

Budgeting Basics: Step by Step

Regulatory Guidance: CAPR173-1 9.c.(9) p.9

(9) Develop and approve an annual budget as a forecasting tool. The budget must be sent to the wing director of finance by 1 October each year. Budgets will be entered at wing level into QuickBooks® to provide quarterly reporting to units. The unit is expected to strive to maintain a balanced budget – income equals expenditures other than projects for which reserves have been set aside. To ensure solvency, if an expense category exceeds its allocated budget amount, the overall budget must be revised to maintain a balanced budget. The unit must review their budget quarterly. Review of the budget should be noted in the minutes of the Finance Committee. If the unit determines there are no changes to the budget, the unit should note the review of the budget in their finance committee meeting minutes.

A budget is a tool, an estimate of income and expenses and should be reviewed and adjusted as needed. Do not be worried that it is perfect. Use it to gauge that your income and expenses are as expected as the year progresses.

1. Review current/previous budgets and cash statements (available in your unit folder on the Google Drive)
2. Start simple: list out expected recurring expenses seen in previous budgets: utilities, postage, uniform supplies, etc
3. Speak with unit commander about expected activities and fundraising for the next year and make sure they are aware the Fiscal year starts in October, not the calendar year.
 - Are you expecting expenses related to next year's open house?
 - Will your unit be ordering pizza for the cadets periodically?
 - Will the unit's members pay for training expenses, or will the unit cover them.
 - Are you giving any scholarships or awards to the cadets?
4. Getting clear answers to some of these questions will greatly simplify and make the budget more accurate
5. Create 2 lists and add them up: one for income and one for expected expenses.

Income	
Contributions Unrestricted	500.00
Contributions Restricted	
Fund Raising	1,000.00
Squadron Dues	
Revenue item (Add)	
Total Income	<u>1,500.00</u>

Expense	
Awards	100.00
Cadet Activities	1,000.00
Cadet Color Guard	
Supplies	
Cadet Scholarships	
Facility Rent	500.00
Internet	
Office supplies	100.00
Post Office Box Rental	
Recruiting Materials	200.00
Telephone	
Travel	
Total Expense	<u>1,900.00</u>

Likely your income and expenses will not match initially.

6. Review the current preliminary budget with the unit commander
 - If you need more income, can additional funds be found, or does an activity/cost need to be cut back for the year?
 - If you have more income than expenses, can you expand on an activity, or save that money for an activity in a future year?
7. If your income matches expenses then your budget is complete. If it doesn't, you'll need to adjust your income or expense until it does.

To reiterate: Income **MUST EQUAL** Expense.

Income	
Contributions Unrestricted	500.00
Contributions Restricted	
Fund Raising	1,000.00
Squadron Dues	
Revenue item (Add)	
Total Income	<u>1,500.00</u>

Expense	
Awards	100.00
Cadet Activities	800.00
Cadet Color Guard Supplies	
Cadet Scholarships	
Facility Rent	500.00
Internet	
Office supplies	100.00
Post Office Box Rental	
Recruiting Materials	200.00
Telephone	
Travel	
Total Expense	<u>1,500.00</u>

8. Review this now complete budget with the finance committee and vote to approve it.
9. Submit the now completed or revised budget to the Wing Administrator and Director of Finance. They will send it out via DocuSign for electronic approval and save it to your unit folder on the Google Drive and update the budget in QuickBooks.

Budget Reserves

The topic of budget reserves has created a large amount of confusion surrounding budgets. Its purpose is not to be a planned source of yearly income.

This line item has 2 general purposes:

- When an expected expense and the income that will be used to pay for it fall in different fiscal years.

For example, if you're saving up for equipment that you expect to buy next year you would include a Budget Reserve item on your expenses to save the income for next year.

Next year when you purchase that equipment you would note the money you stored for that purpose as a Budget Reserve on the income side of the budget.

- When building up a cash reserve, or using it due to change in income (lack of fundraising). Squadrons generally keep a safe amount of excess cash in their account in case of emergencies. This amount should not be excessive as we are a not-for-profit organization. For example, enough to cover a year or 2 of expenses might be reasonable, a few thousand for a typical squadron. When this amount becomes much larger and the goal is growing the amount rather than emergencies or material purchases this becomes an issue. Wing reviews these balances at each finance meeting and will contact the squadron commander if we feel it's becoming excessive.

If you have any questions on how to use this item with your budgets please reach out to the Wing FM.