

GUIDEBOOK

Chapter Leadership Training

Treasurer's Guide

**NMA...THE Leadership Development
Organization**

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CHAPTER LEADERSHIP TRAINING

TREASURER'S GUIDE

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Where to Begin?

In a typical NMA chapter, the Treasurer serves two major roles. One, as the comptroller who sets up and maintains an orderly bookkeeping procedure so chapter leaders may, at any time, obtain up-to-date information on chapter's financial status. Two, as the financial advisor to chapter leaders and the board of directors, assists in budget preparation, financial forecasts, and short and long-range budgetary planning.

You and other chapter leaders should soon be conducting a goal setting meeting, attended by all officers and major committee chairpersons. Start planning now for this event.

1. Carefully study the contents of this Guide, making note of those items on which you will want more information or have a question to ask.
2. Consult with the President, Vice President, and Secretary to ensure your participation in early goal-setting meetings. Recommend that budget planning be considered an integral part of early goal setting.
3. Review present accounting and financial record keeping procedures, and consider what improvements can be made.
4. Arrange an orderly turn over of accounts, records, and funds from your predecessor.
5. Start formulating plans for a system of budgetary control, which provides guidance and allows freedom of expenditures to a certain limit, but requires special approval beyond those limits.

This **Treasurer's Guide** serves as an instruction manual covering various details of the treasurer's function.

There is reference to several forms in this guide, which are provided by the Internal Revenue Service. All of these forms can be downloaded from the following website. <http://www.irs.gov/formspubs/index.html>. However, we have included samples of the most commonly requested forms at the end of the manual. Additional copies are available from NMA Headquarters, if you do not have access to a computer.

If your duties also include reporting membership information, your chapter Secretary has received a Secretary's Guide which outlines membership renewal procedures in greater detail and provides various helpful suggestions for you and other chapter leaders involved in administration of chapter affairs. The membership forms may be downloaded from NMA website at: <http://nma1.us/forms>

Your Attitude is the Key

Going in, what should be your attitude—your concept of the position of chapter treasurer? Ask any NMA chapter treasurer for advice, and you're likely to hear something like this ... "Be a tightwad, but not a miser. The idea is NOT to save a lot of money for next year. You're supposed to spend wisely and carefully, keeping within budgets. But you spend it to give the members the best possible program this year!"

KEEP PURPOSE WELL IN MIND

Naturally, your plans will provide for contingency funds, for a minimum balance of operating capital and all other fiscal safeguards needed to keep an organization solvent. But the chapter, you soon realize, is NOT a branch of a savings association. Its primary purpose is to dispense funds, NOT build up an impressive reserve. It is the leader's responsibility to dispense the funds in a manner to help members achieve professional advancement and personal growth.

So your responsibility as treasurer is to see that NMA members get their money's worth. You should be as hard-nosed as most fiscal officers are because you are firmly in charge of finances. You keep your colleagues in budgetary line, and you keep records—solid, complete, and detailed.

BOW OUT TO APPLAUSE

Do these things and you will grow with your responsibilities. At the end of your term as treasurer you will be able to bow out with the assurance of having done your excellent best, and with having contributed effectively to the continued stability of the NMA chapter.

YOU MOVE IN

As the chapter's new treasurer, there are six first steps to take.

1. **A MEETING WITH THE OUTGOING TREASURER.** This is not a casual discussion over the phone or an offhand contact after another meeting. Insist, pleasantly but firmly, that you need to spend some time together convenient to you both.

Go over the books together studying procedures and asking questions about any item you don't understand. Make sure those books are audited. If this hasn't been done, make it your first order of business.

Develop goodwill. There will be many times during your term in office when the past treasurer's experience can be of immediate help to you.

2. **TAKE OVER THE CHAPTER'S BANK ACCOUNT** and have the signature card changed. Find out how many checks are normally issued during the year, and order new ones if needed.

- 3. STUDY THE CURRENT BOOKKEEPING PROCEDURES** and decide if you want to continue these practices, or whether a new or adapted system is indicated.

You won't want to make any snap judgments on this important point, so the more advance study of the books you can arrange the better.

- 4. ARRANGE A SURETY BOND** for all those who handle chapter funds. Don't put this off. It's a necessary protection for the organization, and for you. (Surety Bond definition – An agreement by an insurance or bonding company to be responsible for certain possible defaults, debts or obligations contracted for by an insured party; in essence, a policy insuring one's personal and/or financial integrity.)
- 5. ACCEPT AND DOUBLE-CHECK THE INVENTORY** of chapter property. Such things as banners, projectors and public address systems can get lost or permanently "borrowed" if you fail to follow through. They represent assets and you are the person in charge of it.
- 6. START MAKING YOUR PROJECT PLANS** for the year. You'll be expected to come up with periodic financial reports to the general membership and to officers and the board.

Now's the time to plan to collect the input from various sources that will keep you on top of the job, such as past practices on meal prices, speaker fees, meeting room charges, guest fees, officer travel, etc.

You're Year as Treasurer

CHECK AND DOUBLE-CHECK

With preliminaries out of the way, you settle in, using the old or new bookkeeping system, writing checks to pay bills, and arranging for the collection of dues.

You'll be working with officers and committees, making sure that the budgets are both realistic and are followed.

YOU BLOW THE WHISTLE

At the end of each month you'll note the financial condition of the chapter, not only comparing it to the situation at this time in other years, but also how will the future financial condition be in view of the current plans.

GET IT IN WRITING

If yours is a large chapter, it will help you to keep a documentary week-by-week account of chapter activities as they affect the finances. Insist on prompt detailed reports from officers and committees. Make sure you get these reports in writing. Leave nothing to anybody's memory, including your own.

This way as you prepare your periodic reports and your year-end Treasurer's Report, all the information will be there, ready for your use. You will never have to guess, alibi or apologize.

HISTORY AND LEARNING CURVES

Certainly, this practice will involve the recording of mistakes. They can be justifiable and entirely blameless, but if they're on the record, they don't have to be repeated. A written history helps everybody's learning curve. Because these problems become known, you will be able to make well-documented suggestions and recommendations.

Now what's the best way for you to make your regular reports to the membership?

THREE "BE"s" OF REPORTING

The general membership of most NMA chapters could care less about the dollar-and-cents specific situation. What they want to know: Do we have enough money to do the job?

Some treasurers have used ingenuity in making their reports as painless and as short as possible. They have emulated the successful speaker's formula: Be bright. Be brief. Be seated. One treasurer responded simply by lifting a sign at his place at the dinner table. It read: "We're O.K. See the chapter newsletter for details."

Many treasurers have found the chapter newsletter to be an excellent medium in which to present a pithy, factual report. They don't take up meeting time at all. Whatever means you chose to get the message to the membership, don't ever feel that by becoming treasurer, you have been given a license to bore.

KEEP THE INTEREST RICH

Keep this also in mind as you prepare each of your reports to chapter officers and the board. They are very much interested in what you have to say, but they, too, appreciate a brisk approach.

In these special presentations, make use of graphs, pie charts and other visual aids. Be prepared to answer questions about any aspect of the report. Be sure to field the challenges with unruffled good humor. You are there to demonstrate your command of facts about the chapter's finances. Your image of effectiveness will be reinforced by your courtesy and in-depth information.

DO THIS – FOR SURE

There is one routine, but vital, report you will be making to Uncle Sam. This involves filling out the Tax Form #990 or #990EZ. It's needed each year to continue the chapter's tax exempt status.

- **If you want to be certain you have the most up-to-date Forms, go to <http://www.irs.gov/formspubs/index.html> and search for the Form you need.**

DUES FROM YOU TO NMA

Another report is prepared in conjunction with the chapter secretary. You will be responsible for sending member dues to NMA headquarters. In addition, for new members who have never previously belonged to an NMA chapter, there is a one-time registration fee. You should consult with the secretary for details on half-year dues. (The Secretary's Guide outlines this information.)

PAYROLL DEDUCTIONS CAN HELP YOU

Chapters which collect dues through company payroll deductions are permitted to pay their members' dues to NMA on the same schedule as payments are received through the company. If your chapter does not now use the payroll deduction system, you should consider these benefits in making a change:

- Less administrative detail for chapter leaders.
- Less company time spent by boosters and others in repeated member contacts.
- Better stabilization of membership, it's simpler for the member to stay in than drop out.
- More productive annual membership drives. Can concentrate on recruiting new members.
- More stable income evenly distributed throughout the year.
- Better budget planning due to greater certainty of income.
- Fewer confrontations with the question. "What do we get for our money?"

A FEW WORDS ABOUT PAYROLL DEDUCTION AND DUES

NOTE: Companies differ with regard to payroll deduction policies. If you choose payroll deduction, see if you can include a phrase similar to the one below on the authorization form. By including this, you might not have to go through the process of having members sign a new deduction authorization form should the chapter dues change.

"I agree to the deduction of chapter dues in ____ (weekly, bi-weekly, monthly) installments equal to the appropriate fraction thereof as related to the chapter's dues as set by the chapter board of directors."

DUES AND YOUR BYLAWS

At one point or another, most chapters have to raise their dues to keep up with inflation, if nothing else. In years past, many chapters had to get approval of the membership in order to raise dues. Over time, chapter leaders realized the inherent difficulty of that approach... it's like asking people if they'd like more taxes. So, we encourage new chapters to include... and existing chapters to amend their Bylaws to include a statement similar to:

"Annual membership dues and registration fee will be as determined by the board of directors. The fiscal year shall begin the first day of (insert month)."

LEADERSHIP TRAINING

Become acquainted with the 5-step chapter leader-training program, conducted by chapter leaders during the period (usually 60 days) between election and installment. Be prepared to provide historical data on cost of meals, meeting rooms, fees, and similar information needed by officers and others in tying cost estimates to proposed objectives and goals.

Tips to the Treasurer

The process of properly recording business transactions is essential to the ultimate success of the NMA chapter. Direction of business operations must be based on knowledge of facts with which to make sound decisions. It is only through an adequate budgeting and accounting system that the essential facts are made available.

The outline that follows is a typical bookkeeping procedure. It is designed primarily to aid the treasurer of the small to medium size chapter to properly maintain essential economic facts of chapter operations.

In establishing a chart of accounts, the treasurer should include all items that make up the operating budget. Additions to this list should only be made when absolutely necessary, as any great expansion will tend to confuse rather than be of any benefit.

The budget, prepared in advance of the fiscal year, is an estimate of future financial operations. The bookkeeping is a historical recording of the chapter's financial operations. Therefore, the budget and bookkeeping systems should be so structured as to be compatible.

The chart presented here provides most of the accounts required for proper keeping of the records and development of reports the treasurer will make.

Accounts Required for Proper Bookkeeping Records for an NMA Chapter

RECEIPTS

1. Membership (Less NMA Memberships paid to National)
2. Registration Fees (Less NMA Registration Fees paid to National)
3. Dinners and Luncheons
4. Company Contributions
5. Other Income

DISBURSEMENTS

1. Printing and Postage
2. Offices Supplies
3. Telephone
4. Legal and Auditing
5. Memberships (Chamber of Commerce, etc.)
6. Gifts and Tips
7. Chapter Elections
8. Chapter Representatives
9. Miscellaneous
10. Professional Development
11. Research
12. NMA National Conference
13. NMA Leadership Development Conferences
14. Testimonial Plaques
15. Area / Council expenses
16. Program expenses
 - a. Rent
 - b. Speaker
 - c. Meals
 - d. Entertainment
 - e. Tips and Gratuities
 - f. Other Program Expenses

Some form of ledger should be maintained to record receipts and disbursements.

After the Months transactions have been recorded, the totals from the receipts and disbursements ledgers are transferred to the monthly financial statement.

THE XYZ CHAPTER Statement of Financial Condition As of August 31, XXXX			
Cash in Bank August 1			\$200.00
RECEIPTS:			
Membership Dues	\$353.00		
Less NMA Dues @ \$35 paid to National		\$70.00	\$283.00
Registration Fees	\$35.00		
Less NMA Registration Fees paid to National		\$20.00	\$15.00
Dinners and Luncheons			\$75.00
Company Contributions			\$100.00
Other Receipts			\$5.00
TOTAL RECEIPTS AND CASH IN BANK			\$678.00
DISBURSEMENTS:			
Printing and Postage		\$ 5.00	
Office Supplies		\$2.00	
Telephone		\$5.00	
Miscellaneous		\$2.00	
Research		\$2.00	
Testimonial Plaques		\$50.00	
Programs:			
Rent	\$50.00		
Speaker	\$100.00		
Meals	\$90.00		
Entertainment	.00		
Tips and Gratuities	\$10.00		
Other Program Expenses	.00		
Total Program Expenses		\$250.00	
TOTAL DISBURSEMENTS			\$316.00
TOTAL CASH IN BANK AUGUST 31			\$362.00

Year-to-date totals may be compiled by adding the totals of all the months together.

BANKING AND CHECKING ACCOUNT

Checks should be printed with the chapter's name and address and serially numbered. All checks should require signatures of two officers. Any voided or spoiled checks should be saved.

Deposits should be made at frequent intervals. Deposit slips should be saved to compare with the total cash receipts recorded.

The bank statement should be verified soon after the cancelled checks are received from the bank each month. It is a good idea to have the audit committee perform this function as a part of their monthly duties.

CAPITAL EQUIPMENT AND RESERVES

Many chapters may own computers or other equipment, or have a cash reserve set aside. It is a good idea to have an equipment ledger or reserve ledger to account for these items. If a disbursement is made from the operating fund to cover such an item, it should be entered into the disbursement ledger and listed on the financial statement.

Taxes and the NMA Chapter

SOME FREQUENTLY ASKED QUESTIONS

The following information has been compiled as an aid to affiliated chapters in planning operating budgets and to provide assistance in compliance with state and local tax issues.

IMPORTANT NOTICE

The information contained in this publication consists of a combination of references to public documents, legal opinions, and a case study. It is provided for guidance only and each NMA chapter is encouraged to seek more detailed information concerning specific state statutes or questions from the appropriate state agency or the Internal Revenue Service if the question concerns federal taxation issues. Additionally, each chapter is encouraged to seek legal counsel to accurately deal with specific interpretations and application of the law. A wealth of information can be found at www.irs.gov and/or your state revenue service website.

What is the specific IRS Tax Exemption Code for NMA?

The NMA was assigned the 501(c) 6 tax exemption status in 1956 shortly after the name of the Association was changed from the National Association of Foremen to the present National Management Association.

If the NMA has a 501(c) 6 designation, does that mean that each affiliated chapter has a 501(c) 6 designation?

Yes, as a matter of fact, the local chapters of the NMA can not be granted any other form of federal tax exemption since the law directs that the Federal Tax Code designation of the parent organization automatically establishes the Federal Tax Code designation of any affiliated body.

What do we need to know to ensure compliance with the Federal Tax Code concerning federal tax exemption?

Once a group determination letter is issued (assigning a federal tax code to an association), the parent organization acts as an agent of the IRS in determining whether each affiliate meets the requirements (under the organizational and operations tests) to be exempt. The following are the principle requirements for an organization to become affiliated under a group determination letter:

- Each subordinate organization must authorize (in writing) the parent organization to include it in the group exemption letter.
- Each subordinate organization must have an organizing document covering the nature and purpose of the organization.
- Each subordinate organization must agree to be subject to the general supervision or control by the parent organization.
- Each subordinate should be in the same fiscal year as the parent organization; not “must” but “should”. It’s only required if a chapter and “a central organization” are doing a group tax return.
- Recognition by each subordinate that any prior tax exempt determination letter issued to it by the IRS is superseded by being included within the group determination letter.

What is the procedure of the NMA with the IRS concerning tax exemption ruling?

In compliance with the regulations governing the federal tax exemption ruling of February 29, 1945, the National Management Association files an annual information return form 990 on or before April 15.

In addition, the Internal Revenue Service Center, Cincinnati, Ohio 45999, is furnished by NMA, names and addresses of all new affiliated chapters and those which have disaffiliated 90 days prior to fiscal year end.

What is the requirement of an NMA chapter?

In order to conform with the regulations governing tax exemption, each NMA chapter must annually file information Form 990 with the Internal Revenue Service and MUST BE FILED on or before the fifteenth day of the fifth month after your fiscal year date. **Our group exemption number #0792** should be entered on page 1 of Form 990. From form 990-EZ – Section K – If the organization is not a section 509(a)(3) supporting organization a return is now required. Must now file new form 990-N, Electronic (e-postcard notice) for tax exempt Organizations.

What information is required when filing Form 990?

Form 990 requires an employer's identification number. If a chapter does not have a number, application to secure one should be made with the Internal Revenue Department by filing IRS Form SS-4. (included in Appendix).

The following are some general information guidelines for completing Form 990:

- Date of exemption letter - February 28, 1945
- Exemption code is 501(c) 6
- Item 1-17 should be completed according to the activity and status of the chapter.

If my chapter is audited by the IRS, is there anything special that the chapter should do?

The easiest answer to this question is to comply fully with the conditions and requirements of the audit. Generally the best advice is to ensure that all pertinent records (constitution, current budget, checkbook, etc.) are available for easy access. Additionally although such audits are often conducted in an informal way, it is important to remember that the auditor will be keeping detailed records of all information which in their judgment relate to the operation and conduct of the chapter.

There have been only a few cases of NMA chapters being audited. Should your chapter be audited, information and assistance can be obtained from the NMA headquarters. Additionally, to help other chapters benefit from the preparation, outcome and lessons learned from your audit experience, all information concerning the audit should be reported to NMA headquarters.

Since the NMA is a 501(c) 6 tax exempt organization, that must mean that a chapter is also exempt from state sales or income tax, is that correct?

The answer is NO. Each state has different rules concerning both state income and sales tax treatments. Questions concerning individual state laws and policies should be directed to the state government offices. Additionally, appropriate counsel should be consulted as necessary since the tax laws, codes and procedures can be quite complex and change frequently. For illustration purposes only, consider the situation in the State of Texas concerning exemption from state sales tax. Texas has no state income tax.

The State of Texas grants exemption from state sales tax only in the case of 501(c) 3 organizations. Remember that the NMA is a 501(c) 6 organization and ALL AFFILIATED CHAPTERS are considered to be 501(c) 6 organizations in accordance with the method applied by the IRS for affiliation as discussed earlier. Therefore in the state of Texas, an NMA chapter is NOT exempt from state sales tax.

Clearly, this situation will be different in other states. The local chapter should research the law governing exemption from state sales tax and/or state income tax. Plan accordingly to avoid being held potentially liable for all back taxes.

WHAT IF I HAVE ADDITIONAL QUESTIONS?

This publication has been prepared to assist NMA affiliated chapters to better understand the subject of Federal, State, and Local taxes. Its sole purpose is to provide a service to the NMA chapters in planning operating budgets and with compliance with applicable laws and other governance.

For additional information, you can contact the Internal Revenue Service for the following publications:

- Publication 557 - Tax-exempt Status for Your Organization
- Publication 598 - Tax on Unrelated Business Income of Exempt Organizations
- Visit the official website of the United States government at <http://www.us.gov> or go directly to the Internal Revenue Services website <http://www.irs.gov> or directly to the forms area <http://www.irs.gov/formspubs/index.html> and search for the Form you need.

A Word about Filing Taxes

This is to acquaint you with the requirements of filing the annual tax information form 990, as outlined by the IRS ruling of February 28, 1945, in accordance with the provision of section 101 (7) of the 1939 code, and again verified on December 14, 1956 under section 501(C) (6) of the 1954 code.

PROCEDURE OF NMA WITH IRS ON TAX EXEMPTION RULING

In compliance with the regulations governing the U.S. Department's tax exemption ruling of February 28, 1945, NMA files an annual information return form 990 on or before April 15.

In addition, the Bureau of Internal Revenue, Service Center, Cincinnati, Ohio 45999, is furnished by NMA, names and addresses of all new affiliated chapters and those which have disaffiliated on or before February 15. (See following IRS letter on required information. Page 14)

REQUIREMENT OF NMA CHAPTER

In order to conform to the regulations governing tax exemption, each NMA chapter must annually file information form 990 with the Collector of Internal Revenue office and MUST BE FILED on or before the fifteenth day of the fifth month after your fiscal year date. When filing this return with the district Collector of Internal Revenue, it is advisable to attach a note stating they are a part of the blanket exemption #0792 as an affiliate of The National Management Association, Dayton, Ohio.

INFORMATION REQUIRED IN FILING FORM 990

Form 990 requires an employer's identification number. If a chapter does not have a number, application to secure one should be made with the Internal Revenue Department by filing IRS Form SS-4.

The following are some general information guides for completing form 990.

- Date of exemption letter-February 28, 1945
- Exemption code is 501(C) 6
- Items 1 through 17 should be completed according to the activity and status of the chapter
- Item 18 - Principal activity-Educational
- Item 19 - Self-explanatory
- Item 20 - Not applicable

The Internal Revenue Department is very strict on their regulations governing the disposition of funds for political purposes. Item 81 questions this area. Answer accordingly bearing in mind that the NMA Constitution provides that this association shall be non-political.

Page Two contains the accounting of income, dues, contributions, etc., and disposition of income. The return should be completed where applicable according to the books and records of the chapter.

If there is any difficulty in completing this accounting portion, it may be well to check with the accounting department of your company.

INFORMATION RE: MEMBERSHIP DUES AS A FEDERAL INCOME TAX DEDUCTION

During the year, many chapter officers call the NMA Headquarters for clarification on the question. "May Chapter dues paid by affiliated members of NMA, be taken as a deduction on their personal return?"

As of 1994 dues are no longer deductible as a business or personal expense.

BACKGROUND ON IRS TAX EXEMPTION RULING

As a result of information submitted by NMA to the Internal Revenue Department, a ruling on the tax status of the Association and its affiliated chapters was secured in February 1945. The following pages are reproductions of this correspondence.

Internal Revenue Service

Department of the Treasury

Internal Revenue
Service Center

Central Region
Covington, Kentucky

P. O. Box 552, Covington, Kentucky 41012

File →
The National Management Association
Attn: Peter L. Thompson,
Director of Operations
2210 Arbor Boulevard
Dayton, Ohio 45439

Person to Contact:
Thelma Campbell

Telephone Number:
513-684-1603

Refer Reply to:
Entity Control (14)

Date:

SEP 17 1979

Dear Mr. Thompson:

Thank you for sending the annual supplemental information concerning your subordinate organizations.

Based on the information you submitted, our records have been changed to reflect any additions, deletions, and name and/or address changes to the roster of subordinates included in your group exemption letter.

If your group exemption letter recognizes the exemption of your subordinates included under Section 501(c)(3) of the Code, any new subordinates included have been classified on our records as organizations that are not private foundations as defined in Section 509(a) of the Code, based on the notification you submitted.

Within 45 days after the close of your next annual accounting period, please send the following to the Cincinnati Service Center, P. O. Box 552, Covington, KY 45999, Attention: Entity Control Unit.

1. A statement describing any changes during the year in the purpose, character, or method of operation of your subordinates.
2. Lists of the names, mailing addresses — including Postal ZIP Codes, and Employer Identification Numbers of subordinates that during the year:
 - a. changed names and/or addresses;
 - b. were deleted from your roster;
 - c. were added to the roster.

-2-

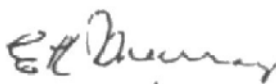
The National Management Association

3. For subordinates to be added, attach:
 - a. a statement indicating that your status has not changed from that shown on the group exemption letter that you received;
 - b. a statement that each has given you written authorization to add its name to the roster;
 - c. a list of those to which the Service previously issued exemption rulings or determination letters; and
 - d. if your subordinates are recognized as exempt under Section 501(c)(3) of the Code, a statement that none of the subordinates are private foundations as defined in Section 509(a) of the Code.
4. If applicable, a statement that your group exemption roster did not change during the year.

If you have any questions concerning employment taxes or other provisions relating to exempt organizations, you should contact your District Director.

Thank you for your cooperation.

Sincerely yours,



E. K. Murray
Chief, Input Perfection Branch



U. S. TREASURY DEPARTMENT
WASHINGTON 25

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
WASHINGTON 25, D. C.

COPY

February 28, 1945

:T:P:T:1 The National Management Association
MAP 333 W. First Street Dayton 2, Ohio
(Change of name recorded with I.R.S.)

— Formerly —
The National Association of Foremen
11 West Monument Building
Dayton 2, Ohio

Gentlemen:

Reference is made to the evidence submitted for use in determining your status and that of the affiliated clubs under your jurisdiction for Federal income tax purposes.

Based upon the evidence presented, it is held that you and your affiliated clubs appearing on the list dated February 1, 1945, submitted by your secretary are entitled to exemption from Federal income tax under the provisions of section 101 (7) of the Internal Revenue Code and corresponding provisions of prior revenue acts.

Accordingly, you and your affiliated clubs appearing on the list submitted will not be required to file income tax returns unless there is a change in the character purposes or method of operations of your organization or of your affiliated clubs. Any such changes should be reported immediately to this bureau in order that their effect upon your exempt status and that of the affiliated clubs under your jurisdiction may be determined.

You should furnish the Bureau annually, on the calendar year basis, a list in quadruplicate showing only the names and addresses of any new affiliated clubs and the names and addresses of any affiliated clubs which for any reason have ceased to exist. Such annual list should be accompanied by a statement sworn to by one of your principal officers as to whether the information, heretofore submitted by you and on which this ruling is based is applicable in all respects to the affiliated clubs appearing on the list and should be forwarded so as to reach this office not later than February 15 of the following year.

Since any organization which is exempt from Federal income tax under the provisions of section 101 of the Internal Revenue Code also is exempt from the capital stock tax pursuant to the express provisions of section 1201 (a) (1) of the Internal Revenue Code, you and your affiliated clubs appearing on the list submitted will not be required to file capital stock tax returns for future years so long as the exemption from income tax is effective.

However, under section S4 (f), as added to the Internal Revenue Code by section 117 of the Revenue Act of 1943, you and your affiliated clubs are required to file annually information returns on Form 990 (revised May 1944) with the Collector of Internal Revenue for the respective districts in which located so long as the exemption remains in effect. This form may be obtained from the collector and is required to be filed on or before the fifteenth day of the fifth month following the close of the respective annual accounting periods.

The collector of Internal Revenue for the districts in which you and your affiliated clubs are located are being advised on this action.

By direction of the Commissioner — Very truly yours,
(signed) Norman D. Cann
Deputy Commissioner

TREASURER'S GUIDE

Additional information on 1954 Tax Ruling by I.R.S.

In October 1954, the association's counselor Mr. Jeffrey requested a ruling of the I.R.S. Department on the tax status of the association's liability as imposed by section

4241 of the revised Internal Revenue Code of 1954. In answer to the request and the information furnished therein, the association received the following, which is an exact copy of the reply, with the exception of changes in the rates of dues and fees.



U. S. TREASURY DEPARTMENT WASHINGTON 25

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
WASHINGTON 25, D. C.

AND REFER TO

T:R:ExA
SC

Mr. Harry P. Jeffrey
512-20 Harries Building
Dayton 2, Ohio

DEC 14 1956

Dear Mr. Jeffrey:

This is in reply to your letter of October 2, 1956, requesting a ruling whether your client, The National Management Association, (formerly The National Association of Foremen) 321 West First Street, Dayton, Ohio, is liable for collection of the dues tax imposed by section 4241 of the Internal Revenue Code of 1954, in connection with dues and membership fees paid to the association by its local chapters. You also request to be advised whether the dues and membership fees paid by individuals to the local chapters are subject to the tax imposed by the above-mentioned section of the Code

The evidence indicated that The National Management Association is a non-profit corporation organized and existing under the laws of the State of Ohio, with its principal office located in Dayton, Ohio. The association's name was changed as indicated above by amendment to its articles of incorporation filed with the Secretary of the State of Ohio

The objectives of the association are (1) to improve the quality of foremanship and promote unity in management by education and association through the medium of the affiliated club, and (2) to raise the standards and promote the appreciation of management as a profession. The association is governed by a Board of Directors elected by the clubs or local chapters of which there are approximately three hundred and sixty located throughout the country with a membership of about seventy thousand members. Basically the clubs or local chapters are self-governed, and are free to direct their own activities within the limits outlined within the Code of Regulations. However, the national organization imposes one requirement which all local chapters must meet, namely, that 75 percent of the program of each local chapter must be devoted to the aims and purposed of the association as stated above. Approximately 55 percent of the members are foremen or supervisors in direct contact with production workers, and the balance of the membership is made up from higher levels of management.

There are four classes of memberships in the association, namely, club, individual, investment or sustaining, and area council memberships. All clubs or local chapters are eligible to membership affiliation in the association provided that their objectives conform to those of the association, that 75 percent of the club's program is of an educational nature, and that the financial structure and the officers of the club meet the approval of the Board of Directors of the association.

2 - Mr. Harry P. Jeffrey

Upon making application for affiliation in the association, each club must furnish a copy of its constitution and bylaws, and a charter fee of \$25.00. In addition to the charter fee, dues of \$4.00 per year for each and every member of the clubs are paid to the association. Club affiliates of the association are entitled to one delegate for each fifty members or fraction thereof in good standing on the rolls of the association, and each such delegate is entitled to one vote. Regular individual members are those persons employed in a supervisory capacity to whom the services of a club affiliate of the association are not available. Annual dues of regular individual members are \$5.00. Individual members or investment or sustaining members are not eligible to vote in the affairs of the association. There are seven standing committees of the association, namely, Club Service and Education, Ways and Means, Membership, Public Relations, Activities and Awards, Publications, and Scholarship. The national organization publishes a monthly magazine known as *Manage* which is mailed to each member, the cost of which is covered by the annual dues. The annual meeting of the association for the transaction of business and the election of directors takes place at such time and place as may be determined by the Board of Directors.

You state the national organization promotes no social activities for its members. The association furnished speakers to the clubs, a training program for club officers, considerable literature dealing with the subject of supervision and a library service. With respect to the clubs or local chapters, you state the programs within each club vary to some degree but that such programs are educational in character and are devoted to the purpose of enabling members to better themselves in the ranks of management. You state also that many of the clubs or local chapters have one social meeting during the year, but that this is not true in all cases.

Our records indicate that on February 28, 1945, exemption from payment of income tax was granted the association under the name of National Association of Foremen, in accordance with the provisions of section 101 (7) of the 1939 Code, now section 501 (c) (6) of the 1954 Code, and that such exemption extended to the various local chapters, numbering one hundred and six at that time.

After careful consideration of the information and data submitted, we have concluded that The National Management Association does not qualify as a social club within the meaning of section 4241 of the Code and that the dues paid to it by its local chapters are not subject to the tax imposed by that section. With respect to the clubs or local chapters, it appears from the evidence submitted that the social activities are not a material part of the predominate educational activities of such clubs, but are subordinate and merely incidental thereto. Accordingly, such clubs or local chapters do not qualify as social clubs within the meaning of section 4241 of the Code and, therefore, any dues paid by the members thereof are not subject to the tax imposed by that section. If at any time, however, any major changes are made in the mode of operation and activities of the various clubs or local chapters, such facts should be reported for a further ruling in the matter.

Very truly yours,

R. J. Bopp
Chief, Excise Tax Branch

The Role of an NMA Chapter Treasurer

SOME FREQUENTLY ASKED QUESTIONS

Naturally, as a new treasurer, you have questions. Here are answers solidly based on the experiences of hundreds of NMA chapters.

Going into the job of treasurer, what's the first thing I should know?

Get with the outgoing treasurer, in a series of as many meetings as you need, to get thoroughly acquainted with past practices. You'll want to know what actions are pending, what project isn't completed, and probably won't be by the time you take over. And above all, make sure there's an audit for the protection of both parties. Offer your assistance in handling the details. It could be the best way for you to learn the procedures, and be able to assume control smoothly.

Do I have to run the books just the way they've always been handled?

No. You should use whatever system makes sense to you that are accurate and orderly. But if the system you inherit seems adequate, think more than twice about changing it. It will mean less work for you if you hold changes to a minimum. Consider this. You have the opportunity to make your position of treasurer much more than that of a bookkeeper.

I do sign the checks, don't I?

Yes, but you do a lot more than that. You're a member of the chapter's executive team. You are a planner. You present a budget, get it approved and follow through by making sure that everybody stays within his budget. You're the person who blows the whistle if anybody gets out of bounds. What kind of treasurer you are will depend on your appreciation of the opportunity. If you see yourself only as an after-the-fact recorder of the fiscal history, than a bookkeeper is what you'll be. But if you sell yourself to the other officers as their No. 1 financial adviser, you can make a strong contribution to the chapter's stability and success.

What kind of situations could come up that would cause me to blow the whistle on somebody?

Let me caution you that, many times, the only people who need to HEAR your whistle are you and the person who is in trouble. Use tact, and don't grandstand. You offer to help. Don't pull the rug out from under him/her, unless he/she won't listen to reason. If it reaches that stage, it's a problem for the president to resolve.

Okay, I'll be tactful. But what sort of things should I be looking for?

Look for budgets that get spent too fast. Program people sometimes have trouble like this. They want a particular speaker and they may blow 80% of their total budget on one meeting. An inexperienced program chairman might be a frustrated Zeigfeld, and he/she can get carried away on show biz while he/she ignores the cold cash realities. That's where you come in, offering to help with money matters. If you've done your homework, you've studied the programming expenses of other years, and you can generally help your committee leaders stay in the black.

You mean, like suggesting a change in dinner menus, or restaurants? Things like that?

You should certainly examine food costs with the idea of achieving savings. But there are bigger savings to be made in the area of the chapter's guarantee to the hotel or caterer for the number of dinners you'll pay for. We know of one chapter that lost hundreds of dollars in one season, because there was not enough study made of the "no show" factor. The inexperienced program leader was given no guidance in the matter; and kept assuming that if 100 reservations came in, 100 people would show up for dinner. He/She painfully learned a classic definition of a pessimist: A person who has had an optimist for a partner. In this instance, the treasurer should have entered into the situation and helped solve it.

So I keep in touch with every chapter activity that involves money coming in or money going out?

You are correct. You have to bring realistic judgment to bear on such things as the expected income or budget for every project. If general business conditions or company shifts of policy seem likely to cause a rise or drop in membership, you should be on top of the situation. You point out possibilities, and you offer plans to meet the problems. And speaking of income, sometimes a source of funds can become unexpectedly costly. One chapter was very happy to receive the income from in-plant vending machines...until the Internal Revenue Service declared several years' income from this source was taxable. So look at each source carefully, and get good legal counsel on the least costly procedures in the acquisition of funds.

How do most NMA chapters get their money?

In many ways, but the two main sources are the members and the company—from member dues and registration fees for new members. Often there is a lump sum payment from the company, or the company pays a fixed dollar amount per member, or a fixed percentage of members' dues. Companies may also support specific items, such as: percentage of meal costs; meeting costs, including speakers' fees; cost of specified meetings (i.e., Christmas meeting, Top Management Night, etc.). Also company-supported activities can be: J.A. and scholarship contributions; professional development courses; dinners for new members or guests. Some chapters also realize income from raffles, interest on savings and sales of special items.

Is Fundraising a normal part of my job as treasurer?

Not typically. NMA suggests that a chapter be wary of expending its members' energies on money-making projects, per se. (NOTE: All such activities should be cleared, in advance, with the Company.) As a treasurer, yours is a planning, coordinating, advising and communicating function. The stability of your chapter depends a great deal on your ability to arrange for its financial independence. We believe the most secure chapters are those whose income comes largely from its members. And here's where you have the opportunity to become your chapter's financial statesman. If you come to the informed conclusion that the future of your organization demands that dues be raised, make it happen. You'll be respected for the soundness of your point of view. Too many leaders have taken the easy way out: let next year's officers handle the problem.

Respected, but not necessarily loved. Right? Sounds like I might not win many elections.

Surprisingly enough, you just might. People admire courage. And you normally don't have the opportunity to run for a second term as treasurer, anyway. But other positions are certainly open to a forthright, lay-it-on-the-line officer who puts the good of the chapter ahead of his/her own popularity. You'll be both visible and effective - two big advantages for any office holder.

All right, you've told me about the opportunities. Now what about the pitfalls I should look for?

The greatest danger you face, as treasurer, is a lack of communication between you and the other officers and chairpersons. Learn to be a good listener—and take notes—Lots of them. After any kind of chapter business discussion directly or indirectly related to finances, fire off a memo covering the facts exchanged and the decisions agreed upon. Distribute an appropriate number of copies, because the more people who know what's going on, the less flack you'll take when the piper finally has to be paid. Keep your memos tactful and don't over-exercise your ego. The purpose of your communications is to advance chapter progress, not to show how bright you are. Nobody will doubt that, if you clearly keep operations on a steady course.

Look. Why all this emphasis on communication? I'm treasurer. I'm not the PR Department.

Aren't you? Think about it. Doesn't your position as treasurer require you to get communication from all activities, and to give communication to all concerned about the chapter's finances because they determine the survival of the organization? To do your job well, you must discover and collect the facts, then distribute the information. Something the NMA strongly recommends to you is to keep a running score on all projects, so that at any time you are able to state the current situation and spot any developing dangers. Toward the end of your term in office, you should analyze the fiscal aspect of each chapter activity and put down your judgment of hits, runs, and errors. You might find this question-and-answer format a handy way to put your experience into human terms that can be useful to your successor and to the chapter in years to come. Congratulations, again! We cheerfully predict this will be a great year for your personal growth, your understanding, and your career.

Thank you. One last question. What about the Internal Revenue Service Form 990? When do I have to get it in, to continue our chapter's non-profit status?

The rule is the fifteenth day of the fifth month after the end of your fiscal year. Check with the outgoing treasurer. Find out when it was sent last year and try to get it to the IRS district director on the same date or earlier. Mark your calendar. Also, it is helpful to insert reminders to yourself in the minutes of board meetings.

But however you do it, be sure to do it. If there's any problem about it at all, give us a call at NMA headquarters. We're here to help you.

BUDGET PRESENTATION WITH EXAMPLES:

A. Annual Membership Income:

This is based on estimated annual membership for the current year – Number of estimated members X annual membership dues.

B. Payroll Deduction Membership Income:

Number of members @ annual dues rate or number of members @ monthly dues rates times 12 months.

C. Registration Fee Income:

Project the number of new members that may join during the upcoming year times \$20 registration fee, or, if your fee differs from this @ your registration fee rate.

D. Dinners and Luncheon Income

Estimate the number of breakfasts, lunches, dinners or the functions that will be held at the cost of each times number of attendees plus % markup of the cost.

E. Company Contribution Income:

Either on a monthly basis times 12 or on an annual basis - put in this figure.

F. Other Income:

Raffles, donations, party or dance, interest from savings accounts, etc.

G. Expenses or Disbursements:

1. Coordination of all committees within the chapter i.e.:
 - a. Professional Development
 - b. Recognition
 - c. Financial, Audit and Taxes
 - d. Association Development
 - e. Free Enterprise/Community Service/Council

H. Prior to Development of Expense Budget:

1. Put various expenses in correct category.
2. Compare individual expenses and total expenses to income - to see where you stand and evaluate.
 - a. If expenses are too high in relation to income either individually by area or in a committee meeting, revise and cut expenses where applicable.
 - b. If income is too high in relation to expenses, repeat step "a" and evaluate where extra income could be used most effectively within the scope of the chapter purpose.

FINANCIAL REPORTING PRESENTATION TECHNIQUES:

A. Monthly

1. From the M-1A and M-1P reports or chapter reports derive this income and deduction and report on the income statement.
2. From the dinners etc. derive the income from the chapter/member @ \$ fee and put on income statement.
3. Add any company contributions during the month.
4. Any interest, raffles, etc. add this to the income statement.
5. Collect all expense receipts and paid invoices and categorize by accounts and total. Then put into proper classification.
6. Next go to the statement of financial condition.
 - a. Put in the beginning cash balances.
 - b. From the income statement show the income, expenses, and overall monthly net result. Add or deduct the net result from the beginning balances for ending financial condition.

B. Year to Date

1. Continuously keep the year to date figures in the extreme right columns of the month and year to date financial statement.
2. Each month compare the 1-month to date, 2-month to date, and 6-month to date figures to the projected annual budget to see where you stand at any given time.
 - a. Barring any special function that would impact or distort the percentages, 1½ of the annual expenses, and income 6 months to date would be ½ of annual expenses and income etc. Any distorting functions can and should be noted, purchasing an NMA course for a class of 25 in November - expenses would be higher than normal, 15 new members joined in January and paid dues at once. This would distort January income.
3. Note
 - a. At any time expenses are out of line to the percentage, explain the reason or find out why. Either from the committee chairperson or in the monthly meeting, report this finding so all will know the status, and agreement can be reached or corrective action taken to alleviate the problem or assure it won't happen again if the expense was out of order.

XYZ CHAPTER
PROJECTED INCOME STATEMENT
FOR YEAR ENDING JANUARY 1 THROUGH DECEMBER 31

INCOME:		
Annual Membership (50 x \$60.00) (# members @ annual membership dues)	\$3,000.00	
Payroll Deductions (200 @ \$5.00 x 12) (# members @ monthly membership dues)	12,000.00	
Less NMA Membership Dues (250 x 35.00) (# members @ NMA dues)	(8,750.00)	\$6,250.00
Registration Fees (25 x \$20.00)	500.00	
Less NMA Registration Fees (25 x \$20.00) (# new members @ \$20.00)	(\$ 500.00)	\$.00
Dinners and Luncheon Income		
Monthly Meetings (\$15.00 x 50 x 12)	\$9,000.00	
Awards (\$10.00 x 75 x 1)	750.00	
Workshop (\$5.00 x 25 x 4)	500.00	
Christmas Party (\$15.00 x 75 x 1)	1,125.00	
Total Dinners & Luncheon Income		\$11,375.00
Company Contribution Income \$12.00 x 250		3,000.00
Other Income (Specify)		<u>2,500.00</u>
TOTAL ANNUAL PROJECTED INCOME		\$23,125.00
OPERATING EXPENSES:		
Printing and Postage	\$250.00	
Office Supplies	75.00	
Telephone	175.00	
Miscellaneous	50.00	
Research	100.00	
Testimonial Plaques	150.00	
Programs:		
Rent	\$1,000.00	
Speakers - Local	2,500.00	
Meals \$15.50 each	11,600.00	
Entertainment	500.00	
Tips & Gratuities	450.00	
Other Program Expenses	5,000.00	
Total Program Expenses		\$21,050.00
TOTAL ANNUAL PROJECTED EXPENSES		<u>\$21,850.00</u>
INCOME OVER (UNDER) EXPENSES		<u>\$ 1,275.00</u>

XYZ CHAPTER
 PROJECTED STATEMENT OF FINANCIAL CONDITION
 FOR YEAR ENDING JANUARY 1 THROUGH DECEMBER 31

BEGINNING CASH BALANCES:		
Checking	\$ 2,500.00	
Savings	27,500.00	
Total Cash in Bank		<u>\$30,000.00</u>
Total Income from Projected Income Statement	\$17,725.00	
Total Expenses from Projected Income Statement	\$16,050.00	
Increase (Decrease) in Financial Condition		<u>\$ 1,675.00</u>
ENDING CASH BALANCE		<u>\$31,675.00</u>

XYZ CHAPTER
MONTHLY AND YEAR-TO-DATE FINANCIAL STATEMENT
FOR MONTH OF MARCH

			MONTHLY	YEAR TO-DATE
INCOME:				
Annual Membership (10 x \$60.00)		\$ 600.00		\$ 600.00
	<i>(# members @ annual membership dues)</i>			
Payroll Deductions (200 @ \$5.00 x 12)		1,000.00		3,000.00
	<i>(# members @ monthly membership dues)</i>			
Less NMA Membership		(934.00)	\$ 700.00	(3,000.00)
	<i>Dues (10 x \$35.00 & 200 x \$2.92)</i>			
	<i>(# members @ NMA dues)</i>			
Registration Fees (3 x \$20.00)		60.00		200.00
	<i>(# new members @ \$20.00)</i>			
Less NMA Registration Fees (3 x \$20.00)		(60.00)	.00	(200.00)
	<i>(# new members @ \$20.00)</i>			
Dinners and Luncheon Income				
	<i>Monthly Meetings (\$6.00 x 45)</i>	270.00		
	<i>Workshop (\$4.00 x 25)</i>	100.00		
Total Dinners & Luncheon Income			370.00	800.00
Company Contribution Income			500.00	750.00
Other Income (Specify)			825.00	825.00
	<i>Interest for quarter \$22,000 x 5% / 4 quarters</i>			
TOTAL INCOME			\$ 2,395.00	\$ 2,975.00
EXPENSES:				
Printing and Postage			\$ 50.00	\$ 125.00
Office Supplies			10.00	35.00
Telephone and Telegraph			15.00	50.00
Miscellaneous			5.00	10.00
Research			10.00	25.00
Testimonial Plaques			.00	40.00
Programs:				
	<i>Rent</i>	150.00		350.00
	<i>Speakers</i>	300.00		500.00
	<i>Meals</i>	200.00		600.00
	<i>Entertainment</i>	.00		75.00
	<i>Tips & Gratuities</i>	30.00		65.00
	<i>Other Program Expenses</i>	375.00		750.00
Total Program Expenses			\$ 1,055.00	
TOTAL EXPENSES			\$ 1,145.00	\$ 2,625.00
INCOME OVER (UNDER) EXPENSES			\$ 1,250.00	\$ 350.00

REVIEW

Using the attached income statement and statement of financial condition, calculate XYZ chapter's income and present financial condition for the month ending March 31, based on the following assumptions:

1. The chapter has 105 members
 - a. 5 annual pay members
 - b. 100 payroll deduction members
 - c. 2 new members joined during the month of March

2. The chapter's annual membership fee is \$60.00 per year and registration fee for new members is \$20.00.

3. The National NMA dues are \$35.00 per member and registration fee is \$20.00.

4. During the month the following meal functions were held:
 - a. Monthly meeting dinner at \$7.50 each and 50 members attended
 - b. An awards luncheon at \$10.00 each and 25 members attended

5. The company contributes 50% of the dues amount for each member who belongs to NMA over and above the \$60.00 per member dues fee; i.e., each member pays \$60.00 and the company donates \$25.00 per member to the local NMA chapter. The company makes this contribution monthly for members belonging as of March 31.

6. Since March 31 is the end of a quarter, interest income is received from the bank on the savings account in the amount of \$400.

7. The following expenses were incurred during March:

a. Printing & Postage	\$ 10.00
b. Office Supplies	5.00
c. Telephone	25.00
d. Miscellaneous	3.00
e. Research	20.00
f. Plaques	35.00
g. Programs	
1. Rent	100.00
2. Speakers	300.00
3. Meal cost \$6.00 per attendant at the monthly meeting attended by 50 members and \$7.50 per attendant at the awards luncheon for 25 members.	
4. Tips and Gratuities - 10% on meal charge to member, i.e., \$5.00.	

XYZ CHAPTER
MONTHLY FINANCIAL STATEMENT
 March 31

INCOME:

Annual Membership (# members @ annual membership dues)	\$ _____	
Payroll Deductions (# members @ monthly membership dues)	\$ _____	
Less NMA Membership Dues (# members @ NMA dues)	\$(_____)	\$ _____
Registration Fees (# new members @ \$20.00)	\$ _____	
Less NMA Registration Fees (# new members @ \$20.00)	\$ _____	\$ _____
Dinners and Luncheon Income _____	\$ _____	
_____	\$ _____	
Total Dinners & Luncheon Income		\$ _____
Company Contribution Income		\$ _____
Other Income (Specify)		\$ _____
TOTAL INCOME		\$ _____

OPERATING EXPENSES:

Printing and Postage	\$ _____	
Office Supplies	\$ _____	
Telephone and Telegraph	\$ _____	
Miscellaneous	\$ _____	
Research	\$ _____	
Testimonial Plaques		\$ _____
Programs:		
Rent	\$ _____	
Speakers	\$ _____	
Meals	\$ _____	
Entertainment	\$ _____	
Tips & Gratuities	\$ _____	
Other Program Expenses	\$ _____	
Total Program Expenses	\$ _____	
TOTAL EXPENSES		\$ _____
INCOME OVER (UNDER) EXPENSES		\$ _____