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

Revision #1
Created 1 October 2024 14:16:10 by Admin
Updated 1 October 2024 14:16:25 by Admin