



Chapter Financial Principles

(Revised 11 July 2008)

Chapter Bylaws apply to the conduct of all chapter financial affairs. The President of PDA may grant authority to chapter representatives to conduct business solely for purposes as authorized in the chapter Bylaws.

Financial Responsibility of the Chapter

The chapter shall be responsible for all of its own financial obligations incurred by it or attributed to its operations, including taxes, fees and assessments, if any.

Bank Accounts

Bank accounts may be opened in the name of the chapter to facilitate the payment of chapter obligations. An additional account may be established to retain excess funds accumulated in excess of normal operating requirements. The chapter's PDA Coordinator, Membership Services and Chapters is to be notified within thirty (30) days of all new, or changes to, bank accounts including the bank name, bank address, account mailing address, account number and name(s) of authorized signors. Such information shall be resubmitted to PDA annually along with the full year Chapter financial activity report by January 31st of each year. Global and European PDA requires all chapters to remit all funds in excess of \$10,000 USD/€10,000 Euro or funds in excess of nine (9) months of operational costs to Global PDA.

Signature Authorization Limits on the Procurement of Goods and Services

Chapters should institute the following signature guidelines suggested by PDA in order to ensure the appropriate transparency on the procurement of goods and services.

- Chapter Treasurer approval required: Up to \$2,500.00
- Chapter President and Treasurer approval required: Over \$2,500.00

Fixed Assets

Chapters are not authorized to purchase fixed assets, including items such as equipment, furniture, real property and other durable assets.

Liabilities

PDA is potentially jointly obligated with each chapter for all liabilities that are incurred by each chapter. Therefore, authorizations are required from PDA's Treasurer, President or V.P., Finance for short or long term contractual obligations that exceed \$5,000 (US) or the Euro equivalent of \$5,000 USD. Immediate expenditures that are covered by cash reserves available in the chapter's accounts require no such authorization by PDA, but

procedures shall be established by the chapter to ensure proper use of its funds. In no event may the aggregated obligations of any chapter exceed the total of its cash balances in its bank accounts. Chapter obligations not authorized by PDA will be the responsibility of the individual incurring the liability on behalf of the chapter.

Employment

U.S. chapters are not authorized to hire permanent employees. Chapters may hire temporary contractors, ONLY, provided that the chapter already has in its working budget (not reserves) the money to pay the contractor. In addition, the contract(s) with these contractors must be included in all Financial Reports as well as the entries that show the contract was paid in full. Chapters outside the United States must obtain written approval from the PDA President prior to engaging an employee, either temporary or permanent, providing in writing to PDA the financial and legal requirements and responsibilities of the requested employment and documentation demonstrating that the chapter understands and can comply with such financial and legal requirements and responsibilities.

Contracts

The Chapter Board may authorize any officer to enter into any contract or execute and deliver any instrument in the name of and on behalf of the chapter and such authority may be general or confined to specific instances and shall not conflict with PDA. The chapter shall not execute any contract or incur a financial obligation on behalf of the chapter which exceeds \$5,000 USD or the Euro equivalent of \$5,000 USD, or any financial obligation on behalf of PDA without the prior written approval of PDA.

Procurement

As authorized, in accordance with the above, chapters may procure goods and services necessary for the conduct of chapter business. Procurements must be documented by vendor invoice or contract describing in detail the cost and full description of the purchase.

Pricing Policy

The chapter may charge fees for participation in and support of chapter activities. Said fees shall comply with the PDA Fee and Pricing Policies found in the PDA Chapter Handbook, which may be amended from time to time by PDA.

Financial Reporting

The chapter's PDA Coordinator, Membership Services and Chapters shall be notified within thirty (30) days by the Chapter of the name, address, phone number and e-mail address of the chapter treasurer or other chapter representative serving in that capacity whenever there is a change in this position or capacity. Such information shall also be

submitted with the annual chapter financial report. This individual is responsible for the timely reporting of chapter financial activities:

1. By the 31st of the month following each calendar quarter, *all* Chapters must submit the following data to their PDA Coordinator, Membership Services and Chapters:
 - List of all checks written during the quarter including payee, check number, date and amount and purpose of the payment.
 - Description of all deposits including the reasons funds were received, date of deposit with amounts itemized by payee name (member, customer, etc.). The list should equal the total amount of the bank deposits for that period.
 - Photocopies of all pages of all bank statements for the quarter.

Global PDA has recently completed a new a web-based financial reporting tool. Please contact Ta-Méla Jeffries, Chapters Coordinator, for more information.

2. By the 31st of January, the annual chapter financial report, to include the information as outlined in attachment 1, must be submitted by all chapters (including those outside the United States) to the chapter's PDA Coordinator, Membership Services and Chapters. If this data is reported after the required deadline, the chapter may be dissolved and it will be the responsibility of the chapter to file the required tax returns.

As part of the Year End financial reporting, each chapter will be required to calculate the number of months of operating expenses that are covered by the funds in the chapter's bank accounts. The Board has required that Global PDA have a minimum level of reserves to cover nine months of operating expenses. As such, each chapter should have nine months of operating expenses in their respective bank accounts. Any funds in excess of this threshold should be repatriated to Global PDA, and sent via check to the attention of the chapter's respective Membership Services and Chapters Coordinator. If a chapter has insufficient funds to cover nine months of Operating Expenses, they should indicate how and when they would meet this requirement as part of their Year End submission, or they can ask for the additional funds by sending a written request to the President PDA.

Chapter Scholarships

Chapters are encouraged to sponsor and offer scholarships to students of pharmaceutical, biopharmaceutical and related disciplines attending accredited institutions of higher learning within the Chapter's geographical region.

All Scholarship nominees require approval from Global PDA. All scholarships that have value greater than \$5,000 (US) requires prior written approval from PDA. Contact your Coordinator, Membership & Chapters for more information. The total amount of the scholarship must be covered by the Chapter's cash reserves and *any amount committed*

in excess of \$5,000 must be placed in escrow. Any scholarship will be promoted as a Global PDA Scholarship, sponsored by PDA and the Chapter. The PDA Chapter will make a public presentation to the recipient and will give Global PDA at least 45 days notice of the event. Global PDA will prominently cover the Chapter scholarship and recipient in the *PDA Letter*.

Special Projects

Occasionally chapters may want to strengthen their relationship with the local community. PDA encourages community interaction and realizes that these community outreach activities may overburden a small chapter budget. Alliances with local institutions (including educational organizations) where scholarships, endowments, or any other type of financial obligation from the chapter is required (on a one time or annual basis) that exceeds the chapter's typical nine months of operational expenses should submit a project plan to your Coordinator, Membership Services and Chapters that includes:

- A short description of the project/activity
- The benefit of the project/activity for the chapter (short and/or long term)
- The benefit of the project/activity for PDA (short and/or long term)
- The project/activity budget
- How the project/activity's success will be measured

The Global PDA President will review and approve all project plans and their budgets.

Tax Obligations

PDA chapters operate under the authority of PDA and the PDA U.S. chapters are registered with IRS as subordinate entities. This permits U.S. chapters to operate as section 501(c)6 tax exempt non-profit entities. Annually PDA files all required U.S. federal tax returns including 990 and 990T returns, so long as the necessary financial data has been reported to PDA as described above. If this data is reported after the required deadline, the chapter may be dissolved and it will be the responsibility of the chapter to file the required tax returns.

While U.S. chapters are exempt from federal income tax relating to their primary purpose, there are activities that are subject to federal income tax. Generally, these apply to the receipt of funds for paid advertising and other activities not related to the chapter's exempt purpose. A donation made to sponsor an event may not be taxed, depending upon the recognition given the sponsor. The recognition can not be in the form of an advertisement. Typically, sponsors can be briefly recognized in writing and through media, without reference to specific products and services, as having sponsored an event and as such not obligate the chapter to taxable income (unrelated business income tax). Chapters shall communicate with PDA regarding these subjects to assure chapters are in compliance with non-profit status.

European and International Chapters:

Chapters outside of the United States are responsible for complying with all reporting requirements of the governmental agencies within their respective countries. Chapters are typically not exempt from state sales and use tax or relevant value-added taxes (VAT). Chapters are required to adhere to the sales, use and value-added tax provisions of the states or countries in which they operate.

The PDA Europe Office will collect all information and assist European Chapters in fulfilling these requirements. Please contact your chapter's Membership and Chapters Liaison.

Audit

As PDA related entities, chapter operations are included in the conduct of PDA's annual audit and as a result, chapters are obligated to submit data that may be requested during this audit. The chapter financial information is included in the Financial Reporting of the PDA and as such, the information submitted by the chapters is included in our filings with the Internal Revenue Service (e.g. Annual tax return, etc.). With the implementation of more detailed and stricter financial regulations regarding accounting and financial statements, such as the Sarbanes-Oxley Act, it is imperative that the chapters operate in compliance with these guidelines and requirements.

To ensure that we maintain our compliance and verify the accuracy of the financial information included within the PDA's financial statements and filings, chapter treasurers or representatives acting in such capacity are required to submit such requested information to PDA within 10 days of the request. All chapter funds are subject to review, audit or reporting as required by PDA.

In compliance with the financial requirements and controls we are governed by, PDA will begin randomly auditing chapters starting January 1, 2008. One chapter will be chosen to be audited once a quarter. The chapter will receive fifteen to thirty days advance notice that they were chosen for the quarter's random audit, and compliance with this audit will require that the chapter selected submit all financial information for the preceding 6 months (2 quarters) to support all monies collected and all disbursements made, including copies of all invoices, receipts, detailed bank statements, attendance lists and monies collected for events conducted. Based upon the result of this review by the Global PDA Comptroller, an on-site visit may be scheduled, if warranted, to conduct further discussions and/or investigation. Any chapter that cannot comply with the necessary items to complete their audit must contact your Coordinator, Membership Services and Chapters, as soon as possible to arrange an alternative.

Occasionally, a chapter may be audited for a specific reason, not randomly. This could be for a variety of reasons, unbalanced budgets being the most common. In this situation, an audit may not be postponed, as the IRS may have already become involved.

Global Contacts

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ATTACHMENT 1.

PDA Chapter Annual Financial Reporting Requirements

For audit and tax preparation purposes, each chapter shall provide the following items each year prior to January 31 for the previous calendar year. This is the minimum information required by PDA's auditors.

1. Summary of all cash transactions for the year including a reconciliation of beginning and ending cash balances. This summary shall list with whom the transaction occurred (Payee or Payer), transaction date reference number (if applicable), and how the transactions should be categorized into PDA's chart of accounts. PDA presently reports in the following major categories.

Revenues:

- Meetings and Programs
- Course Tuition
- Membership Dues
- Exhibit Fees
- Advertising
- Sponsorship/payments from PDA
- Sponsorship from others
- Publication Sales

Expenses:

- Meetings and exhibit costs
- Course Costs
- Printing and publications
- Grants paid to PDA
- Grants paid to others
- Postage
- Miscellaneous
- General & administrative (this includes any employment contracts)

2. For all contributions/grants paid or received by the chapters please provide the complete name, the address of the grantor or grantee, the date and the amount of the contribution/grant and its purpose. If there are any restrictions on this grant, please so state.
3. Photocopies of invoices for purchases of \$1,000 and greater.
4. If applicable, description of any new programs started during the year, including the source of the revenues (fees-contributions-sponsorships-etc.) and how it furthers your exempt purpose.
5. Photocopies of all pages of all bank statements for the year.
6. List of officers and directors (complete name and address) who served during the year. For Form 990, please provide the average number of hours each of these people spent on chapter activities for the year.
7. Signed copy of the bank confirmation requests which should be returned to us directly. We will provide these forms to you.
8. A signature on "Tax inclusion letter (copy attached)." This letter approves the inclusion of that chapter's activities in the group return.
9. Minutes from the Board of Directors meetings for the year.
10. The dates and locations of all official activities of the chapter.