

BASIC ORGANIZATIONAL BUDGETING

Student Organization Development Center

1310 Michigan Union University of Michigan 763-5900

One of the tasks you may face as 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 computers. No one method is best for all organization. The method described is fairly simple.

WHAT IS A BUDGET?

An organization tool used for planning and controlling within an organization. It is a formal written guideline for your future plan of action, expressed in financial terms within a set time period.

WHAT CAN A BUDGET ACCOMPLISH?

- *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- *It can provide a historical reference to be used for future planning*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. What do we want to accomplish? B. How will we accomplish this? C. How much will the program cost? D. How will the program be funded?)*
- *A specified time period to which the budget applies*
- *A method of reviewing budget plans and procedures*
- *Budgeted financial statements:*
 - A. *An estimated detailed income breakdown*
 - B. *An estimated detailed expense breakdown*

DEVELOPING A BUDGET

- *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*
- *Do careful studies, investigations and research of funding, cost, resources . . .*
- *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 . . .)
- Define needed expenses (advertising, rentals, printing, supplies . . .)
- 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 programs to initiate; 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
- Vote to approve budget

MANAGING THE BUDGET

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

Income

Coke sales	\$5,000.00
Dues	6,000.00
Fundraisers	4,000.00
Interest	2,500.00
Ticket sales	3,000.00
TOTAL INCOME:	\$20,500.00

Expenses

Ads	\$ 800.00
Entertainment	1,000.00
Miscellaneous	200.00
Printing	3,500.00
Refreshments	700.00
Sales (Coke)	2,500.00
Supplies	1,500.00
Tickets	1,100.00
TOTAL EXPENSES:	\$ 1,300.00

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