Finance chair

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Introduction

Chair mission and vision

As a finance chair, your mission is to plan and maintain your chapter’s financial path. With the collaboration of your fellow board members, you will need to craft a sound budget that is understood and adhered to by each chair involved. Identifying and addressing potential gains and shortfalls throughout the year will be essential to ensuring your chapter’s financial health and maximizing your members’ experience.

Time commitment

The time commitment will be about four to six hours per month (some months and some chapters may require more time).

- Board meetings (usually one or two hours)
- Bank reconciliations (one hour)
- Accounts payable (depends on size of chapter)
- Communication with chapter board chairs and chapter administrator (varies per month)
- General administration (signing checks, creating financial statements, etc.)

Key responsibilities

- Developing a yearly budget
- Creating financials and advising the chapter board on their financial position
- Managing cash flow (e.g., paying bills, collecting revenue)
- Filing tax documents
- Assessing insurance and gaining coverage as necessary
- Assessing bylaws and updating as necessary

Key benefits / what is in it for you?

- Developing personal relationships with other member leaders within your chapter
- Getting to play an active role in planning your chapter’s year
- Gaining a deeper understanding of how finances are handled on a chapter level
- Being recognized as a leader in your chapter and sharing in its successes
- Learning the impact of board roles and discovering the workings of association management
- Learning to lead through influence; your board mates are your peers, and you’ll need to learn how to get people to follow you to be successful in this role
- Making a mark on your chapter and leaving it set up for success for years to come

Chapter Budget Development

Crafting your chapter's budget is one of the most important jobs a finance chair will have each year. You will need to use historical data and input from your fellow board members to create a budget that is empowering, but realistic. To start this process on the right foot, you will want to know where your money is coming from and how much you are getting.

Types of revenue

- **Renewal dues:** This is where you get the bulk of your revenue, and it will come at the beginning of the year. Identifying how many of your members plan on renewing will be a key first step in this process. Forum moderators are a good resource for scouting who's in and who's out.
- **New member dues:** This is similar to renewal dues, but pro-rated monthly. To budget this, you will want to be aware of when your recruitment events take place. For example, if a recruitment event takes place in December, you'll only get half the year's dues for the people who join.
- **Initiation fees:** A one-time-only fee for any new members you bring on. Not every chapter has these, but they can be useful to help offset costs for recruitment events or Forum trainings.
- **PEAK (formerly Rock Star):** Earning PEAK status will earn your chapter extra revenue. There are several checks your board / chapter will need to hit throughout the year, but going for it not only promotes chapter health; it also gets you paid.
- **Strategic alliances:** Getting cash or in-kind contributions from local sponsors (e.g., banks, lawyers, or accountants) is a great way to bolster your revenue stream. You probably already have some deals set up for this year, so be sure to check in with your strategic alliances chair to find out what to expect.
- **Regional funding:** Your regional councils have money available for chapter disbursement every year. These funds are used to subsidize programs or reward overachieving chapters. Reach out to your regional council to learn how your chapter can get money in the following categories:
  - Recruitment: Grants for recruitment events or awards for winning recruitment contests
  - Strategy Summits: Subsidies to offset the cost of putting on a Strategy Summit
  - Forum: Subsidies are given to those Forums wanting to go through Forum workshops

    - Learning: Grants are often sent to those chapters that cooperate in a speaker tour
    - Event revenue: If there is an event that requires a larger financial outlay than your budget affords, you can opt for participants to pick up a portion of the bill (user-pay events). Guest fees and no-show fees fall under this category as well.
    - Be creative: There are other ways to raise money within your chapter, such as selling chapter yearbooks, event calendars or EO swag. You are not limited to what is listed here, but please be mindful that EO is not a business and ultimately this money is to be used for adding member value.

Now that you know how much revenue you will be receiving, you can start to plan out where to spend your money. Here are some of the expenses you may encounter. If you need guidance on how much you should be spending in each category, there are templates on the next page.

Types of expenses

- **Board expenses:** There are four main buckets of expenditures in this category: monthly board meeting expenses; board member travel to GLC; chapter president travel to the Presidents' Meeting; and Strategy Summit costs. You will want to identify the GLC and Presidents' Meeting locations as soon as you can for your estimates.
- **Chapter administration:** Chapter administrators are vital to the smooth operations of most chapters, but they do not work for free. So, you will need to set aside money for their salary and any office supplies they might need in their role.
- **Chapter events:** This is where the bulk of your spending will go, and for good reason. Work closely with your learning chair to find out how many events there will be and the timing of any major financial outlays.
- **Forum:** As you bring on new members and people rotate in and out of moderator positions, you will need to hold Forum trainings. Following are some types of trainings currently being held, as well as the costs associated with them. You'll want to connect with your Forum chair to see what kind of trainings they're planning for the new fiscal year.
- **Forum training:** Typically, for new members, these trainings are free unless you have fewer than six attendees. The cost to the chapter is US$250 for each person under the required six and is called an "empty seat fee" (i.e., the chapter would be charged US$500 for a training with only four members attending).
- **Moderator training:** This training is held to educate some of the most important leaders in your chapter.
- **Spousal / life partner and key executive trainings:** Many chapters hold Forum trainings for spouses and key executives. This costs US$250 per spouse or key executive.
- **Training venue / meeting expenses:** This can vary depending on where and how the training is held.
- **Empower your board:** Adding a good reserve to your chapter's financial portfolio will empower your board members to go out and have a great year. If you are able to increase

cash flows and reserves, you will see your membership flourish, with people fighting to gain access to your board room.

- **Recruitment:** It costs money to make money and recruiting for EO is no different. You can expect some costs for different recruiting luncheons or Forum “test drives” throughout the year.
- **Communications:** Getting the word out to your members will also have costs associated with it. Costs that can come up are website hosting, sending out mailers or distributing a newsletter.
- **Taxes:** Many chapters are tax-exempt because they are incorporated as nonprofit organizations, but this does not apply in all governances. Please consult with your previous finance chair or an accountant for more details regarding your tax obligations.
- **Other expenses:** You should be putting some money aside for bank fees or credit card-processing fees. Any money that EO Global collects for you by credit card is assessed a three (3) percent processing fee. Insurance fees could also be budgeted in this area.

Things to consider

- Did you get 100 percent cooperation / input from the chapter board during the budget process?
- Do you have projections and worst-case scenarios?
- Does your chapter have a reserve account set up? EO Global strives to apply five (5) percent each year to their reserves.
- If you’ve finished building your reserve, consider putting aside five (5) percent of your budget for discretionary funds.

How to Plan for Your Year

Build your calendar

May / June (Q4)

Your term hasn’t officially started yet, so this is a great time to partner with your outgoing finance chair.

Goals / action items

- When is the board retreat or board meeting being held to set the upcoming budget for next fiscal year? Did all board members provide input?
- Is the budget set before 30 June?
- Did you print a chapter member list on 30 June?
- Change check signatories to reflect any board changes

July (Q1)

Goals / action items

- Are you receiving local dues checks / wires? If not, confirm mailing address / wire information with EO headquarters staff.
- Did you hit your renewal goal?
- Did you receive all the past financial information from the previous finance chair (bank accounts, accounting files, merchant accounts)?
- Are you receiving the current banking information?
- Does EO headquarters have correct addresses on file so they can mail the dues checks?
- Is chapter budget on file with EO headquarters?

August (Q1)

Goals / action items

- Have you received checks / wires from EO headquarters for renewals? (May, June and July)
- Has everyone renewed that was on your list?
- Were the bank reconciliation and financial statements completed before the board meeting?
- Has anything happened that you did not expect or account for?
- A/P and A/R

September (Q1)

Goals / action Items

- Has everyone on your list been accounted for (either they renewed, or the chapter has been told that they are not renewing)?
- Board meeting
- A/P and A/R

October (Q2)

Goals / action items

- First quarter is complete; how does the budget look? Was everything that happened expected?
- Financial statements
- Board meeting
- A/P and A/R
- Has the promised sponsorship money come in yet?
- Have you filed your tax returns?

November (Q2)

Goals / action items

- Financial statements
- How is revenue looking? Are new members coming in as expected?
- Board meeting
- A/P and A/R
- How is the board communicating at board meetings and throughout the month? Is everyone on the same page?

December (Q2)

Your year is halfway over, are you halfway toward your goal?

Goals / action items

- Financial statements
- A/P and A/R
- Board meeting

January (Q2)

Start identifying your successor, if applicable.

Goals / action items

- Half of the year is over; how is the budget? Is the budget in line with expected projections for the year? Do adjustments need to be made?
- Are the new member checks / wires coming in?
- Board meeting
- A/P and A/R

February (Q3)

Goals / action items

- Is the chapter board in line with any adjustments that might need to be made?
- Board meeting
- Financial statements
- A/P and A/R
- Has sponsorship money come in?
- Has the chapter been added to the EO group-exemption policy? If not, EO headquarters needs the information by 15 March. (US chapters only)

March (Q3)

Make sure your successor is registered for the GLC.

Goals / action items

- A/P and A/R
- Financial statements
- Board meeting
- Is the budget still in line as projected?
- Are all the expenses accounted for?

April (Q4)

Goals / action items

- A/P and A/R
- Financial statements
- Board meeting
- GLC is this month (see event calendar for published dates)
- Have you met with the new finance chair yet?

May (Q4)

Involve your successor as much as you can.

Goals / action items

- Financial statements
- Board meeting
- Budget still in line?
- Are the financial files in order?

June (Q4)

Train your successor and hand off outstanding items.

Goals / action items

- A/P and A/R
- Financial statements
- Board meeting
- Files ready to be turned over?
- Have the addresses that needed to be changed been updated?
- Did you grow personally and professionally from your time on the chapter board? Did you continue to learn?
- Update check signatories to reflect any board changes.

Update check signatories to reflect any board changes.

Best practices and Resources

Creating financials

As finance chair, it’s important to create an accurate financial picture for the current and future board. Incoming finance chairs need to know the complete financial history of the chapter to effectively plan for their year. Creating financials for your board, regardless of how much scrutiny they receive, is vital to maintaining a balanced budget throughout the year and in years to come.

Steps in keeping your books:

- Data entry: this is self-explanatory but includes things that have and have not hit your account. Examples include checks cut, credit card activity, deposits, etc. You need all these things to give yourself the most accurate financial picture.
- Bank reconciliation: Tying your books back to your bank statement’s ending balance is essential. By doing this, you will spot any errors you might have made and get to create any adjusting journal entries.
- Preparing financials: You can now create your financials! You’ll want to show the totals for the following: actual amount spent in each budget, budgeted amount for that period, the variance between the actuals and the budgeted, and the total year budget. You may also want to show projected amounts as you get later into the year so that you can show how much you spent above or below the initial estimate.
- Sparking discussion: If there are any large variances throughout the year, you will need to initiate the conversation regarding what to do. If revenues are ahead of budgeted amounts, a decision may then be made to add another event, hire a top-notch speaker, save money for the upcoming year, etc. If revenues are behind or expenses are over, cost-cutting measures need to be made, such as decreasing catering expenses or cutting an ill-attended event from the lineup
- Reducing expenses: Tips to help you save money!
    - Develop relationships with local sponsors on an informal and formal basis; accountants, lawyers and speaking groups would be very useful
    - Research clubs / restaurants that cater to an EO audience for the possibility of reduced or free meeting space and / or food and drink
    - When purchasing stationery or checks, start with small quantities

    - Avoid as many fixed costs as possible
    - Contact a local college / university to see if you can get a student intern for assistance

Paying expenses

A process should be developed with the finance chair and the board that establishes how bills are approved and paid. Each finance chair should sign off on budgets relevant to their role.

Checking accounts

If you are new to your finance chair role, make sure that the account name is correct (it should be “EO” and not “YEO / WEO”) and that the statements are being mailed to the proper address. If you do not have one, you will need to incorporate and establish a tax ID number before you open an account. It is recommended that you seek the assistance of an accounting or legal professional when filing your documentation. If you need a template for Articles of Incorporation, please contact the EO professional staff at finance@eonetwork.org.

Expense approval

Who is responsible for approving expenses? Is it at the sole discretion of the budget owner, or does it require special approval from the finance chair and or chapter president at a certain amount?

What is reimbursable? Does your chapter reimburse all expenses concerning EO (e.g., food, drinks, travel)? Where is the line drawn to be fair and consistent?

Disbursement

- Who oversees preparing the checks (e.g., finance chair, chapter admin, third-party vendor)? Are they also inputting this information into your financial software?
- Who has signing authority (e.g., finance chair, chapter president, chapter administrator) and have you updated the names / signatures with your bank? Is there an amount set with your bank that requires a dual signature? EO headquarters requires two signatures for all checks in excess of US$4,000.
- Involving multiple people (segregation of duties) throughout this process will help minimize your risk of fraud.

Chapter credit card

Credit and debit cards have become an increasingly popular and convenient way to pay bills. If you are considering using a bank card, here are a few things to consider:

- Obtaining a “credit” card can be difficult. Chapters will often resort to using a debit card tied to their checking account or will open a credit card under a member's name.
- There is a higher risk of fraud with a bank card. Keeping your activity to a minimum and constantly monitoring your account will be necessary.
- Keep the number of chapter cards in use to a minimum. The more cards you have in use, the higher the chance of fraud and the less control you have over your bank account.

Collecting revenue

A detailed plan should be laid out explaining how dues will be collected and who will be responsible for following up with delinquent members.

Dues cash flow scenarios:

EO headquarters collects everything (global and chapter dues). In this case, the EO headquarters office would be responsible for collecting all the revenue and remitting it back to the chapters. These dues disbursements take place on or around the 15th of the month after they’re collected. For example, if a member payment was received in February, your chapter would receive those funds in March.

Things to note:

- EO headquarters can only collect and remit dues in US dollars. The chapter is responsible for managing any foreign exchange rate risk.
- Any dues collected by credit card are subject to a 3 percent processing fee.
- Funds can be disbursed by check or wire / ACH transfer (payment breakdowns are available through Samepage; contact EO headquarters’ finance team for access).
- June disbursements may be split in half (1 – 15 and 16 – 30) to accommodate the higher transaction volume during renewals.

EO headquarters and the chapter are responsible for their own dues collection. Here, the chapter and EO headquarters collect member dues in two separate payments. Please be aware that EO Global dues must be collected first to keep a membership in good standing through the online directory.

Chapter collects everything. You can collect all the revenue from the members and remit EO headquarters their portion by check, wire transfer or credit card. Please note that renewals sent in bulk by check or wire transfer before 30 June are subject to a 5 percent discount.

Quick tips:

- Always reconcile payments with the chapter directory.
- You can use a post office box as a chapter mailing address to maintain consistency throughout the years.

Other considerations:

- Who oversees collecting money from your sponsors? Make sure a collection process is in place and follow up with your strategic alliances chair if things get off schedule.
- Will any events be “pay as you go”? If so, how is the additional money collected? Who follows up on outstanding event balances?
- Are spouses / guests being charged for all events, or just specific ones?
- Are events open to non-EO members, such as friends, applicants or key executives? If so, is there a fee?
- Does your chapter have a merchant account to charge credit cards? If it was acquired through EO headquarters, you have the ability to set up events and payments through eonetwork.org (contact EO headquarters for more details).

Tax and incorporation

EO headquarters is incorporated in Washington, DC, USA, as a 501(c)3 nonprofit, education-based organization. As a result, it is exempt from paying federal and state income tax but is still responsible for paying state sales tax. It is the responsibility of the finance chair to know how your chapter is incorporated and what taxes it is responsible for in your country.

When should the chapter incorporate? In the US, the general guideline to follow is once your chapter exceeds US$25,000 in yearly revenue, it is strongly recommended that you incorporate. This can vary from country to country, so if you’re in doubt, it would be wise to seek out professional advice. If you would like examples of Articles of Incorporation, please contact EO professional staff.

Group tax exemption (US chapters only)

EO has received a group number (3705) from the IRS, effective 5 March 2001. This gives US chapters that have a tax ID number and organization documents (bylaws, Articles of Incorporation,

etc.) the ability to be exempt from federal income tax under our group exemption number. Chapters that are interested in being added need to contact EO headquarters before 15 March.

Filing your taxes

It is extremely important that you file your taxes each year, particularly if you have done so already in the past. Despite the fact that your chapter may owe nothing in taxes, your government most likely still requires you to go through the filing process. Failure to do so, in most cases, will lead to a loss of your nonprofit and tax-exempt status; if that is the case, it is very time-consuming to have this reversed. Knowing when and how to file will be essential to your duties (in the US, the deadline for filing is three-and-a-half months after your fiscal year has ended).

Bylaws

Your chapter bylaws are the rules by which your chapter operates. It is important to have this document on file and up to date to ensure it is still relevant to how you operate. If it is not and / or you are not following these rules, you could be exposing yourself to litigation.

Please note

Since EO’s headquarters are established in the US, its tax and insurance procedures are relevant only to US chapters. Please discuss with members of your regional council any concerns you may have regarding your chapter. Do not assume the same laws that apply for US chapters will work for you.

Governance Responsibilities

As mentioned earlier, there are a few non-finance things involved in running a chapter that often fall to the finance chair, including the bylaws, policies and procedures, and insurance. It’s key to make sure these are up-to-date and available to your board. There are a lot of difficult situations that can arise in a chapter, and it’s always best to be prepared.

Insurance

Insurance coverage

The finance chair should be responsible for ensuring that the chapter’s insurance is up-to-date and sufficient to cover chapter liabilities.

Insurance questions to know for the year:

- What it covers
- How much it covers
- How to obtain additional coverage if needed
- How to get coverage for an event
- Whether there is different coverage for different types of events

Directors and officers insurance (D&O)

D&O insurance is designed to protect your board members in case a suit is filed against them regarding EO. It is highly recommended that you obtain this coverage; it can be bought for just a few hundred dollars.

General liability insurance

This insurance is designed to protect the chapter in the case that bodily harm or property damage occurs as the result of any meetings or events. Please consult an insurance agent to determine the appropriate limits for your chapter's budget and needs. Venues will often require proof of insurance to hold an event at their location.

* US and Canadian chapters are already covered under EO headquarters' general liability policy.

Please consult EO staff for any details or if you require a certificate of insurance for a vendor.

Developing long-term financial goals

When stepping into the role of finance chair, it's important not to look at your chapter's financial picture one year at a time. Things can and will come up—from poor membership numbers (renewals or recruitment) and sponsorship drop-off, to a chapter-run regional event that carries significant financial risk. The only way to be prepared for these kinds of things is to start building a strategic reserve now, ideally with a goal of three to six months' worth of your yearly operating budget. Here are a few ways you can accomplish this:

- Sponsorship funds allocation. Many chapters have adopted the practice of allocating some of, if not all, sponsorship funds or in-kind savings to their reserve. By doing this, you are achieving three things: You're building your reserve, mitigating sponsorship shortfall risk by relying less on these funds for the current year, and avoiding using "dues money."
- Encouraging long-term sponsors. Try to encourage your strategic alliances chair to secure multi-year deals when negotiating with potential sponsors. Even if you need to take less money per year to do so, you'll be decreasing the volatility in your sponsorship revenue, while giving your sponsors a better chance to develop a relationship with your chapter.

- Committing to a dues increase schedule. Often, chapters are underfunding themselves because their dues are too low to accomplish everything they want to accomplish throughout the year. If you find that your chapter dues are low compared to other chapters in your region or around the world, consider what a dues raise would do for your financial position. Committing to making an increase in small increments over the course of several years is a good way to build up to regional averages and / or maintain the quality of chapter events with rising costs.
- Expense analysis. Every two years, it would be a healthy exercise to look at the different expenses that your chapter incurs to see if there are any cost savings available. Things like board meeting locations, accounting fees or travel expenses should be examined to determine if there are better deals available.
- Earmarking a 3-5 percent line item. There's also the option of simply earmarking a separate line item solely for reserves contribution. Even if you are unable to contribute the entire sum that you had budgeted to the bottom line, you at least built yourself a buffer for "spend-happy" board chairs.
- Empower your board! When you have financial strength and flexibility, it empowers your board to go out and make their mark. With strong finances at the base, you will not only have better events and learning, but you will also be able to recruit great leaders to the board year after year. Your membership will see what great things your chairs are able to accomplish and get excited to go for it themselves.

Finance chair transition hand-off list

- What role the chapter staff play in relation to the finance chair
- Any process documentation
- Last year's budget
- List of sponsors and details of their contracts
- Get signatory rights switched to the appropriate people
- Past and current financial statements
- Banking passwords (and any other necessary passwords)
- Bank statements and change of mailing address (if applicable)
- Accounting software and bookkeeper information (if applicable)
- Any petty cash funds
- Past tax filings, reports and documentation
- List of challenges from the past
- Establish what checks-and-balances are in place to ensure against fraud
- List of signed contracts for future engagements