

Managing the Association's Finances

One of the most accountable duties of the board pertains to its management of the association's finances. Owners submit their assessment payment as a mandatory requirement, in good faith that the Board of Directors will use those funds prudently for the community, not guided by their personal preference.

To help guide the management process of those monies, the Association is obligated to annually adopt a budget. **A budget is a financial plan for an organization.** It provides an estimate of the organization's income and expenses for a specific period of time. **The budget does NOT create a limit that the Board can spend on line items!** It's a plan – something that gives direction according to best known information at the time the budget is prepared.

The budget does more than establish the annual assessment. It is a means for planning activities for the community, controlling the community's financial operations, providing continuity of services, minimizing unexpected expenditures, and providing an opportunity for the association to balance its needs with its desires.

The budget should communicate to the members what services and programs the community will provide. By their absence, it also defines what will not be done during the budget period.

Even though we are just at the end of 1st quarter (for calendar year fiscal year corporations), it is not too early to be thinking through the budgeting purpose and process for 2012.



Next month: Establishing Intentions for Next Year