

CREATING A BUDGET

WHAT IS A BUDGET?

One task groups face is the development of a plan to be fiscally responsible with funds. A budget can be a helpful method for keeping track of group funds.

A BUDGET IS:

- A tool for planning and controlling organizational funds.
- A formal, written guideline describing your organization's future goals expressed in financial terms within a set period of time.
- A detailed statement of estimated income and expenses.
- A historical record of the organization's activities during a given period.

A BUDGET CAN:

- Help refine goals that reflect the realistic resource environment
- Compel organization members to use funds efficiently and appropriately
- 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- Provide a historical reference to be used for future planning

WHY DO WE NEED A BUDGET?

Creating a budget can be one of the most beneficial and critical components of your organization. A budget is a tool for planning and controlling organization funds.

A budget allows your organization to know how much money is in your account, how much your organization can spend, or in some cases, how much more money your organization needs to raise. It contains a detailed statement of estimated incomes and expenses of the organization's activities during a given period.

A budget can also provide accurate information to adjust, analyze and evaluate programs and activities. It can aid in decision making as well as provide a historical reference to be used for future budget planning. A budget compels members to use funds efficiently and appropriately.

It is important that the members of your organization understand the financial operations of your organization. A lack of understanding leads to disregard for paying bills and controlling expenditures. The more your members understand your revenue potential and expenditure constraints, the more they are willing to work within them.

PREPARING A SOLID BUDGET

A budget should be developed at the beginning of each academic year. It is best to have your new executive board and outgoing treasurer develop this together. That way you limit the possibility of missing revenue sources or possible expenditures. It is also a good idea to have copies of your past budgets. Your organization's history of income and spending is indicative of what you will do next year. When developing your budget, remember to be realistic and even conservative. Here are some ideas to consider when planning and laying out your budget.

1. INCOME

The first part of your budget includes planned sources of income. These could include membership dues, student activity fee monies, activity fees, fund raiser revenue, accounts receivable, and any other planned sources. Each of these sources should be listed separately in the income section.

Once you have listed your projected income, it is a good idea to subtract a 10% buffer from your gross income. This buffer will help you stay within your financial limits and provide you with a net income to meet your expenses.

2. EXPENSES

The second part of your budget includes all money you plan to spend throughout the course of the year. Examples are national membership dues, retreats, socials, membership education, alumni relations, supplies, public relations, conferences, rush ...there always seems to be a never ending list of places to spend your money.

3. MANAGING THE BUDGET

Once you have your budget, it's like having an umbrella; it isn't going to help unless you use it. Refer to it often and update it as needed. While most organizations use a treasurer to manage financial matters, it is important that more than one person understands the financial operations of the group. Even the best of treasurers need expectations and direction. Requiring monthly financial reports and documentation could help divert a financial disaster.

Finally, it is important for the members of your organization to understand your financial operations. A lack of understanding leads to disregard for paying bills and controlling expenditures. The more your members understand your revenue potential and expenditure constraints, the more they are willing to work within them.