



The English-Speaking Union  
of the United States'  
**Manual for Branch Treasurers**

June 2021

Draft 1.0

# ESU’s Manual for Branch Treasurers

## Introduction

The primary purposes of the Manual for ESU Branch Treasurers is to:

- outline the responsibilities of the treasurer of an ESU Branch and
- provide information necessary for the efficient management of branch funds.

This manual is intended to provide guidance and assistance to *all* branch offices. The presentation is confined to general procedures, guidelines, and information. **The handbook is not intended to be the last word on the operation of the branch or duties of the treasurer.**

Achieving and maintaining a sound financial foundation is critical to the effective operation of ESU Branch offices. Standardization of best practices and procedures should be followed to accomplish that aim.

If you have any comments or questions related to this manual or a finance item relate to your branch, please contact your support team;

You've received the checkbook; now we're here to help!

**Tony DiFilippo**  
Branch Funds Administrator  
The English-Speaking Union  
[Branchfinances@esuus.org](mailto:Branchfinances@esuus.org)  
212-818-1200 ext. 228  
144 East 39th Street  
New York, NY 10016  
[www.esuus.org](http://www.esuus.org)

**Angela Larson**  
Controller  
The English-Speaking Union  
[alarson@esuus.org](mailto:alarson@esuus.org)  
212-818-1200 ext. 218  
144 East 39th Street  
New York, NY 10016  
[www.esuus.org](http://www.esuus.org)

## Who is this manual for?

The responsibility for management of the Branch's finances is shared by all branch officers. However, it is the ESU Branch Treasurer who manages the day-to-day finances of a branch and is responsible for the record keeping, collection and disbursement of funds, and reporting. It is the ESU Branch treasurer who is the primary focus of this manual.

## Supplemental Documents

The Manual for ESU Branch Treasurer’s signposts to a range of more detailed resources. These supplemental documents can be found on the English Speaking Union website at:

<https://www.esuus.org/esu/branches/resources/treasurer/>

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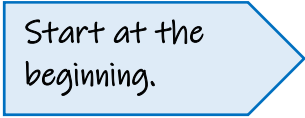
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Start at the beginning.

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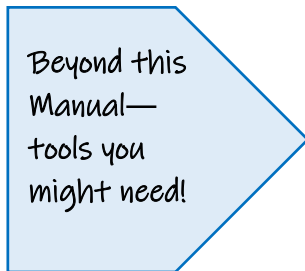
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- FY 2021 Form 990 Questionnaire
- The ESU General Ledger excel workbook
- Draft Investment Policy
- ESU standard Chart of Accounts
- ESU Consolidated Audited FY 2020 Financial Statements



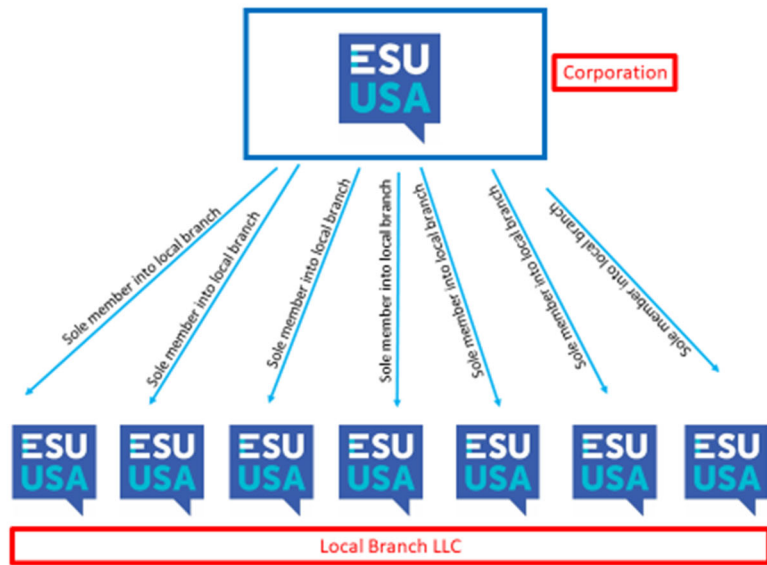
## Fundamentals

### Corporate Structure

Each ESU Branch office is formally organized as a limited liability company (LLC) in the State of Delaware with ESUUS (or National) as its sole member. The sole member (or National) is filed as a corporation in Delaware, and is the ESU entity that has the federal tax responsibility for the organization. As ESUUS files one federal tax return (IRS Form 990), that filing must include all of the Branches' activities for the year which is why you'll be asked to fill out a Form 990 Questionnaire for the branch and submit it to National.

The Branch is an LLC, the ESU Organization is a Corporation!

**Graph 1: ESU Corporate Structure with Branch level LLC Membership**



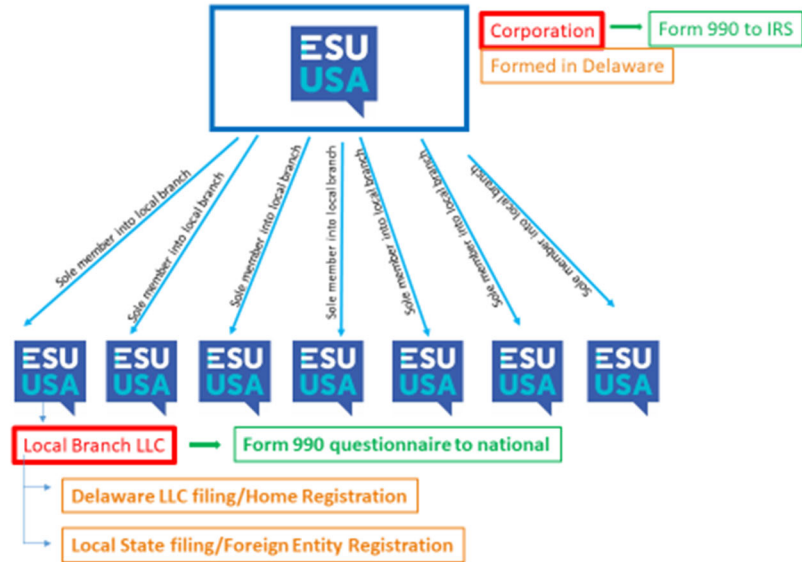
Let's cover a few vocabulary specifics in relation to the LLC filings. As previously noted, each Branch is formed as a LLC in the State of Delaware. Therefore the Branch is considered a Delaware "Domestic" LLC.

In addition to the Delaware responsibilities, each Branch is registered in the state where the Branch has a physical presence and conducts activities. This local state registration is known as a "Foreign" registration as it is foreign relative to where the LLC was formed (Delaware).

Each ESU Branch is responsible to comply with Delaware and state specific reporting/tax regulations and ensuring that their registrations are current and remain active.

Yes, it's a bit confusing at first, but the ESU national finance team is in place to help you navigate all this. Some branches use a registered representative to help with the filings, other have national handle it and bill back to the branch. Your previous Treasurer may offer guidance, but reach out to national if you have any questions.

**Graph 2: ESU Corporate and Branch Tax Registrations**



**Fiscal Year**

ESUUS and ESU Branch office Fiscal Year has a start date of July 1st and an end date of June 30th. For example, fiscal year 2022 (or FY 2022) runs July 1<sup>st</sup>, 2021 through June 30<sup>th</sup>, 2022.

**Tax Exempt Status**

Tax-exempt status means that an organization is exempt from paying federal corporate income tax on income generated from activities that are substantially related to the purposes for which the entity was organized. The ESUUS is a private, non-profit corporation under IRS Code Section 501(c)(3) and has been granted a tax exempt status by the IRS.

Branch offices do not have a direct exempt status from the IRS. For federal tax purposes, the Branch is considered a "disregarded entity," or in the eyes of the IRS, the ESU Branches' LLCs fall under the umbrella of the ESUUS 501(c)(3) tax exemption through a group exemption.

## Helpful Glossary

Here are a few terms that might be helpful to know as you review this manual.

**Programs:** The services provided by a nonprofit are referred to as programs. Each program generally has its own revenue, expenses and records. Your local programming may include speaker programs, educational programs/scholarships, etc.

**Donor restrictions:** Some donors restrict their contributions to specific purposes or programs. These must be accounted for in financial management. Funds that are not donor-restricted can be used for any program, administrative cost or other ESU-related purposes.

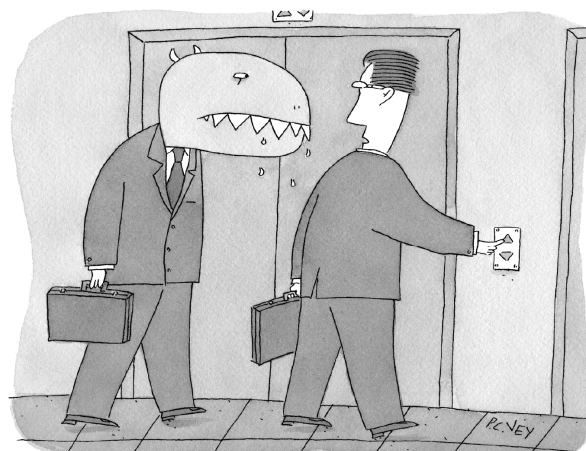
**Fundraising:** This is the designation for activities that are used to raise the organization's profile or solicit donations, such as direct mail campaigns, charity events, or a gala.

**Administration:** Funds used for the management of a nonprofit are designated as administration or overhead funds. These are funds necessary to keep the nonprofit operating and must be noted in all accounting and reported to donors. Donors generally prefer that nonprofits keep their overhead as low as possible in order to direct the majority of funds toward programs.

**Steward:** the position and duties of a steward, a person to whom property or power is entrusted for the benefit of another.

**Statute of limitations:** there are statutorily imposed time periods we must maintain records to that claims cannot be brought against us. Generally, either state or federal law sets the time period.

### Cartoon 1: It's not all that hard...



"I'll go up first and make a good impression. Then you come up and eat them."

From *Harvard Business Review*, June 2011, Cartoon by P.C. Vey ©HBR.org

## Section 1: The role of the Branch Treasurer

### 1.1 The role of the Branch Treasurer

The branch treasurer is a key member of the branch's board. S/he plays a crucial role in terms of the day-to-day financial oversight and reporting. Although the finances of the branch are the collective responsibility of all branch board members, the board should be able to look to the treasurer, as the person most conversant with the branch's financial matters and for advice on financial issues when making decisions.

The treasurer should provide relevant accounting information to the board to facilitate decision making. S/he should also be prepared to regularly explain and report on the accounting activity so that the board is aware of the financial position of the branch.

Don't let the legal stuff scare you; instead be thoughtful!

### 2.2 Legal Responsibilities - Care, Loyalty and Obedience

Care, loyalty and obedience as the standards many states use to define the board's legal responsibility. Care refers to competence and reasonable care, while loyalty and obedience refer to honoring the organization's mission, respecting confidentiality and being mindful of the public's trust. For the treasurer, this translates into ensuring that the organization is a good steward of charitable donations and the tax-exempt status, providing oversight of the organization's fiscal integrity and assisting the board in meeting its mandate to govern the branch.

### 1.3 General Knowledge

The treasurer is required to attend all scheduled meetings and actively seek to maintain current knowledge of the branch, its programs, activities, and operations. The treasurer role requires a combination of technical skills and leadership qualities. A good treasurer is familiar with the activities in the branch and the organization, has a working knowledge of bookkeeping, basic accounting concepts, basic IT skills, and have the able to convey financial information to the rest of the board members in a clear and down-to-earth manner.

You'll need to know how to balance a checkbook and pull bank statements on-line!



## Section 2: The Treasurer's Overall Responsibilities

### 2.1 Accounts & Expenditures

The ESU Branch Operating Agreement provides for the treasurer to be one of two branch officers authorized to sign checks or granted access to bank and credit accounts. Treasurers are to have full knowledge of all branch cash, investment holdings and assets. Treasurers review monthly account records and monitor income and expenditures.

### 2.2 Reports

The treasurer prepares reports to the board detailing income, expenditures and asset values. The treasurer presents a financial report at each board meeting and also prepares and presents the annual financial report to the board. Board officers and members rely on financial reports to guide decisions in all areas of governance. In addition to internal reporting to the board, the treasurer prepares the annual 990 Questionnaire for submission to ESU National. The Form 990 Questionnaire asks for detail on income, expenditures and asset changes. More on the Form 990 in Section 11 of this manual.

### 2.3 Finance Committee

The treasurer is chair of the finance committee. The finance committee is charged with approving the branch's fiscal policies & procedures, and developing the branch's annual budget. The committee reviews the Form 990 Questionnaire for submission to ESU National.

## Section 3: Getting Started

### 3.1 Where to Begin

If you are a new Branch Treasurer, you may be wondering where to begin and asking yourself whether you need to read through this entire manual? If so, this section is intended for you.

An important first step is to review your job description and discuss your role with the Branch President, making sure that his/her expectations for the role are clear.

The next step is to arrange a meeting with the outgoing treasurer so s/he can;

- explain branch finance issues,
- pass along all financial records and documents
- share the filing/organization system in place, and
- provide bank access.

Start off your treasury term with a cup of tea and a conversation with the outgoing treasurer.

All financial records and documents are the property of the ESU branch and must be released by the outgoing treasurer to the new treasurer.

Some key discussion points to take up with the outgoing treasurer should include;

- How will the handover work; timing and on-going support?
- What is the branch accounting system they are passing on?
- What is the filing system?
- Where are the accounting and support document stored?
- Are there any unusual or complex issues that you should be aware of?
- Are there any tax, legal or other pending issues you need to be aware of?
- What assets are owned by the branch and their whereabouts?
- If there is remaining work involved in finishing off the previous year's annual accounting, financial reports, 990s, etc., the outgoing treasurer should see these matters through to a conclusion, keeping you fully informed of their progress.
- Branch banking and investment accounts must be updated to reflect the change in treasurer.

Next is to ensure that a meeting is scheduled with the ESU National Branch Financial Administrator—a *meet and greet to learn about the relationships between the branch and ESU National*. We will usually set this up when we are made aware of a newly appointed treasurer, but if you don't hear from us, please give us a nudge.

Lastly, hang on to this manual. Don't try to read it all at once, but refer to it as you need to help guide you in your new role. And... national is rolling out on-line tutorials, so feel free to watch those too!

<https://www.esuus.org/esu/branches/resources/treasurer/>

### 3.2 Record Retention

Keep  
EVERYTHING!

You might have expected a quick tutorial on an aspect of accounting to be the first deep dive in this manual, but really the most important item is record retention. If you keep everything, we can solve any question or issue! Keep everything.

For federal tax purposes, an ESU branch office must keep financial records and documents that support an item of income or expense on a return until the [statute of limitations](#) for that return runs out (generally 7 years).

The records should be kept in a location which is secure but also accessible, to authorized officials, within a reasonable time frame.

## Best Practices for Record Retention

### Stay Organized—at a minimum you should:

- Keep branch accounting records up to date.
- Know and have access to find all financial records all year round.
- Keep records of restricted income and expenditure separate from unrestricted income and expenditure.
- Produce information for donor restricted funds.

### Financial records —a broad term

So many different types of documents can fall into the category of “financial records”! Here are some of the most important business documents you need to keep and protect:

**Membership Revenue:** new memberships, membership renewals, any membership fees collected locally, and membership lists

**Donations:** donation letters, acknowledgement letters, and donor & member correspondence

**Fundraising:** grant applications and awards, corporate sponsorship agreements, event records of income and expenditures per event, as well as event invitations/fliers

**Finance:** budgets, internal approvals, bank signatory cards, bank statements, stock and securities records, deposit slips, itemized deposit detail, cancelled checks, electronic fund transfer documents, paid bills, invoices, and vendor agreements with scopes of work.

**Legal, Tax and Insurance:** local licenses, tax returns and worksheets, correspondence, insurance policies, compliance documents, historical 990 Questionnaires, 1099, 1096, W2/4s

**Outreach:** event calendars, publications, flyers, and press releases.

**Governance and Organizational:** incorporation papers, operating agreement, EIN, any documents your local government may require (tax exempt numbers, permits, etc.), board and committee agendas, meeting notes, and amendments.

**Volunteers:** applications, waivers, and event registration.

Have you ever  
been called  
meticulous,  
organized, or  
detail-  
oriented?

Yes!

You will be an  
EXCELLENT  
Treasurer!

### Why?

It is important to keep these documents because they verify branch activities, substantiates the entries in branch's books and supports the organization's activities, governance and detailed financial information on the Form 990 Questionnaire and other tax returns.

### How?

Organizing your financial records is a cyclical process rather than a one-time event. You'll need to set up a system that helps you organize incoming documents and maintain existing files so that you can easily find what you need.

### Where?

You should keep your records and documents where you can quickly have access to them. A simple set of labeled folders in a file cabinet may be fine, but electronic storage is another option, and easier to share. No matter which storage option(s) you choose, try to keep your records in a secure central location.

### Who?

Each branch selects a board member who acts as the custodian of the records. This person is responsible for the storing and safekeeping of the branch's records, documents and financial files. However, each branch should also have an alternative authority who will have full access to the records in the event the primary records custodian is unavailable to present copies of the records to an authorized user for legitimate reasons.

### How long?

There are statutorily imposed time periods we must maintain records so that claims cannot be brought against us. Therefore, they have implication for how long you will need to retain certain documents. Statutes of limitation differ from state to state therefore, you first need to determine what are the statutory limitations periods imposed by that particular state's laws. Below is a records retention schedule which complies with federal regulations.

### **Safety?**

Don't just throw hard copies of financial paperwork in the trash. To protect sensitive information, invest in a good quality shredder and shred any document that contains account numbers, Social Security numbers, or other personal information. If you're storing your records online, make sure your data is encrypted. Use strong passwords, and back up any records that you store on your computer.

### **Policy?**

It is recommended that each branch have a Document Retention and Destruction Policy outlining a clear schedule of how long documents should be stored. This helps limit accidental destruction. We provide a [Draft Document Retention and Destruction Policy](#) that can be used as a template. Forms: Draft Document Retention and Destruction Policy can be found on the ESU website; <https://www.esuus.org/esu/branches/resources/treasurer/>.

**Table 1: Document Retention and Destruction Guidelines**

Type of Document	Minimum Requirement
Bank reconciliations	2 years
Bank statements	7 years
Cancelled Checks (or copies)	7 years
Contracts and Agreements	Permanently
Correspondence (board meetings)	3 years
Correspondence (legal, tax and important matters)	Permanently
Correspondence (with donors and members)	7 years
Deposit slips	7 years
Detailed deposit detail (receipts ledger)	7 years
Donor Acknowledgements	7 years
Year-end financial statements and 990 worksheets*	Permanently
Insurance records*	Permanently
Inventory records (computers, printers, etc.)	7 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws, and charter	Permanently
Operating Agreement*	Permanently
Payroll records and summaries	7 years
Personnel files	7 years
Tax returns and worksheets*	Permanently

\*May be on file at National.

If you aren't sure whether or not to keep a record or document, it's best to keep it on file and phone a friend at National to discuss.

## Section 4: Controls & Oversight

Controls are the systems and practices in place for managing finance items. Oversight is the second set of eyes that views all finance items to make sure there's no funny business going on, or correct mistakes early on.

### 4.1 Financial controls

The Treasurer is the custodian of the branch's finances and responsible for the appropriate financial controls to prevent misuse of funds. Financial controls are systems of checks and balances designed to provide reasonable assurance that assets are protected, funds are used only in accordance with the strategic objectives, aims and policies of the ESU, financial data is reliable, fraud and misuse of funds is mitigated, and laws regulations, and donor requirements are complied with.

The following is a list of minimum financial controls that should be in place at the branch level, regardless of size. Additional internal controls should be considered and adapted to the circumstances and operations of each ESU branch office.

### Internal Financial Controls Checklist

**Segregation of duties** – Effective financial controls limit any single individual from having control over two or more phases of a financial transaction or operation, e.g. the person who signs checks should not reconcile the bank statement.

**Reconcile and examine bank statements monthly** - A monthly bank reconciliation helps to catch and identify any unusual transactions that might be caused by fraud or accounting errors. Copies of cancelled checks should be filed along with the bank statement monthly.

**Control the disbursement process** – Cash disbursement controls are used to ensure that cash is disbursed only upon proper authorization, for valid branch purposes, and that all disbursements are properly recorded.

**Control the receipt process** – These controls are intended to limit access to cash to specified individuals, to verify that all receipts, refunds or transfers are documented correctly and in a timely manner, and to ensure that restricted funds received are flagged for special treatment.

**Implement a budget process** - Budgeting, as a control tool, provides an action plan to ensure that the branch's actual activities are least deviated from the planned activities. Budgets are used to give an overview of the organization and its operations.

**Adopt a conflict of interest policy** - A Conflict of Interest Policy is used to outline procedures for officers when a possible conflict exists between their own personal interests and the interests of the branch.

It is essential that branch officers understand what constitutes a conflict of interest and how to avoid those that should be avoided. The policy clarifies what conflicts of interest are and what to do if a conflict is suspected.

Financial controls are not foolproof, but they provide reasonable assurance that the branch's defined control objectives are being met.

Forms: Internal Control Checklist can be found  
<https://www.esuus.org/esu/branches/resources/treasurer/>

Forms: Conflict of Interest Policy can be found  
<https://www.esuus.org/esu/branches/resources/treasurer/>

## Section 5: Banking & Other Accounts

Most likely, your branch opened a bank accounts with its unique Employer's Identification Number (EIN #) quite some time ago. The branch may have several accounts, checking, savings, petty cash (not a bet practice!), PayPal, and/or investment account. You'll receive the Branch banking information, access, and records from the previous Branch Treasurer.

In the event that the Branch requires an additional account or wants to move to another banking institution. In this case, the Branch will need the following to open the account;

- the original EIN letter,
- a copy of the branch's bylaws, and
- minutes of your Branch's annual meeting or of a meeting in which officers are listed in the minutes to verify your association with the branch.



Of course, [the ESU's Best Practices on banking management](#) also requires:

- any new account opening must be approved by your branch's board,
- have a minimum of two signatures on the account (typically the president and treasurer, if they are not related or married to each other),
- account(s) be held official name of the Branch, i.e. THE ENGLISH-SPEAKING UNION OF THE UNITED STATES "BRANCH NAME" BRANCH, or the official branch name on the Delaware LLC Certificate of Formation, and
- **NEVER** should a branch account be held in the name of any individual.

### 5.1 PayPal

Most Branches don't think of PayPal as a bank account, but it is. Think of it like a checking account and treat it with the same respect that you handle a checking account.

### 5.2 Bank Reconciliation

Bank reconciliations is the process of verifying that all transactions reported in the bank statement is captured in the Branch's accounting system. Reconciling monthly reduces the occurrence of errors creating more transparent and accurate accounting records.

Bank statements are usually received once each month. A bank statement includes the account balance at the beginning of the month, any deposits made, any checks written, any fees charged to the account, and an ending balance.

Since banks have different cycles you cannot always get your statement to run from the beginning of the month to the end. However, you should ask your bank if they can change your cycle so you can account more accurately for the end of the month on your reporting.

When reconciling bank statements remember to;

- Compare deposits and payouts to the bank statement for consistency.
- Record bank or investment charges as well as any interest or dividends received.
- Look for duplicate amounts and items with limited or unusual descriptions that might need you to bring to the attention of the bank.
- Review un-cleared checks and payments for items that are dated over three months past. You might need to reach out to see if the payment was received.

- Review items paid to taxing authorities that haven't cleared. If it's more than 90 days, again reach out to verify payment was received.
- Make any necessary adjustment to the accounting records.
- Compare the bank balance to the accounting records.
- After adjusting the balances as per the bank and as per the books, the adjusted amounts should be the same. If they are still not equal, you will have to repeat the process of reconciliation again.
- Print the bank reconciliation and keep with the Branch's records.

To reconcile your PayPal account, get a copy of your PayPal Transaction Statement, check the last statement ending date and beginning balance. The statement should start on the day after your last reconciliation. The reconciliation will follow the same process as above.

### **5.3 Petty Cash**

Some branch offices maintain a petty cash fund. Petty cash is a small amount of discretionary funds in the form of cash used for expenditures where it is not sensible to make any disbursement by check.

Generally speaking, petty cash should be kept to a minimum and monies received from fundraising or donations should never be used for petty cash, i.e. monies from fundraising should be banked in full and petty cash obtained by cashing a check.

Petty cash levels should be fixed, e.g. max of \$100.00 and as expenditures occur, cash in the petty cash will be depleted. Record the expenses based on the receipts and file the receipts in your accounting files. Like other Branch disbursements, all expenditures require a receipts - petty cash expenses must be authorized by an appropriate branch officer.

## **Section 6: Accounting Procedures**

Because of the many possible financial policies and internal requirements of the various ESU branches, no one system can be adequate for all. Accounting and reporting procedures and system may be simple or complex. However, all branches do share a common need for a system that will present current information

If you've managed a checkbook, you've essentially managed a general ledger.

in a comprehensive and meaningful manner and facilitate interim and year-end reporting.

This section focuses on the procedures necessary to produce a simple set of records that meet the branches and ESU National's needs.

### 6.1 The General Ledger

The [General Ledger](#) is a book containing a record of all financial transactions for the branch. The method that will be described uses a single ledger. This method is sufficient for any branch that operates on a cash basis and whose assets include only cash, savings, and investments. The basic principle involved in this method of bookkeeping is that for every transaction having an effect on cash, there is an equal and opposite effect on some other account, such as an investment account, a revenue account, or an expense account. In effect, this method is self-balancing:

- For every increase in cash, there is a corresponding increase in revenue or a decrease in expenses.
- For every decrease in cash, there is a corresponding increase in expenses or a decrease in revenues.

Forms: The ESU General Ledger excel workbook can be found <https://www.esuus.org/esu/branches/resources/treasurer/>

The General Ledger and Chart of Accounts are your bookkeeping musts!

### 6.2 Chart of Accounts

The chart of accounts is a listing of all accounts used in the general ledger and is uniform for all branches and ESU National. The chart of accounts are listed numerically in order of their appearance in the financial statements, starting with the balance sheet (assets, liabilities and equity) and continuing with the income statement (accounts for revenues and then expenses). This facilitates the preparation of the ESU-organizational wide compiled financial reports.

Forms: ESU standard Chart of Accounts can be found <https://www.esuus.org/esu/branches/resources/treasurer/>

## Section 7: Revenue Accounting

### 7.1 Membership Dues Collection

ESU branches supplement their earned revenues and donations by charging membership dues each fiscal year. The types of memberships available and the dues amounts for each branch is set by that branch's Board. Membership dues are also shared between the Branch and ESU National. The ESU National portion of the membership dues are provided by the ESU Bylaws and is currently at \$35 for a single (\$33 for a younger single) and \$50 for a couple (\$47 for a younger couple).

#### **BEST PRACTICE - Membership Dues collected at ESU National and Remitted to the Branch**

Membership dues renewals are part of the ESU National's direct billing system and are based on a current roster of branch members. All membership renewals that are processed through the direct billing system are either paid on-line via the Branch web page or by returning the personalized membership renewal form with payment (check or credit card) to ESU National via mail.

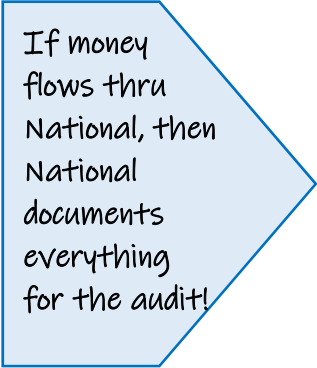
Once a membership renewal is received by ESU national, the ESU National Bookkeeper deposits the funds, retains the necessary documentation for the year-end audit, and sends the appropriate documentation to the ESU Membership and Database Manager for entry into the organizations donor/member management system.

The membership manager updates the membership roster for the branch and mails out a membership card to new/renewing members as well as acknowledgement letters for any gift received with the membership. If it is only a donation, without gift, then the acknowledgment is sent by the national development team.

After the close of each month the ESU National Controller sends the branch a Membership Dues Reimbursement report itemizing all branch membership dues *and contributions* received and booked by ESU national for the month, along with a check for amounts received less ESU national's portion of membership fees.

This centralized system simplifies the administrative and accounting burden for the branch.

#### **Alternative PRACTICE - Membership Dues collected at the Branch**



If money flows thru National, then National documents everything for the audit!

When membership dues from new or renewing members are collected locally at the branch, the full amount of the dues should be sent to the ESU National Comptroller's office along with a completed membership form. Or, the BEST PRACTICE listed above.

In the event that the full amount of the dues cannot be sent to ESU National, the branch will forward to ESU National a completed membership form, and a report noting the type of membership and the full amount of membership dues received by each member for the month, along with a check for ESU National's portion of the membership dues.

The membership form and payment information will be entered into the organizations donor management system and a membership cards will be mailed to the new/renewing member.

In this scenario, where the branch only submits information and the national share of the payment, the branch is responsible for maintaining a copy of the check, records of membership dues received through PayPal or credit cards, copy of the deposit slip and a copy of any donation letter of audit purposes.

## 7.2 Local Donations and Grants

Many local branches obtain financial support from companies, foundations, and individuals within the branches area for specific projects and activities. This may include grants (or funding) for scholarships to donations for a specific event; e.g. the venue for the Shakespeare competition or the wine for the branch's annual gala.

Because ESU, and thereby its ESU Branches, are a tax-exempt organization, such gifts are charitable contributions. In order for charitable contributions to be tax deductible to the donors, the branches must provide a [written Donor Acknowledgement Letter](#) as required by Internal Revenue Code.

If you r looking for the source material; the IRS explains the substantiation and disclosure rules for charitable contributions in its free Publication 1771, Charitable Contributions — Substantiation and Disclosure Requirements - can be found [here](#).

However, we got you covered! Below, and on the ESU website, are sample donation letters for your use.

Forms: Sample Donor Acknowledgements Letters can be found <https://www.esuus.org/esu/branches/resources/treasurer/>

### 7.3 Local Events & Fundraising

First things first – let’s define fundraising vs events

Fundraising events are all activities and costs the Branch incurs to solicit contributions and fund-raising campaigns, including maintaining donor mailing lists and grant writing to solicit contributions from individuals, foundations, government agencies, and other.

Fund-raising events may take many forms, such as speaker events, concert events, galas, fashion shows, marathons, bowling and golf tournaments, just to name a few. While these special events generate much-needed revenue for the branch and raise awareness about the ESU’s mission, these events are not largely in furtherance of the ESU mission, or programming, and therefore are fund-raising events.

Local events on the other hand are activities substantially related to the accomplishment of the ESU’s mission and tax exempt purposes, i.e. events that focus on English education and literature, international scholarships and community building. These events, while they may generate funds, are more regularly held and considered program activities.

In the Form 990 you’ll record the revenue and expenses from events considered to be an integral and ongoing activity of an organization be reported at gross on the statement of activities *separate from the fund-raising events!*

A special consideration is to be given to ticket prices to events. Specifically, does it implicitly include a donation?- For example, What about a branch event with food and drinks that have a fair market value of \$60, but only cost the branch \$30, and the donor pays \$100 to attend? Well, the portion of the ticket price that is considered deductible as a charitable contribution is the amount in excess of the fair value of the goods or services received by the donor, or \$40 (ticket price – fair value = donation) in this example.

All organizations are required to provide donors with documentation of the tax-deductible portion of the ticket price. [A Best Practice would be to include the tax-deductible portion of the ticket price on the event announcement/fliers/advertising.](#)

Fundraiser or Event? Be clear or call national for help!

## Section 8: Investment Accounts

An investment is an asset acquired with the objective of earning a financial return. Common examples of financial assets are stocks, bonds, and certificates of deposits (CDs).

### 8.1 Why have an investment account?

**It's about checking account balance vs. expected cash flow needs.**

A Branch office may have idle cash sitting in a checking account that is not immediately needed for its operations. Although there are no specific ESU guidelines, we recommend that branches keep have enough unrestricted cash on hand (cash that has not been assigned for specific activities by donors) to cover operating expenses for a period of 6-12 months.

Any idle cash in the bank earns very limited interest or *investment* income. Accordingly, the Treasurer has the responsibility and opportunity to see that idle cash be considered by the branch board for investment. The branch board may choose to add an investment account and approve a Branch Investment Policy (a draft policy can be found: <https://www.esuus.org/esu/branches/resources/treasurer/>).

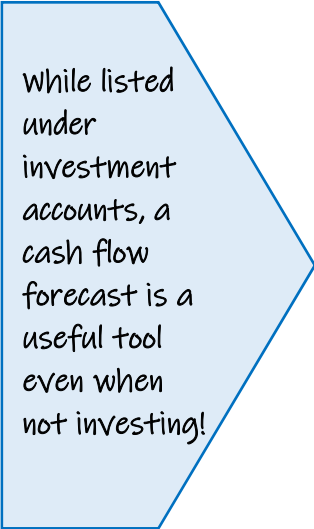
Depending on the amount of idle funds and the need of the branch to access those funds, the investment possibilities could range from a higher interest savings accounts to CDs to investment portfolios.

The Treasurer and Board will want to consider several factors including but not limited to: How many months of idle cash are available for investing? Does the Branch have any "Restricted" monies? Is the branch expecting any big new expenses? And, does the Branch have an appetite for the risk of investing?

Should these questions be answered based on gut instinct or immediate need? Of course not. Good decisions typically rely on good information, and good information can come from *forecasting cash flow*.

### 8.2 Cash-Flow Forecasts

Forecasting cash flow lets you know what's coming into the branch's bank account and what's going out over a period of time. Typically, cash-flow forecasts cover twelve months. Because it's based on your Branch's plans and activities for the upcoming year, your annual budget plays a key role in supplying the expected expense and revenue figures for your cash flow projection. The steps to prepare a cash flow projection is fairly simple;



While listed under investment accounts, a cash flow forecast is a useful tool even when not investing!

Step 1: Determine what your cash in bank balances are as of the date you prepare your cash flow projections;

Step 2: Note the total unrestricted cash vs restricted cash balances.

Step 3: Assess your operating cash needs for the next 6-12 months. Consider the expected timing of receipts and payments which may ebb and flow over time to have a realistic projection.

Now with your cash flow estimated, you'll be able to identify your idle cash, or how much money you have available to invest.

### **8.3 Investment Options**

Keeping large sums of idle cash in a checking account (or sticking the money under the "mattress") is very risk averse, but limits the branch investment income of the prevailing interest rate. On the other hand, high risk investing, such as investing only in volatile growth stocks would not be prudent either. Finding the balance is the goal.

**Fixed income investments focus on minimizing risk and realizing a steady stream of income.**

*Savings account* – A savings account is an interest-bearing deposit account held at a bank. These accounts pay a very modest interest rate, and are safe and easily accessible.

*Certificates of deposits* – A CD is a type of deposit account that can pay a higher interest rate than a standard savings account in exchange for restricting access to branch funds during the CD term — often between three months and five years. If the branch take money out before maturity, it'll most likely pay a penalty. (The key to knowing your term limit is your cash flow forecast.)

*Money market funds* - A money market fund is an open-ended mutual fund that invests in short-term debt securities such as US Treasury bills. This is a low-risk investment vehicle that provides both a modest return on the invested money and a high degree of liquidity (the branch can easily and quickly move cash in and out of a money market fund without fees or penalties).

**Variable-income securities focus on taking greater risk and without guaranteed earnings known in advance.**

*Securities* - A security is a financial investment with some monetary value, but the value fluctuates over time and a positive return is not guaranteed. There are dividend-paying stocks that carry the potential to



Investment advisors may offer lots of investment options, but monitor your branch's risk appetite and profile is being respected!

earn a yield higher than fixed income investments, but also carry a real risk that the initial investment can cost (or principal) can lose value.

When investing in securities, most Branches use an investment brokerage. An investment broker is a person or institution who conducts investment transactions on behalf of the Branch. Large brokerage firms include Charles Schwab, Fidelity, Merrill Lynch, and Morgan Stanley. Having money with a trusted broker can have its benefits even if the cost is a bit higher. **A Best Practice is for the investment advisor to not be on the board of the branch.**

The EUS Best Practice encourage that no matter the type of investment a branch makes is that it is:

- *Considered and approved by the branch's board*
- *And held in a financial institution.*

Investments Managed by ESU National - The ESU National Controller's Office oversees investments for a wide variety of organizational interests including endowments, long term projects and other designated branches (MMOAs). All funds are invested in a mix of equity & fixed income investments and the investment policy is reviewed and approved by the board annually. The ESU national investments are managed by an investment brokerage firm, specifically Morse Asset Management. Any ESU branch interested in having their idle cash managed with the ESU national investments can contact the ESU Controller, Angela Larson.

#### **8.4 Investment Account Accounting**

The accounting for investments occurs when funds are paid for acquisition of an investment instrument, that is to say when cash is paid for stocks, CDs, etc. or moved from checking to an investment or savings account. When the payments are made the Branch must show the shift in assets by recording the investment to the proper account #102: Investments or account #104: Savings & Interest Accts.

By the nature of investment accounts, there will be several other transactions which must be tracked and recorded;

1. Realized gains and losses
2. Unrealized gains and losses
3. Dividend Income
4. Interest Income

**Realized gains and losses** - An important concept in the accounting for investments is whether a gain or loss has been realized. A realized gain

All income, even investment income is captured in the annual Form 990 Questionnaire.

is achieved by the sale of an investment, as is a realized loss. Realized gains/losses are reported by ESU Branches using account #525: Gain/Loss on Securities.

**Unrealized gains and losses** - On the other hand, an unrealized gain or loss is associated with a change in the fair value of an investment that is still owned by the investor. Unrealized gains/losses are reported by ESU Branches using account #535: Investments Unrealized Gain/(Loss)

**Dividend income** – Dividends are the distribution of some of a company's earnings to its investors. Dividend income is coded to account #521: Dividends.

**Interest income** – Interest income is money/earnings generated by investments such as savings accounts and certificates of deposit are referred to as interest income. Interest income is recorded using account #510.1 & 520.2 Investment & Savings Interest.

## Section 9: Expense Accounting

It's about time we talk about spending the branch's money! It's hard to operate the programs without addressing the costs, or expenses. We categorize all expenses two ways;

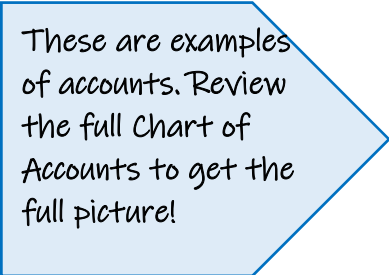
- first by its general ledger accounts (chart of accounts), and
- second by its functional expenses.

### 9.1 General Ledger Accounts

Expenses include all expenditures made by the Branch. These usually fall into 5 categories which coincide with the **ESU Chart of Accounts** and Form 990 Questionnaire submitted annually by the Branch to ESU National. The 5 Categories of expense are as follows;

- Administrative
- Legal and Accounting
- Program/Event
- Other (financial related)

Within these categories, accounts are broken down to provide more granular information about the expense. See below.



*These are examples of accounts. Review the full Chart of Accounts to get the full picture!*

- Administration
  - #701 – Employee Salaries
  - #702 Payroll Expenses
  - #705 Consultants
  - #710 Telephone & Communication Services
- Legal and Accounting
  - #720.1 LLC fees
  - #723.1 Accounting/Audit fees
- Program/Event
  - #800.1 Venue Rental
  - #800.6 Food & Beverages
- Other (financial related)
  - #868 Credit Card Fees

Please note the examples are not all inclusive! It is important that before starting to categorize your branch's costs, please review the ESU Branch Chart of Accounts, which can be found <https://www.esuus.org/esu/branches/resources/treasurer/>.

## **9.2. Functional Expenses**

In addition to these “natural” expense categories, expenses are further classified by “function” (purpose for which the expense is incurred.). The functional classifications include: programs, management and fundraising. This is an accounting requirement and is necessary for the filing of the IRS Form 990.

### **Management Expenses**

Management expenses are those related to administering the day-to-day running of the Branch. This typically includes expenses such as insurance, accounting, and office expenses. Although these expenses are essential in running the Branch, they are not directly related to the purpose for which the ESU was formed.

### **Program Expenses**

Program expenses are the costs related to providing programs in accordance with the ESU's mission. These include all programs, from scholarship to speaker series and the annual Shakespeare Competition. Ideally, the majority of the branch's expenses will be allocated to programs.

**Fundraising Expenses**

Fundraising expenses are bills incurred by the Branch to solicit contributions and/or membership fees, such as; publicizing and conducting fund-raising campaigns, maintaining donor mailing lists, grant writing to solicit contributions and fund raising events (like a gala).

Fund Raising Activities are activities substantially related to the raising of money for the organization (or Branch), not regularly scheduled branch events.

**9.3 The overlap of the General Ledger Accounts and the Functional Expenses**

Are you wondering how to keep track of so many categories? We have a grid for that! Additionally, this is also how we organize the branch budget template. And amazingly, this is also how we must report it to the IRS. Bottom line, we didn't make it complicated for fun, we made it in the form that works for the IRS filings.

**Graph 3: Intersection of the General Ledger and the Functional Expenses**

<u>General Ledger Account</u>	<u>Functional Category</u>		
	Management	Programs	Fundraising
• Salary & Consultants	\$	\$	\$
• Administrative	\$	\$	\$
• Legal & Accounting	\$	\$	\$
• Program/Event	\$	\$	\$
• Other (financial relate)	\$	\$	\$

## 9.4 Paying Invoices

An invoice is a statement from a vendor asking for payment of a good or service purchased by the branch. [Our Best Practices on invoice's content](#) is that they should include:

- Pay to name and mailing address of vendor
- Itemize the goods or services purchased
- Date of purchase
- Total cost to be paid
- Unique invoice # for that vendor

If the invoice meets our best practice criteria, before paying the treasurer should double-check to make sure payment has not already been made. This is necessary in case a vendor has sent the Branch a second invoice because the Branch's payment has "crossed in the mail."

Once it is determined that payment has not been made, the invoice or statement should then be to verify that the goods or services were actually received and the invoice price is valid. Once the invoice has been reviewed and verified payment should be made.

Payment by check is the preferred method because the Branch then has a record of the transaction for audit purposes. Each branch should set a disbursement policy that establishes a dollar threshold over which payment should be made by check, not by petty cash. Even when a bill is paid by petty cash, full receipts are required for the audit records.

Branches may also set a threshold where only one signature is needed until the expenditure exceeds an established amount. When the expenditure exceeds the threshold, two signatures are required. In those cases where only one signature is required, to the extent possible, the treasurer should not sign the checks. In addition, *the treasurer should never sign a check that is made out to himself or herself.*

Regardless of what payment method is used, there must be supporting documentation for each check written. Ideally, before the Treasurer writes a check the following information should be available to provide evidence of the expense;

1. A copy of the receipt, invoice, or other document requesting payment, that includes;
  - The name of the person or company on the check,
  - Address where the payment is to be sent,
  - The invoice number,
  - The amount(s) to be paid,

- Which event/project/expense line should be charged,
- The date of the invoice,

Remember Section 4 – Keep Everything!

### **9.5 Personal Reimbursement for Expenditures**

Your Branch's officers are likely to pay branch related expenses out of pocket from time to time. As treasurer, you'll oversee the branch's reimbursements. To issue reimbursements, the expenses being reimbursed must be ordinary and necessary expenses directly related to the operation or activities of the Branch. Personal, family, or other nonbusiness expenses are NOT reimbursable.

Requests for reimbursements should be made as quickly as possible and it is crucial to have good records for expenses to be reimbursable. At a minimum, every expense should be supported by documentation showing:

- What was purchased;
- How much was paid; and
- Who it was purchased from.

The documentation can consist of cancelled checks, sales receipts, account statements, or itemized credit card sales slips. It is [an ESU Best Practice for reimbursements](#) to Branch Board members and other members to be presented to the treasurer with a reimbursement form with pertinent information and a copy of all receipts attached. A draft reimbursement form which can be found <https://www.esuus.org/esu/branches/resources/treasurer/>.

Again, Branch funds should be used only for legitimate Branch activities and not to cover personal expenses.

## Section 10: Annual Budget & Financial Planning

*It takes a village,  
and a budget!*

A budget is a financial plan for future activities. It includes estimates of future revenue opportunities and expected expenses for a branch's programs, administration and fundraising activities for a period of time, typically one year. A budget helps the Branch's board decide which activities it will undertake and how the Branch's resources will be used for the year.

As a finance control mechanism, a budget assists in controlling actual costs against agreed upon and approved spending levels for activities.

### Cartoon: 2: Budget Planning



"I think we're in good enough shape to start making the same mistakes again."

From *Harvard Business Review*, December 2010, Cartoon by Teresa Burns Parkhurst ©HBR.org

### 10.1 Why plan and budget?

1. It helps the branch identify its priorities.
2. It helps the branch focus on what will be the main activities of the branch will be over the coming year.
3. It will help the branch identify any potential problems with your finances, e.g. a shortfall in income or excess reserves.
4. It may help the branch think about new initiatives and the future strategy of the branch.
5. It helps the Branch control costs.

## **10.2 The Budgeting Process**

The process of preparing a meaningful and useful budget is best undertaken as an organized and structured exercise involving individuals responsible for programming and financial management. The budget process involves asking a number of questions including the following:

1. What activities are being planned for the period?
2. What resources will be needed to perform these activities?
3. Where will the money come from to implement activities?
4. Are the anticipated results realistic; programmatically and financially?
5. What approvals are required to accept budget variances?

Once the budget has been agreed upon, the activities may be implemented in compliance with the spending approved in the budget.

## **10.3 - Best Practice – Budgeting**

There is no single right way to budget. Your branch may already have an established procedure. What we offer here is one possible approach to planning and budgeting, but it is not the only way.



## 10 Best Practices - Budgeting

1. Set aside time at a branch board meeting where everyone is present and discuss everything you would like to achieve over the coming year and how those activities fit into the ESU mission.
2. Look at the items you have listed and put them in order of priority. Decide which are 'must do' activities and which are things you would like to do.
3. Using your actual spending for the past 12 months as a basis, estimate the cost to implement each of the activities identified. Be realistic - *it is better to over-estimate costs slightly or include a contingency*
4. Estimate the administrative cost of running the Branch for the next 12 months compared to the last 12 months and budget accordingly.
5. Examine your current bank balances. Do you have enough money in the bank to implement the proposed activities? Are any of your funds restricted? Restricted funds can only be used for the purpose specified by the donor and are not available for general spending. Are you using the restricted funds appropriately?
6. Examine your existing branch activities and how much income you expect each of them to generate if you were to implement these activities. What fundraising events do you plan to hold? How much is expected in donations & membership fees? Use the current year as a guide. Enter the anticipated income for next year onto your spending plan.
7. Now calculate the projected total funds available to spend after one year. If this figure is negative then you need to either raise more income or cut back on expenditure or make up the difference with your investment account. If this figure is positive then you should look to increase expenditure, whilst making the best use of your additional funds.
8. Don't forget to consider whether you have sufficient volunteers to enable you to achieve what you want. You may need to think about how you go about recruiting more volunteers.
9. At every board meeting over the next 12 months, review how you are doing against your spending plan. If revenues are less than expected, you may not be able to do some of the lower priority things that you had planned. However, if it is higher, you may be able to do more.
10. Enjoy a meal, snack or drink together. Remember the budget is necessary for the success everyone would like to see.

Forms: Draft Budget template can be found

<https://www.esuus.org/esu/branches/resources/treasurer/>

## Section 11:

### Form 990

ESU is tax-exempt, which means the ESU doesn't have to pay Federal or State taxes. Nonetheless, the Internal Revenue Service still requires lots of operational financial information. We provide the information to the IRS, for national and all the branch offices combined into one picture, a meticulously organized on IRS Form 990.

Form 990 is considered an "information" return. After an organization files its completed Form 990, it's available for the world to see. The public uses the information from Form 990 returns to evaluate nonprofits. Donors often evaluate a nonprofit's income and expense ratios, how much it pays key personnel, and other useful information that can help assess the financial health of a nonprofit.

The Form 990 requires the following information:

- A summary of governance activities, revenues, expenses, and net assets.
- Description of the ESU's accomplishments (e.g. activities, financial results, etc.) of its three largest programs that serve its exempt purposes.
- Questions addressing a variety of topics, including lobbying activities, endowment funds, and tax-exempt bonds.
- Questions related to the ESU's governing body, management, and policies.
- Compensations of officers, directors, trustees, key employees, and the five highest-compensated individuals.
- As well as includes the ESU's revenues, expenses, balance sheet, and reconciliation of net assets.

The ESUUS and its Branch's must have an accounting system that will allow easy compilation of required information. The key system used by ESUUS is the Branch 990 Questionnaire.

As a Treasurer, you'll prepare the Form 990 Questionnaire annually. Typically the form will be sent out in late June, with submitted to national required by no later than September 1st. The ESU Branch Financial Administrator will be available to answer questions you have during the process. The goal of ESUUS is to have its annual consolidated financial statements prepared and sent to the auditors no later than 10/31 and have audited financial statements and completed IRS Form 990 no later than 12/31.

The Form 990 Questionnaire provides the vast majority of the information necessary, but the **auditors will have spot requests** for various records after you have submitted your form. Typically they are not looking to see if your branch committed fraud, but instead are verifying that all accounts, expenses and income is actually real.

However, we are at the mercy of the stopped of our outside auditors and their necessary work for meeting filing dates. After the auditors have prepared and the audit committee and Board of the ESU approves the audited financials, they are posted to the ESU's website.

## Section 12:

### Thank you! Thank you! Thank you!

The finance team at national, the audit committee, the board, we all recognize you accepted the role of Treasurer and execute it fantastically... as a volunteer! We sincerely are grateful that you took on the treasurer's role and we are here to help you in any way you might need! Let us know!

**Tony DiFilippo**

Branch Funds Administrator  
The English-Speaking Union  
[Branchfinances@esuus.org](mailto:Branchfinances@esuus.org)  
212-818-1200 ext. 228  
144 East 39th Street  
New York, NY 10016  
[www.esuus.org](http://www.esuus.org)

**Angela Larson**

Controller  
The English-Speaking Union  
[alarson@esuus.org](mailto:alarson@esuus.org)  
212-818-1200 ext. 218  
144 East 39th Street  
New York, NY 10016  
[www.esuus.org](http://www.esuus.org)

We also acknowledge that this Manual is not perfect or fully complete. Let us know what more should be added, what questions you were asking. Your participation will make this into a stronger document for all the treasurers who use it!