

Delta Chi Fraternity – “D” How-to Guides

Section 1 – Billing & Receiving from Members & Associates

Section 2 – Budgeting

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Section 1 – Billing & Receiving from Members & Associates

This guide addresses the following:

- Using a billing agency or promissory note to have proper authorization to take someone to collections.
- When to bill Members and Associates.
- Proper billing amounts.

Billing Agency/Promissory Notes

Chapters that do not use a billing agency or a promissory note have no standing to take unpaid dues to collections. If you do not use one of those 2 approaches, and if someone does not pay you have no written rights to take them to collections.

Members/Associates who refuse to pay will get away with it and it happens every year.

A billing agency normally has a contractual agreement with an e-sign saying that the Associate or Member will pay the amount. A promissory note, which can be obtained by emailing jratliff@deltachi.org – is an agreement used if no billing agency is used. The member agrees to an amount owed and has to provide social security number and signature. A witness and witness signature is also required. If a member refuses to sign a promissory note or sign up for a billing agency then give them the option to pay for the semester or year in advance to avoid that (pay-up front discount).

For collections, if you use a promissory note and someone does not pay, we recommend Parson Bishop.

Parsonbishop.com/Greek.html

513-561-5560

If you use a billing agency, they should have a collections system in place for you. Make sure you ask about this before agreeing to use a billing agency. Most recommended/used billing agencies include:

- OmegaFi (preferred – ties into Vault)
- Legfi
- Greek Capital Management

A billing agency will cost you anywhere from \$24-\$35 per Initiate/Associate per semester (or twice annually). The help they provide with collecting the money and helping with tax filing (on most) makes it a sound investment.

When to Bill

The earlier you bill the better. Due dates for headquarters dues are due between November 14th and March 17th for Risk Management Assessment and Member Dues. Also, any active members on June 30 and October 14th make up the people who are billed for those dues. Here are approximate dates to bill, adjust to your school start and end dates.

1. Pay up front option – September 10th (Fall) January 10th (Spring)
2. First payment of payment plan due September 10 (Fall) and January 10th (spring). By doing this it would put someone 30 days past due before headquarters bills. At this point the ABT could vote with a 2/3 majority to place the member on inactive status. This way you aren't billed for someone who won't be paying you.

Note: Members placed on inactive status should be put as inactive only if they go through the below process. Simply putting someone as inactive because they aren't paying or are not attending events is against Delta Chi Law.

(3) STUDENT MEMBER

(a) STATUS DEFINED — A student member in inactive status shall be prohibited from material participation in chapter activities including, but not limited to, social activities, sports programs, living in the chapter house, voting at chapter meetings, holding chapter office, and representing the chapter in any capacity.

(b) PROCEDURE — A student member may receive inactive status only through one of the following:

- (i) Written notification by the member, such notification shall not impair any written financial agreements between the member and the chapter.
- (ii) Motion of the member's chapter with approval by a two-thirds vote of both the chapter and its Alumni Board of Trustees.
- (iii) For financial indebtedness only, by action of the Alumni Board of Trustees by a two-thirds vote.
- (iv) For failing to meet the minimum grade point average established in the chapter's By-Laws for the immediately preceding academic term.

(c) RETURN TO ACTIVE STATUS — An inactive student member may return to student member status by petition to the chapter with approval by a two-thirds vote of the chapter and its Alumni Board of Trustees.

It is strongly recommended to only do payment plans through half of a semester or full quarter. Most of your due dates are during this period and members rarely have money at the end of the semester!

Billing with Associates is different. You want to do this to avoid having to pay for that Associate if he decides not to remain with the Fraternity.

- 1st – Associate Member Ceremony Night
- 2nd – Half way mark (4th week)
- 3rd – Before Initiation (Final \$205 Initiation Fee)

Proper billing amounts

You bill based on your budget and what is needed for your chapter or colony to run. Always think of budgeting/billing/collections by semester or 2 quarters. Always be conservative with billing, aim at overbilling rather than not billing enough. These recommendations are based off of the non-housing portion of dues.

Members

The cost per member should take care of headquarter dues, IFC and other Greek dues, as well as any officer budgets, formal costs, etc... The least that works consistently is around \$400, but recommended amount would be at least \$450-500 per semester. Let's break down the cost per member of a 50 man chapter with an average RMA (Risk Management Assessment) of \$330.

As of 1/1/2020

Fall Dues

Member Dues - \$68
Housing Initiative Dues - \$10
Risk Management Assessment - $\$330 \times .6 = \198
IFC & Greek Council Dues - \$50 (Differs per school)
Officer budgets/Formal - $\$10,000/50 = \200
Total: \$526

Spring Dues

Member Dues - \$68
Housing Initiatives Dues - \$10
Risk Management Assessment - $\$330 \times .4 = \132
IFC & Greek Council Dues - \$50 (Differs per school)
Chapter Assessment - $\$850/50 = \17
Officer Budgets/Formal - $\$10,000/50 = \200
Reserve - $\$2,800/50 = \56
Total: \$533

This is just a conservative example.

Associates

Associates should not be included in your budgeting because budgeting is done before you can have the Associate numbers. If you do add them, go very conservative on your estimate. Also, Associates drop! You should aim to make enough off of your Associates to cover General Fraternity dues, IFC/Greek Council Dues, and the Associate members who dropped at a minimum.

Associate Member Dues - \$100
Initiation Fee - \$205
Cornerstone - \$20.85
AM Pin - \$10
Badge - \$19

Subtotal - \$354.85 + 25% Contingency
Total - \$434

Section 1 Recap and Final Thoughts:

- Your chapter/colony cannot operate without proper billing and receiving. Nice guys finish last when it comes to collecting money. Create a good budget, bill a proper amount, and do not feel bad sticking to deadlines.
- Have a backing for all of your dues. Promissory note or use a billing agency.
- Bill early and have a pay up front option (with a discount).
- Make sure you are billing enough – have all possible fees and expenditures.
- Do not set up payment plans that last through the whole semester. You need to pay most of your expenses earlier in the semester and rarely do members have money at the end of the semester.
- If someone is not paying, make sure you provide them with some sort of alternative prior to sending them to collections. For example – a member is 30 days past due. Give him a deadline to pay before sending him to collections, and make sure he is aware that non-payment = collections. If he can't pay and would like to do a payment plan make sure it is properly documented and follow through with the payment plan dates.

Section 2 – Budgeting

Delta Chi Fraternity provides a sample budget spreadsheet. See “D” Resources on the Delta Chi website.

While the budget spreadsheet itself is designed to not need additional information, the below notes are intended to help if there are issues. If you have any feedback on how to improve this section feel free to email the Fraternity's Director of Finance at jratliff@deltachi.org

Notes

- A budget is set up to both understand how much you need to bill and how much you can spend, but a good budget will work no matter what goes wrong if followed. The “contingency” and Reserve amounts built into this budget account for extra money built in in case there is an issue with collections or unexpected expenses occur. It is not a slush fund! At the end of the semester any extra amounts are carried into the next budget.
- Associate members should either not be included or very conservatively estimated. Putting 15 Associate members and getting 10, while charging a lot more than they cost will result in less revenue than expected. Consider them a bonus to the budget.
- The numbers from the Receivables portion (Brother and Associate Member #'s) should populate the correct amount on the expense side.

- For the Risk Management Assessment – look for the amount referenced in Vault > DX > DX Billing > Statement of Account (Change “from” date to 7/1/2019).

SUMMARY	PAYMENTS	STATEMENT HISTORY	STATEMENT OF ACCOUNT	SCHEDULED INVOICES	
From 09/22/2019	To 12/30/2019	Format HTML	Submit		
ACCOUNT DETAIL					
Posting Date	Transaction Type	Category	Description	Amount	Balance
09/22/2019	PB		Previous Balance	\$0.00	\$0.00
09/23/2019	DB	Risk Management Assessment	Risk Management Assessment	\$10,370.00	\$10,370.00

The spring portion of this (50%) is \$5,185.00 (reference 13 on Expenses on excel budget).

Section 3 – Taxes

Tax Questions are a common occurrence to Delta Chi IHQ. This should give you a better understanding of your responsibilities and clarification of what your tax-exempt status means.

What are you?

You are a 501(c)7 social club. You are exempt from paying taxes on the income from your members and associates. You are generally organized as an unincorporated association. Some chapters may have formed legal entities such as not-for-profit corporations or limited liability companies. For purposes of this discussion, we will assume that there is no legal entity formed.

Can our chapter solicit tax-deductible donations?

NO. You are not a charitable organization. There are penalties for soliciting tax-deductible donations for your chapter. If a parent or other 3rd party desires to contribute funds to your chapter, you must tell them that these funds are not tax deductible.

Are we required to pay sales and/or use taxes (sales tax) in our Jurisdiction?

In most cases YES. There is a small chance that your jurisdiction may allow you to claim an exemption from local sales and/or use taxes. We recommend that you contact the local state tax authority and ask if a 501(c)7 organization is required to pay sales and/or use taxes in your jurisdiction. Some states require you file an application for exempt status. Unless you have been granted Sales Tax Exemption from your state you will be paying Sales Tax in the checkout line or online store of every place you shop.

Do we have to file taxes?

Yes. You are required to file a 990-N, 990EZ, or Form 990 once a year. The deadline to file depends on when your fiscal year ends. It is important to know your year end. Here are the thresholds per the IRS as of 12/30/19.

Gross receipts normally ≤ \$50,000 Note: Organizations eligible to file the e-Postcard may choose to file a full return	990-N	n/a
Gross receipts < \$200,000, and Total assets < \$500,000	990-EZ or 990	Instructions
Gross receipts ≥ \$200,000, or Total assets ≥ \$500,000	990	Instructions

Source - <https://www.irs.gov/charities-non-profits/form-990-series-which-forms-do-exempt-organizations-file-filing-phase-in>

The 990-N is a postcard online that you just have to click a checkmark and provide an email address to submit but can only be submitted if your yearly income from your members and Associates is less than \$50,000.

We have attempted to file our taxes but we are being told we are not Exempt. What do we do?

Contact the Director of Finance, James Ratliff, at jratliff@deltachi.org

What is our Group Exemption Number?

0401. Most of our chapters are under our Group exemption, however chapters that have lost their exempt status and regained it may have their own exemption due to the way regaining your exempt status works. We currently have not decided whether to put everyone back into our Group exemption yet or not.

Unrelated Business Income (UBI) – what is this?

Even though chapters/colonies are tax exempt, they may be liable for tax on its UBI. An exempt organization that has \$1,000 or more gross income from an unrelated business must file form 990-T. UBI for fraternities includes all gross income, less deductions directly connected with producing that income, but not including exempt function income. UBI includes investment income (dividends, interest, and certain other income).

The investment of these types of organization generally is not taxed if it is set aside to be used for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals.

When is my Form 990 due?

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Forms 990 must be filed by the 15th day of the fifth month after the end of your organization's fiscal or tax year. For example, if your organization's fiscal year ends on December 31, the Form 990 is due by May 15th of the following year. The return filing deadline can be extended twice using Form 8868. Mail all forms to the IRS, or any other taxing authority, via certified mail (return receipt request). In most cases, the taxpayer is charged with the responsibility to prove filing compliance. Do not trust taxing authorities!

<i>Year End Date</i>	Original Due Date	First Extended Due Date	Final Extended Due Date
5/31	10/15	1/15	4/15
6/30	11/15	2/15	5/15

Delta Chi IHQ does not have your fiscal/tax year end. You need to contact the IRS to receive this information. It is highly recommend to save this information and pass it on the next "D".

Do I have to file a state return?

Good question and it depends on the requirements of your state. State laws generally follow federal law and it is safe to assume that you are also exempt from state income taxes where your chapter is located. Contact your local state taxing authority and ask for guidance. You may be required to do nothing, and you may be required to file an application to establish your exempt status.

The following URL will provide links to all tax jurisdictions in the U.S. You can select your state.
[http:// www.taxadmin.org/state-tax-agencies](http://www.taxadmin.org/state-tax-agencies)

What happens if my chapter fails to file Form 990 for three consecutive years?

If an organization required fails to file form 990 for 3 consecutive years, the organization's tax-exempt status is revoked automatically.

If your tax-exempt status has been revoked, you have a few options.

- Billing Agencies such as OmegaFi have CPA's who are very experienced in navigating this process. They will fill out the correct forms and know how to approach situations that may be difficult. Please note that this is not a free service, and a ball park cost is \$1-2k. It may be beneficial to inquire about this if you are using a billing agency. Ask if you can receive a discount since you use (or if you are using) their billing service.
- You can reach out to your alumni and ask if anyone is a non-profit CPA who would be willing to help at a discount or possibly free.
- A few chapters have done this themselves. This is not an enjoyable experience, so please consider options 1&2. If you decide to do this yourself, below is the IRS web page explaining how to file for your exemption back.

If anyone has received their tax-exempt status back and is willing to provide a copy of the package they sent to do that – please send this to me. I would like to be able to provide an example to other groups going through the process for reference.

<https://www.irs.gov/charities-non-profits/charitable-organizations/automatic-revocation-how-to-have-your-tax-exempt-status-retroactively-reinstated>