

Budgets and Finances

BF101: Basic Recreation Finances

BF101 - Handle Basic Recreation Finances was designed and prepared for Recreation North by Brenda Herchmer, Grassroots Enterprises with input from Jodi Alderson and editing by Caroline Sparks. Development was funded by the Arctic Inspiration Prize. Revisions for Program delivery were made by Caroline Sparks.

Description:

This learning event develops a basic understanding of how to responsibly handle recreation finances. Learn how to plan, track, and report on money coming in and money being spent on projects, programs, and events.

Learning Objectives:

- Understand basic terms and practices used to manage finances.
- Prepare a budget for a small project, program or event.
- Practice tracking money coming in, in-kind contributions, and money spent.
- Prepare a simple report showing revenue and expenses.

Required Learning Activities:

- RLA: Build a Budget
- RLA: Prepare a Financial Report

Week 1:

Handling or managing finances combines systems and decisions. BF101 introduces these concepts through 12 basic terms that recreation leaders will encounter. A budget is a financial planning and management tool that describes what will be done and how over a specific period of time. Budgets may be developed for projects, programs, events, organizations, facilities, etc. Participants learn about budgets and practice preparing a simple one for a program or event.

Key teaching points:

Some of the key terms and concepts that are used in handling finances include:

- Accounting is a system that involves storing, sorting, summarizing, analyzing and presenting financial information.
- Bookkeeping involves accurately entering financial information into "the books." Financial information can include expenses, bills that need paying, money that is owed, payroll, etc.
- Fiscal year simply means "financial year." It is a 12-month period used for budgeting and reporting and can start at any time in the year. Governments use April 1 to March 31 for their fiscal year.
- Software can make financial management easier. Excel is an example of software that most people can use. Quick Books or Simply Accounting are examples of more advanced software designed for bookkeeping.
- Revenue is "money in" and other financial resources that support projects, programs and events. In recreation, revenue may come from governments, municipal taxes, fees (registration, membership, rental), non-profit associations, foundations, fundraising, cash donations, etc.
- A grant is a gift of money that is to be used in a certain way. An agreement between a funder and the grant recipient lists how and when the grant can be used. A grant is usually received before it is used for a project, program or event.
- In-kind contributions provide resources other than money. Volunteers, donations of food or supplies, transportation, or free use of a facility are non-monetary resources that support projects, programs and events. In a proposal or funding application, in-kind contributions show a commitment on the part of the applicant and may be considered just as important as cash.
- Cash flow is the mix and timing of money coming in and going out. A cash flow projection can show how money will come in and out. A cash flow statement shows how money did flow in and out. Cash flow is important to predict so that an organization has enough coming in to cover expenses when they are due.

- A financial statement is a report. Common statements are a Balance Sheet and an Income Statement. Other financial reports include a cash flow statement, a monthly budget report, a project or event report, etc.
- Petty cash is a small amount of money kept on hand for small expenses. When cash is used to pay for something, a receipt or record of the expense and amount is written down.
- A budget is a financial plan. It identifies revenue and expenses in different categories. It helps control finances. It keeps track of money in and money out.
- Expenses means money is being spent. Administrative expenses may include wages, supplies, or freight. Program expenses might include facility rental, or snacks. Facility expenses may include insurance, heat, or janitorial. Equipment expenses might include soccer nets or computers.

There are different types of budgets (program, operating, capital, etc.). A budget uses categories to classify expenses and revenues (e.g., personnel, equipment, materials, travel, phone, etc.). Developing a budget involves:

1. Deciding on what you are doing and over what time period.
2. Determining how much it will cost (expenses).
3. Determining how much money you have or will be getting (revenues).
4. Subtracting expenses from revenues to find the balance. If the number is positive, the prediction is that money will be made. If the number is negative, the prediction is that money will be lost. If revenues and expenses are the same, the prediction is to break even.

Budgets need to be approved before they are used.

Reflective questions to encourage learning:

- What are some common mistakes when managing finances?
- How is recreation bookkeeping handled in your community?
- What financial management software is used in your community?
- Where do you get funding for your recreation programs?
- What is an example of an in-kind contribution you received?
- Who develops budgets in your community? Who needs to approve them?

Week 2:

Once a budget has been developed and approved, it can be used to make decisions and record/track finances. Ideally, a budget is followed, but at times plans change. Tracking finances provides insight into what actually happens as compared to what was planned. Tracking provides the information needed to prepare a financial report showing the actual revenue and expenses. Financial reports are usually required at the end of a project, program, event or operating year.

Key teaching points:

Follow the budget as best as possible. This involves understanding the budget; keeping receipts, invoices, deposit slips, etc.; and using a system to record when money is spent as well as when it is received.

At the end of the budget time period, pay all bills; record all in-kind contributions; and collect any remaining money or grants. Compare the planned budget to what actually happened—the actual budget.

To prepare a basic financial report refer to the budget and tracked expenses and revenues. Calculate the actual or total amounts for each category. Then, list and total revenue categories then expense categories. Finally, subtract total expenses from total revenue for net income.

Common financial statements include:

- Income statements which show revenue and expenses, over a set period of time—usually one year. The difference between these is net income. If expenses are more than revenue, the difference is net loss.
- Balance Sheets which show an organization's financial state on a specific date by subtracting liabilities from assets to find equity. An asset is something that is owned currently (cash) or for the long-term (buildings). A liability is something that is owed soon (bills) or over the long-term (loans). Equity (or net assets) is the difference between assets and liabilities.
- A Cash Flow Statement illustrates the flow, mix and timing of money. It shows when and how much money came in, and when and how much money went out.

Reflective questions to encourage learning:

- Discuss the difference between financial authority and accountability.
- Describe how you track your expenses and revenues for the programs and/or events you deliver.
- Explain how petty cash is managed in your organization.
- In the Case Study, how much did Cindy claim from the grant? Did the program break even, make money or lose money?

Required Learning Activity #1: Build a Budget

Complete by: Sunday after the first conference call

Prepare a budget using the case study provided **OR** your own program or event.

Option A: Case study

1. Read the [case study](#) overview on page 1.
2. Use the information on pages 2-4 to prepare the budget. Use the [online budget template](#) or your own format.
3. Post the budget in the forum by Sunday after the first conference call.

Option B: Your own program or event

1. Prepare an overview describing your own program or event. Consider using pages 1-2 of the [PE101 template](#).
2. Prepare your budget. Provide enough financial information and detail to show what you plan to do and how you will do it. Use the [online budget template](#) or your own format.
3. Post both your overview and your budget in the forum by Sunday after the first conference call.

Downloads:

- Program Budget [Template Word](#) or Program Budget [Template Excel](#)
- BF101 [Case Study PDF](#)

Note: Provide Case Study Program Budget example in a forum post.

Required Learning Activity #2: Prepare a Financial Report

Complete by: Sunday after the second conference call

Prepare a Program Financial Report using the case study provided OR your own program or event. Be sure to complete Activity #4 first. A template can be downloaded below.

Option A: Case study

1. In Activity #4, you recorded the finances listed on page 5 of the [case study](#) into a Tracking Sheet template.
2. Next, prepare a basic financial report following the steps on slide 18. Use the template provided or your own format.
3. Post in the forum by Sunday after the second conference call.

Option B: Your own program or event

1. In Activity #4, you recorded some of your own program or event finances into a Tracking Sheet template.
2. Next, prepare a basic financial report following the steps on slide 18. Use the template provided or your own format.
3. Post in the forum by Sunday after the second conference call.

Downloads:

- Report [Template Word](#) or Report [Template Excel](#)
- BF101 [Case Study PDF](#)

Note: Provide Case Study Tracking Sheet example in a forum post

Resources:

- BF101 Presentation
- BF101 Case Study - https://files.recnorth.ca/LEres/BF101_Case-Study.pdf
- Case Study Program Budget - https://files.recnorth.ca/train-res/BF101_Case-Study_Program-Budget.pdf
- Case Study completed Tracking Sheet - https://files.recnorth.ca/train-res/BF101_Case-Study_Tracking.pdf
- Budget Template - https://files.recnorth.ca/LEres/Program-Budget-Template_fillable.pdf
- Tracking Template - https://files.recnorth.ca/LEres/Tracking-Sheet-Template_fillable.pdf
- Financial Report Sample - <https://files.recnorth.ca/LEres/Program-Report-Sample.pdf>
- Financial Report Template - <https://files.recnorth.ca/LEres/Financial-Report-Template.pdf>

Activities:

- Common financial terms (H5P)
- Tracking program revenue and expenses – practice activity
- 2 Required Learning Activities

References:

- Manitoba Aboriginal and Northern Affairs. (2008). Budgeting (Chapter 7). Recreation Director's Handbook; A guide for recreation delivery in Aboriginal communities. Government of Manitoba. Retrieved from https://www.gov.mb.ca/inr/publications/pubs/recreation_directors_handbook_2008.pdf
- Center for Community Health and Development. (2018). Managing Finances (Chapter 43). Community Tool Box. University of Kansas. Retrieved from <https://ctb.ku.edu/en>