



Delta Sigma Pi

CHAPTER OPERATIONS MANUAL: Financial Management

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Financial Management

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TABLE OF CONTENTS

Introduction.....	2
Financial Management Checklist.....	3
Internal Control Guidelines.....	4
Bank Accounts.....	5
Checking Account.....	5
Savings Account.....	5
General Guidelines for Cash Accounts.....	5
Accounting System.....	6
Reimbursements/Receipts.....	7
Reimbursements and payment of invoices.....	7
Cash Receipts.....	7
Budgets.....	9
Financial Reporting and Records.....	11
Reporting.....	11
Records.....	12
Audits: Internal, External and IRS.....	14
Internal Audits.....	14
External Audits/Reviews.....	14
General Guidelines for External Audits.....	14
Internal Revenue Service Audits.....	15
Overview of Tax Status.....	166
State and Local Taxes.....	16
Federal Employer Identification Number.....	17
Federal Income Tax Return Requirements.....	17
Non-Deductibility Disclosure Requirements.....	18
General Financial Information.....	19
Dues.....	19
Initiation Expenses.....	19
Merchandise, Manuals and Forms.....	19
Insurance.....	20
Breakeven Point for New Initiates.....	20
Fund Raising Guidelines.....	20
Exhibit A: Check Request Form.....	21

INTRODUCTION

Every successful business has good practices and procedures for financial management. This includes an accounting system and a structured budget process. Your chapter should do its best to get the most out of every dollar it earns and spends. This guide will help your chapter manage its finances, prepare useful budgets, and establish policies and procedures to optimize its financial resources.

The following checklist can help you and your chapter identify areas to improve chapter operations. Count how many times you can answer "YES" to the statements listed on the next page. Any areas where you answer "NO" are areas where improvements are possible in your chapter.

FINANCIAL MANAGEMENT CHECKLIST

- | Yes | No | |
|-----|-----|--|
| ___ | ___ | 1. My chapter uses a computerized accounting system. |
| ___ | ___ | 2. My chapter utilizes a checkbook which requires the signatures of the President and a second officer other than Vice President - Finance. Additionally, the face of the check has two separate signature lines. |
| ___ | ___ | 3. My chapter has a savings account. |
| ___ | ___ | 4. Each officer and committee chairperson prepares a budget for their office each term. |
| ___ | ___ | 5. Each officer and committee chairperson keeps track of their actual expenses throughout the term for future reference. |
| ___ | ___ | 6. The chapter members approve the chapter budget at the end of the previous term. This budget is reviewed initially by the Executive Committee before being submitted to the chapter. |
| ___ | ___ | 7. Each member receives a copy of the approved chapter budget each term. |
| ___ | ___ | 8. My chapter enforces a policy of reimbursing members only if they have the original receipt. |
| ___ | ___ | 9. My chapter distributes written receipts for all money received from chapter members. |
| ___ | ___ | 10. At each chapter meeting, our Vice President - Finance reports the balance of the checkbook, any additional accounts, and all receivables and payables. They also review the immediate cash flow position of the chapter. |
| ___ | ___ | 11. Each term, our Vice President - Finance presents an analysis of the percentage of money spent on each area of chapter programming. For example, 15% of chapter expenses went toward recruiting, 80% for professional programming, and 5% on social activities. |
| ___ | ___ | 12. My chapter files a Form 990, "Return of Organizations Exempt from Income Tax," by November 15 th each year to the Internal Revenue Service. |
| ___ | ___ | 13. My chapter has an external audit performed each year. |
| ___ | ___ | 14. My chapter has an internal audit performed each year. |
| ___ | ___ | 15. My chapter submits copies of our internal audits, external audits, and tax forms to our Chapter Advisor. |
| ___ | ___ | 16. My chapter maintains each year's financial records for at least seven years. |
| ___ | ___ | 17. My chapter has one successful fund raising project which is repeated each year. |

INTERNAL CONTROL GUIDELINES

If your chapter follows these guidelines, it will minimize the risk of financial fraud.

- Separate the financial responsibilities. Do not let the same person handle cash receipts and also make bank deposits. Have other members reconcile the bank accounts that do not sign the checks or make deposits.
- Require two signatures on each check, the President and another elected Chapter Officer that is not the Vice President-Finance. (By Policy, the Vice President-Finance may not sign chapter checks.) Make sure your bank is aware of this requirement. The bank will refuse to cash a check if it only has one signature.
- Consider using a check writing software such as Quick Books or Money. Only those authorized should have access to the software.
- Checks should only be signed when an approved invoice accompanies it. The signers should compare the payee name and amount to the invoice. Signers should also make sure the invoice is appropriately authorized.
- The invoice should be marked "Paid" with the date and number of the check written on the invoice. This will help prevent duplicate payments.
- Use only pre-numbered checks and store unused checks in a secure place where only authorized members have access.
- Keep all cancelled checks including voided checks to account for each pre-numbered check.
- Have the bank statement sent to an officer that does not have any control over the account or money (if possible). The officer should review the statement for any unusual activity.
- Prepare monthly bank reconciliations shortly after the bank statement arrives. The reconciliation should be completed by someone that does not write or sign the checks or deposit money.

BANK ACCOUNTS

Each chapter should have at least a checking account to pay its bills. A savings account is a good idea to accumulate cash for special events such as Grand Chapter Congress. Some colleges and universities require school organizations to operate all bank accounts through the school. Be sure to follow fraternal and your school's requirements.

Checking Account

- Select a bank and account that does not have a minimum balance.
- Select an account that does not charge for transactions such as writing checks and cash transfers between bank accounts.
- Get an interest bearing account if it does not charge fees. Some interest bearing accounts charge fees that may be more the interest earned.
- Require two signatures for checks, President and another elected officer that is not Vice President-Finance.

Savings Account

- Select a bank account that meets the above criteria.
- Require the two signatures for withdrawals, President and another elected officer that is not Vice President-Finance.
- For large cash balances, consider investing in a money market (MM) account or certificates of deposit (CD) to earn more interest. Make sure the chapter's cash needs can be met if there are penalties for withdrawals before the established maturity date. For example, do not buy a six month CD if you will need some of the money in four months.
- Some MM accounts charge fees if the balance is below a minimum amount. Compare the fees to the interest that will be earned to determine if it is beneficial open this type of account.

General Guidelines for Cash Accounts

- Do not commingle funds with other organizations or members' cash.
- Follow school and fraternal policies.
- A reconciliation of each account should be performed monthly by someone that does not have access to the cash or accounts.
- Do not allow cash withdrawals from the accounts. The only withdrawals should be through checks and transfers to other chapter accounts.
- Update the signature cards at the bank when new officers are elected. Banks normally require the latest authorized signers to authorize new and/or replacement signers on your account(s). Some banks may require a copy of your election minutes.
- Certificate of deposit interest rates are sometimes negotiable. Explain you are a not-for-profit organization and ask for higher rate.
- Bank fees can sometimes be waived if you ask the branch manager.
- Minimum balances are sometimes waived for fraternities
- Many banks have a certain style of check that can be ordered for free provided you have a minimum balance.

ACCOUNTING SYSTEM

It is recommended the chapter maintain its financial records on accounting software. Computerized accounting systems will greatly enhance the ability to easily keep track of all expenses paid by the chapter and cash receipts for specific projects. It will also enable the Vice President - Finance to produce customized reports to present to the chapter at each meeting.

Software such as Quick Books and Money can be purchased inexpensively by the chapter. If the chapter purchases any software, be sure the copyright laws are not violated by allowing copies to be made by members.

REIMBURSEMENTS/RECEIPTS

Every business has policies for reimbursement of expenses, payment of invoices and cash receipts. Your chapter should operate with the following guidelines to help ensure chapter funds are used for chapter expenses. You may choose to include purchase procedures and reimbursement policies in your chapter's policy and procedure guide, or prepare the procedures so each chapter member is aware of chapter practices.

Reimbursements and payment of invoices

- Always require original invoices and receipts. Copies can easily be changed without being detected.
- Use a check requisition form prior to any cash expenditure. See Exhibit A for a sample form.
- All invoices must be approved for payment by the responsible chairperson.
- Reimbursement of expenses to a chairperson must be approved by the President. No member may approve his/her own reimbursement.
- Check requisition forms must be submitted to the Vice President - Finance at the next chapter meeting after the expense was incurred. Prompt submission and payment will allow the chapter to better evaluate its cash flow.
- The Vice President - Finance is responsible for making sure appropriate documentation and approval is attached to each check requisition.
- The Vice President - Finance is also responsible for comparing the expenses to the budget submitted for that event. By signing the check requisition form, the Vice President - Finance is providing the final approval for payment.
- Any unbudgeted expenses must be presented to the chapter for approval. If an unbudgeted expense is anticipated, it is best to get the chapter's approval before the expense is incurred.
- If a chairperson exceeds his/her budget by a stated amount or percent without prior approval, full reimbursement may be denied. Suggest they sponsor a fund raising activity to cover the overrun.
- Avoid paying cash for expenses out of any cash proceeds. Writing checks for all expenses will provide better documentation for future reference.
- If your chapter pays mileage to attend meetings or events outside of the chapter, establish at the beginning of the year the criteria for reimbursement and the amount per mile to be reimbursed.
- A positive cash balance must be maintained at all times and should allow for incidental expenses. The Vice President - Finance is responsible for maintaining the positive cash balance.
- As a way to manage your expenses, offer a reward to members for cost saving actions and/or ideas.

Cash Receipts

- The chapter shall enforce a policy which requires a written receipt to be given to all those members and non-members who submit money to the chapter.
- Pre-numbered receipts shall be utilized. Receipt books can be purchased from the Central Office or at an office supply store.

- All receipt copies must be maintained in the chapter records.
- The chairperson responsible for collecting money must give the money to the Vice President - Finance as soon as possible after the event. If cash is being collected over several days, daily receipts must be given to the Vice President - Finance at the end of the day.
- The Vice President - Finance must deposit the money in the chapter's bank account the day it is received. Money should never be stored in the chapter office or accumulated by any member.
- The Vice President - Finance must keep a copy of the deposit ticket and indicate where the money came from for future reference.

BUDGETS

Budgets are useful tools that help an organization manage its cash flow. To benefit the most from a budget, it needs to be prepared using the most current information available at the time. This includes predictions of future activities and events as well as historical information. Although the past does not predict the future, historical data is very helpful in preparing a budget when it is considered with current information. Revenues should be budgeted just like expenses.

A well-prepared budget will increase the probability your chapter will be financially stable and successful. It also provides an overview on whether your chapter can afford to carry out your activities as planned. Additionally, it will identify whether your expenditures are consistent with your chapter goals.

Chapters are to report a comprehensive budget, using online CEI, for July 1-December 30 period by June 30 and for the period January 1-June 30 by January 15. This data will reside in the chapter document well for easy access and reference.

Corporate budgets are better prepared if individual departments complete separate budgets and then consolidate all of the budgets into one. Chapter budgets should work the same way. Each officer and/or chairperson should prepare a budget for their activities. This will provide more detail.

Steps in preparing a budget:

- Each officer/chairperson should prepare a list of events and activities it has planned for the term. Brainstorming with all officers and chairpersons for ideas will help with understanding what the chapter wants to do during the term.
- Review historical data for similar events and activities and adjust for any differences and current information.
- Estimate the number of people that will be in attendance to help approximate the total expense or revenue.
- Become familiar with current costs. For example, if you are planning a banquet, call a few reception halls or restaurants to get an idea how much each meal will cost. Also, actual costs should be obtained from the Central Office for initiation expenses, badges, and pledge and recruiting materials. Some prices change significantly in six to twelve months so they should always be reviewed when preparing a budget.
- List the detailed revenues and expenses for each activity. Each item on the budget should be realistic. Do not allow for inflated expenses or lower income.
- Combine the activity revenues and expenses to have one budget for each officer and chairperson.
- If an event is expected to be a fund raiser, revenues should exceed the expenses. If it is expected to be a break-even event, revenues and expenses should almost be equal.
- Submit the budgets to the Vice President - Finance by the due date set by the Vice President - Finance. Individual budgets should be submitted in time to allow for review by the Executive Committee, compilation by the Vice President-Finance, approval by the chapter, and submission by the CEI submission deadline.
- The Vice President - Finance should review each budget and clarify any vague information.

- The Vice President - Finance will consolidate all of the budgets reviewed by the Executive Committee and to be approved by the chapter.
- The Vice President - Finance will submit all of the individual budgets and the consolidated chapter budget to the Executive Committee for review and revision. Each person that prepared a budget should be present at this meeting to answer any questions about the budgets.
- The Vice President-Finance should also prepare a cash flow statement so incoming revenues and outgoing expenses can be tracked and anticipated for best budgeting practices.
- The consolidated budget should reflect the goals of the chapter. For example, if the chapter expects to save money for Grand Chapter Congress, the budget should reflect the amount to be saved. Generally, a budget should be balanced; i.e. revenues equal expenses. If the expenses are more than the revenues, the individual budgets should be revised to reduce the total expenses.
- Questions should be answered and the budgets revised as directed by the Executive Committee.
- Revised budgets including the consolidated budget should be submitted to the Executive Committee for final review.
- After the Executive Committee accepts all of the budgets, the Vice President - Finance will present all of the budgets to the chapter for final approval no later than the second to last chapter meeting of each term.
- The chapter shall vote to approve the budget. If the budget is not approved, it should be changed to reflect the desires of the chapter.
- The Vice President - Finance should submit the online Budget and Financial Statements by January 15 and June 30 to the Central Office.
- Details of the individual budgets should be maintained to help with budget variances.
- Each chapter member should be given a copy of the approved budget or it should be posted so each member can have access to it by the last chapter meeting of each term.
- Approved budgets should not be changed. The deviations from the approved budget should be explained.
- Any additional significant expenses not in the budget must be presented to the chapter and approved *before* a member is authorized to incur the expense.

Review of budget and variance reports:

- Each member that prepared a budget is responsible for staying within those guidelines of the approved budget.
- Each member that prepared a budget must keep original receipts and details for each event/expense.
- After each event, the officer/chairperson should prepare a comparison report. Actual revenues and expenses should be compared to the budget numbers. Any significant variances, positive or negative, should be explained on the report. The more details that are maintained and documented, the easier the budget process will be next term.
- The variance report including original receipts should be given to the Vice President - Finance and presented to the chapter at the next chapter meeting.
- The Vice President - Finance should consolidate all of the variance reports and compare it to the approved budget and present the results to the chapter.
- The Vice President - Finance should file the reports and receipts so they can be used for the next budget.

FINANCIAL REPORTING AND RECORDS

Reporting

It is important that each member is informed of the chapter's financial information. At each chapter meeting, the Vice President - Finance shall report the following to the membership:

- Checkbook balance, including all outstanding deposits and checks.
- Additional account balances including savings, investment, scholarship and university accounts.
- Receivables and payables including the balance and nature of any outstanding accounts receivable and payable. Additionally, the names and balances of any members who have outstanding financial obligations to the chapter.
- Summarized income statement.
- Actual results versus the approved budget including explanations for variances, both positive and negative.
- Status of financial goals, if applicable. For example, if the chapter has a goal of raising \$500 to be used towards Grand Chapter Congress, the current position shall be reported to the chapter.
- Any immediate financial issues.

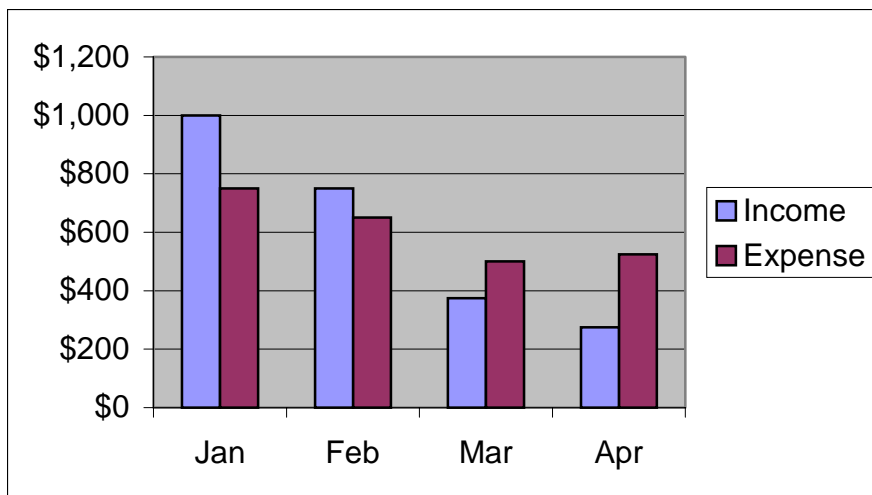
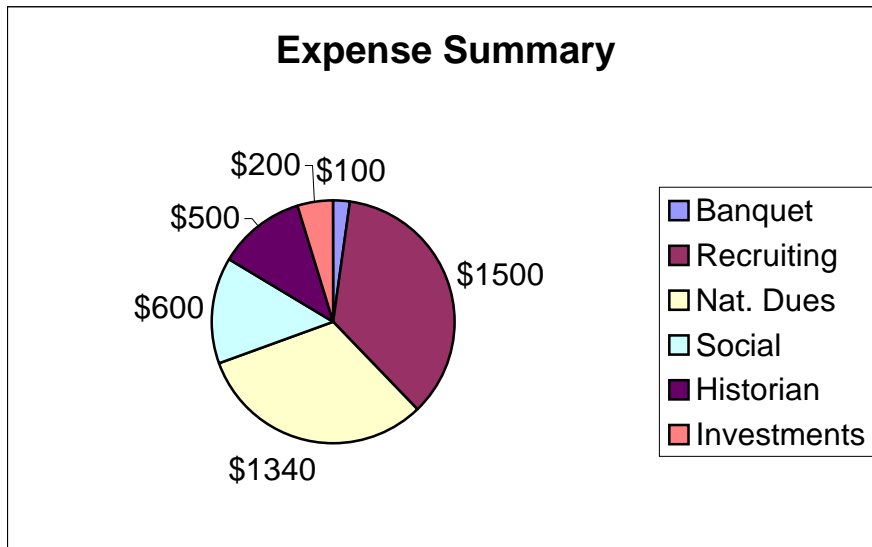
The Vice President - Finance should present additional information to the chapter once or twice during each term. The following information shall be presented during a chapter meeting:

- Income/Expense analysis by percentage and total dollar amount. For example, prepare two pie charts, one for income and one for expenses.
- Functional Programming analysis of how much money was budgeted for and spent on the major functional areas of chapter programming by percentage and total dollar amount. Major functional areas may include: recruiting, membership education, professional, social, athletic, scholarship, community service, fund raising, communications, alumni, faculty, publicity, chapter management, and historical records.
- Dues breakdown analysis of what each dollar of a member's dues is used for, by percentage and total dollar amount. For example, of the \$70 each member pays for dues each semester with \$37.50 for national dues, \$6 for recruiting, \$3 for regalia, \$10 for insurance, \$5 for professional events, \$3 for social activities, \$3.50 for publicity, and \$2 for postage.
- Results of any internal or external audits.
- Year-End financial results.

Visual charts are more appealing and easier to understand when presenting financial data. The charts present a quick overview and will help prepare members for the corporate environment where charts are commonplace. Charts can be prepared in most accounting software, spreadsheets and word processors. See the following examples.

The Vice President-Finance must submit via online CEI the actual expenses of the chapter for July 1-December 30 by January 15 and for January 1-June 30 by June 30 each year.

Additionally by these dates, income statements must also be submitted via online CEI. All this data will reside in the document well for reference.



Records

Financial records must be kept by the chapter. Historical records are helpful if referred to when preparing budgets. Records are also required to be maintained for seven years in case of an audit by the Internal Revenue Service.

Records should be kept in a filing cabinet in the chapter office if available. The data for each year should include the following:

- Accounting ledgers and journals
- Financial statements
- Approved budgets, committee and chapter, including variance reports
- Expense receipts and invoices
- Receipt books

- Check requisition forms with approvals
- Cancelled and voided checks
- Tax forms
- Audits and reviews
- Monthly bank statements with reconciliations
- Vice President - Finance's financial reports presented at each meeting

AUDITS: INTERNAL, EXTERNAL AND IRS

Internal Audits

Just as companies conduct annual external audits, many also perform their own internal audits. Internal audits are usually performed mid-way through the fiscal year and offer the organization an opportunity to detect their own financial control weaknesses. Since Delta Sigma Pi has a goal of teaching sound accounting principles to its members, conducting an internal audit of chapter financial records is an excellent opportunity for chapters to apply these classroom skills. Most chapters have several accounting or finance majors who have taken at least one auditing course. The President should appoint a chairperson to form an audit committee to review financial records and submit a written report with recommendations to the chapter. The chapter can even ask an accounting instructor or faculty member to assist the chapter in this process.

Internal audits should test all established controls to ensure they are working properly. For example, all written checks should have proper documentation and authorization, "Paid" stamped or written on the invoice and the check number written on the invoice or receipt. A sample can be selected if there was a lot of activity for the period under review.

After the internal audit is completed, a report should be prepared that summarizes the testing performed and the results. Recommendations should be identified and implemented to improve the controls or procedures. This report should be shared with the chapter during a business meeting. Additionally, copies should be given to the chapter's District Director and Chapter Advisor.

External Audits/Reviews

An annual audit/review of an organization's financial records give validity to the numbers representing the organization's financial status. Again, as a professional business fraternity with the goal of teaching sound business principles to our members, it is important that we too plan for audits, both external and internal. External audits are typically conducted at the end of each fiscal year.

Annual external audits or reviews should be conducted by a local CPA, faculty accounting instructor or an alumni CPA. Since most chapters' records are not complex, chapters are usually able to find one of these persons to volunteer his/her services. It is important to properly extend your appreciation of his/her services with a thank you letter and possibly a certificate of appreciation or dinner gift certificate.

The person reviewing the chapter books does not necessarily issue an "opinion." The terms audit and review are used interchangeably here. The purpose of the audit is to experience the review process. The recommendations of the auditor will not be used outside of the chapter.

General Guidelines for External Audits

If the chapter follows these guidelines, the audit will go smoothly and will not be a burden on the chapter nor the auditor.

- The Executive Committee should identify an accounting instructor or CPA who is willing to perform the audit.
- The Vice President - Finance should contact the auditor approximately two months prior to the audit. This will allow the chapter and the auditor ample time to compile information and arrange schedules. Starting early is especially important if the Vice President - Finance is leaving town for the summer.
- The Vice President - Finance should make sure the books are closed prior the start of the audit. All material transactions should be recorded. Minor cash transactions can be recorded in the following year to prevent delaying the audit.
- Collect all financial information and records for the audit year. Good organization skills throughout the year will make this task much easier.
- All suggestions for improvement shall be documented and reported to the membership at the next chapter meeting.
- Copies of the audit should be given to the chapter's District Director and Chapter Advisor.

Internal Revenue Service Audits

Although an audit of a chapter by the IRS is not common, audits do occur. Contact about an IRS audit generally comes by telephone and always has written follow-up. The agent assigned to the audit will provide available dates for the audit. However, there is flexibility in scheduling, within reason.

The IRS will specify the documents needed for the audit in the confirmation follow-up letter. In general, the returns filed for the years under examination and the related minutes and financial records are requested.

Dependent upon the financial size of the chapter and/or scope of the examination, the audit will take place either at the local IRS office and will probably be brief, or the agent will conduct the audit at the chapter campus.

During the actual audit, the agent should have one contact person from the chapter. The contact should be familiar with the records under audit and should be available before, during and after the audit.

Financial records must be maintained for seven years. Financial records subject to audit include the accounting system, checkbooks, bank statements with reconciliation and the meeting minutes. If an entity has not filed with the IRS, an IRS audit may go back into financial records indefinitely. The IRS also has the right to assess back taxes and penalties for a three-year period.

IRS audits occur for several reasons, including the non-filing of Forms 990 or 990-T. When contacted by the IRS about an audit, contact the Director of Finance and Administration at the Central Office. In complex tax situations, the chapter will also want to involve a tax accountant in the process.

Overview of Tax Status

The International Fraternity of Delta Sigma Pi, Inc. operates under the IRS tax-exempt classification defined in Section 501(c)(7) of the Internal Revenue Code. This classification is commonly known as the “social club” category. The Fraternity has maintained a “group exemption” with the IRS for a number of years so that each of our chapters (“subordinate units” in IRS terminology) need not go through the rigorous and time-consuming task of filing with the IRS for exemption from federal income taxes. To remain a part of the group exemption, each chapter must meet IRS requirements that vary dependent upon the financial situation at each chapter. These requirements will be covered elsewhere in this document.

The term “tax-exempt” may be misleading to some people. While the fraternity and its subordinate units (chapters) have been granted an exemption from federal income taxes, the fraternity or one of its subordinate units can be taxed for “unrelated business income” (UBI) or it can lose its exemption entirely. The term UBI refers to income received from non-members, investments, and business activities not directly related to the exempt purposes of the organization. When UBI exceeds specified percentages of total revenues, taxes are due and, in the case of excessive UBI, the exemption may be totally denied and the organization can be placed on a totally taxable basis like any other corporation.

The most common area of concern for chapters in the area of UBI is in fund raising. Large fund raising projects such as spring break trips generate significant amounts of UBI and related taxes. At least one of our chapters was removed by the IRS from our group exemption for excess UBI and now pays taxes at corporate rates.

Since the IRS bases its UBI formulas on gross revenue, rather than profits, each significant activity that may produce UBI should be reviewed in light of the overall financial and tax position of the chapter. Whether the activity produces a profit or a loss is immaterial in evaluating UBI and the exemption status of an organization.

The exemption from federal income taxes provided to Delta Sigma Pi does not provide an exemption from all types of taxes. Employee related taxes such as federal withholding, FICA and federal unemployment must be paid. Though Delta Sigma Pi chapters do not have employees, if they should, chapters with employees are required to meet all federal, state, and local employment laws and regulations and reporting requirements.

State and Local Taxes

In regard to state and local taxes, the exemption provided by the IRS to the Fraternity and its chapters is totally unrelated to these taxes. There are as many different regulations in this area as there are states. In many states, a non-profit organization like the Fraternity is exempt from sales taxes only on items purchased for resale purposes. Items used in the operation of the organization are subject to sales taxes. Consult with your state and local officials for their specific requirements.

Federal Employer Identification Number

Each chapter, both collegiate and alumni, is responsible for obtaining its own federal employer identification number (EIN). The EIN is effectively a social security number for businesses regardless of whether or not it has employees. The EIN is also required by banks to open an account.

If a chapter is not sure of its EIN, the Vice President - Finance should contact the Bookkeeper at the Central Office where a master list is maintained. **A chapter should not apply for a new EIN without first contacting the Central Office.** Over the years, several chapters have applied for a new EIN while one already existed. This caused much confusion among the chapters and the IRS.

If your chapter has verified with the Central Office that the chapter does not have an EIN, please contact the IRS for a Form SS-4 (or downloaded from the IRS web site). This form allows the chapter to apply for an EIN. Once obtaining the EIN, report it to the Central Office to be added to the master list for future reference.

A chapter may not, under any circumstances, use the EIN of the International Fraternity of Delta Sigma Pi, Inc. Use of the Fraternity's EIN has resulted in misdirected mail on employment tax matters and penalties and fines being levied by the IRS.

Federal Income Tax Return Requirements

The income tax return requirements for chapters of Delta Sigma Pi vary dependent upon the financial status of each chapter. The IRS provides a monetary test to determine whether or not a return must be filed and also on which form. It is essential that each chapter Vice President - Finance perform this test on the financial records of the chapter after the close of each fiscal year.

If the annual **gross** receipts of the chapter are more than \$25,000, there is a filing obligation. If gross receipts are less than \$100,000 **and** total assets are less than \$250,000, the Form 990EZ may be used. Form 990 may be used if this dual test is passed and Form 990 **must** be used if gross receipts **or** assets are above these limits.

Chapters with **gross** receipts of not more than \$25,000 do not need to file a tax return unless a Form 990 or a Form 990EZ package has been received from the IRS. If your chapter has received a tax package and gross receipts are less than \$25,000, complete the form and return it to the IRS.

If a chapter has UBI in excess of \$1,000, it may be necessary for Form 990-T to be filed. All chapters should obtain tax assistance from a CPA or other qualified tax accountant especially in cases where gross receipts exceed \$25,000 or UBI exceeds \$1,000.

Each chapter is responsible for maintaining accurate and well documented financial records. Chapters are subject to IRS audits and incomplete or inaccurate records can cause significant problems.

All chapters required to file income tax returns with the IRS of any type must do so by November 15 of each year. File the appropriate IRS forms even if your chapter has failed to do so in the past. As mentioned previously, the IRS may assess back taxes and fines for up to three years. The Central Office staff will include periodic reminders in *DSP News*. However, tax awareness and planning are year-round chapter responsibilities.

Non-Deductibility Disclosure Requirements

Another area of concern to chapters is the treatment of donations to the chapter. Entities under Section 501(c)(7) of the Internal Revenue Code may not offer tax deductibility to their donors. IRS regulations require entities to explicitly disclose this fact. It is very important that any and all solicitations, whether made to the general public or among the alumni of the chapter, clearly state that donations to the chapter are not tax deductible for federal income tax purposes. Additionally, this disclosure may not be buried in fine print – it must be easily readable. Failure to comply with this requirement can result in fines of \$1,000 per day to a maximum of \$10,000. Conversely, donations to the Delta Sigma Pi **Leadership Foundation**, rather than the Fraternity or its chapters, **are tax deductible**.

<p>Donations to the International Fraternity of Delta Sigma Pi or to any of its chapters are NOT tax-deductible. Donations to the Delta Sigma Pi Leadership Foundation are tax-deductible.</p>

GENERAL FINANCIAL INFORMATION

Dues

Your chapter should have set its dues when the budget was prepared in the last term. The dues should be in excess of the national dues to allow for funds to be used for chapter events. Policies should be established for the collection of dues. For example, you may want to give discounts if dues are paid early. Specific dates need to be determined in the policies. Your chapter policies should make provisions for late payments and for extended payment plans.

Chapter policies should focus on the positive aspects of paying dues. For example, paying dues on time helps prevent the chapter from paying national dues out of other funds. On-time payment provides an immediate positive cash flow to cover recruiting and other early activities and allows brothers to be reimbursed promptly. Each brother should be informed at a chapter meeting of the allocation of each dollar of dues.

Late payment of dues automatically places a brother in bad standing unless a provision for a payment plan is allowed. A brother in bad standing does not have any voting rights. This status remains even if the brother graduates. Unpaid dues put a heavy and unfair strain on the chapter's fundraising efforts and budget. As a last resort, chapters may place brothers on trial for not paying their dues and/or refer them to a collection agency.

Within the first 30 days of the start of classes each term, each chapter submits national dues to the national Fraternity. A dues roster is mailed to the chapter Vice President - Finance at the start of each term. This listing is to be updated and accompanied by the dues payment then sent to the Central Office by the due date. Refer to correspondence from the Central Office for current dues amounts.

Initiation Expenses

- A regalia trunk must be reserved with the Central Office at least 45 calendar days prior to the initiation day for CEI credit, and to better ensure the selected date of your choice. Submit the online Regalia Order Form as early as possible, but no later than 45 days before your desired date of initiation. Your chapter is billed two times per year for the regalia trunk.
- Fraternal badges for all initiates must be ordered at least 30 days prior to the initiation for CEI credit. Full payment must be sent with the order (either by credit card or check), which may be placed via the online Marketplace, or by calling the Central Office.
- Initiation fees must be paid for each initiate within 7 days of the initiation date, for CEI credit, and no later than 21 days after initiation to avoid a per person late payment fee.

Merchandise, Manuals and Forms

Prices for Fraternity publications are listed on the online Marketplace. All Fraternity merchandise, manuals and forms should be ordered using the online Marketplace or a current order form. Contact the Central Office for assistance if needed.

Insurance

Each chapter has insurance coverage under its own policy issued by M.J. Insurance, Inc. Coverages provided automatically to all chapters include the following:

- General Liability – if someone sues you for injury to person or property
- Bond – if a member, employee or volunteer steals funds from Delta Sigma Pi
- Directors and Officers Liability – if someone sues you because of your Delta Sigma Pi business decisions
- Umbrella Liability – same as general liability but provides higher limits of coverage
- Depositor’s Forgery – if a non-member alters your checks and cashes them

Other coverages that are offered vary by location.

The annual chapter premium amount is calculated based on the number of members in each chapter. This amount is invoiced in February and is paid to the Central Office. Further insurance information can be found in each chapter’s “Summary of Insurance Coverages” booklet or by contacting the M.J. Insurance at 1-888-442-7470. The “Summary of Insurance Averages” is also available at www.dspnet.org in the Marketplace (Affinity Partner section).

Breakeven Point for New Initiates

Initiation fees for new collegiate brothers should be equal to or slightly higher than the costs associated with initiating a new brother. Any amount charged to pledges must be outlined in the chapter’s pledge education program. Typical expenses for an initiate include: initiation fees, Fraternity badge, Pledge Manual, photocopy costs.

The total of these expenses should at least be equal to the initiation fee charged to the pledge. If the initiation fee does not equal these expenses, then the chapter is subsidizing some of the initiates’ expenses.

Pledge pins are chapter property and a chapter expense. Pledges may only be charged for a pledge pin if it is lost, stolen or damaged.

Fund Raising Guidelines

Before a fund raising project is selected, some basic questions must be answered. Answering these questions will help the chapter select the “right” project.

1. How much money does the chapter need or want to make?
Hint: look at the budgets and cash flow statement, special projects and chapter goals.
2. How much money will we need to invest? Does the chapter have the money?
3. How will the event be publicized and how much will be needed for marketing and publicity for the event to be successful?
4. Realistically, how many people and hours are needed? Can we get our members to commit the necessary amount of time?
5. Who are we targeting?
 - o Alumni

- Fellow students
 - Businesses
 - Parents
 - Community
 - University or college
6. What incentives are we providing our members to participate in the project?
 7. Do the members agree with how the proceeds will be spent?
 8. What marketing /sales plan have been developed?
 - To the chapter to participate?
 - To the target market?
 9. How much additional risk (money, time, energy, etc.) can the chapter afford?
 10. Has the breakeven point been calculated for this project?
 11. Is this a project that could be held each term or each year to spread the startup efforts?

Following are some general tips on ensuring a successful fund raiser:

- Be realistic on the commitments needed
- Delegate specific tasks and deadlines to brothers to gain their commitment
- Seek large fundraising activities or residual income that may help prevent burnout of the membership from too many fundraising activities
- Use your surroundings and unique local events/attractions to your advantage (May require special agreements or contracts.)
- Avoid continuously targeting the same group of people
- What works for others may or may not work for your chapter
- Do not let your solicitations to alumni be your only correspondence with them
- Find something you can offer in return for company donations
- Raffles are more successful if prizes are of decent value. Be sure to comply with school and state raffle laws. Avoid recycling money between members (chapter members purchasing most of the raffle tickets)
- Service fundraisers (car washes, ushers, event staff, etc.) require minimal chapter expenses but try to focus on events that earn your effort's worth

Exhibit A

Check Request Form

REQUEST FOR CHECK

DATE: _____

PAYABLE TO: _____

DATE NEEDED: _____ **AMOUNT:** _____

PURPOSE: _____

APPROVAL: _____ **ID#:** _____

ACCOUNT: _____ **DATE PAID:** _____ **CHECK #:** _____