One of the tasks you may face as a financial officer of a club or an organization is that of preparing a budget. This is especially true if your organization holds many events and fundraisers, and transacts a lot of business. There are all types of methods for preparing budgets, from flipping coins to using computer spreadsheets. No one method is best for all organizations. The method described below is fairly simple.

**WHAT IS A BUDGET?**

It is an organizational tool used for planning and controlling within an organization. Also, 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 realistic resources.
- It can compel members of the organization to use funds efficiently.
- It can provide accurate information to adjust, analyze, and evaluate programs & 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- It can provide a historical reference to be used for future planning.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, and resources.
- Determine available funds (carry-over balance from previous year, cash on hand).
- Estimate expected income and when it is expected to be available (dues, T-shirt sales, etc.).
- Define needed expenses (advertising, rentals, printing, supplies, etc.).
- Get price quotations on certain expenditures, and 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 funding is available to allocate to a program.
- Negotiate as necessary; eliminate less essential expenditures or limit certain expenditures.
- Revise, coordinate, cross-reference and then assemble information into a final budget; the budget must be flexible to anticipate conditions which might have been overlooked during the planning process.
- Vote to approve the budget.

MANAGING THE BUDGET

- Once approved, adopted and prepared, a budget should be closely managed.
- Set and maintain a minimum cash balance.
- Formulate policies and procedures needed to achieve objectives.
- Keep an accurate log of financial transactions (income and expenses): maintain the log in your organization record book.
- Set up internal control designed for safeguards and accurate accounting data. This encourages adherence to accountability.
- 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**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft drink sales</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Dues</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Fundraisers</td>
<td>4,000.00</td>
</tr>
<tr>
<td>Interest</td>
<td>2,500.00</td>
</tr>
<tr>
<td>Ticket Sales</td>
<td>3,000.00</td>
</tr>
</tbody>
</table>

**TOTAL INCOME:** $20,500.00

**Expenses**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement</td>
<td>$800.00</td>
</tr>
<tr>
<td>Entertainment</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>200.00</td>
</tr>
<tr>
<td>Printing</td>
<td>3,500.00</td>
</tr>
<tr>
<td>Refreshments</td>
<td>700.00</td>
</tr>
<tr>
<td>Sales</td>
<td>2,500.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,500.00</td>
</tr>
<tr>
<td>Tickets</td>
<td>1,100.00</td>
</tr>
</tbody>
</table>

**TOTAL EXPENSES:** $11,300.00

**PROJECTED GAIN:** $9,200.00

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.

Source: Student Organization Development Center
University of Michigan (1999)

Revised: 7 / 2010 LM