

HE - Treasurer Financial Management Manual

Alpha Sigma Phi Fraternity

GETTING STARTED

- Set up a transition meeting with the outgoing Treasurer.
- Contact your GCA or Financial Advisor and set up a personal meeting. Use this time to run through all record keeping procedures.
- Have an audit performed within one month of taking office in order to get a better understanding of where the Chapter stands at as you begin your term.
- Go to the bank and place your name and the Chapter President's name on the signature card. The previous Treasurer will have to go with you in order to remove his name from the account. Ensure that two signatures are needed for every check.
- Attend the officer transition retreat.
- Review treasurer resources at www.alphasigmaphi.org.
- Review past budgets and Chapter financial statements.

VITAL SUPPLIES

In order to effectively complete your duties, you will need:

- Financial Recording System – If the chapter already has a system you may want to continue using it. The system should include a separate file (physical or electronic) for each Brother where copies of each man's invoice, payment records, and membership agreements are kept. If your Chapter does not currently have this type of recording system, you can create your own using a computer program like Excel or QuickBooks. There are also private companies that will keep records for you or provide you with software specifically designed for Fraternity record keeping. Contact GreekBill for more specific information on services, products, and costs.
- Receipt Book – Available at most office supply stores, receipt books allow you to issue receipts to Brothers when they pay their fees, rent, or dues.
- Statement Book – Can just be a three ring binder or file folder where bank statements are kept. Cancelled checks (if you receive them) should also be kept with the bank statements.
- Checkbook – Checks are usually ordered through your financial institution. Be mindful of how many checks you have remaining; there is nothing more frustrating than waiting for more checks while the bills and late fees pile up.
- Accounting Ledger – Create your own using an excel spreadsheet and some simple formulas. You will not need anything elaborate, just so long as you can keep track of what money came in and what money went out, when it happened, and where the expense or income originated from.
- Operations Notebook – for all your financial records including:
 - Copies of the past budgets
 - Current Chapter budget
 - Promissory Notes for indebted members
- Copy of Membership Agreement – Contracts entered into by the Chapter and each Brother that spells out what the costs are for the year, the expected collection dates for those costs, and the consequences for delinquency.

JOB DESCRIPTION

- Member of the Prudential Committee
- Directly supervises Fundraising Director and House Manager
- Prepares a chapter budget each term to be approved by the Prudential Committee and ultimately the entire chapter through seeking budget requests from chapter officers
- Keeps track of all expenditures and revenues and ensures that the chapter is operating within the approved budget
- Provides a monthly financial summary for both the Prudential Committee and the chapter

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- Works with the Director of Members Services at Fraternity Headquarters to ensure that the chapter is current on all bills, including ensuring that all individual members are current with membership fees (new members pay prior to the Pledge Ceremony; initiation fee is due prior to the Initiation Ceremony; membership fees are due within six months after initiation) or are on an approved payment plan. This can be monitored through the Officer Portal
- Pays all bills promptly and by the due date
- Collects all dues and fees owed to the chapter
- Works with the Financial Advisor on the Chapter Council to ensure an annual audit of the books
- Ensures that all potential members and new members understand the financial obligations of membership in the Fraternity (local and national fees and dues)
- Pays Liability Insurance bill by October 1 annually
- Pays registration fee for the Academy of Leadership by November 1 annually
- Pays Chapter Fee Assessment by February 1 annually
- Pays Delegate Fee by April 1 annually
- Communicates at least monthly with the Financial Advisor on the Chapter Council
- Works with the Financial Advisor to understand the tax rules that apply to the chapter's financial situation and ensure that all IRS forms are filed on time, if applicable
- Ensures all members that have not paid chapter dues in full have signed a promissory note and are on a payment plan
- Serves as primary liaison with Greek Bill, if applicable
- Leads by example
- Documents everything and prepares a transition binder to pass on to the next Board/officer

A WEEK IN THE LIFE OF A TREASURER

- Attend the weekly chapter meeting:
 - Introduce Budget
 - Review financial statement (monthly)
 - Distribute payment agreement (each term)
 - Announce delinquent brothers (weekly)
 - Request Budget requests (each term)
- Pay outstanding bills.
- Speak with the Financial Advisor regarding non-paying members and financial problems.
- Update the chapter's checking account ledger.
- Collect membership fees.
- Attend the weekly Prudential meeting.
- Reconcile budget with actual expenditures.
- Review Chapter account on Officer Portal with National Organization

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KEYS TO SUCCESS

■ Financial Stability

- Have a sound budget while saving at least 10% for future needs.
- Collect all money that is billed to the Chapter and to individuals.

Standard Operating Procedures

- Have a receipt for every penny spent.
- Have a deposit slip for every penny received.
- Do not accept cash.
- Use checks for all expenditures.
- Issue receipts to all members for all fees and dues that they pay.
- Ensure that each time that money comes in or out of the Chapter's account there is a paper trail that records and explains the exchange.

Other

- Create budgets, remembering to include Grand Chapter, National Leadership Conference, and Academy of Leadership charges including annual dues and insurance.
- Have all members sign membership agreements, unless paid in full.
- Post a list of delinquent accounts receivable.
- Charge late penalty for members for late payment.
- Bill for cost associate for members for writing checks that bounce.
- Encourage Brothers to pay their bills in full at the beginning of the year. The chapter may offer a discount for payment in full.
- Ensure that all officers have line item.
- Ensure that the chapter has a savings fund. Interest bearing accounts are permitted for undergraduate Chapters, check with your local bank to see what the best options may be.
- File Form 990 and 990T with the Internal Revenue Service, if applicable.

FINANCIAL DOWNFALLS

- Tee-shirts – do not use chapter money to pre-purchase shirts.
- Budgeting for fundraising money usually this money will not come to fruition. Your Chapter dues should be enough to cover expenses, do not count on outside sources to pay your bills.
- Budgeting for new member class. Use those fees as a bonus and to pay for expenses with new member program.
- Buying alcohol with Chapter Funds – It is illegal and will only get you as an individual and the Chapter in trouble. Remember you are personally liable for all money that comes in or goes out of the Chapter.

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BUDGET PREPARATION

A budget should be prepared prior to the end of each term for the next academic year. The budget should be broken down on a term basis to monitor the chapter's financial performance more closely. There is a budget form at the end of this manual; however, you do not need to use the form provided. Simply use the budget form as your model and use a spreadsheet program to assist you in developing the chapter's budget. The ultimate goal is to complete a simple, feasible budget. Even though the responsibility of completing the budget lies on the shoulders of the Treasurer, the Prudential Committee should both be involved in the budgeting process. When determining projected costs, past records (last year's budget, cash journal, and checkbook) will probably provide the most accurate information.

Other contributing factors include:

- Inflation.
- Semester specific expenses (social events, insurance, formals, etc.).
- Percentage (10-15%) of accounts receivable that may not be collected.
- Always put aside a percentage of the chapter funds, at least 10%, to be used for unexpected expense and well as to set up a rainy day fund for emergencies.

Generally, when determining the budget, it is advisable to figure conservatively for income and liberally for expenses. If you place your expenditures into different categories, it will simplify the budgeting process. Many of your needs may be identical to the categories below; however, if they are not, adjust accordingly. Here are some examples of what accounts some of your many expenses will fall into. Calculate the chapter's projected expenses for the coming year. Then, compare that expense figure with the income the chapter would receive in the coming year if the dues/fees remained the same as last year*. No dues or fees increase will be necessary if income exceeds expenses by at least 15%. On the other hand, you have only three choices if expenses exceed income. They are:

- Increase dues/fees paid by the brothers and pledges.
- Decrease expenses.
- A combination of dues/fees increases and expense decreases.

** Do not include any fundraising money or potential fundraising money since this is not money that you have, it is money that you hope to have. In the event that anticipated expenses exceed estimated income, the proposed budget must be revised. The Chapter cannot operate "in the red." When reassessing expenses, it is advised to classify them as "discretionary" or "non-discretionary." Discretionary expenditures are those that, if altered, will not have a tremendous impact on the chapter. These areas should not be completely eliminated; however, fewer dollars should be allocated to them. Non-discretionary expenditures are those that cannot be altered. Examples include insurance, Fraternity dues, etc. Money must be available to pay these invoices. **NEVER** use funds for specific purposes (rent, insurance, etc.) for anything other than its stated purpose.*

The budget is a living document. Use it! Each month you should compare your chapter's actual income and expenses to the amounts you had budgeted for income and expenses. You will never have a clear idea of how your chapter is performing unless you compare its actual performance to its budgeted performance. This will eliminate the "surprise" of being several thousand dollars short at the end of the school term.

Monthly financial statements are essential to the effective management of the chapter's finances. If you are having problems completing a budget, you have other resources to go to. The first person you should turn to is your financial advisor, or Grand Chapter Advisor.

CHAPTER FEES INFORMATION

National Fees

As the Treasurer one of your major duties is to educate the entire Chapter, especially the new members, about their obligations to the National Fraternity.

- Work with Membership Educator to have the New Members fill out Bio Forms prior to the Pledge Ceremony meeting and pay their Pledge Fee.
- Make sure that each man has at least paid his Initiation Fee prior to initiation.
- Talk with each Member 6 months after initiation about paying their membership fee.

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ANNUAL CHAPTER FEES

Your chapter will be billed a Annual Chapter Fee which will range from \$100, \$150, or \$200 based on your Chapter's size as of April 15 of the previous year. In addition, you will be billed \$3 per member.

NATIONAL CONFERENCES:

The Chapter will be billed for two different conferences throughout the academic year. The first will be billed during the fall term for the Academy of Leadership which occurs in January for the newly elected president, this payment is always due November 1st. The second bill will be sent out during spring term for the summer Leadership Conference or Grand Chapter – depending on the year. Every Chapter sends at least 1 delegate at \$800 that you will need to budget for.

General Fees Information

- Officer Portal will alert you of all fees due to National Office.
- When financial difficulties arise and you will not be able to pay your chapter bill on time, you should contact the Fraternity Headquarters immediately to get placed on payment plan.
- Chapters collecting fees on behalf of the Fraternity Headquarters must remit the collect amount to Headquarters immediately.
- Members not paying their fees in a timely manner may be referred to a collections agency for further action.
- Chapters with outstanding balances over \$1000 and over one year old are not considered in good standing and will not eligible to vote during Grand Chapter meetings. Chapters may regain their good standing by paying their past due amount in full or entering into a repayment agreement with the Fraternity

ESTABLISHING A CHAPTER COLLECTION POLICY

■ Education

- Member and family education is a key to avoiding accounts receivable collection problems.
- Information letters should be sent to new members and their family at the time of the pledge ceremony. Work with Family Relations Officer to invite family members to Pledge Ceremony.
- Financial obligation letters should be sent to members and families each summer outlining all dues and fees and payment methods for the upcoming year.
- Early payment discounts should be offered to those who pay full year prior to the start of the year or prior to each term.

■ During the Year

- Strong written policies and an aggressive treasurer who doesn't let any member become lax in payment of their room and board and chapter dues will prevent accounts receivable problems throughout the year.
- Monthly or quarterly billing statements should be sent to families and members.
- The chapter should have written policies regarding the collection of fees and delinquent accounts.
- Interest should be charged on delinquent accounts in the amount of at least 1% per month (12% per annum) or the legal limit for your state.
- National pledge fees should be collected prior to the pledging ceremony.
- National initiation fees should be collected prior to initiation.

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■ Accounts Receivable Problems

If accounts receivable becomes a problem, the following steps should be taken.

- Social and other benefits should be denied to those who are delinquent in their payment of room and board and chapter dues.
- Accounts receivable should be aged 30, 60, and 90 days and posted conspicuously within the chapter house.
- Names of those with delinquent accounts should be read during chapter meetings.
- Chapter Council or the Standards Board should meet with each brother who is delinquent in payment of their account to discuss the situation.
- After a brother's account is 120 days past due, the chapter should consider suspending his membership until such time that his past due balance is paid in full.
- After a brother's account is 120 days past due, the chapter should seek collection through a collection agency or the courts.

COLLECTING THE MONEY UP FRONT

With this system, each brother is billed for the entire term at the beginning and is expected to pay the whole amount at the time of invoicing. There are several advantages to this method. First, it immediately identifies brothers who cannot pay and may become problems. Also, it simplifies the Treasurer's job and allows time for other responsibilities. Furthermore, it improves cash flow at the beginning of the term. This can be extremely beneficial due to the fact that many of the chapter's largest invoices will occur in the early months of each term. This policy is no different than the one utilized by many resident halls. Provisions can be made for those who must pay in installments after being encouraged to pay at least 50% up front. Also, brothers should be given an incentive to pay their entire bill at the beginning of the term. This can be accomplished through one of two methods. First, brothers paying early would receive a 5% discount, or second, brothers choosing to pay by installments can be charged an interest of 1-2% per month. Always take the time to determine the budgetary impact of a discount payment plan before presenting it to the chapter.

CONTRACTS

A contract gives the chapter a firm legal claim to any debt and serves as an explicit agreement between the member and the chapter, if a member is taken to court for failing to meet his financial obligations. The example contract in this manual will protect the interests of the chapter.

PARENTS

The brother's parents should be notified, after a bill has become overdue and the chapter has attempted to work with the brother with no results. The situation should be explained to them in writing and verbally. Ask for their assistance in clearing up the matter. Always let the brother know that you are going to contact his parents before contacting them.

INTEREST CHARGES

This offers a positive incentive to pay off the debt and helps the chapter recoup some of its losses accrued in lending the money. Care must be taken to comply with local state lending laws. Interest charges and accrual rates must be clearly explained by the lender to the lendee.

SUSPENSION OF PRIVILEGES

The chapter should consider the suspension of membership privileges if a brother refuses to pay his bill. Privileges may include the right to vote in meetings, participate in intramurals, attend social activities, eat meals and live in the chapter house. It is senseless to allow a brother to live and eat in the chapter house if they are not paying. It is better to remove them to lower the overhead costs incurred rather than allow them to remain. You invite others to not pay their bills and set a bad by allowing them to stay. This sets a dangerous precedent for other Brothers to follow.

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BUDGETING FOR BAD DEBTS

This is merely a pragmatic safety precaution and should be done in addition to other preventive measures. You should realistically evaluate, from past experience, the Chapter's yearly bad debt expense and budget for that amount. If the debts are not severe, the surplus can be put into a bad debt account and drawn upon in situations where the debt is larger than the budget. Doing this will allow the Chapter to function normally even with outstanding debt. This format should not and will not allow the chapter to passively permit debt to form. Normal debt prevention measures should be executed; however, the chapter should protect itself in circumstances where those measures are not completely successful.

TAXES

Alpha Sigma Phi Fraternity and its chapters are non-profit entities; therefore, if a chapter's annual income exceeds \$25,000 per year, a Form 990-EZ must be filed with the Internal Revenue Service. Each year, the Headquarters sends a bulletin to each Chapter Treasurer to remind him of this obligation. The Form 990-EZ must be filed by the fifteenth day of the fifth month after the close of a chapter's fiscal year. If an extension is necessary, Form 8868 needs to be submitted to the IRS by the original due date of the tax return for an automatic 3-month extension. Upon reaching the due date of the extended tax return, and you are not still ready to file, you may request a second extension of time. However, the completion of this document does not guarantee an extension. Therefore, you should attempt to complete the Form 990-EZ prior to the deadline of the first extension in case the second extension is not granted. Late penalties compounded daily may be assessed for late submission of the Form 990-EZ! Please forward a completed copy of your Form 990-EZ to the National Headquarters. If you have less than \$25,000 in gross receipts during your fiscal year, you will need to file Form 990-N (e-postcard). The due date of the e-postcard is the same as that of Form 990-EZ (the 15th day of the 5 month following the end of your fiscal year). To file the e-postcard online, go to <http://epostcard.form990.org>.

If your chapter employs people, you need to the following documents on file for each employee:

- Form W-4: A W-4 form, completed by a new employee, indicates the deduction status of the employee, the employee's address and social security number. Copies of this form can be found at <http://www.irs.gov/pub/irs-pdf/fw3.pdf>. Similarly, a state form must be completed as well. To obtain information regarding your specific state's form, go to your state's department of revenue website.
- Form W-2: A W-2 form, consisting of six copies, summarizes the employee's earnings and taxes for the calendar year. By January 31 of the next calendar year, mail copy A along with Form W-3 should be mailed to the IRS, and Copy 1 (along with Form WH-3) should be mailed to the state, city or local tax department. The employee should be given copies B, C, and 2 on or before January 31, or upon termination. Copy D should be retained for the chapter's records. For more information or to order these forms or for additional assistance contact the Internal Revenue Service at (800) 424-1040. Your chapter can also access the forms online at www.irs.gov.
- Form I-9 - Employment Eligibility Verification: This is a form issued by the Dept. of Homeland Security verify the new employee's eligibility as a citizen to be employed. It must be completed on the employee's first day of work. Go to <http://www.uscis.gov/files/form/i-9.pdf> for instructions and copies of this form.

If your chapter hires a person or company to do work on a contractual basis, or expects to pay at least \$600 in rent, services or materials, you will need to do the following:

- Have independent contractor fill out Form W-4. This form can be found at <http://www.irs.gov/pub/irs-pdf/fw4.pdf>.
- After calendar year has ended, you will need to issue Form 1099-MISC. Along with Form 1096, Copy A is due to the IRS by March 31st of the next calendar year. Copy 1 needs to be filed with your state/local tax department if you had state/local withholdings. Copy B needs to be given to the individual by January 31st of the following year. For more information regarding when Form 1099 is necessary and for copies of the form, please go to <http://www.irs.gov/pub/irs-pdf/f1099misc.pdf>

How to get a TAX-ID Number

For proper filing, it is important to identify your chapter by its Employer Identification Number ("EIN") or your Federal Tax Identification Number (TIN). Since you are a non-profit entity, you must obtain an EIN. It is easiest to apply online by going to the EIN Assistant webpage at <https://sa2.www4.irs.gov/modiein/individual/index.jsp>. If you would like to apply through the mail, go to <http://www.irs.gov/pub/irs-pdf/fss4.pdf> and download Form SS-4 and mail it to the IRS.

BASIC ACCOUNTING PROCEDURES

Organization is one of the keys to being a successful Chapter Treasurer. There are mounds of paper, invoices and financial books to monitor, and it is to your benefit to keep them current and well organized. The first step in being efficient is setting up proper record keeping. While each Treasurer has his own style, the following guidelines should be considered.

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LEDGER SHEETS

It is to your advantage to keep a ledger sheet. This can be accomplished by using a hard copy or by using any of the various spreadsheet programs. By doing this, an itemized listing can be kept for every transaction. This will also make the information readily accessible and understandable. A master ledger is essential as it a controlling element of the individual brother's ledgers. Records should be kept to record what each members was billed for and what money was collected from each member, but these separate records should all be kept track of collectively on the master ledger. Also, this concept may be incorporated into the cash receipts journal. A hard copy of the chapter's ledgers should be printed each month if you are balancing the chapter's books on computer. This will prevent the complete destruction of the chapter's financial records if the computer system ever crashes. Furthermore, for your benefit, a checkbook, which is balanced and reconciled frequently, is necessary for financial efficiency. This system may be included with the cash disbursement's journal; however, it is important to note that you can never have too many checks and balances.

CLOSED INVOICE FILE

As a part of your complete financial system, a closed invoice file is recommended. Once invoices are paid, they should be placed in a file for future reference. You may want to keep a file for each vendor (Alpha Sigma Phi, Joe's Hardware, etc.) or simply file the invoices in chronological order. Each invoice should have the check number of the check issued and the date paid written on it. Remember, never issue a check for payment unless you have a receipt, invoice, or some other form of documentation to serve as a back-up.

BANK ACCOUNTS

It is advisable for each chapter to have the following bank accounts: checking, kitchen account, and a general savings account. Why a savings account?

A savings account is extremely beneficial because it allows you to earmark money for specific purposes. For example, if a brother pays his full balance at the beginning of the year, a portion of that income should be placed in a savings account and later drawn so it can help pay the chapter's insurance invoice. If it is kept in the general checking account, it may be spent on something else. Another benefit of this is that the chapter can gain some interest on the money it has placed in savings.

WHAT THE EXPERTS SAY

In an ideal world, all members would pay in full and on time. Unfortunately, we do not live in such a world. Therefore, it is important for you to have policies and procedures in place to compensate. If you are unsure of your chapter's policies and procedures call your alumni board treasurer or review the chapter's bylaws.

Many people believe it is un-fraternal or un-brotherly to remove a non-paying member. Actually, it is un-fraternal for him not to pay. Why?

- Members paying on time must see the benefit in doing so. If non-paying members can participate in all activities, why should other members pay?
- The chapter must operate on a cash basis. No factor has as much effect on a chapter's financial stability as the collection of members' accounts. The chapter must have cash in the bank in order to meet its expenses.
- Even a small minority of members that owes money encourages nonpayment by the rest of the chapter. This can quickly become a large problem.

There are many methods to ensure prompt dues collection. Some of the most frequently used are:

- Make bills due and payable on the first day of each term. Ideas to help collect money on time: fine (10%) on the 10th day if late, a letter to parents on the 20th day with a copy of the delinquent bill, suspension on the 30th day, and expulsion after 60 days.
- If a member becomes delinquent, send a letter to his parents. Include a copy of the bill and have the alumni board treasurer sign the letter. Outline the chapter's problem in the collection of this amount in a personal and diplomatic manner. During chapter meetings, ask each non-paying member to stand up and explain how much he owes, why, and when he plans to pay it. Explain which upcoming events will have to be canceled should these members not pay. If they do not pay, cancel the events. You should not have to do this more than once.
- Require each member delinquent 30 days or more to attend the Standards Board.
- Use membership agreements to outline the obligations of membership, and leases if the chapter has a facility. Contact your alumni board or Headquarters for additional information.