National News Article

Unit Finances Linda Boone, National Finance Chairman

Unit members are responsible for the organization's survival, financial viability, and program success.....it's a fiduciary responsibility. "Fiduciary" responsibility is a trust held for the greater community by those organizations given nonprofit status.

Every Unit member has the right to know the details of the Unit and Department finances because you are an investor of the organization. Of course there are some privacy issues around employee manners and donor identification but those are minor compared to the total financial picture of the organization. Each member needs to become knowledgeable and involved and here we will provide some basics to assist you in your fiduciary responsibilities.

Budget

The first rule of developing a budget is that it must be linked to the overall goals for the Unit. It sets the priorities for use of the Unit's resources.

A budget is developed using a variety of data sources. Historical data from the previous fiscal years is a good tool to develop an initial set of numbers. Information on anticipated expenses should be incorporated into the budget. Income projections should be cautiously optimistic. The budget needs to be balanced, which means total income equals total expenses. You cannot spend more than you take in unless you have reserves to take from.

Budgets should also be developed not on just an annual total but on a month-by-month plan. This will help determine projected cash flow and help anticipate any shortfalls. It will also assist when you review monthly financial statements of the budget plan to the actual expenses. When there are significant disparities this might lead to budget revisions during the administrative year.

- Determine the Cost of Each Objective (for example):
 - Send 2 girls to Girls State
 - Send 2 students to Freedom Foundation
 - Contribute to NP Project
 - Contribute to Auxiliary Emergency Fund
 - Contribute to Dept. scholarship fund
 - Contribute to community service project
 - Etc.
- Determine Available Revenues
 - Membership dues
 - Member donations

- Fundraising events
- Corporate donations
- Savings/Reserves
- Compare Estimated Expenses to Estimated Revenues
 - Use historical data, local economic outlook, program costs, event costs, etc.
- Budgeting for Accuracy
 - Use assumptions based on research to keep the unknowns at a minimum.
 - Be cautiously optimistic about revenue.
 - Make sure budget is <u>balanced</u> between revenue and expenses.
 - When revenue is less than expenses costs must be cut or revenue increased.
 - When expenses are less than revenue, decision needs to be made where to place.

Reserves/Savings

How much should a Unit keep in reserve? Nonprofits are formed for the good of the community and are awarded nonprofit status to carry out their missions. Significant reserves can be questioned and how the organization is serving its mission when the funds collected are in savings. A good rule of thumb is to have 18-24 months operating reserves.

Donor Letter Requirement by IRS

Single contributions over \$250 require letter to donor. Example letter to donor: "Thank you for your donation of \$300 to the American Legion Auxiliary Unit 123, which we received on August 1, 2006. You received no goods or services in return for your donation."

Or: "... You received a dinner valued at \$25 as part of your donation."

State Nonprofit Organization Requirements

Most states require a permit to do fundraising such as Poppy distribution, raffles, etc. where you will approach the general public for contributions. See state attorney general, secretary of state, office of consumer protection or the agency specific to your state.

Internal Control of Unit Finances

Documented financial policy & procedures are highly recommended for each Unit. It should cover some of the following suggestions:

- Monthly financial report from Treasurer
- Annual audit and perhaps unscheduled one during the year.
- Receipts should be issued for all money received.
- Make certain cash receipts match deposits.
- Require receipts for all purchases over \$25.
- Two signatures on all checks.

- All bills paid should be paid by check.
- Blank check should never be pre-signed.

Someone independent of check processing should:

- Open & review bank statements
- Review monthly bank reconciliation
- Open & review credit card statements
- Review vendor list to ensure no unethical relationships.

Unit Responsibilities to Department

- Send membership dues in timely manner.... do not hold.
- Pay specific fees per Department Bylaws or DEC mandate.
- Review annual Department budget and reports of Department Treasurer and Finance Committee.

Income Diversification Ideas

Units should continually be exploring alternatives for income besides dues. Here are some ideas that you might want to pursue.

- Special Events
- Corporation Donations
 - In-Kind
 - Cash
 - Volunteers
- Members
 - Donations
 - Bequeaths

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If you need additional information contact your Department Treasurer or Department Finance Committee.