

Finance and Accounting

Budgeting

No section of a manual which covers finance and accounting is complete without at least touching on the key aspects of budgeting. Budgeting, after all, is a major ingredient in tracking a chapter's financial status.

1. Planning Comes Before Budgeting

A budget is nothing more — or less — than the financial reflection of the plan...and the plan must come first.

Specifically, the chapter's operating plan must specify "what" the chapter is going to do, "who" is going to do it, "how" the activities will be handled, "when" — over what time frame — specific activities are going to occur, and with what financial results. These monthly financial "goals", covering both income and expense, are projections based on the plan. These projections are put together by the chapter's treasurer, a member of the planning and budget committee.

2. The Financial Forecast is the Budget

The various increments of income and expense necessary to carry out the plan are summarized on a monthly basis. Then the actual results achieved for that month are measured against the financial plan (budget). A monthly report (prepared by the chapter treasurer), which summarizes the "plan against actual," is presented at the related chapter meeting. This should be a written report, distributed to all in attendance, and summarized verbally during the "business section" of the chapter meeting. The report form located at the end of this section of the manual, while intended as a year-end statement, can easily be used to prepare these monthly reports.

3. Fiscal Year

The Fiscal Year (noted as FY) covers a standard, 12-month period. The actual months covered by the fiscal period (so long as exactly 12 are included) are optional. The AFE auditing firm asks that the fiscal period conform to the calendar year (January through December which is also the AIPE administrative year, and the standard membership year).

As noted previously in this manual, it is recommended that the chapter select the calendar year as its administrative year. This provides a system for more effective operational planning; it also takes advantage of the natural, psychological shift into the "new year."

To reduce the confusion that can result when administrative, fiscal, and the AFE membership year are all different (which needn't be the case),

the same 12-month period should apply to all these periods, covered by the calendar year.

Accounting

Tax Reporting/Related

Current IRS rules specify that a chapter must file a tax return if the gross income (receipts) are in excess of \$25,000. Note: gross receipts include all money a chapter takes in, including meal receipts from members and guests for chapter meetings, etc.)

If the chapter's funds are "invested" in an interest-bearing account, the IRS requires the financial institution to report that interest earned. Consequently, these institutions require the depositor to secure a federal identification number. Because AFE failed to include the securing of a Uniform Group Tax Exemption in its incorporation process years ago, chapters must currently secure their own federal I.D. number.

2. Summary Chart of Accounts (Suggested)

A. Receipts

- Chapter Dues (transmittals)
- Meal Receipts
- Assessments
- Publications and Periodicals (Newsletter/Meeting, Notice Advertisement, Directory Advertising, Other)
- Education and Training Programs Income
- Other Income

B. Disbursements

- Administrative Expense
- Chapter Meeting Expense
- Membership Development
- Publications and Periodicals (Newsletter/Meeting Notice Expense, Directory Expense, Other, Education and Training Programs Expense, Other Expense)

C. Surplus (income less expense)

3. Chart of Accounts (detail)

A. Receipts

- Chapter Dues (Transmittals) — This entry is solely to account for chapter dues at the time of deposit, normally from the annual check issued by AFE to the chapter for the dues it collected on the chapter's behalf. NOTE: Chapter dues rates are established by the chapter. AFE (national) serves as the collection agent for the chapter.
- Meal Receipts — Most AFE chapters collect for meeting luncheons or dinners served. All actual cash received for meals is entered in this account.
- Assessments — Occasionally, chapters levy special assessments rather than increase

chapter dues (to offset meals over cost, for example).

- Newsletter (or Meeting Notice) Advertising — A number of AFE chapters publish advertising in their monthly newsletter or meeting bulletin. Income received for such advertising is accounted for here.
- Other (Publications/Periodicals) — On occasion, a chapter may publish a special report. This report may be sold by that chapter and/or selected to be a part of AFE's information resources (which may result in commissions paid to the chapter by AFE). Income derived is reported here.
- Education and Training Programs Income — Chapters sponsoring conferences, seminars or other training programs are to report gross income. If income is derived from other sources, in addition to fees, list sub-items: (fees, exhibits, meals (if separate charge), other income).
- Other Income Activity — The source of any income not otherwise identified (e.g., interest earned) and the amount of income received is under this account and included here. If more than one such item exists, list separately as a, b, c, etc.

B. Disbursements

- Administrative Expense — Expense incurred by elected officers (e.g., postage, telephone, stationery, travel and other authorized expense) is included here. Accounts may include (among others): stationery, supplies, printing/postage, telephone, committee meetings, travel, other expense (misc.—not included as part of a specific item)
- Chapter Meeting Expense — Expense directly related to the promotion, conduct and food service of regular chapter meetings. Sub-accounts often include: meal expense, speaker expense, equipment rental, other meeting expense (room rental, tickets, etc.)
- Member Recruitment and Retention — Expense of recruiting new members, including (complimentary) prospect meals, etc.; retention of members, including mailings, etc.
- Newsletter, Meeting Notice — All expense incurred in publication of the monthly newsletter or meeting notice is accounted for as follows: printing, mailing and postage, other
- Directory — All expense incurred in the preparation and issuance of the directory is accounted for as follows: printing, mailing and postage, other).
- Other Periodicals/Publication Expense (as applicable).
- Education and Training Programs — All expense incurred in sponsoring each seminar, conference, training program, etc., (separately

for each event) is accounted for as follows: promotion, equipment rentals, committee expense, speaker expense, meals, other meeting expense.

- Awards and PR — All plaques and other awards presented by the chapter, press releases, etc., are accounted for in this account. Each activity (new student chapter, "Day With A Practicing Professional", "Career Days", purchase of individual career booklets, etc.) should be itemized.
- Scholarships/Related — Scholarship grants should be itemized (a, b, c, etc.) within this account.

B. Surplus

- Amount of income over expense. (If under income, shown in brackets)

4. Reporting Financial Status

The "Financial Data Form" is recommended for preparing the monthly chapter financial statements. Also, it should be completed each year and forwarded to AFE, covering the entire fiscal year.