

## Budgeting

### Lesson Objective:

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**Lesson Objective:** Comprehend the importance of a unit budget and determine budget requirements.

### Desired Learning Outcomes:

1. Describe the importance of budgeting at the unit level.
2. Identify unit assets and needs.
3. Understand the unit's basic role in the "Wing Banker" program.
4. Discuss techniques for raising funds.
5. Complete a budgeting exercise.

### Lesson:

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#### The Importance of Budgeting:

One of your most important responsibilities as a commander is to ensure that your unit is financially sound. It's ultimately your responsibility to make sure your unit can and does pay its debts and is accountable to the wing, NHQ, and to its membership.

You may assume command of a unit in good financial shape with assets and cash or a unit with few assets and no cash whatsoever. Whatever your situation, you have similar obligations. This segment will show you how to better fulfill them.

Why do you need to budget for your unit? You may not have that many people or a broad range of activities and on the surface it may appear that there may not be a pressing need to budget further than the unit checkbook. But, you probably have more of a need than you realize.

Most of you budget for your family: rent, allowance for the children, food, clothing, bills, fuel, and incidentals all take your money. You need to know how much money you have to spend, and to prioritize the things you want with what you can afford. The same is true for your squadron. Look at the sample financial summary you will use later in the exercise. This is a fairly realistic representation of a modest sized unit - and as you can see - a lot of money can change hands if you are an active squadron. Even more money can be involved if you have to rent an airplane for flight activities.

Just a quick look at the summary illustrates an important reason for budgeting itself. This squadron ended the fiscal year with less money than when it started. Also, do you feel comfortable with the safety net you have in the ending balance?

When you budget, you balance what you have with what you want. Using the information available to you, you can determine what you need to do to meet your objectives.

**Why is budgeting important, even to a small unit?**

## Determining Your Assets and Needs:

The first step in getting together with your finance committee is to determine your needs and assets. It's important to know that these are two independent operations, at least in the beginning. A good method for doing this assessment is to use elements of the problem solving model.

A. First, determine what you have. Look at the material

assets which you own (excluding corporate vehicles, aircraft, and property), the cash flow over the past year or so, and the cash you have on hand. These assets can include: furniture, copiers, computers, TVs, radios, uniforms, supplies, the bank account, CDs, receipts from fundraising activities and average annual payments for reimbursable activities, etc. A good source to determine this is monthly cash and investment reports. Though your unit may have purchased these items for the squadron or had them donated, understand that if they are listed on your inventory they are corporate assets. You may not dispose (sell) an item to obtain something else without the permission of the WG/CC.

Get together with your \_\_\_\_\_  
\_\_\_\_\_.

Use your annual \_\_\_\_\_ as a guide.

Determine what you \_\_\_\_\_ and \_\_\_\_\_.

Find the \_\_\_\_\_ between what you have and what you will need.

Determine how you will \_\_\_\_\_ the difference.

Are you spending money \_\_\_\_\_?

- B. Next, determine what you need: rent, insurance and tax payments; projected maintenance; scheduled activities; your want list for equipment, supplies and uniforms; telephone and utilities; the money you will need to pay for airplane, vehicle, and other activities before they are reimbursed by NHQ or the Air Force; etc. Again, a good shell to use for this portion is your monthly cash and investment reports.
- C. Your next step is to determine any difference between projected income and what you think you will need to meet the financial needs of your unit for the coming year. At this stage, it's okay if you want more than you will project to have. You can take this as an opportunity to explore options for raising money, determine if you are receiving all the reimbursement the unit is entitled to, receiving donations, sharing expenses, and other options. You may also conclude that you need to reassess your priorities if you feel you might "bite off more than you can chew."

Look at all ways in which you receive and spend money. Are you paying too much in some areas? Are you receiving all your entitled reimbursement? Are your members paying their dues on time? Are they paying enough? Are maintenance or administrative costs draining the budget? What are you supplying your members without charge that costs the unit? What are some other questions you would ask yourself?

If you determine you need to raise funds in order to have enough cash to meet your budgetary requirements, there are many avenues to consider. CAP Regulatory guidance requires you to raise funds properly. It also gives you some ideas from which to build a fund raising program.

### The Unit's Basic Role in the "Wing Banker" Program:

The over arching concept of the "Wing Banker program" is to have each wing act as "banker" for its respective units. The advantages of the wing acting as the "banker" for the unit's monies include obtaining an unqualified audit opinion, all accounting being on the accrual basis (units below wing level are on the cash basis), all funds being audited, and better reporting.

- A. Each unit should appoint a finance officer and finance committee as required in CAPR 173-1. The unit finance officer, the unit commander, or a designated finance committee member must initiate and approve any expenses under a specified amount as identified in CAPR 173-1; if the expense is over that amount, then a majority of the finance committee must indicate approval with signatures. Expenses over a certain amount specified in CAPR 173-1 need wing finance committee approval. Review CAPR 173-1 for specific expense amounts and approval requirements associated with each.

- B. The unit finance committee should develop a budget to help manage the unit's finances. They should also monitor their income and expenses to help verify that wing has recorded everything correctly. This may be done by reviewing the periodic reports that will be sent to each unit by wing HQ.
- C. Under the wing banker program the unit needs to ensure that all local bank accounts are closed and the money is forwarded to wing within the allotted time period.
- D. The unit needs to ensure that all bills are forwarded to wing in a timely manner or to change the billing address to wing HQ. If the mailing address for those bills is changed to wing HQ, then the unit needs to authorize wing to pay those bills on a recurring basis through a recurring expense authorization.
- E. The unit will continue to be responsible for following fundraising procedures as required in CAPR 173-4. These procedures require the wing commander to approve all fundraising requests. In addition, the unit must provide an accurate accounting of funds raised to wing HQ.

The unit finance committee continues to play a very important role and is crucial in the management of the unit's financial transactions. The only difference is that wing is now their banker. The units should also be reassured because wing HQ is audited every year, either by an outside accounting firm or a wing financial analyst.

### Techniques for Raising Funds:

Fundraising can be much more than standing outside of a store asking for donations, though there is certainly nothing wrong with the practice. But there are other ways to raise funds and build good will for your unit. The method you choose should fit with the amount of money you want to raise, and how long you wish to sustain the campaign.

No matter how you wish to raise funds for your squadron, you must keep these two things in mind; first, *you must obtain written permission from your wing commander*. As the corporate officer of CAP representing your wing, the wing commander is the agent responsible for all fund raising activities. Secondly, *make yourself aware of the state and local fundraising laws and regulations*. These differ from state to state; you can contact your state and local governments for more information.

## Fundraising Ideas:

Once you receive wing permission and meet state and local requirements, you can plan your campaign. It can be as simple as the storefront collection, reselling bulk candy to unit members, bake sales and pancake breakfasts, corporate sponsorship, car or aircraft washes, rummage sales, selling locally contracted merchandise such as bumper stickers, hats or t-shirts (contact NHQ/GC for specifics on locally contracted merchandise), concession booths at selected activities, etc.

### Fundraising Ideas:

- Storefront \_\_\_\_\_
- Bake sales/pancake breakfasts
- Rummage sales
- Locally \_\_\_\_\_
- (t-shirts, hats, etc)
- Car/aircraft \_\_\_\_\_
- Commercial \_\_\_\_\_
- etc.

## Fundraising Don'ts:

When fundraising, there are some things that you **cannot** do. These include: sponsoring or flying in air shows; carrying aircraft passengers for charge, dropping objects from aircraft or spot landing contests, percentage professional fundraising (unless specifically approved in writing and in advance from NHQ), or finally, contracting

### Fundraising Don'ts

- \_\_\_\_\_ or \_\_\_\_\_ in airshows
- Carrying aircraft \_\_\_\_\_
- Dropping objects from aircraft or \_\_\_\_\_
- \_\_\_\_\_ professional fundraising (unless specifically approved in writing from NHQ)
- Activities for which CAP members receive \_\_\_\_\_

fundraising activities for which an individual is privately paid for the arrangement. Your wing commander or legal officer should help keep you out of trouble here.

An alternative to fundraising is soliciting donations of needed equipment or supplies from the community. Sources can be corporate or private, and may be attractive alternatives if donations can be arranged.

### Soliciting Donations:

Equipment donations are an attractive alternative to fundraising. You solicit the donation, and the wing commander (or higher) accepts the donation on behalf of CAP.

- A. You may solicit donations for your unit; however your wing commander is the one who can accept the donation because he/she is the corporate official representing CAP in your wing. The donated material would then be issued to your unit, but remember in general that once the item is donated it is the property of the CAP corporation and not your unit.
- B. By regulation, wing commanders can accept donations of property in the amount of \$5000 or less. Region commanders can accept donations worth between \$5000 - \$10,000. The Executive Director of Civil Air Patrol accepts donations worth more than \$10,000. Units below wing level receiving donations or bequests in excess of \$5,000 must notify their wing financial officer and NHQ/FM within 30 days of receipt of the donation or bequest.

Budgeting for your unit is an involved but important process which should go hand in hand with unit planning. Knowing what you have and what you need, and developing a way to get there will help you fulfill your command obligation of being an agent of sound fiscal management.

### Budgeting Exercise:

**EXERCISE OBJECTIVE:** To enable students to apply what they have learned from the Budgeting segment and reach a workable solution to the case presented.

**NOTE:** In completing the exercise the students will show comprehension of Behavioral Outcomes 1, 2, and 3.

In this exercise, you will plan a budget for a composite squadron for one year. What follows is a brief summary of the large assets you have available:

- 1 corporate aircraft (2001 model Cessna 172)
- 1 corporate van (2004 Dodge 12 passenger van)
- 1 Dell desktop computer (corporate issue 2008)
- 1 HP laser printer
- 2 EF Johnson portable radios
- 1 Cannon desk top copier 2004)
- 1 21" TV/VCR combination (purchased in (2004)
- 2 L-PER direction finding units w/cases

## CAP Unit Commanders Course: Student Guide

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You are situated on an airport and rent your facility for \$50.00 per month. Your lease expires on 31 December 2012. The airport manager has given you tie down space free of charge. Hangar space is available but he will charge you an additional \$50.00 per month.

Your unit charges dues: \$2.00 for seniors and \$1.00 for cadets per meeting, paid quarterly, which are your main source of paying the non reimbursable bills. You pay for encampment fees by check through the Wing Banker Program and collect the money from the cadets in advance. Every year, the squadron sponsors its own model rocketry program for cadets at no charge and also gives cadets their insignia upon promotion.

You publish a monthly squadron newsletter and mail it to members' homes. Your unit is active in emergency services and is fairly good about turning in claims for reimbursement, but it could be better.

Your fundraising activities are limited, and usually are designed to benefit a squadron activity, such as an open house.

Your task in this exercise is to take this information and the financial summary provided and develop a budget for the coming year. You may not reduce the tempo of activities, nor give up assets. You may estimate member levels, plan to buy or upgrade assets, increase receipts and/or reduce expenses.

In this exercise your group will operate as the unit finance committee, so you must designate a unit commander, finance officer, and recorder for the exercise. The remainder of the group will be on the committee.

There is no single correct answer to this exercise. The purpose of the exercise is to emphasize the importance of budget planning to the unit, given the amount of activity and money flow even a modest sized squadron has.

Your group has 30 minutes to develop a budget. Then we'll spend some time to discuss each group's approach to the process.

Good Luck!

Sample Unit Financial Summary:

**CIVIL AIR PATROL**

**YOUR WING**

**UNIT NAME *REPUBLIC COMPOSITE SQUADRON* UNIT NUMBER *NER-XX-123***

Cash for the unit held at the wing through the Wing Banker program Oct 1, 20XX .....\$324.00

**Add: Receipt**

<b>Account No.</b>	<b>Account Title</b>	<b>Amount</b>	<b>Notes</b>
5050000	Gov. Appropriations/Programs	\$960.00	(Mission reimbursement)
5060000	Gov. Appropriations/General	\$0	
5080000	Government Contributions	\$0	
5223200	Senior Activities	\$0	
5224200	Cadet Activities	\$455.00	(7 cadet encamp. fees)
5224300	Combined Senior & Cadet Activities	\$0	
5225200	Flight Activities	\$1073.00	
5240000	Fundraising/Special Events and acts	\$162.50	
5310012	Membership Dues	\$1890.00	(10 seniors @ \$2/wk) 45 wks (22 cadets @ \$1/wk) 45 wks
5412011	Contributions	\$300.00	
5415000	Miscellaneous Receipts	\$0	
5419000	Investment Income/Saving & Temp	\$0	
5424100	Materials and Supplies Sales	\$0	
5424200	Insurance Collected	\$0	
5424300	Unrelated Business Income	\$0	
6300000	Receipts from National HQ	\$290.00	(Cadet Orientation Flights)
6400000	Receipts from other CAP entities	\$0	

**Total Receipts.....\$5130.50**

Total Beginning Balance and Receipts during Year.....\$ 5454.50

## CAP Unit Commanders Course: Student Guide

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### Less: Expenditures

Account No.	Account Title	Amount	Notes
7100000	Awards and Grants to Individuals	\$50.00	
7210000	Salaries	\$0	
7324000	Workers Comp Insurance	\$0	
7410000	Payroll Taxes	\$0	
7520000	Professional Services	\$125.00	
7600000	Mission Expenditures	\$400.00	
7700100	Supplies	\$150.00	
7701000	Cost of Sales	\$550.00	
7745000	Communication Equipment Purchased	\$0	
7810000	Telephone	\$520.00	
7900000	Postage and Shipping	\$122.88	
8010000	Rent	\$600.00	(Rent \$50/month)
8016000	Property Taxes	\$0	
8085000	Other Facility Expenditures	\$100.00	
8110000	Aircraft O+M	\$1200.00	
8120000	Vehicle O+M	\$160.00	
8123000	Other Equipment Purchased	\$70.00	
8230000	Printing and Publications	\$100.00	
8310000	Travel	\$50.00	
8475000	Cadet Activities	\$605.00	(7 encampment fees/model rocketry)
8476000	Senior Activities	\$75.00	
8480000	Combined Senior & Cadet Activities	\$0	
8540000	Conferences and Meetings	\$0	
8700000	Insurance	\$365.00	
9302000	Miscellaneous	\$40.00	
9305000	Interest Expense	\$0	
9430000	Unrelated Business Income Expenses	\$0	
9434000	Payments to National HQ	\$0	
9436000	Expenditures to other CAP Entities	\$0	
9438000	Fundraising Expenses	\$25.00	
9445000	Lobbying Expenditures	\$0	

**Total Expenditures.....\$5307.88**

Cash in Wing Banker account, Sept 30, 20XX+1.....\$146.62