

## Finances

Many of today's associations are faced with the need to generate non-dues revenue or risk being unable to fund programs to meet their members' needs. This section highlights financial guidelines and fundraising strategies for your chapter to follow.

Adequate operating funds are essential in order to sponsor various member activities and programs. To achieve this, a chapter needs to have a working budget of all necessary expenses, balanced against the revenue earned through local dues and fundraising. You may find that additional funds are needed to support activities, events and travel to national meetings. This section focuses on ideas for acquiring non-dues revenue sources and securing sponsorship. Additional fundraising activities are highlighted in the "Activities" section of this handbook and in our Fundraising How-To Guide available online at [www.ASDAnet.org/leadership\\_toolbox.aspx](http://www.ASDAnet.org/leadership_toolbox.aspx).

### ***Opening a Bank Account***

If your chapter does not have a checking account, it is highly recommended that you open one. There are many expenses, such as membership dues, event costs and office supplies that will require the chapter to have access to funds.

When opening an account, you will have to complete the necessary paperwork. You may need to fill out a form that states that the chapter is a nonprofit organization, identifies the current officers and indicates who will be authorized to sign on the account. It is recommended that two signatures be required for a checking account. The signatures could be those of the first and second delegates, the first delegate and faculty advisor, or the first delegate and chapter treasurer.

### ***Direct Deposit***

Starting in Sept. for the 2012 membership year, ASDA will offer chapters the option to sign up for direct deposit for their local dues and incentive checks. This option provides convenience and immediate access to the funds for the chapter. It reduces paperwork and administration for the central office.

In order to participate, chapters must have an established bank account that doesn't change annually with the change of leadership. The account needs to be in the chapter's name, not an individual's name. Interested chapters must fill out an ACH Authorization Form, which can be provided by emailing Danielle Bauer at [Danielle@ASDAnet.org](mailto:Danielle@ASDAnet.org).

### ***Obtaining a Federal Tax ID Number***

To open a checking account, you may be required to supply a Federal Tax ID Number or Employer Identification Number (EIN). If you are unable to use your school's EIN, you can establish one for your chapter. Visit the IRS website at [www.irs.gov](http://www.irs.gov) to download an SS-4 form. See *Appendix K* for a sample SS-4 form completed for an ASDA chapter.

Once you have obtained an SS-4 form, call in your application to the IRS. An IRS customer service representative will review the form with you and then issue an EIN. Write the EIN

number on the completed SS-4 form and sign, date and mail it within five days to the IRS. Your EIN number confirmation will then be returned to you. This number will allow you to complete your application for a chapter checking account. Be sure to keep a copy of this document for your chapter's records and send one to the central office for file.

### ***Group Exemption***

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Filing for group exemption with ASDA is the easiest way for each chapter to obtain tax-exempt status from the federal government. ASDA chapters that have been granted a Group Tax Exemption by the Internal Revenue Service do not have to pay tax on income which is related to its tax exempt purpose. The general 'tax exempt' purpose of your chapter is to protect and advance the rights, interests and welfare of students pursuing careers in dentistry. Tax exemption does not mean your chapter is exempt from *all* federal income tax. Your chapter must still pay tax on profits from "unrelated business activities" such as advertising.

To initiate the process of filing for group exemption, an officer of each chapter should submit the following three completed forms, which are available on ASDA's website at [www.ASDAnet.org/finance\\_and\\_legal\\_issues.aspx](http://www.ASDAnet.org/finance_and_legal_issues.aspx).

#### **1. Chapter Affiliation Agreement**

This document outlines your chapter's relationship with ASDA and the chapter's right to use the ASDA name and logo. On the last page of this agreement, a chapter officer must sign the document. If you need a copy of your chapter's signed agreement, contact Danielle Bauer, chapter relations manager at [Danielle@ASDAnet.org](mailto:Danielle@ASDAnet.org).

#### **2. Consent to be included in Group Exemption letter**

A chapter officer must sign this form. If your chapter already has a Federal Employer Identification Number, please insert this number in the blank near the bottom of the form. To be included in the group exemption, all chapters must have the same fiscal year. Please note that ASDA has chosen the calendar year for the fiscal year.

#### **3. Form SS-4, Application for Employer Identification Number**

Include a copy of the completed form with your EIN on it, after the IRS has confirmed this number.

All signed documentation should be sent to Ruth Kerns, ASDA accounting manager, at the ASDA central office. Applications for chapter inclusion in the ASDA group tax exemption are submitted to the IRS annually in September. For any questions on this process, contact Ruth Kerns at [Ruth@ASDAnet.org](mailto:Ruth@ASDAnet.org) or (800) 621-8099, ext. 2841.

Once your chapter is part of the group exemption, it is not necessary to submit the three forms listed above again. The IRS does require your chapter to submit an annual report by May 15 every year. Your chapter must include the ASDA group exemption number on its annual report. Depending on your chapter's annual gross receipts (which is defined as the total amount an organization received from all sources during its annual accounting period

without subtracting any costs or expenses), the IRS requires your chapter to submit one of the following forms:

- **Form 990-N.** If your chapter has \$50,000 or less in annual gross receipts for any calendar year, your chapter should submit Form 990-N to the IRS. ASDA’s accounting manager can complete Form 990-N for the current fiscal year for your chapter as long as you authorize her to do so in writing by completing a summary financial document that will be provided to you at year end.
- **Form 990-EZ.** If your chapter has more than \$50,000 in annual gross receipts for any calendar year, your chapter should submit Form 990-EZ. Your chapter is responsible for completing its own Form 990-EZ.

Additionally, a chapter that has \$1,000 or more in taxable income (on activities such as advertising in chapter newsletters or websites) must file Form 990-T and pay tax on its profit (income minus expenses). You can find any of the above forms at [www.irs.gov](http://www.irs.gov).

Please note that your chapter should keep all of its financial records for at least seven years, in the unlikely event it is ever audited by the IRS.

These rules are applicable to chapters—and all exempt organizations—whether or not they are part of a group exemption. The group exemption only grants tax exempt status on a group basis. It does not in any way change the IRS filing requirements for chapters.

### ***Tax Exempt Status for State Sales Taxes***

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If your chapter will be purchasing merchandise for a fundraising event (T-shirts, scrubs, etc.), it is important to note that ASDA chapters are not exempt from paying state sales tax. It is recommended that chapter leaders investigate whether or not their school is exempt from paying sales tax and if so, determine if the merchandise can be purchased through the school.

### ***Short-Term Budgeting***

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If your chapter has never organized its finances, the following section offers guidelines for calculating expenses and revenue and will provide a few short-term strategies.

### **Calculating Annual Expenses**

The first step to calculating annual expenses is to estimate the costs of your chapter’s planned activities, publications, donations, office supplies, etc. This can be accomplished on a simple spreadsheet. In the first column, enter the name of your first planned activity. In the column to the right, list the costs associated with implementing the activity. Here is an example:

<u>Activity</u>	<u>Costs</u>	
Freshmen Pizza Party	\$200	10 large pizzas
	10	plates
	20	beverages
	10	decorations
	<u>10</u>	markers
	\$250	

In this example, the total cost of the pizza party is \$250. Break down the estimated costs for each activity throughout the year and then summarize the costs. The total will be the expenses for your chapter's annual budget.

### **Performing a Revenue Projection**

Your next task is to determine if there is adequate funding to cover planned expenses. The revenue portion of your chapter's budget will be a combination of your chapter's current bank account balance, local dues (if applicable) and the funds you will receive from fundraising. Here is a simple formula for calculating revenue to determine your one-year fundraising goal. In this example, the chapter's total activity cost is \$1,000.

<u>Fundraising Goal:</u>	<u>Revenue Calculation:</u>	
\$1,000 (expenses)	Current Funds in Account	\$200
<u>- 700</u> (current funds)	Expected local dues revenue	<u>500</u>
\$300 (fundraising goal)		\$700

In this example, the chapter needs to raise \$300 to cover planned expenses.

### **Preparing a Budget**

If your chapter can meet annual expenses, you may be ready for advanced budgeting and planning. In addition to covering only specific, short-term expenses, you may want to set a fundraising goal that allows for a financial cushion. These funds can be invested in an interest-bearing account.

Another consideration is the chapter's growth. If you want to have more activities or increase the number of chapter leaders who attend national meetings, you need to plan for these expenses and identify new sources of funding. Budgets should be formulated after annual chapter goals are established so that chapter finances are in line with chapter goals.

Sample budgets can be found in *Appendices F and G*. *Appendix F* is a sample projection of membership dues for the year. *Appendix G* is a sample 12-month budget.

### **Preparing an Activities Schedule**

It is necessary for your chapter to keep a permanent record of the revenue you receive and the expenses you pay. An Excel spreadsheet detailing the annual activities of a sample chapter can be found in *Appendix H*. This schedule details a chapter's activity for one complete year and is similar to a checkbook registry.

## ***Corporate Sponsorship***

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Most large companies and manufacturing firms set aside portions of their marketing budgets for promotional giveaways, contributions to educational causes and event support. Your chapter can use this opportunity to obtain items for raffles and auctions, receive donations for events, obtain grants to cover program and event costs, and gain income from exhibit space fees. In return, participating companies receive name recognition, establish product loyalty and make contacts with prospective customers.

Identifying potential sponsors is easy. Here are a few ideas:

- Investigate whether or not local bookstores sponsor school activities.
- Contact sales representatives from local dental supply companies.
- Ask your dean or faculty advisor for suggestions for sponsors.
- Gather contacts at the exhibit fairs held at ASDA's national events.
- Ask your trustee for a list of vendors that other chapters in your district have received support from.
- Contact local and state dental societies and request funding to send delegates to national and regional meetings.

The next step is to set a sponsorship goal and determine the number of organizations you will solicit for funding. Then, formulate a solicitation letter. Here are some points to cover:

- Introduce yourself and the organization.
- State your purpose for requesting funds/products/services.
- Ask for a specific amount or product and indicate that you are flexible about what you will accept.
- Offer to thank them publicly, such as displaying the company name in the program, on a banner or including the company logo on a T-shirt.
- Indicate when you will contact them to discuss the proposal.
- Thank them for taking the time to consider your request.

The central office has template letters that you can use. After a few weeks, follow-up calls should be placed to companies that have not yet responded.

A thank-you letter should be mailed either after funds are received or after the event. Many companies are looking for continuity in their giving and would rather sponsor several activities rather than one event. To maintain continuity, file all sponsorship correspondence. New officers should place a courtesy call to these sponsors to introduce themselves and express a desire to continue working together.

Contributions from individuals are not tax deductible. Contributions from businesses may be tax deductible as business expenses. ASDA chapters should never state or imply that contributions are eligible for tax deduction as charitable contributions.

### ***Earn Incentives for your Chapter***

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ASDA supports the efforts of our chapters by awarding incentives throughout the year. Participating in the incentives provides a simple way for your chapter to raise funds.

#### **Remittance Incentive**

Although membership runs on a calendar year from Jan. 1 – Dec. 31, ASDA starts accepting dues in Sept. Chapters are encouraged to send in their membership remittance early to take full advantage of your benefits. ASDA offers an incentive to chapters to get their remittance in early. Each chapter who sends in their full remittance AND payment by **Nov. 23** receives \$100. If email addresses for all members are included with the remit, the chapter earns an additional \$50. It is important for ASDA to have emails for all members to communicate important information.

#### **Predental Member Recruitment**

Incentives are awarded to chapters for recruiting pre dental members to ASDA. Predental membership is important to get more students involved in organized dentistry early. Chapters can help with this effort and earn money. The top three chapters who recruit the most pre dentals are awarded \$250 for first place, \$150 for second and \$100 for third place.

This incentive program begins in September and the award is presented at annual session in March. In order for chapters to earn credit for their recruitment efforts, the pre dental students must select their chapter when completing the online application or include the chapter's name on the paper application. ASDA can provide chapters with pre dental benefit materials and presentations to assist with the recruitment efforts.

#### **Information Drive**

Each year, ASDA holds an information drive in an effort to collect updated mailing AND email addresses of our members. We ask chapters to make a concerted effort to collect addresses of their members and send to us by a specified deadline. Incentives are awarded based on participation and the quality of the data. More details are sent to chapter delegates after January.