



Budget 101

Overview

A budget is an organizational tool used for planning and maintaining control of your funds within an organization. It is a formal written guideline for your future plans of action, expressed in financial terms within a set time period.

One of the tasks you may face as treasurer or financial officer, especially if your organization transacts a lot of business, is that of preparing a budget. There are all sorts of methods for preparing budgets from flipping coins to using spread sheets. No one method is best for all organizations. The method described below is fairly simple.

Purpose

A budget can...

- Help refine goals that reflect realistic resources.
- Compel members of the organization to use funds efficiently.
- Provide accurate information to adjust, analyze, and evaluate programs and activities.
- Aid in decision making.
- Provide a historical reference to be used for future planning.

Description/Background

Basic components of a budget:

- A statement of the organization's goals, objectives and priorities (What do we want to accomplish? How will we accomplish this? How much will the program cost? How will the program be funded?)
- A specified time period to which the budget applies, e.g., July 1-June 30.
- A method of reviewing budget plans and procedures.
- Budgeted financial statements: An estimated detailed income breakdown and an estimated detail expense breakdown.

Activity

- Begin preparations a month or more prior to the close of the current year.
- Prepare an outline of the organization's planned activities for the upcoming year.
- Determine available funds (carry over balance from previous years, cash on hand and funds in the bank, interest, etc.).
- Do careful studies of funding sources, costs, estimated and probable fundraisers.
- Estimate expected income and when it is expected to be available (dues, t-shirts, fund raisers, annual gifts, etc.).
- Define needed expense (supplies, advertising, printing costs, etc.).
- Get price quotations on certain expenditures, delegate certain responsibilities to members.
- Rank order by their relative importance, which activities are the wisest expenditures of funds?
- Choose and decide program initiative; ask yourselves, "How much is available to allocate?"
- Negotiate as necessary, eliminate less essential expenditures or limit certain expenditures.
- Revise, review, coordinate, cross-reference, and then assemble into a final budget; the budget must be flexible to anticipate conditions which might have been overlooked during the planning process.

Managing The Budget

- Once approved, adopted, and prepared, it should be closely managed.



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- Set and maintain a minimum cash balance.
- Formulate general policies and procedures needed to achieve objectives.
- Keep an accurate log of financial transactions (income and expenses): maintain in your organization record book (check and balance records periodically).
- Set up internal control designed for safeguards and accurate accounting data -- this encourages adherence, too.
- Control cost -- allow only approved expenditures
- Assess budget at any given point of time during the budgeted period.

A SAMPLE BUDGET (Expressed in financial terms)

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

Please note that the SPAC Business Office is available to maintain and service a financial account for your organization for \$35/year! This account, referred to as an "Agency Account" may be used for your organization's general operating fund for all income, expenditures and campus recharges.

INCOME	Projected Income	Actual Income
Candy sales (2 / quarter)	\$ 600.00	
Dues (50 @ \$5 / yr.)	250.00	
Car wash	450.00	
Holiday Dance ticket sales	400.00	
TOTAL INCOME:	\$1,700.00	

EXPENSES*	Projected Expenses	Actual Expenses
National Membership Fees	\$ 30.00	
Ads in the Aggie (2 / quarter)	250.00	
D.J. for Dance	500.00	
Club Newsletter & Flyers	150.00	
Refreshments	300.00	
Supplies/Misc.	100.00	
Awards	200.00	
TOTAL EXPENSES	\$1,530.00	

*Not actual amounts.