

## *Preparing a Budget*

*Complete this brief checklist to help you think about the financial stability of your organization.*

- Our group starts each year without any money in the bank for projects and operating expenses.
- By December, we often wonder if the organization will be able to pay all of its bills.
- At the end of the year, we're not sure where our group's money has gone.
- We rarely have any money left in the spring to leave for next year's group.
- Our organization often ends the year "in the red".

*If you checked one or more items, your organization may want to consider new ways of managing its money. A good first step is the preparation of a budget.*

### **WHAT IS A BUDGET?**

A budget is a written outline of income and expenses for a given time period for an organization or program. It is a prediction of how much money your group will collect and spend in the future. A budget will help you to:

- Obtain a realistic picture of your finances.
- Choose projects that reflect your available resources.
- Encourage members to use funds wisely.
- Communicate your goals in financial terms.
- Provide a historical reference for use in the future.

### **PREPARING A BUDGET**

*There are many different ways to prepare a budget. One simple method is presented below. A sample budget is shown on the last page of this handout.*

1. Select a time frame. A budget usually covers a "fiscal year" (from July 1 of one year to June 30 of the following year). You can choose a different time period or prepare a budget for one event.
2. Begin early. You should start your budget preparation at least one month before the beginning of the time frame you have selected.
3. Estimate income. List all regular sources of income (e.g. dues, interest). Then make conservative estimates of anticipated income from fundraising activities for the new budget period. Finally, include any surplus (or debt) from the current year. Total the amounts.
4. Estimate expenses. List any regular expenses that must be paid (e.g. rent, national dues). Then list, in order of priority, the projects and events your group will sponsor and the expenses associated with each one. Next, include a separate line for miscellaneous or unexpected expenditures. Finally, estimate the

amount of money you would like to have left over at the end of the new budget period. Total the amounts.

5. If income exceeds expenses, your group will have a surplus and you should plan how that money would be saved. If expenses exceed income, you will need to increase dues, plan more fundraisers, or reduce projected expenses. You now have a balanced budget.

## MANAGING A BUDGET

- It's not enough to simply prepare a budget. In order to work, a budget must be used. Thus, the next step is to present the budget to your group for a vote. A budget is much easier to implement if members feel they have been consulted about it. Your members may wish to offer suggestions and make changes.
- Once the budget is accepted, select a person (usually the treasurer) to be responsible for implementing the budget. He or she formulates procedures for collecting and spending money, approves expenses for items in the budget, and records actual income expenses. The treasurer should also prepare regular reports to let the group know how closely they are keeping to the budget.
- Once the budget is prepared, it should be changed only in special circumstances. For example, if you have money in your budget for an event that you decide to cancel, your group may vote to use the money in a different way.
- Preparing and using a budget is not the only way to improve the fiscal stability of your organization. You must also choose your projects wisely, control expenses, and sponsor effective fundraisers. But a budget will form your group with a sound financial base.

**Based on the *Student Leadership Development* publication, San Jose State University**

# SAMPLE BUDGET

ABC Student Association

Budget

July 1, 2001 – June 30, 2002

## Income

Dues (20 members X \$10.00)	\$200.00
Coffee sales	60.00
Car wash (3 X \$75.00)	75.00
Bake sales	175.00
Annual dance ticket sales	<u>950.00</u>
Subtotal	1460.00
Surplus from 2000-2001	<u>223.00</u>
Total Income	\$1683.00

## Expenses

National dues (20 X \$5.00)	\$100.00
Supplies for coffee sales	25.00
Refreshments	56.00
Annual dance	750.00
Band	50.00
Ticket printing	100.00
Publicity	75.00
Decorations	50.00
Miscellaneous expenses	<u>100.00</u>
Subtotal	1256.00
Anticipated Surplus	<u>477.00</u>
Total Expenses	\$1683.00