



Budgeting Made Easy

A step-by-step guide

money**minder**[®]



Why budget?

Budgets are critical to the success of an organization. The budget provides a framework for organizational decision-making.

Developing a budget helps your board make choices between projects. Using it helps to maintain focus on what's most important to your group.

When do you start?

A budget is most effective and easiest to work with when it corresponds to your financial year. Note that if it doesn't, you will find it much more difficult to track actual spending against the budget.

There are two schools of thought on budget preparation/timing. One advises the preparation of the budget by the outgoing board two or three months before the end of the financial year.

Outgoing board members have the advantage of a year's experience. They have seen what works and what doesn't and can reflect that in plans for the following year. In this case the budget is normally submitted to the membership for approval shortly before the beginning of the new financial year.

The other advocates the preparation of the budget by the incoming board

sometime after the beginning of the new financial year. The thought here is that it is inappropriate for outgoing board members who will not be responsible for the new budget to impose decisions on incoming board members who will be.

In this situation the budget is prepared and brought to the membership as soon as possible after the beginning of the new financial year.

In some organizations, standing rules prohibit the new board from spending any money at all until the new budget is approved. This can put a lot of pressure on the incoming board to produce a document quickly.

There are advantages and disadvantages to both scenarios. Sometimes a governing body sets the standard. Sometimes it is just a matter of habit.



Who's on the team?

Your budget committee may be comprised of as many or as few folks as you see fit. Even if you start the process solo, be sure to get buy-in from your team to ensure success.

When board members and committee chairpersons participate in the budgeting process that affect the areas for which they will later be responsible, they are much more likely to take ownership and try to make things work.

The budgeting process is a great way to unite your organization and collectively focus on what you want to accomplish this year.

The big rocks

If you've ever heard Stephen Covey's "Big Rocks" lecture, you'll understand that by first identifying the "big" things you need to do, the little stuff will fill in around those.

We suggest starting with the "big" things you want to accomplish. Perhaps brainstorm a list of those and then work to whittle them down to the most important.

For example, a parent group may set a goal of putting more technology in each classroom. While a booster club may need to purchase new uniforms for a team. And an HOA may need to complete a critical maintenance project.

If you choose to gather a team together to brainstorm, consider these guidelines:

- Set a time limit (5 minutes? 10 minutes?)
- The more the merrier - it's hard to brainstorm with just a couple of people.
- Encourage everyone to participate.

- Keep the energy level high and enthusiastic.
- Neither criticize nor compliment ideas as they are presented. Just write them on that sheet. This is key.
- Encourage creative thinking, including out-of-the-box ideas.
- Build and expand on the ideas of others.
- The best way to get good ideas is to have a lot of ideas. Keep them coming. You're going for quantity here, not quality. Don't stop until you run out of time.





Once you've concluded your brainstorming, take one activity at a time, invite the group to find the ideas that really speak to your organization and its mission. Consider:

- If you were only able to do one thing, which would it be?
- What would do the most good?
- How many people would this impact?
- Where can we get the most bang for the buck?
- How many volunteer hours will it take?

Find consensus.

At this point, you will have a list of your top activities or goals. Now you need to know how much all this will cost. Put numbers to each activity. How much will each cost? Will any generate revenue?

Consider the next board

It is a rare organization that starts from \$0 and spends all it makes during that year, leaving nothing in the bank account for those who follow.

Having said that, it would put the incoming board in a very difficult position to start the year with \$0.00.

Some groups have bylaws or standing rules that require a minimum dollar amount to be available for startup costs for the next year. It is important that you know how much this is required to be.

Don't confuse "money carried forward from last year" with "income". It is important both that you recognize this as funds available to you and also that it had nothing to do with your efforts. Your income is what you earn during the current financial year.

Similarly, don't confuse "money carried forward to next year" with "expenses". Expenses have to do

with money that leaves your organization. Money that is still in your bank account at the end of the year can't be considered an expense. Make it clear on your budget how much is being set aside for next year.

We hear a lot about \$0 budgets - we spend what we bring in. On the surface, this is an admirable goal. Essentially, if there was anything left in the kitty at the end of last year, it will be carried forward to next year. If the carry forward amount is reasonable for your group, then that is a valid approach. But we have seen groups where the carry forward exceeds their annual budget, sometimes by ten thousand dollars or more. That is difficult to justify. If you are sitting on a pile of money that has not been previously allocated to a specific purpose (see Restricted Funds) then yes, it really is OK to spend more money than you bring in.

The magic formula:

$$\begin{aligned} & \$ \text{ Cost of Proposed Services} \\ - & \$ \text{ Carry Forward From Last Year} \\ + & \$ \text{ Carry Forward to Next Year} \\ + & \$ \text{ Wiggle Room} \\ + & \$ \text{ Restricted Funds from Prior Years} \\ = & \text{ Total Funds Required} \end{aligned}$$

Explained:

Determine your overhead

It is generally pretty straightforward to determine your overhead budget (office supplies, printing costs, treasurer software, insurance, etc). Look at the last year or two for guidance. Add it all up and get a total - this is your Administration or Overhead Expense. It's the cost of doing business.

Identify the things you do that bring value, but not revenue

Here's something you probably already know. There are lots of things that your organization does that brings in money. That doesn't necessarily make them fundraisers. If you produce a yearbook that brings in \$7,000 and it costs you \$7,000 to print, then you make \$0 for your efforts. That Yearbook is a service you are providing. Make sure that these self-funding services are included in your list.

I need to raise how much?!

Now you have an idea of how much the activities you want to provide will cost. You have taken into account the money that is available from the prior year and added in the amount that you will leave in the kitty for next year. The total is how much you need to raise to fund the services you want to provide.

Now we are at the point where we need to start talking fundraisers or revenue generating activities. These are things that you do only because you need to raise money.

Basically, there are four ways to bring in money:

1. People give you money and get nothing in return besides a sincere thank you letter (e.g. donations, pledge drives, corporate matching funds, grants, no-bake sales).

2. People give you money for a "membership" that may give them voting rights or special prices or maybe just a good feeling. When setting membership prices it's wise to give options. For example, \$10 per individual, \$18 per family, \$35 for businesses.

3. People give you money and you give them an experience or a service (e.g. a talent show, motivational speaker, Christmas tree removal, art show). Experiences are our favorite kinds of fundraisers. They get people involved and they build community.

4. People give you money and you give them goods of some kind (e.g. cookies, holiday wreaths, bulbs). Selling stuff is still the way most groups raise funds.

Tips from professionals:

- Mix it up. Make it easy for people to give you money.
- Give them lots of options.
- See what worked last year. Build on your successes.
- Look at the net, not the gross. An auction may bring in \$20,000 but it will cost you \$12,000 to run it. A jog-a-thon may bring in \$10,000 and cost just \$1,000 to run. It's what you get to keep that counts.
- Always, always, always take into account the amount of volunteer effort required.

Write down your best ideas.

Add it all up. Are you in the ballpark?

Consider adding wiggle room

You cannot foresee every possible eventuality.

Budget in a line item called Unanticipated Costs or Wiggle Room. Make it 5 to 10% of your Operating Budget. That way if the Directory comes in over budget or the Donations come in under, you will have a source to draw from.

Some groups add the following wording to the heading of the budget that they present to their membership for approval: "With permission to the Board to re-allocate as necessary". That way, if you exceed your Unanticipated Cost line item or didn't have one, the Board can decide that it will reduce the number of movie nights to free up extra money for a reading program without having to go to the membership for approval to revise the budget.

Sometimes a dollar limit is specified, (e.g. up to \$500). We have also heard from groups that they precede their budget with this statement: "With permission to the Board to re-allocate as necessary and/or to limit discretionary spending in case of shortfall".

Fundraising
Fall Fundraiser
Spiritwear
Jog-A-Thon
Fundraising Totals
Learning
Assemblies
Field Trips
Reflections
Learning Totals
School/Teacher/Staff Support
Teacher Appreciation
Teacher Grants (25 x \$100)
School/Teacher/Staff Support Totals
PTA Administration
Insurance
Software Subscriptions
Office Supplies
PTA Administration Totals
Projects
Technology Boards
Projects Totals
Grand Totals
Projected bank balance if on budget

With permission to the board to re-allocate as necessary.

Restricted and reserved funds

Sometimes a group will allocate funds for a project that will not be completed within the year that the money was allocated. Your membership may vote to make these funds “restricted or reserved”. That means that the money you raise or allocate for this project cannot be used for any other purpose.

The board knows that it may take several years to raise the money to fund the activity.

Restricted funds don't go back into the kitty. If you are a new treasurer coming into an organization with Restricted Funds, you need to take special care to keep those monies set aside.

Similarly, you may have a donor who donates money earmarked for a specific purpose. If you accept the conditions, you are required to use their gift for that specific purpose. These funds also do not go back into the kitty.

You may decide to keep these funds in a separate bank account.



Behold the balancing act

Look at the two lists: income and expenses. If your expenses outweigh your income, you probably know the two alternatives: cut back on your expenses or increase your income. Which will better serve your membership?

If your income outweighs your expenses, you also have decisions to make. Do you cut back on fundraising and give your volunteers a break? Or do you raise the bar and provide more services this year?

Our final advice here is to keep your vision in mind. Make decisions that are in line with the values of your group.

Sticking to it

Congratulations! You made it. If you are lucky and have been diligent, you will have in front of you a budget that is workable and has buy-in from your team. You can use it as a road map to help you achieve your goals this year.

Remember though – your budget is just a bunch of numbers on a piece of paper. Now the real work starts – taking action.

Make sure that you monitor your actual results against your budget on a regular basis – at least monthly. Note what is working, what isn't, and what needs your immediate attention. Make this part of your regular routine as you prepare for your board meeting and make sure to interpret the results for those members who aren't as comfortable with numbers as you are.





PRO Tips

Consider doing this:

- Keep notes for next year's treasurer. At the beginning of the year, create a file for each activity on your budget. Write notes as the year goes by about what worked and what didn't. This can help the next board with decision-making.
- For activities that have both income and expenses, be sure to come up with a budget for both income and expenses to get a true picture of how it nets out.

Consider not doing this:

- Don't amend your budget to match your actual results. This will serve no purpose. You're not trying to prove your psychic ability here. Those who follow you will get much more out of knowing that you had budgeted \$2,000 in donations and only received \$500.

Sample Budget

Sunset Lane Organization FY 2023 Budget Report

Funds available at beginning of financial year (01/01/2023)			\$0.00
Fundraising	Budgeted Income	Budgeted Expenses	Budget Net
Fall Fundraiser	\$12,000.00	-\$5,000.00	\$7,000.00
Spring Fundraiser	\$14,000.00	-\$7,000.00	\$7,000.00
Fundraising Totals	\$26,000.00	-\$12,000.00	\$14,000.00
Learning	Budgeted Income	Budgeted Expenses	Budget Net
Assemblies	-	-\$2,000.00	-\$2,000.00
Field Trips	-	-\$3,000.00	-\$3,000.00
Reflections	-	-\$500.00	-\$500.00
Learning Totals	-	-\$5,500.00	-\$5,500.00
Student/Family/Community Support	Budgeted Income	Budgeted Expenses	Budget Net
Book Fair	\$2,500.00	-\$2,500.00	-
Directory	-	-\$500.00	-\$500.00
Movie Night	\$500.00	-\$1,000.00	-\$500.00
Yearbook	-	-\$800.00	-\$800.00
Student/Family/Community Support Totals	\$3,000.00	-\$4,800.00	-\$1,800.00
School/Teacher/Staff Support	Budgeted Income	Budgeted Expenses	Budget Net
Teacher Appreciation Week	-	-\$800.00	-\$800.00
Teacher Grants	-	-\$2,500.00	-\$2,500.00
School/Teacher/Staff Support Totals	-	-\$3,300.00	-\$3,300.00
Administration	Budgeted Income	Budgeted Expenses	Budget Net
Insurance	-	-\$450.00	-\$450.00
MoneyMinder Subscription	-	-\$200.00	-\$200.00
Office Supplies	-	-\$350.00	-\$350.00
Unanticipated Costs	-	-\$500.00	-\$500.00
Administration Totals	-	-\$1,500.00	-\$1,500.00
Grand Totals			
	\$29,000.00	-\$27,100.00	\$1,900.00
Projected bank balance if on budget			\$1,900.00

With permission to the Board to re-allocate as necessary.

Alone, we
can do so
little;
together,
we can do so
much.

Helen Keller



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