

# LAW MEMO

## Delivering the Treasurer's Report

In 1924, Robert Benchley, the great American humorist, served on a committee of journalists who were planning to present a show. Each member was supposed to make suggestions for sketches or songs.

On the way to a committee meeting, Benchley realized that he had no suggestions to offer. So, he decided to make believe, when he was called upon for his contribution, that he had misunderstood the purpose of the meeting and had come prepared to account for the year's expenditures.

*The Treasurer's Report* was an instant success. Benchley performed it on Broadway, in vaudeville, at banquets and teas, and he even went to Hollywood to make it into a movie.

It is reprinted here to begin 2002 with some much needed levity. This issue of *Arts Law Memo* also addresses the role of the board treasurer.

### BY-LAWS & JOB DESCRIPTION

Your organization's by-laws, which set forth the rules for internal management, probably require the board to elect officers, including a chairman, president or both; a vice-chairman, a secretary and a treasurer.

As outlined in most by-laws, the treasurer is the organization's principal financial officer. The treasurer's duties may include:

- Monitoring the receipt and proper deposit of all money and securities due to the organization
- Ensuring that bills are paid on a timely basis and that other financial documents (e.g., bank statements) are processed as received
- Rendering monthly, quarterly, and annual financial reports to the Board
- Monitoring internal controls and procedures
- Chairing the finance committee, if organizational size dictates
- Ensuring that all federal, state, and local financial reports are filed on a timely basis
- Overseeing the preparation of the annual

budget and monitoring its implementation

- Ensuring that the organization maintains tax-exempt status
- Contracting with an independent CPA to conduct an audit, if organizational size dictates
- Signing financial forms as necessary
- Ensuring the safety of principal, liquidity, adequate diversification and competitive rate of return on investments
- Monitoring the work of the Chief Financial Officer (CFO)

### ORGANIZATIONAL SIZE

In small organizations, particularly those operated by volunteers, the treasurer typically keeps the books and assumes responsibility for other fiscal management activities. This arrangement works well for many arts groups, assuming the treasurer's system of record keeping and reporting can easily be replicated by his or her successor.

But, as Jody Blazek notes in *Financial Planning for Nonprofit Organizations*, "well-meaning volunteer bookkeepers and treasurers may not be capable of or have the time to maintain proper records." She recommends hiring a part-time bookkeeper (even if it strains the budget at first) and developing a system of internal controls. Based on the principles of separation of duties, internal controls help protect an organization's resources from intentional or unintentional misappropriation.

As a nonprofit organization grows, the treasurer's role changes dramatically. Most, if not all, of the day-to-day matters are delegated to paid staff with the treasurer providing guidance when needed.

In larger organizations, the office may even appear unnecessary because the treasurer receives a briefing from the CEO or CFO before the board meeting and simply recapitulates what he or she has been told. This ritual provides a sense of security (sometimes false) for board members and allows the CEO to remain accountable for the fiscal integrity of the organization.

In *Board That Make a Difference*, John

Published by the St. Louis Volunteer Lawyers and Accountants for the Arts (VLAA), *Arts Law Memo* is mailed, free of charge, to more than 850 Missouri and Southwestern Illinois arts organizations, VLAA volunteers and corporate sponsors.

VLAA helps artists and arts organizations solve and avoid legal and accounting problems by:

- Making referrals to lawyers and accountants;
- Mediating arts-related disputes;
- Publishing *Arts Law Memo* and concise how-to guides;
- Sponsoring seminars and public forums;
- Arranging for guest speakers;
- Maintaining a reference library;
- Operating an arts space clearinghouse;
- Supplying model contracts and other arts law and business materials;
- Facilitating meetings;
- Conducting and disseminating research on issues affecting the arts;
- Contributing articles to publications;
- Collaborating on arts advocacy initiatives;
- Matching volunteers with arts organizations seeking board members; and
- Providing access to the national VLA network.

This issue was written by Sue Greenberg, VLAA's executive director.

*This publication is distributed with the understanding that VLAA is not engaged in rendering legal or accounting counsel. We urge you to seek professional services to address your specific needs.*

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# The Treasurer's Report

by Robert Benchley

*The report is delivered by an Assistant Treasurer who has been called in to pinch-hit for the regular Treasurer who is ill. He is not a very good public speaker, this assistant, but after a few minutes of confusion is caught up in the spell of his own oratory and is hard to stop.*

I shall take but a few moments of your time this evening, for I realize that you would much rather be listening to this interesting entertainment than to a dry financial statement...but I *am* reminded of a story—which you have probably heard.

It seems that there were these two Irishmen walking down the street when they came to a—oh, I should have said in the first place that the parrot which was hanging out in front of the store—or rather belonging to one of these two fellows—the first Irishman, that is—was—well, anyway, this parrot—

*(After a slight cogitation, he realizes that, for all practical purposes, the story is as good as lost; so he abandons it entirely and, stepping forward, drops his facile, story-telling manner and assumes a quite spurious business-like air.)*

Now, in connection with reading this report, there are two points which Dr. Munie wanted brought up in connection with it, and he asked me to bring them up in connec—to bring them up.

In the first place, there is the question of the work which we are trying to do up there at our little place at Silver Lake, a work which we feel not only fills a very definite need in the community but also fills a very definite need—er—in the community. I don't think that many members of the Society realize just how big the work is that we are trying to do up there. For instance, I don't think that it is generally known that most of our boys are between the age of fourteen. We feel that, by taking the boy at his age, we can get closer to his real nature—for a boy *has* a very real nature, you may be sure—and bring him into closer touch not only with the school, the parents, and with each other, but also with the town in which they live, the country to whose flag they pay allegiance, and to the —ah, (*trailing off*) town in which they live.

Now the fourth point which Dr. Munie wanted brought up was that in connection with the installation of the new furnace last Fall. There seems to have been considerable talk going around about this not having been done quite as economically as it might—have—been—done, when, as a matter of fact, the whole thing *was* done as economically as possible—in fact, even *more* so. I have here a report from the Furnace Committee, showing just how the whole thing was handled from start to finish.

*(Reads from the report, with considerable initial difficulty with the still covers.)*

Bids were submitted by the following firms of furnace contractors, with a clause stating if we did not engage a firm to do the work for us we should pay them nothing for submitting the bids. This clause alone saved us a great deal of money.

The following firms, then, submitted bids: Merkel, Wybigant Co.; the Eureka Dust Bin and Shaker Co.; The Elite Furnace Shop; and Harris, Birnbauer and Harris. The bid of Merkel, Wybigant being the lowest, Harris Birnbauer were selected to do the job.

*(Here a page is evidently missing from the report, and a hurried search is carried on through all the pages, without result.)*

Well, that pretty well clears up that end of the work.

Those of you who contributed so generously last year to the floating hospital have probably wondered what became of the money. I was speaking of this subject only last week at our up-town branch, and, after the meeting, a dear little old lady, dressed all in lavender, came up onto the platform, and, laying her hand on my arm, said: "Mr. So-and-so (calling me by name) Mr. So-in-so, what the hell did you do with all the money we gave you last year?" Well, I just laughed and pushed her off the platform, but it has occurred to the committee that perhaps some of you, like that little old lady, would be interested in knowing the disposition of the funds.

Now, Mr. Rossiter, unfortunately our treasurer—or rather Mr Rossiter our *treasurer*, unfortunately is confined at his home tonight with a bad head-cold and I have been asked (*he hears someone whispering at him from the wings, but decides to ignore it*) and I have been asked if I would (*the whisperer will not be denied, so he goes over to the entrance and receives a brief message, returning beaming and laughing to himself*). Well, the joke seems to be on *me!* Mr. Rossiter has *pneumonia!*

Following, then, is a summary of the Treasurer's Report:

*(Reads, in a very businesslike manner).*

During the year 1929—and by that is meant 1928—the Choral Society received the following in donations:

B.L.G.	\$500
G.K.M.	500
Lottie and Nellie W.	500
In memory of a happy summer at Rye Beach	500
Proceeds from a sale of coats and hats left at the boat-house	14.55
And then the Junior League gave a performance of "Pinafore" for the benefit of the Fund which, unfortunately, resulted in a deficit of	\$300

Then, from dues and charges 2,354.75  
And, following the installation of the new furnace, saving in coal amounting to \$374.75—which made Dr. Munie very happy, you may be sure.

Making a total of receipts amounting to \$3,645.75  
This is all, of course, reckoned as of June.

In the matter of expenditures, the Club has not been so fortunate. There was the unsettled condition of business, and the late Spring to contend with, resulting in the following—er—rather discouraging figures, I am afraid:

Expenditures 23,574.85  
Then there was a loss, owing to—  
several things—of 3,326.70  
Car-fare 4,452.25

And then, Mrs. Rawlin’s expense account, when she went down to see the work they are doing in Baltimore, came to \$256.50, but I am sure that you will all agree that it was worth it to find out—er—what they are doing in Baltimore.

And then, under the general head of Odds and Ends 2,537.50

Making a total disbursement of ...(hurriedly) or a net

deficit of—ah—several thousand dollars.

Now, these figures bring us down only to October. In October my sister was married, and the house was all torn up, and in the general confusion we lost track of the figures for May and August. All those wishing the approximate figures for May and August, however, may obtain them from me in the vestry after dinner, where I will be with pledge cards for those who wish to subscribe over and above your annual dues, and I hope that each and every one of you here tonight will look deep into his heart and (archly) into his pocketbook, and see if he can not find it there to help us put this thing over with a bang (accompanied by a wholly ineffectual gesture representing a bang) and to help and make this just the biggest and best year the Armenians have ever had...I thank you.

(Exits, bumping into the proscenium).

Reprinted with permission of HarperCollins Publishers from The Treasurer’s Report and Other Aspects of Community Singing by Robert Benchley, published by A.L. Burt Company, © 1932.

In *Boards That Make a Difference*, John Carver calls the treasurer of such an organization a “vestigial organ.”

Maureen K. Robinson, author of *Nonprofit Boards That Work: The End of One-Size-Fits-All Governance*, is not as cynical. She calls the treasurer of the board “a classic good news/bad news phenomenon.”

According to Robinson, “the good news is that a conscientious treasurer can bring a level of attention to an organization’s financial life that it would be both unrealistic and inefficient for the full board to attempt. A good treasurer can increase the rate at which information becomes knowledge for the board by performing an important editorial function, screening a wealth of events and transactions to uncover and highlight the telling few...Together, the treasurer and staff can take a systematic look at a variety of important financial trends in the organization and distill the information that will be shared with the board.”

Robinson says the bad news about treasurers is “the extent to which a board will quickly and with the greatest relief relinquish its responsibility to this

officer.” Boards feel so grateful to be freed of the dreaded task, she says, that they fail to hold the treasurer to any decent standard of performance.

Even more dangerous, is the

“As difficult as it might be to master the basics of building a budget and reading financial statements, as hard as it might be to become a demanding consumer of well-presented and intelligently constructed reports, these are essential parts of a board’s work, parts that must work well if the board is to succeed in bringing value to the organization and the people it serves.”

—Maureen K. Robinson

tendency for treasurers to hold the position for a long time. “This can result in a loss of rigor and an idiosyncratic, personality-driven perspective of the organization’s finances.”

**A MEANINGFUL POSITION**

How can an organization make the treasurer’s role more meaningful?

- Recognize that the board as a whole is responsible for the financial oversight of the organization and should not abdicate this responsibility to anyone, including the treasurer.
- Adopt a policy limiting the term of the treasurer (and other officers).
- Recognize that the treasurer’s job description can and should be designed to meet the needs of each organization.
- Insist that the board be given budgets and financial reports that contain only essential information that is presented clearly and concisely.
- Chose a treasurer who has the ability not only to analyze and interpret budgets and financial statements but also to teach fellow board members how to assess the organization’s fiscal health by looking at the reports.
- Conduct a short educational session annually to make sure board members understand the basics of nonprofit accounting.
- Agree that, when it comes to financial stewardship, there are no stupid questions.

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## RESOURCES

### Books

Blazek, Jody. *Financial Planning for Nonprofit Organizations* (1996). Written by a founding director of the Texas Accountants and Lawyers for the Arts, this book covers financial planning concepts, tools and techniques designed to safeguard your organization's financial future. A free copy of a helpful chart distinguishing the separate roles of the board treasurer and the chief financial officer is available on request by sending VLAA your FAX number.

Dalsimer, John Paul. *Understanding Nonprofit Financial Statements* (1996). This 24-page pamphlet would be an excellent text for a board workshop. It includes definitions of key accounting terms and concepts, sample financial statements and a discussion of the FASB 116 and 117 nonprofit accounting rules. Published by Board Source (formerly the National Center for Nonprofit Boards, [www.ncnb.org](http://www.ncnb.org)), it sells for \$12.

Robinson, Maureen K. *Nonprofit Boards That Work: The End of One-Size-Fits-All Governance* (2001). This new book encourages boards members to look at the particulars of their organization before determining the best approach to effective governance. It is much more user-friendly than the policy governance model outlined by John Carver in *Boards That Make a Difference* (1990).

Widmer, Candace and Susan Houchin. *The Art of Trusteeship* (2000). This board basics book is a practical and down-to-earth guide designed to help board members fulfill their responsibilities with both wisdom and grace. Who could ask for anything more?

These books and many others on arts law and business practices are available at the **St. Louis Volunteer Lawyers and Accountants for the Arts library** located within the Regional Arts Commission office, 3540 Washington, in Grand Center.