

## **ASSOCIATION BUDGETING/FINANCIAL PLANNING**

Each year, a budget should be established that will govern the spending of the Association throughout the year. Ultimately, the Association's Board of Directors should approve the budget. Typically, a budget committee is established to put together a proposed budget that is then presented for approval to the Board. This smaller working group should include the President, the Treasurer, any staff members, and other interested Board members. It usually makes sense for the Budget Committee to request budget proposals from its various committee chairs. Once this data is gathered, the Committee can proceed to prepare the budget.

### *Timing*

The goal is to approve the budget prior to the start of the fiscal year. Assuming your fiscal year is the calendar year, this means approval no later than December 31. An earlier deadline (i.e. November 15) allows for proper planning for events and programs that are held early in the year.

An example timetable would look like this:

- **August 15** – Budget Committee established and notifies all committee chairs of the deadline to submit budget requests.
- **September 15** – Deadline for all committees to submit budget requests
- **October 15** – Budget Committee meets to review budget requests and prepare draft budget
- **October 30** – Final review by Committee
- **November 15** – Submit to Board for approval

### *Elements of the Budget*

A budget incorporates sources of revenue, program goals, and administrative needs. Any strategic plan developed by the Association should be an integral part of the budget process, as this plan establishes the business priorities of the Association, while the budget allocates funds in accordance with those priorities. Ultimately, the budget will consist of revenues and expenses, with each of these categories broken down further based on the source and/or category of the revenues and expenses. Generally, Association revenues come from three main sources: membership fees, sanction fees, and program or event revenues. Remember, for both membership and sanction fees, you should only record as revenue the Association portion and not the National Office portion. Similarly, expenses can be broken down into membership expenses, sanctioning expenses, program or event expenses, and other administrative expenses. Typical budget line items are shown in Table 1 (below).

A starting point for putting together next year's budget could be last year's numbers and the current year's actual history. With regard to "Programs/Events," you will need to identify the programs and/or events you plan to put on in the coming year. Will you delete any events or add any new ones? You can ask the individual(s) in charge of each event to submit proposed revenue and expenses for their respective programs and/or events. With regard to "Membership" – how do you expect next year's numbers to compare to this year? Similarly, how has the organization fared with contributions and sanctions in the past?

Once you have collected the data, you can list your expected revenues. Be conservative – don't anticipate huge increases in membership or meet attendance where there is no basis to do so. Add up your total revenues and you know how much you have to spend. Now you can allocate this money to the various expense categories. Start with the money you know you have to spend.

**Table 1 • Typical Budget Line Items**

Typical Budget Line Items		
<i>Revenue</i>	<i>Expenses</i>	
Individual membership fees	Administrative	Membership
Club membership fees	Association Annual Meeting	Individual sticker fees
Contributions	USATF Annual Meeting	Club expense
Programs/events	USATF Associations Workshop	Membership marketing
Event sanctions	Bank fees	
Sponsor fees	Rent	Sport Committees:
Other	Office supplies	Youth
	Insurance/bonding	Men's LDR
	Postage	Women's LDR
	Printing	Masters LDR
	Promotion	Men's Track & Field
	Website	Women's Track & Field
	Telephone	Masters Track & Field
	Wages	Race Walking
	Miscellaneous	

“Fixed costs,” or the money you will have to spend according to your current agreements, includes items such as rent (if you have an office), telephone, and anything else that does not depend on whether you decide to put on a program or event (“discretionary costs.”) Add up the money you know you will spend, and subtract it from the total. Now you now know how much you have left to spend on programs and/or events. If it is more than your expected expenses for those programs, you are set and will incur a “surplus” for the year to have in reserve if needed in future years. If it is less, you need to decide where you can make adjustments to reach a “balanced” budget, which is a zero net income budget. This is the typical goal for a non-profit organization. All of this requires prioritizing your goals.

Table 2 (below) shows the deliberations and adjustments which surround a typical budget process. There are generally three stages – a first pass, a second pass, and final approval. Sometimes, the budget works out on the first pass and goes immediately to the approval stage.

**First Pass:** For the first pass at the budget, the Committee assumed that membership would stay flat at 300 adult members, 1,050 youth members, and 20 clubs at \$40 (your Association’s club dues may be different), wanting to be on the conservative side. Regarding contributions, a major contributor stepped up in the prior year. But they do not have any assurance that this will take place again. Similarly, a major sponsor of the Junior Olympic outdoor meet has indicated they will not renew the sponsorship. Thus, these revenue numbers have been reduced. In order to be in compliance with the Regulation 7 requirements for Associations, the Association needs to add a 5K road race championship. Thus, they have increased revenue by \$1,000 and expenses by \$1,150 for events. Because it is the first year for the event, they are not confident it will make money. They also want to keep entry fees low to encourage participation. The Association also needs to improve its attendance at the USATF Annual Meeting, and thus they wish to allocate more funds to reimburse expenses for members who attend. They would also like to be able to do some extra mailings regarding their events in an effort to increase membership and attendance at the events. Thus, they have increased their printing and postage allocations, along with the website.

<b>Sample Budget</b>				
<b>Revenue</b>	<b>Last Year</b>	<b>First Pass</b>	<b>Second Pass</b>	<b>Final Budget</b>
Individual Memberships	15,000	15,000	15,000	15,000
Organizational Memberships	300	300	350	350
Contributions	2,000	1,200	1,500	1,500
Programs/Events	8,000	9,000	9,000	9,000
Event Sanctions	3,000	3,000	3,000	3,000
Sponsorship Fees	2,000	500	1,000	1,000
Other	50	50	50	50
<b>Total Revenue</b>	<b>30,350</b>	<b>29,050</b>	<b>29,900</b>	<b>29,900</b>
<b>Expenses</b>	<b>Last Year</b>	<b>First Pass</b>	<b>Second Pass</b>	<b>Final Budget</b>
Annual Meeting	500	500	500	500
USATF Annual Meeting	8,500	9,000	9,000	9,000
Associations Workshop	600	600	600	600
Bank Fees	75	75	75	75
Office Supplies	1,250	1,250	1,250	1,250
Insurance/Bonding	200	200	200	200
Postage	1,500	2,000	1,500	1,500
Printing	1,000	1,500	1,500	1,500
Promotion	2,000	2,000	2,000	1,500
Website	1,250	1,500	1,500	1,350
Telephone	675	675	675	675
Programs/Events	11,050	12,200	12,450	12,450
Miscellaneous	500	500	500	500
<b>Total Expenses</b>	<b>29,100</b>	<b>32,000</b>	<b>31,750</b>	<b>31,100</b>
<b>Net Profit (Loss)</b>	<b>1,250</b>	<b>(2,950)</b>	<b>(1,850)</b>	<b>(1,200)</b>

*\*These are shown as one line item. Actually, they are a total of all events and programs that take place during the year. Associations may also maintain these in detail by each event or program. Alternatively, you could list revenues/expenses under Youth, Men's LDR, etc. Either system is fine, provided everyone has a clear understanding of how money is being spent and who is responsible. In order to reduce expenses to better balance the budget, the committee has decided to hand out flyers at Association events and other road races and meets to save on postage and this number has been reduced.*

Unfortunately, these changes result in a budgeted loss of \$2,950, which is unacceptable to the organization. Now they must review the numbers to see where they can reasonably make changes.

**Second Pass:** After some discussion and checking, a committee member has determined that his company will provide \$500 for the new 5K championship, provided the Association puts up \$250 in matching prize money to allow for team awards. The Budget Committee checked with the 5K race director, and she agreed this was a good idea. The Association is confident this will increase their club memberships by at least five teams. Thus, these changes have been made to the budgeted numbers. After further discussion, the group also feels that they are comfortable revising the contribution number up slightly as they will be able to offer the 5K as a new program they are offering in their solicitations. The result of the changes is a \$1,850 loss for the year. The Association feels strongly about starting the year with a balanced budget, so it decides that one more pass is required.

**Final Budget:** After the final review, the Committee determined that the Association could reduce its spending on general promotion, since this is discretionary spending and they really want to make

the new event work. The website expense was also adjusted slightly as these are discretionary dollars. The Association has determined that it is comfortable with the projected \$1,200 loss as this is within the surplus from the prior year of \$1,300. Once the Budget Committee has prepared a draft it is comfortable with, it should be submitted to the Board for approval.