

# Treasurers' Handbook A Guide for Local Group Treasurers

Fifth Edition April 2007

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# **Treasurers' Handbook Fifth Edition**

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# Introduction

As in previous editions of this handbook, a special effort is made to guide the new nonprofessional local Treasurer through the unfamiliar territory of bookkeeping, record keeping, financial reporting and budgeting by providing a recommended simplified method, practical examples, and the necessary forms to get started.

By following the principles outlined in this handbook, the Treasurer should be able to perform the required functions in a responsible manner.

Questions and comments regarding this handbook and the role of the Local Group Treasurer should be directed to the Director of Finance at the National Office. Contact information is available on page 36.

# **Checklist: The Treasurer's Duties**

Here's the shortlist of things a Local Group Treasurer must have or do.

- A bank account. Local group funding from American Mensa must be direct deposited into the Local Group's bank account. See page 7.
- A bookkeeping system to record the Local Group's income and expenses. This is a method of organizing information and reporting when money is received or spent. See page 10.
- Documentation for every bookkeeping transaction. This is necessary to show that the Local Group's funds are being recorded properly. See page 12.
- A list of capital assets. The Treasurer is responsible for keeping track of the items owned by the Local Group. This is required by the Minimum Standard Bylaws. See page 26.
- An expense reimbursement policy. The Treasurer and all elected and appointed officers need a clear understanding of exactly what expenditures will be reimbursed by the Local Group. See page 32.
- An expense reporting form. This provides a consistent format to ensure that all necessary information is included when a local officer requests reimbursement for expenditures. See page 33.

- An annual budget. The Local Group's Executive Committee must establish fiscally sound spending priorities and have an early warning if spending is out of control. See page 34.
- A quarterly financial review with the Local Secretary. This is required by Minimum Standard Bylaws. See page 21.
- A twice-yearly Treasurer's Report printed in the Local Group newsletter. All Local Group members need access to information about the financial status of the group. See page 18.
- An annual financial review. This demonstrates that the Local Group follows appropriate financial accounting policies and procedures (see page 21) and that financial statements are presented fairly.
- Report the Local Group's annual investment income to American Mensa National Office. This is needed for AML's records. See page 8.
- Archiving financial information.
- Record keeping (retention policy).

# **Responsibilities of the Treasurer**

The responsibilities of the Local Group Treasurer can be summarized as:

- 1. Safeguarding the Local Group's funds.
- 2. Keeping the Local Group's financial accounting in order.
- 3. Handling collections, banking, investments, insurance, bonding and recording, and verification of capital assets.
- Reporting to the governing body and general membership of the Local Group the status of the group's finances, including actual expenditures and income compared to budgeted amounts.
- 5. Providing a consistent voice for fiscal conservatism and analytical decision-making within the Local Group's governing body.

The procedures and suggestions described in this manual, if adopted, will make it possible for the Treasurer to account clearly and accurately for every penny received or expended.

The Local Group's governing body must decide the degree of control over its funds; the Treasurer for a small group with a treasury of just a few hundred dollars is not likely to need the formalized system that would be appropriate for a large group with substantial assets.

# Banking

### Overview

American Mensa is a not-for-profit corporation (under Internal Revenue Code section 501 (c) (4)), and was formed under the not-for-profit corporation laws of the state of New York. Every Local Group must have a bank account in its name. American Mensa deposits Local Group support funds directly into each group's bank account on the third Friday of each month. Confirmation of the amount and detail is mailed to the group Treasurer. American Mensa's Tax Identification Number can be on the account, or the Local Group may request a tax identification number from the IRS that is for "Banking Purposes Only." Local Group Treasurers may \*not\* establish a bank account for their Local Group by using their Social Security number.

# **Checking Accounts**

A checking account is essential to handle expenditures and receipts Banks used should be federally insured (FDIC). Service charges can be minimized by selecting a bank that offers "free" checking or by maintaining a minimum balance in the checking account or an associated savings account.

Checks should be inexpensive. If the account selected does not include free checks, it is worth considering third-party check printers.

Opinions vary as to whether checks should carry the Treasurer's address. A preprinted address saves writing and is more easily accepted by some merchants. However, if the Treasurer moves or is replaced, new checks must be printed. The Local Group's particular circumstances must be considered in making this decision.

A "FOR DEPOSIT ONLY" rubber stamp that shows the name and number of the account and the name of the bank should be used for endorsing checks before depositing. Some banks provide such stamps at no cost

# **Signatures and Signature Cards**

The outgoing Treasurer must arrange for new signature cards. This may require a signed resolution to the effect that the group's officers have changed. The bank provides the forms for the resolution. Banks with branches are usually willing to carry signature cards in more than one location.

Bank accounts should be set up to require more than one signature for disbursements of more than

a determined amount, as an internal control for check signing. This is cumbersome and adds work for the Treasurer, but some Local Groups may prefer the extra safety. Some groups find it sufficient to use one signature on the check, supplemented by a written policy on how much can be disbursed by the Treasurer without Executive Committee or second signature approval. Blank checks should never be presigned.

At least two signatures should be recorded on the bank's signature card because the Treasurer may be unavailable when a payment must be made. The bank's signature card also specifies how many signatures must be on the check for validity. For example, a group may list the Treasurer and the Local Secretary on the bank's signature card even though only one or the other is required for the check. When two signatures are required for disbursement, three or more should be on record. Copies of signature cards should be retained in the Treasurer's file.

# **Tax Identification Number**

Unless a group is incorporated, or has for some other reason applied for its own tax identification number, all accounts should be opened using American Mensa, Ltd.'s Tax Identification Number (11-1986754). Or, a group may file IRS Form SS-4, Application for Employer Identification Number, to obtain an EIN for banking purposes only. A new Treasurer must make sure that the correct tax ID number is listed for the bank accounts. Using a personal Social Security number may create problems when the Internal Revenue Service compares the individual's tax return with the interest and dividend reports sent by the bank to the IRS.

# Tax Considerations — Reporting Interest

Most Local Groups that are not separately incorporated are not required to file informational tax returns. However, all Local Groups that have earned savings interest or dividends and have used American Mensa Ltd.'s tax ID number must forward a copy of Form 1099, upon receipt from the paying institutions, to the National Office for inclusion in American Mensa's records. Groups with gross income exceeding \$25,000 (receipts, contributions, etc.) in a year are required to report their financial activity to American Mensa for reporting to (Form 990) the IRS for that year. Groups hosting AGs and large RGs are often subject to this requirement.

### **Notifying American Mensa**

In order to handle each Local Group's direct deposits, American Mensa Ltd. needs specific banking information. On page 39, there is a sample form for notifying AML of changes in the Local Group's bank account.

### **Bad Checks**

Banks will send notifications of checks the group has deposited having insufficient funds. In such cases, redeposit the check before contacting the maker. If the second deposited check is returned, then a copy of the check is returned to the maker with a note giving the maker the benefit of the doubt. Retain the check. Some checks may be sent through the bank twice. If the check is replaced and bounces again, a stronger letter should be sent with a request for reimbursement in a form other than a personal check (money order, cashier's check, etc.). If there is no response, the goods or services purchased (such as RG registrations) should be cancelled if possible. How far to pursue an individual is a local decision that the Treasurer and Local Secretary should make jointly.

Generally, the maximum effort to collect a bad check will invoke the AMC policy that any person with documented outstanding debts to American Mensa, its Local Groups, its recognized Gatherings, or the Mensa Foundation shall not be allowed to renew his or her membership until such debts are satisfied. In order for a debt to be documented as "outstanding," the member must have been informed of the outstanding debt and good faith efforts must have been performed to collect the debt. [ASIE 1991-083]

#### Investments

Groups with surplus funds should invest them for additional income. Someone knowledgeable should be consulted before funds are invested.

This can be done in various ways, however, only cash or cash-equivalent investments should be considered. Equity investments (stocks) should be ruled out in order to preserve invested capital. Cash or cash-equivalent investments include certificates of deposit, savings accounts, bank money market accounts and U.S. government obligations.

#### Paper Trail

It is always important to create and maintain a paper trail, a paper tracking system that contains supporting notes and documents for all transactions. Unless checks are used within money market funds or accounts, payments should be channeled through the checking account by transfer of funds. For deposits, keep a photocopy of the detailed deposit slip and the checks that are deposited.

Upon balancing the Local Group's checking account, the end points should be noted in the check and bank book(s) and in the bookkeeping system and initialed and dated to provide a starting point for the following month. Cancelled checks and bank statements should be retained for at least three years.

#### Reconciliation

Reconciliation must be performed monthly upon receipt of the bank statements to identify errors by the bank or the Treasurer.

### **Online Banking**

Online banking is a method to do banking seven days-a-week that provides many advantages, such as automated bill paying and check clearing, printing bank statements and viewing walk-in and electronic deposits. It is secure and can be done remotely without special software. Several levels of service are available from free to low cost.

Online banking is available for retail and commercial customers. Local Groups using online banking as retail customers should obtain their own tax identification number (TIN#) from the IRS that is for "Banking Purposes Only". When more than one retail bank customer uses the same TIN# to establish an account, either customer can view or access or be denied access to the account

# **ATM Cards**

The use of ATM cards for cash should be discouraged because of the difficulties with control procedures.

# Bookkeeping

### Purpose of Bookkeeping

The purpose of bookkeeping is to maintain reliable and understandable records of the financial activities of the Local Group. The Treasurer uses these records to produce reports for the group's Executive Committee to help make fiscally sound decisions that will ensure a prosperous and growing Group.

# Chart of Accounts

The tool for record keeping is an accounting system. The organization within this system begins with creating a Chart of Accounts that lists assets, liabilities, income and expense categories, and assists in creating a budget. The Chart of Accounts should be as standardized as possible to provide a common language for financial transactions and to allow Executive Committee members to understand financial reports quickly and easily. It should also be as consistent as possible from year to year to allow long-term comparisons. There are two reasons for creating and using a category: to keep a running total of an income or expense item that has several transactions per year, or to compare an income or expense item between accounting periods.

Categories should be named to allow unambiguous understanding of their intent. Subcategories are useful in monitoring the profit or loss of a specific budget category or program. For instance, in a group that regularly puts on a regional gathering, the Executive Committee will almost certainly want to know income, expenditures and net profit. The Treasurer should create a category for the RG event and subcategories for RG income and RG expense to track these important items.

The following sample chart of accounts will work for almost any Local Group with only minor modifications for specific requirements.

# Sample Chart of Accounts for a Local Group

ASSET ACCOUNTS **Checking Account** Investment Account(s), such as Certificates of Deposit Periodical Class Mail Account Accounts Receivable LIABILITY ACCOUNTS Accounts Payable NET ASSETS ACCOUNTS Unrestricted Membership Equity **Board Designated** Restricted Scholarships INCOME CATEGORIES National Subsidy **Testing Fees from AML Newsletter Subscriptions** Newsletter Advertising Interest and Dividends **Event Profit** Event Income Event Expense Event Net Profit/(Loss) Fund Raising Activities Profit Fund Raising Income Fund Raising Expense Fundraising Net Profit/(Loss) Merchandise Sales Profit Merchandise Sale Income Merchandise Sales Expense Merchandise Sales Net Profit/(Loss) Contributions to Scholarship Fund Contributions to Local Group Local Dues **Miscellaneous Income EXPENSE CATEGORIES** Testing Expense **Newsletter Printing** Newsletter Postage Newsletter Other Expense Membership Directory Scholarship Awards Bank Fees **Telephone Expense** Postage

Office Supplies Miscellaneous Expense

# Basic Principles of Bookkeeping

The most basic principle of double-entry bookkeeping is that each financial transaction increases or decreases an asset account and affects one or more corresponding income or expense categories by the same amount. In the case of a transfer between asset accounts, one increases and one decreases by equal amounts. The equal transactions keep the books "balanced." Computerized bookkeeping software automatically takes care of balancing.

An important second principle is that a paper trail must be retained for every transaction. With each transaction, the Treasurer should ask the question, "Is this sufficient documentation to satisfy an auditor?" If so, the documentation can be filed. If not, additional documentation should be obtained or created before the transaction is entered into the books.

A third principle is promptness. Handling transactions quickly reduces problems and mistakes. Timely payment of bills avoids late fees. Quick payment of expenses to group officers is courteous and contributes to an impression of competence.

The fourth and final principle is separateness. The Treasurer must keep Local Group funds and personal funds separate. That means separate bank accounts, separate accounting systems, and careful avoidance of any appearance of impropriety. Additionally, another local officer who has check writing authority should sign checks written to reimburse the Treasurer for group expenses.

# Income

Income in the form of cash or checks must be deposited promptly, recorded to the proper account, and duplicate deposit slips retained. If there is additional documentation relating to an income transaction, it should also be filed.

# Expenses

To permit tracing, all payments should be made by check or a properly documented Petty Cash transaction with a signed and dated receipt. All disbursements should be substantiated by original invoices or receipts or, at the very least, by a signed and dated statement from the individual requesting reimbursement for out-of-pocket expenses. Check numbers, dates and general ledger account codes should be written on invoices and receipts for cross-reference. Receipts, invoices and other documentation are usually filed in date or check-number order to facilitate the annual audit and other reviews.

# **Filing System**

Most Local Group Treasurers will find that a standard portable file box with file folders, which can be carried to Executive Committee meetings, is sufficient to hold several years of records and all necessary materials. Having all records and forms available at business meetings allows immediate research and answers to financial questions.

The organization of files can generally be a simplified version of the chart of accounts. All but the largest groups can get by with a file folder for:

- each asset account
- all income transactions (filed sequentially by date)
- all expense transactions (filed sequentially by check number)
- information about assets
- preprinted forms, such as expense reimbursement requests
- budgets
- copies of reports from the Treasurer
- bank supplies
- miscellaneous items

# Petty Cash Asset Account

Although not usually necessary, if the culture of a Local Group absolutely requires small payments in cash, a Petty Cash asset account can be created in the Chart of Accounts. Money moving into or out of that account should be documented by signed and dated receipts. A serially-numbered receipt book with two-part forms is needed to do this properly. Transactions are recorded exactly as in the checking account and should reference the receipt numbers in the same manner as check numbers are recorded. Unlike a checking account, petty cash cannot be reconciled with an outside entity; therefore, extra care must be taken to document every transaction for accuracy.

# Periodical Class Mail Asset Account

If the group maintains a periodical rate or a bulk mail rate postal permit, the Treasurer must make sure that sufficient money is on deposit, or the mailing will not be made by the post office. The post office may send the Treasurer a monthly report on the balance at the post office, or the Treasurer may make telephone or personal inquiries. Since operating procedures are not the same for all post offices, the Treasurer should establish a working arrangement with the appropriate post office clerk. For groups with periodical mailing permits, certain records must be maintained for the annual post office audit. The Treasurer must work closely with the Editor of the newsletter and/or the person handling direct subscriptions. Each must clearly understand the record-keeping duties and the plan for assembling the required records and handling the audit.

The required records and the auditing procedure are described in detail in the Editor's Handbook. Briefly, required records are:

 Signed subscription requests from direct subscribers (subscriptions not provided by the National Office)

- Copies of checks or other proof of payment from direct subscribers
- The printer's invoices for press runs of newsletters
- Cancelled checks for press runs

#### **Data Backup**

Make backup copies of the journals periodically and give copies to another officer for safekeeping as a safeguard against destruction, fire, theft or other loss. It is also good practice at year-end to printout the following: the general ledger chart of accounts, year ending trial balance and financial statements, financial statement layout, and general ledger detail for the year. Store hard copies and make a diskette backup as well.

# Manual Bookkeeping Method

With the wide use of computer systems, low cost accounting software and the more efficient controls that come with them, manual general ledger systems have become a tool from the past. It is \*not\* recommended to use a manual bookkeeping system for a Local Group, however, if the group uses one and needs assistance, please contact the National Office for help.

Although there are a number of ways to keep books for the local treasury, the manual method described here is simple, practical, efficient, and requires no professional knowledge. This method can be described as a simplified and modified double-entry bookkeeping system. It has several advantages:

It permits an instant check against money balances, whether in cash, checking, savings account or in other forms of cash-equivalents.
It allows instant updates against the budget, so the Treasurer can report at board meetings the status of each account and the relationship of actual expenditures versus budgeted amounts.
It uses just two forms, both of which can be removed from this handbook and copied. Thus, no books need be purchased.

#### The Journal Form

There are nine columns on this form.

- 1. Reference Number (sequential numbering, may include a prefix to indicate which journal)
- 2. Transaction Date
- 3. Check Number (or receipt number when used with a petty cash account)
- 4. Description (paid to whom; received from whom; paid for what)
- 5. Income or Expense Category (standard abbreviation or number)
- 6. Check mark as a signal of ledger posting
- 7. Expense amount
- 8. Income amount
- 9. Balance

#### Use of the Journal Form

Each journal works like a standard check register, with additional columns to cross reference to the corresponding entry on the category ledger. All expenditures and income are posted and a current balance is shown in the last column. The treasurer should reconcile each journal at the end of each month to verify that the journal and bank statement (or cash box or other cash equivalent) agree.

The following example shows a checking account journal for the first three months of 2005. There were 15 transactions during that period. Note the following details:

The alphabetic prefix of "C" in the Reference Number indicates that the transaction is from the Checking Account journal. This will be useful when looking at the various ledgers.

Categories are indicated by abbreviated forms of the category names. Category numbers can also be used, and some people find them more convenient. In some cases, more than one category may be listed in which the amount of the transaction is split between two or more categories. Use great care when posting these complex transactions.

There are three transactions (marked with arrows) for Local Group Support Funding. You can see how they are posted to the ledger for the National Subsidy category on the following pages.

| JOURNAI | JOURNAL FOR: Local Mensa Checking Account SHEET# 2005-1 |        |                                   |       |         |          |          |  |
|---------|---|--------|-----------------------------------|-------|---------|----------|----------|--|
| No.     | Date  | Check# | Description                       | Cat.  | Expense | Income   | Balance  |  |
| C169    | 1/16/05   |        | Local Group Support Funding-12/04 | NS    |         | 357.85   | 4,293.36 |  |
| C170    | 1/21/05   | 1209   | Joan Smith Expense Report         | PO/OF | 45.00   |          | 4,248.36 |  |
| C171    | 1/21/05   | 1210   | The Children's Home, Inc.         | Misc  | 100.00  |          | 4,148.36 |  |
| C172    | 1/26/05   | 1211   | Sally Brown Expense Report        | NL/OF | 341.21  |          | 3,807.15 |  |
| C173    | 1/29/05   | 1212   | Betty Black                       | CSF   | 20.00   |          | 3,787.15 |  |
| C174    | 1/30/05   |        | Interest Earned                   | ID    |         | 2.46     | 3,789.61 |  |
| C175    | 2/20/05   |        | Local Group Support Funding-01/05 | NS    |         | 401.43   | 4,191.04 |  |
| C176    | 2/21/05   | 1213   | Joan Smith Expense Report         | PO/OF | 38.65   |          | 4,152.39 |  |
| C177    | 2/25/05   | 1214   | Sally Brown Expense Report        | NL/OF | 343.88  |          | 3,808.51 |  |
| C178    | 2/25/05   | 1215   | Postmaster - Periodical Account   | PA    | 900.00  |          | 2,908.51 |  |
| C179    | 2/26/05   |        | Deposit                           | RG    |         | 1,258.00 | 4,166.51 |  |
| C180    | 2/27/05   |        | Interest Earned                   | ID    |         | 2.14     | 4,168.65 |  |
| C181    | 3/20/05   |        | Local Group Support Funding-02/05 | NS    |         | 363.30   | 4,531.95 |  |
| C182    | 3/24/05   | 1216   | Sally Brown Expense Report        | NL/OF | 346.57  |          | 4,185.38 |  |
| C183    | 3/25/05   |        | Deposit - Registrations           | RG    |         | 836.00   | 5,021.38 |  |
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### The Ledger with Accumulating Column Form

To save space, this form has two identical sections on a page to allow twice as many transactions to be recorded. There are three columns for each transaction:

- 1. Reference Number (from the corresponding journal entry)
- 2. Amount (may be positive or negative-expenses are negative)
- 3. Balance (a running total of the amount column) The Balance column should be restarted with a zero balance at the beginning of the group's fiscal year.

### Use of the Ledger Form

Each journal/cashbook entry is also entered on the appropriate category ledger sheet(s) and is crossreferenced to the journal entry in the reference number column. The amount of the journal entry is recorded in the amount column and accumulated in the balance column. After the ledger entry is complete, a check mark is made in the journal to indicate that the transaction has been posted to the ledger. See the example sheets.

### **Bank Reconciliation**

When the monthly bank statement is received, the treasurer should reconcile (verify) it against the

matching Journal. Make a small mark next to each line in the journal that appears on the bank statement. Take the balance shown next to the last mark and adjust it by adding or subtracting any transactions not reconciled before that balance. This adjusted balance should match the final balance on the bank statement.

#### Journal versus Ledger Reconciliation

At the end of each accounting period, preferably each month, the Journals must be compared to the Ledgers. The change in assets shown on the Journals during the period should match the sum of all of the income and expense ledger transactions for the same time period.

For income and expense ledgers, it is easiest to compare all of the transactions for the fiscal year to date. Each ledger should be set to zero at the beginning of the year so all of the ledger balances combined will reflect the year-to-date net balance.

For asset and liability journals, the net change for each journal is calculated by subtracting the beginning-of-year balance from the current balance.

The sum of the net changes for the journals should match the sum of the net balances of the ledgers.

| LEDGER FC | R CATEGOR | Y: NS - National S | upport         |           | SHEET# | 2005-1  |
|-----------|-----------|--------------------|----------------|-----------|--------|---------|
| Ref. No.  | Amount    | Balance            |                | Ref . No. | Amount | Balance |
| C169      | 357.85    | 357.85             | 1 1            |           |        |         |
| C175      | 401.43    | 759.28             |                |           |        |         |
| C181      | 363.30    | 1,122.58           | 1 -            |           |        |         |
| 0101      | 505.50    | 1,122.30           | -              |           |        |         |
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# **Computerized Bookkeeping Method**

There are dozens of commercially available software packages for bookkeeping. Any of them should be adequate for a Local Group's needs. It is outside of the scope of this handbook to provide instruction in the use of a particular software package. As of this writing, Quicken from Intuit Inc. is a popular accounting package. Quicken software also includes a free electronic copy of Getting Started with Quicken Premier Home & Business. Written specifically for small business owners, this guide shows how to take advantage of the many great Quicken features designed to help you manage your small business. Although Quicken does not contain all the safeguards found in more expensive software packages, AML's auditors have said that, when used properly, Quicken is generally suitable for Local Group accounting purposes.

When setting up a computerized bookkeeping system, the first step is to list the group's Asset and Liability accounts and Income and Expense categories. Most modern accounting software comes pre-configured with accounts and categories for home use and for various types of businesses. These lists are not suitable for a Local Group. Generally, it will be simpler to set up appropriately named accounts from scratch rather than to attempt to modify the account lists provided.

Sometimes it is helpful to create additional categories for special projects. The most common example is for Regional Gatherings. RG income and expense transactions frequently overlap from year to year. Creating categories for a specific year's RG makes it easy to ensure that all of the income and expenses are properly assigned and that a profit can be correctly calculated.

### **Bank Reconciliation**

Checkbook reconciliation with a computerized accounting package is a great improvement over pencil and paper methods.

The accounting software presents a listing of all of the unreconciled checks and deposits (expenses and income) for the account. Going through the bank statement sequentially, a mouse click on each matching entry changes it from unreconciled to reconciled (cleared).

# Reporting

# Semi-Annual Reporting

According to the Minimum Standard Bylaws for Local Groups, each group must publish a Treasurer's Report in its newsletter twice each year. The report does not have to be in a specific format, but it must show what was on hand at the beginning of the accounting period, funds received, funds disbursed, and what remained at the end of the period, including RG, scholarship and other special funds. This lets the members know what is being done with their money. Regular reporting is the Treasurer's most effective tool in retaining the trust of the Local Group members, and it is a good idea to present a brief Treasurer's Report at each Executive Committee meeting.

The accepted accounting format consists of two sections: a listing of Assets and Liabilities, called a Statement of Financial Position (Balance Sheet); and the Statement of Financial Activities (profit or loss statement).

A sample Balance Sheet produced by Quicken follows. The same information will be on a Quicken Net Worth report or an Account Balances report. Notice that the report shows balances on several dates, allowing a single report to show balances from the beginning and the end of the period.

LOCAL MENSA-All Accounts Balance Sheet by Half Year

As of 12/31/05

|                                | 1/1/2005 | 6/30/2005 | Page 1<br>12/31/2005 |
|--------------------------------|----------|-----------|----------------------|
| Acct                           | Balance  | Balance   | Balance              |
| ASSETS                         |          |           |                      |
| Cash and Bank Accounts         |          |           |                      |
| Certificate of Deposit         | 5,078.32 | 5,188.57  | 5,296.90             |
| Checking Account               | 3,166.19 | 4,797.13  | 3,935.51             |
| Old Checking Account           | 0.00     | 0.00      | 0.00                 |
| TOTAL Cash and Bank Accounts   | 8,244.51 | 9,985.70  | 9,232.41             |
| Other Assets                   |          |           |                      |
| Periodicals Class Mail Account | 342.55   | 330.35    | 372.81               |
| TOTAL Other Assets             | 342.55   | 330.35    | 372.81               |
| TOTAL ASSETS                   | 8,587.06 | 10,316.05 | 9,605.22             |
| LIABILITIES & EQUITY           |          |           |                      |
| LIABILITIES                    | 0        | 0         | 0                    |
| EQUITY                         | 8,587.06 | 10,316.05 | 9,605.22             |
| TOTAL                          | 8587.06  | 10316.05  | 9605.22              |

The Statement of Financial Activities shows income and expenses for each accounting category. A sample is shown below.

A Treasurer's Report presented to the Local Group Executive Committee should include copies of these two financial statements. For the semiannual report in the Local Group newsletter, a customized report with comments from the Treasurer is desirable. See the next page for an example.

| L<br>1/1/2005                                   | OCAL MENSA-All Accour<br>Profit & Loss Statement<br>Through 12/31/05 | its                   | Page 1             |
|---|--|-----------------------|--------------------|
| Category  | Description  | 1/1/05-<br>12/31/2005 |                    |
| Category  | Description  | 12/31/2003            |                    |
| INCOME  |  |                       |                    |
| 2004 RG Profit:                                 |  |                       |                    |
| 2004 RG Income                                  |  | 16.00                 |                    |
|   |  |                       |                    |
| TOTAL 2004 RG Profit                            |  |                       | 16.00              |
| 2005 RG Profit:                                 |  |                       |                    |
| 2005 RG Food Expe                               | nse  | -3,138.02             |                    |
| 2005 RG Ice Expens                              | е  | -112.84               |                    |
| 2005 RG Income                                  |  | 7,428.00              |                    |
| 2005 RG Misc. Expe                              | nse  | -1,132.12             |                    |
|   |  |                       |                    |
| TOTAL 2005 RG Profit                            | – .  |                       | 3,045.02           |
| Contributions – Scho                            |  |                       | 488.00             |
| Contributions to Loca<br>Interest and Dividence | •  |                       | 210.00<br>253.37   |
|   | 15   |                       | 253.37<br>3,758.18 |
| National Subsidy<br>Newsletter Subscript        | ione   |                       | 60.00              |
| Testing Fees from Al                            |  |                       | 170.00             |
| resulty rees normal                             |  |                       |                    |
| TOTAL INCOME                                    |  |                       | 8,000.57           |
| EXPENSES  |  |                       |                    |
| Misc Expense                                    |  |                       | 342.67             |
| Newsletter Postage                              |  |                       | 969.74             |
| Newsletter Printing                             |  |                       | 4,193.39           |
| Office Supplies Expe                            |  |                       | 449.60             |
| Postage Expense (no                             | • •  |                       | 523.31             |
| Scholarship Awards                              | Expense  |                       | 500.00             |
| Telephone Expense                               |  |                       | 3.70               |
| TOTAL EXPENSES                                  |  |                       | 6,982.41           |
| TOTAL INCOME - EXPE                             | NSES   | -                     | 1,018.16           |

This example Treasurer's Report in the local newsletter includes a few paragraphs of explanation and news to supplement the dry numbers. The Statement of Financial Position and Statement of Activity should be as concise as

I Must have

Treasurer's Report

Year End, 2005 By Kent Akselsen, Local Group Treasurer

Once again, I am able to report that our local group is in sound financial condition, with income greater than expenses for the year. Does nothing ever change?

Actually, some things might change: At the October Executive Committee meeting, we'll discuss the pros and cons of changing our fiscal year to begin after the RG, rather than on January 1. Having to guess at our RG profits has produced some wild variances in our budgets

If you are interested in becoming our next Treasurer, (and are not already on Executive Committee) you need to run in the upcoming election. I strongly suggest that you read the article "Call for Candidates" which is printed elsewhere in this issue and take action!

| possible. Account and Category descriptions          |
|--|
| should be short and unambiguous to the casual        |
| reader. Adding a list of the group's Capital Assets, |
| their locations and their values could enhance this  |
| sample report.                                       |

| ASSETS as of 1/1/05          |           |
|------------------------------|-----------|
| First Union Checking         | 3,166.19  |
| First Union CD               | 5,078.32  |
| Periodical Mailing Account   | 342.55    |
| TOTAL                        | 8,587.06  |
|                              |           |
| ASSETS as of 12/30/05        |           |
| First Union Checking         | 3,935.51  |
| First Union CD               | 5,296.90  |
| Periodical Mailing Account   | 372.81    |
| TOTAL                        | 9,605.22  |
|                              |           |
|                              |           |
| PROFIT & LOSS                |           |
| 1/1/05 Through 12/30/05      |           |
|                              |           |
| INCOME                       |           |
| RG '05                       |           |
| Expenses                     | -4,382.98 |
| Registrations                | 7,428.00  |
| Net RG '05                   | 3,045.02  |
| Contributions to Local Group | 210.00    |
| Interest Income              | 253.37    |
| National Support             | 3,758.18  |
| Previous RG                  | 16.00     |
| Testing Fees from AML        | 170.00    |
| Scholarship Contributions    | 488.00    |
| Newsletter Subscriptions     | 60.00     |
| TOTAL INCOME                 | 8,000.57  |
|                              |           |
| EXPENSES                     |           |
| Miscellaneous Expenses       | 342.67    |
| Miscellaneous Postage        | 523.31    |
| Office Supplies              | 449.60    |
| Scholarship Awards           | 500.00    |
| Newsletter Postage           | 969.74    |
| Newsletter Printing Cost     | 4,193.39  |
| Telephone                    | 3.70      |
| TOTAL EXPENSES               | 6,982.41  |
|                              | 4 040 40  |
| OVERALL GAIN                 | 1,018.16  |
|                              |           |

# **Financial Reviews**

### **Annual Financial Review**

The Minimum Standard Bylaws include a provision requiring an annual financial review, conducted during the month the group's elected officers normally take office in election years. This review must be conducted by someone who was not involved in the issuing or collecting of money during the review period, and should include reviewing actual statements from banks and any other institutions where the group's money is deposited. The person selected to perform the annual financial review should have some experience in accounting and financial statement preparation. The resulting report should be provided to the group's Executive Committee and printed in the newsletter.

# Local Group

There is no prescribed format for reporting the results of an annual financial review. A sample report is provided on the following page.

# **Quarterly Financial Review**

The Minimum Standard Bylaws require that the Treasurer provide the Local Secretary or designee, (who must also be an officer) once each quarter original statements from banks and any other institutions where the group's money is deposited. The bank can mail duplicate statements to the Local Secretary when requested.

No written reporting is required, but the Treasurer or Local Secretary should report the date and results of the review at the next Executive Committee meeting. That informal report should be included in the meeting minutes.

Essential elements of the report include the range of dates examined, the method of selecting and examining or testing transactions, and a conclusion as to the completeness and accuracy of the books.

| —S/  | AMPLE—   |
|------|--|
| July | 31, XXXX   |
| Ann  | ual Financial Reviewer's Report  |
|      | al Mensa Group   |
| For  | the period August 1, XXXX - July 31, XXXX  |
| Prep | pared by, Member in Good Standing  |
| Trea | financial records for the above cited time period were reviewed with the current<br>isurer. The review was not conducted in accordance with Generally Accepted<br>iting Standards, and was limited in scope.   |
| Find | ings:  |
| 1.   | There was limited backup documentation for transactions and the opening<br>balance of the Second Class Postage account. The opening balance was<br>assumed to be correct. The current method of contacting the Post Office<br>monthly to obtain a current balance is allowing the Treasurer to calculate<br>postage used each month. Entries are made to account for funds sent to the<br>Post Office and funds spent by the Post Office. This has provided a clearer<br>picture of mailing expenses than the previous method. |
| 2.   | A sample of income transactions was reviewed to source documentation and all samples were found to be correct.   |
| 3.   | A sample of expense transactions was reviewed to source documentation and all samples were found to be correct.  |
|      | All bills are currently being paid on a timely basis.  |
| 5.   | A sample of checks was reviewed to verify that all checks were signed by someone other than the payee. This procedure has been followed.   |
| 6.   | All deposits of Local Group Support funding from AMC were received on a timely basis.  |
| 7.   | The current Treasurer has implemented the Quicken software program for all bookkeeping activities. This has provided more detailed and accurate information on a timely basis to the membership.   |

Conclusions:

- 1. Preliminary Financial Statements indicate that the group operated at a net profit for the period audited. A significant percentage of the profit was due to revenue generated by the RG.
- 2. All source level documentation is kept in an orderly fashion and appears to be complete.

**Recommendations:** 

1. The Quicken software program should continue to be used.

# **Expense Reimbursement**

Most Local Groups find that a significant portion of expenditures occur through the mechanism of a member seeing a need, spending his or her own money to fill the need, and then requesting reimbursement for the expense. The Treasurer writes a check to the member and distributes the various expenditures to the appropriate expense categories. In most cases, this is an efficient and satisfactory method of acquiring goods and services needed by the group. However, people have amazingly diverse expectations of what should be reimbursed and by what procedures.

Some real life examples:

- An officer requests reimbursement for substantial expenses with no documentation other than his statement that the money has been spent for the group.
- An officer accumulates expenses over a period of two years before submitting them.
- A newly appointed officer spends several hundred dollars to outfit a home office "to perform her duties" and submits the entire expense for reimbursement.

It is essential that the rules of expense reimbursement be clearly defined to avoid misunderstandings and hard feelings. These rules must be in writing and should be approved by the Local Group's governing body. A copy should be provided to every Local Group member who may submit an expense reimbursement request. If the group uses a preprinted form for expense reimbursement requests, it is convenient to print the rules on the back of the form. A sample expense reimbursement request form is shown on the following page.

When a clearly written policy is in place, it is simple for the Treasurer to evaluate expense reimbursement requests in exactly the same manner as invoices from any other source. A special effort should be made to pay expense reimbursements as quickly as possible.

### (Local Group) Policy on Expense Reimbursement

[Local Group] reimburses certain expenses of our appointed and elected officers, subject to the following rules.

- 1. Expenses by members on behalf of the Local Group must be submitted for reimbursement within three months from the date the expenses were incurred. Expenses submitted later than three months will be rejected.
- An expense report must be submitted in writing. A standardized form is available from the Treasurer, but any format may be used as long as all necessary information is included, such as copies of receipts, invoices or bills attached to the expense report as proof.
- Consumable items required to do a specific job (such as staples for our electric staplers) may be purchased as required. The Treasurer or Local Secretary must approve personalized items, such as stationery or business cards prior to their purchase.
- Tangible items (those that are not consumed during use) such as staplers or paper cutters must be approved by the Treasurer or Local Secretary prior to their purchase. Items over \$50 must be approved by the Executive Committee in advance.
- 5. All consumable or tangible items purchased with the Local Group's money should remain the property of the Local Group. These items should be clearly identified as such and passed on from one group of officers to the next. Tangible items should also be reported to the Treasurer for inclusion in inventory records. All items should be purchased in reasonable quantities and at the lowest prices reasonably available.
- Postage: Itemization of individual letters is not required. Officers whose activities include substantial correspondence may purchase rolls of stamps in advance. These stamps should be kept separate and clearly marked as property of the Local Group. Postage for special projects such as mass mailings should be described in the expense report and receipts included.
- 7. Telephone expenses will be reimbursed to appointed and elected officers for telephone calls related to their elected office. The expense report must include the date, phone number, and the person called. Include the reason for the call if possible. A photocopy of the phone bill is desirable.

|                              | Date   |             | ubmitted by              |
|------------------------------|--------|-------------|--------------------------|
|                              |        |             | ·                        |
|                              | Amount | Description | Refreshments<br>Date     |
| Subtotal for<br>Refreshments |        | Decemption  |                          |
| Expense                      |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |
|                              |        | Equipmont   | Office Supplies a        |
| ount Subtotal for            | Amount | Description | Office Supplies a        |
| Office                       |        |             |                          |
| Supplies and<br>Equipment    |        |             |                          |
| Expense                      |        |             |                          |
|                              |        |             |                          |
|                              |        |             | Postage                  |
| ount Subtotal for<br>Postage | Amount | Description | Date                     |
| Expense                      |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |
| Subtotal for                 | Amount | Description | <b>Telephone</b><br>Date |
| Telephone                    | Amount | Description |                          |
| Expense                      |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |
|                              |        |             |                          |

# Budgeting

Local Groups must carefully manage their funds and maintain accurate records of all income and expenses. The Local Group's Treasurer usually administers the funds and reports to the Executive Committee and membership regarding the status of finances.

The budget provides a structure to forecast and measure the financial activities of the Local Group. Once a budget is approved and implemented, it becomes the benchmark to measure the Local Group's financial performance on a monthly, quarterly or yearly basis. In addition, a budget can provide officers and members with an early warning if adjustments in spending or revenue collection are necessary.

The Treasurer should recommend that the governing body (usually the Executive Committee) come up with a budget as a joint effort. The

budget may be a simple, common effort, or in large groups, it may be departmentalized and based on objectives for the coming fiscal year and cost data from the previous year, modified by changed conditions, price increases, etc. If no historical data are available, then estimates should be used (zero-base budgeting).

### Local Group

A sample annual budget and midyear comparison of actual versus budgeted amounts follows. This budget is based on the group's chart of accounts. Spreadsheet software can automate the calculation of totals. This particular spreadsheet includes a calculation of what percentage of the year has passed.

**Description** - lists the various expense and income categories expected to have transactions

#### LOCAL MENSA 2006 BUDGET REPORT Submitted by Treasurer Note: 47% of the year has elapsed.

PRINTED 6/18/06

| DESCRIPTION                      | 2005<br>ACTUAL<br>TOTAL | 2006<br>PROPOSED<br>BUDGET | 2006<br>ACTUAL<br>YTD | YTD<br>VERSUS<br>BUDGET |          |
|----------------------------------|-------------------------|----------------------------|-----------------------|-------------------------|----------|
| INCOME                           |                         |                            |                       |                         | NOTE     |
| Advertising Income               | 0.00                    | 0.00                       | 0.00                  |                         |          |
| RG Net Profit                    | 3,061.02                | 3,000.00                   | 1,422.66              | 47%                     | Final    |
| Contributions-Scholarship Fund   | 488.00                  | 450.00                     | 280.00                | 62%                     |          |
| Contributions to Local Group     | 210.00                  | 200.00                     | 0.00                  | 0%                      |          |
| Interest and Dividends           | 253.37                  | 260.00                     | 100.45                | 39%                     | 5 months |
| National Subsidy                 | 3,758.18                | 3,725.00                   | 1,999.52              | 54%                     | 6 months |
| Newsletter Subscriptions         | 60.00                   | 80.00                      | 16.00                 | 20%                     |          |
| Testing Fees from AML            | 170.00                  | 150.00                     | 130.00                | 87%                     |          |
| TOTAL INCOME                     | 8,000.57                | 7,865.00                   | 3,948.63              | 50%                     |          |
| EXPENSES                         |                         |                            |                       |                         |          |
| Testing Expense                  | 0.00                    | 50.00                      | 0.00                  | 0%                      |          |
| Miscellaneous Expense            | 342.67                  | 615.00                     | 242.52                | 39%                     |          |
| Newsletter Postage               | 969.74                  | 1,000.00                   | 403.88                | 40%                     | 5 months |
| Newsletter Printing (\$350/mo.)  | 4,193.39                |                            | 1,587.31              | 38%                     | 5 months |
| Office Supplies Expense          | 449.60                  | 100.00                     | 6.64                  | 7%                      |          |
| Postage Expense (non-periodical) | 523.31                  | 400.00                     | 331.99                | 83%                     |          |
| Scholarship Awards Expense       | 500.00                  | 1,500.00                   | 0.00                  | 0%                      |          |
| Telephone                        | 3.70                    | 0.00                       | 0.00                  |                         |          |
| TOTAL EXPENSES                   | 6,982.41                | 7,865.00                   | 2,572.34              | 33%                     |          |
| INCOME MINUS EXPENSES            | 1,018.16                | 0.00                       | 1,376.29              |                         |          |
| -                                |                         |                            |                       |                         |          |

**2005 Actual Total** - shows the actual amounts from 2005. This column is most useful when preparing the 2006 proposed budget. It would not be required during the year as actual income and expenses were reported against the budget amounts.

**2006 Proposed Budget** - shows the estimated values for 2006 set at the beginning of the year. Note that this budget is based on the prior year expenditures with minor adjustments, and total income minus expenses equals zero. After it is approved, the "proposed" is removed.

**2006 Actual YTD** - shows figures actually experienced by the group year-to-date. This column would be blank during the development of the 1998 budget.

**YTD Versus Budget** - this is a comparison of actual Year-To-Date divided by Budget. Categories with numbers far from the expected value of 47% at this time of year are the ones that get the most scrutiny. **Notes** – clarify activity.

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# **Capital Assets and Equipment**

Capital Assets are durable equipment like tables and chairs, answering machines, file cabinets, etc. The Minimum Standard Bylaws require that the Treasurer maintain a list of the Local Group's equipment. The Treasurer is usually responsible for maintaining an inventory of all such assets that shows purchase date, description, cost, serial number and location. On an annual basis, the historic value of such assets should be determined and listed on the balance sheet under an account for Assets - Equipment. This list may also be included in the biannual Treasurer's report to the membership.

Methods of record keeping and reporting of such assets vary greatly from group to group, and it is

not uncommon for someone other than the Treasurer to be responsible for maintaining the inventory. Quicken includes a "Home Inventory" module that can be easily adapted to the needs of a Local Group.

Groups that are separately incorporated, or otherwise required to file federal tax returns, may need more elaborate record keeping and reporting, possibly including depreciation schedules for high value items.

# Loans or Advances

The Treasurer must administer loans or advances that have been approved by the Local Group's governing body and make sure that they are properly paid.

A loan received by the group is shown as a liability on the balance sheet (Assets and Liabilities Report) until it is paid off. Loans taken produce positive cash flow, but they are not income since they must be repaid.

A loan given by the group — or an advance to a local member (only appropriate for Mensa

projects) — should be recorded as an Account Receivable on the balance sheet. In the event of difficulty in collecting on a loan given to a local member, remember the AMC policy that any person with documented outstanding debts to American Mensa, its recognized Gatherings or the Mensa Foundation shall not be allowed to renew until such debts are satisfied. In order for a debt to be documented as "outstanding," the member must have been informed of the outstanding debt and good faith efforts must have been performed to collect the debt. [ASIE 1991-083]

# **Insurance and Bonding**

# Bonding

Bonding of the Treasurer is desirable but not absolutely necessary. However, when a group embarks on large RGs or on an AG, funds under the Treasurer's control can reach the high five figures and even more during the period shortly before the Annual Gathering. Bonding prices are available from many insurance brokers, and the group should consult with brokers to determine the type of bond that is best for their needs.

### Insurance

American Mensa, Ltd. has purchased liability insurance that provides financial protection for Local Groups and individuals against liability claims arising from Mensa activities. Information about the limits of this policy is available from the National Office. Some facilities may require that they be listed as a named insured for the event. This can be done though the National Office insurance policy. Contact the National Office at least two to three weeks prior to the event to ensure that paperwork is completed before the event begins.

Local groups may purchase additional coverage as the need arises. For example, special event insurance may be purchased to cover RGs or AGs. There is even coverage available for losses incurred if it becomes necessary to cancel such a special event. It is usually the Treasurer's responsibility to shop around and recommend such policies to the Local Group's governing body.

### **Directors & Officers Insurance**

The officers and directors of Mensa, including those of its Local Groups that are not incorporated, are covered under a nonprofit D&O liability insurance policy by The Hartford Insurance Company through AON Association Services, 1120 20th Street, NW, Washington, DC, 20036. This policy is provided as a defense against claims made against Mensa's directors, officers and volunteers for wrongful acts arising solely out of the discharge of their duties on behalf of Mensa. Wrongful acts can be, but are not limited to, any actual or alleged act, error, misstatement, misleading statement, omission, neglect or breach of duty, actual or alleged mismanagement, discrimination or negligence.

Exclusions to this policy are, but are not limited to, damages or claims arising from dishonesty, fraudulent, criminal or malicious wrongful acts or wrongful acts committed deliberately. The limit of liability of this policy is \$5,000,000 per year with a \$5,000 deductible, and coverage is from April 1 to April 1. If you need more specifics of this coverage, please contact the National Office. Mensa's insurance coverage is reviewed regularly by the Risk Management Committee, Executive Director, Director of Finance and agent. Exclusions and limitations are subject to change at policy renewal.

# **Regional and Annual Gatherings**

The work involved in Regional and Annual Gatherings is extensive. Planning for an AG starts two or three years in advance, and established RGs begin planning for next year's event the day after the current year's RG is over.

Generally, AGs have their own Treasurer, with the group's Treasurer acting as the auditor, instructor and helper. AGs must have their own set of books, because it would be too cumbersome to combine the Local Group's books with those of the AG, and because an AG is a partnership between the Local Group and American Mensa, Ltd., and any profit is divided between the two partners.

RGs may have their own Treasurers or have the Local Group's Treasurer handle their finances.

### Budgeting

Just like the Local Group's operations, the gathering should be budgeted, and the budget followed by the various "department chairs." As described in the separate chapter on Budgeting, the Treasurer can easily keep the gathering committee informed as to the actual versus budgeted amounts if the proper bookkeeping method is followed.

# Advance Funds for AGs

Seed money for AGs is available from AML to be repaid as soon as sufficient funds from registrations are received, but not later than 60 days prior to the opening of the AG.

# **Credit Cards**

Credit card processing is available to Local Groups for RGs and other hosted events. To set up processing with the National Office, contact the National Office for a Credit Card Processing Agreement form. The agreement outlines terms and conditions with the Local Group. The Local Group pays a processing fee for this service, which does not exceed the amount the National Office pays the credit card company. All funds are directly deposited to the Local Group to ensure security. Funds settle to the Local Group's designated account within a couple of business days.

### **Bank Accounts**

An AG always requires its own checking account. It is also desirable to establish an additional account for the AG that yields greater interest. If the Local Group Treasurer is acting as an RG Treasurer, it may be more efficient to work from the group's existing checking account.

Groups with frequent RGs can establish a separate "Gathering" checking account. The same account can be used year after year by the Gathering Treasurers. Refer to the chapter on banking for more information.

#### Bookkeeping

RGs can be administered using the Local Group's bookkeeping system if there is only one Treasurer. This is accomplished by adding a category for the RG with income and expense subcategories to the Chart of Accounts. The same journals and bank accounts are used. By using the same bank accounts, additional savings through increased interest can be achieved, since RG receipts are usually not large enough or long enough in duration to warrant their own savings or investment accounts.

When there are separate Treasurers for the Local Group and the gathering, separate bookkeeping systems and bank accounts are required. The bookkeeping system for gatherings can be the same as that for group operation, except the Chart of Accounts is different.

#### Relationship Between Gathering Treasurer and Registrar

It is important that the Gathering Treasurer has a close working relationship with the Registrar. This relationship should be established early, and the ground rules and operating sequences laid down in writing. The basic principle of this relationship should be a separation based on fiscal responsibility: the Registrar keeps track of data, and the Treasurer handles the money.

Even though checks, cash and registration data are received and recorded by the Registrar, all funds are transferred to the Treasurer for disposition. The Treasurer, who bears the responsibility for all funds, may authorize the Registrar to make deposits directly, but sufficient records must be created to assure correct bookkeeping, and to permit replacement if a deposit or record is lost in the mail. Keeping photocopies of itemized deposit slips and deposited checks is a must.

The Treasurer should book all incoming funds with the name and registration number as well as details as to registration, meals, etc., so that a complete record is established and agrees with that of the Registrar. Moreover, there will be some refund requests, and the books are used to verify original payments.

Computerization of the registration system makes the Registrar's task much more efficient, but hardcopy backups are necessary. Such computerization is usually part of the Registrar's domain. A detailed description of the duties of the Gathering Registrar exceeds the scope of this manual.

### **Meal Pricing**

The meal package can be priced and budgeted separately. It is important to ascertain extras like service charge and local taxes. In most states with local tax, the tax is also levied against the service charge. The hotel can provide that information.

Here's a sample meal cost calculation:

| Cost of Meal                        | 11.95       |
|-------------------------------------|-------------|
| Service Charge 15%                  | 1.79        |
| Tax (on meal and service charge) 5% | <u>0.69</u> |
| Cost per meal                       | 14.43       |
| Break-even: 75 meals x 14.43        | 1,082.25    |
| Speakers' meals 2 x 14.43           | 28.86       |
| Total for meals                     | 1,111.11    |
| Divided by paid meals (75)          | 14.81       |
| Adjust to nearest 25 cents…         | 15.00       |

### **Control of Meal Tickets**

Meal tickets represent cash and must be controlled like cash. The Registrar, who usually handles these tickets, is responsible to the Treasurer for a full accounting. To prevent use by unauthorized persons, tickets should be made so that copying is difficult, and they should carry the name or number (or both) of the purchaser. Meal tickets so marked will facilitate retrieving or replacing lost tickets.

#### Refunds

A clear refund policy should be set in advance and printed on registration forms. Refunds should be made only by the Gathering Treasurer. Before refunds are made, original payments must be verified. Refunds should be via the same method that the payment was made (check — check, credit card — credit card, etc.). If a cash refund is necessary, then a dated and signed receipt must be obtained. The rules for documenting income and expenses are not changed for a gathering.

### On the Gathering Floor

Often, the Treasurer will assist at the registration desk, pay bills, accept surplus cash, and perform other duties. All floor transactions should be recorded carefully, with details as to what such transactions cover, to whom paid, from whom received, etc. A multi-copy receipt book is essential. Periodically, surplus cash should be moved to the hotel's vault or taken to the bank.

### **Final Report**

Immediately upon completion of the gathering, the Treasurer should begin closing the books by paying all bills, collecting all debts, and balancing the books. This should take no more than 4-6 weeks. A final report is prepared, and all books, receipts, documents and funds returned to the Local Group.

For AGs, a copy of the report must be sent to the National Office together with AML's share of the surplus. For AGs, documents are to be kept for at least one year after which time the group should request permission from the national Treasurer to destroy all records.

# **Record Keeping**

The purpose of a records retention policy is to ensure that business records are retained for at least the minimum period stated in applicable statutes and regulations, and to define if and when business records can be disposed of to reduce the expense of storing irrelevant and obsolete documents.

The term "records" includes incorporation documents, minute books and records of activities, correspondence, financial transactions, and any paper that in any way relates to the chapter or its activities. Also included but not limited to are Local Group bylaws and ASIEs, tax returns if applicable (IRS Form 990 and 990-T), financial statements, membership lists, bookkeeping journals and ledgers, financial policies, contracts, and historical documents.

The following is a suggested retention schedule that will help Local Groups to have the appropriate documents available both for the Local Group's work, history, and backup for business recovery.

| RECORDS RETENTION SCHEDULE             |            |         |         |         |  |  |  |
|--|------------|---------|---------|---------|--|--|--|
| ITEM                                   | INDEFINITE | 7 YEARS | 5 YEARS | 3 YEARS |  |  |  |
| Budget & Financial Reports             |            | Х       |         |         |  |  |  |
| Bylaws & Meeting Minutes               | Х          |         |         |         |  |  |  |
| Canceled Checks & Bank Statements      |            | Х       |         |         |  |  |  |
| Contract                               | Х          |         |         |         |  |  |  |
| Deposit slips                          |            |         |         | Х       |  |  |  |
| Equipment purchase receipts            |            |         | Х       |         |  |  |  |
| General correspondence                 |            |         | Х       |         |  |  |  |
| Insurance Policies                     | Х          |         |         |         |  |  |  |
| Leases                                 | Х          |         |         |         |  |  |  |
| Organization Budgets                   |            | Х       |         |         |  |  |  |
| Petty cash vouchers & expenses reports |            | Х       |         |         |  |  |  |
| Receipted bills                        |            |         |         | Х       |  |  |  |
| Tax records (990 & 990-T)              | Х          |         |         |         |  |  |  |
| Treasurer's reports                    |            | Х       |         |         |  |  |  |

Bank safety deposit boxes or fireproof storage units may be rented to protect your local group records. Computer files should be backed up periodically and stored off site.

# **Merchandise Sales**

Most Local Group Treasurers must deal with merchandise from time to time. Merchandise is any item that the Local Group buys for resale. The most common example is custom printed T-shirts for an event such as an RG. When dealing with merchandise, the Treasurer must determine whether it is worth the effort to include the value of the inventory on financial reports as an asset. The benefit of including merchandise on the balance sheet as an asset is that it eliminates fluctuations in the group's net worth as inventory rises and falls, giving a more accurate picture over time. The downside is a significant amount of extra work in keeping track of the inventory and recording damaged goods and other inventory shrinkage.

There are three tests that can be applied:

- Will the merchandise be held for at least three months from the time it is purchased? If not, the expense and income transactions for the merchandise will likely both occur before reporting to the membership, so the effort of keeping track of inventory value in the interim would be unnecessary.
- 2. Is the value of the merchandise at least 5% of the group's net worth? Remember that financial reports are produced for the purpose of aiding decision making. If the value is a

small amount that will not affect any decisions, reporting inventory value is unnecessary.

 Does the merchandise hold its value well? There is usually not much of a market for last year's RG T-shirts, for example. If merchandise is not likely to eventually be sold for its book value, including the book value in financial reports is misleading.

If the merchandise passes all three tests, the Treasurer probably should keep track of its book value and report it as an asset. To do so requires setting up two items in the chart of accounts.

- An "Assets-Merchandise" account which shows the current value (usually purchase cost) of the inventory
- A category for merchandise profit (assuming we're planning to make a profit!)
- The next page shows examples of how various transactions are handled when inventory value is recorded on the balance sheet compared to when it is handled on a cash basis.

Additionally, state/local sales and use tax will have to be collected, paid, and reported for the merchandise sold. Contact the state's taxing authority for more information on how to report this activity, where to make the payment for the tax, and the deadline for filing this information.

#### EXAMPLES USING INVENTORY VALUE

A) The group purchases 40 polo shirts for resale over the following year. The total cost is \$491.60 (\$12.29 per shirt).

| Checking account             | -491.60 |
|------------------------------|---------|
| "Assets-Merchandise" account | +491.60 |

Note that \$491.60 has been transferred from one account to another, so the group's net worth has not changed.

B) After three months, the person in charge of merchandise sales reports that 37 shirts have been sold at \$16 each, for a total of \$592, and turns the money over to the Treasurer.

| Checking account            | +592.00              |
|-----------------------------|----------------------|
| Assets-Merchandise account  | -454.73 (37 x 12.29) |
| Merchandise Profit category | +137.27 to balance.  |

In Quicken, this is done as a single split transaction. The group's net worth has increased by \$137.27.

C) After a year, the person in charge of merchandise sales reports that 3 shirts were damaged, and have been discarded.

| Assets-Merchandise account  | -36.87 | (3 x 12.29) |
|-----------------------------|--------|-------------|
| Merchandise Profit category | +36.87 | to balance  |

The group's net worth has decreased by \$36.87.

With the previous increase of \$137.27, the group nets \$100.40 (\$137.27 - \$36.87)

#### EXAMPLES USING STRAIGHT CASH ACCOUNTING

These examples show how the same transactions would look using cash accounting.

A) The group purchases 40 polo shirts for resale over the following year. The total cost is \$491.60 (\$12.29 per shirt).

| Checking account             | -491.60 |
|------------------------------|---------|
| Merchandise Expense category | +491.60 |

The group's net worth is decreased by \$491.60.

B) After three months, the person in charge of merchandise sales reports that 37 shirts have been sold at \$16 each, for a total of \$592, and turns the money over to the Treasurer.

| Checking account            | +592.00             |
|-----------------------------|---------------------|
| Merchandise Profit category | +592.00 to balance. |

The group's net worth has increased by \$592.00. With the previous decrease of \$491.60, the group nets \$100.40 (\$592.00 - \$491.60).

C) After a year, the person in charge of merchandise sales reports that 3 shirts have been damaged, and have been discarded.

No transactions are required. No change in net worth.

Note: When a group uses cash accounting for merchandise, the Treasurer does not keep any record of inventory. The Local Group must ensure that the person in charge of the inventory maintains proper documentation and reports regularly.

# Sources of Income

A Local Group can have income from a variety of sources.

The following are routine monthly payments from American Mensa. The Local Group's funding allocation is unrestricted and may be spent for any purpose or program that has received the approval of the Local Group's Executive Committee.

- Local Group funding allocation
- Testing Fees
- Newsletter Exchange Subscription reimbursement

The following are available from American Mensa or officers of American Mensa.

- Grant to acquire Periodical Class mailing permit
- Local Group Flat Grant
- Loans from American Mensa, Ltd. for special projects
- Regional Vice Chairman's Discretionary Fund. The Local Group may request funds from its RVC, but it is up to the RVC to distribute the

money. Most such grants are made for specific purchases or projects.

The following are Local Group activities

- Savings Account Interest, Money Market Account Dividends, Money Market Fund Dividends, Certificate of Deposit Interest, etc.
- Advertisements in Local Group newsletter
- Newsletter subscriptions for non-members and members outside the group's geographic boundaries
- Net Income from Meetings and Programs
- Regional or Annual Gathering Profits
- Special Projects such as T-shirt Sales, Garage White Elephant Sales, etc.
- Sales of Home Tests
- Donations from members
- "Local Dues." These are not enforceable, but a few groups do charge local fees.

# Incorporated and Unincorporated Groups

# Incorporated Local Groups

#### **Federal and State Guidelines**

- 1. Maintain a copy of the organizing documents with the state in which the Local Group is incorporated. These are commonly referred to as Articles of Incorporation or State Charter.
- 2. Understand and comply with the state's requirements for maintaining the Local Group's incorporation status.
- 3. Maintain a copy of Form 1024, Application of Exemption to the IRS, and a copy of the IRS Letter of Determination granting Federal tax exemption and 501 exempt status.
- 4. Use the EIN# provided to the Local Group by the IRS only.
- 5. Exempt Local Groups that normally have gross annual receipts in excess of \$25,000 must file IRS Informational Form 990 by the 15th day of the fifth month after the end of the Local Group's fiscal year. This form reports the sources and amounts of gross receipts (including monthly funding from AML), its expenses and disbursements, its assets and liabilities, and its net worth.
- 6. Local Groups that maintain an exempt status with the IRS are not required to file Form 990 for years in which their gross receipts do not exceed \$25,000. However, they are required to report this to the IRS.
- 7. Provide a copy of the Local Group's Form 990 to the National Office.

#### Insurance

- 1. As previously discussed under Insurance and Bonding, Local Groups have been provided with liability insurance coverage to protect the groups and Mensa members against liability claims arising from Mensa activities by the general public.
- 2. Directors and Officers (D and O) insurance is not provided to incorporated Local Groups.
- 3. As with all Mensa Local Groups, special events insurance coverage may be purchased as needed.

# Unincorporated Local Groups Exceeding \$25,000 in Annual Gross Receipts

### AMC Requirements

ASIE 2005-097, 03-Dec-2005 For the purposes of reporting income and expenses, Local Groups that exceed the IRS threshold for non profit organizations (currently \$25,000) in annual gross revenue shall be included in the financial activity of American Mensa, Ltd. for annual reporting to the IRS. Local groups that have been granted a separate IRS filing status should report this activity to the IRS as required and shall also provide a copy of the submitted form to the National Office. In the event of a Local Group hosting a national event (AG, Colloquium, or other activity) it shall be included in the financial activity of American Mensa, Ltd. or the Mensa Education and Research Foundation.

### Additional Guidelines

- The reporting of financial activity of these Local Groups should be for the period April 1 to March 31 and given to the National Office by May 1 in order to be reviewed during the annual audit. This Local Group information will be added to AML's and reported on AML's filing of Form 990.
- Details to be provided to the auditors should include Statement of Financial Position (balance sheet), Statement of Financial Activity (profit and loss statement), and details of all entries and transactions for review.
- 3. Additional information to provide should include a listing of all officers, meeting minutes and bank statements.

# Data Sheet

This sheet gives information that changes regularly. To prevent frequent reissues of the hand-book, this easy-to-replace sheet will be updated and distributed periodically.

### Dues

As of April 1, 2006, the annual dues level is \$52, \$140 for three years, and \$230 for five years. Annual dues for additional family members who choose to claim such status is \$35 each. Additional family members paying the reduced dues do not receive a subscription to the Mensa Bulletin. The Local Group newsletter labels for these additional family members are specially marked, and the Local Group may determine whether such members receive a subscription to the Local Group newsletter, except that they must be sent issues of the newsletter containing election materials.

#### Subsidies and Allotments Available to Local Groups

All routine sums payable (i.e., Local Group support, proctor fees, newsletter exchange subscription fulfillment, etc.) are disbursed via direct deposit on the third Friday of every month.

# Local Group Newsletter Subscriptions and Dues Allotment

Effective at the beginning of FY2007/08 budget year, the subsidy to Local Groups is \$0.82 monthly per member per year. A Local Group will receive a minimum of \$33 each month they have 40 members or fewer.

#### Newsletter Exchange Subscriptions

Each year, local Editors may choose to receive newsletters from up to 20 other Local Groups. Local Groups send paid subscriptions to other groups, the AMC and the National Office. They are reimbursed \$.65 per month for each of these subscriptions. If the National Office does not receive its copy of a newsletter, that group is not reimbursed for exchange subscriptions until the newsletter for that month is received.

### Lapsed Member Contacts

Local Groups are eligible to receive funding for contacting members who are lapsed for the current year. Groups are supplied with labels and lists for these lapsed members with the May distribution. For each lapsed member contacted, the group receives funding of \$ .50 per member contacted. Requests must be submitted to the National Office.

#### **New and Reinstating Members**

Effective April 1, 1999, Local Groups receive an additional one-time subsidy of \$1 for each new or reinstating member.

#### **Testing Fees**

Local Groups collect \$40 for each person taking the Mensa Admissions Tests. This may be collected via personal check or credit card. These payments should be made out to American Mensa Ltd. and sent directly with the tests to the National Office. It is the group's option to accept cash payments, but the group should send AML a check or money order rather than sending cash through the mail. Groups are paid \$15 for each fully-paid test taker.

It is the group's responsibility to establish policies regarding reimbursement of proctor expenses. This may be done as a flat fee per candidate or based on actual expenses. Proctors are not "paid," and the policy should clearly state that this is a reimbursement.

#### Grants for Periodical Class Postal Permits

The Communications Officer is authorized to make discretionary grants, for the purpose of obtaining a periodicals class mailing permit, to Local Groups that are currently mailing their newsletters by first or standard class.

### Interest-Free Loans

#### For Annual Gatherings

A loan of \$1,000 as seed money is available to the host group to cover the early expenses for an AG after a group has been approved for the event. It must be repaid no later 60 days before the opening of the AG.

#### **Annual Gathering Profit Limitations**

The first surplus from an AG of 100 times the annual regular American Mensa dues at the time the AG is awarded goes to the host group(s) with the remainder going to AML. AMC shall consider a contribution to the Mensa Foundation from the surplus, if any.

#### **Scholarships**

The Mensa Education and Research Foundation (The Foundation) is a philanthropic organization that provides a unique opportunity for Mensa Local Groups and their members to participate in raising money for a scholarship fund designated for their Local Group.

The Foundation is a 501(C)(3) federally tax exempt charitable organization as granted by the IRS, therefore, contributions, donations and gifts for the fund are tax deductible by the donor.

Local Groups interested in creating their own scholarship fund should contact the Mensa Foundation at 817/607-5577 or send an email to director@mensafoundation.org more information. An agreement for establishing the Local Group scholarship fund is located in the handbook on page 37. Please complete this form and send it to: Mensa Education and Research Foundation, 1229 Corporate Drive West, Arlington, TX, 76006-6103.

### RESOURCES

Additional resources may be found in the LDW Guide's Financial Track, which is online with other resources including current Actions Still in Effect, Minimum Standard Bylaws, American Mensa's Bylaws and the Mensa Constitution. Please visit www.us.mensa.org/officerresources for more information.

### **National Office Contact Information**

For inquiries or permission to reprint (other than Mensa publications):

American Mensa, Ltd. 1229 Corporate Drive West Arlington, TX 76006-6103

817/607-0060 817/649-5232 fax NationalOffice@americanmensa.org www.us.mensa.org

Office Hours: 8:30 a.m. to 5 p.m. (Central Time), Monday through Friday.

# AGREEMENT TO ESTABLISH A LOCAL GROUP SCHOLARSHIP FUND

- 1. The purpose of this Agreement between the Mensa Education and Research Foundation (the Foundation) and the Mensa Local Group (the Local Group) identified in Section 2 is to establish a scholarship award (the Scholarship).
- 2. The name and address of the Local Group is:
- 3. The name of the Scholarship shall be: \_\_\_\_\_

The name used to designate funds (the Fund) for reporting and record keeping purposes shall be designated by the Foundation. Normally the last name of an individual or the Local Group name is used.

4. The amount of the Scholarship award shall be (minimum of \$300.00) \_\_\_\_\_.

The annual number of Scholarships shall be \_\_\_\_\_.

5. The initial donation to the Fund shall be (minimum of \$300) \_\_\_\_\_\_.

Additional donations may be made at any time, subject to Section 6 of this Agreement, to continue or increase the number or amount of Scholarships.

- 6. It is expressly agreed between the Local Group and the Foundation that the donations for the Scholarship must be held by the Foundation as of September 1 of the Scholarship year in which the award is to be granted. If the balance in the Fund as of September 1 is less than the amount of the Scholarship, the Funds will be held under the provisions of Section 7 of this Agreement.
- 7. The Scholarship award(s) will be drawn from the Scholarship Fund. Any amounts not awarded during any Scholarship year will be maintained in the Fund to be potentially awarded during the subsequent Scholarship years. If the Fund is inactive (no awards or additional donations) for a period of five (5) years from the date of the last donation, the current balance of the Fund will be transferred to the Foundation's other scholarship programs.
- Notwithstanding any other part of this agreement, the Foundation and the Local Group agree that the Scholarship Fund WILL NOT BE CHARGED ANY ADMINISTRATIVE FEE NOR SHALL THE SCHOLARSHIP FUND EARN ANY INTEREST.
- 9. The Local Group scholarship is to have no other qualifications other than the fact that the winner must either go to school or live in the geographic area of the Local Group.
  - A. The Local Group requests that the winner of the Scholarship must reside in or attend school in the geographic area of \_\_\_\_\_\_.
- 10. The Local Group understands that it will send three (3) nominees for the Scholarship to the appropriate regional scholarship committee, which will recommend a winner to the Foundation for final approval. If there are not three eligible nominees to be sent to the regional scholarship committee, the Local Group may send two (2) nominees to the regional scholarship committee with a letter of justification. If there is only one eligible nominee, the Scholarship will not be awarded.

- 11. The Foundation expects to continue with the policies and procedures established for the Scholarship as of the date of this Agreement but retains the right to make changes to such policies and procedures. In no case will the Fund be used for any purpose other than scholarships in accordance with the terms of this Agreement.
- 12. The Local Group will encourage donors to make donations payable to the Mensa Education & Research Foundation with a written notation that use is for the Local Group Scholarship. The Local Group acknowledges that donations to the Foundation for the Local Group Scholarship are non-refundable. The Local Group recognizes that donations payable to the Local Group may not be tax deductible under the IRS code.
- 13. The Mensa Education and Research Foundation is a charitable foundation recognized by the U.S. Internal Revenue Service under paragraph 501(c)(3) of the IRS Code. Donations to the Foundation are tax deductible under Section 170 of the IRS Code.

| Local Secretary    | Date |
|--------------------|------|
|                    | Date |
|                    |      |
|                    |      |
|                    |      |
| Foundation Officer | Date |

# Banking Change/ Direct Deposit Authorization

| I, Local Secretary of Local<br>(print name)  |  |
|--|--|
| (print name)<br>Group authorize American Mensa to deposit funds directly into my local       |  |
| (group no)   |  |
| group's checking or savings account as indicated below, and to initiate (if necessary) debit |  |
| entries and adjustments for any credit entries made in error to my account indicated below.  |  |
| (Local Secretary's Signature) (Date)   |  |
| Type of account to be credited (please check one):   |  |
| [] Checking (or N.O.W.) ATTACHED VOIDED CHECK FROM ACCOUNT.                                  |  |
| [] Savings   |  |
|  |  |
| If you cannot furnish the required information, please have your bank complete this form.    |  |
| BANK NAME:   |  |
| BANK ADDRESS:  |  |
| CITY:STATE:ZIP   |  |
| ABA/Routing I.D. #   |  |
| ACCOUNT NAME:  |  |
| ACCOUNT NUMBER   |  |
| (include spaces and dashes)  |  |

# Credits

This edition is an updated version of American Mensa's *Local Treasurer's Handbook*, which was originally compiled by Henry Schofield Noble in 1980. The second edition was extensively rewritten by Henry and David D. Michel in August 1983. The third edition was updated and expanded by Hans G. Frommer in August 1987. The fourth edition was revised by Kent Akselsen in August 2000 to include the use of personal computers in record keeping.

Under the guidance of Charlie Bruce and David Peery, this most-recent edition has been rewritten to account for the years of input from prior editions, to update processes and policies to current, and to streamline the information to make it most useful to new Treasurers who may not have experience with accounting and how it applies to our Local Groups.