

How to build a budget

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Developing an annual budget for your choir is a challenging exercise. It is a practical procedure and is essential to the financial well being of your organization. The budget must be carefully constructed, and incorporate all of the building blocks required to support your programme.

Words like “realistic” and “functional” should be kept in mind. A problem can arise when one tries to equate sensible planning with the wonderful artistic vision we have for our choirs. Financial planning is a tool for survival and growth, not a force to be reckoned with!

Developing format

Refer to the most detailed grant application forms you can find, or develop a composite, to make sure nothing is overlooked. I suggest that you start with the Ontario Arts Council's forms, even if you don't intend to apply for a choral grant from them. They are quite thorough, and in the event that you eventually do apply, your books will easily conform to their expectations. Start at: www.arts.on.ca/index.aspx.

Design a chart using graph paper or a spreadsheet program on your computer. Make it as detailed as possible with headings for **areas** of activity down the left margin and headings for reporting **items of income or cost** across the top of the page. A sample layout can be found on page 3 of this document.

A cell is created at the intersection of an **area** row and an **item** column. Each cell is a building block in developing the budget, and the amounts in each cell can be controlled to produce a balanced budget.

A side benefit of so much detail is the ability to verify statistics, such as how many students attended a particular concert. This kind of statistical information is useful not only in applying for grants, but in long-range planning and policy evaluation.

Determining revenues

Keeping in mind that you cannot spend money that you don't have, begin with the revenue side of the budget. How much income can your organization reasonably expect to generate during the year? Do you receive government grants? Do you charge admission to your concerts? Do you carry out fundraising activities?

Areas of revenue will include ticket sales (adult, senior, student, group rates, subscriptions), fee for service (paid performance), programme ads, fundraising activity (sponsor, donor, sale, event), bank interest, GST rebate.

You should be able to see at a glance, for instance, that Concert #2 (area), is expected to generate revenues (cell) from sponsorships (item), or that the board (area) plans to raise revenues (cell) from the rummage sale (item).

Try not to get carried away with overly optimistic projections of income. A useful rule of thumb is to underestimate revenues and overestimate expenses. Then make the two sides of the budget balance.

Determining expenses

Once you have determined your projected revenues, you can take a look at the expense side of the budget. The first task is to determine which costs are fixed (those over which you have no control) and which are variable (such as the quality of print material).

In reality, you will find that most costs are variable up to the time that a contract is signed. It is therefore absolutely imperative to carry out this budget building (and financial analysis) before any contracts are signed.

Expenses are usually divided into three categories: **artistic**, **production**, and **Administration**. The most straightforward and yet potentially difficult are artistic expenses. You will need the understanding and cooperation of your artistic director to determine and control this category.

Once again, using the graph or spreadsheet, list the expense **areas** down the left margin. These include every concert (as listed on the revenue side), board activities (meetings, AGM, auditions), fundraising activities and grant application preparation (taping, correspondence, entertainment). Don't forget workshops and social occasions.

List the expense **items** across the top of the page. This will need to be very detailed. Grant applications are not consistent in the way they ask for information. It sometimes becomes necessary to combine or separate items to meet the reporting criteria. This is easier to do if you have kept detailed records.

Artistic **items** should include an allowance for temporary or emergency personnel (if the volunteer soloist is ill, a replacement must be hired), as well as your regular staff and guest artists.

Production **items** are expenses related to a concert, such as programme printing, hall rental, music purchase or advertising. Provide for a contingency fund to cover any unanticipated expenses (around 10% of the overall budget). You never know when Murphy's law might prevail.

Continuing evaluation

It will be necessary to revisit the budget from time to time throughout the concert season. It is unwise to proceed too far into your season without making adjustments for changes in anticipated income.

For example, you may have submitted grant applications that were only partially successful and some adjustments may be necessary when you find out how much your choir will actually be receiving from the granting agencies. Or perhaps subscription sales did not reach anticipated levels.

Reporting comprehensively

Report every dollar that passes through the organization. You may be tempted to record only the new income or deficit of a particular event, but that ignores and conceals the time and effort expended by volunteers in producing an event.

Discourage your volunteers from making hidden donations for such things as duplicating, refreshments, or postage. Donations are always needed and appreciated, but this practice minimizes the actual cost of running your choir. Ask them to submit receipts for reimbursement, and a cash donation to offset the expense. They will have a charitable donation receipt (assuming that your choir already has a charitable license), and you will have a more accurate picture of what it really costs to support your choir.

Conclusion

By developing a comprehensive budget building process now, the task will become easier each year. You will have a more complete and accurate frame on which to build future budgets and will be able to avoid those nasty surprise deficits. And hopefully you'll have more time to enjoy the music.

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Sample choir budget layout

Revenues	Item	Earned		Fundraising		Grants		Area subtotal
		Subscriptions	Tickets	Individual	Corporate	Province	OAC	
Area								
Concert #1			2200					2200
Benefit show								
Fundraising								
Donations				4000	2000			6000
Admin./office		2000				200	2000	4200
Item Subtotal		2000	2200	4000	2000	200	2000	12,400

Expenses	Item	Artistic		Production		Administration		Area subtotal
		Conductor	Soloists	Music	Programme	Publicity	Phone	
Area								
Concert #1			1000	200	200	20		1420
Benefit show								
Fundraising								
Donations								
Admin./office							1000	1000
Item subtotal		0	1000	200	200	20	1000	2420