

IABC Central Oklahoma: Financial Management

Background

IABC Central Oklahoma is a small but mighty chapter that was recognized as the 2020 Small Chapter of the Year. Our dedicated volunteer board and committee members work hard to advance the profession, create connection, and develop professional communicators.

While our chapter is one of the smallest active chapters in IABC, we are incredibly strong financially due to the dedicated work of our volunteer board in the past few years. Previously, our financial reporting consisted of a series of complex and confusing spreadsheets. Each time there was a volunteer transition certain elements of the system were lost. Eventually, this led to difficulties in accurately tracking and reporting the chapter's financial data. There was no system for tracking accounts receivable, and the chapter lost sponsorship revenue because it was not billed in a timely fashion. Monthly reporting required entering data in multiple spreadsheets, and year-end reporting was a manual process that required about six hours of volunteer time to review paper records and enter data.

To standardize these processes, we implemented multiple changes, including:

- Use of QuickBooks Online to provide more consistent and standardized financial reporting. A certified public accountant reviewed all processes and reporting the first year after the transition to ensure accuracy in reporting, and we continue to use a CPA for a compilation review every few years.
- Revision of the chart of accounts to match those developed by IABC International for consistency in reporting.
- Development of a document retention policy that allowed us to shred boxes of old documents that had previously been handed from one volunteer to the next.
- Creation of a step-by-step process for financial reporting that would allow a more seamless transition from volunteer to volunteer. (*Attachment A1*)

Because the new process takes less time for monthly reporting, it has allowed the VP of Finance to focus more heavily on planning and analytics. This proved to be incredibly valuable in 2020 when significant adjustments were required for the pandemic.

Historically, the chapter's primary source of income has been monthly professional development lunches. In 2019, this generated \$1,934 in net revenue for the chapter, which averages to approximately \$215 in net revenue per event. Over time, these successful lunches and other programs had increased total chapter assets to more than \$12,000 by the end of 2019. (*Attachment A2*) This far exceeded the reserve balance of 25-33% of annual expenses outlined in the Chapter's Financial Management Policies and Procedures. (*Attachment A3*) At the July 2019 planning retreat, the board made a decision to intentionally increase expenditures and reduce reserves in order to invest in attracting new members and adding member value.

These decisions by the board put the chapter in a strong position to ride out the storm when the COVID-19 pandemic spread in 2020. We had the financial stability to sustain operations and add member value throughout the year.

Goals and Objectives

- 1) Spend cash reserves to add member value and advance the profession, create connection, and develop strategic communicators in alignment with the IABC 1720 strategic framework.
- 2) Update the budget planning process and develop a spreadsheet to assist board members in budget planning by showing prior expenses by month and by line item.

- 3) Obtain Directors and Officers Insurance to protect the volunteers in their work for the chapter and reinforce fiduciary responsibility.
- 4) Streamline financial reporting and ensure transparency by routinely and accurately sharing meaningful data with the board of directors, along with clear explanations of financial status. Maintain all financial documents in a central location for access by any board member at any time.
- 5) In response to COVID-19 pandemic, review and adjust planned expenses to remain viable and continue to add member value.

Budget

IABC financial policies recommend maintaining a reserve of 25-33% of operating expenses and spending remaining financial resources to increase member value. In July 2019, the Board approved a plan to intentionally reduce its cash reserve and invest more in attracting new members and adding value for existing members. In addition to hosting monthly professional development programs and periodic members-only workshops, we committed to sponsorship of a regional advertising conference to be hosted in Oklahoma City in 2020. Sponsorship of this conference, along with the purchase of conference tickets for board members who would staff our sponsor booth, would allow us to share IABC with communications professionals from our state and other states as well.

Because the board is made up solely of volunteers, the only ongoing expense we have for financial management specifically is \$40 per month for the QuickBooks Online license. The budget for our annual board planning retreat is about \$200, which includes lunch and supplies for the day-long retreat. Other recurring expenses outside the finance portfolio include things like PO box rental, Hootsuite, Canva, and other tools that help us run our chapter effectively. The majority of our revenue and our expenses is tied to professional development lunches, which shifted to virtual format in the spring of 2020.

Implementation

1. Spend cash reserves to add member value and align with the IABC 1720 strategic framework.

As part of the plan to attract more members and add member value, the board voted to invest \$500 as a sponsor for the ADvent10n conference, a regional advertising conference to be hosted in Oklahoma City in 2020. This would allow IABC Central Oklahoma to have a booth at the event and connect with other communications professionals. In addition, the board voted to purchase four tickets to the event for \$1,095 through a promotional offer to buy three tickets and get one free. Three of the tickets would be used for board members staffing the sponsor booth, and we planned to award the fourth ticket to a member not currently serving on the board based on their engagement with IABC. This was a rare opportunity to allow us to address all three pillars of the IABC 1720 framework in one event and a wise use of our cash reserves to add member value and attract new members.

In other efforts to add member-value, we hosted a free members-only workshop in the fall of 2019 and paid a portion of expenses for two of our board members to attend IABC Leadership Institute in 2020.

2. Update the budget planning process and develop a spreadsheet to assist board members.

Instead of providing historical data as a lump sum to the VP managing each portfolio, historical revenue and expenditures were provided by month and by line item for the 2020 budget planning process. Each VP was asked to prepare a calendar of planned activities and then determine a portfolio budget accordingly. Each received a planning worksheet to fill in with expenses by month and line item. (*Attachment B1*)

During a board meeting, each VP presented their plans and budget for discussion while the VP of finance entered the data on the budget sheet projected on a central screen. The group then made adjustments as everyone's plans were reviewed. This ensured every board member understood the calendar, the budget, and the overall financial picture of the chapter.

3. Obtain Directors and Officers insurance.

Our chapter had operated without D&O insurance for many years, but we recognized the risk this created both for our volunteer board members and the organization as a whole. The VP of Finance contacted Rust Insurance, the company providing D&O insurance to many chapters, for an estimate on providing coverage. We completed an application with fiduciary information to determine potential liability and each board member answered questions on professional history and legal issues. We provided our Financial Policies and Procedures and financial statements for review as well. The insurance company offered several policy options for board review. Our goal was to keep the cost around \$500.

4. Streamline financial reporting and ensure transparency.

Board members are kept informed on chapter finances through a series of specific reports to monitor ongoing financial status monthly and quarterly. This includes monthly and quarterly Profit and Loss, Balance Sheet, and Accounts Receivable Aging reports provided prior to each board meeting. A quarterly "Budget vs Actual" report shows board members the status of actual revenue and expenditures compared to budgeted line items. The VP of Finance includes a written overview of financial updates each month to concisely address key issues and explain key data points. (*Attachment B4-6*)

5. Review and adjust planned expenses to remain viable and continue to add member value.

Partway through 2019, the free location where we hosted monthly luncheons notified us that they would be doing a remodel and the venue would not be available for our lunches in 2020. The board found a restaurant with a separate meeting space that would not charge us for the space as long as we met certain meal requirements. The group met in this space only once in 2020 before the pandemic ended in-person events.

When our board met to discuss how to pivot in response to the pandemic, we decided to offer meetings virtually at no charge to help our community stay connected in a time of upheaval for many. Once it was clear the pandemic would continue for some time, we extended our free events through the end of the year. We also hosted virtual happy hours to create connection in a more informal way. We no longer had to purchase food, so the only costs for our monthly professional development events related to event promotion. Given our financial stability and commitment to adding member value, we were able to offer ongoing professional development at no cost to members or guests.

Measurement

Measurement of our first goal of spending cash reserves meant that we intended to end the year showing a loss on our profit and loss statement. Measurement of other goals was primarily based on a met/unmet status of the tangible output for stated goals. At each monthly board meeting, the board reviews and approves the financial reports provided by the VP of Finance to track where we are spending money to invest in member value.

Results

All goals were achieved, despite the pandemic, based on continuous adjustments made throughout the year and clear communication with the board of directors on financial management issues.

1. Spend cash reserves to add member value and align with IABC 1720 framework.

We spent from our cash reserves to send two board members to LI, hosted a free members-only workshop, and sponsored the Advent10n conference.

Unfortunately, the conference was cancelled due to COVID-19, but it will be hosted in Oklahoma City when in-person events resume more regularly. We received a refund on the cost of tickets purchased, but we allowed Ad Club to retain the \$500 sponsorship to carry forward for the rescheduled conference. This still fulfilled our goal of advancing the profession and creating connection by supporting our fellow communicators during a challenging time.

2. Update the budget planning process and develop a worksheet to assist board members in budget planning.

The first draft of the budget showed a large disconnect between what each VP wanted to do in their areas and the ability to maintain a financially sound budget. The first draft was a dream budget that included all of the items the board would like to do. (*Attachment B2*) This included supporting the Advent10n event, which added \$1,595 to the previous year's budget, as well as sending board members to Leadership Institute and the Southern Region conference to help us continue to strengthen our small leadership team. The new process made it clear this was not feasible. By seeing everything clearly on the screen, the board was able to work together to prioritize expenditures and cut more than \$2,000 from the first round of budgeted costs while keeping a focus on goals.

The new budgeting process worked very well and allowed the board to more precisely monitor progress over time. Each quarter, the board reviews revenue and expenses compared to budget and makes adjustments for effective financial management. (*Attachment B3*) This has been exceptionally valuable during the pandemic when clear financial tracking was vitally important.

Monthly and quarterly reports are shared with board members prior to each board meeting for review. (*Attachment B4-6*) Expense reimbursement requires documentation. (*Attachment B7*)

This budget process will be adjusted in 2021 to accommodate for the dramatic swings in revenue and expenditures caused by the pandemic. We will use a combination of 2020 actual financial results and reintroduction of historical revenue and expenses as pandemic restrictions are eased over time.

3. Obtain Directors & Officers insurance.

The Board agreed to a final policy for \$537, very close to our \$500 goal. It covers the potential risks specific to our chapter's structure and protects board members who volunteer their time to advance the profession. (This policy will not be needed in the future, as we received notification from IABC headquarters in early 2021 that the D&O insurance for the organization as a whole would cover all US chapters.)

4. Streamline financial reporting and ensure transparency

Each month, the board of directors receives a packet of materials to review prior to the board meeting. This includes a financial package with key reports, a concise summary of the data, and notes on any issues that require follow-up. (*Attachment B4-6.*) The Board must review and vote to approve financial reports each month.

All financial reports and related documentation (i.e, receipts, expense reports) are stored on a Google Drive accessible to all board members. (*Attachment C1.*)

5. Review and adjust planned expenses to remain viable and continue to add member value during the pandemic.

As the pandemic dragged on, our monthly operating expenses were gradually reduced from an average of \$459 per month to an average of \$55 per month for QuickBooks and Canva.

In 2020, we missed one professional development pre-pandemic due to winter weather and missed only one professional development during initial lockdown while we determined the best path forward. We also offered virtual happy hours to further create connection among members and non-members. (*Attachment C2.*) To date, we have been able to continue operations and spend only from our checking account of cash reserves despite having very little income as a chapter since February 2020. We ended calendar year 2020 with Liabilities and Equity of \$8,833 between our checking account and a certificate of deposit savings account. (*Attachment C3*)