



**MDRT**

The Premier  
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## MEMORANDUM

**Date:** April 25, 2013  
**To:** Management Council  
**From:** David L. Alarid  
**Subject:** Finance Division Information  
**File:** 260.3  
**Copies:** L.McGrady

The Finance Division's basic function and scope is to review and recommend on all fiscal matters. Its intent is to perform a helping/assisting role with all divisions/committees within the MDRT organization. As stewards of the Round Table's financial resources, the Finance Division hopes to serve other committees in a way that will maximize MDRT's collective efficiency and effectiveness.

The Finance Division encourages thoughtful planning and stands ready to provide counsel when needed. The Finance Division is anxious to contribute all it can to the programs and activities of the Round Table. As MDRT enters a new organizational year, it's a privilege to report that MDRT is fiscally strong and healthy. The Finance Division looks forward to continuing and maintaining that condition and pledges its every effort to that end.

The primary functions of the Finance Committee are to:

1. Recommend and monitor the MDRT annual operating budget, including the Annual Meeting and Top of the Table budgets, and the MDRT Experience
2. Review with MDRT's outside auditors the annual audited financial statements.
3. Recommend an outside auditor.
4. Monitor the monthly MDRT financial statements and the MDRT reserve position.
5. Recommend the membership dues.
6. Make recommendations on all previously non-budgeted expense requests.
7. Engage in long range fiscal planning by maintaining a five-year financial plan..
8. Review the MDRT Strategic Plan and assess its financial and investment implications.
9. Review the performance of the MDRT Investment Program.

10. Review the effectiveness of investment counsel, the MDRT Investment Policy Statement, and MDRT Cash Management.

The following is an overview of MDRT's financial policies and philosophies, inclusive of budget constraints and limitations.

#### I. Responsibility

- A. By the authority of the Constitution and Bylaws the Finance Division serves to review MDRT finances and investments and reports annually to the membership.
- B. Through this authority the Finance Division reviews and recommends on all matters relating to the MDRT budget, investment policy and fiscal planning.
- C. The Finance Division coordinates with staff in the computation of all materials for the preparation of the annual budget.
- D. Further, the Finance Division advises the Executive Committee on the funding of projects and programs which would affect contingency or reserve funds.
- E. The Finance Division takes its responsibility seriously, since it is acting on behalf of the membership. Its traditional conservative posture demonstrates prudent and effective fiscal policy.
- F. The Finance Division is careful not to limit the energies of the MDRT but to appraise and make recommendations concerning all financial matters pertaining to committee projects and activities.
- G. The Finance Division advises the Executive Committee on all previously nonbudgeted expense items.

#### II. Sources of Funds

- A. The sources of revenue for the MDRT come from five areas:
  1. Membership Dues - Accounts for the bulk of MDRT income.
  2. Registration Fees - For meetings.
  3. Management Fees - For administrative support of the Foundation and other programs

4. The Sale of Products and Services - Inclusive of publications, audio/visual products, insignia/recognition items, distribution rights and royalties.
  5. Investment Income - The investment of available funds based upon cash flow management and reserves.
- B. Because of the changing makeup of the membership on a year-to-year basis (due to the need to qualify for membership each year), it has been a general philosophy that funds should be applied to maximize member benefits on a yearly basis.
- C. Investment Income is carefully monitored with investments being held in a professionally managed investment portfolio consisting of equity and fixed income investments and a cash reserve.

### III. Expenditures

- A. MDRT's organizational year is September 1 to August 31, but its fiscal year is January 1 to December 31.
- B. Individual budgeted revenue and expense items comprise the financial operating statement. Each line item requires a developed budget and sufficient backup from the originating department to support the proposed budgeted costs or income. The Finance Committee and the Executive Committee carefully scrutinize each of these budgets.
- C. The Finance Division receives a detailed line item report on a monthly basis. Each line item is monitored by the Finance Division and distributed to the Executive Committee for its information and reaction.
- D. During the original drafting of committees, (which takes place in August or September), the respective staff liaisons establish a responsible budget. Throughout the year staff liaisons should continue to monitor their budgetary position.
- E. Limited contingency funds exist that can be used in the event of an unanticipated budget overage or expense.

### IV. Operating Within Budget

- A. Each committee and each activity has a budget developed by the staff liaisons involved and evidenced with supporting documentations. All involved are responsible for operating within the budget.

- B. When a new project is proposed and supporting budget dollars are required to fund the project, a proposal should be submitted to the Finance Committee prior to the Executive Committee's review of the project proposal. If the project's merits are viewed to be in the best interest of the membership, the Finance Committee will strive to support the proposal.
- C. There are procedures established when a budget or activity is over budget. The Finance Committee will review the situation and take appropriate action through a recommendation to solve the problem.

The Finance Division position is one of cooperation and support of those programs that offer the most benefit to the largest segment of MDRT membership.