



International Association  
of Business Communicators

# **IABC Chapter & Region Finance Guide**



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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 financial processes by explaining various areas of financial management in detail. This is not intended to cover every possible aspect related to financial management.

As a result, IABC staff is available to address concerns related to your chapter or region. You can contact staff at [leader\\_centre@iabc.com](mailto:leader_centre@iabc.com).



# 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

General liability insurance protects chapters, regions, and volunteers from 3rd party liability claims arising out of negligent acts, resulting in bodily injury or property damage, committed at meetings, trade shows, and conventions.

All U.S. Chapters are now enrolled in the IABC General Liability Coverage. Non-U.S. chapters should secure general liability coverage independently.

### Directors and Officers (D&O) Liability Insurance

D&O Coverage protects leaders in the event that a legal action is brought forward in regards to wrongful acts committed by individual board members.

Most IABC chapters are included in IABC's D&O insurance coverage, with the exception of any country that will not be a part of the coverage. Chapters that are not included in the IABC D&O coverage include: Barbados, India, Indonesia, Malaysia, Japan, Philippines, Belgium, Slovenia, and Switzerland.



## 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): 3 years

Checks (canceled for important payments, i.e. taxes, purchases of property, special contracts, etc.): Indefinitely (Checks should be filed with the papers pertaining to the underlying transaction.

Contracts, mortgages, notes and leases (expired): 7 years

Contracts, mortgages, notes and leases (still in effect): Indefinitely

Correspondences (general): 2 years

Correspondence (legal and important matters): Indefinitely

Correspondence (routine) with customers and/or vendors: 2 years

Deeds, mortgages, and bills of sale: Indefinitely

Depreciation schedule: Indefinitely

Duplicate deposit slips: 2 years

Employment slips: 2 years

Employment applications: 3 years

Expense analysis/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



Minute books of directors, stockholders, bylaws, and charter: Indefinitely  
Notes receivable ledgers and schedules: 7 years  
Patents and related papers: Indefinitely  
Payroll records and summaries: 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  
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 (inventory, sales, etc.): 7 years  
Stenographer's notebooks: 1 year  
Stock and bond certificates (canceled): 7 years  
Stockroom withdrawal forms: 1 year  
Subsidiary ledgers: 7 years  
Tax return 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 for payments to vendors, employees, etc. (includes allowances for 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 501c(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 [leader\\_centre@iabc.com](mailto:leader_centre@iabc.com).

**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.

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 the 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

**Succession:** N/A

**Term:** 12 months

**Election:** Voted by membership, majority voting

**Direct Reports:** Finance/Sponsorship committee members

**Reports to:** President

### Duties & Responsibilities

**Coordinates preparation and management of chapter budget** – Provides budget materials and counsel to other board members, monitors budget monthly.

**Manages chapter financial accounts** –Maintains accounts, monitors account records and documentation, pays invoices/bills, manages board member reimbursement, responsible for handling of funds collected at chapter meetings, provides chapter financial reporting.

**Manages chapter financial policy** – Coordinates review and development of policy related to fiscal processes, saving and spending.

**Coordinates year-end reporting** – Prepares year-end reporting for tax and IABC International (due 15 February of each year)

**Coordinates management of chapter sponsorship program** – Manages materials and policy, including managing a director to focus on sponsorship when possible.

**Recruit and lead finance committee** – Including identifying and training successor.

### Additional Duties

#### Daily tasks

- Process refunds or payments via credit card or deposit checks, money orders and cash into bank.



- For refunds, the original credit card charged must be refunded with the approval of the cardholder. If the credit card was cancelled, the refund can be given via check but only to the cardholder. This prevents fraud and an audit trail for good record keeping.
- Payments via credit card should be noted when charged with Invoice number if possible; card holder's first and last name and reason for purchase i.e. Silver quill or name of event.
- All checks and cash should be recorded on a deposit slip and taken to the bank in a reasonable amount of time. A cash receipt/check log should be maintained. This can be done in excel and its purpose is to document all cash and checks received. Included in the documentation should be the date, name, cash or check amount, check number, and where the revenue will be allocated. Doing this allows all information to be kept in one location and makes it easier to share with auditors. For internal control purposes, this can be compared to bank statements to confirm that all transactions match. **See Appendix A for an example.**
- Record all bank deposits with cash amounts and checks received for each deposit in accounting system i.e. QuickBooks.
- Outgoing Checks will be requested for paying vendors, refunds or reimbursing board members.
  - Before a check is created it must have an invoice, check request or expense reports to start the process.
  - Please make sure that the same invoice, check request or expense report was not previously paid before submitting to the Chapter President for approval.
  - Once the above is reviewed and approved by the Chapter President a check can be created.
  - In the interest of "separation of duties"..if the Finance VP or Treasurer is the officer responsible for processing and recording the income and payments, the checks should be signed by the Chapter President.
  - Any checks over a specified limit require 2 check signers.  
Headquarters  
uses the limit of \$5,000.00 to require 2 signatures. This limit is based on each chapter and should be communicated to the bank when setting up a bank account.
- IMPORTANT: The vendor may require completion of a W-9 form before a check payment can be issued. They will need to provide the chapter/region with the form if the chapter/region is paying them in an amount of \$600+.



### Monthly tasks

- Reconcile bank accounts to insure all the monthly revenue and expenses are recorded in your chapter's accounting system.
- Compile monthly financials and notes then bring a copy to meeting with Board for review and approval.
- Once financials are approved, please keep an e-copy and hard copy for your records and print or email a copy to the Chapter President.

### Special event tasks

- Have sufficient applications and payment forms available.
- Bring cash box prepared with change, petty cash and credit card machine or computer with credit card software ready for use i.e. PayPal, Square, etc..
- Collect payments from registrants and prep your volunteers of the payment process and customer service details so they know how to help the members/non-members.
- Prepare cash and checks collected for deposit on a deposit slip, take deposit to bank and keep bank receipt on file.
- Pay all vendors for the event in advance or paid the day of the event.  
(To avoid issues: collect invoices marked paid in full or receipts from every vendor service or product)
- Make sure the money collected from registration, silent auction, raffles and etc. are collected and summarized along with all expenses reported to the President for each event.

### Yearly tasks

- Work with President to review and approve upcoming Annual Chapter Budget.
- After the Chapter President approves and finalizes the budget, distribute budget and details to the board.
- Renew and make payments for Chapter annual insurance and other annual expenses such as computer software licensing fees, post office box renewal, etc.
- Send donation check to IABC Foundation if possible.
- If the chapter has used vendors that require a 1099 for payments in the amount of \$600+, the chapter will need to file a Form 1099 by 31 January.
- Complete the annual finance report for chapters/regions. Submit your December bank statement, finance report, and consent form (all available on Leader Centre) to [leader\\_centre@iabc.com](mailto:leader_centre@iabc.com) by 15 February of each year.



**See Appendix B for a sample VP Finance/Treasurer responsibility checklist designed by IABC Central Oklahoma.**

## 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 is also 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.

### **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. Conduct an annual audit or review of your chapter or region books. Larger chapters 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.

13. 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.

***See Appendix C for a sample budgeting template and Appendix D for a sample budgeting worksheet.***

## 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.

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
- non-member 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 beverages 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 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.

### 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 related 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 a result 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 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 show 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 subcategories:

1. Current assets
2. Property and equipment (fixed assets)
3. Other assets

Liabilities and net worth are usually broken down into:

1. Current liabilities
2. Long-term liabilities
3. Fund balances (or net worth)

NOTE: A single underline shows a subtotal, 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 compared 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 related to the change in income? Which individual expenses have changed significantly?
- How does this period's net income compared 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 a lot of money; it can simply be a Word document that can be sent by email to your members. Some IABC chapters have developed more elaborate annual reports; for samples or more information, contact [Leader\\_centre@iabc.com](mailto:Leader_centre@iabc.com).

## 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
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](http://iabc.com).

## Chapter 6- Financial Management

Some boards may think of the budget process and ongoing financial management as a routine "chore" handled by the treasurer 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 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 checklist as a guide for ongoing financial management of your Chapter or Region budget.

### 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' job easier, and possibly reduce the cost of the audit.
- Share the results of your audit, review, and compilation results with chapter members.
- Send a copy of your audit, review, or results to IABC headquarters.

## 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.

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 no member fees
- Keep members informed of the newest technologies and resources
- 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

***See Appendix E for a sample sponsorship agreement and Appendix F for a sample donor letter.***

## 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 non members. 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) 544-4724 or [leader\\_centre@iabc.com](mailto:leader_centre@iabc.com)

## Appendix

Appendix A: [Daily Check Manifest Template](#)

Appendix B: [Sample VP Finance/Treasurer checklist \(provided by IABC Central Oklahoma\)](#)

Appendix C: [Sample Budgeting Template \(provided by the IABC Heritage Region\)](#)

Appendix D: [Sample Budget Planning Worksheet \(provided by IABC Central Oklahoma\)](#)

Appendix E: [Sample Sponsorship Agreement \(provided by IABC Wellington\)](#)

Appendix F: [Sample Donor Letter](#)