

# Budgeting for BOSS

NAF Annual Operating Budget (AOB) Process



# Welcome

From the choices below, please identify one (1) source of funding for your BOSS program.

American Tax Payer	Appropriated Funds (APF), Tax Dollars, Appropriations, UFM
Soldiers, Family Members, Civilians, Retirees	Non-Appropriated Funds (NAF), Sales, Soldier Dollars
Private Business	Sponsorship, Donations

# Knowledge Check – Funding Categories

Which of the following are the bases for categorization of Family and MWR activities?

(Select all that apply)

- The relationship of the activity to readiness & retention
  - The size of the installation
  - The activity's ability to generate revenue
  - Availability for corporate sponsorship
-

# FMWR Funding Categories

# A

Category

- 100 % APF
- **Mission Sustaining Activities**
- Critical for retention and readiness of Soldiers
- Promotes the physical and mental well-being of the soldier
- Little or no ability to generate NAF \$
- Authorized to be funded 100% with APF dollars - authorization, however, does not guarantee fund availability
- Examples: Libraries, recreation centers, and fitness/sports operations

**BOSS**

# B

Category

- MIX APF & NAF
- **Enhanced Community Support Activities**
- Provides for the readiness & retention of Soldiers & contribute to the military mission by fostering a sense of community spirit
- Have potential to raise a limited amount of NAF \$, but lack the ability to sustain themselves based purely on their business.
- Authorized to receive the majority of their funding from APF funds - total amount depends upon the installation commander's priorities & availability of funds
- Examples: Child and youth services, arts and crafts, auto crafts, bowling centers with 12 or less lanes, & outdoor recreation services

# C

Category

- **NAF FUNDED**
- **Business Activities**
- Considered nonessential from the perspective of the military mission
- Desirable as a means of providing recreational activity with morale benefit
- Business activities with highest capability of generating revenues
- Should be self-sustaining
- Receive little or no direct APF support & are expected to generate a profit
- Some exceptions for remote sites & OCONUS installations
- Examples: Clubs, golf courses, & bowling centers

# Objectives

- Recognize FMWR Funding Categories
- Identify NAF regulations and operating guidance that pertain to BOSS
- Explain sources & streams of funding for FMWR programs
- Describe the monthly income statement & categorize the major elements
- Define analysis, recognize trends, & understand a variance
- Identify BOSS Program measures & their relationship to various tools, standards, & systems
- Nested Strategies – How BOSS supports the Army's Mission
- Identify & apply the NAF Annual Operating Budget (AOB) Process
- Describe the NAF 5yr Plan Program Requirements & apply to inclusion in the AOB
- Define the components of the Manager's Narrative & relate to budget & planning process



# Regulations and Policies

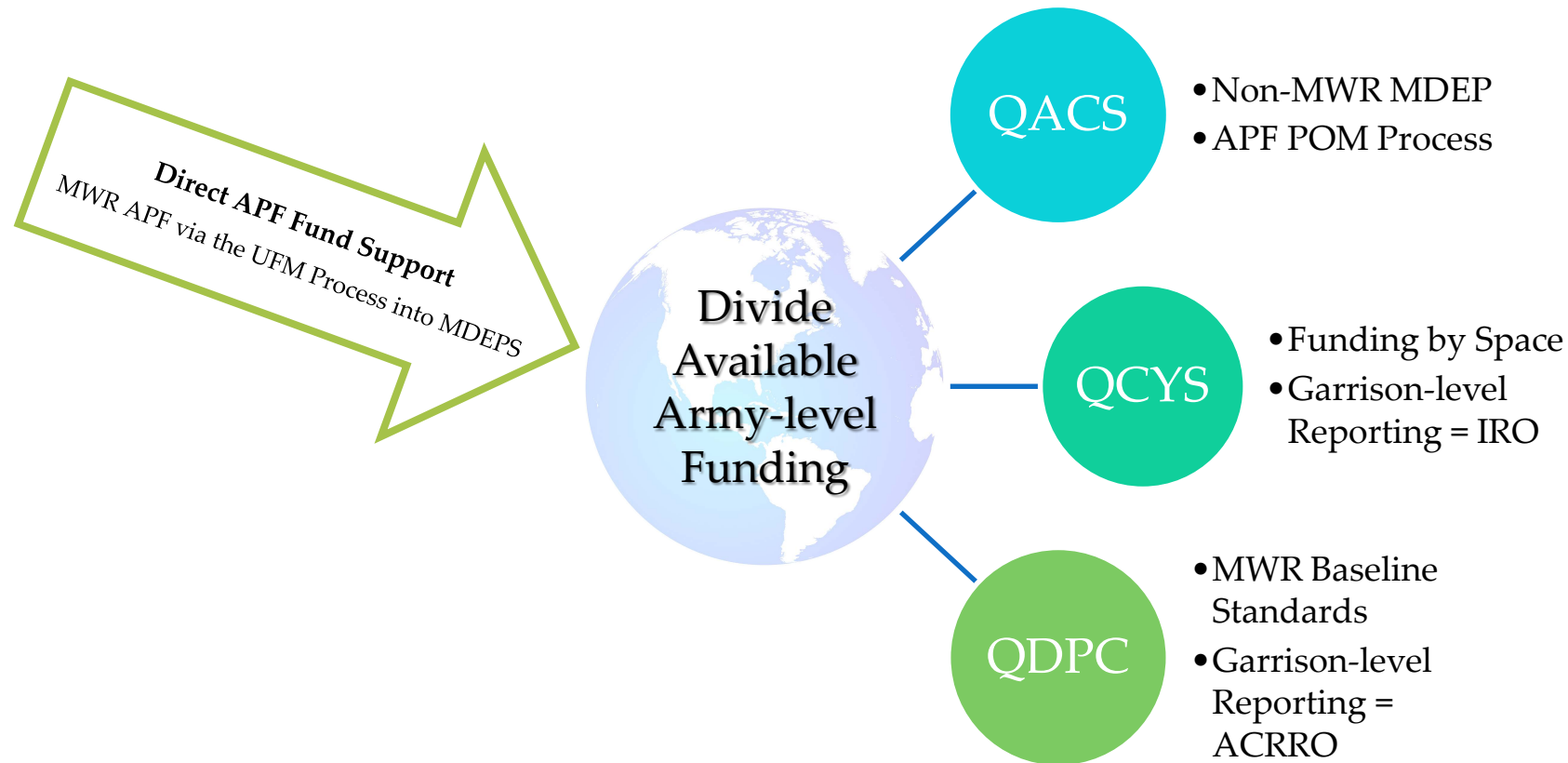
- Legal & fiduciary responsibilities for proper use of APF & NAF
  - AR 215-1
  - DOD 7000.14-R
  - AR 11-2
  - DFAS-IN 37.1
- Operating Guidance/Standard Operating Procedures
- SPECIFIC TO BOSS – Lacking/Nothing Current
  - Desk Reference and Circular (*Reference Material Only*)

# Fund Manager

- Appointed
- Monitors FMWR activities
- Ensures management controls are in place

# Funding Levels Determined

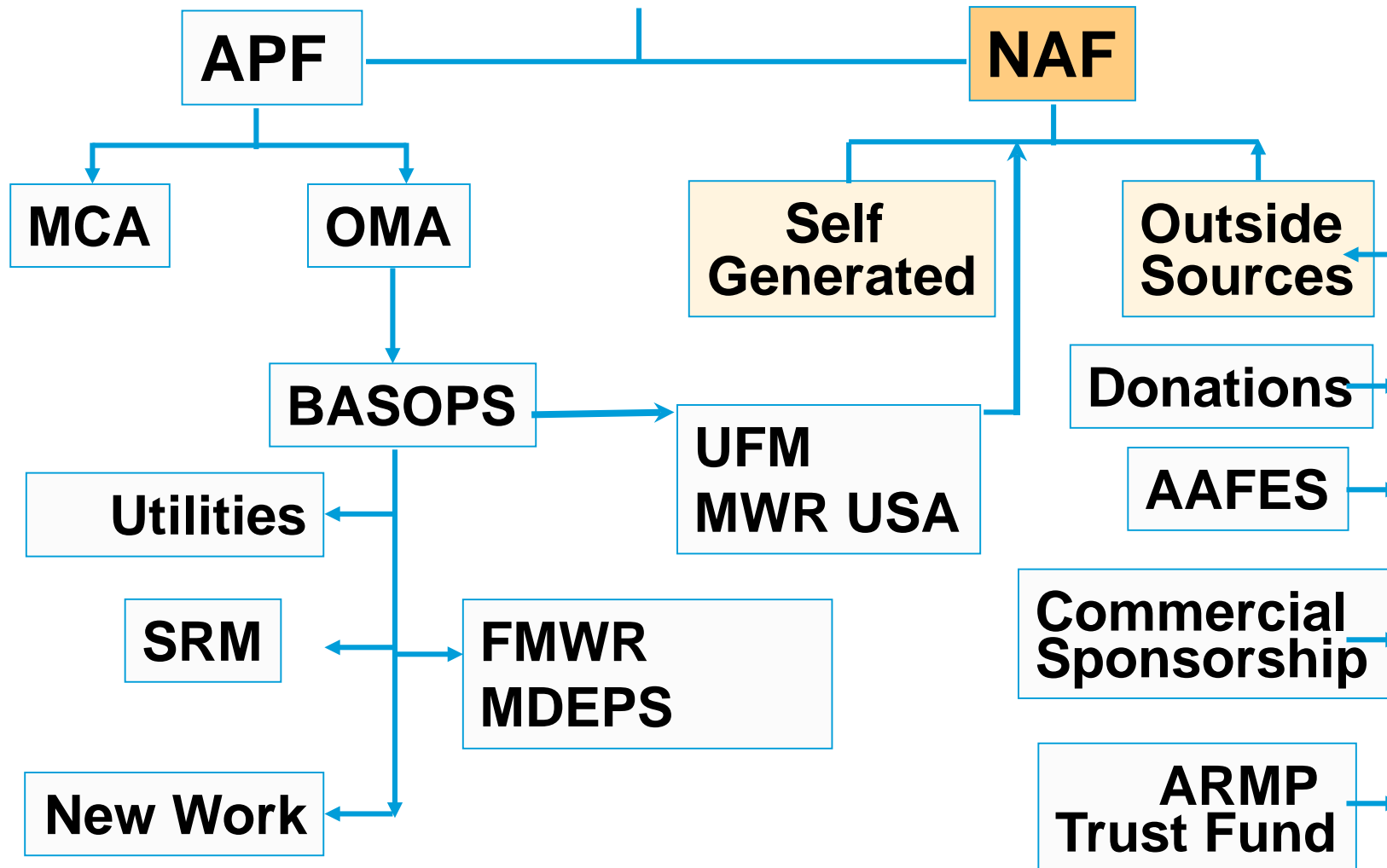
How are individual Garrison MWR APF funding levels determined?





# Funding FMWR

*Point: FMWR support utilizes a blend of funds*



# NAF and NAFI

- Nonappropriated Funds (NAF)
  - Government funds
  - Not appropriated by Congress
  - Same fiduciary responsibility as for Appropriated Funds (APF)
- NAF Instrumentality (NAFI)
  - Maintain custody & control of NAFs
  - Tax exempt
  - Separate FMWR, Lodging, Chaplains, Civilian Welfare, Post Restaurant Funds

# Uniform Funding & Management

What is it?  A Process.

- UFM
  - Procurement of property and services for FMWR
  - Management of employees to provide the program
  - Financial reporting and management
- UFM is a DOD-wide FMWR initiative
- UFM does not increase or decrease funding. It is an alternate means of execution.



# Give Us Your Digits!

Do you know your Program, Location, and Department Codes?

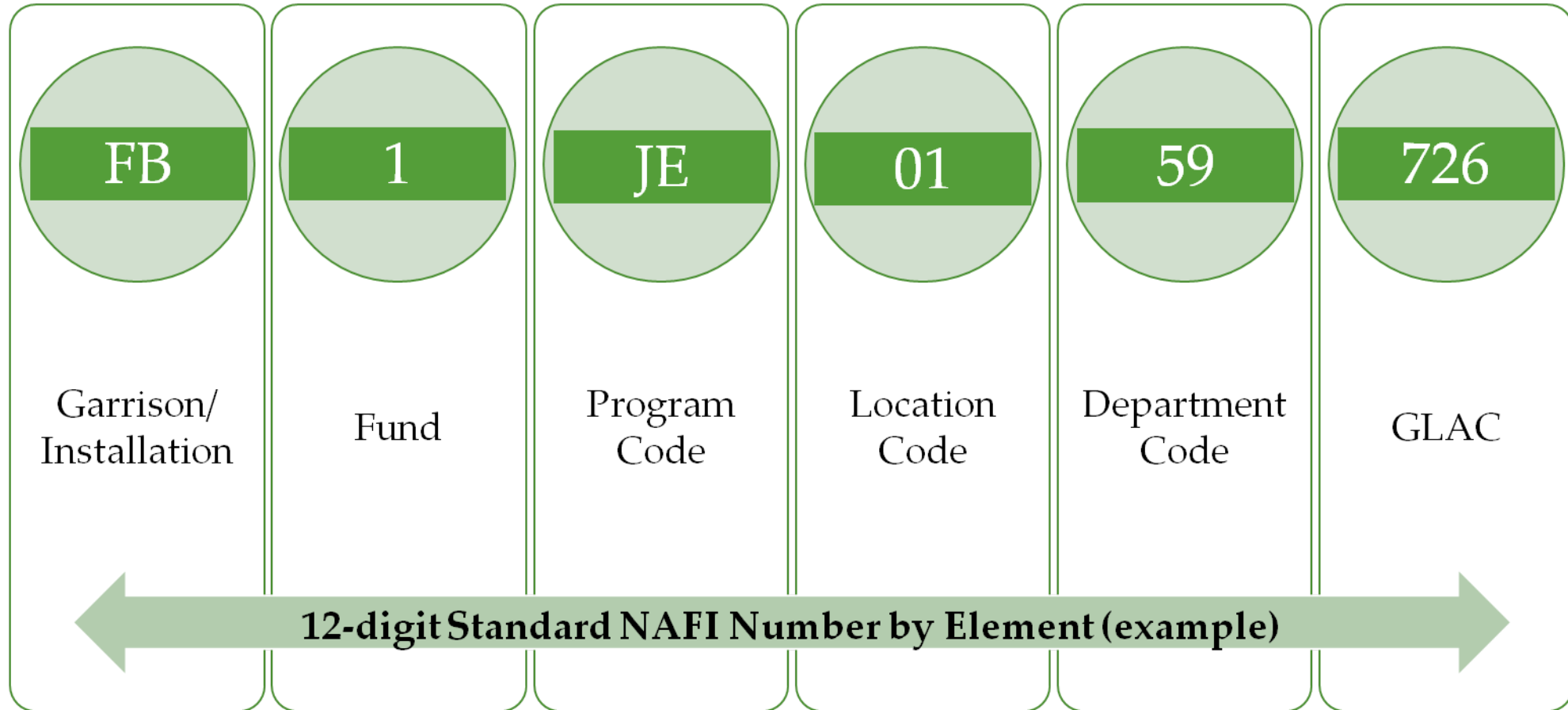
Program  
Code

Location  
Code

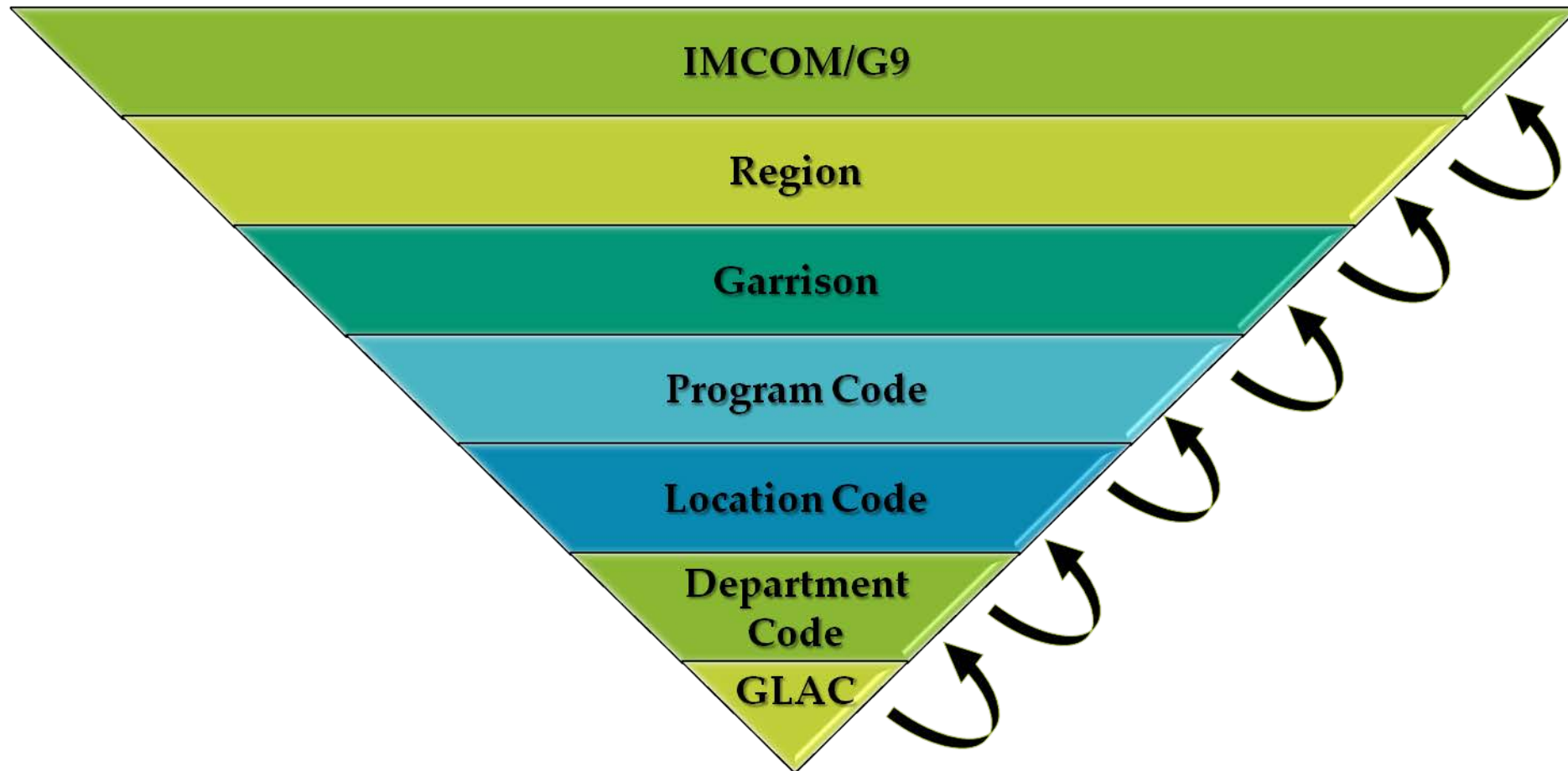
Department  
Code



# The Standard NAFI Number



# Rolling Things Up



# Income Statement

What is an Income Statement and what is it used for?

- Formal documentation of NAF program financial performance
- Historical document prepared 15 to 20 days after the close of the monthly accounting period
- Compares revenue to expenses
- Reflects net income or loss for the period

# Income Statement

The basic income statement format is:

$$\text{Revenue} - \text{Expense} = \text{Net Income (or Loss)}$$

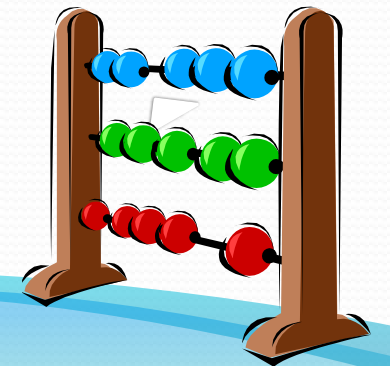
## Income Statement Format

1. Total Revenue	\$15,500
2. - Expenses	8,500
<hr/>	
= Net Income	\$ 7,000



## Income Statement Format

1. Net Sales	5,000
2. - Cost of Goods Sold (COGS)	2,500
<hr/>	
= Gross Income from Sales	2,500
3. + Other Operating Income	10,000
<hr/>	
= Gross Income from Operations	12,500
4. - Labor	3,500
5. - Other Operating Expenses	2,000
<hr/>	
= Net Income/Loss from Operations	7,000
6a. + Other Income	500
6b. -Other Expense	100
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= Net Income before Depreciation	7,400
7. - Depreciation	400
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= Net Income/Loss after Depreciation	7,000



# Analysis

How do you conduct an analysis?

## Analysis Defined

Comparative analysis is a method used in the examination of financial statements to identify new trends by the item-by-item comparison of *two or more* sets of data



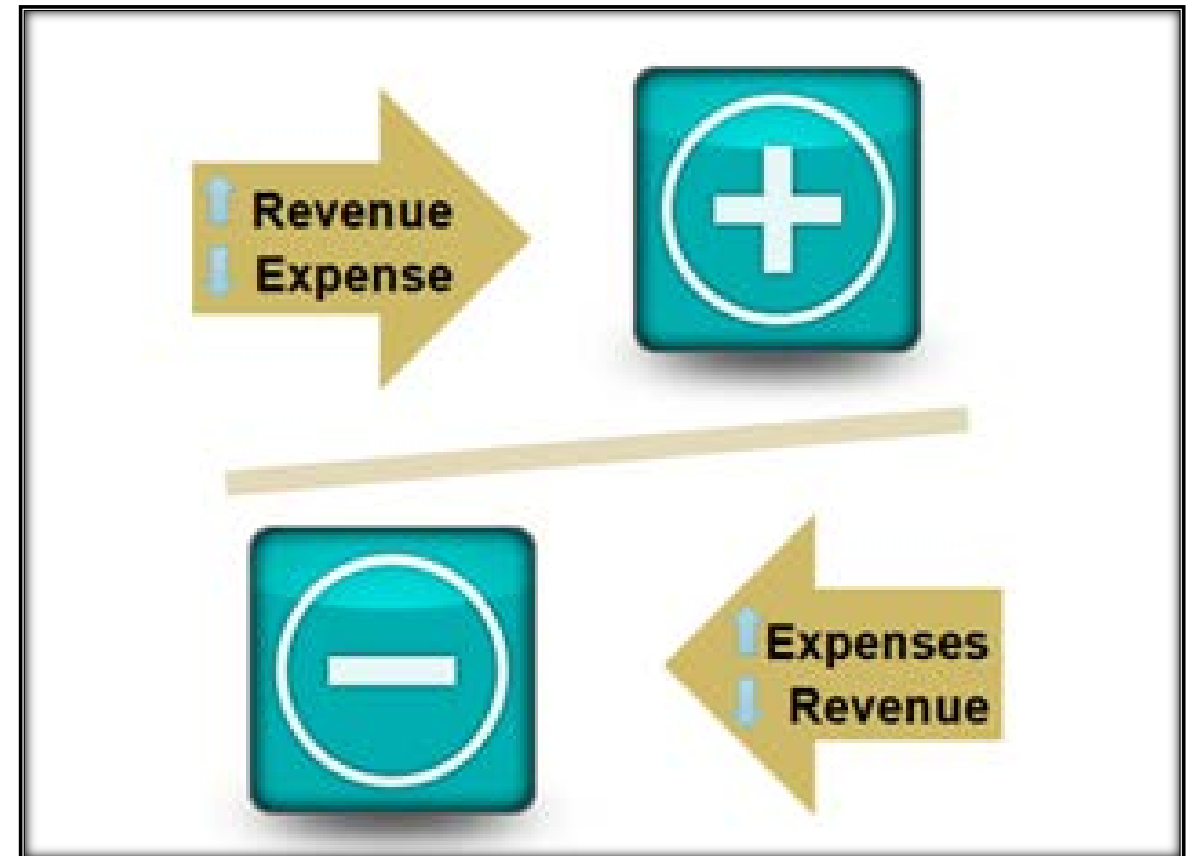
# Trends



What are some Trends  
in your program?

# The + or – of Financial Trends

- Expressed as either positive or negative
- In general, when revenue is "down" or expenses are "up," the financial trend is considered *negative*
- Conversely, when revenue is "up" or expenses are "down," the financial trend is considered *positive*
- Review and take action to correct negative trends
- **Successful managers also analyze positive trends to determine causes so that similar strategies can be applied in the future**



# What is a Variance?

- In Financial Management, a **variance** is the difference between a budgeted, planned or standard amount and the actual amount incurred
- Variances can be computed for both expenses and revenues
- The concept of variance is intrinsically connected with planned and actual results and effects of the difference between those two on the performance of the entity

# What is a Variance?

- In Financial Management, the **variance** is the difference between budgeted and actual

➤ EXAMPLE: 726 Supplies Expense

$$\begin{aligned} \text{Budgeted} - \text{Actual} &= \text{Variance} / \text{Budgeted} \times 100 && = \text{Variance \%} \\ \$1000 - \$1300 &= (\$300) / \$1000 \times 100 && = \\ &= (0.3) \times 100 && \\ &&& = \underline{(30)\%} \end{aligned}$$

# What are you measured against?

- Headquarters guidance
- Industry standards
- *Local standards*



The Army's mission is to fight and win our Nation's wars by providing prompt, sustained land dominance across the full range of military operations and spectrum of conflict in support of combatant commanders.





# Formulating Strategy

## Vision & Mission

- External Opportunities & Threats
- Internal Strengths & Weaknesses

## Long-Term Objectives

## Alternative Strategies

## Strategy Selection



# Strengths & Weaknesses Exercise

1. In your breakout group identify as many Strengths or Weaknesses for the BOSS Program at the enterprise level.
2. Chart your responses on the butch-board.
3. Select a spokes person to brief back to the main group.

You will have **10 mins** to brainstorm, discuss, decide, chart and be ready to quickly brief back to the main group.

# Opportunities & Threats Exercise

1. In your breakout group identify as many Opportunities or Threats the BOSS Program at the enterprise level.
2. Chart your responses on the butch-board.
3. Select a spokes person to brief back to the main group.

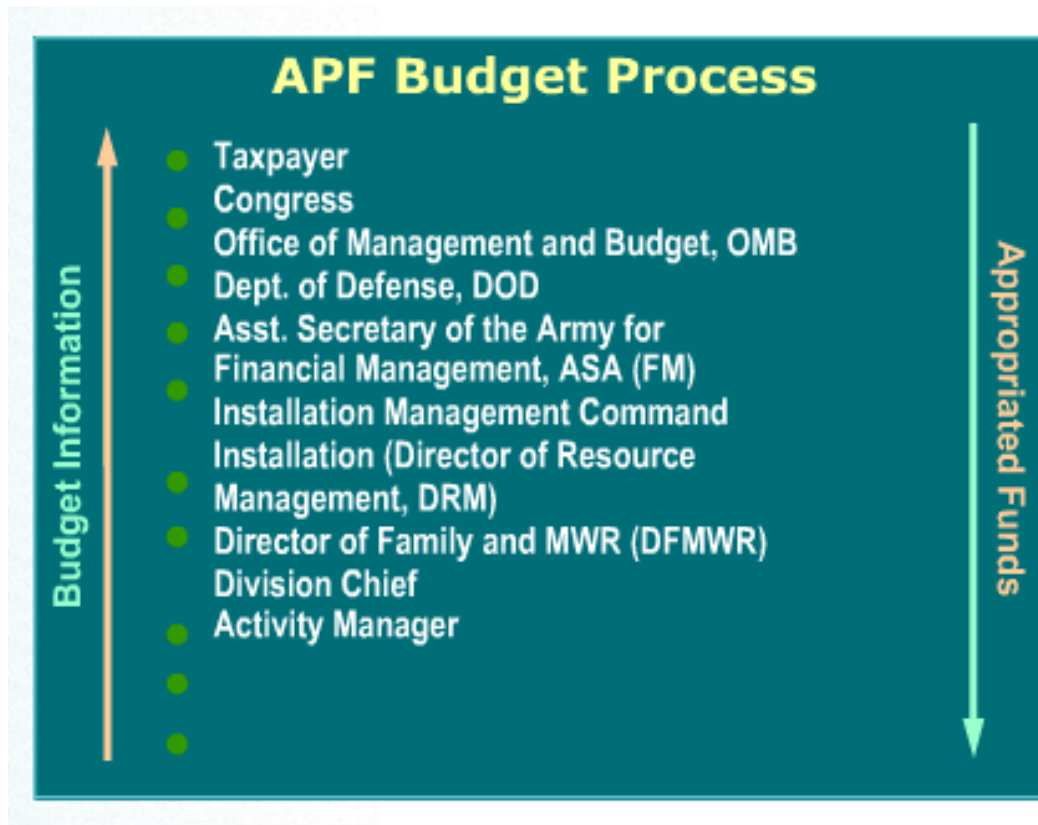
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# SWOT Wrap Up

- Know the mission and vision
- Pay attention to the world around you and what your competition is doing
- Keep a running SWOT on your desktop
- Recognize your Strengths
- Seek out Opportunities
- Remember that you are the lead strategist
- Have fun!

# Annual Operating Budgets

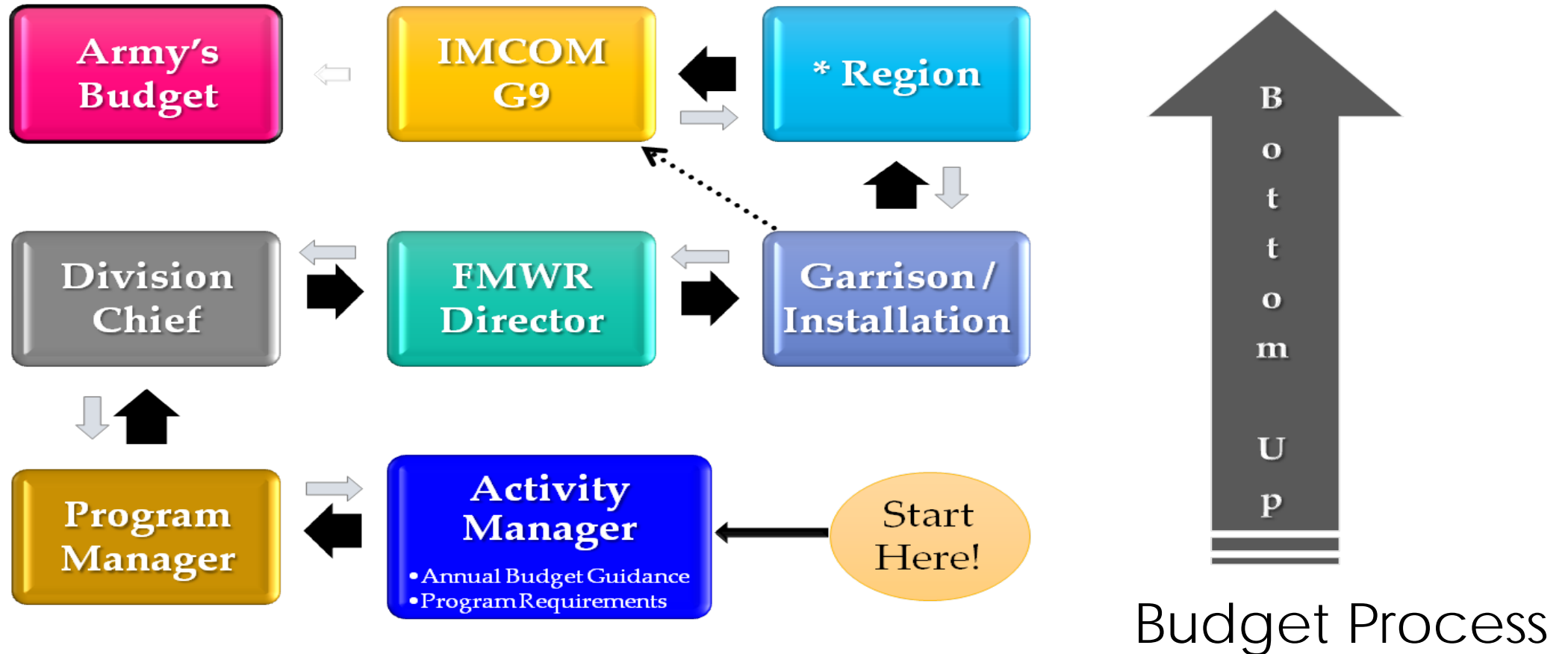
## Appropriated Fund Basics



- Centralized Process
- Six-year plan
  - Next fiscal year = budget year
  - Five following years = out years
- Leads to the President's annual budget
  - Passed by Congress
  - Signed by the President

# Annual Operating Budgets

Non-Appropriated Funds



# NAF AOB Process

1. • Compile Historical Data
2. • Apply Trend Analysis
3. • Determine Factors that will Impact the Future
4. • Forecast Performance
5. • Review for “Big Picture”



# 5 Steps to Preparing a NAF AOB



## • Compile Historical Data

### Compile Historical Data

- Calendars
  - Activity, FMWR, Garrison, Local Economy, etc.
- Financial
  - Monthly Income Statements, DARs, Deposits, Variance Reports, etc.
- Non-Financial
  - AARs, Marketing Plan, Participation #s, Customer Feedback, Command Changes, Competition, Lifestyle Trends, Regulation and regulation change

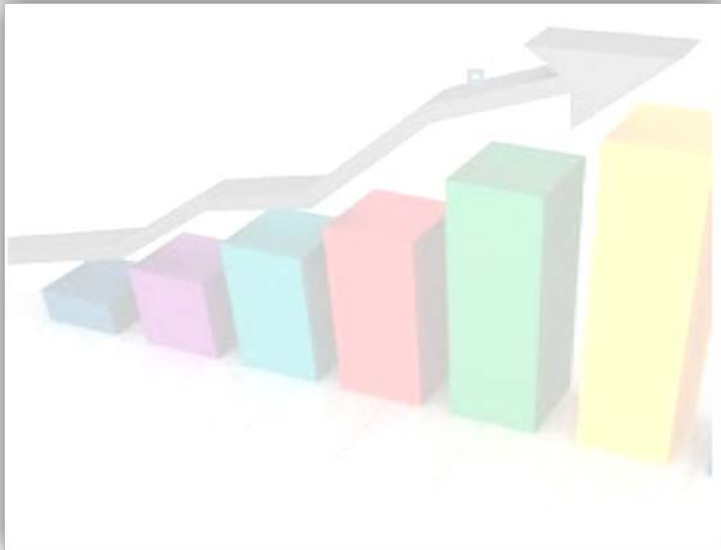
# 5 Steps to Preparing a NAF AOB

1.

- Compile Historical Data

2.

- Apply Trend Analysis

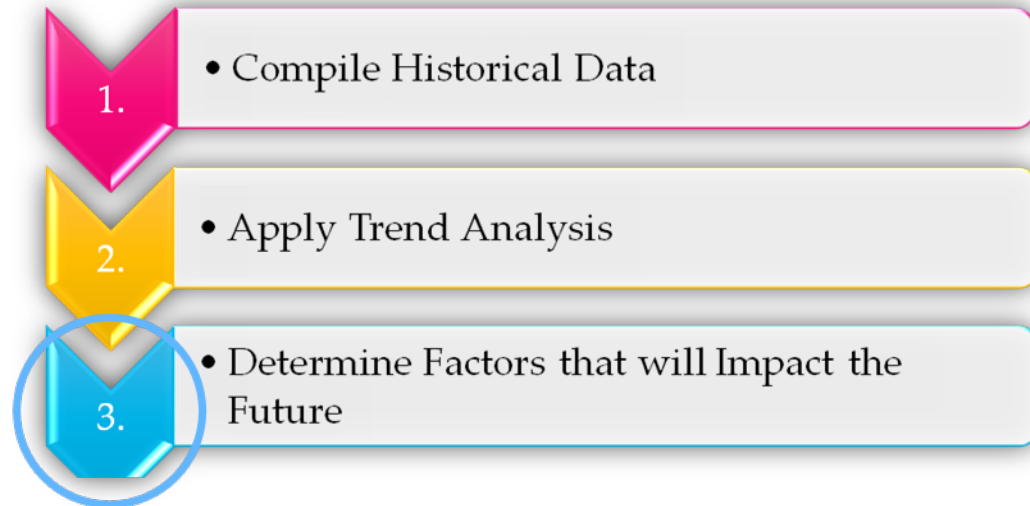


## Apply Trend Analysis

- 5 Key Financial Trends
- How has my program performed over the last 3-5 yrs?
- Did I execute my program to budget last year?
- What months were better than others?
- What programs, activities, initiatives did better than others?
- Was participation up or down?

# 5 Steps to Preparing a NAF AOB

## Determine Factors that will impact Future



- Fluctuations in Income
- Budget reductions and revisions
- Funding cuts/efficiencies
- Govt/Politics – drawdown or up?
- Policy changes
- Command changes
- Strategic Plans/Guidance
- Operating guidance
- World and US economies
- Laws
- Currency changes (OCONUS)
- Weather
- Environment/sustainability

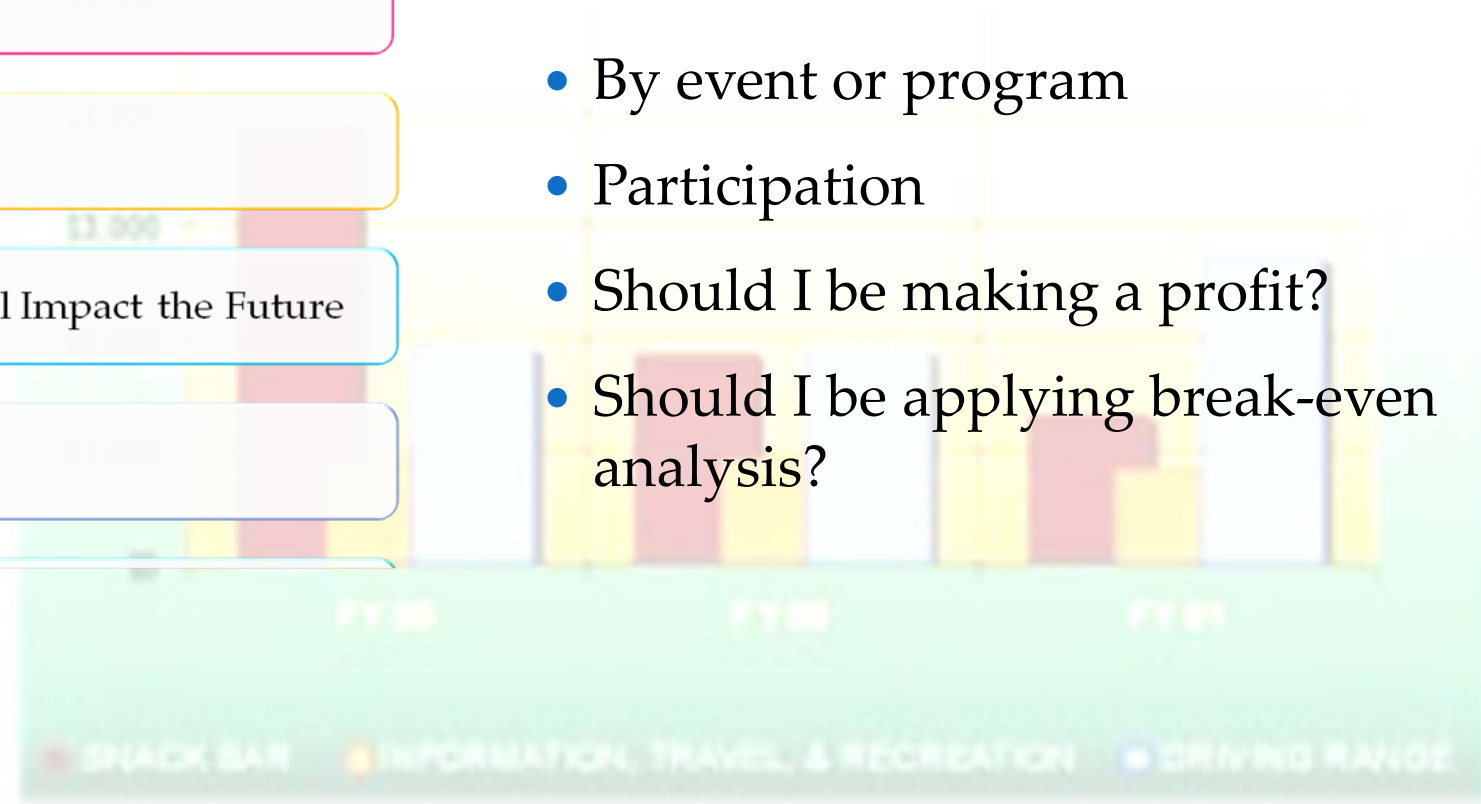
# 5 Steps to Preparing a NAF AOB

MWR Programs Trend Analysis

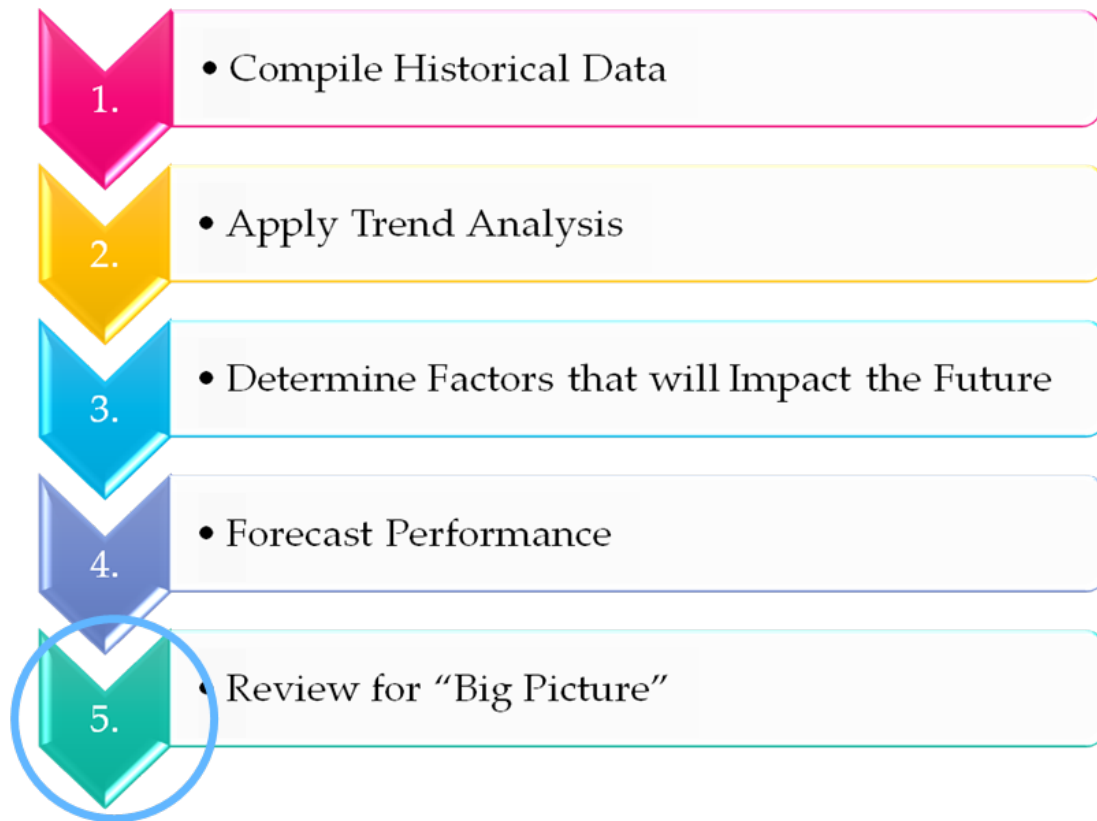
## Forecast Performance



- By event or program
- Participation
- Should I be making a profit?
- Should I be applying break-even analysis?



# 5 Steps to Preparing a NAF AOB



## Review the "BIG PICTURE"

- Does my data make sense?
- Do my numbers and dollars appear reasonable?
- Am I providing my customers with the services they want?
- Am I providing my customers with the level of service(s) they want and deserve?
- Are my assumptions based on data and are they reasonable?
- Can I live up to my projections?

# 5yr Plan

- The Army requires that each installation develop or revise its 5-year plan annually. As a part of this process, activity managers are required to do the same for their activities.
- Benefits of the 5-year plan:
  - ☑ Balanced Family and MWR installation program
  - ☑ Integration of Family and MWR activities
  - ☑ Prioritizes programs according to significance to readiness and retention
  - ☑ Meets the needs and desires of the community

# 5yr Plan Program Requirements

- AR 215-1 Guidelines:  
*At a minimum, plans will integrate the results of -*
- Comprehensive review(s)
- Needs assessment(s)
- Priorities
- Financial management strategies

## Chapter 15

### Morale, welfare, and recreation Planning and Programming

#### Section I

#### Installation Morale, Welfare, and Recreation 5-Year Plan

##### 15-1. Overview

The basis for garrison MWR planning is the MWR 5-year plan. Updated annually, it is the management tool for justifying program elements and using resources. The 5-year plan documents—

- Changes needed, as determined by market research, projected funding capability, and assessment of program alternatives.
- Priorities established in the assessment process and actions needed to meet requirements.
- Confirmation that the DOD required revalidation of NAFIs and MWR operations complies with chapter 3.

##### 15-2. Guidelines

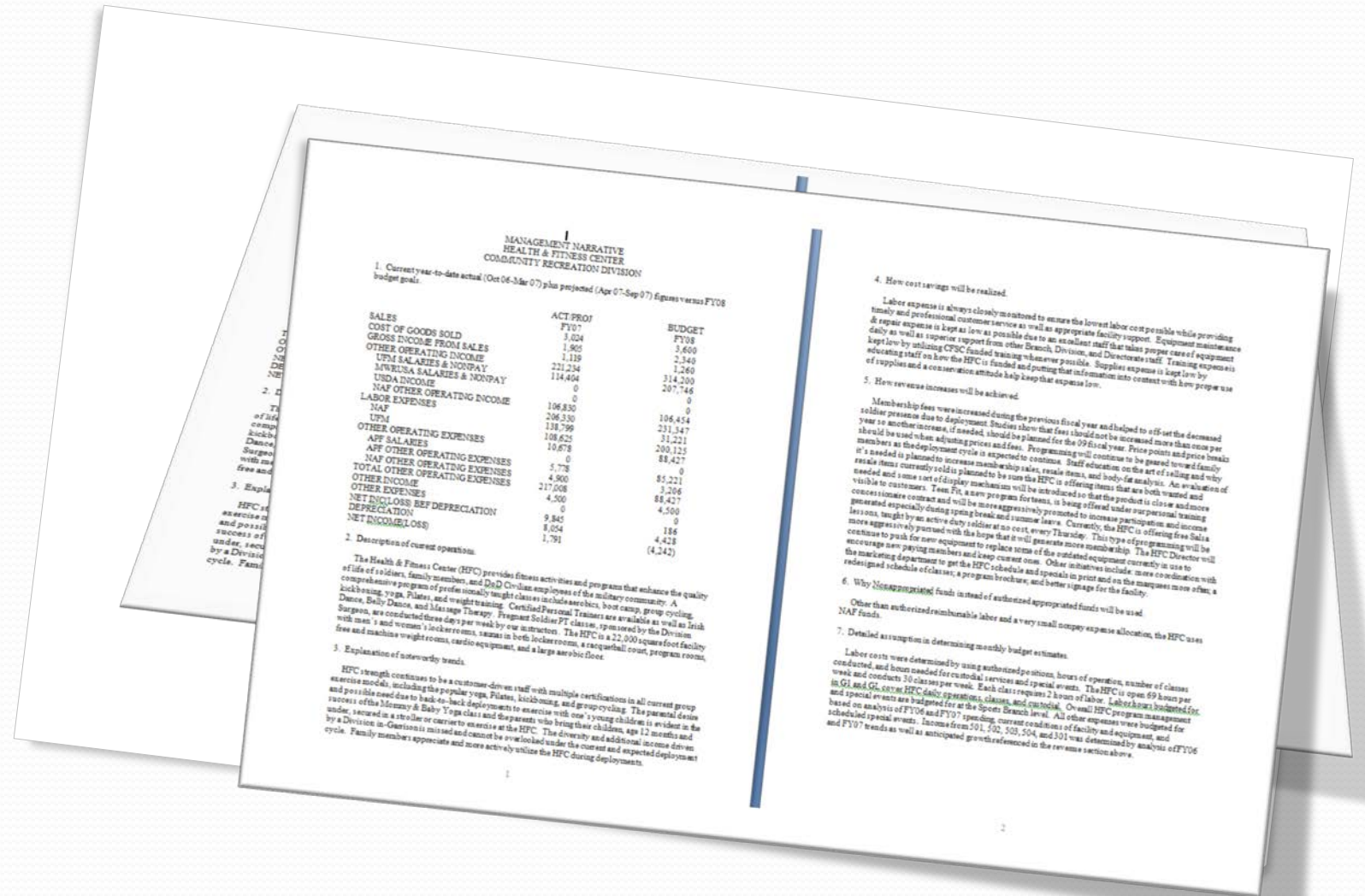
At a minimum, plans will integrate results of—

- Comprehensive review. This includes an annual comprehensive review and consideration of all planning documents related to MWR operations.
- Annual MWR needs assessment. If used, attitude and opinion surveys will be conducted in accordance with AR 600-46 and will include—
  - Patron demographics: distribution of eligible population by grade, sex, age, marital status, and Family members of active duty military population with percentage residing on post; retired and RC service members and full-time DOD civilian employees residing in the local community; and other eligible patrons.
  - Unique considerations: availability of similar private and public sector services; population life-style traits (interests, use of spare time, opinions); environmental, force protection, and geographical factors that may impact decisions.
  - American lifestyle trends: regional, national, and industry data, program-specific forecasts, general market projections for purchasing, leisure time patterns by age group, and predicted changes in American Family demographics.
  - Alternatives: identification of potential program or facility realignments, to include elimination, expansion, replacement, consolidation, or integration, and potential nontraditional methods for delivering services. In addition to reviewing availability of private and public sector services, contractor services will be investigated, considered, and used when appropriate.
- Priorities: community conditions and projections and the needs of services will be the evaluative basis for determining priorities (not the availability of resources). Program elements will be prioritized in a continuum, ranging from those that are given top priority to those that add variety to the overall program. A program's impact on military readiness requirements and the physical and emotional needs of Soldiers will distinguish it for higher priority placement. Because priorities are garrison unique, garrisons may not have every authorized MWR program.
- Financial management strategies: APF and NAF resourcing and local pricing necessary to satisfy current commitments and out-year priorities established in the planning process are delineated by fiscal year, funding source, and application of funds. Use of APF and NAF will be justified. Funding will be integrated into the POM requirement.

# Manager's Narrative

Part of the 5-year planning process

*What is it?*





# Manager's Narrative

- Describes
  - Current program
  - Out-years
- Includes
  - Needed construction, personnel adjustments, program changes, revenue generators, equipment, etc.
  - Planned changes or improvements
- Incorporates manager's decisions & ideas into long-range plan
- Covers the budget year & the next four years

**Manager's Vision for the Activity**

construction				orange	orange
personnel adjustments		purple	purple	purple	purple
program changes		yellow			
revenue generators	green	green	green	green	green
equipment purchases			blue		
	Budget FY	FY+1	FY+2	FY+3	FY+4

# Manager's Narrative



# Knowledge Check

1. What are Appropriated Funds?
2. What are Nonappropriated Funds?
3. Name at least 1 office that has responsibility for managing NAF.
4. Name at least 1 regulation that governs the use of NAF.

# Wrapping it up

- *You* are at the heart of this process and that of managing your BOSS Program
- If *you* are not involved in this process...someone else is making all the decisions for *you*



**Get Involved!**



# Questions?

