scope, dealing with the operational activities of the organization.
- *Annual operating budgets are derived during the operational planning phase.*



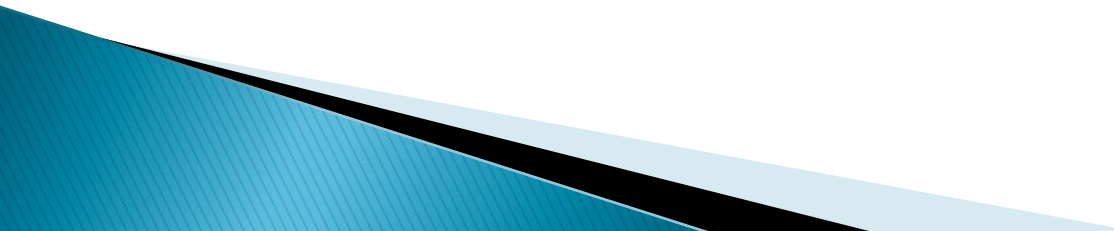
Budgeting Process

»» What is Budgeting?

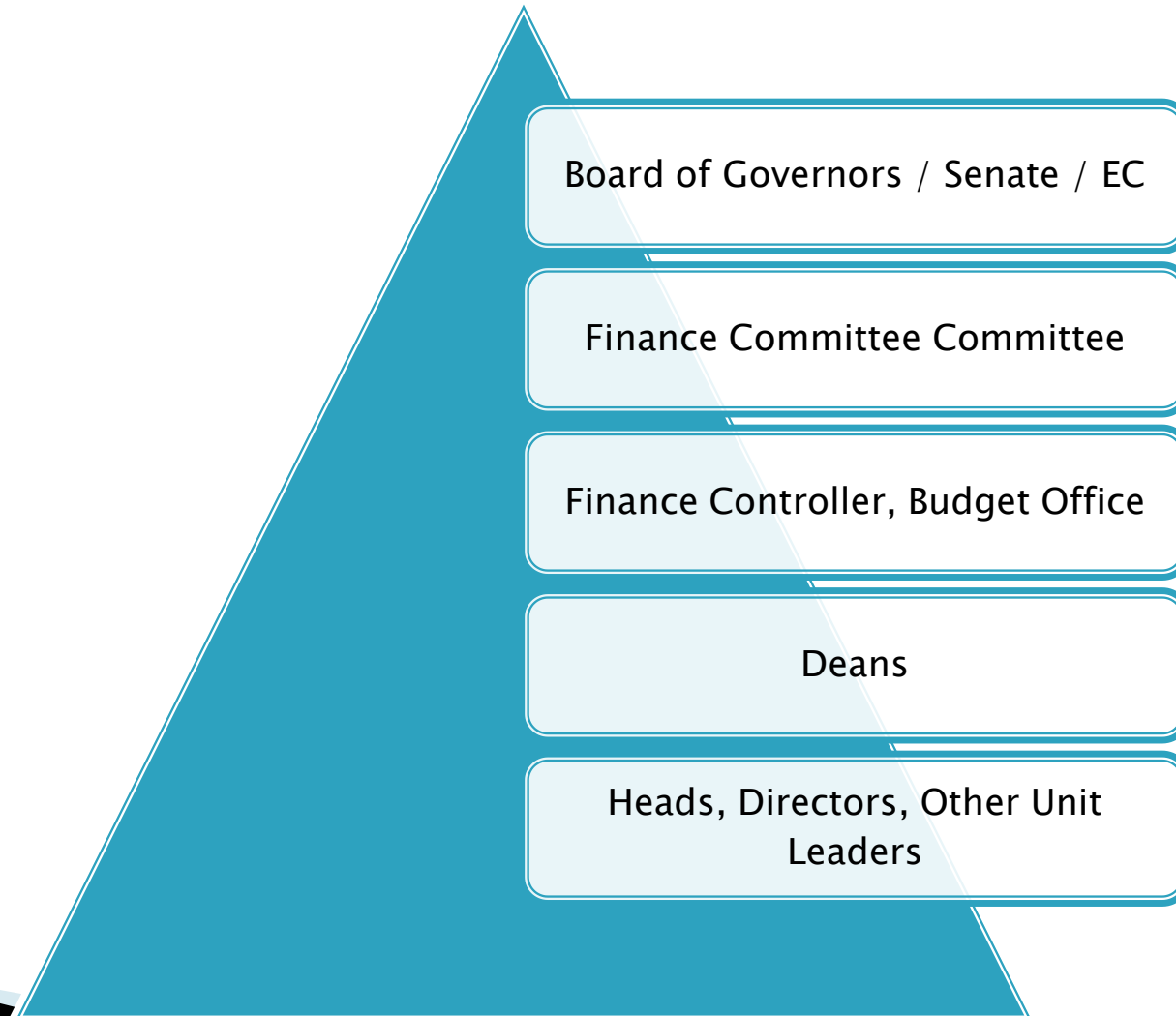
What is Budgeting?

- The continuous cycle of planning and evaluation used by an entity in order to achieve the stated goals and objectives of the organization.
 - The process of allocating a finite amount of resources to the prioritized needs of the organization.
 - A tool we use to control spending decisions.
- 

Why is Budgeting Important to any Entity?

- A comprehensive planning process is vital due to the scope and diversity of operations conducted in higher education.
 - Budgeting improves decision making by delegating spending authority and providing accountability.
 - Budgeting allows management to monitor where the organization is by tracking and evaluating spending decisions.
- 

Who is Involved in the Budgeting Process?



Types of Budgets

Capital Budget

- Requests for large assets which create major demands on an entity's cash flow
- Buildings, renovations, automobiles, software systems, furniture
- Purpose to allocate funds, control risks in decision making, and set priorities

Operating Budget

- Revenues and expenses for the various cost centers within the organization
- Budgeted amounts divided into major categories such as revenues, salaries, benefits, and non-salary expenses.
- Encompasses supporting information such as staffing and head counts

Cash Budgets

- An estimation of the cash inflows and outflows for a specific period of time.
- Used to assess whether the entity has sufficient cash to fulfill regular operations
- Identifies whether too much cash is being left in unproductive capacities

Types of Budgets

Traditional Budgets

- Budgets are often adjusted up or down on the basis of a previous period adjusted for current conditions

Zero base Budgets

- Zero base budgeting requires that all budget amounts be currently justified even if they were supported in prior budgets. Due to the cost of the process, this zero base budgeting is often not used in public institutions.

Budgeting Process



Common Budgeting Mistakes

Not establishing
program objectives
prior to building the
budget

Preparing a budget
that is based solely
on prior year
numbers

Over-estimating
revenues or under-
estimating
expenditures

Spreading
expenditures evenly
over the fiscal year

Not planning for
one-time expenses

Not budgeting for
reserves (auxiliary
operations)

*Ignoring a well-
prepared budget*



***“It is always better to know
where your money is supposed
to go rather than asking where
it went.”***

— Unknown

Financial Reporting and Monitoring

»» The budget is done...What do we do next?

Financial Reporting

The process of providing information to assist users in comparing planned revenue and expenses to actual revenue and expenses.

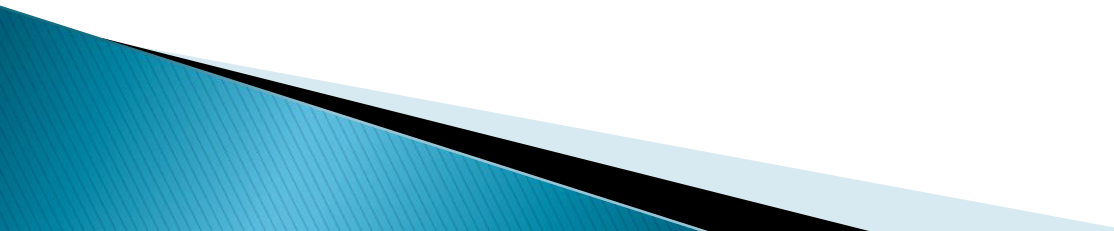


Financial Monitoring

Review and analysis of the financial statements to determine whether resources were used in accordance with the adopted budget and whether the unit was effective in obtaining the stated goals and objectives.



Responsible Financial Management

- Be knowledgeable of your budget. If you don't design your own budget, make sure you understand what assumptions were used.
 - Use a budget worksheet or the available financial statements to monitor your revenues and expenditures
 - Identify potential risks to your budget as early as possible. Keep your supervisors informed.
- 

Responsible Financial Management

- You are a guardian of the university's resources, so handle your unit's budget as if it were your own checkbook.

THANK YOU