

## CHAPTER FINANCES

### A. Fiscal Management

The key to Chapter finances is careful planning and prudent fiscal management. Fiscal management is a serious responsibility shared by all Chapter officers, not just the Treasurer. If each officer is knowledgeable and able to make sound decisions, they can provide leadership to the Chapter in the most beneficial way. Failure to fulfill this responsibility may leave officers personally liable for financial losses or poor management decisions that may occur during their term. Reviewing the budget and financial documents are only a part of the Chapter officers' responsibility.

Managing money within a Chapter is a necessary function because a financially solvent Chapter is able to:

1. Sponsor high quality educational programs.
2. Fund officers', and perhaps members', attendance at NAON Congresses and/or other meetings.
3. Donate money to selected charitable organizations or causes (e.g. the NAON Foundation).
4. Maintain enthusiasm of its members as they realize rewards for their efforts.

In order to fulfill Chapter officer responsibilities, you must have a thorough understanding of NAON and your Chapter. Ask yourself some of these important questions:

- 1) What is it that we do?
- 2) What do we want to do?
- 3) Can the Chapter fund this?

Chapters are encouraged to use the money they have to benefit the Chapter and its current members. Some Chapters use a “point system” to identify active members to receive assistance to attend educational offerings such as Congress. The money could be used to educate young people, such as *osteoporosis* prevention, health fair in schools, churches, the community or as a contribution to the NAON Foundation. These kinds of decisions should drive your fiscal management. Once your Chapter sets goals, decisions can be made to help these goals become reality.

A Chapter's sources of income include:

- Corporate support
- Fundraisers
- Workshops (Chapters may set this fee for their programs.)
- Chapter Dues
- Individual donations
- Funds from national membership dues (see Policy 6.4 Chapter Responsibilities and Privileges for current disbursement amount per Chapter member)

Many Chapters have established relationships with **corporate sponsors** who may be willing to support the Chapter by

- Providing or supporting a speaker
- Providing printing, materials or refreshments
- Direct financial support

Corporate sponsors should always be recognized and thanked for their support on program flyers, newsletters, etc.

Even with the best planning, the Chapter could experience unexpected problems. Chapter officers should establish a small "reserve fund" which can be used in the case of an emergency.

## **B. Bookkeeping, Records & Accounts**

Chapters are financially independent from national NAON funds. However, Chapters are encouraged to discuss financial problems with their Chapter Advisory Team representative. The Chapter is responsible for generating revenues and to record the flow of money through the organization. Chapter bookkeeping is the responsibility of the treasurer. Some suggestions for bookkeeping that may be helpful in organizing the Chapter treasury are provided below.

Regardless of the type of account the Chapter has, accurate bookkeeping records of even the simplest kind **MUST** be kept as part of annual reporting. It is wise for the Chapter president to review the records at least quarterly with the treasurer and be presented during the Chapter business meeting at least annually. An annual audit of the Chapter treasury by a Certified Public Accountant may be considered if the treasury is large and/or it is affordable for the Chapter.

Basic accounting principles require the use of two ledgers. Record keeping for the Chapter's treasury is a simple operation and should be done in two formats. The first is a **cash disbursement record or cash flow statement** showing an account of all monies received and disbursed (spent). The second is a petty cash flow statement. A sample of each is given in Appendix 9 & 10. Templates can also be found online.

### **1. Petty Cash Account**

The Chapter may want to keep a small amount of cash on hand (**petty cash**) for miscellaneous expenses such as postage, stationery, and copying. Keeping \$20.00 to \$30.00 in petty cash should be sufficient. Petty cash should be counted periodically to be certain that what is recorded in the account matches what is on hand. Responsibility for the petty cash should lie with the treasurer for bookkeeping.

### **2. Bank Accounts**

Most Chapters find a simple savings or checking account adequate for their purposes. Consider a bank that provides free checking with an interest-bearing savings account. Many of these accounts have certain minimum requirements for balance and account activity that may be prohibitive, but a checking account allows for easy access to funds. If funds will be held in reserve for a period of time, consider using a certificate of deposit (CD) to accrue more interest. For example, if a Chapter holds a workshop in the fall of the year and plans to use the money raised to send Chapter members to Congress in the spring, a short-term CD could hold the money in reserve until needed. A word of caution: be sure to understand the terms of the account as there may be penalty if the money is withdrawn early. Some accounts automatically rollover for another set period of time if the bank is not notified to cash in the CD.

Establish a checking account w/ a debit card issued in two (2) officer names.

When establishing the bank or checking account it must be a **TWO SIGNATURE** account. Many

Chapters find the president and treasurer good choices for signatures. Having several Board members as signatories will give the Chapter access to account funds in the event that one signature becomes unavailable. Requiring two signatures also serves to ensure that monies disbursed are for Chapter business only.

### C. Budget

The budget should reflect that the provider can financially support the Chapter's goals. Templates for the budget and the Cash Flow statement with formulas and examples can be downloaded from [www.microsoft.com](http://www.microsoft.com). You can also use the Annual Financial report to do your budgeting and monthly/quarterly tracking.

#### 1) National Dues

Annual NAON membership dues are paid to the National Office, and are due in December. The fiscal year is from January 1 through December 31.

#### 2) Local Chapter Dues

Each Chapter has the option to assess and collect local Chapter dues independent of NAON's national dues. All local Chapter members are obligated by NAON bylaws to be national members. Any local Chapter dues are in addition to national dues and are the responsibility of the local Chapter.

#### 3) Annual Financial Report

Complete by April 1 of each year. (See NAON web site for an example).

Just as businesses require financial/budgetary information from its individual departments/divisions, so does NAON require such information from its Chapters. The reasons for this are a) NAON supports its Chapters financially (when requirements are met), b) Chapters fall under NAON's liability clause (legal support), and c) it's always good to keep financial information out in the open and above board to keep all parties honest and informed.

- Add each general ledger category column and transfer to the report sheet.
- Add the checking account and savings account balances.
- Deduct liabilities (debits) from assets (credits) to find the Net Worth.
- Forward copy of the Annual Financial Report to the National Office.
- Use the Annual Financial Report as a basis for your next budget; to estimate revenue and expenses for the coming year and to project costs of projects. NOTE: Budgets should be flexible as revenues and expenses may vary.

#### 4) Files

The Chapter should keep the following files for the recommended period of time as noted.

1)	Bundled checks in numeric order.	7 years
2)	All check registers.	7 years
3)	The latest balance statements for all bank accounts.	
4)	Copies of all Annual Financial Report statements.	
5)	Record of Employer Identification Number.	Indefinitely
6)	Copies of filed tax forms.	
7)	Copies of tax exempt letters.	Indefinitely

## D. Tax Exempt Status - Appendix # 13

Many Chapters have requested information concerning the need for tax-exempt status and the process involved in applying for such an exemption. This section will help individual Chapters determine if they can benefit from a tax-exempt designation, summarize the steps involved, list the Chapter documents necessary for application, and discuss the Chapter's responsibilities once exempt status has been determined. Answering the following questions should help clarify this issue:

- 1) Do you hold an annual workshop?
- 2) How much are you paying a year in state sales tax?
- 3) Is it worth 8 to 10 hours of your time to be able to hold onto this tax money?

### **Why Apply For Tax-Exempt Status?**

It is not mandatory for Chapters to apply for tax-exempt recognition. Chapters may earn up to \$25,000 gross revenue per year without paying taxes. All tax-exempt organizations are required to file a Form 990 with the IRS in order to maintain tax-exempt status. Filing this tax return is the responsibility of the Chapter.

Each local Chapter must apply for individual recognition of exemption from income tax and an **Employer Identification Number (EIN)**, obtained by completing a form SS-4 from the IRS. Recognition of tax-exempt status allows for incidental Chapter benefits such as exemption from certain state taxes.

### **Obtaining Tax Exempt status.**

The steps in applying for tax-exempt status are not as complicated as they first appear.

- Contact the Internal Revenue Service to request the forms. They may also be contacted and forms obtained on the Internet at [www.irs.gov](http://www.irs.gov).
- Request form: Form SS-4 and Form 1024 (Package 1024, Application for Recognition of Exemption Under Section 501 (a) for Determination Under Section 120).
- Also request Publication 557 (Rev. Oct/July 01), which will serve as a resource to the application process. The SS-4 form is used for applying for the EIN. Every exempt organization is required to have an identification number. Chapters should apply under a 501 (c)(6) status. This form is one page and the instructions are easy to follow. A completed SS-4 form must accompany the actual application for Recognition of Exemption. Again you will be applying under a 501 (c)(6) status. This status, rather than a 501 (c)(3), permits more flexibility for Chapter legislative/political activity. Also, the national organization has been incorporated as a 501 (c)(6), and it is much easier to apply for this type of exemption. Both completed forms are sent to your district's Internal Revenue Department. Key districts are shown at the end of Publication 557.

After receiving your Federal Exemption letter, contact your State Department of Revenue to see if your Chapter qualifies for state sales tax exempt status. The state will probably want the same information that you supplied to obtain federal exemption.

Along with the completed 1024 and SS-4 forms, you will need to send the following documents (if you don't send them at first, they will be requested later and this will only serve to delay your

application):

1. **Financial ledger** (ie. a Cash Flow statement or copy of the Annual Financial Report due to the National Office) **for current year and past 3 years** (checking account stubs or canceled checks alone will not be sufficient)

If your Chapter has not yet accumulated funds or has been in existence for less than a year, a proposed budget for 2 years and a current statement of assets and liabilities will be acceptable.

2. **Copy of your Chapter's Certificate of Incorporation**

If you cannot locate your Certificate, please call the National Office for a copy. Exemption will not be granted without this document.

3. **NAON Constitution and Bylaws**

This will declare that your Chapter operates within the national organization's bylaws. Page 2 of Publication 557 provides specific information regarding conformed documents and bylaws.

**DO NOT** submit original documents because they become a part of the IRS file and can not be returned. Every document and attachment must show the name and address of your Chapter president, the date, an identifiable heading, and that it is an attachment to your 1024 form.

You should also submit any additional information necessary to clarify the nature of your organization. Some examples of such additional information known to be requested include:

- Copies of publications such as your Chapter newsletter and/or the NAON Journal.
- Current NAON membership card of applying officer
- Educational offering brochure
- Additional materials that may be required are listed and explained on page 2 of Publication 557.

The application will be considered by the key district director, who will either issue a favorable determination letter or deny the exemption. Sometimes the case is referred to the national IRS office for a ruling. If your application is denied, you will be advised of your right to appeal. The protest must be submitted within 30 days from the date of the denial letter.

Your chapter will need to have a yearly report submitted in order to retain your exempt status. There is a designated form that the National Office will complete on behalf of your chapter (Form 990). More specific information about filing requirements is found on page 6 in Publication 557. Be sure to maintain adequate financial records. Be sure to record any time you use the tax-exempt status (that is making purchases). Keep all receipts. **Records should be maintained for 7 years.**

## **E. Fundraising, Sponsorship and Corporate Exhibiting**

There are many ways to raise money for Chapter operations, including local Chapter dues, workshops, fees for CEs awarded at Chapter meetings, exhibitors fees for workshops, individual and/or corporate funding, raffles, bake sales, garage sales, uniform fashion shows, coupon books, etc. Along with educational events, fundraising can be one of the most important activities a Chapter performs.

## **General Fundraising Guidelines:**

### **1. Set a Goal.**

The important thing is to select a goal that both Chapter officers and members are able and determined to reach. Goals that are important to your members such as certain charitable causes or funding member attendance at meetings or educational events are worth investigating. These goals can usually be met by one or two fundraising projects. Depending on experience and available funds, consider starting off on a small scale, such as deciding to support the Chapter president's attendance at the Annual Congress (for example, pay the registration fee). With increased experience and/or a larger treasury, the decision could be made to operate on a larger scale. Many Chapters sponsor member's travel to Congress. Obviously, raising enough money for this goal involved a few projects over an identified time span.

### **2. Consider the Target Location.**

Are fundraising efforts going to be targeted at NAON members only? The answer to this question should help determine the type of project undertaken. Chapters are encouraged to develop and use their own special Chapter logo. Chapters are reminded that the **NAON** logo is copyrighted and **cannot** be used. T-shirts or mugs with your Chapter's logo or a cash prize in a raffle would target a more general audience.

### **3. Select the Project.**

Once the target population and financial goals have been identified, an appropriate project should be selected.

- Selling mugs, T-shirts, or raffle tickets are usually popular and involve many members of the Chapter.
- Education events CAN be moneymakers, but they are also costly to produce. A certain attendance level is necessary to realize a profit so you need to be certain of the audience. Your Chapter should set a fee that is reasonable for its membership.
- Other revenues (eg, vendor support) may help to offset meeting expenses.

Again, let the treasury be the guide. Ordering mugs and T-shirts requires a larger initial outlay of money than does the preparation of raffle tickets--and the Chapter's entire treasury should not be tied up in a box of T-shirts! Sometimes minimum orders of items such as mugs or T-shirts can be so large as to be prohibitive for an initial project.

### **4. Select a Committee**

A committee can be appointed to be in charge of the project. A small number of people (2-3) is usually sufficient. It is easier to keep track of what a group this size is doing, and the workload usually does not warrant more than this number being actively involved. Selection of the committee can be the first step in the fundraising efforts or it can be done after the Chapter members and/or executive committee have made some of the previously mentioned decisions. The advantage of discussing the goal, project, etc., with the general membership first is that it allows officers to observe the degree of enthusiasm for the idea(s) among the members. It also provides the opportunity for individuals to come forward who are willing to participate on the committee and generates interest among members.

### **5. Plan a Timetable**

Plan the phases of the project and set target dates for each one. It is easier to maintain enthusiasm if the activities are broken down into achievable goals so progress can be measured. Plan

to have items/tickets available for sale at Chapter and/or other programs or activities in the Chapter's area. Take advantage of these opportunities and be creative in an effort to pursue fundraising efforts.

### **6. Publicity**

Publicize the project and the reason it is being undertaken (eg. Chapter newsletters, health care facilities). Mention it in all newsletters and Chapter mailings from the time the project is decided through completion of the project.

### **7. Always Keep the Goal in Mind**

Chapter officers will be the ones with the task of maintaining enthusiasm. Remember to focus efforts on the goal and report progress frequently.

### **Sponsorship:**

**If your Chapter has a tax-exempt status you cannot generate Chapter income from sponsorships, grants, or donations without jeopardizing the tax exemption status.**

Personal phone calls and conversations are used to solicit sponsorships. These calls or conversations can be followed by a letter of confirmation.

Suggested areas of sponsorship include:

- Refreshment breaks
- Continental breakfasts
- Luncheons
- Receptions
- Event planning meetings (refreshments)
- Speaker's Honoraria and/or travel expenses
- Printed materials (brochures, programs)
- Notepads and/or pens

Allow the sales rep to pay these bills directly, or provide receipts for reimbursement. When using sponsors, print the sponsor's name or logo on all printed materials, list all the sponsors in the program and/or announce from the podium, send follow-up letters of thanks, and give verbal thanks when you see or call them.

### **Corporate Exhibiting at Workshops:**

**1) Set a reasonable fee:** \$100 to \$250. Remember that distributors frequently have to pay this from their own expense account.

**2) Give as much advance notice as possible.** Write letters inviting exhibitors to attend as soon as the date is confirmed. Include hours and location for exhibits, theme or subject matter of workshop, indicate the number of expected participants and their professional specialties. A copy of the program agenda is very helpful.

**3) Set exhibit times which don't conflict with the program.** One to three hours are recommended for exhibitors to interact with the program participants. Invite exhibitors to attend the lectures and/or breaks/meals.

**4) Register exhibitors appropriately.** Exhibitor name badges should include the company name and logo. Try to have one program committee member act as the liaison to the exhibitors.

**5) Thank the exhibitors:** From the podium and individually at their table, on the program and at the registration area. Write a follow-up Thank You letter.