Budgeting
Best Practices and Lessons Learned

2023 Voluntary Bar Leaders Conference
July 14, 2023
Your Presenters

John Kynes
Executive Director
Hillsborough County Bar Association
3300 Total Membership (250 Honorary)
Your Presenters

Lauren Baugh
Executive Director
Lee County Bar Association
730 Total Membership (110 Honorary)
Your Presenters

Sheri Fiske Schultz, CPA/ABV/CFF
Managing Partner
Fiske & Company
Your Presenters

Katie Gilden, CPA/ABV/CFF, CFE, CVA
Partner / Chief Operating Officer
Fiske & Company
Today’s Talking Points

• Board of Director’s Responsibilities
• Regularity Reporting Requirements
• Financial Reporting Requirements
• Budgeting
• Transparency & Accountability
• Annual Review or Audit
• Q & A
"If we only use $5 for marketing, advertising and operations, we have enough to get a pizza for lunch."
Board of Director's Responsibilities

**Regulatory Reporting** - Ensure compliance with the rules and regulations set by federal, state and local governments that have jurisdiction over the association.

**Financial Reporting** - Oversee the financial health of the association and establish fiscal policy and boundaries with budgets and financial controls.
Regulatory Reporting Requirements

• **Florida Department of State - Annual Corporate Report** - All Bar Associations should be incorporated and must file their Annual Corporate Report with the State of Florida each year. This report lists the officers, board of directors, and the register agent. The report must be filed by May 1 of each year and the fee is $61.25. The penalty for late filing is an additional $400. The most common question is who should be the registered agent when there is no staff. It is usually a corporate officer, such as the corporate secretary, but you can select any officer of the corporation or you can identify any other individual to act as your registered agent, as long as they have a Florida address (not a POB). There are companies that will act as your registered agent, but they charge fees.

• **Florida Department of Agriculture and Consumer Services** - only for charitable contributions. Form DACS-10100 is filed annually. Required if you are soliciting charitable contributions.
Internal Revenue Service - Form 990 Series of Tax Returns -
There are different reporting options, based on your gross receipts each year. Here are the options:

- **Form 990-N (e-Postcard)** - If gross receipts are $50,000 or less, the association can file an "e-postcard". This form gives contact information for the association and one officer. No financial information is required. No tax due.

- **Form 990-EZ** - If gross receipts are $200,000 or less and total assets are $500,000 or less, the association can file a Form 990-EZ. This form gives full financial information and a description of the association's mission. No tax due.
Regulatory Reporting Requirements (cont.)

- **Form 990** - If gross receipts are in excess of $200,000 or total assets are in excess of $500,000, the association must file a Form 990. This form is quite lengthy and requires more detailed information regarding the operations of the association. No tax due. Note that any association can choose to file a Form 990, regardless of gross receipts or asset levels.

- **Form 990-T and Florida Form F-1120** - These tax returns are required only if the association has unrelated business income of $1,000 or more. Unrelated Business Income is income from a trade or business, regularly carried on, that is not substantially related to the purpose that is the basis for the association's exempt purpose. The most common type of unrelated business income relates to the sale of advertising in a newsletter or on a website, even if the advertisers are members of the association.
Suggested Financial Reporting Requirements

**Bookkeeping**

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who oversees the association’s funds?</td>
<td></td>
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<tr>
<td>Who physically writes/prints checks? Who makes the deposits?</td>
<td></td>
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<tr>
<td>Do you require 2 signatures on checks?</td>
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<tr>
<td>Who received the bank statements? Who reconciles?</td>
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<tr>
<td>Segregation of duties?</td>
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<tr>
<td>Prepared budget?</td>
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<tr>
<td>How is the budget monitored?</td>
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<tr>
<td>What is the reporting process of financial operations to the Board?</td>
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<tr>
<td>Do you have Directors Liability Insurance?</td>
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</tbody>
</table>
Suggested Financial Reporting Requirements

Do you have IRS recommended policies in place?

• **Conflict of interest** - a policy used to identify, disclose and deal with situations where there is a financial or other conflict. This is the one policy that all associations should have, regardless of their size.

• **Expense reimbursement** - a policy used to document what is reimbursed to association's officers and board members and key employees.

• **Whistleblower protection** - a policy to encourage employees to report financial and other improprieties by establishing procedures to keep whistleblowers’ identities confidential and to protect them from retaliation. Not applicable if you do not have any employees.

• **Document retention and destruction** - a policy to provide guidance on how long records must be kept before they are destroyed.
What are the benefits of a budget?

- Plan to Earn more than you Spend (If possible!)
- It is ok to use reserve funds
- Provides cover - say no and blame the budget
- Checks egos - coronation expenses must be within budget
- Prevents overly optimistic spending
- Prevents consequences of poor judgment
- Avoids the need to go back to the board for routine expenditures
# Working Budget Template

<table>
<thead>
<tr>
<th>Projected Income</th>
<th>Proposed Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawyer Referral Dues and Fees</td>
<td>Membership Events</td>
</tr>
<tr>
<td>Member Dues</td>
<td>Legal Publication</td>
</tr>
<tr>
<td>Members Events</td>
<td>Federal Income Tax</td>
</tr>
<tr>
<td>Legal Publication Ads</td>
<td>Payroll and Payroll Taxes</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>Rent</td>
</tr>
<tr>
<td>Gross Income</td>
<td>Power</td>
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<tr>
<td></td>
<td>Office Supplies</td>
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<tr>
<td></td>
<td>Postage/Mail Permits</td>
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<tr>
<td></td>
<td>Copier Rental/Tax/Insurance</td>
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<tr>
<td></td>
<td>Liability Insurance</td>
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<tr>
<td></td>
<td>Network System Backup/IT</td>
</tr>
<tr>
<td></td>
<td>Phone &amp; Internet</td>
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<tr>
<td></td>
<td>Microsoft Office Suite</td>
</tr>
<tr>
<td></td>
<td>Bookkeeping</td>
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<tr>
<td></td>
<td>Meals (Sponsors and Business Meals)</td>
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<tr>
<td></td>
<td>Annual Licensing</td>
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<tr>
<td></td>
<td>Leadership Conference(s) FL Bar and VBLC</td>
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<tr>
<td></td>
<td>Credit Card Merchant Fees</td>
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<tr>
<td></td>
<td>CLE/CME Library</td>
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<tr>
<td></td>
<td>Advertising/Marketing/Website</td>
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<td></td>
<td>CPA</td>
</tr>
<tr>
<td></td>
<td>Misc.</td>
</tr>
</tbody>
</table>
What are additional benefits of an annual budget?

- Enable long term goals
  - Emergency planning (replacement/repair of equipment)
  - Hiring staff or consultants (i.e., bookkeeper, accountant, event planner)
- Purchase of property
- Creating a 501(c)3 foundation
  - For free legal aid to low-income individuals
  - For scholarships
  - Other public benefits
Total Membership dues should exceed cost of operations. Earn more than you spend unless other revenue is present.
Events

- Ticket price should cover costs of food and beverage, staff, and other needs
- “Plus Plus” = tax and gratuity added to per plate price
- Consider adding ⅓ to price to help plan per person cost
- Avoid extra costs of decorations and entertainment as much as possible
- “Incentivize” leadership to raise funds to get special extras
Sponsorships of Other Organizations & Initiatives

- Be careful with your funds, only sponsor most important activities
- “Organizational Co-Sponsorship” option - no dollars
- Pro Rata Profit Share Collaboration
Transparency and Accountability

We owe our members proof of our worthiness to receive their investment of dues

- Good work
- Good membership benefits
- Prudent expenditures of their money
Transparency and Accountability

**Florida Statute 617** entitles members to certain information

- 3 years of tax filings
- 3 years of financial reports (Profit & Loss Statement, Balance Sheet)
- Membership List
Transparency and Accountability

Financial Controls - **What enforces the budget?**

- Staff/ Outside CPA
- The “Bad Guy” - tough conversations for volunteers, but we are fiduciaries and so it is important to maintain boundaries
Transparency and Accountability

Financial Controls
  • Handling de minimis costs
    • Consider discretionary expenses
      • Allows some flexibility to officers for spending on event tickets, supplies, conference attendance, etc.
  • Reimbursement Procedure
    • Allow officers to seek reimbursement (submit receipt and explanation for cost)
  • Consider cash back or points card to improve benefit to organization
Transparency and Accountability

Financial Controls - **Handling Major Costs**
- Dual Signatures
- Distribute statements to all board members
- Checks and Balances
  - Outside bookkeeper
  - Annual audit
  - Outside CFO
Annual Review
or Audit

- “Audit” is a technical term for a detailed analysis of your books to make sure that they accurately reflect the financial activity of your entity. It can be expensive!
- “Review” is a lower level of analysis of income and expenditures with professional bookkeeper or accountant to prevent inappropriate use of organizational funds.
  - Checks volunteer board members and staff with oversight
- Other safeguards:
  - Countersigning for checks
  - Outside bookkeeper
  - Rotation of responsibility for books and accounts
Questions