



HOW TO SET GOALS THROUGH ANNUAL BUDGETING

Committee:

National Finance

Submitted by:

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Contact Information for Questions:

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Objective:

Provide for financial stability by setting goals through the annual budget process.

Step-by-Step Instructions:

- Create a three-member Finance Committee for your unit.
- Conduct a budget planning meeting of the Finance Committee prior to the start of your fiscal year; make sure to invite unit officers at which time the agenda should include, but not limited to the following:
 - Review your current financials in comparison to the IRS and nonprofit watchdog organizations' benchmarks outlined in the Plan of Action.
 - Review your progress status of your long-range goals (e.g., fundraising for a new building).
 - Review your annual ALA obligations (Veterans Affairs & Rehabilitation, poppy promotion, ALA Girls State, etc.).
 - Review your annual operating expenses (e.g., rent, heat, bank fees and conference registrations, etc.).
 - Review your membership numbers and the related dues income.
 - Review other sources of revenue (donations, events, bequests, etc.).
 - On a 12-month calendar, plot out when you anticipate your revenue and expenditures will occur.
 - Compare your total estimated revenue vs. your total estimated expenses.
 - Determine which areas need further consideration to accomplish your long-range goals and meet the IRS and nonprofit watchdog organizations' expense benchmarks:
 - Program Services (expenditures related to the organization's primary mission and purpose): The target should be 65-75 percent.
 - Management and General Administrative (expenditures spent on managing the operations of the organization): The target should be 5-10 percent.
 - Fundraising (expenditures spent on raising additional funds for the organization's purpose and mission expenses—e.g., grants, planned giving, endowments, direct mail campaigns, etc.): The target should be 10-20 percent.
- Try to create a positive bottom line. Remember: Budgets are just a guide.
- Have the Finance Committee vote to approve the budget and forward onto unit membership for adoption.
- Have unit membership vote on the adoption of the annual budget.