
Standard Administrative Practice

1999-05-30-01

Creation of Annual Budget

- 1 Begin in May, so that the proposed budget can be considered by the Executive Committee (Board of Directors) and adopted by the membership at its June meeting.
- 2 Estimate how much direct public support (donations) the squad will receive for the next fiscal year. In a balanced budget, this is how much the squad will have to spend in the coming year. Two methods for making a reasonable estimate are:
 - 2.1 Take the average of the "direct public support" figures from the past five years' IRS Form 990's (ie, Line 1 a). Adjust the average up or down according to the trend for the past five years. Use the adjusted figure for the budget proposal.
 - 2.2 Use a tool like Quattro Pro or a statistical calculator to perform a linear regression on the direct public support figures for the past five years. The graph will show a predicted value for the coming year. It may also be worthwhile to calculate the standard or sample deviation for the mean of the figures from the past five years.
- 3 Split the estimated donation figure amongst the squad's various purchasing authorities (PA's -- officers, committee chairs, etc). One reasonable method of making such a split is as follows:
 - 3.1 Use QuickBooks to generate a Transaction Report, sorted by "Class". From the report, determine how much money each PA actually spent last year (both actual dollar figure as well as percentage of total expenditures). Calculate the actual dollar amount each PA would have to spend if last year's percentage were applied to this year's estimated donations. Copy this column to another column where you can play with the numbers to preserve nondiscretionary values from last year.

A sample spreadsheet that was created using this strategy is attached.

- 4 Factor in any grants or other restricted revenue that may have been approved for use in the coming year. Presumably, each such restricted revenue figure would be added to one particular PA's fund.

Alternately, restricted funds can be tracked apart from the direct public support budget. This strategy would probably be easier for future budget analysts to understand.

- 5 Follow steps 4 through 8 of the attachment entitled, *Entering beginning balances for funds*. The attachment was taken from the QuickBooks online help as follows:

Help

QuickBooks and Your Industry

Nonprofit or Exempt Organizations

Entering beginning balances for funds

You should end up with a General Journal Entry window similar to the one shown in the second attachment.

- 6 If you encounter any problems, contact the squad's accountant. Proper budgeting and fund tracking is crucial to the smooth operation of the squad.

Entering beginning balances for funds

A fund's beginning balance is the total amount of money available to spend for the purpose of that fund. It does not necessarily correspond to a bank account balance, because you may have one fund's money split among two or more actual bank accounts. This section deals with fund balances regardless of how many bank accounts actually contain the money.



You should know the correct fund balances before proceeding. Be sure to include in each fund's balance any accounts receivable or payable for that fund. Accounts receivable would increase the fund's balance, and accounts payable would decrease the balance.

To enter beginning balances for your funds

- 1 Set up your actual bank accounts with the correct beginning balances for those accounts in QuickBooks.
If you set up your QuickBooks company through the EasyStep Interview, you have already completed this step. If you have not set up these accounts, see [Adding new accounts](#).
- 2 Calculate the beginning balances for all your funds.
The total amount should equal the amount you have in your bank accounts plus any outstanding accounts payable or receivable for all funds.
- 3 Create a QuickBooks income account called "Fund Transfer Income" and an expense account called "Fund Transfer Expense."
These accounts will only be used in general journal entries to enter or adjust fund balances, but they will always cancel each other out.
- 4 From the Activities menu, choose Make Journal Entry.
- 5 In the Account field, select the Fund Transfer Income account, enter the total for the first fund under Credit, and select the fund under Class.
- 6 Repeat Step 5 for each fund you have.
- 7 After you've entered the last fund balance, press Tab. You'll see a balancing entry on the next line under Debit, equal to the total for all your funds (which you entered in the Credit column).
- 8 Choose the Fund Transfer Expense account on the last line (where you see the balancing entry under Debit).
Do not select a class on this line.

The screenshot shows the 'Make Journal Entry' window in QuickBooks. The date is 11/08/96. The entry number is blank. The window contains a table with columns: Account, Debit, Credit, Memo, Name, and Class. The first two lines represent the beginning balances for two funds: 'Fund Transfer I' with a credit of 5,000.00 and class 'Outreach', and 'Fund Transfer I' with a credit of 3,000.00 and class 'Building'. The third line is a balancing entry with a debit of 8,000.00 and the account 'Fund Transf'. The window also includes buttons for 'Prev', 'Next', 'Advice', 'OK', and 'Cancel'.

Account	Debit	Credit	Memo	Name	Class
Fund Transfer I		5,000.00			Outreach
Fund Transfer I		3,000.00			Building
Fund Transf	8,000.00				

The final line is a balancing entry, assigned to the Fund Transfer Expense account.

The first two lines enter the beginning balances for this organization's two funds.

To check your beginning balance entry, you can create a Custom Report. See [Checking your fund balances periodically](#).

General Journal Entry How Do I?

Date: 07/01/98

Entry No.

Account	Debit	Credit	Memo	Name	Class
FUND XFR INCOME		12,829.00			REC Support
FUND XFR INCOME		1,051.00			REC Captain
FUND XFR INCOME		421.00			REC Executive
FUND XFR INCOME		27,051.00			REC Logistics
FUND XFR INCOME		1,743.00			REC Support
FUND XFR INCOME		71.00			ASSTCC Admin
FUND XFR INCOME		61,981.00			AmbulanceCC
FUND XFR INCOME		293.00			ASSTCC Build
FUND XFR INCOME		43.00			Charter/Dry
FUND XFR INCOME		1,099.00			Executive Dir
FUND XFR INCOME		1,367.00			FD Liason Co
FUND XFR INCOME		342.00			FD Liason Co
FUND XFR INCOME		22,941.00			TurdDryCC
FUND XFR INCOME		2,842.00			Int TechCC
FUND XFR INCOME		535.00			Mail Clerk Mail
FUND XFR INCOME		481.00			MSWHLCC Man
FUND XFR INCOME		302.00			Office Manag
FUND XFR INCOME		2,429.00			Executive Pe
FUND XFR INCOME		692.00			Secretary Se
FUND XFR INCOME		22,624.00			SupplyMgt Su
FUND XFR INCOME		633.00			TrainingCal T
FUND XFR INCOME		443.00			Treasurer Tre
FUND XFR INCOME		3,093.00			UniformCoord
FUND XFR EXPENSE	73,833.00				