

Budgets and Budget Review

Introduction:

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Topics:

- What is a Budget?
- Why do we need a Budget?
- How do we create a Budget?
- How do we track our budget?
- Can we change our budget?

What is a Budget?

- A budget is an estimate of Income and Expenditures for a set period of time.
- For us the period of time is our fiscal year (April 1 to March 31).
- Think of the budget as a road map, we set a destination (estimated Income & Expenses for the fiscal year). As we travel down the road we frequently check to see where we are and if we still feel we are headed in the right direction. Maybe we encounter a road block or have an unexpected breakdown. We may need to alter our course to meet our year end goal.
- Remember, the budget is an estimate, and just because there is an expense amount set in the budget it doesn't mean it can/has to be spent. You still need lodge approval to spend money.
- Your income is the driver, if you meet or exceed your income goals you should be able to meet your expenditure goals.
- We are expected to have a balanced budget, one where the income is equal to or greater than the expenses. You should never budget for a loss, it is not good business sense.

Why do we need a Budget

- A budget is a way to keep track of the money you are receiving and spending.
- It a great way to make sure you can cover your expenses month to month.
- Statute 12.070 requires the Trustess/(Board of Directors if Incorporated, which in Idaho we are all Incorporated) to present to the Lodge a segregated Budget (separate budgets for each department/class) to the Lodge by the final lodge meeting in April of each year.
- Lodges should also take special note of Opinion 20 of Section 12.070 which states *"Appropriations set forth in a budget do **not** authorize the expenditure of funds until the Lodge passes a specific motion authorizing same"* (emphasis added).

Who do we create a budget?

- Each department (Lodge, Bar, Food Service, Golf Course, RV Park, etc. should meet and discuss their expected Income and Expense for the upcoming year.
- Have the Bookkeeper/Secretary provide a comparative Profit & Loss report for each department (class) for a least 2 prior years to use as a guide.
- Review these statements and note any one-time Income and Expenses that occurred during the year. These one-time items should not be included in the budget.
- Prepare the Income sections first making reasonable estimates for all anticipated Income. The estimates should be both reasonable and conservative.
- Prepare the Cost of Goods Sold (CoGS) sections for those activities that require it (liquor, beer, wine, soda/pop, food, etc.). Lodges should use the recommended target CoGS percentages as a starting point. (I personally build a formula to calculate the CoGS by multiplying the budgeted income of each section by .35 to get the budgeted CoGS, example: Total Liquor Sales times .35 = CoGS for Liquor) CoGS is the cost of the items you have sold over the specified period of time.
- Prepare the Expense sections last. Begin with those expenses that are either fixed (rent, property taxes, mortgage interest, etc.) or semi-variable but required (payroll, utilities, supplies, etc.) and finally those expenses that are not required but that the Lodge wants to incur (charitable donations, Lodge funded scholarships, community activities, etc.). The first two categories are those that the Lodge has little or no control over. The last category of Expenses is "optional" in nature, meaning that the Lodge is not obligated to make the expenditure but will do so if funding is available.
- Review the results on an activity basis. Is the activity generating a profit? If not, what adjustments can be made to reduce the loss from the activity. It is never good financial management to prepare a deficit budget.
- Review the results for the Lodge and all its activities. Is an overall profit being generated? If not, where can Expenses be reduced or what other sources of Income can be tapped to close the gap.

Budget Review

- Each month you should review your actual income and expenses against your budget.
- Have Secretary or Bookkeeper run a Budget versus Actual report for the fiscal year to the end of the last month.
- Report should include amount over/under and percentage of the budget
- Identify accounts that may need adjusting or watching.
- In my example
 - The dues and per capitas are at 75% of the year, meaning 25% of the members are delinquent and the year is half over. Contact the delinquent members to determine why they haven't paid.
 - The donations are well below anticipated amount. You might have to consider reducing or at least investigate why.
 - Fund Raising is exceeding the anticipated amount. Great job!
 - The cost of Insurance and Utilities is greater than anticipated. Research why the utilities have increased to determine if you can reduce future bills or you may need to adjust the budget.
 - The Charitable donations is far below the anticipated amount, research has a donation been reduced, are they all still expected to be expended?
- If budget adjustments are needed the Board should present to the Lodge the recommended adjustments for approval.

Are we still awake? Do you have any questions?

Recap

- What is a budget?
 - An estimate of income and expenses for a specific period of time (Lodge Fiscal Year)
- Why do we need a budget?
 - To track the money being received and the money being spent.
- How do we create a budget?
 - Get actuals for a least 2 prior fiscal years and determine what you expect to receive and spend over the next fiscal year
- How do we track our budget?
 - Run Budget vs Actual reports and review, monitoring accounts that are not close to what you budgeted
- Can we change our budget?
 - Of course! Take a revised budget to the Lodge floor anytime during the year

Again my name is David Tatlock and if you have any questions seek me out, I will be happy to assist you.