

SECTION VI

FINANCES

The maintenance of the treasury of a club or group is crucial in ensuring the viability of the organization. Important financial guidelines and considerations are explained here.

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Financial Records and Accounts

Organization treasurers maintain the treasury for the duration of their term. The treasurer sets the financial guidelines for the management of organization funds and ensures that these guidelines are ratified by the organization officers. For detailed responsibilities of the treasurer, see page 18.

The AASC strongly recommends that an organization's financial records be maintained on a computer accounting/spreadsheet system. For treasurers who do not have access to a computer, financial records of the organization must be maintained in accordance with standard accounting practices. The treasurer is authorized under the bylaws to receive and disburse funds. Other officers may also authorize the disbursement of funds.

Organization funds are to be used solely to benefit the organization. The treasury is maintained to meet obligations such as the printing and mailing of newsletters; the expenses of officers while on organization business (see page 53 regarding reimbursable expenses); and other authorized activities.

Treasurers should make clear to other officers the system for reimbursing expenses. All invoices should be in the name of the organization and payable only after approval is indicated on the invoice by the authorizing officer. The treasurer should also make clear to all officers the amount of discretionary money that is available for them to spend on a particular project. The organization may choose to list annual dues-paying members in a newsletter or make a presentation at the annual meeting.

Revenue, Dues, and Expenses

The organization generally has three options available for generating revenue:

- Solicitation of dues from organization members
- Setting the price for programs above the cost to the organization
- Selling novelty items or products

Dues

The treasurer solicits members for dues on a regular schedule. It is the general practice to solicit dues in a newsletter, although an organization may also send a separate mailing to area alumnae just for this purpose. The range of dues is currently \$20 to \$75 annually. While the AASC does keep general information regarding the various rates for organization dues, it does not keep records of who has paid club dues. The treasurer keeps records of dues received and credited.

Soliciting Club Dues

- The AASC suggests the following basic guidelines:
- Be clear and specific about the use of dues on the solicitation form.
- Provide a preaddressed envelope (usually with the treasurer's address on it) with any mailing soliciting dues.
- Include a personal note on a solicitation for better results.
- State on the dues form that the alumna's check must be made out to the organization.

- Organizations are also urged to be creative in solicitation:
- Offer discounts for members at organization events or for alumnae who pay dues prior to the beginning of the fiscal year.
- Recognize alumnae who have paid dues in the organization newsletter.
- Provide a complimentary copy of club directory.

All officers should have an accurate list of alumnae who have paid for reference when corresponding with members to either thank them for their support or to ask them for additional funds.

Setting the Dues Fee

- It is helpful to consider the following when setting dues:
- When was the last solicitation for dues and how successful was it?
- What is the size of your organization?
- Is the current treasury in good shape?
- What are the major expenses of the organization (newsletters, events, operating expenses)?
- Do you anticipate any increase in expenses next year?
- What is the anticipated cost of sending the organization president or president-elect to the AASC's clubs leadership conference?
- What are the anticipated expenses for student-raising activities?
- What is the current postage rate for a first-class mailing and is an increase anticipated?

Bank Accounts

The treasurer should open a bank account in the name of the organization, as the principal signature authority with a second officer, usually the president, having authority as well.

To open a bank account the treasurer will need the following:

A check

The organization's 501c(3) or 501c(7) tax-exempt number, if applicable.

The Social Security number of the second club officer who has signature authority over the account.

The organization's EID number (see page 59)

Do not open an account for an organization using the treasurer's personal Social Security number. This will cause problems with the Internal Revenue Service for the person when filing income taxes.

Reimbursable Expenses

The executive committee of officers generally determines the guidelines concerning the expenses of volunteers. The AASC offers the following suggestions:

Receipts should be submitted with all requests for reimbursement.

Receipts should be accompanied with an explanation of how and when the expense was incurred on organization business.

Develop a routine system for reimbursing a volunteer.

In standard business practice, the following constitute acceptable reimbursable expenses:

Travel expenses: airfare, train, bus, automobile mileage, cab fare, parking fees, tolls, shuttles, public transportation, car rental.

Accommodations: hotel, motel, bed and breakfast, etc.

Meals: reimbursed with receipt. Establish guidelines based on a set amount, for example \$5.00 for breakfast or \$25.00 meal allowance per 24 hour period.

Tips for services: baggage handling, room service, waitperson, etc.

Telephone calls, postage, copying, faxing for organization business.

All previously authorized expenses for supplies including stationery and envelopes.

Expenses that are generally *not* reimbursable:

Parking tickets or speeding fines

Personal services while traveling (dry cleaning, manicures, shoe shining, etc.)

Alcoholic beverages

Personal gifts

Child care while on organization business. (This is an expense that an organization may decide to develop policy around for reimbursing volunteers.)

Tax-Exempt Status

Tax-exemption for Smith Organizations

Many Smith organizations have received tax-exempt status under 501c(3) or 501c(7) of the Internal Revenue tax code.

Apply for tax-exempt status **only** if one or more of the following applies:

The organization sponsors fund-raising activities (this does not include money raised through the sale of organization memberships).

The organization wants to send its own bulk mailings (as opposed to having the AASC process these mailings).

The organization spends a large enough amount of money on federal and state taxes to make applying for tax-exempt status financially prudent. (Keep in mind that the **fee** for filing for tax-exempt status is \$150).

The club wants to offer tax deductibility for dues and donations.

Benefits to 501c(3) Status

Ability to open and maintain an interest-bearing bank account without the bank withholding taxes

Deductibility of dues for members

Deductibility of donations to the organization

Nonprofit bulk mailing rates

Exemption from state tax in many states

Eligibility

Organizations not currently designated as tax-exempt may file for exemption under section 501c(3) of the Internal Revenue code. The AASC will provide an application package upon request. All filing fees and completion of the application itself are the responsibility of the organization. Eligibility for 501c(3) status involves the organization's constitution and bylaws clearly stating a mission in support of Smith College. The AASC has sample bylaws that are written to fulfill this criterion. As a result, the process for filing for 501c(3) tax status is two fold:

Bylaws must clearly state that the mission of the organization is to support Smith College. If current bylaws do not make this statement, change must be voted upon by the membership. No other steps toward tax-exempt status may be taken until this has occurred.

The treasurer prepares the necessary filing forms. (*These forms and instructions can be provided by the AASC.*)

To secure or maintain 501c(3) tax-exempt status, a organization must meet certain financial tests. More than one third of the income in each tax year must be from gifts, grants, contributions and membership fees (dues). Not more than one third of the annual income can come from gross investment or other unrelated income. The treasurer is responsible for managing the treasury to earn income on investments and balance this income with dues income in a given tax year.

Substantiation Requirements for Donors

Tax regulations that were instituted January 1, 1994, affect tax-exempt charitable organizations. These regulations are important not only to Smith College and the AASC, but also affect Smith clubs, affinity groups, and classes that hold tax-exempt 501c(7) or 501c(3) status.

The IRS regulations specify the following:

For Gifts of \$250 or Less...

A tax-exempt organization must provide a written disclosure statement to donors who make a *quid pro quo* donation in excess of \$75. A *quid pro quo* donation is a payment made partially as a contribution and partially for a good or service provided by the tax-exempt organization to the donor.

For example, a donor gives a \$100 donation in consideration of a concert ticket valued at \$40. For tax purposes, \$60 of the \$100 donation would be considered tax deductible because it is above the cost of the ticket. The remaining \$40 would be indicated as the value of the good (or service) received by the donor from the tax-exempt organization. (See Appendix III for sample donation receipt). For fundraising events, clubs can also ask alumnae to write two separate checks, one for the scholarship fund, the other for the cost of the event.

A written acknowledgment must indicate the amount of the cash donation and **either** a description and good-faith estimate of the value of any goods or services provided in consideration of the donation **or** an affirmative statement that no goods or services were provided for the donation.

The outreach department asks that organizations keep the AASC informed of any events sponsored by the organization that would involve a *quid pro quo* donation exceeding \$75.

For Gifts of \$251 or More...

In order to ensure that Smith College is in compliance with tax regulations and in an effort to provide timely service to Smith clubs, affinity groups, classes, and alumnae donors, we ask that you send all "gifts" of \$250 or more to the college for processing. The college will credit the specific organization and the alumna and send an acknowledgment that complies with IRS regulations to the donor. Include the donor's full name, class, address (if known), date, and amount of the donation. Please verify that no goods or services were provided in consideration of this donation. Please direct these "gifts" and correspondence to Gifts and Records Department, Office of Advancement Services, Stoddard Hall, Northampton, MA 01063.

IRS Filing Requirements

Nonprofits are not required to file a return unless they gross more than \$25,000 annually, **or** they receive a 990 or 990 EZ form in the mail from the IRS. However, the AASC's tax attorney advises that a 990 EZ be filed annually as a way of closing the books for the tax year. If the organization does not close out the tax year in this manner, if the IRS questioned one year, they could go back and review any "open" year. If the club's annual gross income is under \$25,000, only lines A through J need be completed.

The current year's 990 EZ may be ordered by calling the IRS at (800) 829-3676. The form may also be downloaded from the IRS web page at:

www.irs.ustreas.gov/forms_pubs/forms.html

Determining a Club's Tax Status and Managing Fundraising without Tax-exemption

Determine from the financial records whether or not the organization is tax-exempt and under what section of the IRS code.

If the organization has a letter of determination from the IRS, that is definitive. Please send a copy of the letter to the assistant director for clubs. Refer to page 56.

If the organization does not have a letter of determination, but the treasurer believes the organization is tax-exempt, request a letter of affirmation for the club from the IRS, or call the assistant director for clubs to see if the letter is on file.

Determine whether it is necessary or prudent for the organization to apply for tax-exempt status.

Review pages 4, 16, and 54 for guidelines on assessing status.

If the organization wants to apply for tax-exempt status, request the forms and filing application packet from alumnae outreach and proceed by submitting the forms to the IRS.

If the organization does not wish to have tax-exempt status, the fundraising of the club has to be managed in the following manner: Any fundraising activities (e.g., product sales, fundraising benefits) must be separated into two categories, and the checks are written differently.

Monies that are paid

Checks for the cost of the product are made to the Smith College Club of X

Monies that are profits

Checks for the profit (fundraising) portion are sent to Smith College

For example, if the Smith College Club of X sells pecans for \$10 a package, the money could be distributed as follows:

\$6 (cost of pecans)

\$4 (profit) donated to scholarship fund

Total is deposited in treasury

Total is forwarded to the college

What is the IRS looking for?

As a result of an application for 501c(3) status the IRS may do one of the following:

Confer 501c(3) status

Confer 501c(7) status

Confer another status category

Request further documentation (rare)

Deny the application (hasn't happened yet)

Donations made to clubs with 501c(3) status are tax deductible, while donations made to 501c(7) clubs are not tax deductible.

Either status grants the organization the opportunity to
Avoid paying sales tax or tax on income from investments
Apply for a bulk mailing permit

Instructions for Determining Current Tax-Exempt Status

To resolve the issue of the organization's current tax-exempt status, mail a letter to the IRS Customer Service Unit at P.O. Box 2508, Cincinnati, OH 45201 requesting an affirmation letter. Include the club name and EID number.

The organization may receive a letter from the IRS confirming receipt of the request prior to actually receiving the letter of affirmation itself.

Please remember to send a copy of the affirmation letter to the attention of Assistant Director for Clubs, Alumnae Association of Smith College, Alumnae House, 33 Elm St., Northampton, MA 01063, to be kept on file with the club records. Call (800) 526-2023 (press 4) for help with problems or questions.

About Club Scholarship Funds

Smith College Club scholarships are awarded to students whose hometowns are within the geographic region of the club. Like all scholarship assistance at Smith, club scholarships are given as grants to students with financial need as determined by the Office of Financial Services. Recipients are selected by that office, and the scholarships are part of the students' full financial aid package.

Endowed Scholarships — If a club's scholarship fund is endowed, gifts are added to the principal of the fund, and recipients are awarded the income generated by the fund in a given year. Endowed funds are established through agreement with the college with a specified minimum gift. The current level for establishing a new endowed scholarship fund is \$100,000. Awards from endowed funds are made annually and in perpetuity, regardless of whether or not a new gift has been made to the fund.

Current Use Scholarships — If a club's scholarship fund is "current use," or expendable, the full amount of the club's gift will be awarded to a recipient or recipients in the fiscal/academic year after the gift has been made. If no gift has been made in a given year, no scholarship will be awarded. Current use funds do not have a specified minimum level.

Some clubs have both endowed and current use scholarships. If a club makes a scholarship gift, *please specify whether the gift is for an endowed or current use scholarship fund*. This is particularly important when clubs have both types of scholarship funds. *Please make all checks payable to Smith College*. Mail checks to Gifts and Records Department, Office of Advancement Services, Stoddard Hall, Northampton, MA 01063.

Questions about the use of club scholarship funds may be directed to Assistant Director for Stewardship, Advancement Office, 76 Elm Street, Northampton, MA 01063, phone (413) 585-2680.

Questions on establishing a new club scholarship fund may be directed to Director of Major Gifts, Advancement Office, Smith College, Northampton, MA 01063, phone (413) 585-2694.

Completing the AASC Financial Report Form

EID Number and Tax-Exempt Number

If an organization has received tax-exempt status, these numbers, most likely, will be the same. If the organization does not have tax-exempt status, it should still have an Employer Identification number (EID), since an EID is required to open a checking account.

If an organization does not have an EID number, the forms may be obtained from the area Federal IRS office.

Section I — Account Balances as of July 1

Enter account balances as of the beginning of the fiscal year. (For the 2000 - 2001 fiscal year, account balances as of July 1, 2000, would be entered).

Section II — Revenue

Itemize all revenue received during the fiscal year. If necessary, attach an additional page.

Section III — Expenses

Itemize all expenses incurred during the fiscal year. If necessary, attach an additional page.

Account Balances as of June 30

Enter account balances as of the end of the fiscal year. (For the 2000 fiscal year, account balances as of June 30, 2001, would be entered).

Please be sure that your financial report balances

If it cannot be balanced, please attach a note of explanation.

TOTAL I + TOTAL II - TOTAL III = Total Account Balances as of July 31

Scholarship Fundraising Detail

Briefly describe the organization's scholarship fundraising project.

Dues Rates

Enter the rates for the various dues options of the organization. Also include the number of organization members who paid dues *during the fiscal year for which the report is filed*.

Sign and date the report.

NOTE: Three copies of the financial report are needed one for the treasurer's records, one that is sent to the organization president **by July 31** for inclusion in the annual organization letter (which is mandatory), and **the original, which is sent to the AASC by July 31.**

Please do not hesitate to call (800) 526-2023 (press 4) if there are any questions.