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# Financial

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## **Establishing a Procedure for the Handling of Funds**

On the whole, overseeing the financial responsibilities of an association is one of the most important responsibilities of the board. To significantly decrease the risk of funds being misplaced or mishandled, the board should maintain an active role in providing checks and balances.

## **Approving the Financial Institution**

The most important consideration in deciding on a financial institution for the association is that it be federally insured by the Federal Depository Insurance Company (FDIC), or its equivalent. To be federally insured means that accounts held at that particular financial institution are insured by a federally supported program up to \$100,000. To check if your association's bank is federally insured, a search may be conducted at [www.fdic.gov](http://www.fdic.gov).

Associations are not permitted to use in-house banking. All association accounts must be maintained at an insured bank or credit institution, in the name of the association.

## **Designating Board Members to Sign for Withdrawals**

In choosing who will sign for withdrawals, the board must take into consideration both bonding requirements, as well as convenience. To ensure bonding protection of association funds, signatories on an association account must be board members, at least 18 years of age, and not immediate family members. In addition, all withdrawals must have at least two signatures. Associations are encouraged to allow more than two board members to serve as signatories, however, as this allows for greater flexibility. If one individual is out of town, etc., money can still be withdrawn.

An association may face a situation in which a payment or withdrawal must be made in an expedient manner. For this reason, convenience should be a consideration when board members are chosen to act as a signatory.

Making financial decisions based exclusively on convenience, however, is not advisable. A board must not authorize, for example, checks to be pre-signed.

## **Ensuring All Money is Deposited Within Seven Days**

Being able to verify deposits begins with ensuring that the association manager is keeping meticulous records of money received by the association. If the association manager is not issuing a receipt for all money paid to the association (as required), verifying that all money has been deposited will be virtually impossible.

To verify all money has been deposited, a record of deposit must be compared to all receipts that have been issued. Furthermore, the deposit date should be compared to the date of each receipt to verify that deposits were made in a timely manner. Should the money and receipts not balance, the association manager should be able to provide documentation of the difference.



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### **Authorizing Expenditures**

When making decisions regarding money, board members are obligated to keep in mind the association purpose, as well as the best interest of the members.

Many expenditures that an association faces are routine – for example, if an association maintains an office, it may incur property taxes, utility bills, etc. The payment of routine bills such as these needs only be authorized once by the board. Despite this, board members should continually keep themselves informed of these costs, and question any discrepancies and/or something not accounted for or approved by the board.

For convenience, the board may choose to authorize all expenditures under “x” dollars, or grant a blanket authorization for specific expenditures. If these practices are used, however, the expectation remains that the board review all expenditures.

### **Ensuring the President Verifies the Association Accounts**

While the president verifies association accounts monthly, the board provides an extra financial check by ensuring this verification takes place. Asking the president to provide a summary report of his/her findings is one method of satisfying this duty.

### **Ensuring All Required Financial Reports are Filed**

The board has a responsibility to familiarize themselves with the specific Internal Revenue Service (IRS), payroll, state, and local forms/reports that are required of the association, and ensure that the association manager files all applicable documents in a timely manner.

Choosing not to verify all applicable forms/reports have been filed is a significant risk as a board member. If the IRS performs an audit on the association and determines money is due, each member of the board can be held legally responsible.

To familiarize yourself with the most common IRS and payroll forms that apply to 501(c)(3) organizations, reference ***Tax Requirements on the Association page of BOWL.com under Forms and Manuals, www.irs.gov and your state government Web Sites.*** The association must contact its respective state and local governments to determine which state/local forms are required of the association.

### **Financial Reporting**

#### **Providing Financial Information**

Ensuring accuracy of the association’s finances is the responsibility of the entire board, not only the association manager. A board member has a right to view association financial information, as well as request an update or report on the association’s current financial status. Furthermore, the board has an obligation to ensure that association finances are accurate and being used in such a way that reflects the goals and purposes of the association.

The association manager must be prepared to provide all financial information requested by the board. Information necessary for a monthly verification of accounts or the annual audit are two common examples of when members of the board may request financial information.



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In addition, the association manager provides a written financial report at every membership/delegate and board meeting. The report includes the association's starting balance, deposits, expenditures, and ending balance for the period since the last meeting. It also lists all assets, reserves, and liabilities, including salaries.

Providing full financial disclosure to the membership is a requirement in all USBC associations. Financial statements, **see examples at the end of this document**, are useful tools in satisfying this responsibility.

### **Financial Disclosure**

As tax exempt organizations, associations are subject to additional laws regarding reporting and public disclosure of financial information.

Tax exempt organizations must faithfully file the appropriate forms with the IRS annually, as well as make its previous three years of information returns (Form 990) available for public inspection. Requests for this information would most likely come from local government departments, the property owner of rented office space, or regional consumer protection agencies; however, potential donors or sponsors also may request to review these forms. The association is required to provide copies of these documents upon request. Per IRS guidelines, the tax exempt organization may charge a reasonable fee for a photocopy of the Form 990.

Associations are also required to make available for public inspection Form 990-T, the unrelated business income tax return.

IRS penalties for not complying with disclosure laws are severe. It is important that the association manager coordinate the information immediately when a request for a copy of Form 990 or 990-T is made, as penalties are accumulated per day, as long as a failure to comply continues. In addition, penalties are assessed based on each case of failing to provide a copy of Form 990 or 990-T.

The form(s) can also be posted on the association's Web site.

### **Financial Statements**

Financial statements are reports which summarize the financial status and results of operations of an association. At a minimum, an association should develop and maintain the following types of financial statements:

#### **Income Statement and Balance Statement**

An income statement is a report of the association's revenues minus its expenses for a given time period ending at a specified date (i.e. month and/or year-to-date). The simplest equation to describe income is:  $\text{Net Income} = \text{Revenue} - \text{Expenses}$ . A balance statement is a report of the association's total assets and liabilities. This reports the "health" of the association by describing to its members exactly what's in the accounts – what the association is worth. A sample income statement and balance statement are illustrated below.



Income Statement  
For the 12 months ended July 31, 20\_\_

|                          | <u>Current<br/>Year</u> | <u>Prior<br/>Year</u> |
|--------------------------|-------------------------|-----------------------|
| <b>Income</b>            |                         |                       |
| Dues                     | \$11,500                | \$12,000              |
| Interest                 | 500                     | 500                   |
| Scholarships             | 950                     | 1,000                 |
| Special Projects         | 6,000                   | 5,500                 |
| Total Income             | 18,950                  | 19,000                |
| <b>Expense</b>           |                         |                       |
| Salary                   | 1,800                   | 1,750                 |
| Payroll Taxes            | 225                     | 200                   |
| Dues                     | 5,850                   | 6,000                 |
| Conventions              | 195                     | 200                   |
| Utilities                | 275                     | 275                   |
| Insurance                | 205                     | 200                   |
| Scholarships             | 300                     | 275                   |
| Printing                 | 175                     | 200                   |
| Promotions/Goodwill      | 400                     | 400                   |
| Awards                   | 1,050                   | 1,000                 |
| <b>Total Expenses</b>    | <b><u>10,475</u></b>    | <b><u>10,500</u></b>  |
| <b>Net Profit (LOSS)</b> | <b><u>\$8,475</u></b>   | <b><u>\$8,500</u></b> |



**BALANCE STATEMENT**  
**As of July 31, XXXX**  
**(Summary of Assets and Liabilities)**

**ASSETS**

**Current Assets:**

|  |         |
|--|---------|
| Cash (Regular checking account)                                    | \$2,200 |
| Tournament Account   | \$6,500 |
| Savings (CD/money market)  | \$5,000 |
| Accounts Receivable (Money owed to assn.<br>but not collected yet) | \$250   |

|   |       |
|---|-------|
| Fixed Assets (Computers, furniture, etc.) | 1,725 |
|---|-------|

|                     |                 |
|---------------------|-----------------|
| <b>TOTAL ASSETS</b> | <b>\$15,675</b> |
|---------------------|-----------------|

**LIABILITIES**

**Current Liabilities:**

|   |         |
|---|---------|
| Accounts Payable (Money owed by the assn.<br>I.e. tournament lineage, trophies) | \$4,000 |
| Accrued Liabilities (Money owed by the assn.<br>I.e. monthly Web maintenance)   | \$300   |

|                                  |                |
|----------------------------------|----------------|
| <b>Total Current Liabilities</b> | <b>\$4,300</b> |
|----------------------------------|----------------|

**NET ASSETS (Total Assets minus Total Liabilities)**

|                          |                 |
|--------------------------|-----------------|
| <b>Total Assets</b>      | <b>\$15,675</b> |
| <b>Total Liabilities</b> | <b>4,300</b>    |

|                         |                 |
|-------------------------|-----------------|
| <b>TOTAL NET ASSETS</b> | <b>\$11,375</b> |
|-------------------------|-----------------|



### Statement of Cash Flow

A statement of cash flow summarizes sources and uses of cash and indicates whether enough cash is available to carry on routine operations. It also can help determine if the association has excess funds (reserves) to spend on new initiatives or maybe transfer to money market accounts and for how long. A sample statement of cash flow is illustrated below.

| <b>Cash Flow Forecast - XX/XX</b> |                |                |                |                |                |                |               |               |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|
| <b>Year - XX/XX</b>               |                |                |                |                |                |                |               |               |                |                |                |                |
|                                   | Aug.           | Sept.          | Oct.           | Nov.           | Dec.           | Jan.           | Feb.          | Mar.          | Apr.           | May            | Jun            | Jul            |
| Investments/Savings               |                |                |                |                |                |                |               |               |                |                |                |                |
| Checking                          | \$ 3,000       |                |                |                |                |                |               |               |                |                |                |                |
|                                   | <u>2,000</u>   |                |                |                |                |                |               |               |                |                |                |                |
| Cash Balance @ 7/31/XX            | <u>\$5,000</u> |                |                |                |                |                |               |               |                |                |                |                |
| <b>INCOME</b>                     |                |                |                |                |                |                |               |               |                |                |                |                |
| Dues                              | \$ 100         | \$ 100         | \$ 100         | \$ 200         | \$ 200         | \$ 500         | \$ 200        | \$ 200        | \$ 4,000       | \$5,000        | \$1,300        | \$ 100         |
| Investment Income                 | 25             | 25             | 25             | 35             | 35             | 50             | 35            | 35            | 35             | 100            | 65             | 35             |
| Scholarships                      |                |                |                |                |                |                |               |               |                |                |                |                |
| Special Projects                  | 200            | 200            | 200            | 200            | 200            | 200            | 200           | 200           | 200            | 200            | 200            | 2,000          |
| <b>Total Income</b>               | <b>125</b>     | <b>325</b>     | <b>125</b>     | <b>435</b>     | <b>235</b>     | <b>750</b>     | <b>235</b>    | <b>435</b>    | <b>5,535</b>   | <b>7,300</b>   | <b>1,365</b>   | <b>2,135</b>   |
| <b>EXPENSES</b>                   |                |                |                |                |                |                |               |               |                |                |                |                |
| Salaries                          | 400            |                |                | 400            |                |                | 400           |               |                | 550            |                |                |
| Payroll Taxes                     | 50             |                |                | 50             |                |                | 50            |               |                | 125            |                |                |
| Dues                              | 75             | 75             | 75             | 175            | 175            | 450            | 175           | 175           | 3,800          | 4,800          | 1,250          | 75             |
| Conventions/Meetings              |                |                | 650            |                |                |                |               |               |                | 150            |                |                |
| Utilities                         | 50             | 50             | 50             | 50             | 50             | 50             | 50            | 50            | 50             | 50             | 50             | 50             |
| Insurance                         |                |                |                |                |                |                |               |               |                |                | 300            | 100            |
| Scholarships                      |                | 250            |                | 150            |                | 150            |               | 150           |                | 150            |                |                |
| Printing                          | 50             | 50             | 50             | 50             | 50             | 50             | 50            | 150           | 150            | 150            | 50             | 50             |
| Promotions/Goodwill               | 50             |                |                | 50             | 50             | 50             | 50            |               |                |                |                |                |
| Awards                            |                |                | 500            | 500            | 400            | 400            | 400           | 425           |                |                |                |                |
| <b>Total Expenses</b>             | <b>675</b>     | <b>425</b>     | <b>1,325</b>   | <b>1,375</b>   | <b>625</b>     | <b>650</b>     | <b>1,175</b>  | <b>800</b>    | <b>4,000</b>   | <b>5,975</b>   | <b>1,650</b>   | <b>325</b>     |
| <b>End of Month Cash Balance</b>  | <b>\$4,450</b> | <b>\$4,350</b> | <b>\$3,150</b> | <b>\$2,210</b> | <b>\$1,820</b> | <b>\$1,920</b> | <b>\$ 980</b> | <b>\$ 615</b> | <b>\$2,150</b> | <b>\$3,475</b> | <b>\$3,190</b> | <b>\$5,000</b> |



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### **Day-to-Day Financial Operations**

As outlined in its duties, the association board is responsible for establishing procedures for handling funds. It is the association manager that predominately handles the day-to-day financial operations of the association based on the established procedures.

It is important to ensure that all financial activities and record keeping are kept current. In addition, meticulously recording all transactions is a necessity in allowing for thorough verifications and audits.

### **Receiving and Depositing Funds**

Upon receiving any payment, the association manager must issue a receipt to the payee. Documentation of the payment received is kept by the association manager, including the date, amount, and type (i.e., cash, check) of payment.

In depositing funds, the association manager keeps, at a minimum, a record of all items appearing on a deposit. Ideally, a copy of the deposit slip would be obtainable (many online banking services offer this feature).

With an itemized deposit record and documentation of all receipts, reconciliation can be conducted of the deposited amount. Additionally, by comparing the dates of receipts to the date of the deposit, it can be verified that all money is deposited within seven days of receipt.

### **Expenditures**

#### **Board Authorization**

Paying all bills/invoices is the responsibility of the association manager. However, before payment may be made, the association manager must receive an authorization from the board to do so. Requiring authorization ensures the board maintains financial restraints on money going out of the association.

To enable financial transactions to occur smoothly and on time, the association manager and board may develop an “authorization agreement.” For example, an agreement could grant a blanket authorization for specific expenditures within the allocated budget, if any, or expenditures up to a specified dollar amount. Even if an “authorization agreement” exists, a review of these expenditures should still occur. The president’s monthly verification of accounts may serve as a good opportunity for this.

#### **Communicating Changes in Expenditures**

The association manager will likely have the most knowledge in regard to the cost of any and all association expenditures. He/she should keep the board informed of these costs, as well as any expenditure which undergoes a significant change. This information may have an impact on decisions made by the board. For example, the board should be made aware of a significant increase in the cost of printing an association yearbook, as this information may lead to an adjustment in the upcoming budget, or discussion on choosing a different company to handle the yearbook printing in the future.