

# A Primer on Chapter Financial Management

Washington State HR Council

Pam Gibbons, Treasurer

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# Where to Start

## ▶ Bylaws

- ▶ Must be approved by SHRM and voted on by Board
- ▶ First step in “getting legal”



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# Tax Status - Non-profit

## ▶ Washington State

- ▶ Register with Secretary of State (UBI #)
  - ▶ Renew annually / update Officers
  - ▶ Business License
- ▶ Register with the WA Dept of Revenue (DOR)
  - ▶ File quarterly or annually (DOR will tell you)
  - ▶ May owe taxes

**Non-profit is NOT tax exempt at the state level!**



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# ▶ IRS

- ▶ 501(c)(6) - membership for business leagues
  - ▶ Complete IRS Form 1023 (lower revenue) or Form 1024 (larger revenue) to apply for federal tax-exempt status
    - ▶ *Note - 501(c)(3) - educational, charitable, religious, or scientific purposes - more complex federal taxes*
- ▶ IRS will issue Letter of Determination
  - ▶ tax exempt, not-for-profit
  - ▶ Employer Identification Number (EIN)
    - ▶ Also known as federal tax ID number





- ▶ How is your Chapter set up?
  - ▶ 501c3
  - ▶ 501c6
  - ▶ Not at all!



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# Federal Tax Filings

- ▶ Annual Information Returns
  - ▶ 990-N: Postcard for less than \$25,000 in gross receipts
  - ▶ 990EZ: between \$25,000 and \$100,000
  - ▶ Form 990: gross receipts are normally over \$100,000
  - ▶ Filed by the 15<sup>th</sup> day of fifth month after chapter's year end (May 15<sup>th</sup> if year ends Dec 31<sup>st</sup>)
  - ▶ Have to file even though typically owe 0 taxes
- OK to make money (Source matters! - Unrelated Business Income)



# Accountability

- ▶ Timely processing of funds and transactions
- ▶ Internal controls
  - ▶ Lockbox / double counters
  - ▶ Double signers on checks
- ▶ Approval process for distribution of funds
  - ▶ Exception reporting
- ▶ Back-up material for authorizations
- ▶ Checks never written to cash
- ▶ Expense Reimbursement Forms



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# Accountability

- ▶ Review of bank statements by non-funds, non-recordkeeping officer
- ▶ Have few signers
- ▶ Regular independent audits (such as a CPA); if smaller, internal review
- ▶ Invest excess cash
  - ▶ May need more than one institution
  - ▶ Consider complexity if interest rates low





# Policies

- ▶ Travel
  - ▶ What is / not covered
- ▶ Advances & Reimbursement
  - ▶ Timelines to submit
  - ▶ Mileage rate (if any)
    - ▶ IRS or set rate



# Mileage Reimbursement

- ▶ How do you reimburse?
  - ▶ Not at all
  - ▶ At IRS rate
  - ▶ At some other rate



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# The World of Accounting

- ▶ GAAP

- ▶ Generally Accepted Accounting Principles

- ▶ FASB

- ▶ Financial Accounting Standards Board



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# Methods of Accounting

## ▶ Cash basis

- ▶ Record the transaction as cash moves
- ▶ Effective if increases and decreases in cash is the only real measure of success

## ▶ Accrual basis

- ▶ Recognizes the expense and revenue as it occurs and not when cash comes in or out
- ▶ Measures the impact of the initiative
- ▶ More complex than Cash basis



# How to track and pay

- ▶ Checkbook / Excel is fine for small chapters
- ▶ Quick Books or other financial programs such as MoneyMinder
  - ▶ Web-based vs local
  - ▶ Succession planning
- ▶ Reimbursements
  - ▶ Check
  - ▶ EFT
  - ▶ Direct Deposit



# Bookkeeping

## ▶ How do you track finances?

- ▶ Checkbook / Excel
- ▶ Moneyminder
- ▶ Quickbooks
- ▶ Other



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# Registration Income

- ▶ Beyond Cash and Checks
  - ▶ Fees
  - ▶ Collection (if “forget”)
- ▶ Advance Payment
  - ▶ Paypal
  - ▶ Eventbrite



# Registration Income

- ▶ How do you permit / require registrations?
  - ▶ Paypal
  - ▶ Eventbrite
  - ▶ Onsite credit/debit via Square Reader or similar
  - ▶ Cash and Checks



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# Reporting

- ▶ Statement of Financial Position (Balance Sheet)
  - ▶ Often Cash Balances
- ▶ Statement of Activities (Profit and Loss)
- ▶ Budgets



# Paid Staff or Speakers

- ▶ Chapter Management Professional or office staff need to file payroll taxes quarterly
- ▶ If independent contractor or company received \$600 or more then 1099-MISC
  - ▶ This is due by January 31 each year



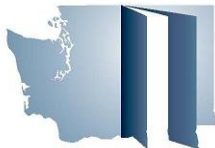
# Odds and Ends

- ▶ Public Inspection of Federal Forms
  - ▶ Must make last three years of 990 and 990EZ as well as 1023 or 1024 forms available for public inspection
- ▶ Statement of Financial Accounting Standards
  - ▶ SFAS 116 and SFAS 117 used for donations received that have restrictions
- ▶ Lobbying



# Record Retention

- ▶ 3 years
  - ▶ General correspondence
  - ▶ Internal audit reports
  - ▶ Insurance records
- ▶ 7 years
  - ▶ AP and AR ledgers, Bank statements
  - ▶ Payroll / 1099s
  - ▶ Tax Returns
- ▶ Permanent
  - ▶ IRS Determination, Articles of Incorporation, Bylaws
  - ▶ Deeds, appraisals, financial statements



# Record Retention

- ▶ Physical retention
  - ▶ Box in garage
  - ▶ Storage unit
  - ▶ Cloud / electronic



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# Record Retention

- ▶ How do you currently retain records and transfer to new Treasurer?



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# Resources

- ▶ SHRM.org
  - ▶ Communities
    - ▶ VLRC
      - ▶ Resources for chapters
        - ▶ Finance
- ▶ Guide to Chapter Financial Management

