

FarmHouse International Fraternity

Vice President of
Finance Resource



Revised Fall 2005

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FarmHouse International Fraternity
Vice President – Finance Resource

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THE CHAPTER AWARD OF EXCELLENCE

The FarmHouse International Fraternity has established the Chapter Award of Excellence as our minimum standards program. It is designed to recognize Chapters that are operating at the performance level outlined in our By-Laws, policies, and handbooks. The criteria for the Chapter Award of Excellence are built upon basic expected performance in the various areas of chapter operations. As an officer of your Chapter, the criteria within your responsibility are identified in the box that follows.

5. Financial Management (9 points)

- _____ *The chapter treasurer submitted monthly a list of collections, disbursements, accounts receivable, accounts payable and a balance sheet to the Executive Board and/or Finance Committee. (1 point)*
(Attachment #5 - must submit most recent copy of monthly income statement and balance sheet)
- _____ *An annual budget existed and was reviewed monthly by a Finance Committee and/or Chapter Executive Board. (1 point)*
(Attachment #6 - must submit copy of budgets for current semester and previous semester)
- _____ *The chapter has developed and adhered to set procedures for collecting delinquent accounts. (1 point)*
(Attachment #7 - must attach copy of chapter policy)
- _____ *The chapter requires 2 signatures on all chapter checks, or bonded firm employed by the chapter is used. (1 point)*
- _____ *The chapter had its financial records audited/reviewed as outlined in the FarmHouse International By-Laws. (1 point)*
(Attachment #8 - Include 1-page summary from auditors - name of CPA or alumni audit committee members, when occurred and opinion)
- _____ *In conjunction with the Association, at least \$25 per year per man is being set aside for long-term housing/needs/planning (by chapter and/or association). (1 point)*
- _____ *The chapter maintained no more than 5% accounts receivable from chapter members. (1 point)*
Indicate current percentage of accounts receivables with current chapter members/pledges _____
- _____ *A Finance Committee consisting of at least one alumnus or advisor and chapter officers who handle money met once per semester to review financial condition of chapter.(1 point)*
List committee members (note alum/advisor): _____
Date of Spring Meeting: _____
Date of Fall Meeting: _____
- _____ *The chapter is submitting a 2005-06 Chapter Programming Award application for financial management. (1 point)*

I. Introduction

This resource is designed to aid all members of the chapter who are involved in its financial operations. Enclosed is information focusing on setting up accounts, keeping records, collecting debts, corresponding with the International Headquarters, and many helpful hints to ensure that the chapter's fiscal operations are in order. The contents of the VP Finance's resource provides a framework that is intended to anchor the chapter's financial development and to provide alternatives that allow chapters to tailor a program to meet specific needs and characteristics.

Finances are the backbone of the chapter's operations and success. Efficiency is the result of effective delegation of duties and responsibility, good communication, and the application of leadership skills. The concepts and procedures in this manual will apply to all chapters, big or small. All chapters of FarmHouse should follow the same accounting procedures. The differences in chapter size are like economies of scale – take the information in this manual and tailor it to individual chapter's needs.

II. Responsibilities

Vice President – Finance

The Chapter Vice President-Finance should be elected by the undergraduate chapter and approved by the local Association Board. He has responsibility for all the financial affairs of the Chapter. His main responsibility is the preparation of a budget and maintenance of that budget. In order to maintain the budget, it is necessary that the Vice President of Finance work closely with the Director of House Operations, Director of Administration, kitchen manager, cook and housemother and other officers who are provided with budgeted funds to ensure prudence in the maintenance of their budgets. Additionally the VP Finance is responsible for collecting all fees, dues, assessments and fines. He shall collect all new member registration and initiation fees for the Director of Administration. Specific responsibilities include:

- Prepare a budget for the year to the chapter and FarmHouse International Headquarters.
- Establish accounts receivables for membership dues and other expected revenue sources. Account for all fines levied against members of the chapter.
- Maintain the checkbooks and accounts of the chapter.
- Maintain all the financial records of the chapter.
- Manage the chapter's relationship with any billing group, collection agency, accountant, or other financial vendor.
- Help to emphasize and direct the chapter fundraising program.
- Prevent the accumulation of debt to the Headquarters, Housing Corporation, or other parties and, if applicable, develop a plan to reduce or eliminate past debts.
- Approve all chapter expenditures, either in person or by use of a reimbursement form.
- Submit all bills to FarmHouse International Headquarters.
- Cooperate with other officers of the chapter to set up financial incentive plans to award or punish members' behavior.
- Supervise the completion and submission of the IRS tax forms (990) applicable to your chapter.
- Attend to any other paperwork or tasks related to the fiscal health of the chapter.
- Serve as President *Pro Tempore* ("for the time being") in the absence of the Chapter President

Chapter Assistant Treasurer

This individual should be elected by the chapter to work with the VP Finance. He should be interested in eventually becoming the VP Finance and also be organized and responsible. He should be available to communicate with brothers about bill payment or other financial concerns. The duties of the Assistant Treasurer vary greatly from chapter to chapter depending on the workload of the VP Finance. These duties include, but are not limited to:

- Aid in record keeping
- Prepare and collect bills
- Prepare deposits
- Fundraising
- Inventory
- Balancing the Checkbook
- Assist in the control of the budget

It is essential that the Assistant Treasurer become familiar with all aspects and functions of the treasury since his position is generally a preparatory position for higher office.

Chapter Audit Committee/Financial Review Board

This committee is optional, but can have a positive effect on chapter operations and communications. The committee should be monitored by the VP Finance and be composed of three undergraduate brothers. The executive board should conduct their selection. It is advisable to select the members from different class standings as to have distributed representation from the chapter. An alumnus with particular accounting or finance expertise should serve as the advisor to this committee. The duties of this committee include:

- Reviewing financial statements concerning the budget to ensure spending is following the budget and that funds are being handled responsibly.
- Check the accounts receivable and help determine its potential impact on the chapter.
- Support collection efforts by exerting peer pressure on the individuals involved.
- Review the accuracy of the chapter books before the audit by an external accountant.

III. Financial Operations

Budgeting

Constructing a Budget

A budget is the chapter's declaration of its priorities as an organization. Items that are most important to the chapter will receive the most money. The budget is a public statement of the chapter's goals. If you say that your chapter stands for certain ideals, such as scholarship, when the only item that gets money is the social budget, the chapter's true priorities are quite clear. Keep this in mind when developing a budget. There are two basic methods utilized when constructing a budget:

- The chapter sets income and then allocates funds toward different expense categories in the budget.
- The chapter must realize what expenses and costs it must meet to properly operate the chapter.

The best tool to determine predictions of expenses is by using historical data. Also, chapter goals must be considered when predicting costs and expenses. This manual provides information on types of income and expenses and how the VP Finance can use the information to build an effective budget.

1. **Determine All Chapter Expenses** – At this point all chapter budget accounts are determined. Use historical financial data as a guide and tool for setting accurate predictions of costs. Be sure to adjust all data for cost of living fluctuations and chapter programming for new goals.

Rent or Mortgage Payment – The chapter's primary expense is the rent or mortgage payment. This figure is generally fixed and should always be paid on time.

Utilities – This includes telephone, electrical, water, waste removal and other items that contribute to the operation of the chapter house. It is a good idea to study past utility charges and bills when predicting this portion of the budget.

Salaries – Simply multiply the number of hours worked by the rate of pay to determine salary expense. Be sure to include federal tax payments.

Repairs and Maintenance – A chapter house needs to be maintained on a regular basis. Cleaning supplies and various tools should be kept in supply. Also set aside money for emergencies such as broken windows and doors.

Recruitment/Rush – The rush budget is determined by chapter goals. Rush is an investment and the chapter must decide how effective funds are in the recruitment of new members. Also, remember that more members in the chapter result in an increase in revenue for the chapter.

Administrative Costs – Usually, administrative costs can be divided into individual officer or committee budgets. Historical information, coupled with chapter goals can generate a prediction of this figure.

Social – The amount allocated to social events should be determined by the events planned for the semester. The social chairman should submit a proposed social committee budget that must be adjusted to match the goals and financial strength of the chapter before becoming a permanent part of the chapter budget. Risk management needs to be a major part of the budget allocation.

Initiation – The chapter should allocate money toward initiation of new members.

Alumni Relations – Strong alumni support is the foundation for a successful chapter. Funds should be budgeted to produce alumni mailings and to program alumni events such as homecoming. Chapter goals weigh heavily in the calculation of this figure.

Parents – Each chapter should allocate funds toward communicating with and developing programs for the parents of members.

House Improvements – Depending on the amount of money remaining, set attainable goals for chapter projects and large purchases. This fund may accumulate for many years before being allocated to a specific project. Ideas include new carpet, new furniture, or any other item for which the chapter has a need.

Scholarships and Scholarship Programming – Funds allocated toward rewards for scholarship achievement can help improve a scholarship program. This budget can be used to provide funding for Conclaves, Leadership Conferences, and campus programming.

Special Events – Money can be allocated for chapter retreats, and other chapter events. Many times zero-based budgeting is used if extra funds are not available.

Miscellaneous – Many small expenses creep up during the semester. It is important to allow for these unexpected expenses. As a general rule, allow approximately 2 to 5% of the chapter's revenue to be spent through such unanticipated categories.

Allowance for Bad Debt – All chapters must strive to collect all accounts receivables, but the reality is that some bills will be paid very late or not at all. Each chapter must allow a reasonable allowance for bad debt. A safe assumption is 5% of the chapter's revenue for accounts receivable.

NOTE: The costs associated with the operation of the chapter are at the discretion of the chapter. Chapters may add to, or subtract from, the list above according to the level of sophistication of the chapter.

2. **Forecast Income** – There are many potential revenue streams that chapters can tap as sources of income. The following will give a good idea of the potential that the chapter has to work with. Be sure to use conservative estimates as a control to avoid over budgeting.

Rent – Simply multiply the number of renters by the amount of rent. Be sure to make allowances for any discounts given to brothers who pay in advance.

Dues – Chapter dues are charged to cover all chapter operations. Income from dues is calculated by multiplying the number of active brothers by the amount of payment.

Fundraising – Fundraising has proven to be an effective means for chapters to increase their usable budget. Be sure to estimate conservatively and realistically when calculating income from fundraising.

Interest – The interest from chapter’s bank accounts can contribute to income if the chapter carries high balances. If the interest is not significant, do not include it in the forecast of income.

Miscellaneous – Include all significant forms of income that contribute to the operation of the chapter. For example, the chapter may make significant money from vending machines or other sources.

3. **Adjust the Figures for Balancing** – A comparison of total income projections and total expense projections provides an opportunity for the chapter to adjust income projections and projected funds allocation. At this point the chapter may need to shave-off or add to various budgets in order to balance the total chapter budget. The chapter must decide which accounts must be sacrificed or boosted to reach a balanced budget. This is where the priorities of the chapter become most clear – what gets sacrificed and what does not.
4. **Approvals** – Once the VP of finance and his assistants and/or committee have developed a budget, it must still be approved.

Chapter – The proposed budget must be discussed and approved at the first meeting of the semester. Through the approval process, the chapter will become aware of financial concerns and will be more likely to be financially responsible.

Chapter Advisor/Association – It is always a good idea to have the local Association Board or Advisors to look at the budget and to ask for their advice and approval.

Accounts

Chapter Accounts

The following are the typical accounts that are found in the operations of a chapter. Not every chapter will have the need for all of the accounts, but they are listed here as a reference.

General Fund: The general fund is the master account for the fraternity. All money received will be recorded in the general journal (see appendix) and then deposited in the general fund bank account. As money is disbursed into other accounts, checks are drawn from the general fund to the intended account. The general journal is a record for all activity for this account and is a log for the checks drawn and their description of purpose. This acts as a back up to the checkbook.

Building Fund: The building fund can be a savings account, CD or Money Market. Budgeted allotments should be deposited to meet the goals of the chapter. These goals will vary from saving for a new house, improvements to an existing house, and extra money for emergencies. This fund should be under dual control of the Association and the undergraduate chapter. Withdrawals from this account should be rare and provided for in both sets of By-Laws.

Pledging And Initiation Fees: This account is a “wash” account for pledge and initiation fees. The purpose is so that these fees and payments will never be inadvertently spent from another account. These monies can be lost if mixed in with the general fund – they must be separate as it was never intended for the chapter.

Kitchen: The kitchen is a function that requires many transactions and concerns. The kitchen manager may need a separate checking account into which the VP Finance makes weekly deposits for operations. The steward/kitchen manager disburses these funds accordingly with dual control provided by the VP Finance, cook, or President.

Payroll: Payroll is a unique situation for chapters that employ cooks or other services. Each state has different laws and requirements. Since filing of taxes has certain requirements, which include exact records, it is useful to have a separate account. There are a number of payroll service companies that will handle all such transactions for a very small fee. This service often prepares the employer’s tax returns as well. Any money set aside for payroll taxes should be left in the account so it is not used elsewhere. Always have this account in dual control with the Association because it is an ongoing process and there is less turnover there than at the undergraduate level. All records must be kept for seven years.

Fundraising: This money should not be mixed with other accounts. Many chapters have ongoing fundraising efforts like washing machines, soda machines, and candy machines. Also, when setting a budget, only budget the minimum expectation of what the chapter will reasonably raise – not the goal.

FarmHouse Fraternity strongly advises AGAINST the use of a chapter petty cash fund. It is recommended that all chapter funds be allocated in the form of a check. Check payment provides a “paper trail” and alleviates the possibility of theft.

For this same reason, FarmHouse also strongly advises against the use of PayPal accounts. While there are transactional trails and reports that this service can generate, each account is tied to an individual e-mail address and there is less accountability than with a traditional checking account. There can be methods for providing additional security, such as a general chapter e-mail address tied to a separate bank account from which transfers can be made to the main checking account, but there are many more opportunities for theft and fraud with PayPal.

Bank Accounts

The most important thing that all chapters need to pay close attention to is their bank accounts. At minimum the chapter will need a checking account. Depending on the amount of money, additional accounts, such as CDs, Money Market accounts, and other interest generating accounts should be researched. This section will give you some pointers to look at when deciding on bank accounts for your chapter's money.

Bank Selection

The selection of a bank for the chapter's accounts can aid greatly in its operation. Here are some attributes to look for:

1. **24 Hour Information and Operation Service:** Many banks now employ a customer service center to handle the accounts 24 hours a day. Bank service centers offer many functions such as stop payment, verification of deposit or withdrawal amounts, explanation of service charges, aid in balancing, and many others. This service is generally free.
2. **Personal Account Representative:** It is also helpful to have a personal account representative to provide the chapter with a more personal working relationship. This person can help the chapter with the following:
 - Establish specific accounts that can ease the burden of record keeping.
 - Payroll accounts often file all tax returns for the chapter's employees.
 - Help reduce fees by coordinating accounts best suited for your needs.
 - Be familiar with your "business."
3. **Close Location To Chapter House:** A chapter should choose a bank that is relatively close to the chapter house. This prevents any long trips to make deposits or withdrawals that can result in loss of money and wasted time. Also, this is helpful for changing signatures and meeting with the account representative for transition.
4. **Student Accounts For The Brothers:** Banks are interested in opening new accounts. Generally, it is advantageous for brothers to have a local checking account. Often, the chapter can receive a free business checking account in return for recruiting personal accounts from the members.
5. **Low Charges For Miscellaneous Services:** Many banks charge for certain services. It is important to read all bank disclosure statements and be aware of all surcharges. The chapter will be charged for bounced checks, check orders, per check charges (unless the bank does not charge), deposit charges, and minimum balance charges. Select an account that minimizes these fees.
6. **Informative, Easy-To-Read Statements:** Many banks have statements that conform to the chapter's accounting system. Let the account representative aid the chapter in choosing the correct bank statement and assist the VP Finance in reconciling the chapter's accounts.
7. **Ability to Process Credit Cards.** Credit card debt is a serious problem for many college students, and chapters should be wary of encouraging their members to use credit cards indiscriminately. Visa & MasterCard will take a percentage of the billing as well, but it can be

very helpful to the chapter for getting as much money at the start of each term as possible and minimizing its accounts receivables. Banks that can provide accounts with this service should be considered. If you do use credit card processing, it may be best to allow credit card charges full payment and not smaller charges or plans.

Dual Signatures

It is important to have control mechanisms in place for the disbursements of the chapter. The VP Finance needs to have all checks countersigned by the chapter president, assistant VP Finance, or other designated officer. Requiring two signatures is a safety measure to combat misuse of chapter funds and embezzlement. There should be no more than five (5) people with the authority to sign checks.

Record Keeping

The following pages provide guidelines and examples of the tasks related to accounting. It is important to understand these basics of sound financial management. However, there are a number of software packages available that are inexpensive and will be a tremendous aid in maintaining accurate records. It is essential to have all the ledgers, forms, and other supplies before the semester/quarter begins. The ledgers to use for record keeping are:

The General Journal

This is composed of two ledgers: the cash received ledger and the cash disbursed ledger. The general journal is the ledger of original entry. Amounts recorded here are eventually posted to another ledger.

Cash Received Ledger - This section of the general journal is used to record all of the revenue collected by the chapter. It is set up so the transactions can be posted to subsidiary ledgers. For example, revenue from the brother's rent payments is posted to the individual ledgers. It is imperative that as cash is received, it is immediately recorded here and issued a receipt. Each time a deposit is made, run a subtotal making sure the subtotal and the amount of the deposit match.

To help save space, collections of small, recurring payments should be kept on a check sheet with all of the brothers' names. For example, the chapter is selling T-shirts for \$15. Instead of recording \$15 for each of the 50+ members, the entry to the cash received ledger would be \$1500 for the 100 brothers who paid for the shirt. One simple entry saves space and time.

Cash Disbursed Ledger - This section of the general journal is used to record all checks drawn from the General Fund. This serves to organize the transactions of the checkbook and to record the disbursements into budget categories. From this ledger, the amounts are posted to the subsidiary ledgers. For example, the checks drawn for rush purposes are posted to the rush budget ledger.

Checkbook

It is important to manage the chapter's checkbook efficiently and accurately. The following are some basic hints to maintain an accurate checkbook:

- Never sign a check without filling in the payee and the amount. It is better to reimburse the purchaser with a receipt than to issue a blank check.
- Always keep a running balance to eliminate bouncing a check. Record the amount and description of any check on the check stub.
- It is recommended that each chapter have a large, business style checkbook with large deposit slips that can record more than twenty-five checks.
- A receipt should be collected and filed for each money allocation. All receipts and records should be kept for at least five years.

Subsidiary Ledgers

The chapter should have two subsidiary ledgers: the Brotherhood Ledger and the Budget Ledgers.

Brotherhood Ledger - The brotherhood ledger tracks the financial activity of each brother in his dealings with FarmHouse. All money due to the fraternity is recorded in the ledger. As the brother makes payments, they are recorded and a running balance is maintained. This is used to create the house bills to be distributed to each brother monthly. Fines are also recorded here.

Budget Ledgers - The budget ledger is used to track the spending within each budget category. This ledger begins with a balance equal to the budgeted amount allocated to the particular budget category. Amounts are transferred from the corresponding column of the cash disbursed journal. As each check is drawn, the amount should be subtracted from the running balance. Thus the VP Finance will have a handle on the status of each particular budget category.

Balancing and Reconciliation

This task must be completed every month after receiving a statement for each bank account maintained by the chapter. Reconciliation will detect any discrepancies on the part of the bank or the chapter. Any adjustments to the checkbook should be double-checked by the Audit Committee and/or the Financial Advisor. The reconciliation worksheet should be bound with the bank statements in a folder with the permanent records.

Documentation

It is important to have documentation of the chapter's financial policies, statements, and communications. These documents are useful to ensure consistency and accuracy in conducting business. The chapter by-laws should contain provisions for the following items so they can assist in decision-making and provide consistent enforcement of policy for financially irresponsible brothers:

- Fee structure of the chapter
- Penalties for bounced checks, late payments, and delinquent brothers
- Policies concerning promissory notes, payment schedules, and authority

Taxes

The local chapter can be responsible for two types of taxes: income and payroll. The Chapter or Financial Advisor should work with the VP Finance in preparing the returns or determining an appropriate place to outsource this important process. If you believe your chapter will be responsible for taxes, it is highly recommended that a professional be hired to assist the chapter with this responsibility.

Income Taxes - Chapters are not required to pay income taxes because they are part of a non-profit clause for fraternities. However, chapters that receive more than \$25,000 a year in operating revenue need to file Form 990 every year. This form must be filed or the chapter will be subject to severe fines from the IRS. The form must be filed before the 15th day of the 5th month after the last day of the annual accounting period of the chapter. The chapter should be on the fiscal year of July 1 – June 30 in order to use the blanket non-profit exemption from FarmHouse Headquarters.

Payroll Taxes - Any chapter having full or part time employees are responsible to file Form 940 annually and Form 941 quarterly. These forms are filed by the 30th or 31st of each month following the end of a quarter. These dates are as follows:

1. March 31 Form 941 due April 30
2. June 30 Form 941 due July 31
3. September 30 Form 941 due October 31
4. December 31 Forms 940 & 941 due January 31.

In completing Forms 940 & 941, the chapter needs the following:

1. Federal Form W-4A package
2. Federal Form 940 Annual Federal Tax Return
3. Federal Form 941 Quarterly Fed. Tax Return
5. Employer's Tax Guide (Circular E)
6. Employer's Quarterly Tax Report (state)

To request forms, call the IRS at 1-800-424-3676 or at their website at www.irs.gov

Memorandums

Memorandums should be distributed periodically to update the chapter on current business affairs. The following are different types of documents each chapter must implement into its financial operation.

The Budget - At the first meeting of the semester or quarter, the proposed budget must be distributed, explained and approved. The budget will be updated as the chapter's financial situation changes. It is very important the brothers know where the money comes from and where it goes. The VP Finance must explain what consequences will result if one, two, three, etc. brothers fail to pay dues to the chapter. It is vital that all brothers understand that every member has an obligation to the chapter and that each payment is necessary for the chapter's operation. There are two things that result if one or more brothers fail to meet his obligation:

- There will be a cut in the services the chapter can provide.
- Each brother must pay more to compensate for delinquency.

Rent/Dues Schedule - This document communicates all of the payment due dates, amounts, and policies for the upcoming semester. No one has an excuse for not knowing a payment deadline.

Billing System - Each month the Assistant VP Finance should prepare a billing statement for each brother in the chapter. The statement should indicate the amounts and the items for which each brother is responsible. The statement should be available in advance of the payment due date.

Financial Records

The IRS recommends that all financial records and transactions concerning the chapter should be maintained daily and preserved between 7 and 10 years. All records concerning taxes should be kept for at least 7 years. It is very important to have a paper trail to provide checks and balances.

Inventory

The Assistant VP Finance should be responsible to document the chapter's inventory. This involves items such as keys, extra T-shirts, pledge pins, novelties, etc. He should keep a listing of the brothers to track their purchases of these inventory items.

Collection Methods

An important facet of the operation of the chapter's finances is the collection of monies owed to the chapter. Generally, this is not a large problem, but dealing appropriately with overdue accounts receivables can mean the difference between the chapter breaking even and accumulating debt. Before implementing the various methods described below, the chapter must develop policies that document the collection methods of choice.

The key to collections is communication. The VP Finance must keep the brothers abreast to the financial situation of the chapter. Also, the VP Finance must be willing to make himself available to all brothers and to communicate individually with all delinquent brothers. Remember that all collection policies must be documented in the chapter by-laws.

Payment Incentives

The chapter should encourage the brothers to pay all dues and fees in advance and avoid monthly collections. This can be done through discounts for early payment in full. For example, if rent and dues total \$300 per month or a total of \$1200 per term, allow the brothers to pay \$1160 up front, yielding a discount of \$40. Be sure to account for the discount billing when constructing the budget.

Some chapters have worked out an arrangement with their bank, which allows them to collect payments via Visa or MasterCard. This can make it easier for members to pay and also serves as a backup for collection purposes.

Chapters with houses are always looking for ways to assign room priority. If rooms can be decided for the next semester on a first paid basis, up front collections would improve. However, there are many other ways to decide room assignments. This option should be weighed carefully for it is not always right to reward someone based on his ability to pay.

Late Payment Penalties

Another method to limit delinquency is through deterrence. Penalties provide a punishment for brothers who have avoided a payment or are delinquent and in arrears. Penalties can be selected according to the degree of seriousness of the debt or situation. Most of the deterrents that follow are designed to get the brother with the problem to approach the VP Finance and work out an agreement. Penalties must be applied to the individual chapter – a method may work wonderfully at one chapter and be a complete failure at another.

Withhold Privileges. There are many privileges that can be withheld from brothers that are delinquent. These can be selected according to the circumstances and seriousness of the offense.

- Voting - brothers who are delinquent should not be allowed to vote on any chapter matter.
- Food - the delinquent brother cannot receive meals from the house on any chapter meal plan.
- Events/Privileges - delinquent brothers can be considered ineligible for certain activities including holding an office, attending social events, participating in intramurals, using recreation facilities, portraying roles in Ritual, receiving a little brother, or any other privileges.

Financial Penalties. The by-laws of each chapter should provide a structure of fines and penalties that deter late payments. Documenting penalties and fines for financial operations encourages fairness in dealing with delinquent brothers. An example of a fine structure would be a \$10 fine for the missed due date, plus two additional dollars per day until payment is made or a plan arranged with the VP Finance.

Another possible structure is to implement a percentage fine. This will encourage those with larger debts to meet their obligation. One way to administer percentage fines is by assigning a 10% fee to the amount of debt for brothers that do not communicate with the VP Finance 24 hours prior to the due date. For brothers who do approach the VP Finance and communicate with him the reasons for being late, apply a 2% fee. The split encourages good communication which helps the VP Finance make better decisions pertaining to collections and spending.

Posting Names. Another method would be to publish the names of delinquent brothers. The list would include the amount that each delinquent brother owes to the chapter. It is important to post the list out of the sight of non-members. Posting names will let the brothers know specifically who has not paid so brothers can do the following:

- Exert peer pressure for the brother to pay
- Help increase knowledge of money available
- Offer help to cover payment

Payment Vote. The chapter can vote to approve covering the debt of a brother. After reviewing the nature of the debt the chapter should vote within 10 days. If the chapter agrees, the members agree to divide the amount amongst the remaining members – so the fraternity avoids debt. It can be useful for chapters on a tight budget or recovering from a debt situation, but should be used very rarely.

Announce Names At Meetings. The method of announcing names at chapter meetings involves placing brothers into four basic groups: the first group, Alpha, is for the brothers who are up to date with their bills. Betas would be brothers who owe less than \$50. Gammas would be brothers who owe between \$50 and \$200. And Deltas would be brothers who owe more than \$200. When announcing these groupings at meeting, it is important to announce when brothers have advanced from one group to a higher group. A brother who is meeting the obligations of his payment schedule shall be considered up-to-date; he should be listed as an Alpha.

Call Parents. Contacting the parents of a delinquent brother can be a very effective method of collection. If parents are informed of the debt, they could make his payment, or pressure their son to pay. It often proves very embarrassing for a brother who avoids his financial responsibility, therefore he will take action to bring his account up to date and avoid this scenario. This approach should be used only after many other efforts have been exhausted. Always inform the brother that an attempt to contact his parents will be made.

Alumni. Alumni and the Association can often exert pressure on a brother that the chapter is not willing to extend. It is often helpful to “let the alumni be the bad guys.” While part of fraternity membership is developing the skills to deal with such problems on your own, alumni can be a very useful resource in such matters and you should not hesitate to contact them.

Suspension/Expulsion Vote. If debts go unpaid, the chapter can bring suspension charges against the brother. Provisions are pursuant to our local chapter bylaws. This is one of several steps after exhausting all “brotherly” steps. Due process plays a major role. Ensure that the chapter bylaws and FarmHouse International bylaws are followed to ensure due process.

Collection Agency. If it is difficult to locate a delinquent brother, the chapter can employ a collection agency to collect the debt. The main drawback is that the chapter will generally only receive 40% to 60% of the debt. The agency will keep a substantial portion for their efforts. This method is effective for substantial older debts.

Legal Judgment. By filing in small claims court, you can gain a judgment against the individual that is binding for a long period of time. With this judgment, the chapter can:

- Garnish wages
- Enact a payment plan
- Damage his credit.

It is important to note that this method should be used only after a brother has been suspended or expelled and has made no effort to rectify the situation. Also, since this process does cost the chapter money, it should only be used for very large debts.

Collection Tools

Contracts. Each member should sign a basic contract before the semester begins. The contract provides the brother and chapter with the following information:

- Terms of rent

- Social privileges
- Meal Plans
- Financial obligations and intention to pay

A separate contract can be drafted for brothers that live out of house. This contract gives the renter legal recourse by having the brother acknowledge his obligation. An example is provided at the end of the manual.

Meetings. It is extremely useful to set payment due dates on the days that chapter meetings are held. Also, the chapter meeting is an excellent time for the VP Finance to make announcements, discuss the status of all accounts, and keep in good contact with the majority of the chapter.

Billing. The chapter billing statement is an itemized statement of the funds due to the chapter from each individual brother. The billing statement should be distributed well in advance of the due dates. An example is provided at the end of the manual.

Personal Contact. It is recommended that the VP Finance personally remind brothers of due dates or amounts due. For late accounts, it usually requires personal reminders to motivate the brother to make payment. Brothers with a problem should work out an arrangement for deferred payments.

Visa/MasterCard. As previously mentioned, accepting a credit card makes it easier for some members to pay. It is better for a brother to owe the credit card company instead of owing the chapter – the credit card company has more options to hold the brother accountable and the brother will take this debt much more seriously as it affects his credit rating. . However, cash advances from credit cards are a bad idea – do not encourage this practice.

Payment Schedules. A payment schedule is a very effective tool to aid collections. It offers a deferred payment plan for brothers who can't keep pace with the prescribed schedule. For example, instead of paying \$300 per month for four months, the brother would pay \$75 per week for 16 weeks. It is also common practice to charge brothers slightly more for being on a payment plan, through surcharges on each payment. This method helps the brother who has a problem or unique situation. An example is at the end of this manual.

Promissory Notes. A promissory note is a legal document that acknowledges debt. A brother should be put on a promissory note if his debt accumulates beyond a prescribed level, or if his payment schedule lasts beyond the term of the chapter payment due dates. The Chapter or Financial Advisor should countersign the note because the VP Finance's position is relatively temporary. Promissory notes are generally valid for an immediate judgment in any court of law. Have an Attorney, from the chapter's state; draft a promissory note for your Chapter. Laws differ between states. An example is at the end of this manual.

Additional Duties

Correspondence with the International Headquarters

The International Headquarters must receive information and funds from each chapter in order to operate effectively. The information and fees provided by the chapter provides the Headquarters with the knowledge and funding to better serve all chapters of FarmHouse Fraternity. The following information should be provided:

- Budget: All chapters should forward a budget to the Headquarters each year with your Chapter Award of Excellence applications. The budget will help the International Headquarters document the progress of the chapter as well as monitor chapter operations.
- Tax Documentation: Please send photocopies of all tax documents to Headquarters. This includes form 990 and state and federal payroll forms. Tax documentation enables the International Headquarters to monitor the differences between states and adjust new programs accordingly.
- International Dues: International Dues are determined at the Conclave by undergraduate and alumni delegates. The forms and fees are due to the International Headquarters within 30 days of the start of the semester. Dues are currently set at \$100 per man per semester, and are non-refundable or non-transferable. The President, VP – Finance and Director of Administration are responsible for completing the semesterly Term Report and mailing in payment for dues within 30 days.
- Initiation Fees: The initiation fees and forms are due to the International Headquarters with 30 days after the initiation ceremony. The amount is determined at Conclave and is currently \$90.
- FRMT Insurance: All chapters are required to carry liability insurance. All chapters/associations are part of our FRMT Liability Insurance program. By action of Conclave in 1994, Associations are billed for the FRMT Premium cost and most include as part of the rent that they charge the chapter. Some Associations opt to have the chapter pay for the coverage separately.
- Depledging: The International Headquarters must be informed if a pledge withdraws or is removed from the new member education program. The chapter should simply write the Headquarters explaining the situation.

Loans And Grants Available To Chapters, Members And Association Boards

(All inquiries should be addressed through the FarmHouse Foundation)

- Foundation Funds For Leadership & Education: The FarmHouse Foundation annually grants 7 scholarships for deserving FarmHouse men of any chapter.
- Foundation Council Scholarships: Through the FarmHouse Foundation, many chapters are able to offer additional scholarships to members from their local FarmHouse Foundation Councils. Please check with your Association or the FarmHouse Foundation at 800-722-1905 to see what scholarship opportunities are available at the local level.
- Foundation Council educational grants: Through the FarmHouse Foundation, many chapters are able to receive funding support for attendance at RLCs, Conclave, Leadership Academy and other educational program events and for computer/technology needs through the local FarmHouse Foundation Councils.
- Foundation Loans to Associations: The FarmHouse Foundation makes loans available to associations purchasing their first chapter houses. To learn details of this program call 800-722-1905.

Helpful Hints for the VP Finance

The following list was compiled from various past VP Finances as ideas and programming that create a more efficient operation of the office of chapter VP Finance. Many of the suggestions involve time management, communication, and discipline.

Office Hours: Establishing office hours can increase the VP Finance's availability and productivity. It is helpful to get in the habit of working on the books during a consistent time. Then the VP Finance is available to all members of the chapter and does not get behind in his duties. A good example would be:

- Mon, Wed, and Fri: 9 a.m. - 10 a.m. books, records
- Tue, Thu: 5 p.m. - 7 p.m. bills, dues
- Sunday: 10 p.m. - 11 p.m. meeting with exec
- Once a month; Saturday Statements, House Bills

During these times, the brothers should be aware that the VP Finance is available to discuss payment issues or make payments.

Utilize Chapter Meetings: Chapter meetings offer an excellent opportunity to communicate with all brothers. Keep in mind that an informed brother is a stronger brother. Utilize the meeting to:

- Inform brothers of payments at least one week in advance.
- Encourage the brothers to communicate payments or arrangements in advance.
- Keep the brothers informed of all chapter policies.
- Be sure that all books and records are up-to-date.
- Praise all brothers who consistently pay chapter bills.
- Be ready to answer any questions that might arise.

Delegate: The VP Finance has a lot of responsibility that is task oriented and sometimes tedious. There are people who can help, be sure to use them. Work closely with the Assistant VP Finance and committee chairmen.

- The Assistant VP Finance can do a lot of the bookkeeping and general busy work.
- Committee chairmen must track the spending and budget for their respective committees.
- A few hints on delegation:
 - Assign tasks as responsibility. A responsibility holds more weight than a delegated task.
 - Give credit where credit is due. A thank you goes a long way.
 - Always remember to praise in public and criticize in private.

Computers & Software Packages: The FarmHouse International Headquarters will reimburse your chapter for the annual subscription for Quickbooks Online if your chapter would like to subscribe. The incoming VP – Finance is trained annually at the FarmHouse Leadership Academy on this program, or call the International Headquarters for more information.

Controlling Spending: Many chapter expenditures are not directly controllable. It is often helpful to link these expenses directly to other accounts. A common example is the utilities. Many chapters waste money by leaving lights, televisions, stereos, and other electrical appliances on while not in use. A chapter can help discourage this by having two budget items linked

together. If the chapter's bill is greater than the monthly allowance, the difference would be subtracted from the social budget. On the other hand, if the electrical bill is less than the monthly allowance, the surplus should be awarded to the Social budget. An example of this is provided in the sample budget accounts. Do not be afraid to be creative with the budget. There are many ways to cut costs and maintain a working budget. It is up to the chapter to make the ideas work.

Zero-Based Budgeting: To implement zero-based budgeting a chapter should determine the total cost of the event before determining how much money to collect from participants. After the total costs are determined, divide by the number of participants and round the figure up to the nearest dollar. This budgeting plan will ensure the chapter will not "eat" the cost of the event and avoid debt. This is very useful for chapter barbecues, alumni events, formals, etc.

Embezzlement of Funds

It may have happened to your chapter or a chapter you have heard about. Groups have had to cancel banquets, anniversary events, formals and composite orders because of the selfish acts of an officer. Chapters pay a fee each year for a Crime Policy that provides up to \$250,000 coverage in the event of financial misappropriation or embezzlement. In order for a chapter to be eligible to file a claim under the policy, they must be following safe financial practices. These practices include:

- Two signatures required on all accounts of the chapter, pursuant to the Chapter Award of Excellence.
- The chapter or Association cannot have or use any form of ATM, debit, credit or money card that is attached to any account of the chapter or alumni corporation.
- An officer issuing a check can, under no circumstances, issue a check to himself.
- Chapters and alumni corporations cannot utilize a "petty-cash" system. All transactions are by check.
- Reimbursements require a receipt.
- All statements and record books are reconciled monthly.
- Associations MUST be legally incorporated entities within the laws of their respective state and must be an up-to-date with all documents relating to such. Quite often, associations fail to renew their corporation license and are no longer legally incorporated.

If your chapter feels that you meet all of these requirements and you have proof that your chapter funds have been embezzled, contact the International Headquarters. The headquarters will be able to begin the process of filing the claim and explaining the options available to the chapter and/or Association at that time.

IV. ADDITIONAL RESOURCES

Websites and Tools

There are hundreds, even thousands of products available on-line to help you manage your personal and business finances. Some of these sites may be useful.

- Internal Revenue Service. To request forms, call the IRS at 1-800-424-3676 or at their website at www.irs.gov
- Accounting software, such as QuickBooks at www.quickbooks.com
- Tax Management software at www.turbotax.com
- Payroll service companies, such as www.paychex.com and www.paymaxx.com

The Chapter VP Finance Checklist

End of Semester:

- Election by Undergraduate Chapter
- Election of Assistant VP Finance (?)
- Training/Transition Meeting
- Change Signature Cards at Bank

Before New Semester:

- Association Board Approves Budgets
- Residence Contracts signed by all Members
- Set up Accounting Mechanisms
- Ledger for each Member
- Balance Sheets for each Budget Item
- Purchase all Supplies
- Collect Outstanding Debts

SCHOOL BEGINS

Month #1

- Distribute Memorandum Describing Policies/Payments and Debts
- Distribute, Update, and Approve Budget
- Collect Payments
- Balance/Reconcile All Accounts
- Bi-Weekly Payroll
- Pay Bills, Rent
- Meet with Financial Supervisor
- Collect Pledging Fees and Forward to International Headquarters

Month #2:

- Repeat Month #1's steps
- Are Accounts Receivable Below 10%?
- Collect Initiation Fees and Forward to International Headquarters
- Payroll Taxes Prepared

Month #3

- Repeat Month #1's steps
- PREPARE FORM 990

Month #4

- Repeat Month #1's steps 1-7
- Budget Adjustment (if necessary)
- Closing Entries for First 6 Months
- Take Extra Steps to Collect Outstanding Debt
- Summary Statements
- Balance Sheet
- Income Statement
- Budget Performance
- List of Accounts Receivable/Payable

Sample Budget – Housed Group

Revenue:

Rent: Monthly: 25 Brothers @ \$1000 Ea	25,000
Upfront: 10 Brothers @ \$950 Ea	9,500
Out Of House Fees: 20 Brothers @ \$100	2,000
Dues: 100 Brothers @ \$200	20,000
Fundraising:	2,000
Interest:	400

Total Revenue: \$58,900

Expenses:

Chapter House	
Rent:	8,500
Liability Insurance:	7,500
Salaries:	4,200
Kitchen:	12,000
Utilities:	
Electrical:	4,500
Disposal:	3,200
Phones:	350
Water:	1,000
Total Utilities:	9,050
Total Chapter House Expenses:	\$41,250
Chapter Administration:	2,000
Social:	2,500
Repairs & Maintenance:	1,200
Rush Events & Recruitment:	1,500
Scholarships:	
GPA Awards:	500
Convention:	1,000
Total Scholarships:	1,500
Special Events	
Parents Day:	200
Alumni Barbecue:	500
Retreat:	1,000
Philanthropy:	250
Total Special Events:	1,950
Miscellaneous:	2,500
Allowance for Uncollected Debts:	2,500

Total Expenses: \$56,900

NET INCOME: \$2,000

Sample Budget – Non-Housed Group

Revenue:

Dues (Paid Upfront): 30 Men At \$240	7,200
Dues (Paid Monthly): 30 Men At \$280	8,400
Fundraising (Minimum Expected):	1,000
Total Revenue:	\$16,600

Expenses:

Officer Budgets:

President:	200	
Vice President:	1,000	
Secretary:	200	
Marshal:	100	
Rush:	1,000	
Total Officer Budgets:		2,500

Dues And Assessments:

IFC:	200	
Insurance:	4,500	
Bank Charges:	120	
Total Dues And Assessments:		4,820

Special Events:

Parents Day:	500	
Homecoming:	750	
Retreats:	1,000	
Philanthropy:	250	
Total Special Events:		2,500

Scholarships:

GPA Awards:	500	
Conferences & Conventions:	2,000	
Total Scholarships:		2,500

Housing Funds/Savings:	1,000
Miscellaneous (10% Of Budget):	1,180
Allowance For Bad Debt (10% Of Budget):	1,180

Total Expenses:

\$15,680

NET INCOME: \$920

Sample Individual Brother Ledger

**FARMHOUSE FRATERNITY
XXXXXX CHAPTER**

Last Name		First Name		Roster	Semester
Date	Description	Debit /Credit	Balance		
▪ 07/29/05	August Rent	\$250	\$250		
▪ 07/29/05	Semester Dues	\$200	\$450		
▪ 07/30/05	Payment	\$250	\$200		
▪ 08/10/05	Payment	\$200	\$0		
▪ 08/13/05	Meeting Fine	\$10	\$10		
▪ 08/18/05	T-shirt	\$8	\$18		
▪ 08/29/05	September Rent	\$250	\$268		
▪ 09/03/05	Late Fee	\$14	\$282		
▪ 09/03/05	Payment	\$282	\$0		

An individual record should be kept for each brother. They should be bound together in one binder for easy reference. All payments from the brother should be recorded here along with the debts incurred. When issuing house bills, an easy method would be to simply copy these sheets and give each brother the updated copy monthly. This will provide an itemized statement of his account with the Fraternity. Most office supply stores have these forms in stock along with a binder. They are generally 5 1/2" X 8 1/2" on card stock with two punched holes. If you are using a computer program, set up each brother and new member as a customer and you can generate all of his payments and expenses in a report. You should still generate a paper record for each brother at least once a semester.

Sample Promissory Note

Consult an Attorney from your State to insure Legality

XXXXX CHAPTER OF FARMHOUSE FRATERNITY

Made this ____ day of _____ 20____ in _____, _____, for value received, I the undersigned Maker, promise to pay to the order of the xxxxxx Chapter of FarmHouse Fraternity, the sum of _____ dollars on or before _____, 20____. And further, I do hereby authorize and empower any attorney or any Court of Record of _____ (State), or elsewhere to appear for and enter judgment against me, or in favor of any holder of this note for the above sum with costs of suit, release of errors, without stay of execution, and with 20% added as a reasonable attorney's fee, and I hereby waive and release all benefit from any and all appraisement, stay of exemption laws of any state now in force or hereafter to be passed.

It is with the intent of being legally bound that I here unto set my hand and seal this ____ day of _____ 20 ____.

Maker (Seal)

_____, _____
Witness Title

_____, _____
Witness Title

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Kappa Sigma
Triangle
Pi Kappa Alpha
Theta Chi
Sigma Alpha Epsilon
Beta Theta Pi
Sigma Chi
Alpha Chi Omega