

BUDGET PREPARATION

THE BUDGET PROCESS

SUMMARY HIGHLIGHTS OF BUDGET SECTION

- **A budget is an approved financial plan which details estimated revenues (receipts) and expenditures for the upcoming year.**
- **A budget is required for all councils and locals with 2,000 or more members and strongly recommended for all affiliates.**
- **Budgets should be finalized and approved before the beginning of the fiscal operating year.**
- **Councils and Locals with 2,000 or more members must submit a copy of their budget to the International within ten days of the date the budget is approved.**

STEPS IN PREPARING A BUDGET

- **Determine Estimated Revenue based upon number of individuals dues are collected from, multiplied by the amount of the union's portion of dues. The monthly dues income is annualized by multiplying by twelve (number of months).**
- **Determine Estimated Expenditures using last year's disbursements as a basis for calculation. Adjust each category of expenditure up or down depending upon current circumstances or expectations.**
- **The difference between Estimated Revenues and Estimated Disbursements is the Estimated Excess or Deficit.**
- **Generally, deficit based budgets are not permitted.**
- **If your budget has a deficit, a reduction in expenditures may be necessary in order to, at a minimum, break even.**

THE BUDGET PROCESS

THE EFFECTIVE FORECASTING, REPORTING, MONITORING & EVALUATING OF UNION REVENUE AND EXPENDITURES

BUDGETS AND THE BUDGETING PROCESS

I. Definition and Objectives

- A. A budget is an approved financial plan detailing projected (estimated) revenues and expenditures for the upcoming year**
- B. Budgets are prepared on an annual basis**
 - 1. Required for all Councils and locals with 2,000 or more members**
 - 2. Strongly recommended for all other affiliates**
- C. Key Words - Planning & Control**
- D. Used to set financial goals or objectives for your affiliate**
- E. A basis for evaluation of spending programs**

II. Planning/Budgeting

- A. Define goals and set priorities for meeting such goals.**
- B. An accounting system must be in place to accommodate the recording and tracking of revenue/expenditures as required by the budget.**
- C. The prior year's financial statement (LUAFR) is used as a basis for preparing the current year budget.**
- D. Use conservative figures in calculating budget line items.**
- E. Budgets should be finalized and approved prior to the beginning of the fiscal operating year.**

- F. Modifications to the Budget throughout the year require Executive Board review and approval.**
- G. The Budget must be attached to the minutes of meeting at which it was presented and approved.**
- H. All Councils and Affiliates with over 2,000 members are required to file a copy of the adopted budget, and any major modification or revision to such budget, with the International Secretary-Treasurer within ten days after its adoption.**

PLANNING FOR/BUDGETING OF REVENUE (INCOME)

I. Projecting Estimated Receipts

- A. Income level is determined by membership**
 - 1. Exceptions such as seasonal membership changes, strikes and potential disaffiliations can, with research, be budgeted.**
- B. How "dues dependent" is the Union?**
 - 1. Are there other realistic sources of supplemental income?**
 - a. Avoid criticism from local merchants**
 - b. Avoid jeopardizing IRS non-profit status**

II. Effective budgeting for income requires knowledge of all sources of income

- A. Accurate past and current membership figures**
- B. Knowledge of problems which may affect certain segments or groups of membership**
- C. Knowledge of seasonal or other changes in membership**
- D. Identify other income sources**
 - 1. Rental income from office space or auditorium space**
 - 2. Interest on bank accounts and investments**
 - 3. Any other projected sources of income**

PLANNING FOR/BUDGETING OF EXPENDITURES

I. Cash-Flow-Timing of Payments

- A. Unless organization has sufficient cash "reserves" (savings, CD's, etc.), timing of expenditures must coincide with timing of receipts**
 - 1. To avoid late payments affecting credit rating**
 - 2. To guarantee payroll (if applicable) will be met**
 - 3. To ensure goals are met in a timely fashion**

II. Expense Authorization Procedures

- A. Define expense authorization parameters for:**
 - 1. Executive Board**
 - 2. Membership**
- B. Four types of authorization:**
 - 1. Law**
 - 2. Constitution**
 - 3. Contract**
 - 4. Vote**

III. Predictability of Expenses

- A. Three types of expenses:**
 - 1. Fixed**
 - 2. Variable (but can be estimated)**
 - 3. Unforeseen:**
 - a. Legal actions**
 - b. Strikes**
 - c. Natural disasters**
 - i. Membership commitment**
 - ii. Community service commitment**

IV. Excess/Deficit

- A. No Deficit Based Budgets**
 - 1. 3-month operational surplus for contingency purposes**
 - 2. Savings for long-range goals and commitments**

- 3. Trust Funds**
 - a. Mandated for specific purposes**
 - b. Contractual or Appropriated Funds**

- B. Investments**
 - 1. Develop investment strategy**
 - 2. Safe and secure investments**
 - 3. Insured by FDIC or other governmental agency**
 - 4. Monitor interest rates**
 - 5. Conservative budgeting of investment income**

V. Accountability for Budget Variances

- A. Actual versus budgeted income and expenditures are periodically compared to determine if budget revisions are necessary**
 - 1. Encourages conservative spending practices**
 - 2. Encourages constant monitoring of actual spending**
 - 3. Encourages seeking bids or "shopping" for best price**
 - 4. Promotes general awareness of budget process**
- B. Excessive or Material Variances are analyzed and explained**
 - 1. Allows for early detection and correction of significant variances**
 - 2. Basis for periodically revising budget amounts throughout the year as necessary**
- C. Report of Actual versus budgeted income and expenditures**
 - 1. Required monthly for all councils and affiliates with 2,000 or more members**
 - 2. Recommended at least quarterly for all other affiliates**