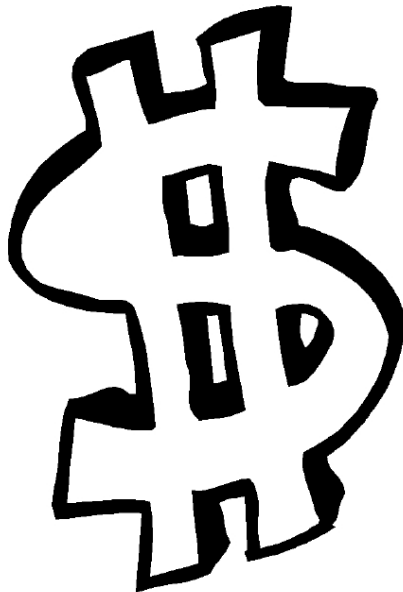


**CHAPTER  
FINANCIAL  
MANAGEMENT**



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## **FINANCE COMMITTEE**

### Membership

1. Treasurer
2. President
3. Assistant Treasurer
4. Chapter Advisor or Financial Advisor
5. Three Other Undergraduate Initiates
6. One or Two Pledges (New Members)

### Purpose

1. Involve more members in financial matters.
2. Develop budgets (for approval by the chapter) and review performance.
3. Hear requests for extension of payment dates.
4. Recommend financial policies.
5. Take burden off the treasurer as the “heavy.”
6. Broaden the personnel base from which new treasurers can be drawn.
7. Aid the subliminal realization that bills are owed to the chapter (comprised of all members) not to the treasurer.
8. Perform semi-annual audit functions.

## COLLECTIONS

1. If your total accounts receivable average from \$1 to \$10 per member, collections are under control; from \$10 to \$20 control is slipping; and at \$20 or over collections are definitely out of control.
2. Inform the chapter of the impact of delinquent accounts on the financial situation of the chapter. Some members are slow to pay because they believe their bill is insignificant in the operations of the chapter.
3. Post or distribute weekly lists of accounts receivable from members. Highlight all past due accounts of \$50 or more. Read the list at the chapter meeting, and get a commitment for payment at the meeting.
4. Enforce the provisions of your local and national bylaws. (The treasurer doesn't suspend the delinquent member; the member suspends himself/herself.)
5. Any bill not paid in full by the tenth day of the month should incur a fine. (Suggestion: If your chapter is opposed to "fines" raise the dues slightly and give a "discount" to those who pay by the tenth.)
6. Your chapter bylaws should state that a member who is delinquent in his chapter bill is not in good standing and thus automatically loses his right to hold office, to vote at chapter meetings, or attend or participate in chapter social and recreational activities. The Finance Committee can be authorized to grant exceptions for extenuating circumstances. If you operate a chapter house and a member is thirty days delinquent in paying rent, he should be required to move out.
7. Offer a discount to members who pay in advance for the semester/term.
8. Never permit a pledge/new member to be initiated unless his chapter bill and initiation fee are paid in full.
9. Use postdated checks or signed promissory notes for acknowledgement of debt to be paid at a later date when unusual circumstances dictate.
10. At such time a member graduates, drops from college or transfers, the member should pay his/her bill in full or sign a promissory note for any financial obligation to the chapter.
11. Record in your accounts receivable ledger when each member normally receives his paycheck or money from home. Remind him of the member of the outstanding bill on the day funds are received.

12. Never let members tell you that they will pay you when they get the money; ask for a specific date on which you can expect payment.
13. Divide the chapter into collection teams (perhaps along pledge classes/lines). Appoint a team chair and have a competition among teams.
14. Open up a PayPal account so that members can pay their dues with a credit card or electronic check. The cost to the chapter is less than 3%.
15. Have a monthly lottery for members who are paid in full by the tenth of the month -- possible prizes include a month's dues rebate.
16. Officers must set an example by paying dues, rent, and other chapter fees on time. Financially delinquent officers should be removed from office.
17. If all other attempts fail, file a claim against the member in Small Claims Court (the procedure is simple, quick, and inexpensive) or refer the member's account to a collection agency. In order to prevail, you'll need to have documentation of the amount owed, and in order to collect on a Small Claims Court judgment, you'll need to know the member's banking institution and account number.

## **CASH CONTROL**

1. Write a receipt for all money received, whether cash or check, including money from fund raisers, etc. Request/require payment by check or money order.
2. Deposit ALL money received. Do not spend incoming cash! At the end of each month, your total receipts should equal total deposits. (NOTE: When re-depositing a returned check, use a separate deposit slip. This will make it easier when you try balancing receipts and deposits.) Deposit all money received within 48 hours.
3. It is recommended that all expenses be reimbursed by check. In some instances it may be acceptable to maintain a petty cash fund of no more than \$25 for small expenditures (less than \$10). Write checks for all other disbursements.
4. Keep receipts for all petty cash fund disbursements. Write a check payable to the treasurer, to replenish the fund at the end of each month.
5. Require double signatures on all checks. Never circumvent this safeguard by having one of the authorized signers sign blank checks. Never sign a check that does not have at least one of the following filled in: (1) the exact amount, or (2) the payee (such as the name of a store or company when the exact amount is not known – never sign a check payable to a member without the exact amount filled in).
6. It is usually best to have one checking or savings account, however, if you do use more than one account, use the general account as a “clearing account” and deposit all money received into the clearing account then transfer funds to the special accounts by writing a check drawn from the clearing account.
7. Require members to turn in receipts and a check request form with all items purchased with chapter funds. The check request form should stipulate the budget line item(s) to be credited for the expenditure.
8. Never let members buy something with their own money and credit it to their account. Make reimbursements with a check or petty cash.
9. Use a locked cash box. Only the treasurer should have a key.
10. Never write a check payable to “cash.” If you need cash (e.g., to pay a DJ that insists on being paid in cash) write a check payable to a chapter officer or committee chair.
11. Avoid open accounts with merchants.

12. If you want the convenience of an ATM card, get a deposit only card. Do not enable online banking other than review of current balances. Only the chapter president, treasurer and advisor should have access to ATM or online banking passwords. Passwords should be changed each time there is a change in officers.
13. The bank statement should be sent to someone other than the treasurer. Ideally, the statement should be sent to an advisor. Request that either cancelled checks be included with statements or that cancelled checks be viewed online.

## **BUDGETING**

1. The Finance Committee should develop a semester/quarter budget, broken down by month, to be approved by the chapter. The Finance Committee should also prepare a revised monthly budget to be approved by the chapter prior to the beginning of each month. Chairs of the various committees should submit requests for funds for their area of responsibility to the Finance Committee before the proposed budgets are developed.
2. Use the previous year's actual figures as a guide and allow for inflation. Always underestimate income and overestimate expenses to provide the margin for error in estimation and unforeseen circumstances. Allow for delinquent accounts and members who go inactive.
3. Allow a reasonable amount for "miscellaneous expenses" or "unallocated funds." Budget at least 5% for savings or chapter reserve fund.
4. Insist on a comfortable year-end excess.
5. Do not authorize the expenditure of any funds unless they have been included in the budget or unless the chapter has voted to revise the budget.
6. When the chapter votes to revise the budget to increase expenditures, it must vote to raise income in order to pay for the expenditures.
7. Any member who incurs a chapter obligation or expense without authorization is personally responsible for its payment, unless otherwise ordered by the Finance Committee.
8. If any officer or committee chair spends in excess of the budget allowance, the chapter must authorize payment and if necessary the budget will need to be revised.
9. Distribute a copy of the budget to every member, post the chapter budget on the chapter bulletin board if you have a chapter house or office, and/or make it available in a private area on a chapter website (such as the Files section of a YahooGroups site).
10. Prepare a monthly statement of variances of income and expense from budgeted amounts. Include explanations for the variations.

## **RECORDING AND REPORTING**

1. Review the past week's expenditures at each chapter meeting. Make the weekly financial report more than just, "We have \$X in our account, outstanding bills from brothers/sisters total \$X, and we still owe the T-shirt company \$X for our rush shirts." Provide valuable financial information. Let members know the magnitude and scope of the treasury, including the names and amounts of members who owe money to the chapter.
  
2. The following bookkeeping system is recommended:
  - (a) Keep a separate account (ledger sheet) for each member. Post dues, rent (if applicable) and other assessments at the beginning of each month. Give each member a statement at the first of each month.
  - (b) Whenever money is received, write a receipt (including money from fund raisers, etc.).
  - (c) Record all receipts in the cash receipts journal. If the receipt is from a member, also post it to his/her account.
  - (d) Keep a record of all petty cash expenditures on the petty cash fund activity report.
  - (e) Record all checks on the checkbook stub and on the cash disbursements journal. Use double-copy checks.
  - (f) Whenever you deposit money, indicate the date deposited on the cash receipts journal. Be sure to record the deposit in the checkbook. Itemize the deposit slip, make a photocopy and get the photocopy stamped by the bank teller. It is strongly suggested that you also photocopy all checks (several per page is fine) and staple the copy of the deposit slip with the checks.
  - (g) Deposit all receipts by the last day of the month. If for some reason this is not possible, then it is important to count un-deposited receipts at the end of the month.
  - (h) At the end of the month, total petty cash disbursements and break out by category.
  - (i) Record petty cash totals by category on the cash disbursements journal.
  - (j) Total all columns in the cash disbursements journal.

- (k) Total all columns in the cash receipts journal. Make sure the total receipts are equal to the total of the deposits made.
  - (l) Using figures from the cash receipts journal, cash disbursements journal, the checkbook, and the bank statement, complete the bank reconciliation form on the back of the bank statement. Make sure all of the check figures on the form match.
  - (m) Complete the four parts of the monthly treasurer's report: (1) statement of receipts and disbursements (separate columns for current month, year-to-date, and variance with the budgeted amount); (2) cash flow report (changes in balances in all accounts); (3) schedule of accounts payable; and (4) schedule of accounts receivable. Distribute the reports to your members.
3. Keep all unpaid bills in an Accounts Payable file. When a bill is paid, mark the bill "PAID" and indicate the date paid and the check number. File bills alphabetically by vendor.
  4. Write the account number and/or invoice number on all checks. Include in the "memo" area what the check is for.
  5. Retain all of your cancelled checks, voided checks, and returned checks on file, along with a copy of the bank statement. Do not discard or destroy voided checks.
  6. Use readily available software to keep your records, such as Quicken or QuickBooks and/or use a spreadsheet program (such as MS Excel) to organize your records.
  6. If your organization's average gross annual receipts are less than \$25,000 it not necessary to file a state or federal non-profit organization tax return. If your average annual gross receipts exceed \$25,000, you'll need to file the forms by the established deadline. If your are required to file and have more than \$1,000 in income from non-members, you may also need to complete an separate form for taxable income.

## **ANNUAL AUDIT PROCEDURES**

1. Make sure the treasurer has done a monthly bank reconciliation. Review the bank reconciliation for the last month for all checking and savings accounts to make sure the bank balance equals the book balance.
2. Look over all checks written during the year. Each check should have a corresponding check request form with a receipt attached. Ask for documentation for any without receipts or that look suspicious. Check especially for checks made payable to officers and to establishments that sell alcoholic beverages (including grocery stores, etc.). Check for proper double signatures on checks.
3. Make sure that the treasurer is keeping a check register with the date, payee, purpose, amount, budget line item, and current balance and ledger sheets for each member.
4. The treasurers should prepare a year-end statement of receipts and disbursements, with a line item comparison with the annual budget. (This requires that all deposits and all checks be assigned a line item.)
5. Check to make sure that the balance at the beginning of the year, plus all receipts, minus all disbursements, equals the balance at the end of the year.
6. Review duplicate copies of deposit slips to make sure they are itemized.
7. Make spot-check comparisons to member account ledgers to deposits to make sure that deposits have been properly recorded.
8. Go over chapter financial policies with the new treasurer and pass out copies to all new officers.
9. Prepare a written report of your findings including recommendations for the new treasurer. Distribute copies to the chapter.

## **OTHER FINANCIAL MANAGEMENT TIPS**

1. Elect the treasurer for a one-year term, with term beginning in the spring. Such a system provides the continuity essential for sound financial management.
2. If you have a chapter house require room lease agreement for all members living in the chapter house. Have an attorney review the lease to make sure it complies with the law. (Sample forms are available from your local real estate association.)
3. The treasurer should not be burdened with individual expense items from vendors such as T-shirts, composites, jewelry, etc. Do not tie up chapter funds by paying in advance for personal items.
4. Conduct a financial management workshop for pledges/new members.
5. If you are affiliated with a national organization, send in pledge/induction and initiation fees immediately after receiving them. Avoid the temptation to borrow from these funds to pay for chapter expenses.
6. Make financial obligations known to new members before they join.
7. Have your pledges/new members pay their initiation fee in installments, prior to their initiation.
8. Include financial policies in your bylaws and be consistent in enforcing those policies.
9. When income falls below projections, discretionary expenses (such as social) should be reduced rather than delaying bill payments.
10. Keep organized files. Label and date everything. Cross-reference paid bills with cancelled checks and deposit slips with receipts.
11. Maintain good credit ratings by paying your bills in full. Arrange for payment schedules when you cannot pay a bill in full immediately.

To be completed in duplicate. Original to be retained by the chapter, duplicate to be retained by the member.

## PROMISSORY NOTE

### ACKNOWLEDGEMENT OF ACCOUNT

The undersigned acknowledges that his unpaid balance owing to the \_\_\_\_\_ Chapter of \_\_\_\_\_ Fraternity/Sorority at \_\_\_\_\_ [University] as of the date of \_\_\_\_\_ is \$ \_\_\_\_\_.

\_\_\_\_\_  
Signature

### PROMISSORY NOTE

\$ \_\_\_\_\_ Date \_\_\_\_\_

For value received, the undersigned promises to pay to the order of the \_\_\_\_\_ Chapter

of \_\_\_\_\_ the sum of \$ \_\_\_\_\_ on or before the date of \_\_\_\_\_, in installments as

scheduled below, with interest at the rate of \_\_\_% per annum after maturity.

### INSTALLMENT SCHEDULE:

Amount of Installment	Date Due
\$ _____	_____
\$ _____	_____
\$ _____	_____
\$ _____	_____

In the event that any installment above scheduled is not paid in full when due, then the entire unpaid balance of this note shall forthwith become due and payable at the option of the holder hereof.

It is agreed that this note is not to be considered as payment of my above acknowledged obligation to the Chapter, which obligation will be reduced as and only to the extent that payments are made on this note. The undersigned acknowledges receipt of a copy of this instrument.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (Printed) and Home Address

\_\_\_\_\_  
Witness: \_\_\_\_\_

---Treasurer's Use Only---

Check # \_\_\_\_\_

Date \_\_\_\_\_

## CHECK REQUEST FORM

Person Requesting Check \_\_\_\_\_

Make Check Payable to \_\_\_\_\_

Amount \_\_\_\_\_ Need by \_\_\_\_\_

For \_\_\_\_\_

Budget Line Item \_\_\_\_\_

Deliver Check to: \_\_\_\_\_

Mail Check to: \_\_\_\_\_

\_\_\_\_\_

**ITEMIZED RECEIPTS MUST BE ATTACHED.**

*Approved by (Signature)* \_\_\_\_\_