

IABC

Chapter/Region

Finance Guide

IABC INTERNATIONAL ASSOCIATION
OF BUSINESS COMMUNICATORS

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Introduction

Welcome to the *IABC Chapter/Region Finance Guide*.

Maintaining accurate, reliable and accountable finances at the chapter and region level is an extremely important part of IABC. As such, this *Guide* is intended to improve a chapter's or region's financial processes by explaining various areas in detail. However, it is *not* intended to cover every possible aspect related to financial management.

As a result, the IABC staff is available to address your concerns and answer your questions. Contact the headquarters staff at <http://www.iabc.com/about/staff/>.

Chapter 1 – Incorporation, Insurance, Legal and Taxes

Incorporation

IABC does not recommend that U.S. chapters incorporate. While there is no clear advantage to incorporating, there may be legal, tax, and financial implications for doing so.

Canadian chapters and regions are advised to incorporate in order to establish business autonomy with respect to Revenue Canada and the Goods & Services Tax (GST).

Officers of chapters and regions outside the United States should seek counsel on the advantages and disadvantages of incorporating in their own countries, and take appropriate action.

Insurance

General Liability Insurance

All U.S. and Canadian chapters and regions are listed as additionally insured under IABC's Commercial General Liability policy. This policy covers "normal activities" of chapters and regions for conducting association business. Fundraising events, social gatherings or entertainment events can be underwritten separately within the parameters of the Commercial General Liability policy. If you have questions concerning specific events, please contact the leader centre at Leader_Centre@iabc.com

The types of coverage provided by this policy includes the following:

- **Crime coverage (employee dishonesty).** IABC issues bonding policy coverage for U.S. and Canadian chapters and regions. The policy coverage is U.S. \$50,000 with a U.S. \$5,000 deductible, which is paid by the chapter or region incurring the loss. This policy will eliminate the need for chapter and region treasurers and/or the presidents to be bonded. All chapters and regions should ensure that there are adequate controls in place to manage chapter/region funds.
- **Professional liability coverage.** IABC is covered if it is sued because of personal injury caused by any volunteer or staff member. All volunteers and staff members are also covered if they, themselves, are sued. Chapters and/or Regions named in a suit, however, are not covered. According to IABC's insurance broker, this coverage is unnecessary because this type of a suit would most likely be brought against the "parent company," IABC world headquarters. In addition, chapters and regions do not have assets large enough to warrant purchasing this type of insurance at this time.
- **Certificate of Insurance for US and Canadian Chapters/Regions**
<http://www.iabc.com/leaders/pdf/COI-Proof.pdf>

Records Retention

All chapters and regions should keep records in a safe place in case of a tax audit. These include bank statements, canceled checks, financial statements, Federal Employer Identification Number (for U.S. chapters), minutes, Articles of Incorporation (if incorporated) and bylaws. U.S. chapters and regions should follow these IRS records retention guidelines:

Accounts payable ledgers and schedules.....	7 years
Accounts receivable ledgers and schedules.....	7 years
Audit reports.....	Indefinitely
Bank reconciliation.....	3 years
Bank statements.....	3 years
Cash books.....	Indefinitely
Chart of accounts.....	Indefinitely
Checks (canceled-see exception below).....	3 years
Checks (canceled for important payments, i.e., taxes, purchases of property, special contracts, etc. Checks should be filed with the papers pertaining to the underlying transaction).....	Indefinitely
Contracts, mortgages, notes and leases (expired).....	7 years
(still in effect).....	Indefinitely
Correspondences (general).....	2 years
Correspondence (legal and important matters only).....	Indefinitely
Correspondence (routine) with customers and/or vendors.....	2 years
Deeds, mortgages and bills of sale.....	Indefinitely
Depreciation schedule.....	Indefinitely
Duplicate deposits slips.....	2 years
Employment applications.....	3 years
Expense analyses/expense distribution schedules.....	7 years
Financial statements (year-end, other optional).....	Indefinitely
Garnishments.....	7 years
General/private ledgers, year-end trial balance.....	Indefinitely
Insurance policies (expired).....	3 years
Insurance records, current accident reports, claims, policies, etc.....	Indefinitely
Internal audit reports (longer retention periods may be desirable).....	3 years
Internal reports (miscellaneous).....	3 years
Inventories of products, materials and supplies.....	7 years
Invoices (to customers, from vendors).....	7 years
Journals.....	Indefinitely
Magnetic tape and tape cards.....	1 year
Accident reports/claims (settled cases).....	7 years

Minute books of directors, stockholders, bylaws and charter	Indefinitely
Notes receivable ledgers and schedules	7 years
Option records (expired).....	7 years
Patents and related papers	Indefinitely
Payroll records and summaries	7 years
Personnel files (terminated).....	7 years
Petty cash vouchers.....	3 years
Physical inventory tags.....	3 years
Plant cost ledgers.....	7 years
Property appraisals by outside appraisers.....	Indefinitely
Property records, including costs, depreciation reserves, year-end trial balances, depreciation schedules, blueprints, and plans	Indefinitely
Purchase orders (except purchasing department copy).....	1 year
Purchase orders (purchasing department copy)	7 years
Receiving sheets.....	1 year
Retirement and pension records	Indefinitely
Requisitions	1 year
Sales commission reports	3 years
Sales records	7 years
Scrap and salvage records (inventories, sales, etc.).....	7 years
Stenographers' notebooks	1 year
Stock and bond certificates (canceled).....	7 years
Stockroom withdrawal forms	1 year
Subsidiary ledgers.....	7 years
Tax returns and worksheets, revenue agents' reports and other documents relating to determination of income tax liability	Indefinitely
Time books/cards/software files	7 years
Trademark registrations and copyrights.....	Indefinitely
Training manuals	Indefinitely
Union agreements.....	Indefinitely
Voucher register and schedules	7 years
Vouchers for payments to vendors, employees, etc. (includes allowances and reimbursement of employees, officers, etc. for travel and entertainment expenses).....	7 years
Withholding tax statements	7 years

Pricing and Profit Targets

Chapters and regions should not conduct sessions for entrepreneurs regarding pricing services and setting profit targets. U.S. antitrust legislation prohibits, among other things, price fixing and restraining competition. While concerns may have more relevance for trade associations, IABC is a professional association, and as such, headquarters' and IABC's legal counsel recommend all measures possible to forestall legal liability for potential violations of antitrust legislation.

IABC strongly recommends that all chapters and regions adopt and implement guidelines based on U.S. antitrust law:

1. Hold meetings for officers and members to discuss proper matters which justify the meeting.
2. Distribute a notice and agenda, in advance of every meeting, to each member.
3. Be specific when writing the agenda – broad topics such as “marketing practices” or “account terms” may raise antitrust questions.
4. Adhere strictly to the agenda. Immediately inform a member who introduces a topic that is not on the agenda and/or is of doubtful legality that the subject is not appropriate for discussion. If the member continues to discuss, you may ask the member to leave the meeting.
5. Maintain accurate minutes of all meetings.
6. Avoid secret or “rump” meetings, which generally are intended for discussions of doubtful legality, and can seriously jeopardize legitimate activities and create substantial risk of antitrust investigation.
7. Do not use meetings to make recommendations with respect to “sensitive” antitrust subjects:
 - selection of customers or suppliers, and product markets
 - past, current or future prices
 - what is a fair profit level
 - price adjustments
 - cash discounts
 - credit terms
 - allocating markets
 - controlling sales
 - wage rates
 - refusing to deal with a firm

In the less sensitive areas, such as standardization activities, recommendations may be permissible.

Taxes for North American Chapters and Regions

Canadian Chapter and Region GST tax filing requirements: As indicated previously, Canadian chapters and regions are advised to incorporate in order to establish business autonomy with respect to Revenue Canada and the Goods & Services Tax (GST). IABC headquarters is not registered in Canada.

U.S. tax status and federal & state filing requirements: IABC is exempt from federal and state income tax under Section 501c(6) of the Internal Revenue code. IABC is not exempt from paying sales tax. Individuals and businesses donating money to IABC

chapters for scholarships or other programs can only take a tax deduction for a business expense, not a charitable contribution, since IABC is not a 501(c)(3) charitable organization.

All U.S. chapters and regions are exempt from income tax under IABC's group exemption. Each U.S. chapter and region has a unique federal tax identification number for which world headquarters submits a "Form 990: Return of Organization Exempt from Income Tax" each year. If you are unsure of your number, contact Iqbal Parupia.

Federal returns: World headquarters files annual information returns for each U.S. chapter and region. By the end of February of each year, chapters and regions must submit a balanced financial statement for January 1 through December 31 timeframe. The balanced financial statement must include revenue, expense, beginning of year and end of year cash balances. (See *Appendix D: Sample balanced financial statement.*)

Chapters and Regions must also submit a copy of their December 31 bank and investment statements that verify the cash balance on the balanced financial statement. All Canadian and U.S. chapters and regions should provide the December 31 bank and investment statements to tie it to the cash balances on balance financial statements. In November, headquarters staff will send a deadline reminder memo to U.S. chapter presidents and treasurers, and region directors and treasurers.

State returns: Requirements vary with each state. Chapters should research and comply with requirements of their states.

Sales tax exemption: The sales tax exemption varies state by state. Since IABC is a 501(c)(6) organization, we are not automatically exempt from state sales tax. Some states allow this exemption. Consult with your local state sales tax authority for this exemption.

Chapter 2 – Finance Roles and Responsibilities

Job Description for Chapter or Region Treasurer

The treasurer serves as the chief financial officer of the chapter or region. The treasurer:

- collects, deposits and disburses all chapter or region funds in a timely manner and with board approval
- keeps accurate records of all financial transactions
- forwards any funds to IABC world headquarters
- prepares an annual budget in coordination with chapter or region board leaders
- maintains checking, savings, and other chapter or region accounts
- monitors cash flow
- provides monthly financial reports of revenues and disbursements to the board, and annual reports to IABC world headquarters
- arranges chapter or region officer bonding as necessary for an audit or review of the chapter or region books at the end of the fiscal year
- reports end-of-the-fiscal year audit or review results to the board and full membership
- regularly reports the financial condition of the chapter or region to members
- arranges for donation of funds or services as required by chapter or region programming represents the chapter or region in the absence of president/director, executive vice-president/director-elect and secretary
- trains a successor (assistant treasurer, for example) in compliance with chapter or region succession plan

Internal Controls Checklist

You may not want to think about misappropriation of funds in your chapter, but you should. Unfortunately, chapters of not-for-profit organizations are *not* exempt from the possibility of intentional or accidental cash losses.

As with any business, regardless of size, there's always a risk that a person in a position of financial responsibility will be tempted to "borrow" from the treasury. In most cases, the borrower has every intention of paying it back, but often doesn't.

There also is a possibility that the improper handling of funds can cause accidental losses, e.g. lost or misplaced checks or cash.

You can use the following internal controls to minimize the risk of misappropriation of funds. A system of internal controls does not necessarily prevent these occurrences but it does insure that inconsistencies are discovered quickly. (See Chapter 6 – Financial Management and *Appendix G1: Sample financial management documents* for additional internal controls guidance.)

Internal Controls:

1. Maintain pre-numbered receipts or a cash receipt log for all cash received in order to create a written record.
2. Periodically, have a member of the finance committee (someone other than the treasurer) reconcile pre-numbered receipts or cash receipt log with the bank deposits.
3. Have a member of the finance committee (someone other than the treasurer) reconcile bank statements. If it is not possible for someone other than the treasurer to reconcile the bank account, then the chapter president or region director should review and sign off on the reconciliation on a monthly basis.
4. Disburse all funds by check, keep all supporting documents for each check written and code all check requests to appropriate expense accounts.
5. Require prior authorization for financial commitments over a certain amount.
6. Set up all accounts in the name of the chapter or region. U.S. chapters and regions must use their federal identification number on all accounts.
7. Set up your bank account so that someone other than the treasurer is the signer on the bank account. If this is not possible or feasible, require two signatures on all checks. You can set a limit for signature authority, e.g., two signatures required for amounts over U.S.\$500. Note these limits on your checks and signature cards filed with the bank.
8. Countersign checks that you write to an individual who signs chapter or region checks.
9. Keep cash reserves in a separate bank account and require two signatures for withdrawal.
10. Deposit all cash and checks in a timely manner.
11. Prepare a monthly financial statement and provide copies to all the officers for review. Always include a list of any unpaid bills and undeposited cash.
12. This is not true anymore. We have the bond/employee dishonesty insurance for US and Canada chapters/regions.
13. Conduct an annual audit or review of your chapter or region books. Larger chapters and should retain the services of a Chartered Accountant (CA) or Certified Public Accountant (CPA). Smaller chapters, with little money to spend on a full-scale audit, should consider having a review done by a CA/CPA. A review can be performed for roughly half the cost of an audit. You may try getting help from a university/college

accounting class on a project-basis, pro bono services of an accountant or internal audit services from headquarters staff.

14. Produce a written copy of your financial policies and pass copies on to the next president or director, treasurer and assistant treasurer. Also include other information, such as your federal identification number (U.S. chapters and regions), bank documents, insurance information, annual tax filing requirements and other legal documents. The president or director should keep the original file, and the treasurer and assistant treasurer should keep copies. If your chapter or region has a contract with a firm to handle its back-office operations, the firm should keep these records.

Budgeting With Care

The budget is a written plan of financial operations for a future financial period. It states your chapter's or region's intention to act during a specific time period and is agreed to by the people involved in the implementation. Authority and responsibility must be clearly defined. The person responsible for performance of a budgeted activity must also be the one who participated in creating and managing the budget.

The budget is a control device that allows your chapter or region board to

- develop a financial projection for specific activities,
- compare the actual outcome against the projection, and
- make course adjustments as necessary.

Don't think of a budget as "dollars;" think of it as your "activities" or what you will accomplish over the next year. To create it, you must forecast the programs, products and services sold, what they will cost, and the price you can charge for each.

A budget is an estimate of how much money your chapter or region will receive and how much money it will spend during a board year. It is your financial plan for

- making sure that enough money will be available to finance programs,
- estimating receipts and expenditures in advance to avoid running out of money,
- describing how your chapter or region will accomplish its goals, and
- providing a basis for communicating these goals to your members.

The most important use of a budget is to help your board determine the resources required to support your programs, and monitor and evaluate the different activities and services in the program. By comparing the actual expenditures of an activity to the budgeted amount, you can determine when an activity or service is causing the program to overspend the budget or be inefficient. You and the board members can then devote attention to improving the problem area.

A budget, since it is a prediction, cannot be 100 percent accurate. As with any plan, the budget is subject to change as conditions change. However, if you dedicate careful planning and judgment, your budget will be more meaningful and serve better as a guide.

Unfortunately, budget planning is often shortchanged. Restating a prior year's operations with a small increase to cover anticipated price increases is *not appropriate* for budget development. It is simply short-sighted mechanics in the hope that the budget process will go away.

Pre-Budgeting Checklist

- Before the budgeting cycle begins, your chapter or region board must set the goals and direction. Is more of the same thing better? Should we move into new product lines? Are we as efficient as we could be? Are we meeting member needs? Is anyone making assumptions that impact other areas?
- Based on the goals and direction, your board members will need to set policy and provide direction on whether individual program activities will be profit centers, run at break-even or be subsidized by other profit-making activities.
- As you start to develop your budget, pay attention to historical facts and anticipated program changes and plans so you can apply budget dollars to the overall plans. You must consider the following questions:
 - What are our objectives?
 - What are our plans and priorities?
 - Are traditional programs being repeated or will new ones replace or supplement them?
 - Are there alternative programs that could satisfy members' needs?
 - Are the programs providing the benefits necessary or can we do things differently?
- Prior to the beginning of the budget year, help each board member or committee chair who is responsible for managing a program that generates revenue and/or expenses, prepare a detailed, month-by-month budget request. (See Chapter 3 – Program Budgeting)
 - Example: The board member who is responsible for organizing your monthly chapter professional development program will prepare an annual budget that includes month by month:
 - revenue projections – how much revenue do you think the program will generate?
 - attendance projections – in order to meet your revenue projection, how many members and guests, at respective fee rates, must attend?
 - expense projection – what are the anticipated costs for each program, including promotions, food and beverage, speaker, facility rental, audio/visual, and other fees.

- Forecast revenue and expenses by analyzing chapter or region historical records/data. Will these patterns remain the same? Will a special event come earlier or later? Has programming changed? What other circumstances may impact revenue, participation or expenses?
- If your chapter is in its first year of operation, consult with an IABC chapter of similar size to find out how many members attend the programs. Or, contact a comparable professional association in your community to determine what percentage of its members participate in meetings.
- Evaluate the external and internal factors that affect your organization's plans (market trends for your services, competitive situation, economic health of the country and your market, political and governmental/regulatory impact, trends in your field, internal actions including management changes and new players).
- Be prepared to take action where the comparison with the budget indicates a significant deviation to make sure that chapter expenses are adequately covered by revenues generated during the year.
- Create a chapter reserve fund with funds remaining after expenses have been paid. Many chapters and regions have reserve funds in the bank that would cover several months' expenses if revenues were reduced due to a decline in membership or lower than expected attendance at programs. The reserve fund also can earn interest -- another source of income. See Chapter 5 – Reserve Policies for more information.

Chapter 3 – Program Budgeting

As indicated in the Pre-budgeting checklist in Chapter 2, a realistic and effective chapter or region budget is the result of cooperative work by board members and program chairs who are responsible for activities that generate revenue and expenses.

Remember that managing the money that members entrust to you – in the form of chapter dues, attendance fees and other receipts – is the responsibility of every board member, not just the treasurer.

Annual program budgets: An annual chapter or region budget will help you monitor the financial performance of all activities throughout the year so that you can make sure they are progressing on schedule. For example, a month-by-month budget for a chapter awards program includes an estimate of the amount of entry fees you expect to receive during the course of the program. If you receive fewer entries than projected, you will be alerted to the problem and can take corrective action. Three cost-corrective actions, for example, may be to 1) send out a reminder or extend the deadline for the call for entries, 2) look for ways to reduce expenses in other program or activity strategies, or 3) look for ways to make up revenue in other program or activity areas, such as awards dinner sponsorship.

(See *Appendix E: Sample budgeting forms* and *Appendix F: Sample budget documents* for examples of forms that your board members and program chairs may find helpful.)

Some examples of revenue sources include:

- membership dues
- meeting fees for members and guests
- awards program fees
- professional development seminars
- critique service fees
- sales of chapter directories or other merchandise, such as pin or mugs
- fees for judging awards programs
- sale of advertising in the chapter newsletter
- interest income
- donations from members' organizations for speakers' costs, postage or meeting sites
- nonmember fees (make sure you routinely charge nonmembers significantly higher fees to demonstrate the privileges of membership)

On the other side of the ledger, typical expenses include:

- mailing and printing costs
- fax on demand and/or Web site expenses
- food and beverage for meetings
- facilities and equipment rental
- speaker honoraria or gratuities

- fees paid for services such as bookkeeping and membership list maintenance
- board expenses
- bank charges

To get a truer picture of the cost of doing business, "in-kind" contributions, such as donated time or services in return for free advertising, must be included in both revenue and expense projections.

Program Budgeting Checklist

Board members and committee chairs can use the following checklist as a guide to help them develop their program budgets.

- Define your program objective as a target or position that can be quantified and that supports your chapter or region goals and objectives.
- Compare the budgeted revenue and expenses with actual revenue and expenses for your program activities during the previous year. Identify the causes of budgeted and actual variances to identify trends, lessons learned and best practices.
- Analyze your programming from previous years for strengths, weaknesses, opportunities and threats (SWOT analysis) to identify funding priorities in support of your program goals.
- Use budget analysis, program analysis, member survey data and other means to develop the strategies you will implement to achieve the objective.
- Outline step-by-step implementation action plans for each of your strategies.
- Using your budget and actual revenue and expenses from the previous year to estimate expenses and/or revenue targets associated with each of your action plans. Your trend analysis will help you estimate adjustments for inflation and factors that may impact attendance, for example. Group these estimates in the budget format of the prior year. Review your calculations and carefully look for errors in logic, implementation, resources and comparisons to objectives.
- Review the first draft with other board members before the "official" budget meeting, and make adjustments as needed.
- Be prepared to sell your budget to the board or budget review panel, but know when to alter your estimates based on new or changed data or objectives.
 - Know what you want to cover; don't be sidetracked by minor details.
 - Answer questions – brief and to-the-point – to demonstrate that the budget is well conceived and to press for conclusion.
 - Show that you have confidence in, and knowledge of, the budget without being brash or overbearing.

- Be prepared to promptly adjust your budget; seldom will a budget be accepted without minor changes. The treasurer will present for adoption the final budget to the board of directors. Board adoption makes the budget official and establishes your gauge to measure the success of your programs for the coming year.

Chapter 4 – Bookkeeping and Financial Reporting

Budgeting Documents

Your chapter or region board will want to establish a budgeting timeline to make sure program chairs have sufficient time to step through the budgeting process (see Program Budgeting Checklist in Chapter 3); your board can ratify the budget prior to the beginning of the year for which you will implement the budget.

To offer an example of a timeline, the IABC International budget is developed, reviewed and approved based on this schedule:

- **October:** The IABC International Board finance director, in cooperation with headquarters staff, begins preparing the following budget documents in October for a calendar year budget.
 - Budget overview
 - Capital expenditures
 - Master budget
 - Master budget forecast
- **November:** The finance director and staff present these documents in November to Finance and Executive Committee members for their review, questions and adjustments.
- **December:** The finance director and staff present these documents in December to the Executive Board for review and ratification. The Executive Board members and headquarters staff implement the approved budget in January. (See *Appendix E: Sample budgeting forms* and *Appendix F: Sample budget documents* for examples of forms and planning documents that your board members and committee chairs may find helpful.)

Assessing Financial Trends

You and your board members will want to look at the financial reports with an eye for changes or “variances.” Look for changes from last year to this year, and from budgeted to actual revenue and expenses. Look for changes in where your income is coming from, or where your expenses are going.

- Has income gone up or down
- Have income sources changed?
- Is this a trend?
- If the trend is negative, what is being done to address the situation?
- If income is down in a budgeted area, what measures can the chapter/region take to increase marketing efforts to boost income?
- Are total expenses up or down?
- How does the change in expenses relate to the change in income?
- What individual expenses have changed significantly?
- If expenses are higher than planned in a budgeted line item, can the chapter or region arrange for pro bono or in-kind services to reduce annual costs in this area?

- Is anticipated monthly net profit (or loss) on track?
- Is the chapter operating without going into savings or reserves?
- How is the chapter managing excess cash?

You may need to make mid-year corrections to assumptions, and/or programs and plans. You should document these, but don't change the actual budget, because the budget is the chapter's measurement tool for tracking progress.

Monthly Financial Statements

Each chapter and region will render monthly financial statements in different ways depending on the amount of time it wants to spend on the process. At a minimum, your board should review a **balance sheet** and **income statement**. Another document for consideration includes a **cash flow statement**, although this is probably not as necessary as the balance sheet and income statement.

- **Balance sheet** – Shows what the assets and liabilities of the association were at a given point in time.
- **Income statement** – Shows the income and expenses of the operation over a given period of time (usually a month), and whether there was a net gain or loss.
- **Cash flow statement** – A statement of cash flow provides relevant information about an organization's cash receipts and cash payments during a period; the statement classifies those receipts and payments as resulting from investing, financing, or operating activities.

Most chapters and regions also provide a **summary** or written/oral report on significant items that occurred in the last month, as well as activity coming up in the next month so that board members are aware of overall budget activities, as well as the status of their primary area of responsibility.

Other statements which you may or may not prepare include:

Statement of changes in restricted funds – Used by not-for-profits to provide exact information on the changes in individual restricted funds. It generally shows the opening balance, adds receipts and subtracts disbursements, and then shows the ending balance.

- **Cash flow projection** – An internal management report that shows the beginning cash balance, the expected cash receipts and cash disbursements, and the expected ending cash balance. It usually is done on a projected basis, and includes a series of time periods in the future.

Notes to financial statements - Notes are very useful in helping the reader understand an organization's financial situation. The notes will highlight significant accounting policies to start with, and then go on to detailed reports on matters of significance. Major

acquisitions or changes in operations are highlighted, as are pension requirements, pending lawsuits and other significant information. All audited financial statements will include a line on the bottom reading something like "the accompanying notes are an integral part of these statements." If you intend to use a financial statement, be sure to at least scan the notes.

Supplemental schedules – Frequently, an organization being audited will want to provide more detailed information than is required to be provided in the basic audited report. In these situations, the auditors will attach a separate opinion followed by these additional statements following the notes to the audited report. This opinion will indicate the level of assurance the auditor is providing on these statements.

Reading the Financial Statements

Your chapter or region board can benefit from these tips on how to read financial statements.

Headings: As a first step, review:

- The organizations being reported on.
- The type of statement being provided.
- The relevant period of time (income statement, cash flow statement) or date (balance sheet).
- What comparable information is being provided:
 - For a balance sheet usually the organization's financial position at the same time in the prior year.
 - For income statements, usually for the same period in the prior year (or possibly "this month" versus "year to date").
 - Budgeted figures or percentages may also be provided on income statements.
- Scan the page as a whole. Most statements are shown complete on one page. Once you understand the major components of the statement, you can work more confidently on the detail in each section.

Reading the balance sheet: The balance sheet is divided into two major categories: assets on the top, and liabilities and fund balance (net worth) on the bottom. Assets are then broken down into sub-categories:

1. current assets,
2. property and equipment (fixed assets), and
3. other assets.

Liabilities and net worth are usually broken down into:

1. current liabilities,
2. long-term liabilities, and
3. fund balances (or net worth).

NOTE: a single underline shows a sub-total, and a double underline shows a grand total.

Questions for consideration:

- Do the assets equal or balance with the liabilities plus fund balances (net worth)?
- Have the current assets increased or decreased? If they have changed, how does this change compare to a change in the current liabilities?
- Have you made any major fixed assets purchases or sales?
- Have you taken on any new debt, or paid off any old debt?
- Are any unusual liabilities showing up?
- If the statement has more than one time period, how has your chapter or region changed during that time?

Reading the income statement: The income statement is also divided into two major categories: income (on the top) and expenses underneath. Income will be shown by type, and then totaled. Expenses will be shown by type, and then totaled.

Sometimes the net gain or loss (income less expenses) will be shown as the "bottom line." On some statements, this figure will be added to the beginning fund balance to show how the ending fund balance is reached. If you use this approach, it is a good idea to look at the balance sheet and make sure the "balance" on both pages is the same.

Organize the information in your income statement by program activities so that your program or committee chairs can monitor their program finances and can compare them with the combined or "consolidated" income statement.

If you include percentages in your income statement clarify what the percentage is based on, which is usually total revenue, but is sometimes based on another figure.

Questions for consideration:

- Has the gross revenue gone up or down? Have income sources changed?
- Are total expenses up or down? How does the change in expenses relate to the change in income? Which individual expenses have changed significantly?
- How does this period's net income compare to that of prior periods?

Reporting to Members

Members have a right to know how their dues are being used. Clear financial information also makes explanations of dues increases or special assessments more palatable. Following an audit or review, it is a good idea to present an annual report to members. Include financial and program accomplishments, and compare actual results to your program plans.

The annual report does not have to be fancy or cost much money; it can simply be a Word document that can be sent by e-mail to your members. Some IABC chapters have developed more elaborate annual reports; for samples or more information, contact [Gretchen Hoover](#) at IABC headquarters.

Chapter 5 – Reserve Policies

The International Executive Board and headquarters management members recommend that chapters and regions develop a plan for any reserves in the treasury. Although each chapter and region's goals will differ from one another, here is a standardized guideline that is endorsed by the Executive Board:

1. Set aside a reserve of three to six months' (25 to 33 percent) of annual expenses; and
2. Create a plan to invest any remaining chapter revenue in excess of the reserve amount in member value (more products and services, leader training, and organizational growth).

Volunteers and staff members who work with chapter and region leaders have indicated that many have spent years building reserves, but don't have plans for their use and management. Typically, leaders say the funds cannot be spent because they might be needed for a "rainy day."

Primarily, your reserves are designed to pay financial obligations when your chapter or region event is cancelled or your actual income doesn't meet projected revenue and, as a result, doesn't cover your costs. A reserve balance of 25 to 33 percent of annual expenses should be more than enough to cover your costs in these situations, since most chapters and regions do not have very many ongoing costs for items like payroll, rent or equipment.

You will also want to include in your guidelines various ways to invest revenue in excess of the reserve balance in chapter or region services that provide added member value. Best practices in member value investments are generally discussed at the annual IABC Leadership Institute. You can review notes from previous Leadership Institute discussions on iabc.com.

See Appendix H: Sample reserve policy. Also see Appendix I: Sample policy on financial support and Appendix J: Proposed development fund guide as examples of managing distribution of reserve funds.

Chapter 6 – Financial Management

Some boards may think of the budget process and ongoing financial management as a routine "chore" handled by the treasurers to satisfy their board members. Boards that routinely ratify their budgets and then fail to monitor performance against their budgets until the following year – when treasurers prepare their budgets for the *next* year – serves little purpose. To be effective, budget preparation and management must be a joint effort of many people. It is a process that directs chapter or region actions.

Use the following checklists as a guide for ongoing financial management of your Chapter or Region budget. (See *Appendix K: Sample financial management documents*.)

Budget Development Checklist

- Determine annual financial objectives or goals. Many chapters and regions re-evaluate the objectives and goals from previous years, and make adjustments based on successes, lessons learned and member feedback. Your financial goals should be considered as part of any chapter or region strategic plan.
- Identify the strategies or programs that your chapter or region will offer that will help you achieve your objectives or goals. Again, successes, lessons learned and member feedback with help you review and prioritize your programs.
- Work with program and committee chairs to develop program budgets based on your chapter's or region's priorities (see Program Budgeting Checklist in Chapter 3).
- Review budgets submitted by program and committee chairs to determine whether they are based on realistic assumptions. Question the planning assumptions behind each budgeted activity, and, if necessary, ask program or committee chairs to revise unrealistic budgets. You may want to establish a budget review committee that consists of the president, executive vice-president, treasurer, and past president for this purpose.
- Consolidate approved program and committee budgets to create your chapter's or region's annual budget. Your budget will show the revenue goals and expense projections for the year as well as anticipated net income, or the amount remaining after expenses.
- Assess total revenue and expense projections for all programs against your chapter or region objectives or goals. Carefully review the program details since elements of a particular goal or objective may involve many categories of expense. Carefully consider external factors that can affect estimated revenue. For example, during a year when unemployment is high, you will want to estimate conservatively since unemployment may decrease renewals, new memberships, award entries and program attendance.

- Compare expected income to achieving your chapter's or region's objectives or goals. If the expenses exceed the income, you'll need to make some value judgments to determine what, if any, programs need trimming. This process of reconciling expected income and expense is probably the most important step in the budget preparation process. Consider the reliability of the estimated revenue and expense figures.
- For example, if expenses are understated by 10 percent and income is overstated by an additional 10 percent, the result is a 20 percent deficit. Unless your chapter or region has substantial cash reserves the result could be devastating.
- Prepare a cash flow projection for the entire fiscal year. A cash flow shows when revenue will be received and when expenditures will be made. You will be able to use this tool to determine if you will have a cash shortfall or excess at a particular point in the year. Through careful planning, you can avoid shortfalls and can plan to contribute to your chapter or region reserve fund.
- The final step in the budget process is to submit the budget to your board for approval or ratification. Although this is usually is a board function, some chapter or region bylaws require approval from the full membership (perhaps a majority vote). When you present the budget for ratification, make sure everyone who is voting fully understands the contents; the result will be a firm commitment to the plan of action.

Monitoring Expenses

Developing the annual budget is the first step. In addition to the items identified in the Internal Controls Checklist in Chapter 2, you must have the following monetary controls in place to ensure you reach your financial goals.

- Require written requests to the treasurer for checks to cover chapter or region expenses. Some chapters and regions use standardized check request forms that include the purpose of the disbursement, the program budget the expense will be charged to, the check amount and, most important, the signature of the program or committee chair who is authorized to request the check.
- Require board approval of all major chapter or region expenditures, a step accomplished with the board's ratification of the budget. However, periodically, a program or committee chair may have an unexpected expense. You must review and approve all unexpected expenses to make sure you can still achieve your annual financial goals.

Consider adopting a policy that requires the president's counter-signature or board approval for checks that are over a certain amount. This policy will help you avoid the problem of the overzealous volunteer who makes a major financial commitment for the chapter or region without prior authorization.

- Encourage advance planning from program and committee chairs by requiring that routine check requests be submitted a few days in advance. This will give the treasurer adequate time to review the request and issue the check. You may have emergency exceptions to this rule, but the treasurer won't be overwhelmed if planning ahead is the general rule rather than the exception.
- The treasurer should never be allowed to sign checks for his or her own expenses without a countersignature from the chapter president or other authorized officer. This rule must apply to any other officers who are authorized to sign checks on the chapter's or region's behalf.

Handling Receipts

- Give all incoming money to the treasurer within 48 hours of collection. Include a report that indicates the program budget to which the revenue should be credited and the total amount of cash and checks received.
- Process carefully and expeditiously receipts for membership dues, meeting fees, sales of directories and any other items to take advantage of potential interest income.
- Consider offering a discount for advance registrations for chapter meetings, seminars and special events. By encouraging advance registration, you will receive cash in time to help cover up-front expenses, such as facility charges, food deposits, and speaker fees. Many chapters have adopted the Cvent system that requires payment by credit card prior to a program or activity. For more information about Cvent, contact IABC headquarters.

Month-End and Year-End Controls Checklist

- Present budgeted and actual revenues and expenses for the same period on the same financial statements.
- Indicate net profit or loss as income minus expenses.
- Make sure that specific monthly budgeted figures are the same on the budget and on the monthly financial reports.
- Itemize income and expenses individually rather than lumped together.
- Show outstanding payables (bills not yet paid) and receivables (monies not yet received) on your financial statements.
- Make sure that the income and expense line items in your budget are also in the financial statement.

- Reconcile your bank balances at the beginning of the period and at the end of the period on a monthly basis, with net profit or loss tied into the ending bank balance.
- Provide an annual financial report to your members.
- By the end of February of each year, all U.S. chapters and regions must send annual financial information with a copy of the bank statement and bank reconciliation to IABC headquarters for inclusion in the IABC annual group information return. For more information, see Taxes for North American Chapters and Regions in Chapter 1, or contact the IABC headquarters' financial staff.

Audit Checklist

- Plan for an annual review or audit of your Chapter or Region finances.
 - Larger Canadian chapters and regions should consider being audited by a Chartered Accountant (CA).
 - U.S. regions and large U.S. chapters should consider being audited by a Certified Public Accountant (CPA).
 - Smaller U.S. and Canadian chapters should consider having a review or a compilation done by a CA or CPA. Reviews and compilations cost considerably less than a full-scale audit because the scope is more limited.
- Maintain well-organized records of receipts and expenses to provide a good audit trail, make the auditor's job easier, and possibly reduce the cost of the audit.
- Share the results of your audit, review, or compilation results with chapter members.
- Send a copy of your audit, review, or compilation results to IABC headquarters in San Francisco for review.

The finance department at headquarters is offering a new service for chapters that don't have the financial resources to hire a CA or CPA. A member of the IABC finance department will visit a chapter, at the chapter's request, to conduct an internal audit. Due to the limited resources, only three chapters per year will be audited on a first come, first serve basis. The chapter must absorb the travel expenses for the finance staff member who visits the chapter to conduct an internal audit.

If a chapter can't afford to hire an outside auditor or pay travel expenses to have a headquarters staff member do the internal audit, a creative and cost saving option is a Peer Review.

A Peer Review involves chapters in the same region that conduct an annual review of each other's finances. This process can generate a good feeling and understanding of other chapter finances and improve relationships among chapters.

Chapter 7 – Sponsorship and In-Kind Donations

Sponsorships and in-kind contributions are a golden opportunity for partnerships between chapters and vendors. With careful planning and marketing, these programs become "win-win" situations for all parties involved. (See *Appendix L: Sample donor letter.*)

Sponsorship or in-kind contribution can help you increase or improve chapter or region member services. They can:

- provide new member services,
- enhance existing member services,
- explore new or different methods of service delivery,
- offer break-even programs for which sponsorship or in-kind contributions allow lower or even no member fees,
- keep members informed of newest technologies and resources, and
- connect members with service/product providers (in addition to sponsorship or in-kind contributions, vendors may also offer an exclusive discount).

Select sponsors that provide products and services that IABC members use, and promote the unique value of marketing to IABC members:

- target business communicators who buy their products/services;
- increase year-round visibility among members, and for major events, other purchasing influencers;
- showcase new technologies or services; and
- gain new customers/clients.

New Ways of Thinking

Most Chapters and Regions seek sponsorships and in-kind services – some even budget for them. In addition to acknowledging sponsors and contributors, you can reinforce membership value by reporting the cash value of donated services.

Example 1:

IABC/Minnesota reports that for a given year the cost of member services was \$110,000. Of that amount, about 52 percent (\$57,000) was in-kind services. This fact was reported in the chapter annual report that was produced with only a small amount of chapter funds. The balance was in-kind services.

Example 2:

IABC/BC just produced an upgraded member directory that netted a few hundred dollars for the chapter (through a combination of contributed design and printing services and advertising sales). It provided members with more information than ever before, and gave the suppliers involved year-long marketing opportunities for their products and services. Within a week after the directory was distributed, one supplier landed a new account, estimated to be worth six or seven times the value of the contributed services. The supplier was told that the contact was a direct result of their work on the directory.

Job Bank or Job Service

Legal considerations: To avoid antitrust or other liability, the service should be open to both members and nonmembers, although a reasonable price differential may be charged for nonmembers. When a request for resumes is received from a prospective employer, the resumes should be screened only to ascertain that they satisfy whatever reasonable job-related criteria the prospective employer may have specified, such as years of experience or education. Screening may not be performed on the basis of race, sex, religion, age, disability, nationality, or other non-job-related factors. Similarly, advertisements should not mention those characteristics.

Tax consequences: Income received from the operation of a job referral service, or from advertising, is subject to unrelated business income tax. If the net income received in any year from all unrelated business reaches a specified level, chapters must file appropriate federal tax forms. (Direct and allocable indirect expenses incurred in operating the service or producing and publishing the advertisements are deductible in computing the net taxable income.)

For U.S. chapters, this information is reported to IABC headquarters as part of the chapter's annual financial report, and gets incorporated into the return. Historically, the expenses associated with placement services on the joint return outweigh revenues, so there are no tax consequences.

In addition, should the chapter's unrelated activities become, in the aggregate, its principal activities, its tax-exempt status would be jeopardized. However, assuming the chapter conducts a substantial and continuing program of educational and other activities that accomplish its exempt purposes of advancing the common business interests of its members, it should have no difficulty in this regard.

Licensing requirements: Most states and provinces require organizations that receive a fee for referring or placing job applicants to be registered or licensed as employment agencies. Depending upon how the referral service operates, these laws may not apply to IABC chapters' job referral services. For example, as a general rule, referral services which are essentially classified advertising (either as part of a chapter publication or as a separate publication,) are exempt. However, state or provincial and local laws vary widely. You should consult local legal counsel to determine whether your chapter is affected.

If you need additional information about your chapter's job referral services, please contact IABC's Leader Centre at (415) 544-4709 or leader_centre@iabc.com

Appendices

Appendix A – Glossary of Financial Terminology

Adapted from "Association Finances for the Non-Financial Manager," Momberger and Lang, 1987.

General Terms

Accounts Payable	A liability; what we owe others for goods/services
Account	A record of debit and credit entries chronologically posted to a ledger to cover transactions involving a particular item or a particular person or concern. Also a name commonly used to indicate a category of asset, liability, revenue or expense
Accounts Receivable	An asset; what others owe you for goods/services
Accrued Expenses	Accumulation of costs in one accounting period that will be paid at a later date
Beginning Balance	Cash on hand at start of accounting period
Books of Account	These are the actual "books" or pages used to record transactions in a manual system. The first recording of a transaction is made in a "journal" such as a cash receipts journal, cash disbursements journal, or general journal. These journals are summarized monthly in "ledgers" or "subsidiary ledgers" such as accounts receivable, accounts payable or inventory. Information for the financial statements is taken from the ledgers.
Cash	Money market, checking, savings, petty cash, payroll account
Credit	Right side of a double-entry transaction. Must also have a debit entry to balance
Debit	Left side of a double-entry transaction. Must also have a credit entry to balance
Deferred Revenue (income)	Also known as "unearned revenue." Funds received in advance for a service you will provide in the future. Until service is provided, you are "liable" to refund it if requested
Depreciation	Allocation of cost of a fixed asset over its estimated life, as an expense. Recognizes that the asset is wearing out
Double-Entry Bookkeeping	A debit and credit entry for each transaction that assumes, at the end of a period, that the books' are in balance

Ending Balance	Cash on hand at end of accounting period
Equity (Net Worth)	Initial capital plus accumulated earnings and current earnings or loss. Losses shown within parenthesis (loss)
Excess of Revenue Over Expense (Profit)	Dollars left over after deducting expenses from revenue
Expense	Goods and services bought and used in the operation of the organization, for example, salaries, benefits, telephone, postage, printing, rent, insurance
Furniture and Equipment	Fixed Assets; durable, long-life items used to assist in the operation.
Gross	Total dollars of revenue before any adjustments
Inventory	An asset; what you have for sale
Investments	Assets earning non-operations revenue
Journal	A record of current transactions. A book of original entry in double-entry bookkeeping. Examples - Cash disbursements journal, cash receipts journal
Ledger	A book containing accounts to which debits and credits are posted from books of original entry
Net	Dollars remaining after adjustments and expenses have been deducted from gross
Overhead	A "shorthand" method of describing non-product costs, such as administrative salaries, rent, office supplies
Prepaid "Expenses"	Future service ordered and paid in advance. An asset until used as you may cancel and receive refund (cash), for example, insurance
Purchases	Buying merchandise or materials for products to be sold
Restricted Funds	Donations or "set asides" for specific uses, designated by donor or board action
Revenue (Income)	Dues, convention registration fees, publication subscriptions (sales) and investment income

Methods and Presentation

Cash Basis	Sales and expenses recognized when cash flows
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Advantages: Simple, and readily shows the organization's liquidity

Disadvantages: Does not account for long-term commitments; does not properly report the members' equity; and can lend itself to misrepresentation through manipulation

Accrual Basis

Sales and expenses recognized when obligation made, independent of when cash flows. Income recorded when it is earned, and expenses recorded when they are committed or incurred

Advantages: Presents the most accurate picture of the overall financial situation of an organization

Disadvantages: Usually requires skilled bookkeeper and/or accountant to maintain books, and record and reverse entries as required

Modified Accrual Basis

Uses some features of both the accrual and the cash methods. Often found as the recording of income on a cash basis and the expenses on an accrual basis. Usually a step in an evolutionary process for an association. As the association grows, the cash method does not properly reflect its more complex activities, hence some aspects of the accrual method are adopted on a gradual basis.

Advantages: Uses simple cash accounting system for day-to-day accounting purposes yet presents reports on the accrual basis which reflects an accurate financial position

Disadvantages: Can be confusing if full accrual conversions are not properly recorded and may mislead volunteers who are not aware of the "mixed" accounting system

Simplified Classification of Accounts

Assets

Resources; what we own: cash, investments, furniture and equipment, prepaid expenses, buildings, automobiles

Liabilities

Obligations; what we owe to others: accounts payable, notes payable, mortgages, deferred revenue

Equity (Net Worth)

Association's capital and accumulated earnings. May also be defined as the "fund balance"

Revenue (Income)

Monies flowing into an organization from providing goods and/or services: dues, convention registration fees, publication subscriptions (sales) and investment income

Expense

Things bought and used in the operation of the organization: salaries, benefits, telephone, postage, printing, rent, insurance

Additional Accounts and Sub-Classifications

Current Assets	Will be used in the current business/accounting cycle, usually one year; for example, cash, accounts receivable
Current Liabilities	Will be paid within the current business/accounting cycle, usually one year; for example, deferred revenue, accounts payable
Long-Term Assets and Liabilities	Not anticipated to be used or paid off within one year; for example, fixed assets (building, machinery); liability (10-year note payable)
Allowance for Doubtful Accounts	An offset to accounts receivable for that portion of accounts expected to be uncollectable based upon prior years' experience.

Types of Financial Statements

Balance Sheet	"Snapshot" of financial position at a certain date. What we "own" and "owe!"
Revenue and Expense (Income or Profit and Loss Statement)	"Motion picture" of financial activities for a period of time.
Equity	"Snapshot" of equity details, such as prior and current year earnings, and accumulated fund balance.

Appendix B Sample Balanced Financial Statement

IABC/CHAPTER SAMPLE INCOME STATEMENT As of November 30, 2005

(Amounts in US\$)	<u>YTD Nov 05</u>	<u>YTD Nov Budget</u>	<u>Variance Actual/Budget Over(Under)</u>	<u>%age chg act/bud</u>	<u>2005 Budget</u>
Income:					
Membership Dues	9,000.00	11,000.00	(2,000.00)	81.8%	12,000.00
Advertising	150.00	412.50	262.50	36.4%	450.00
Registrations	20,000.00	22,916.67	2,916.67	87.3%	25,000.00
Mail Lists	378.00	458.33	80.33	82.5%	500.00
Other Fees	5,300.00	4,583.33	(716.67)	115.6%	5,000.00
Miscellaneous Inc.	25.00	30.00	5.00	83.3%	30.00
Interest Inc	150.00	91.67	(58.33)	163.6%	100.00
Div Income	22.00	22.92	0.92	96.0%	25.00
Sponsorship	4,000.00	2,750.00	(1,250.00)	145.5%	3,000.00
Total Income	39,025.00	42,265.42	(759.58)	92.3%	46,105.00
Expenses:					
CC Processing fees	0.00	45.83	45.83	0.0%	50.00
Production Fees	0.00	68.75	68.75	0.0%	75.00
Design Fees	200.00	229.17	29.17	87.3%	250.00
Meeting Supplies	111.25	183.33	72.08	60.7%	200.00
Design Services	2,000.00	1,375.00	(625.00)	145.5%	1,500.00
Bookkeeping	2,000.00	1,833.33	(166.67)	109.1%	2,000.00
Bank Charge	248.51	252.08	3.57	98.6%	275.00
Copying	843.00	779.17	(63.83)	108.2%	850.00
Delivery	82.22	77.92	(4.30)	105.5%	85.00
Chapter Development	315.00	320.83	5.83	98.2%	350.00
Volunteer Recog	10.00	15.00	5.00	66.7%	0.00
Mgmt Fees	600.00	595.83	(4.17)	100.7%	650.00
Facility Rental	400.00	412.50	12.50	97.0%	450.00
Food/Bev.	2,000.00	2,291.67	291.67	87.3%	2,500.00
Office Supplies	1,737.76	1,833.33	95.57	94.8%	2,000.00
Postage	2,979.88	3,208.33	228.45	92.9%	3,500.00
Printing	9,075.69	9,166.67	90.98	99.0%	10,000.00
Rent on Equip	34.00	36.67	2.67	92.7%	40.00
Speaker Fees	2,500.00	3,208.33	708.33	77.9%	3,500.00
Telephone	50.00	137.50	87.50	36.4%	150.00
Travel	500.00	916.67	416.67	54.5%	1,000.00
Uncategorized Expenses	10.00	15.00	5.00	66.7%	0.00
Web Reserves	110.00	137.50	27.50	80.0%	150.00
Web Site	300.00	320.83	20.83	93.5%	350.00
Total Expense	26,107.31	27,461.25	1,353.94	95.1%	29,925.00
Net Income/(Loss) **	12,917.69	14,804.17	(2,113.52)	87.3%	16,180.00

** November YTD income balance agree to November 05 Balance Sheet

Appendix C: Sample Budgeting Forms

Sample 1: [your chapter] budget worksheet

Your name _____

IABC board position _____

Project _____

Directions

Determine the goals for your area, keeping in mind our overall IABC goals. Budget for each project separately, using these worksheets. Get real costs or estimate them as accurately as you can. Combine your project totals onto the Budget Summary Sheet.

1) Briefly describe project

2) How will this benefit Chapter/IABC?

3) Detail all costs and income you anticipate with this project. Indicate to which line item each activity should be assigned. (See a financial report for line items assigned to your area.)

<i>Activity</i>	<i>(Expense) or Income Line item</i>
-----------------	--------------------------------------

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

4) Project Total _____

Sample 2: [your chapter] budget summary sheet (by line item)

Your name _____

IABC board position _____

Directions

Combine your project totals onto this sheet, listing expenses and income by the line items assigned to your area.

If you feel line items need to change, indicate your proposed changes below.

- 1) List income and expense according to the line items assigned to your area.

Line item

Total (expense) or income

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

- 2) Total budget amount for your area (estimated net):

- 3) Recommended line item changes:

Sample 3: Sample Budget worksheet

IABC

IABC Phoenix

2005-2006 Board Year

Budget Worksheet Sample (*Actual numbers not used*)

Budget Worksheet			
Committee		Professional Development	
Vice President		Jane Smith	
Income		Expenses	
Source	Amount	Type	Amount
Luncheon income	\$11,500	Luncheon catering	\$12,500
Spring seminar	6,000	Spring seminar	5,000
Sponsorships	1,000	President appreciation luncheon	750
Communications Dialogs	300	Speaker gifts	250
		Accreditation	1,000
TOTAL	\$18,800	TOTAL	\$19,500

Projected Spread						
	Oct	Nov	Dec	Jan 2006	Feb	Mar
Revenue	1000	1000	1000	1000	1200	6200
Expense	1300	1050	1050	1050	1500	6050
	Apr	May	Jun	Jul	Aug	Sep
Revenue	1000	1000	1000	1200	1000	1200
Expense	1750	1750	1050	1300	1050	1300

Chapter Financial Snapshot			
	2004-05 Budget (Full-year)	Actual (YTD)	Difference
Income (all sources)	\$52,185	\$44,016	-\$8,169
Spending			
Professional Development	\$19,650	\$9,118	\$10,532
Special Events	11,950	11,850	100
General and Administrative	9,880	8,499	1,381
Membership Benefits	5,200	2,842	2,358
Membership	1,500	413	1,087
External Communications	650	308	342
Community involvement	600	450	150
Internal Communications	0	0	0
Repayment to money mart	2,755	2,755	0

account			
TOTAL	\$52,185	\$36,235	\$15,950

Current Assets	
Bank One (checking account)	\$15,300
Bank One (money market)	2,760
E-Trade (money market)	6,159
Loans (D-5 seed money)	0
TOTAL	\$24,219

Budget Year: Several years ago we decided to separate our board year (July-June) and our fiscal year (October-September). With this step, we've been able to let the new board members assume their positions, understand their roles, form their committees, and develop their plans for the year before having to put together budgets. It works very well.

Budget Process: The Board Vice Presidents prepare a draft budget for their area, which includes anticipated revenue (where appropriate) and expenses. Our expectation is that we will realize a "profit" from our Special Events, Membership and Professional Development activities, which will fund other activities and create resources that we can use to return value to our members. Board VPs submit their draft budget to the Finance VP. He/she compiles the total proposed budget of the chapter, makes a recommendation (approve or modify) and submits to the President, Past President and Executive Vice President for their review, modification and endorsement. Once the budget is endorsed, it is submitted in draft form to the board for review and a vote.

Accountability and Reporting: Each Board VP is accountable for adhering to their area's approved budget and tracking revenue and expenses for their area. All spending requests are channeled through the Finance VP. Finance VP maintains the chapters banking and investment accounts. Finance VP prepares a monthly "financial snapshot" that is designed to validate the status of each expense area and communicate the chapters overall financial status to the board. The snapshot is presented and approved at each board meeting. We prepare an annual financial report for IABC International. We publish an annual report to our members, which includes a financial assessment.

Controls: The Finance VP, President and Executive Vice President have signing authority on the chapter's banking and investment accounts.

Appendix D: Sample Budget Document

Draft # 3

PROGRAM	INCOME				EXPENSES				NET			
	FY 2006 Budget	FY 2005 Budget	CHANGE INC(DEC)	2005 Forecast	FY 2006 Budget	FY 2005 Budget	CHANGE INC(DEC)	2005 Forecast	FY 2006 Budget	FY 2005 Budget	CHANGE INC(DEC)	2005 Forecast
301 ACCREDITATION	48,855	43,300	5,555	46,095	49,464	43,296	6,168	46,091	(609)	4	(613)	4
AWARDS												
305 Chapter Management Awards	0	0	0	0	27,276	25,054	2,222	18,933	(27,276)	(25,054)	(2,222)	(18,933)
307 Gold Quill Awards	310,745	273,950	36,795	276,408	202,249	180,417	21,832	184,490	108,496	93,533	14,963	91,918
CHAPTER/DISTRICT RELATIONS												
316 Leader Services	0	4,000	(4,000)	0	57,226	48,579	8,647	34,867	(57,226)	(44,579)	(12,647)	(34,867)
317 Chapter Leaders Institute	26,000	26,000	0	21,022	88,902	82,015	6,887	76,958	(62,902)	(56,015)	(6,887)	(55,936)
318 International Development	0	0	0	0	67,536	61,428	6,108	61,428	(67,536)	(61,428)	(6,108)	(61,428)
375 Leaders Visit Program	0	0	0	0	32,972	25,829	7,143	25,829	(32,972)	(25,829)	(7,143)	(25,829)
COMMUNICATION												
321 Communication World	150,050	195,300	(45,250)	130,000	500,136	454,012	46,124	460,000	(350,086)	(258,712)	(91,374)	(330,000)
326 Public Relations	0	0	0	0	178,947	195,120	(16,173)	169,842	(178,947)	(195,120)	16,173	(169,842)
334 FOUNDATION	0	0	0	0	101,350	76,296	25,054	76,296	(101,350)	(76,296)	(25,054)	(76,296)
335 EXECUTIVE BOARD	0	4,000	(4,000)	2,250	238,683	256,405	(17,722)	249,707	(238,683)	(252,405)	13,722	(247,457)
337 GENERAL ADMINISTRATION	70,000	58,000	12,000	68,292	983,462	875,533	107,929	894,408	(913,462)	(817,533)	(95,929)	(826,116)
338 INFORMATION TECHNOLOGY	6,000	4,800	1,200	3,545	647,155	570,077	77,078	521,024	(641,155)	(565,277)	(75,878)	(517,479)
339 CUSTOMER SERVICE CENTER	0	0	0	0	147,085	141,714	5,371	141,714	(147,085)	(141,714)	(5,371)	(141,714)
MEMBERSHIP												
340 International Dues	2,508,610	2,189,922	318,688	2,455,009	555,055	432,743	122,312	432,743	1,953,555	1,757,179	196,376	2,022,266
348 Student Membership	39,070	34,001	5,069	30,761	71,083	33,606	37,477	33,606	(32,013)	395	(32,408)	(2,845)
INFORMATION SERVICES												
349 Information Resources	511,500	506,200	5,300	434,030	396,753	366,939	29,814	320,000	114,747	139,261	(24,514)	114,030
PROFESSIONAL DEVELOPMENT												
362 International Conference	1,321,684	1,368,315	(46,631)	1,231,619	918,508	914,082	4,426	834,083	403,176	454,233	(51,057)	397,536
364 Small Conference	323,700	400,125	(76,425)	251,408	257,123	319,652	(62,529)	234,936	66,577	80,473	(13,896)	16,472
366 Seminars	48,700	52,500	(3,800)	52,500	22,773	21,952	821	21,952	25,927	30,548	(4,621)	30,548
367 Webinars/Teleseminars	138,660	138,600	60	138,600	49,908	61,575	(11,667)	56,574	88,752	77,025	11,727	82,026
372 Speakers Bureau	23,125	31,100	(7,975)	26,100	9,966	10,684	(718)	10,684	13,159	20,416	(7,257)	15,416
373 Fortune 200 Conference	45,000	37,500	7,500	45,000	39,317	36,950	2,367	30,950	5,683	550	0	14,050
374 E-Learning On-line	15,000	1,000	14,000	1,000	10,233	9,900	333	9,900	4,767	(8,900)	0	(8,900)
369 Job Centre	218,000	131,600	86,400	174,072	15,837	38,720	(22,883)	9,984	202,163	92,880	109,283	164,088
TOTALS:	5,804,699	5,500,213	304,486	5,387,711	5,668,999	5,282,578	386,421	4,956,999	135,700	217,635	(100,735)	430,712

Appendix E – Sample Monthly Standard Financial Document

International Association of Business Communicators - Sample Chapter Balance Sheet Monthly Comparative November 30, 2005 & October 31, 2005

	30-Nov-05	31-Oct-05	Change	% Change
Assets				
Current assets				
Van. Treasury Money Market	12,500.00	10,860.59	1,639.41	15.10%
US Bank Checking	11,869.94	13,000.00	(1,130.06)	-8.69%
Money Market US Bank	22,297.75	22,297.75	0.00	0.00%
Accounts Receivable	2,200.00	2,500.00	(300.00)	-12.00%
Inventory	950.00	950.00	0.00	0.00%
Other current assets	100.00	100.00	0.00	0.00%
Total current assets	<u>49,917.69</u>	<u>49,708.34</u>	<u>209.35</u>	<u>0.42%</u>
Non-Current assets				
Investments (longer than one year)	7,000.00	7,000.00	0.00	0.00%
Property and equipment, net	1,500.00	1,500.00	0.00	0.00%
Deposits	200.00	200.00	0.00	0.00%
Total assets	<u>58,617.69</u>	<u>58,408.34</u>	<u>209.35</u>	<u>0.36%</u>
Liabilities and Net Assets or (Equity)				
Liabilities				
Accounts payable	400.00	500.00	(100.00)	-20.00%
Rent Payable	200.00	200.00	0.00	0.00%
Other Payables	100.00	100.00	0.00	0.00%
Total liabilities	<u>700.00</u>	<u>800.00</u>	<u>(100.00)</u>	<u>-12.50%</u>
Net Assets or Equity:				
Beginning of fiscal year	45,000.00 ←	45,000.00	0.00	0.00%
YTD Income over (under) expenses **	<u>12,917.69</u>	<u>12,608.34</u>	<u>309.35</u>	<u>2.45%</u>
Ending of fiscal year	<u>57,917.69</u>	<u>57,608.34</u>	<u>309.35</u>	<u>0.54%</u>
Total liabilities and net assets	<u>58,617.69</u>	<u>58,408.34</u>	<u>209.35</u>	<u>0.36%</u>

** Balance agree to November 05 Income statement

Appendix F – Sample Reserve Policy

IABC/Minnesota Reserve Policy

Approved by the Board of Directors 10/14/91

Section I: Overview

- A. Short-term reserves: Approximately \$10,000 will be maintained between the Chapter's checking and money market accounts as working capital to meet ordinary cash-flow needs.
- B. Long-term reserves: In addition to the short-term reserves described above, an amount equal to 50 percent of the Chapter's previous year's total income will be set aside as long-term reserves. The Board will arrange to add to this long-term reserve as needed to maintain the target level.
- C. Background/purpose: The Chapter reserves, created in 1989 as part of the long-range plan, were meant to provide financial stability and act as a safety net to help protect the Chapter in the event of a catastrophic fiscal emergency. A side benefit of maintaining the reserves is the additional income they generate, which can be used to help support programs and services for the membership.
- D. Investment: Long-term reserves will be held separate from the Chapter's checking account and invested in accordance with the Chapter's investment policy/program as adopted by the Board.
- E. Disbursements: No disbursement shall be made from long-term reserves except as described below, and then only by a vote of the Board in accordance with Chapter bylaws.

Section II: Disbursement Guidelines

- A. The long-term reserve is a fund of last resort. Before drawing money from this fund, the Board will seek other solutions to a financial problem, including budgetary adjustments, alternative fund-raising efforts and trimming of non-essential services.
- B. Emergencies: Long-term reserves may be tapped in case of a bonafide emergency - that is, an unforeseen and unavoidable event leaving the Chapter in fiscal crisis.

For example, if the Chapter awards program were canceled due to severe weather, the Chapter would be obligated not only to pay for contracted facilities and services for that event, but also to refund registrations. A catastrophic situation that could cost the Chapter thousands of dollars would constitute a bonafide emergency.

However, it would be inappropriate to draw upon long-term reserves to compensate for a situation that would not meet the test of a genuine

emergency as defined above. The Board has sufficient warning of a developing problem such as an operational deficit resulting from a shortfall in membership dues or programs that fail to meet budgeted profit goals. The Board is expected to make appropriate budgetary adjustments to compensate.

C. Procedure for emergency disbursement:

1. A unanimous resolution detailing the need for disbursement from long-term reserves must be initiated by the Executive Committee and passed on to the entire Board for consideration and final approval;
2. The Board will make every effort to ensure that the long-term reserve balance does not drop below an amount equivalent to 30 percent of the previous year's total income;
3. Concurrent with any plan for disbursement, the Executive Committee will draft and present for board approval a repayment plan and timetable. The Treasurer will monitor the status of the repayment agreement in regular reports to the Board.

D. Short-term loans. Under certain unusual circumstances, a disbursement in the form of a short-term loan may be made from long-term reserves. It might be appropriate, for instance, to arrange a loan in order to finance an extraordinary opportunity requiring a known amount of funding for a limited period of time. Such an opportunity should provide exceptional value to the Chapter and its membership. An example of such an opportunity might be to provide seed money for the IABC Region 4 Conference.

However, it would be inappropriate to use a short-term loan from reserves to meet budgeted expenses for regular and ordinary programs in the event of an operational deficit, or as start-up funding for new, ongoing programs and services. These needs should be resolved by other means as described in Section II.A. above.

E. Procedure for short-term loan disbursement:

1. A unanimous resolution detailing the need for disbursement from long-term reserves must be initiated by the Executive Committee and passed on to the entire Board for consideration and final approval;
2. Disbursements for short-term loans shall not exceed 15 percent of the total long-term reserve balance;
3. Concurrent with any plan for disbursement, the Executive Committee will draft and present for Board approval a plan to repay the loan within 12 months. The Treasurer will monitor the status of the repayment agreement in regular reports to the Board.

Appendix G – Sample Policy on Financial Support

Policy on financial support for members' professional development
Regina IABC

The purpose of the Financial Support Program is to assist members in taking advantage of opportunities to enhance their professional development and leadership skills, while at the same time to create direct benefit for IABC/Regina and enhance the profile of the chapter.

Financial support program outline

The Program will be coordinated by the Financial Support Program Committee, chaired by the vice-president, professional development and including the President Elect and the vice-president, finance. It is the responsibility of the Committee to receive, evaluate and recommend the approval or rejection of funding requests. Such requests will only be considered if the event in question is sponsored by an IABC organization.

It is the further responsibility of the Committee to negotiate with the member making the request the direct benefit for IABC/Regina. This direct benefit may take the form of Connections articles, seminar or luncheon presentations or committee service, for example.

The amount of funding available in a year will be equal to 50 percent of the profits to the chapter from the previous year's professional development programs (or some other source of funding as might be designated by the IABC/Regina Board of Directors). The actual amount will be determined by the Board of Directors as early as possible during their term.

The available funding will be divided into two equal parts, with half available for events scheduled to take place between July and December, and the other half available for events scheduled to take place between January and June. With those limits, requests will be considered on a first-come, first-served basis until the funds are exhausted.

There will be no carry-over of funds from one fiscal year to the next. Funds budgeted for the second half of a fiscal year cannot be spent in the first half of that fiscal year. Unused funds will revert to the general funds of IABC/Regina at the end of the designated period.

In order to assure equality of access for all eligible members, the Financial Support Program will be highlighted in the September and January issues of Connections, and at the September and January luncheons.

Funding requirements

- The maximum amount of any grant is \$500.

- Grants will cover up to a maximum of 50 percent of the approved cost.
- Payment will be made on presentation of receipts to cover all costs, with the exception of meals, which will be calculated using a predetermined per diem amount.
- Final decision on a request is made by the IABC/Regina Board of Directors upon the recommendation of the Financial Support Program Committee.

Application requirements

Applicants must:

- have been a member of IABC/Regina for a minimum of two years prior to the application;
- present their request in writing to the Financial Support Program Committee at least 45 days prior to the event in question;
- not be a current member of the Financial Support Program Committee; and
- not have received funding from the Financial Support Program for a minimum of two years prior to the application.

The applicant's request must include:

- an estimate of the total amount of the funding requested;
- proof of lack of alternate funding;
- a detailed description of the event in question, with proof that it is an IABC-sponsored event and with a summary of the professional development and/or leadership skills enhancement opportunities; and
- a proposal concerning the direct benefit to the chapter.

Appendix H – Sample Development Fund Guide

Proposed development fund guide
IABC/Brazos Valley

Funds for the IABC/Brazos Valley professional development account comes from money the chapter made from the 1995 Region 5 Conference.

1. Money goes into a separate IABC/Brazos Valley A.G. Edwards account.
2. Leadership development will be designated in the operating budget with categories for both income and expenditures. Chapter grants for members to attend IABC sponsored activities will be listed, with income and expenditure categories, under professional development.
3. No more than 20 percent of the original development fund balance can be used in any given fiscal year.
4. All allocations from the fund must be approved by the chapter board or executive committee.
5. Development activities that are acceptable candidates for funding are:
 - a. Activities related to a chapter member's service in a board or committee position related to the Region or international level
 - b. Attendance by a chapter officer(s) at the Chapter Leaders Institute
 - c. Grants for chapter members to attend Region and international conferences (members serving on chapter, Region or international boards will be considered first)
 - d. Grants for chapter members in good standing to attend IABC-sponsored professional development activities (local, Region, international level events)
6. Allocations from this fund shall not exceed the actual cost of the activity for which funding is requested.
7. Receipts from funded activity will be required for reimbursement.
8. Chapter members must apply for reimbursement within 30 days following funded activity.
9. Chapter members must apply for reimbursement within 30 days following funded activity.
10. When possible, the chapter treasurer will make the check payable directly to the sponsor of the activity rather than the person requesting funding.
11. Region level grants for an activity listed above will be deposited into the development fund account.

Appendix I – Sample Financial Management Forms

Sample 1: IABC/Houston check request/approval form

IABC

IABC/Houston
1100 W. 23rd Street Suite 200
Houston, TX 77008
(713) 880-0457

IABC/Houston Check Approval

To: _____

Amount: _____

Charge to: _____

Member Service

Dues _____ Temp. Membership _____

Member/Recruitment _____

Professional Development

Program/Speaker _____ Seminars/Workshops _____

5Ws _____ Other Awards _____

Communication

Stet _____ Steteetera _____

Speakers Bureau _____

Administration

Admin/Support _____ P.O. Labels Del. _____

Office Expense _____ Postage _____

IABC Relations _____

Miscellaneous

Description _____ Amount _____

Verbal request by _____

Written request by _____

Backup receipts Yes _____ No _____ To come _____

Sample 2: Kansas City/IABC check request form



Kansas City/IABC Check Request Form

Date _____
Subcenter Line # _____

Your Name _____
Project Name _____
Check payable to _____
Address to send check _____

Amount _____

Vendor _____
(if different from payee) _____

What is the payment for? _____

Sample 3: IABC/Houston invoice letter

IABC

IABC/Houston
1100 W. 23rd Street Suite 200
Houston, TX 77008
(713) 880-0457

Invoice

Dear IABC/Houston Member or Guest:

Our records indicate you owe \$_____ for _____ reservation(s) at the IABC/Houston meeting. Please send a check for this amount payable to IABC/Houston.

If you have made reservations for an IABC meeting and cannot attend, please call and cancel your reservation before the specified deadline. All no-shows must be billed. IABC/Houston is obligated to pay each caterer for a guaranteed number of attendees.

Please call me at (713) 374-2842 if you have questions or need additional information. Thank you for your cooperation.

Sincerely,

Mike Cloud
Vice President, Finance & Administration
IABC/Houston

Sample 4: IABC/Houston returned check notice

IABC

IABC/Houston
1100 W. 23rd Street Suite 200
Houston, TX 77008
(713) 880-0457

Invoice

Dear IABC/Houston Member or Guest:

Your check for \$ _____ for the _____ IABC member service/meeting was returned for the following reason:

Insufficient Funds	No Account at Location
Uncollected Funds	Account Closed
Stale Date	Signature
Other _____	

Please send a cashier's check for \$ _____ payable to IABC/Houston. This amount includes a \$10 IABC/Houston handling fee.

Please call me at (713) 374-2842 if you have questions or need additional information. Thank you for your cooperation.

Sincerely,

Mike Cloud
Vice President, Finance & Administration
IABC/Houston

Sample 5: Kansas City/IABC income receipt form



KANSAS CITY/IABC INCOME RECEIPT FORM

Date _____

Subcenter line # (if applicable) _____

Your name _____

Project name _____

Amount of check _____

Amount of cash _____

TOTAL AMOUNT _____

Sample 6: IABC Phoenix reimbursement request form



IABC Phoenix Reimbursement Request

Committee	Community Involvement	
Name	John Doe	
Address	123 Center Street City, State, Zip	
Position	Director of Community Service	
Reason for Expense	End of the year non-profit event	
Items expensed		Amount
	Sign produced at Fast Signs	\$100.09
	Film	\$7.53
	Beverages	\$10.00
	TOTAL	\$117.62

Please staple your receipts to the back of this form.

Address where check should be sent

Check number _____

Appendix J – Sample Donor Letter

Note: Please consult your tax advisor as to the deductibility of the contribution. Within the U.S., the IABC is a 501(c)(6) organization.

IABC

Chapter name
Chapter address

March 15, 2004

Donor's name
Donor's company/organization
Donor's address

Dear [donor's name],

Thank you so much, on behalf of the IABC ----- Chapter Board of Directors, for the kind and generous contribution or in-kind donation of \$xxx.xx. It is the dedicated support of our members or donors, which enables us to achieve our mutual goals and advance the profession.

As you know, the goal of the IBAC Chapter is to (the chapter goal). IABC is a non-profit 501(c)(6) organization.

Thank you for your support.

Sincerely,

Name of Chapter President
Title