

BUDGET

A budget is a plan of operations reduced to dollars and cents-or is it common sense? Anyone you know who is successful undoubtedly is operating with such a plan; certainly any organization which wants to be successful must make such a plan. Our top chapters all have budgets which form the guidelines by which they will operate.

WHY A BUDGET?

Actually the budget should be one of the easiest of chapter management plans to prepare. This is true because all phases of a chapter's operation are reduced to a common denominator-the dollar. A budget should be prepared for the purpose of establishing the course a chapter intends to follow for the next year. A budget reflects your sense of direction and reinforces your goals.

HOW DO YOU SET A BUDGET?

Setting a budget is as easy as forecasting how much money you are going to get and how much you plan to spend. It should be subdivided into quarters, semesters or trimesters so that enough cash is available at all times. This approach indicates that outstanding accounts receivable at the beginning of the year will be no larger at the end of the year and that you will be able to collect cash from fraters for the full budgeted income.

INCOME

The Crysophylos should consider this area as his most important one; for everyone will surely spend all he is allowed. If the budget is in balance at the start of the year and all planned expenses occur, the planned income must be there. Chapter income will come from three major areas-dues, room and board.

A dues income estimate is obtained by multiplying the number of fraters now present less seniors and a 10 percent factor for dropouts times the quarterly or semester dues times the number of quarters or semesters in the school year. If assessments are a way of life in your chapter and are used for a specific purpose, you may want to include both an estimated income figure, and an offsetting expense figure, so it will have no real effect on your budget.

The number of new initiates for the year should be estimated by the Prytanis, Rush Chairman and Hegemon, and possibly the entire Executive Council. The reason is that these numbers then become the chapter's targets for rush. While it is true that a bad estimate in numbers of new members may not hurt this portion of the budget, since the initiation fees may merely be repeated as an expense item, the effect will be felt through loss of dues later in the year. These new members should be included in the dues income for the number of quarters or semesters they will be active members.

The room and board figures may be obtained by the same multiplication process-number of men living in the house or number of meals served times the amount charged times the months, quarters, semesters or number of meals served.

Several words of caution on rent and board; do not use one hundred percent occupancy to break even. If you do, chances are very good that your chapter will be paying house expenses out of general chapter funds before the end of the year. Use 80 to 85% of house capacity to cover all expenses. If you do have more than 85% occupancy, you can always get that extra sofa, stereo set or new drain pipes with the extra rent income. If meals are compulsory, your commissary income forecast is rather easy, since you know how many fraters to count on. If meals are not compulsory, use what history is available in preparing estimates.

Other types of chapter income may be budgeted if they have occurred in the past, or are planned for the next year. Examples of this are dances, sponsored events, pop funds, etc.

EXPENSE

Some areas of expense are the responsibility of the Crysophylos, others should be shared with appropriate committee chairmen or officers. The logic of this approach is the involvement of as many officers as possible and the support to be gained for expense controls. The Crysophylos must have some historical records as well. When he sits down with a new officer he must be able to answer the question:

What did we spend last year?

Areas which he is usually responsible for include house payments, insurance and tax payments (if they are not included in the house payment), annual membership fees, liability insurance fees, and initiation fees, house mother's wages, other employee costs. These expenses are of a reasonably fixed nature and should be prorated for even before committee budgets are considered. All committee budgets should then be added to the fixed expenses and the totals compared with budgeted income. If expenses exceed income, the Crysophylos should present this picture to the Executive Council with recommendations as to where reductions can be made. The Executive Council must then agree among themselves which committees will take reductions.

In some chapters, the house budget and commissary budget are prepared separately. The Crysophylos, or a member of his committee, should be involved so that a total chapter operating budget may be compiled.

WHO SEES A BUDGET?

Once the financial plan of operations is prepared, it should be submitted to the chapter's Board of Advisors for approval. This step is required according to the Black Book and should be done to prove to your Board that yours is an organized chapter. The Board should require periodic reports against this budget so that they can see how well you are progressing on the plan. A decline in income from budget, or an out-of-line expenditure level for rush, socials or activities will stand out for corrective action by this technique.

Copies of this budget may be required by campus officials and are definitely a requirement of the Offices of the Grand Chapter. The Fraternity requirement has twofold purpose: 1) to be able to tell the world how big Tau Kappa Epsilon is in terms of dollars and 2) to aid the TKE professional staff in offering financial guidance where needed.

ARE BUDGETING TECHNIQUES UNIFORM?

The suggestions given in this article are merely designed to advance ideas. In some chapters, a business manager or an outside paid accountant may be responsible for preparing the budget. In other chapters, the Board of Advisors and/or Chapter Advisor may prepare the budget. None of these approaches are wrong. It is believed, however, that the more the fraters who are affected by the budget are involved in its presentation, the more they will live with "my budget."

TECHNIQUES

If it is possible to use the TKE accounting system and forms, a budget and reports against it can be very easy to prepare. This is true since the account numbers on the budget forms, report forms, and actual ledgers all coincide. The ledgers may also be separated into sections for chapter operations, house operations, and commissary operations or any combination of them. The list of accounts is in no way designed to be restrictive and may be expanded to meet any chapter's specific events or activities that are not covered.

Budgeting techniques may vary but the results of a carefully prepared budget and the effective utilization of that budget is universal—a good chapter, well managed and planning well for the future.

FAQ: Basic Organizational Budgeting

One of the tasks you may face as treasurer or 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 organizations. 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 plans 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 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 (What do we want to accomplish? How will we accomplish this? How much will the program cost? How will the program be funded?)
- A method of reviewing budget plans and procedures.
- Budgeted financial statements:
 - An estimated detailed income breakdown
 - An estimated detail 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.

- Determine available funds (carry over balance from previous years, cash on hand and funds in the bank, interest, etc.).
- Do careful studies of funding sources, costs, estimated and probably fundraisers.
- Estimate expected income and when it is expected to be available (dues, t-shirts, sales, pinball, etc.).
- Define needed expenses (club registration, advertising, printing, supplies, etc.).
- 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 program 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.

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 too.
- Control cost - allow only approved expenditures.
- Access budget at any given point of time during the budgeted period.