

**FRATERNITY AND SORORITY**

**TREASURER'S GUIDE  
2006-07**

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## **I. Role of the Treasurer**

Financial health and stability are fundamental to the success of every chapter because all operations are ultimately dependent upon financial resources. The treasurer is therefore one of the most important chapter officers who will dramatically impact the stability of the chapter through effective management.

Chapters have numerous activities that require the careful attention of the treasurer: housing and feeding the membership and managing social funds and dues to name a few. It is important that the treasurer view their role as a manager of a business. It's the treasurer's role to collect and disburse all funds and to manage them responsibly. The treasurer must be firmly in control of the chapter's finances, regardless of personal and community pressure from the membership. Reliance on the executive officers for advice and support will be key to effective management despite such pressures.

**Students assuming leadership roles need to understand that there are legal consequences to the actions they take while in office.** As treasurer, a student will sign checks and other documentation, and make decisions that bind the chapter. Consequently, treasurers must act in the best interest of the organization, and be mindful that they are responsible should there be legal proceedings.

## **II. Duties of the Treasurer**

### Customary

- ◆ Analyze chapter finances to assess chapter financial position
- ◆ Review financial statements
- ◆ Maintain financial records and statements
- ◆ Bill members for fees and dues
- ◆ Manage accounts receivables and collect delinquent accounts
- ◆ Disburse chapter funds according to the budget plan.
- ◆ Monitor all officer budgets
- ◆ Report at chapter meetings on financial condition of the chapter
- ◆ Meet monthly with the chapter accountant to review finances
- ◆ Train an Assistant Treasurer
- ◆ Bill members for house damages

### Membership Roster Instructions

Each semester, the Office of Fraternity and Sorority Affairs must accurately identify the members of Greek organizations on Campus. As these memberships generally fluctuate without the knowledge of the Office, the involvement of the chapter is necessary for an accurate list.

To accomplish this, the prior semester's list is sent via email to every chapter treasurer at the start of the new semester. This roster, sent in the form of an Excel spreadsheet attachment, lists the chapter, details each student the university believes is a member of the chapter, including the student's network identity number (NetID) and status.

The chapter is required to update the roster according to the instructions listed below, and to return it to OFSA by the published deadline every semester. Chapters that miss the deadline will not be able to register social events until the roster is received.

Instructions for updating the rosters are as follows:

1. Review the members listed to confirm they are currently members. Indicate the correct status for each individual (**Current, Away, Graduated, De-activated, Pledge**). New members that have become active members should be changed from Pledge to Current.
2. Include: Last, First, Middle names, NetID (first part of Cornell email address), Live-in/Live-out (of chapter house), Room number, Male/Female, Status, Class (Sr., Jr.).
3. Put each piece of data in a separate cell on an Excel spreadsheet. Example: Last name, first name, middle name all in separate cells.
4. Return the sheet as an attachment to an email to Dale Williams, dlw5@cornell.edu. Only rosters on **Excel spreadsheets** will be accepted.

### **III. Budgeting**

A budget is a detailed account of anticipated incomes and expenses that will be used to create a Bursar billing and serve as a guide for the treasurer and officers throughout the year. Since all the activity for the year will depend on the accuracy of this plan, it is important that the planning process be careful and accurate. Budget planning should involve your executive committee.

Some Important factors to consider are:

- ◆ An accurate history of chapter's financial performance
- ◆ Analysis of budget line and other trends
- ◆ Variations in membership levels due to recruitment and graduation
- ◆ Cost of living increases in key expenses
- ◆ Numbers living in and out of the house
- ◆ Predictions for future membership levels
- ◆ Billing of a non-resident house charge
- ◆ Competitive environment: What are other chapters or landlords charging?
- ◆ Contribution to a dedicated savings account for the facility

#### **IV. Cornell Bursar System**

Cornell University offers chapters the use of the Bursar system, assuming a number of conditions are met:

- ◆ Bursar Assignment Agreement - The chapter must sign an agreement with the University stipulating the responsibilities of both parties in the relationship
- ◆ Bursar Release Form – Each student billed through the system must complete a release form that acknowledges that his/her chapter charges billed through the Bursar are subject to the same non-payment consequences as other University charges. Form is now good for 5 years!
- ◆ Only full-time registered students can be billed through the system
- ◆ Use of the system can only be obtained by using one of two approved accounting firms in Ithaca: Student Management Corporation and Sciarabba Walker & Co. (chapters who reside in university-owned houses can conduct activity directly through the Office of Fraternity and Sorority Affairs)
- ◆ Only charges for housing, dining, social dues, member dues, and room deposits may be applied to Bursar bills

After a billing list is submitted to the Bursar, the charges or credits are entered into the system. A tally of the balance due the organization is recorded, and a check is forwarded to the accountant at the end of the billing month. The net due is sent in its entirety, regardless of whether the individual students' bills have been paid to the Bursar or not.

The Bursar charges a fee of .75% applied to every transaction to cover the costs of processing the Bursar billing and payment collection. These fees are deducted from the payments sent.

**Meal plan billing:** New Greek members on Cornell Dining meal plan can reduce their plan to the smallest declining dollar plan, Bear Bucks. **New members can trade down their meal plan up to the deadline each spring semester but not after, usually around February 1<sup>st</sup>.** It is not reasonable for anyone to pay for more than is convenient for them to consume. Total (CU Dining & Greek dining) meal plan charges must be considered. A person on CU Dining meal plan should be charged a lower "living out" meal plan rate at most.

## **V. Non-Resident House Charge (living out or parlor fee)**

The budget process determines all the expenses associated with the operation of the facility, and distributes them to the membership as housing charges or rent. A good management principal is to pass some portion of the housing expenses on to all members, as opposed to just the members that live in. This principal, while not immediately intuitive, is rooted in the belief that a fair housing system receives support from all its members.

Chapter houses have public and residential spaces. As a chapter house, the facility is the meeting place and hub for all the organization's activities and this benefits all members, regardless of whether they live in or not. Clearly, public spaces are used by members who live out of the house, so it is reasonable that they pay for their share of the housing costs.

Billing a housing charge (some organizations refer to this as a parlor fee) to members that live out has a number of benefits:

- 1) it appropriately distributes responsibility for the facility to all members,
- 2) it reduces the burden of the room rates paid by live-ins because their proportionate cost is reduced,
- 3) it improves prospects for house occupancy because the cost to live out is increased.

## **VI. Employee Issues**

Fraternities and sororities usually have employees that assist with dining and housing operations. As employers, chapters are therefore responsible for requirements of payroll taxes and employer's insurance. General requirements for employers include:

- ◆ Workman's Compensation Insurance – All employers in New York State are required to cover their employees for injuries to employees at work. For example, if the chapter cook cuts a hand at work and requires stitches, he/she would be covered by this policy. The premium of this insurance generally has a minimum fee that increases after gross payroll exceeds a base level.

- ◆ NYS Disability Insurance – New York State also requires disability coverage on employees, which provides weekly pay compensation to an employee whose work injuries prevent them from returning to work for a number of weeks. Rates are based upon the number of employees on the payroll.
- ◆ Federal and State Employment Forms – Before an employee can work, they must fill out a W4 Federal Employee Withholding Certificate, an IT-2104 NYS Withholding Certificate, and an I-9 Eligibility form. These forms are available from government agencies, or from chapter accounting offices.
- ◆ Tax Withholding Submittals – Various deductions are made from their employee pay depending on the information listed in the eligibility forms. Funds withheld from the payroll must then be submitted to the IRS or the State on a periodic basis as designated by the governing agency. The submissions are coupled with forms that detail the payroll activity for the appropriate period of time (generally quarterly), and reconcile the amount paid and the amount withheld.
- ◆ Unemployment Insurance – New York also requires employers to fund the State unemployment system. These charges are calculated as a percentage of payrolls, and are included with the submission of payroll withholdings sent to the state.

Management of the payroll activity and reporting is fairly complicated, and requires proactive and competent attention. Some treasurers fulfill this duty for their chapter, but for the sake of convenience and efficiency they elect to delegate this responsibility to the chapter accountant.

## **VII. Long-Term House Savings**

The effectiveness of the treasurer and the executive officers will have the greatest impact on the facility over the long-term. If dining or social plans are poorly managed, money will run short and the services will stop – aside from any major inconvenience to the membership, there is no lasting physical damage to the chapter or its members. This is not true of facility expenses because the consequences may not be initially apparent.

Consider house repairs and maintenance. When the finances of the facility are poorly managed, two things typically happen:

- 1) expenses that should be accounted for have been left out of the budget plan.
- 2) revenues and expenses have not been effectively managed during the year.

In either case, the result is generally a lack of funds to pay expenses. When this happens, the facility suffers, because while needed repairs may be deferred, expenses for heat, utilities, taxes etc. cannot. Non-emergency repairs are thus not completed because of a lack of funds, and the facility deteriorates over the long term. **A deteriorated facility has a direct affect on recruitment!**

Chapter facilities embody the history and nostalgia of past members, and a key duty of the current occupants is to protect the asset for future generations. If the current chapter leaders embrace this responsibility, the appropriate strategy to avoid the legacy of deferred maintenance is to insure that all expenses related to the facility, both short and long-term, are accounted for and paid.

The budgeting process should account for all expenses of the operation, and using previous years operations expenses in this process is great. However, records do not account for everything, because some expenses experienced by the facility are not paid with cash in the short term. Each year, items like carpet, boilers, windows, paint, roofs, etc. continue to wear, and at some point will need to be replaced. **An annual contribution to a savings (or reserve) account, built into the budget as an expense, will help cover the replacement cost of such items once they have reached the end of their useful lives.**

Alumni boards generally assume stewardship for the long-term care of chapter houses, so the average treasurer may not bear primary responsibility for these reserves. The contribution may not be obvious, for example, because it is built into the rent paid by the chapter.

### **VIII. Long-Term Facility Plan**

The relationships between active chapters and alumni boards vary, but one fact remains true: if the facility is well managed, someone has built in a contribution to account for depreciation. Treasurers should maximize their effectiveness by understanding the need, involving themselves in the process, and supporting the call for this contribution, despite the added cost to the membership.

As noted above, the management of a facility must incorporate long-term considerations of physical depreciation if the house is to be maintained effectively for future generations. A contribution to a reserve for the house must be standard every year to avoid a crisis when a major item such as a roof or boiler needs replacement.

There are a couple of ways to satisfy this need. Experienced facilities managers suggest that a good general rule of thumb is to save between 2% and 4% of the building's replacement cost per year. Thus, if a house would cost \$1,000,000 to replace if it burned to the ground, the annual contribution ought to be \$20,000 to \$40,000 per year. The problem with this method is that it doesn't specifically indicate when future capital needs will have to be addressed.

A better method is to conduct a thorough analysis to determine the condition of the facility. In 1998, the University conducted comprehensive facility studies on all the chapter houses at Cornell, and the results are available from the Office of Fraternity and Sorority Affairs. Such a study will identify problems with the facility

and enable the officers and alumni to prioritize those problems. If reasonable cost estimates are assigned to each of the items, then a timetable can be created that schedules what work is planned for what year. The contributions to the house reserve are then derived according to a plan that details what funds will be needed and by when.

There are many variables that will affect such a plan. Memberships and annual costs vary, and there are unanticipated facility problems. A Facility Plan is therefore a living document that frequently changes or needs updating. Creating a long-term facility plan, coupled with proactive incorporation of pertinent new information, is essential to the officer charged with financial stewardship.

## **IX. Tax Issues**

Fraternities and sororities are generally set up as not-for-profit organizations. Such organizations have business activity (revenues and expenses), but they do not exist to earn profits for an owner or shareholder. As long as any cash earned from an organization's activity falls below established limits, the IRS and New York State consider the activity exempt from income taxes. Both the IRS and the State require preparation of annual tax returns that detail that activity for the year, and list the incomes for the chapter (Form 990 for the IRS, CT-13 for the State). All activity including housing, dining, social, and dues must be included on the forms, which are generally completed by the chapter accountant.

**Not-for-profit status does not exempt an organization from paying sales or property taxes.** Such advantages are only available to charitable and educational organizations as designated by the IRS (501-C-3 status). These organizations can also receive donations from individuals who may then deduct their gift on their personal tax returns. As private organizations, **fraternities and sororities must pay sales and property taxes**, and do not provide deductibility to gifts from donors (donors are free to make gifts, but receive no tax benefit). At Cornell, however, to support fundraising in the Greek system, an approved fundraising campaign by a Greek-letter organization will receive alumni class credit. For more information, contact the Office of Fraternity and Sorority Affairs at 255-2310.

(Note: Chapters housed in facilities owned by Cornell do provide tax deductibility for gifts, but gifts must be made to the university and strictly used for the capital needs of the facility.)