

SECTION V:
FINANCES

SECTION 1

CHAPTER TREASURER

Some chapters are governed by a board of directors while others have chosen the management team structure. Under the board of directors structure the title of the financial officer is treasurer while the management team position is frequently titled financial manager. In this section of the *Chapter Guide* this position is referred to as **treasurer**.

In accordance with the chapter bylaws, there can be only one chapter treasurer. Elected by the chapter board of directors or management team, she is responsible for overseeing all financial transactions, maintaining appropriate bank accounts, and accurately maintaining chapter books and ledgers.

STANDING RULES

A chapter's standing rules should include financial criteria. All regular, income-producing projects should be included, for example:

- o Provisions for annual shows
- o Dues -- how much, how collected, i.e., chapter dues, international per capita fee, regional assessment
- o Performance fees
- o Fund-raising projects
- o Scholarship fund
- o Benevolence or charitable provisions

Criteria for regular expenditures should also be included, for example:

- o Director's fees and expenses, including expenses to attend regional or international educational events
- o Coaching fees
- o Rehearsal hall rental
- o Expenses for president/other representative to attend regional or international events
- o Any other regular expenditures to be reimbursed from chapter funds

Other criteria that should be included, for example:

- o Authorization of expenditures
- o Audit procedures
- o IRS Forms (for United States chapters)
- o Chapter property

Standing rules should be reviewed annually. As financial needs change, make certain the standing rules concerning those plans are revised accordingly.

CHOOSING A CHAPTER TREASURER

The Standard Form Chapter Bylaws provide an outline of the duties of the officers, and the first item on the list for each officer should be a review of those bylaws. To build a strong chapter, familiarity with the bylaws is a **MUST!**

A chapter treasurer does not need to have extensive bookkeeping experience, but she does need to have sufficient business acumen to understand the fiduciary (defined as relating to or involving a confidence or trust) and record-keeping duties involved. She should be willing and able to devote time each week to her duties. The chapter treasurer, like all chapter members who handle a significant amount of money, **should be bondable**.

DUTIES OF THE TREASURER

Standard Form Chapter Bylaws, Article VI, Officers - Treasurer

“The treasurer shall have custody of all chapter funds and securities and shall keep in books belonging to the chapter full and accurate accounts of all receipts and disbursements. She shall be responsible for the deposit of all money, securities and other valuable effects in such depositories as may be designated for that purpose by the board of directors or management team. She shall disburse the funds of the chapter as may be ordered by the board of directors or management team, taking proper receipts for such disbursements. All checks, drafts and orders for payment of money shall be signed in the name of the chapter by the treasurer and countersigned by such other officers, if any, as the board in its discretion may designate. She shall render at the annual business meeting, and whenever requested by the president or board of directors or management team, a report of all her transactions as treasurer and of the financial condition of the chapter. The books of the treasurer shall be audited annually at the close of the fiscal year as directed by the board of directors or management team, the cost, if any, to be borne by the chapter.”

It is essential that the treasurer keep the financial records of the chapter current. Time should be set aside regularly to keep the chapter books in order and record all entries promptly. Reports to the board of directors and to the chapter should be made regularly. Bookkeeping advice is provided in Section 4 of this section of the *Chapter Guide*. Whatever system is used, the chapter books should clearly reflect the financial status of the chapter.

DELEGATION OF DUTIES

The chapter treasurer may delegate many tasks associated with her position, but she must retain complete responsibility to the board and must be certain that adequate safeguards are in place. As an officer, the treasurer will serve as finance chair, sign all chapter checks and make all deposits in a timely manner. The chapter may appoint or hire a member or nonmember to do the actual bookkeeping under the supervision of the treasurer.

CHAPTER BANK ACCOUNTS

Each chapter must maintain a chapter checking account, and all chapter expenses, with perhaps the exception of very small petty cash items (determined by chapter board/team), must be paid by check from this account. Two checking accounts with separate treasurers are not permissible. For example, the show committee may not appoint a “show treasurer” who will establish a separate account. All banking transactions are controlled by the chapter treasurer, although in the instance described above, the chapter treasurer may open another checking account in the name of the chapter for the annual show or may reflect these transactions in a separate ledger account. She may also want an assistant to aid her in financial transactions dealing with large fund-raisers such as shows, etc.

The chapter bank accounts MUST be carried in the official name of the chapter, i.e., " _____"Chapter, Sweet Adelines International, and the checks should be so imprinted. It is strongly advised that ALL checks require the signature of the treasurer and one other officer. The treasurer must always sign the checks, but the president and/or vice president may also be authorized to sign checks as second party to the treasurer.

INVESTMENTS

Only funds necessary for the day-to-day operation of the chapter should be in the chapter's checking account. The remaining funds should be in savings accounts, certificates of deposit, or other reliable, protected sources that will yield interest income. The International Board of Directors strongly recommends that funds be invested only with institutions that fully insure the funds. Make certain that the money will be available when needed. Investment decisions should not be made by the chapter treasurer alone. She should discuss various options with the board of directors and act upon their recommendations. The chapter board may choose to seek competent financial advice locally before making investment decisions.

ESCROW ACCOUNTS

An escrow account is one established to collect funds for a future expenditure that depends on the occurrence of a "condition precedent." Funds placed in escrow do not become the property of the chapter until and unless the "condition precedent" occurs. An example might be a chorus that wants to buy new costumes *if* it wins the regional competition. Money collected for this future and uncertain expenditure could be placed in an escrow account and returned to members if the "condition precedent" does not occur. In this way, the funds are kept separate from chapter funds until they are committed to the purpose for which they were collected because the condition has occurred.

The use of escrow accounts to collect chapter dues, regional assessments and international dues is strongly recommended. Refer to Section III, Dues and Assessments.

CHAPTER BUDGET

One of the most important duties of the treasurer is the preparation of the chapter budget. The treasurer usually serves as the chair of the budget committee, although this may vary from one chapter to another. It is customary to have three members on the committee. The president of the chapter is automatically an *ex officio* member. Refer to Section 2 regarding financial planning and budgeting.

BONDING

The chapter treasurer should be bonded. Either a personal or a position bond may be obtained. The position bond is usually the most convenient and inexpensive. For an annual premium, the position of treasurer will be covered for the amount of money she normally handles. A separate rider may be purchased for periods when larger sums of money are expected to be in the treasury (e.g., for annual shows, competitions, etc.). Bonding protects the chapter from misappropriation of funds by any of the bonded individuals. Be sure to find out if coverage will automatically shift from one treasurer to another. Other members handling chapter money should also be covered for the time they are handling funds. Notification of additional persons to be covered must be given within that time if coverage is to be continued.

Most insurance agents can write coverage for the chapter. However, it is a good idea to have all chapter insurance with ONE agent. A single agent will be more likely to act as an advisor and to take care of insurance and claim problems promptly.

CHAPTER CHARGE ACCOUNTS

There are times when having a chapter charge account is helpful. If the chapter establishes such an account be sure to establish a maximum amount chargeable and specify exactly who may use the card and what items they may charge.

FINANCIAL REPORTS

The board of directors should be aware of and understand the finances of the chapter. The chapter treasurer should present a report at each regular meeting of the board of directors. Preferably, a complete report should enclose a current *Statement of Activity* and a *Statement of Financial Condition*. Refer to Section 4, Bookkeeping and Financial Reporting, for examples. At the minimum, the treasurer should report cash balances in bank accounts and investments and any unusual income or expense items, status of escrow accounts, etc.

AUDITING THE BOOKS

The chapters' books should be audited at the end of each fiscal year by a person or firm qualified to do so. (It is strongly recommended that a CPA or PA be engaged to do this. If that is not feasible, an audit committee made up of three chapter members with business expertise is recommended.) A new treasurer should never accept unaudited books. If there is any discrepancy, it would fall upon the new treasurer if not uncovered before she assumed responsibility.

The person (or committee) conducting the audit should submit a signed letter to the chapter board of directors stating what was done and the results of the audit. This letter should be filed with the chapter's minute book. Also, each chapter will be asked to complete a verification of audit form at the end of the fiscal year, to be returned to international headquarters, confirming that the chapter's books have been audited.

INTERNAL AUDIT CONTROLS AND PROCEDURES

Example A (Section 8) outlines some simple control and audit procedures for the chapter to follow. These procedures should be in place whether the audit is internal or external. In fact, the chapter may choose to have both an internal audit committee and an independent auditor.

EXTERNAL AUDITS

If the chapter chooses to have a CPA, PA or another independent party audit the books, be sure to establish the fee in advance. It is unlikely that the chapter will need or want an in-depth audit. The audit should ascertain that cash receipts are being deposited and that disbursements are fully authorized, documented and in keeping with the tax-exempt purpose of the organization. Be sure that the auditor understands that he does not need to issue an "opinion." The board may want a general statement from the auditor as to the condition of the books.

CHAPTER INSURANCE

Liability Insurance

All Sweet Adelines International chapters in the United States and Canada are required to purchase liability insurance through a group plan provided by the international organization. This coverage provides protection for claims brought by third parties who may have been injured or had property damage by activities of members or chapters. This coverage is for legal liability, which means the claimant must show that the member or chapter was negligent in causing the accident. It is not voluntary coverage which pays even though we are not at fault.

The insurance does not cover injuries to members who may be injured in performing chapter activities. Their own personal medical insurance should cover those situations.

The types of claims covered include:

- Claims for Bodily Injury or Property Damage caused to non-members which result or occur in connection with chapter/regional activities.
- Claims for Personal Injury, including libel, slander, false arrest.
- Claims for Liability arising out of the sale of products, including the serving of food and beverage. It **does** provide primary liquor liability coverage for chapters and regions. This applies regardless of any licensing requirement and whether or not there is a charge for the beverage served.

Types of claims not covered:

- The policy is intended to cover legal liability arising out of normal chapter/regional activities. It is not intended to cover unusual events such as fireworks, rock concerts, carnival and amusement rides, racing events or sporting events.
- If your chapter/region is considering being involved in an event that is out of the ordinary, you should contact the office to be sure coverage is in place.
- In addition, the policy does not cover acts of war, nuclear disasters, aircraft and watercraft accidents. Professional liability is not included.
- There is no coverage for damages incurred by hired (rented) vehicles.
- There is no coverage whatsoever for collision or other damage caused to a member's vehicle.

Each year, chapter presidents will be advised by international headquarters regarding the amount of the annual premium and the name of the insurer or agent providing the coverage. International will also provide the address of the insurer to contact in order to obtain a certificate of insurance for a special event (such as regional competition) or a certificate of insurance for ongoing coverage such as weekly rehearsal space.

If there are questions regarding any aspect of the chapter's coverage, do not hesitate to contact international headquarters or the agent to ask for clarification.

Property Insurance

The group liability insurance policy does not cover chapter property. Property insurance must be obtained separately.

Medical Insurance

The group liability insurance policy does not cover injuries to members who may be injured in doing chapter activities. A member's personal medical insurance will normally cover these situations. Chapters interested in providing coverage for members may contact international headquarters for referral to the current insurance agent.

SECTION 2 FINANCIAL PLANNING AND BUDGETING

FINANCIAL PLANNING

Financial planning is the responsibility of the chapter board of directors or management team. While the budget committee (usually with the chapter treasurer as chair) is an integral part of this process, all of the board must accept responsibility for planning the financial future of the chapter. Financial planning should be incorporated into all goal-setting sessions and long-range planning meetings.

It is important to make a clear distinction between **financial planning** and **budgeting**. Budgeting is generally considered a short-term financial plan. Most budgets are developed annually based on anticipated revenue and expenses. Ideally, organizational programs, funding, and allowances for cash reserves should be planned in three-to-five year increments. By establishing overall chapter objectives and program priorities, the long-range planning process provides the framework within which financial plans and budgets are developed.

Financial planning concerns the variables that make each chapter unique: size, location, personal incomes of members, local economic climate, and attitudes of individual members. The chapter board or management team must consider these factors and many others when developing a financial plan, for financial plans must reflect the needs and desires of chapter members.

The criteria for establishing long-range financial goals should include the following for at least a three-year period.

- o Establish goals and objectives
- o Estimate sources of revenue
- o Estimate cost of each objective (events, projects)
- o Estimate administrative expenses
- o Estimate capital expenditures
- o Determine cash reserve needs
- o Periodically review status of long-range financial plan

Establish Goals and Objectives

Establish new goals and objectives and decide if they realistically can be achieved within the three-year plan. For example, a chorus with 60 members may establish a goal for membership growth of 300% within three years. Although not impossible, the goal may be too optimistic and projected revenues should not be based on 180 members. Analyze current programs and activities. Determine if they are effectively serving the members. If they are to be continued, incorporate them into the long-range plan.

Other considerations may include:

- o In what educational experiences will the chapter want to participate? At the chapter level? At the regional level? At the international level?
- o If the chapter meets its goals for increased membership, will the present meeting place be adequate?
- o Where will regional competitions be held the next two years? Should money be allocated for transportation and registration fees? What other chapter expenses need to be included in the budget?
- o Will new costumes be needed within the next year or two? How will the purchase be funded? Is an adequate supply of costumes or material available for the anticipated number of new members?

Estimate Sources of Revenue

Forecasting revenue serves as the starting point in developing a budget plan. Revenue budgets should always be prepared before expense budgets.

When estimating sources of revenue do not be too optimistic. Considerations for estimating revenue include:

- o What is the membership growth?
 - a. Decrease or increase?
 - b. Determine percentage of decrease/increase over previous five years and project accordingly.
 - c. Goals established for increasing membership should be conservatively incorporated into the projections.
- o Establish fees for self-supporting events and project attendance.
 - a. Separate budgets for self-supporting events should be developed, correlating costs to revenue.
- o Project cash available for investments, length of investments and estimate interest income accordingly.
- o Determine non-dues sources of revenue
 - a. Grants
 - b. Fund-raising projects

Estimate Costs for Goals and Objectives

Estimating costs for existing programs is much easier, since historical data is available. An effective method for projecting costs for current programs is to analyze historical information and develop a percentage relationship of expense to revenue. For example, if administrative expenses averaged 8%-10% of revenue for the previous five years, project expenses for the next three years at 10%. A three-to-five-year projection can be developed using the same format and percentage trends as established in the historical data.

Variables (e.g., new educational programs, capital expenditure needs) can be added to the projection, which then provides the basis for making long-range financial decisions. These decisions may include increasing dues or assessments (or not), establishing fund-raising activities for specific purposes, reallocating financial resources, etc.

The percentage relationship method works very effectively for routine expenses and those relating to established programs and routine expenses. Developing costs for new programs is more difficult. Research must be conducted to gather all costs associated with implementing a new activity or program.

Estimate Administrative Expenses

Important components of any budget are the operating and administrative expenses for sustaining the business needs of the region/chorus. Because administrative needs remain fairly constant, historical data will be useful for projecting future expenses. The percentage relationship previously discussed may be applied.

Estimate Capital Needs

Two of the most overlooked areas in budgeting and long-range planning are projecting capital expenditure needs and establishing desired cash reserves.

Capital expenses include risers, video equipment, copiers, computers, etc. These needs should be evaluated annually. Estimating the "life" of existing capital assets and projecting a timeline for replacement is important to financial long-range planning. New goals and objectives may also affect capital needs.

For example, if significant membership growth is achieved, additional risers may be needed.

Cash Reserves

Cash reserves are vital for maintaining a healthy financial position. Usually there are two principal reserve needs:

- Sustaining reserves, to assure fulfillment of obligation to current members and;
- Contingency reserves, to offset the effects of an operating reversal until expenditures can be adjusted or additional revenues generated.

The importance of establishing cash reserves cannot be overly emphasized. Some myths regarding cash surpluses are still circulating.

Because Sweet Adelines International and affiliated chapters are nonprofit organizations, one misconception is that all excess income must be spent by the end of year, and that accumulation of cash surpluses will jeopardize the tax exempt status of the chapters. In fact, nonprofit organizations are allowed excess income over expense. The United States Internal Revenue's position on accumulation of cash surpluses is that as long as monies held are for the purpose of conducting the activities of the chapters, as specified in the IRS determination letter, it is legal to maintain these cash surpluses.

When a chapter dissolves, cash surpluses and/or assets may not be divided among the members but must be returned to the international organization, a region or another chapter, or donated to another charitable organization, per the dissolution procedures outlined in the *Policy Book*.

Establishing Cash Reserves

Now that it's absolutely clear that cash surpluses are legal and a necessary component of sound financial planning, how can they be established when there is no money? The other question is, how much should be in cash reserves?

Cash reserves can be modestly established. Remember, this involves long-range planning and if no reserves are available it may take five to seven years to build desired reserves. Specific resources for building cash reserves must be identified and maintained to achieve the desired results.

Consider modest increases for chapter dues, performance fees, registration fees for educational meetings, etc. The financial impact per member may only be \$2.00 to \$5.00 per year but the cumulative effect on the chapter treasury will provide significant funding for member benefits.

Suggestions for beginning the process are as follows:

- Increase chapter dues or other fees modestly and place the increase in an interest-bearing account for the explicit purpose of establishing cash reserves.
- Conduct an annual fund-raising project and place funds in cash reserves.
- Designate a portion of the annual show revenue for cash reserves.

Once significant cash reserves are established, the chorus is in a position to decide the best use of reserves while at the same time consistently adding to cash reserves. Most likely, additional increases in dues or fees will not be necessary for several more years.

The membership is more receptive to increases that will sustain the treasury for five to seven years rather than implementing crisis increases or assessments every two to three years.

Investing Cash Reserves

Before investing the funds, an investment policy should be adopted by the board (management team) defining the following:

Who is authorized to invest the funds?

- a. Treasurer
- b. President and treasurer
- c. Define any restrictions or limitations on investment authority

Define criteria for investments.

- a. Certificates of deposit
- b. Treasury bills and notes
- c. Savings accounts
- d. Corporate bonds
- e. Money market funds

Investment options should be weighed carefully. Within the investment policy, specific criteria should be defined. For example, it is not likely the board will place the funds in risky stock options. This should be clearly stated.

Capital expenditures are usually funded from cash reserves. Reserves also may be maintained so that frequent increases for dues are not required.

Determine the amount of cash reserves to maintain. This amount will vary according to the needs of the chorus. A percentage of annual operating expenses should be available. A recommended amount ranges from 20%-50%. Although deficit budgeting is not recommended as standard procedure, cash reserves may be used to supplement deficit budgets.

Bank Negotiations

Consolidating the financial functions through one bank will provide negotiating leverage for interest rates. If substantial amounts of monies are processed through the bank regularly, a higher rate of interest on certificates of deposit, money market or savings accounts may be obtained just by asking. If the bank cannot provide a higher rate, then ask for free banking services.

Stock Brokers

Depending on the amount of monies available for investments, a stock broker may be a valuable resource for obtaining better rates of interest for certificates of deposits, treasury notes or money market funds. Before deciding to use the services of a stock broker, be sure all costs have been clearly presented and clarified. Always use a reputable firm with the proper credentials and certifications.

Analyze Projections

Once the projected financial plan is completed on paper, analyze the projected financial status of the chorus. Ask the following questions:

- Will current dues sustain the plan for the next three to five years?
- If not, when will a dues increase be needed? Plan carefully and far enough ahead so that the membership is prepared for the increase.
- Rather than raising dues, should other fees be raised or implemented for programs and activities?
- Will cash reserves sustain any unexpected shortfalls in revenue or unexpected expenses?

Review Status of Long-range Financial Plan

The real test of a financial plan is whether it works or not. Annually review actual revenue and expense compared to the projected budget. Determine if any variances are significant enough to adjust the plan for future years. However, to maintain the integrity of long-range planning and to determine the validity of the plan, it is important to continue the plan as developed for at least three years. Certainly, adjustments may be necessary. Continue to extend the plan annually.

BUDGETING

Preparing the chapter's annual budget is an extension of the long-range financial plan. Logically, the annual review of the long-range financial plan should take place after the close of the fiscal year and before budget development. The annual budget incorporates any adjustments needed to reflect actual growth trends for membership, new programs or activities, unexpected capital needs, etc.

If a long-range financial plan has not been developed, the budget can be prepared using the same criteria and processes as outlined previously for financial planning.

The annual budget is presented to the chapter's board of directors or management team for adoption.

Deficit Budgeting

Although not recommended, budgeted expenses may exceed budgeted revenue. It is vital that a portion of cash reserves be maintained to provide for this contingency.

As previously stated, the chapter should have an investment and cash reserves policy defining how cash reserves may be used and how they may be invested.

Some chapters do not allow deficit budgeting but allow cash reserves to be used for unexpected shortfalls in revenue. The standing rules should clearly state if deficit budgeting is allowed.

Cash Forecasting

Cash forecasting predicts cash surpluses as well as impending cash deficits. Forecasting works best if financial activities are fairly predictable. A cash flow statement, prepared from the previous year's financial activities, provides a guide to projecting cash flow patterns for the ensuing year. By identifying when the chapter receives most of its income and when expenses are anticipated, the chapter may structure investments accordingly.

When forecasting cash balances, operating revenue and expenses are considered but so are other sources of revenue including escrowed dues, deferred income, and loans, all sources of cash.

Anticipated capital expenditures including costumes, risers, equipment, etc. are also included in the cash projections.

SECTION 3 DUES AND ASSESSMENTS

Each chapter establishes its own procedures for collecting chapter dues, regional assessments and international dues from its members. According to the chapter bylaws, it is the chapter board of directors that sets the amount of the chapter dues. (However, many boards ask the chapter members to ratify a dues increase.) The chapter board should also determine how it wishes to have the money collected. This will be the chapter's "Dues Payment Plan," which should be clearly stated in the standing rules, with any exceptions that may be made.

ANNIVERSARY DUES

Approximately 45 days before the members' renewal date, international will send the chapter a list of members whose dues will soon expire. This list also will be online once the renewal invoices are created. The chapter treasurer may pay the renewals online through the Members Only section of the Sweet Adelines' website. The treasurer may also issue one check to international for payment of the renewing members' dues.

If members dues are renewable in January, the notices will be sent in early November or will be accessible online.

An exception is made for applications and payments for new members, which must be mailed to international headquarters.

Reinstatement Fees

When dues are submitted 45 days past the member's renewal payment date, a \$10 reinstatement fee must be paid in addition to international dues.

Dues Payment Plans

For most members, payments collected in small increments are easier to manage. Some members, however, may prefer to write one check annually for the full amount. Plans should allow members the option to prepay the entire amount once a year or provide for monthly, biweekly or weekly payments.

Optional Escrow Plan

Members pay chapter dues in incremental payments (monthly, biweekly, weekly) and prepay regional assessments and international dues for the next fiscal year into an escrow account so that these funds will be "ready and waiting" at renewal time. If a member does not wish to renew her membership, the escrowed amount she has paid is refunded. Your chapter's standing rules should state that debts owed a chapter may be settled out of the member's escrowed funds, before any refund is paid. "Good standing" is based only on amounts paid to cover the current fiscal year, since the escrowed funds do not become the property of the chapter until the member indicates she wishes to renew her membership. Because this plan is optional, members who do not want to pay international dues or annual regional assessments in advance are allowed to pay in full just before renewing their membership.

Mandatory Escrow Plan

Under this plan, all members must pay regional assessments and international dues into the escrow account at stated intervals, in addition to paying their chapter dues in incremental payments. Under a mandatory escrow plan, "good standing" may or may not be based on payments applicable to the next fiscal year. It is the decision of the chapter and should be clearly stated in the standing rules. When funds are held "in escrow," it is usually assumed they are not yet the property of the chapter. For that reason, refunds of monies paid for the next fiscal year are usually made to members who do not renew their membership. This, too, should be clearly stated in the standing rules. Interest earned on escrowed funds may be retained by the chapter. Standing rules should clarify if debts owed by the member to the chapter may be settled out of the member's escrowed funds.

Prepayment Plan

The prepayment plan is not encouraged because of inequities that can arise when a member leaves the chapter.

Combination Payment and Escrow Plan

A payment plan allowing a member to make monthly payments for **current** year chapter dues **plus** a monthly amount for next year's international dues and regional assessment does not need to be complicated to administer. Chapters have many different variations of payment and escrow plans. Most chapters require new members to pay current year international dues and regional assessment upon joining but allow monthly payments for current year chapter dues. Members are also allowed to make monthly payments that apply to the next year's international dues and regional assessment. This amount is escrowed. The payment options are numerous. **Regardless of the payment structure the chapter standing rules should clearly state what portion of the payments are refundable. Escrowed dues must always be refundable.**

It is essential that payment records be maintained for each member. This constitutes the subsidiary records or journals referred to in Section 4, Bookkeeping and Financial Reporting. The first entry in the payment record is the total amount owed by the new member and includes not only the current amount for international dues, regional assessment, and chapter dues but also the escrowed amount. The payment record indicates how much the member owes at any time during the year and also what portion of the payments represent escrowed dues. The escrow balances for all member payment records should reconcile to the total amount shown in the **general ledger** account titled "**Escrow Dues.**" If the totals are not the same, an error has been made in recording payments either in the cash receipts journal, general ledger, or member payment record.

SECTION 4 BOOKKEEPING AND FINANCIAL REPORTING

A chapter's bookkeeping system should be structured and maintained to **record, reconcile, and report** the financial activities of the chapter accurately and comprehensively. The bookkeeping records provide the foundation for financial planning and budgeting.

Before a bookkeeping system is established, some preliminary procedures should be established.

CHECKING ACCOUNT

If the chapter does not have a checking account, open one immediately at a conveniently located bank. Often there is no charge to nonprofit groups. If there is a change in officers who are signatories on the account, new signature cards must be signed and filed with the bank at the beginning of every fiscal year or during the year if signatures are changed. Signature cards are furnished by the bank.

Ask that all checks to the chapter be made payable to the “ _____ ” Chapter, Sweet Adelines International. Checks should **not** be made payable to the treasurer.

Have an endorsement stamp made using the chapter's official name. This is for convenience and to save time endorsing checks when preparing a deposit. Most financial institutions have the necessary information imprinted on the stamp: FOR DEPOSIT ONLY, account name and account number.

DISBURSEMENTS

All disbursements should be substantiated by invoices, vouchers, or specific action of the chapter board of directors authorizing the expenditures (as documented in the minutes of the board meetings). All expenditures should be paid by check or credit card. A treasurer should **never** commingle her own funds with those of the chapter. In addition, the treasurer should have her own expenditures approved by an authorized person, usually the president.

VOUCHER FORM

An expense voucher form should be used by members when submitting bills for reimbursement. Requests should have receipts attached and an explanation as to the reason for the expense. The voucher should include the member's name and/or vendor, date of expense, description of expense, and amount. The voucher should be approved by the president of the chapter and submitted to the treasurer for payment. An electronic format may also be used for preparing and submitting vouchers.

RECORD RETENTION

Various financial, insurance and legal records should be retained by the chapter. Listed are items that apply to chapters and the length in years that each item needs to be retained.

<u>Accounting Records</u>	<u>Retention Period</u>
Bank statements and deposit slips	four years
Payroll records	four years
Expense reports	six years
Subsidiary ledgers (includes A/P & A/R ledgers)	six years
Trial balances (monthly)	three years
Checks	eight years
Payroll or 1099 Misc. records	eight years
Vouchers (for payment to members)	eight years
Audit reports and financial statements	permanently
General ledgers & journals	permanently
Tax returns & supporting documents	permanently
 <u>General</u>	
Labor Contracts	permanently
Contracts & agreements	permanently
Bylaws, charter & minute books	permanently
 <u>Correspondence</u>	
Legal & tax correspondence	permanently
 <u>Insurance Documents</u>	
Policies (expired)	four years
Accident reports	six years
Claims (after settlement)	ten years

The Internal Revenue Service of the United States requires tax exempt organizations to keep such permanent books of accounts or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements, and other required information. The period for retaining tax records is described as being “while the content thereof may become material in the administration of any internal revenue law.”

As a practice, the IRS has indicated that tax returns are usually closed within three years after submission. Except in cases of suspected fraud, the IRS is unlikely to ask for tax data that is more than three years old.

Chapters in countries other than the United States should check the laws of their country to see if a chapter is required to register with any government agency. Retaining records for a reasonable time makes good business sense, whether or not the chapter is required to file tax returns.

BOOKKEEPING SYSTEM

The size of the chapter may determine the complexity of the bookkeeping system. A double-entry system is preferable. This means that every financial transaction will affect at **least two accounts**. For example, a deposit to the bank is an **asset** entry (debit) and the offsetting entry is usually to an **income** (credit) account. A disbursement affects an **asset** (credit) account, the bank balance, and usually an **expense** (debit) category.

The following is an overview of the components and procedures of a double-entry bookkeeping system.

- o A **chart of accounts** is a listing of **income, expense, asset, and liability** categories for the chapter. The chart of accounts provides the basis for recording and reporting the financial activities of the chapter in a consistent and meaningful manner. Categories may be identified numerically and by name or name only. A sample chart of accounts is included in this chapter.

The chart of accounts may be expanded as needed. However, it is important to maintain consistency in how transactions are categorized so that historical financial information can be accurately compared to current financial information.

- o Determine if the bookkeeping system is on **cash or accrual** basis. A **cash** basis recognizes income at the time it is received and expenses are recognized when a check is written.

An **accrual** basis is used primarily when accounts receivable are maintained or expenses are not paid when incurred. Also, revenue received or an expense paid relating to an event or activity in the next fiscal year is recorded on an accrual basis. These entries are recorded in liability or assets as **deferred income** and **prepaid expense**. At the beginning of the new fiscal year these amounts are reversed to the appropriate accounts as current revenue and expense. An accrual basis more accurately reflects the financial condition of the chapter.

Hotel or other contractual deposits are recorded in a pre-paid account under Assets and can be titled to suit the need. Eventually, the deposits are either refunded to the chapter or used to pay for a future expense.

Because an accrual basis is more complex to maintain, a thorough knowledge of accounting principles is needed or professional assistance should be obtained when establishing an accrual basis bookkeeping system.

- o A **subsidiary record** should be maintained for each member when chapters allow members to make periodic payments for current or escrowed dues, costumes, etc. A subsidiary record is an extension of the original transaction to the **cash receipts journal** or **cash disbursement journal**.

Computerized Bookkeeping System

The easiest and least time-consuming way to maintain the chapter's bookkeeping records is on a computer. Members experienced with spreadsheet programs such as *Excel* may set up and customize the applications to suit their chapter's needs. However, this requires a thorough understanding of accounting principles.

There are several bookkeeping programs on the market designed for individuals not familiar with the debits and credits of double-entry bookkeeping and accounting procedures. Two recommended programs are *Quicken* and *Quickbooks Pro*.

Quicken and *QuickBooks Pro* provide options for designing bookkeeping systems based on needs, personal or business. Many small nonprofit organizations such as clubs, churches, and charities use *Quicken* or *Quickbooks Pro* to maintain members' dues or donation records. Because of the flexibility of these programs, a customized system can easily be developed that suits your chapter's specific needs. For United States chapters required to file IRS 990 forms and statements, *Quicken* and *Quickbooks Pro* can be linked to other tax preparation software.

Intuit, the company that produces *Quicken* and *Quickbooks Pro*, offers a Web-based application at a cost-effective subscription rate. Intuit can be accessed at <http://www.quickbooks.intuit.com> <http://www.intuit.com>.

Manual Bookkeeping System

A manual system is more cumbersome and time-consuming to maintain. However, a small chapter that operates on a cash basis may find a manual system fulfills its needs. A double entry bookkeeping system provides a reconciliation process. Most office supply companies offer bookkeeping systems. Some systems incorporate the one write check system for cash disbursements. Others combine the cash receipts and disbursements into one journal.

Individuals familiar with accounting principles may set up a system using columnar ledger sheets to include:

- Cash Receipts Journal
- Cash Disbursements Journal
- General Ledger
- Check Register (optional)
- Subsidiary Records Journal

Journals are set up for **cash receipts** and **cash disbursements**. A **cash receipts** journal identifies the sources of revenue and the **cash disbursement journal** identifies the disposition of cash.

Although the checkbook may be used to maintain the current bank balance, a **check register** may be used to summarize deposits and disbursements.

Periodically, the information in the journals is transferred to a **general ledger** in summary form, usually this is done on a monthly basis. For chapters with minimal financial activity, quarterly may be appropriate. The general ledger provides cumulative totals of all categories and is used to compile financial reports. Although not necessary, it may be helpful to prepare a **general journal**

summary and post to the general ledger from the general journal summary. By preparing the summary sheet, the treasurer is assured that both journals are in balance.

The following information provides a simplified explanation of how to establish a manual bookkeeping system and how the information is compiled to present financial reports.

Cash Receipts Journal

Cash received and deposited to the bank is recorded in the **cash receipts journal** under the column titled *cash to checking account/amount*. This amount is then distributed to the appropriate account as identified in the chart of accounts. If for any reason cash is not deposited directly to the bank checking account, then other columns must be identified to indicate the disposition of the cash, i.e., savings, petty cash.

Cash Disbursements Journal

In the **cash disbursements journal** the amount of the check is recorded under the column titled *checking account/amount* and distributed to the appropriate category accounts as identified in the chart of accounts. If a disbursement is made from other accounts or petty cash, a column must be provided to identify the source of the disbursement.

At the end of the month all the columns are totaled. In the **cash receipts journal** all the distribution columns are totaled and should equal the total of the *checking account/amount* column and other deposit accounts. If they do not equal, then an error has been made in addition or in recording the distribution of the cash. The same procedure applies to the **cash disbursements journal**: The total of disbursement categories should equal the total of the checking account/amount column. The reconciliation of the **cash receipts** and **cash disbursements journals** constitutes the debit and credit equation of double-entry bookkeeping.

Every transaction has a debit and credit entry. Cash receipt deposited to the bank (or other deposit account) is the **debit** entry; the source of the cash receipt is the **credit** entry.

The opposite is true of cash disbursements. A disbursement from the bank, savings, or petty cash is a **credit** entry while the distribution is a **debit** entry.

NOTE: Escrowed international dues are not considered operating revenue nor are they an operating expense when paid to international. When received from members the entry is a debit to the bank (asset account) and a credit to escrow dues (liability account). When escrowed dues are forwarded to international or the region, the entry is a credit to the bank (asset account) and a (debit) to the escrow dues account (liability).

General Ledger

The general ledger summarizes, by account, all entries to the **cash receipts** and **cash disbursements** journals. As previously mentioned, a **general journal summary** may be prepared before posting to the general ledger. The monthly or quarterly totals from these journals are posted to the general ledger accounts. A ledger sheet is provided for each account. To reduce the number of ledger sheets, some categories may be grouped on columnar pages. For example, general and administrative expenses may include office supplies, telephone, postage, rent, etc. The columns, when totaled vertically, provide cumulative costs per category and when totaled horizontally

provide the cumulative total for all general and administrative expenses. **Example B** illustrates the flow of summarized postings from the cash receipts and cash disbursements journals to the general ledger.

Financial Reports

The cumulative balances for each general ledger account are used to compile financial reports. Sample *Statement of Financial Position* (balance sheet) and *Statement of Activity* (revenue/expense statement) are presented as **Examples C and D**.

A current *Statement of Activity* and *Statement of Financial Position* should be presented at each regular meeting of the chapter board of directors. Over-budget or significant variances between budget and actual revenue or expense should be fully explained. Any difficulties in dues collections should be reported to the board of directors.

The assets and liabilities, as presented on the *Statement of Financial Position*, should be reviewed. The difference between assets and liabilities represents the equity (net worth) of the chapter. Assets are owned by the chapter while liabilities are owed by the chapter. Escrow dues are included in the cash balances (asset) but are owed (liability) to international, the region, or the member.

SWEET ADELINES INTERNATIONAL
Your Chapter

CHART OF ACCOUNTS

INCOME

Chapter Dues
Performance Fees
Interest Income
Fund-raising
Performance Fees
Annual Show

EXPENSE

Director Fees
Director Expense-miscellaneous
Director Expense-competition
Director Expense-education
Coaching Fees
Rent
Postage
Telephone
Supplies
Performance Expense
Educational Materials/Music
Annual Show
Membership Recruitment/Retention
Regional Competition

ASSETS

Cash assets:
Cash In Bank--Checking Account
Cash In Bank--Savings Account
Cash In Bank--Money Market Account
Pre-paid Expenses (deposits or expenses paid for next fiscal year)

Capital assets:
Risers
Costumes (if owned by the chapter)
Office Equipment

LIABILITIES

International Dues (current year)
Regional Assessments (current year)
Escrow--International Dues (next year)
Escrow--Regional Assessments (next year)

EQUITY

Equity (net worth)

SECTION 5 PREPARATION OF TAX FORMS

A ruling issued on October 27, 1955, by the U.S. Treasury Department, Office of the Commissioner of Internal Revenue, Washington, D.C., declared that Sweet Adelines, Inc., now Sweet Adelines International, and all affiliated chapters are entitled to certain federal tax exemptions. This ruling affects all chapters located within the United States. The exemption letter, dated October 27, 1955, serves as that official ruling and is reproduced in its entirety further in this section. Remember to use the date October 27, 1955, any time you are asked for the date of our exemption.

It is vitally important that each chapter and region understand and observe the conditions and requirements of the ruling. Failure to comply with the requirements could cause the chapter's or region's exemption to be revoked. Please read the ruling carefully before filing any federal tax forms.

ALL chapters are identical in their purpose, method of operation, and activities, as was stated in our request for a group ruling from the Commissioner of Internal Revenue. Please review your Chapter Bylaws, and the Corporate Bylaws of Sweet Adelines International. These documents are posted on the Sweet Adelines International website. Copies of the Standard Form Chapter Bylaws, Standard Form Regional Bylaws, and the Corporate Bylaws have been provided to the Commissioner, and they serve as part of the basis of this federal ruling.

Often chapters must provide proof of their nonprofit exempt status when applying for postal bulk permits, grants, or for solicitation of donations. A copy of the **IRS exemption letter** along with a **letter of affiliation** should be submitted to agencies or organizations requiring verification of the exempt status. Upon request, a **letter of affiliation** will be provided to your chapter by staff in the Finance and Administration Department at international headquarters.

FEDERAL TAX REQUIREMENTS

All United States chapters and regions with United States chapters in existence during the period beginning May 1 to the following April 30 are required to file Forms 990 annually with the Internal Revenue Service. The filing requirements include United States Step Two Prospective Chapters. **It is important to maintain the fiscal year of April through May 30 as this is the fiscal year period reported to the Internal Revenue Service for international and its United States affiliates (chapters and regions). Chapters located in countries requiring a calendar year may conform to their laws but financial reports sent to international should be on the fiscal year basis.**

It is the responsibility of the **outgoing** treasurer to complete all 990 tax forms.

Chapters with gross receipts of \$25,000 or less are required to file an electronic 990-N (e-Postcard) with the Internal Revenue Service. The following provides information about each of the filing requirements.

Effective with 2008 tax years (returns filed beginning in 2009), chapters or regions with gross receipts of more than \$25,000 and less than \$1 million, and total assets less than \$2.5 million may now file a 990EZ or 990. **IT IS RECOMMENDED THAT THE 990EZ FORM BE FILED BY CHAPTERS OR REGIONS BECAUSE OF EXTENSIVE SCHEDULES AND QUESTIONS ON THE 990 FORM.**

Annual Electronic Filing Requirements-Form 990-N (e-Postcard)

e-Postcards are due every year by September 15 for organizations with \$25,000 or less in gross receipts. An organization's gross receipts are considered to be \$25,000 or less if the organization:

- Has been in existence for one year or less and received – or donors have pledged to give -- \$37,500 or less during the organization's first tax year;
- Has been in existence between one to three years and averaged \$30,000 or less in gross receipts during each of its first two tax years; or
- Is at least three years old and averaged \$25,000 or less in gross receipts for the immediately preceding three tax years (including the year for which calculations are being made).

An e-Postcard must be filed on the IRS Web site. The information required for the electronic filing is as follows:

- Employer identification number (EIN)
- Tax year
- Legal name and mailing address of the chapter (name of chapter of Sweet Adelines International)
- Name and address of a principal officer (finance coordinator/treasurer or president)
- Web site address if your chapter has one
- Confirmation that the organization's annual gross receipts are normally \$25,000 or less
- If applicable, a statement that the organization has terminated or is terminating

You can learn more online about the 990N requirements and how to file at the following site:
<http://www.irs.gov/charities/article/0,,id=169250,00.html><http://www.irs.gov/charities/index.html>

Internal Revenue Service Form 990EZ or 990 Filing Requirements

All United States chapters, regions and prospective chapters in existence during the period beginning May 1 to the following April 30 are required to file **Form 990EZ or 990** annually with the IRS **if their annual gross income is more than \$25,000 and less than \$1 million and total assets are less than \$2.5 million.** Schedule A must be completed for forms 990 and 990EZ. Schedule A has been re-designed so that many of the questions are now incorporated into the 990EZ or 990 Form. Additionally, Form 990-T must be filed if gross income from an unrelated trade or business is \$1,000 or more. The deadline for filing these forms with the Internal Revenue Service is September 15 of each year.

**IT IS HIGHLY ENCOURAGED THAT 990EZ BE USED AS
THE NEW 990 REQUIREMENTS ARE EXTENSIVE.**

Enclosed is a completed **Sample** of the 990EZ and Schedule A forms. Please note on the **Sample** 990EZ, Box H is checked, indicating your chapter or region is not required to attach **Schedule B**, Schedule of Contributors. However, if your chapter or region received the greater of \$5,000 (in money or property) or 2% of the amount on line 1 on 990EZ from a single contributor, a Schedule B must be completed.

SCHEDULE A

Schedule A must be completed. Part I, Box 9 needs to be checked, part II does not need to be filled out, part III needs to be completed and part IV should be filled out only if needed. For additional information regarding the 990EZ forms and schedules, please contact the Director of Finance and Administration at donna@sweetadelineintl.org or 1-800-992-7464 ext 115.

FAILURE TO FILE 990 INFORMATION FOR THREE CONSECUTIVE YEARS MAY RESULT IN REVOCATION OF THE CHAPTER OR REGION'S TAX EXEMPT STATUS.

Please provide a copy of the 990 filing to International Headquarters, attention Director of Finance and Administration.

FORM 941 AND W-2

If a U.S. chapter has employees, it must satisfy the federal and state reporting requirements for taxes, withholding, and quarterly reports. Please refer to Section I of the *Chapter Guide* for further information with regard to filing requirements when the chorus director is an employee of the chapter. The same filing requirements would hold true for any employee of the chapter.

FORM W9 AND 1099MISC

It is the responsibility of the chapter treasurer to obtain taxpayer identification numbers from vendors or individuals to whom the chapter makes payments by using form W9.

Form W9 Request for Taxpayer Identification Number and Certification may be downloaded from the IRS Web site, <http://www.irs.gov> or purchased at an office supply store. The information provided on the W9 is used to prepare 1099MISC Forms at the end of the year IF payments of \$600 or more were made during the calendar year to any individual or unincorporated business. Individuals include chapter directors, coaches, and faculty. It is recommended the completed W9 Form be provided to the chapter treasurer prior to any payments being issued.

The Form 1099MISC should be sent to each qualified recipient by February 15. Copies of 1099MISC Forms issued should be sent to the Internal Revenue Service by the end of February along with Form 1096 Annual Summary and Transmittal of U.S. Information Returns.

Detailed instructions for the W9 and 1099MISC Forms can be accessed at <http://www.irs.gov>.

STATE FILING REQUIREMENTS

Many states have filing requirements that apply to nonprofit organizations. Each chapter should check with the appropriate state agency to determine if there are any filing requirements. Sweet Adelines International's exemption from federal income tax does not necessarily exempt chapters from filing requirements and tax requirements on the state and local level.

It is each chapter's responsibility to obtain the necessary forms and to file them on a timely basis. This information should become part of the chapter's files and should be passed on to each subsequent treasurer.

SALES TAX EXEMPTION

As a 501(c)(3) organization, Sweet Adelines International and all United States affiliates (chapters and regions) are exempt from federal income tax and, in some states, state income tax. Canadian chapters registered with Revenue Canada as a charitable organization are exempt from income tax.

Information regarding taxation laws in other countries should be sought by chapters to ensure you are in compliance. This information is not available through international headquarters.

Many United States chapters inquire about sales tax exemption. A sales tax exemption allows the purchase of goods and services without paying sales tax. The majority of states **do not** grant a sales tax exemption on the basis of being a 501(c)(3) organization, but state laws vary and other criteria may apply. To determine if your state grants sales tax exemptions to 501(c)(3) organizations, please contact the agency that administers your state's sales tax collections. Usually, state agencies require Sweet Adelines International to verify the chapter's affiliation and exempt status. Please request this information from the Director of Finance and Administration at international headquarters.

PERSONAL TAX DEDUCTIONS FOR MEMBERS

Sweet Adelines International, in conjunction with an accounting firm specializing in non-profit organizations, has formulated some guidelines regarding the deductibility of expenses of members.

Since Sweet Adelines International qualifies as a tax exempt education organization, certain expenses paid by members in connection with activities of the organization may be deductible as a charitable donation.

Copies of “**Charitable Contributions and Deductible Expenses**” and “**Per Diem and Travel Expenses for Volunteers**” are available from international headquarters upon request. Please direct this request to the Director of Finance and Administration.

**SECTION 6
FUND RAISING
MISCELLANEOUS TAX EXEMPT ISSUES**

Generally, any fund raising activity or event that generates revenue that is used to fulfill the purpose for which the chapter was established is acceptable.

RAFFLES

Frequently, inquiries are made about the legality of conducting raffles. According to the Internal Revenue Service it is legal for Sweet Adelines International chapters and regions to conduct raffles if they **comply with state laws and U.S. Postal Service regulations**. A raffle is considered a game of chance that involves selling tickets (chances) to win a prize by random drawings. The goal is for revenue generated from the sale of tickets to significantly exceed the cost of the prizes. All funds generated from the raffle must be used to further the activities of the chapter or region as specified in the 501(c)(3) Internal Revenue Service exemption code.

Each state has its own registration laws for raffles or lotteries. A chapter or region may conduct a raffle **if** state laws **and** postal regulations are followed. The following U.S. Postal Service regulations apply:

- a. A not-for-profit organization (i.e., one that would qualify as tax exempt under Section 501 of the Internal Revenue Codes of 1986) may advertise a raffle through the U.S. Postal mail service **but may not provide tickets through the mail. This applies only within states that allow raffles or lotteries. Advertisements or promotions may not be conducted within states that do not allow lotteries or raffles.**

For example, a state may allow raffles but postal regulations will not permit tickets or payment for tickets to be sent through the U.S. Postal Service either within the state or to other states.

- b. Any form of payment for a lottery or raffle ticket **may not** be sent through the U.S. Postal mail service.
- c. Violation of these U.S. Postal Service regulations can result in fines and/or imprisonment.

Before conducting a raffle, contact the state attorney general or appropriate governing agency to obtain information regarding raffle and lottery laws. If raffles or lotteries are legal in the state, it is suggested that the local postmaster also be contacted regarding postal regulations.

Questions regarding raffles should be directed to the Director of Finance and Administration at international headquarters.

CONTRIBUTING TO OTHER CHARITABLE ORGANIZATIONS

A frequent inquiry is to what extent choruses, quartets, and regions may donate to, or raise funds for, other non-profit/charitable organizations or individuals. It is often assumed that this is a permissible activity since Sweet Adelines International is a 501(c)(3) charitable organization. However, when the Internal Revenue Service grants a tax exempt status, the organization must conduct activities and raise monies to further the purpose for which the organization was granted this status. There are numerous exemption statuses and each of them serves a different purpose.

Sweet Adelines International was granted status as an exempt educational organization under Section 501(c)(3) of the United States Internal Revenue Service Code. Exempt status is granted based on the purposes stated in the application for exemption and in the Articles of Incorporation. To maintain the exempt status, the organization and its affiliates (choruses, quartets, and regions) must adhere strictly to these purposes:

- Providing education and training for its members in singing four part harmony, barbershop style, without instrumental accompaniment.
- Giving public and private performances to promote an interest in the development and general appreciation of all things pertaining to the art form of barbershop harmony.
- Awarding grants and scholarships to individuals and organizations in their pursuit of study and activities in the field of vocal music in order to encourage the development, application and appreciation of musical talent.

One of the primary Internal Revenue Service requirements to maintain tax exempt status is that no funds of the organization or its affiliates (chapters and regions) may be used to benefit an individual.

Chapters or regions may not hold or sponsor events that raise monies for individuals. Several examples of inappropriate activities include fund-raising events for disaster relief such as hurricanes, fire or other acts of nature. Benefits or performances may not be sponsored by the chapters or regions for individuals with medical or financial needs. To engage in any of the above-mentioned activities jeopardizes the tax exempt status of the affiliates. Organizations granted tax exempt status to conduct these activities include the American Red Cross, the Salvation Army, and most churches and denominations.

If invited to perform at a fund-raising or benefit event, choruses or quartets may do so as long as they are not directly soliciting and collecting monies for the beneficiaries.

FUND-RAISING FOR OTHER ORGANIZATIONS

There are provisions within the IRS code that allow restricted participation with, or donations to, other **501(c)(3)** non-profit organizations. **The primary requirement is this participation may not exclusively benefit another organization or be ongoing.** The primary focus and participation of a Sweet Adelines affiliate should be the performance of four-part harmony singing with the fund-raising aspect secondary.

To verify if an organization qualifies as a 501(c)(3), please refer to the IRS Publication 78, Cumulative List of Organizations, www.irs.ustreas.gov. This listing is also available at most public libraries. Another resource is www.guidestar.org.

An attorney specializing in tax exempt organizations provided these guidelines for participating in fund-raising activities for other organizations.

- Choruses and regions are encouraged to share the joy of our art form by performing and participating in community activities, including fund-raising benefits as long as the guidelines are followed.
- Sweet Adeline choruses, quartets, and regions should restrict themselves from serving as a collection agent or fiduciary of the other organizations. It is acceptable for a representative from the another organization to attend chorus performances and collect donations. Persons contributing to this particular solicitation should understand that funds donated are being donated directly to the other organization (not Sweet Adelines). It is also acceptable for the chorus or quartet to advertise this type of activity through its promotional materials and make announcements at the performance with respect to same.
- It is acceptable for Sweet Adelines International affiliates to announce as a part of a performance that a portion of the proceeds from the performance will go to another 501(c)(3) organization in order to support that organization's tax exempt purpose and activities. But in connection therewith it should be understood that these collected funds will at the time of the collection be Sweet Adelines funds, subject to the claims of Sweet Adelines creditors, if any, and reportable as Sweet Adelines funds at the time of collection for the tax period in which the funds were collected. So long as it is not part of, and does not constitute an ongoing program, a Sweet Adelines affiliate is authorized to make distributions from its treasury directly to the other organization of the precise amounts of funds collected, or in amounts less than these funds or more than these funds. The other organization must understand in connection with such an arrangement that it does not have a right to "claim" the funds raised by Sweet Adelines, but the other organization would have an expectation of receiving a portion of the proceeds from the activity from Sweet Adelines. This arrangement must be made clear between the two organizations. Otherwise, Sweet Adelines conceivably could be viewed as a collection agent, fiduciary or other form of agent for the other organization.
- Any chapter, region, or quartet of Sweet Adelines International is permitted to make a donation from its general treasury from time to time to a properly qualified 501(c)(3) charitable organization such as the American Red Cross or a September 11 fund. This type of activity is included in the broad purposes of Sweet Adelines International governing instruments, and comports with 501(c)(3) laws and regulations. No such activity should be regular and continuous, but these types of gifts and contributions certainly can be made in support of these types of causes and activities to 501(c)(3) organizations which are in receipt of IRS determination letters.

- The international, regional, and chapter levels of Sweet Adelines International may lend their name to other 501(c)(3) activities, provide performances, and solicit donations generally in support of the other organizations but they should not actively collect, handle, or distribute any donations on behalf of the other organization (except as described in guideline #2).
- If the activity consistently is seen as raising or soliciting funds on behalf of another 501(c)(3) organization, tax exempt status concerns may exist. The concerns are minimized if the Sweet Adelines involvement is strictly a performance of singing.

POINT OR INCENTIVE SYSTEM

Many chapters have established point or incentive systems, allowing members to receive “points” for participating in activities of the chapter. The chapter helps defray members' expenses to attend functions, such as regional or international competitions, based on the number of points earned.

The International Board of Directors does not endorse point or incentive systems. However, because these systems are known to exist, guidelines have been established to aid chapters in administering the funds.

The tax law requires that an exempt organization must serve a public, rather than a private interest, and that no part of the earnings of such an organization may actually benefit any private individual. Chapters should feel free to reimburse members for ordinary and necessary expenses incurred in carrying out the exempted purposes of the organization. Chapters should avoid payments to members for unrelated expenses or reimbursements that are excessive. Chapters should maintain records that clearly show the purpose for which payments are made, including copies of documentation relating to the reimbursement of expenses paid by members.

Regarding the distribution of funds under a point or incentive system, it is strongly recommended that chapter funds be disbursed directly to a third party and not to a chapter member.

Example: A chapter has sufficient funds to partially pay the transportation costs for its members to attend the regional convention and competition. The cost per member is \$100. Some members have enough points so that the full cost of their transportation is paid by the chapter. Other members have enough points to receive partial credit and must pay the chapter for the remaining portion of their transportation costs.

The chapter collects the funds due for transportation costs from its members and then pays the entire amount directly to a third party.

This method allows for complete record-keeping and accountability of chapter funds. This method also relieves the members of possible tax considerations on their personal income tax returns.

Under a point or incentive system, if the chapter still feels it is necessary to give money directly to the members, the chapter should require each member to submit an expense statement accompanied by appropriate receipts. Without this receipted documentation, the expenditure could be viewed as a personal benefit to the member rather than to a benefit to the chapter. Under these circumstances, the

expenditure could very well make up taxable income for the member and the chapter would need to determine if a Form 1099-MISC should be filed. The members should not assume that, while they should claim the funds as income, they can also deduct the related expenditures. Expenses to travel to a regional or international convention are not necessarily tax deductible.

In summary, if a chapter supports a point or incentive system, the chapter should implement the following guidelines:

1. Avoid giving chapter funds directly to chapter members.
2. Disburse chapter funds to a third party payee on behalf of the members.
3. If funds must be given to members, require expense statements and documentation for the full amount distributed.

EXAMPLE A

AUDIT CONTROLS AND PROCEDURES

<u>Control and Procedure</u>	<u>Frequency</u>
1. If feasible, the accounting procedures should be documented in flow charts and in an accounting manual. The board should review and update this documentation annually.	Annually
2. Expenses and costs should remain under budgetary control. An account analysis for all accounts is prepared to investigate and explain all significant variances from budget.	Monthly
3. Petty cash should be test counted on a periodic basis.	Semi-annually
4. Paid checks should be scanned on a random basis to verify proper signatures and to search for any alterations.	Quarterly
5. Bank reconciliations on all bank accounts should be done each month. Any significant outstanding checks and other reconciling items should be investigated.	Monthly
6. If possible, someone who has no cash handling duties should prepare the bank reconciliations. Bank statements should be delivered, unopened, to the person responsible for the reconciliation.	Monthly
7. Amounts due from chapter members should be reviewed. Notices should be sent for delinquent accounts and the board should be advised of outstanding amounts.	Monthly
8. Cash receipts and deposits should agree and deposits should be made regularly. Random checks should be made.	Quarterly
9. All check vouchers should be scanned for: A. Proper account distribution B. Clerical accuracy C. Approvals D. Adequate support E. Verification of math calculations	Monthly or Quarterly

- | | |
|--|-----------------------|
| 10. Before payment, be sure to double check the math calculations on all expense statements and invoices. This is done on a random basis when conducting an audit. | Monthly or Quarterly |
| 11. Ensure that all members provide properly documented and receipted expense statements to prove all advances. | Monthly |
| 12. Check requests, along with vouchers or other supporting documents, are presented with the checks submitted for signatures. | Weekly |
| 13. All old invoices or statements are investigated before a check is prepared, to prevent duplicated payment. | Weekly |
| 14. All disbursements, except from petty cash, should be paid by check. | Weekly |
| 15. It is advisable to require two signatures on all checks. | Weekly |
| 16. All unused checks are verified for proper sequential numbering and are held in safekeeping. | Weekly |
| 17. Voided checks are properly defaced and held in safekeeping. | Weekly |
| 18. Proper physical safeguards should be in place to protect assets. | Daily |
| 19. Ledger entries are reviewed for supporting data and significant or unusual adjustments. | Monthly or Quarterly |
| 20. All significant accounts, disbursements, etc., should be reviewed in detail. | Quarterly or Annually |

YOUR CHAPTER

General Ledger Account Balances

	Balances ending March 31, 20xx	April Activity DR.	Balances ending (CR)*	April 30, 20xx
<u>Asset Accounts</u>				
Cash In Bank-Checking Account	\$1,620.80	384.00	454.18	1,550.62
Cash In Bank-Savings Account	300.00	_____	_____	300.00
Cash In Bank-Money Market Account	700.00	_____	_____	700.00
Risers	600.00	_____	_____	600.00
Costumes	2,500.00	_____	_____	2,500.00
Office Equipment	300.00	_____	_____	300.00
<u>Liability Accounts</u>				
International Dues - current year	-0-	140.00	140.00	-0-
Regional Assessments - current year	-0-	52.00	52.00	-0-
Escrow-International Dues	733.22	_____	23.32	756.54
Escrow-Regional Assessments	520.00	_____	8.68	528.68
<u>Equity</u>				
Equity	3,113.72	_____	_____	3,113.72
<u>Income Accounts</u>				
Chapter Dues	3,160.00	_____	40.00	3,200.00
Performance Fees	800.00	_____	100.00	900.00
Interest Income	130.00	_____	20.00	150.00
Fundraisers	1,100.00	_____	_____	1,100.00
Annual Show	3,600.00	_____	_____	3,600.00
<u>Expense Accounts</u>				
Director Fees	1,100.00	100.00	_____	1,200.00
Director Expense- miscellaneous	145.70	_____	_____	145.70
Director Expense- competition	375.00	_____	_____	375.00
Director Expense- education	765.00	_____	_____	765.00
Coaching Fees	600.00	_____	_____	600.00
Rent	1,100.00	100.00	_____	1,200.00
Postage	125.62	_____	_____	125.62
Telephone	135.00	_____	_____	135.00
Supplies	19.82	62.18	_____	82.00
Performance Expense	100.00	_____	_____	100.00
Educational Materials/Music	310.00	_____	_____	310.00
Annual Show	1,900.00	_____	_____	1,900.00
Membership Recruitment/Retention	460.00	_____	_____	460.00

*NOTE: The shaded figures represent credit balances

At the end of the year April 30, the income and expense accounts are "closed". The difference between income and expense accounts equal net revenue or net expense and is an increase or decrease to equity.

Total Income Accounts=\$8,950.00-Total Expense Accounts=\$7,398.32=\$1,551.68 Increase to Equity=Total Equity=\$4,665.40
(See Example I)

SWEET ADELINES INTERNATIONAL CORPORATION

YOUR CHAPTER

Statement of Financial Condition
April 30, 20xx

ASSETS

Current assets	
Cash - Checking	\$1,550.62
Cash - Savings	300.00
Cash - Money Market	<u>700.00</u>
	\$2,550.62
Property and equipment	
Costumes	2,500.00
Risers	600.00
Office equipment	<u>300.00</u>
	\$3,400.00
	<u>\$5,950.62</u>

LIABILITIES AND EQUITY

Liabilities	
Escrow Dues/Assessments	\$1,285.22
Equity at beginning of year	3,113.72
Increase to equity	<u>1,551.68</u>
Total Equity	<u>\$4,665.40</u>
Total Liabilities and Equity	<u>\$5,950.62</u>

SWEET ADELINES INTERNATIONAL CORPORATION

YOUR CHAPTER

Statement of Activity
for period ending April 30, 20xx

	Month <u>April</u>	<u>Year to date</u>	Annual <u>Budget</u>	Variance <u>(Over)/Under</u>
REVENUE				
Chapter Dues	\$ 40.00	\$3,200.00	\$3,000.00	\$ (200.00)
Performance Fees	100.00	900.00	1,000.00	(100.00)
Interest Income	20.00	150.00	180.00	30.00
Fundraisers	.00	1,100.00	900.00	(200.00)
Annual Show	<u>.00</u>	<u>3,600.00</u>	<u>3,500.00</u>	<u>100.00</u>
Total Income	\$160.00	\$8,950.00	\$8,580.00	\$ (370.00)
EXPENSES				
Director Expenses:				
Director Fees	100.00	1,200.00	1,200.00	.00
Director Miscellaneous	.00	145.70	160.00	14.30
Director Competition	.00	375.00	400.00	25.00
Director Education	.00	765.00	800.00	35.00
Coaching Fees	.00	600.00	600.00	.00
Rent	100.00	1,200.00	1,200.00	.00
Administrative Expenses:				
Postage	.00	125.62	150.00	24.38
Telephone	.00	135.00	125.00	(10.00)
Supplies	62.18	82.00	75.00	(7.00)
Performance Expense	.00	100.00	100.00	.00
Educational Material & Music	.00	310.00	300.00	(10.00)
Annual Show	.00	1,900.00	2,000.00	100.00
Membership Recruitment/Retention	<u>.00</u>	<u>460.00</u>	<u>400.00</u>	<u>(60.00)</u>
Total Expenses	\$262.18	\$7,398.32	\$7,510.00	\$ 111.68
Net Revenue/(Expenses)	\$(102.18)	\$1,551.68	\$1,070.00	\$ 481.68
<u>Capital Expenditures</u>				
Copier	.00	\$ 300.00	\$ 300.00	\$.00
Net to cash reserves	N/A	\$1,251.68	\$ 770.00	N/A

**SWEET ADELINES INTERNATIONAL
CHAPTER OFFICERS**

May 1, 20____ - April 30, 20____

CHAPTER _____
(List complete chapter name.)

City _____ State _____ Country _____ Chapter No. _____
(Official Location)

Please indicate the governance structure your chorus is using:

Board of Directors _____ Management Team _____

Chapter Web address _____ Please type or print clearly

(Circle appropriate title based on Board of Directors or Management Team Structure.)

	Name	Member #
President/Team Coordinator	_____	_____
Vice President	_____	_____
Treasurer/Financial Manager	_____	_____
Secretary/Communication Manager	_____	_____
Membership Chair	_____	_____
Public Relations Chair	_____	_____
Chorus Director(s)	_____	_____
	_____	_____
	Is your Chorus Director a male _____ (Yes or No)	
Assistant/Associate Director(s)	_____	_____
(List All)	_____	_____
	_____	_____

Please ask officers to go to web site www.sweetadelineintl.org Members Only section - Member Profile to verify that contact information is correct on International Headquarters records. Necessary changes can be made on the member profile.

REHEARSAL INFORMATION: Day of the week _____ Time _____

Name and address of rehearsal hall _____

INSTRUCTIONS: Mail to International Headquarters, PO Box 470168, Tulsa, OK 74147-0168 or fax to 918-665-0894 or e-mail to member@sweetadelineintl.org following your annual election in April. Please notify headquarters and your region if any changes are made during the fiscal year.