

BASIC ORGANIZATIONAL BUDGETING

One of the tasks you may face as financial officer/treasurer, especially if your organization transacts a lot of business, is that of preparing a budget. There are all sorts of methods for preparing budgets. No one method is best for all organizations.

WHAT IS A BUDGET?

- It can help refine goals that reflect the realistic resource environment.
- It can compel members of the organization to use funds efficiently.
- It can provide accurate information to adjust, analyze and evaluate programs and activities.
- It can aid in decision making.
- It can provide a historical reference to be used for future planning.

BASIC COMPONENTS OF A BUDGET

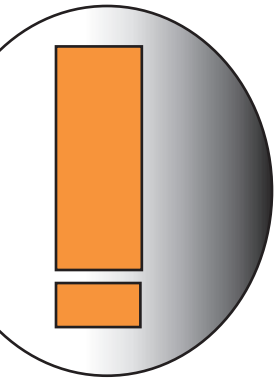
- A statement of the organization's goals, objectives and priorities
- A specified time period to which the budget applies
- A method of reviewing budget plans and procedures
- Budgeted financial statements:
 - An estimated detailed income breakdown
 - An estimated detailed expense breakdown

DEVELOPING A BUDGET

- Begin preparations a month or more prior to the close of the current budget period (semester, year, etc.)
- All organization members should be involved with some aspect in the developing of a budget.
- Review past budgets of the organization.
- Prepare an outline of the organization's planned activities for the upcoming semester/year.
- Do careful studies, investigations and research of funding, cost, resources, etc.
- Determine available funds (carry over balance from previous year, cash on hand, funds in the bank, interest, etc...).
- Estimate expected income and when it is expected to be available (dues, t-shirt sales, pinball, etc.).
- Define needed expenses (advertising, rentals, printing, supplies...).
- Get price quotations on certain expenditures; delegate certain responsibilities to members.
- Rank order by their relative importance and then by the activities that are the wisest expenditures of funds.
- Choose and decide programs to initiate; ask yourselves how much is available to allocate.
- Negotiate as necessary; eliminate unessential expenditures or limit certain expenditures.
- Revise, review, coordinate, cross-reference and then assemble into a final budget; the budget must allow flexibility to anticipate conditions that might have been overlooked during the planning process.
- The budget should have line items (sub-categories) as opposed to just general categories.
- Vote to approve the budget.

Never spend your money before you have it.

-Thomas Jefferson



MANAGING THE BUDGET

- Once approved, the budget should be closely managed.
- Set and maintain a minimum cash balance. This number should be based on a percentage of your organization’s total revenue (five to ten percent is a good general rule).
- Formulate general policies and procedures needed to achieve objectives.
- Keep an accurate log of financial transactions (income and expenses). Maintain this log in a record book and remember to check and balance records periodically.
- Set up internal controls designed for safeguards and accurate accounting; this encourages adherence.
- Control costs; allow only approved expenditures.
- Assess budget at any given time during the budgeted period.

After the budget period has elapsed, determine the outcome of each expense and revenue. Judge and review the actual cost in order to establish priorities for the next budgeted period.

A Sample Budget

Income		Expenses	
Pepsi Funds	\$1,000.00	Ads (5 ads @160)	\$800.00
Dues (50 people @40)	\$2,000.00	Entertainment (3 Speakers @100) (1 concert @300)	\$600.00
Fundraisers (Sept. Fundraiser @1,000) (Oct. Fundraiser@2,000)	\$3,000.00	Printing (40 t-shirts @20)	\$800.00
SBC Funds	\$500.00	Refreshments	\$800.00
Department Funds	\$500.00	Office Supplies	\$300.00
Total Income:	\$7,000.00	Total Expenses:	\$3,300.00

Projected Gain: \$3,700.00

*The information in the parentheses above is considered a line item.

Basic Budgeting

A budget is a plan for how money will be used. Just as you wouldn't take a trip without planning a route and making sure you had enough money for the journey – you should not embark on the year without making a plan for how your organization will generate and spend its funds. All financial decisions should begin and end with the budget. This means that decisions about what events to hold and how they will be funded needs to take place well in advance and after every event the treasurer should go back to the budget and determine if the budget needs to be adjusted due to under/over spending for the event.

A Budget is...

- An organizational tool to help you plan for the financial success of your organization
- A plan of the revenues you expect to bring in
- A plan of the expenses you expect to have
- Made for a specific time period: usually a semester, academic year or calendar year
- Not written in stone and should be updated to reflect any changes

Benefits of Budgeting

- It can aid in decision making.
- It can provide a historical reference to be used for future planning.
- It can compel members of your organization to use funds efficiently.
- It is required in order to apply for SBC funding.
- A Well thought-out budget can positively influence SBC funding decisions.
- Sticking to your budget ensures that you will be able to use all SBC funding allocated to you. Student organization accounts will be swept of all money leftover from SBC allocations every June 30th (the end of the fiscal year).

Basic Components of a Budget

- A specified time period to which the budget applies
- An estimated detailed breakdown of funds expected to be raised
- An estimated detailed breakdown of University funds received or expected to be received
- An estimated detailed breakdown expenses expected to be incurred

Creating a Budget

Plan Ahead

- Begin preparations a month or more prior to the close of the current semester/year.

Involve your organization

- Involve your organization as much as possible. Ask officers to submit budget proposals for their position.
- Rank order by their relative importance; which activities are the wisest expenditures of funds.
- Choose and decide which programs to initiate; decide how much is available to allocate.
- Negotiate as necessary. Eliminate unessential expenditures or limit certain expenditures.
- Vote to approve the budget.

Look at the Past

- Review past budgets and financial statements of the organization.
- Determine available funds (i.e. carry over balance from previous year).

Anticipate the Future

- Prepare an outline of your organization's planned activities for the upcoming semester/year.
- Do careful studies, investigations and research of funding, cost, resources, etc.
- Estimate expected income from organization sources (such as dues and fundraising) and when it is expected to be available.
- Estimate expected income from University sources (such as SBC Spot and Annual funding) and when it is expected to be available
- Define needed expenses (advertising, rentals, printing, supplies, etc.).
- Get price quotations on certain expenditures; delegate certain responsibilities to members.

Organize

- Revise, review, coordinate, cross-reference and then assemble into a final budget; the budget must be flexible to anticipate conditions that might have been overlooked during the planning process.
- The budget should have line items (sub-categories) as opposed to just general categories.

Sample Budget

This budget is an example of what a well-thought-out budget should look like. Please notice that funds expected to be received and spent from organization and University sources are kept separate. It will be imperative that you keep these funding sources separated because there are different guidelines for spending each type of funds.

Your Organization				
Date	Activity	Budget		
		Org. Funds	SBC Funds	Line Total
7/1/2006	Starting Balance	+\$362.87		+\$362.87
7/1/2006	SBC Allocation		+\$600.00	+\$600.00
8/23/2006	Fall Retreat			
	Copier		-\$150.00	-\$150.00
	Supplies		-\$50.00	-\$50.00
	Pizza	-\$300.00		-\$300.00
9/8/2006	Campusfest	-\$50.00	-\$100.00	-\$150.00
	Thanksgiving Fundraiser	+\$100.00		+\$100.00
12/12/2006	Banquet			
	Entertainment and meals	-\$250.00	-\$250.00	-\$500.00
	Printing		-\$50.00	-\$50.00
	Awards	-\$400.00		-\$400.00
2/20/2007	President's Day Fundraiser	+\$1,000.00		+\$1,000.00