

Welcome

Financial Management of Non-Profit Organizations

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Non-Profit is a tax status not a business plan

What role do you play in your Chapter or Associated Group?



- A. Past President
- B. President
- C. President Elect
- D. Treasurer
- E. Other Board Member
- F. Other (not board member)

Are you a 501(c)(3) tax-exempt organization?



A. Yes

B. No

C. Don't know

When you joined the board, did you receive any financial information as an introduction to your organization?

Yes

No

**In order to understand your
fiduciary responsibilities.....**

What should you be looking at?

Important financial info to help you understand your organization:

❑ 1. Tax Returns

All tax-exempt organizations with gross receipts over \$25,000 need to file an annual Form 990

☐ **2. Audited Financial Statements**

-accompanied by Management Letter from auditor

Does your organization have an annual financial statement prepared by a CPA?

☐ **3. Latest Financial Statement**

☐ **Allows you to see how your organization is doing right now**

☐ **4. Operating Budget**

☐ **Allows you to see the financial plan for the organization**

☐ 5. Minutes of previous board meetings

**What are you asking to
review while you are on
the board?**

- ☐ **1. Operating Budget for the current year**
- ☐ **2. Monthly/Quarterly financial statements**

What are your organizations Gross Receipts?



- A. Less than \$25,000 per annum
- B. More than \$25,000 per annum
- C. Don't know

Dealing with IRS

- ❑ **New Regulations** for small non-profits - gross receipts less than \$25,000

- ❑ **Form 990-N (E-postcard)**

The first e-Postcards were due in 2008 for tax years ending on or after December 31, 2007. The e-Postcard is due every year by the 15th day of the 5th month after the close of your tax year.

Form 990-N

Information to submit online:

Go to <http://epostcard.form990.org>

IRS requires the following information:

- Employer identification number
- Tax year
- Legal name and mailing address
- Any other names the organization uses
- Name and address of a principal officer
- Web site address if the organization has one
- Confirmation that the organization's annual gross receipts are normally \$25,000 or less


More information at www.irs.gov

e-Postcard: file your electronic IRS Form 990-N - Microsoft Internet Explorer

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Address <http://epostcard.form990.org/> Go Links

**Urban
Institute**

e-Postcard
file your electronic IRS Form 990-N

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e-Postcard: file your electronic IRS Form 990-N

File your electronic Form 990-N (e-Postcard).
Click [here](#) for more information on who must file Form 990-N (e-Postcard)

STEP 1: [Register as a New User](#)

To file Form 990-N (e-Postcard), you must register and obtain a login ID. Click the link above to request a login ID. If you already have a login ID, go to Step 2.

STEP 2: [Create your Form 990-N \(e-Postcard\)](#)

Once you have a login ID, you can access the system and create your e-Postcard. Click the link above to begin the process.

STEP 3: [Submit your Form 990-N \(e-Postcard\)](#)


Once you complete your e-Postcard, click the "Submit Filing to IRS" button.


[Requirements and tips](#) for using this website.

Quick Menu

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- [Update User Record](#)
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Questions or problems regarding this web site should be directed to [Tech Support](#)
Concerned about your privacy? Please view our [privacy](#) policy.
This website is best viewed with Microsoft Internet Explorer 5.5+ or Mozilla Firefox with a screen resolution of 1024 X 768.
Last modified: December 13, 2007.



 Internet

Form 990-N

Late Filing or Failure To File the e-Postcard

- If you do not file your e-Postcard on time, the IRS will send you a reminder notice but you will not be assessed a penalty for late filing the e-Postcard.
- **An organization that fails to file required e-Postcards (or information returns – Forms 990 or 990-EZ) for three consecutive years will automatically lose its tax-exempt status.**
- The revocation of the organization's tax-exempt status will not take place until the filing due date of the third year.

Form 990 & 990-EZ

- ☐ Required if your organization has more than **\$25,000 in gross receipts** or **\$250,000 in Net Assets**
- ☐ Between **\$25,000 and \$100,000** in gross receipts, you can file the **990-EZ** version
- ☐ Gross Receipts Defined: *gross receipts* is the organization's **total revenues from all sources** during its annual accounting period, **without subtracting any costs or expenses.**
- ☐ These tax returns are complex, and generally should be completed by a competent tax preparer.

Form 990 & 990-EZ

- ☐ **A new Form 990 will come into effect for returns filed in 2009.**
- ☐ **It is designed to improve transparency and accountability**
- ☐ **The new form is much more complex**
- ☐ **It is designed to increase transparency in non-profit operations**

❑ Questions are asked on the 990 with respect to whether the organization follows “good governance” practices.

❑ The original 990 was 2 pages long. The current form is 11 pages long and includes up to 16 schedules.

❑ Part VI of the core form is entirely dedicated to statements regarding governance, management and disclosure.

❑ It asks the following questions:

- How many voting members are on the governing body? How many of them are independent?
- Does the organization have a written conflict of interest policy?
- Does the organization have a written whistleblower policy?
- Does the organization have a written document retention and destruction policy?
- Does the organization contemporaneously document the meetings of the governing body and its committees?

- If the organization has local chapters, branches or affiliates, does it have written policies and procedures governing their activities to ensure that their operations are consistent with the organization's?
- How do you make the following available to the public: governing documents, conflict of interest policy, Forms 1023, 990 and 990-T, and financial statements?

990-T Unrelated Business Income Tax Return

- ☐ Exempt organization with **gross income from unrelated trade or business of \$1,000** or more. (Gross income is Gross receipts minus the cost of goods sold.)
- ☐ **Advertising is considered unrelated revenue**
- ☐ Sponsorships are **not** considered unrelated (. . . no arrangement or expectation of any substantial return benefit by that person -- other than use or acknowledgment of that person's name, logo, or product lines in connection with the activities of the tax-exempt organization.)

Dealing with the outside financial world

☐ **Contracts with outside Advisors**

- ☐ Independent contractors – 1099s

☐ **Contributions**

- ☐ Acknowledgements of contributions for \$250 and above

☐ **Bank accounts**

- ☐ e.g. check fed id#
- ☐ on-line access makes it easier when officers change

☐ **Making investments**

- ☐ FDIC insurance

☐ **Obtaining insurance**

- ☐ e.g. types of coverage

Insurance

Recommendations for Insurance

☐ Directors and Officers

- This insurance is used to insure against claims for negligent acts, errors and omissions alleged to have been committed by present or former directors or officers of the corporation

☐ Fidelity Bond

- Protects the institution from theft by employees
- Should name those who handle money or be a blanket policy
- If those handling money are Board Members or volunteers, the policy must specifically state that their acts are covered.

Insurance

Recommendations for Insurance

☐ General Liability

- Insurance covering an insured's liability to 3rd parties for causing bodily injury or property damage. "Slip and Fall" insurance.

☐ Property

- Building, building personal property, improvements and Money and securities
- Leased equipment, electronic data processing equipment
- Valuable papers and records, accounts receivable.

Record Retention

- Minutes of Meetings Permanently
- Audit Reports Permanently
- Cash books Permanently
- Correspondence
 - Legal matters Permanently
 - General 2 years
- Financial Statements Permanently

Record Retention

- **Tax Returns** Permanently
- **Bank Statements** 3 years
- **Deposit slips** 2 years
- **Contracts - expired** 7 years
 - **still in effect** Permanently

Financial Planning

- ☐ **Do we have a current strategic plan?**
- ☐ **Has it been updated in the last 3 years?**

Financial Planning

- ☐ **Is our financial plan consistent with our strategic plan?**
- ☐ **It is critical to tie your financial plan to your strategic plan**

Financial Planning

- ☐ **If you haven't done through a strategic planning process, when was the last time you reviewed the usefulness of each of your programs?**

Budgets

- ☐ **Do we have a current annual budget?**
- ☐ **Are we regularly comparing our financial activity with what we have budget?**
- ☐ **What procedures do we use to make sure that the differences between what was budgeted and what actually happened are being addressed?**

Annual Budget

Revenue		Actual	Budget
	Member Dues		30,000
	Convention Registration		25,000
	Grants		5,000
	Contributions		5,000
			\$ 65,000
Expenses			
	Secretarial		10,000
	Speaker Honoraria		5,000
	Convention Rental		15,000
	Newsletter Printing		15,000
	Office Supplies		5,000
	Postage		5,000
	Telephone		2,000
	Other Expenses		8,000
			\$ 65,000
	Net Surplus/Loss		-

Annual Budget and Activity Income Statement

Revenue		Actual	Budget	Variance
	Member Dues	25,000	30,000	(5,000)
	Convention Registration	25,000	25,000	-
	Grants	5,000	5,000	
	Contributions	-	5,000	(5,000)
		\$ 55,000	\$ 65,000	\$ (10,000)
Expenses				
	Secretarial	10,000	10,000	-
	Speaker Honoraria	9,000	5,000	4,000
	Convention Rental	18,000	15,000	3,000
	Newsletter Printing	12,000	15,000	(3,000)
	Office Supplies	5,000	5,000	-
	Postage	5,000	5,000	-
	Telephone	2,000	2,000	-
	Other Expenses	6,000	8,000	(2,000)
		\$ 67,000	\$ 65,000	\$ 2,000
	Net Surplus/Loss	\$ (12,000)	-	\$ (12,000)

Balance Sheet

As at Fiscal Year End 31st XX, 200Y			
<u>Assets</u>		<u>Liabilities and Net Assets</u>	
Current Assets		Current Liabilities	
Cash	5,000	Account Payable	11,000
Certificate of Deposit	30,000		
Accounts Receivable	5,000	Long Term Liabilities	
Total Current Assets	40,000	Non-current portion lease	2,000
		Long Liabilities	13,000
Non-Current Assets			
Furniture & Fixtures	5,000	Net Assets	44,000
		plus/minus operational surplus/loss	(12,000)
			22,000
Total Assets	\$ 45,000	Total Liabilities + Net Assets	\$ 45,000

Sufficient Available Cash Reserves

- ☐ **Is our cash flow projected to be adequate?**
- ☐ **Are our cash-flow projections reasonable, objective and not overly optimistic?**
- ☐ **Do we have sufficient reserves?**
- ☐ **Has the board adopted a formal policy for the establishment of reserves?**

Propriety of Expenditures

- ☐ **Does the board provide oversight to safeguard against waste and fraud?**
- ☐ **Does the board provide oversight of contractual agreements to ensure that the organizations exempt status will not be impaired?**
- ☐ **Does the board provide for internal controls over expenditures to ensure their propriety?**
- ☐ **Are we fulfilling our tax-exempt purpose?**

Systems that Protect Nonprofit Organizations

- ☐ **Accounting Policies and Procedures**
- ☐ **Internal Controls**
 - ☐ **System of checks and balances to prevent errors, fraud, etc.**
 - ☐ **Most effective is the budget**
 - ☐ **Control over receipts – pre-numbered receipt vouchers**
 - ☐ **Supporting documentation for checks issued**
- ☐ **External Audits**
 - ☐ **If you don't have an audit, what are you doing instead?**

Internet Resources

- Non-Profit Resource Center

- www.1800net.com/nprc/

- Alliance for Nonprofit Management

- <http://www.allianceonline.org/knowledgebase/index.php>

- IRS information

- <http://www.irs.gov/charities/index.html>

Questions?