



Treasurer's Training

WORKBOOK



*Unraveling the Responsibilities
for Local EA Treasurers*



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AEA TREASURER TRAINING

Roles & Responsibilities

Who Are You?

Treasurer

Person responsible for the areas of an organization related to finance and taxation.



Fiduciary

Person or institution given the power to act on behalf of another in situations that require great trust, honesty and loyalty. Legally obligated to act for another's benefit, cannot act in any manner adverse or contrary to the interests of the association, must set aside own personal motives and act in the best interest of the organization.

Leader

Person who directs the operations, activity, or performance of a person or group of people often by guiding the way by going in advance or modeling desired behavior.

Responsibility

All members of the association, but in particular the leaders, of which the Treasurer is an important one, are responsible for safeguarding the assets of the association and for ensuring that the resources are utilized to the maximum benefit of its members.

Safeguarding

- Funds secured in the bank, accounted for and access controlled
- Protection of association – insurance
- Compliance with federal, state and local reporting requirements – tax and accounting
- Acting with honesty
- Behaving in a way as to maintain trust at all times
- Never jeopardizing the reputation of the association
- Anticipating risks

Maximum Benefit

- Utilization of funds in accordance with the wishes of the members
- Budget
- Tracking of dues and expenses
- Reporting
- Variances to budget
- Examination and assessment of programs
- Monitoring cash flow/predicting future needs
- Transparency

It is not only **what we do**,
but also **what we do not do**
for which we **are** accountable.

—MOLIÉRE

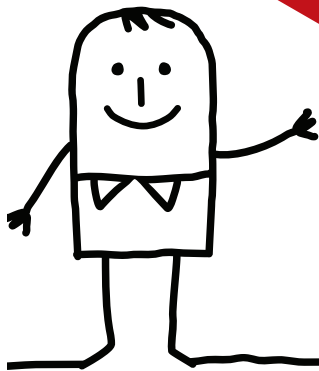
Fiduciary Duties and the Prudent Person Standard

CARE
Exercise care as measured by the prudent person standard

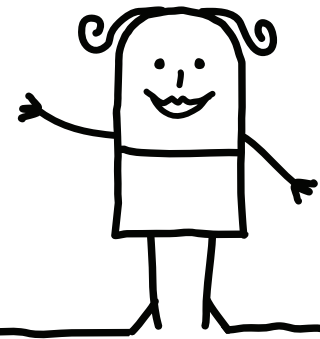
GOOD FAITH
Honestly, conscientiously and fairly make decision for the benefits of all members as a whole

LOYALTY
Faithful to the Association, personal interests aside, disclose conflicts of interest

OBEDIENCE
Articles of Incorporations, bylaws, association policies, laws, regulations



Your behavior will be judged by the reasonable and prudent person standard.



What does prudent behavior look like?

- Attends meetings regularly
- Inquires for clarification when needed
- Obtains needed skills, learns necessary financial terminology
- Uses caution when transacting business, recording transactions, and storing information
- Maintains complete, accurate and timely financial records
- Exercises best judgment
- Relies on experts when necessary – knows when to ask for help
 - Suspects criminal activity
 - Financial irregularities
 - Staff issues
 - Investing
 - Buildings/infrastructure
 - Insurance
- Dealing with government agencies (IRS, DOL, EEOC, NLRB)

POP QUIZ

Identify which of the above duties (for better or for worse) involves the following scenarios (*CIRCLE ONE*):

1. Supports the organizations effort to move forward with a program voted in by majority, despite feeling that there are better alternatives available. CARE GOOD FAITH LOYALTY OBEDIENCE
2. Collects checks from members for an upcoming event and leaves them in the car for several days until making it to the bank. CARE GOOD FAITH LOYALTY OBEDIENCE
3. Ensures that two authorized people sign each check as per association guidelines. CARE GOOD FAITH LOYALTY OBEDIENCE
4. Schedules meetings at a time and place the ensures both certified and support personnel can attend. CARE GOOD FAITH LOYALTY OBEDIENCE

Organization Policies and Procedures

The NEA and AEA subscribe to certain policies and procedures to help ensure that members, leaders and staff maintain appropriate conduct and conduct association business in ways that display positive moral character. These key policies are summarized below. Full copies of the policies can be found in the Appendix section of this workbook.

We strongly encourage all local affiliates to adopt these policies, or ones similar, to help ensure that conduct at all levels of our collective association is consist, positive and reflective of our strong character and moral values.

Financial and Operational Standards (Financial and Ethical Conduct)

Commonly referred to as the Code of Conduct, this policy acknowledges that leaders and employees of the Association are fiduciaries, accept the responsibilities associated with that role and pledge to adhere to the highest of ethical standards. (*See sample on p. 54.*)

Conflict of Interest

The Conflict of Interest Policy prohibits any leader or employee from benefiting at the expense or potential expense of the association. (*See sample on p. 55.*)

Most conflicts fall into a gray area where the PERCEPTION of a personal benefit is more relevant than the actual existence of a benefit.

When in doubt, go to the light



Financial Internal Controls

The Financial Internal Controls Policy recognizes that in order to safeguard the resources of the Association and protect them from fraud and abuse, certain internal controls should be implemented and adhered to.

The controls include not only defining processes and procedure for handling resources but also open and transparent communication and putting in place a system to ensure that controls, once establish and adopted, are adhered to. (*See sample on p. 59.*)

Whistleblower Policy

The Whistleblower Policy establishes the means by which certain inappropriate actions can be brought to the attention of the Association so that appropriate corrective action can be taken to minimize any negative impact such action may have. These actions include mismanagement, misconduct, lack of compliance with legal requirements and a failure to meet obligations.

The policy also provides for protection of the person who provides evidence of alleged misconduct. (*See sample on p. 60.*)

The Compliance Cycle

The Compliance Cycle

There are several key components that make up The Compliance Cycle for a local association. Compliance starts with a strong foundation. Making sure your organizational structure is properly established and maintained is key. This includes creating and maintaining the proper organization legal structure, establishing yourself properly in the eyes of the IRS, meeting ongoing IRS requirements, setting up a system for ongoing financial recordkeeping and reporting and lastly, properly stewarding the organization through change as the role of Treasurer transitions to a new leader.



Compliance is the responsibility of the entire leadership team. Make sure your executive board is aware of all the components of compliance and that they are committed to meeting these requirements and supporting your efforts. The support of the entire executive board is essential to implementing effective policies and procedures that will ensure consistent, accurate and timely reporting.

Organizational Structure

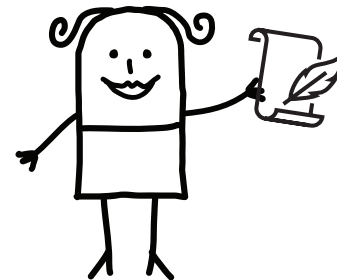
There are two key documents to creating a proper foundation upon which the organization is built – your constitution and bylaws.

The Constitution

A constitution is the foundation for building an organization. It should contain all the key agreements made by members on how the organization will work. In law it is called the “founding document” and it is legally binding on the executive board and members of the organization. It should tell you the following:

- **Name** of the organization
- **Affiliation** to any other organizations
- **Purpose** - Why the organization exists, what are its goals, objectives and intended results
- **Membership** – Who are the organization’s key constituency and stakeholders, who should benefit from its work
- **Officers** – How the organization intends to work, who are its leaders, what are its broad principles and the basic structures for decision making and getting the work done as well dealing with the finances and assets of the organization
- **Amendments** – The process by which changes to the Constitution may be made

The constitution should be clear and simple so that members understand their rights and responsibilities, leaders understand their mandate and how to be accountable and members of the public understand why the organization exists and how it operates. Constitutions are not changed very often and when amendments are proposed they generally require a vote of 2/3 of the voting members.



Per the IRS guidance for tax-exempt organizations, a labor organization is an association of workers who have combined to protect and promote the interests of the members by bargaining collectively with their employers to secure better working conditions, wages and similar benefits.

To show that an organization has the purpose of a labor organization, its organizing documents or accompanying statements submitted with its exemption application should include information establishing that the organization is organized to better the conditions of workers, improve the grade of their products, and develop a higher degree of efficiency in their respective occupations.

The Bylaws

Bylaws are based on the constitution of an organization and determine the detailed guidelines for the daily work of the organization. Bylaws address matters such as duties of officers, duties of advisor, rules of procedure, committees, impeachment, elections, finance, and amendments.

Bylaws should be constructed with the ability to change them. This does not mean you can change anything in bylaws when you want. You still must follow the amendment rules regarding bylaws, which will follow the same pattern as the constitution but generally require only a simple majority to change. This is necessary to allow the bylaws to change as the needs of the organization change. For example, with time the organization may grow. In this situation, the duties of the president may be expanded and become more complex. You should adjust your bylaws accordingly to address that change when it presents itself.

Summary

In summary, the constitution puts the structure of the organization in place. Bylaws fill this structure with substance. For example, when it comes to officers, the constitution only talks about the titles, qualifications, method of electing officers, filling vacancies, and the term of each officer. The most important aspects of the duties of each officer as well as the way to remove officers are included in the bylaws. That is because those parts are what is important to the day to day actions of an organization.

Some organizations will combine their Constitution and Bylaws into one document. While there is nothing wrong with doing this, we advise against it. When combined, the vote to amend will most likely be the more

stringent threshold of 2/3 majority and could therefore impede the ability to make bylaw changes in a timely manner than responses to changing conditions within the organization.

If you are considering a change to either of these documents it is advisable that you contact the AEA Staff Liaison for Compliance or Elections to discuss proposed changes **PRIOR** to putting them forward for a vote. The Liaison can provide you with guidance and knowledge from their broad base of experience, outline foreseeable challenges a change may present, and direct you to the proper resources if needed.

The Constitution and Bylaws are key organization documents which should be passed on and read by every member of the executive board regularly. *Sample constitution and bylaws see appendix page 62.*

We have seen several instances where the IRS requests a modification to the Constitution and Bylaws to include how the assets will be distributed in the event the organization is dissolved. Federal law requires a tax-exempt nonprofit that is dissolving to distribute its remaining assets **ONLY** to another tax-exempt organization. We recommend that local organizations look into whether their school district maintains a charitable organization which could receive these funds. If not, the AEA Foundation for Teaching and Learning is another organization to consider.



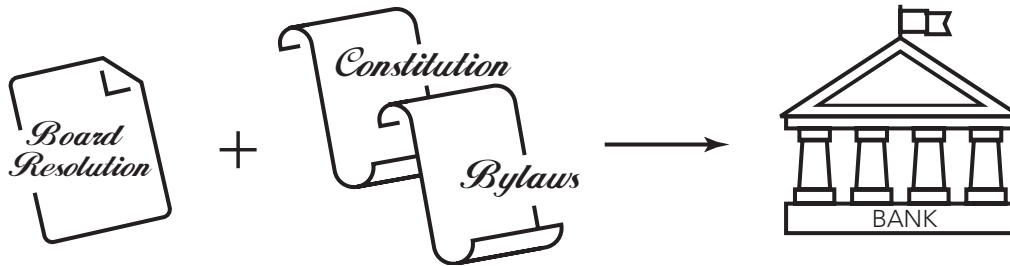
REMEMBER!

- NEA and AEA have certain requirements for their affiliates when it comes to Constitutions, make sure your constitution and any subsequent changes, conform to these requirements.
- Locals must submit and have on file at AEA, a current copy of their constitution and bylaws. Please make sure we have your current documents.
- The AEA Compliance Committee is charged with auditing locals submissions of constitutions and bylaws on a rotating basis to ensure that a current copy is on file, that they meet the NEA and AEA requirements and that to the best of our knowledge there are no violations.

Board Resolutions

The Board of Directors or Executive Board is responsible for making all major decisions for the organization. The board tends to meet according to a predetermined schedule where decisions are voted on. Decisions the board makes are memorialized in a document known as a Board Resolution. A board resolution is a formal document that helps to identify the roles of corporate officers and the result of any votes or decisions the board makes regarding the organization. Usually, they are written when any major decision is made that will affect the organization in a significant way. Board resolutions can be found in the board minutes, and provide an accurate record of decisions made at a board meeting.

The resolution could be on just about any subject. One common subject, because it is required by banks and securities firms to open accounts, is to define which individuals are authorized to act on behalf of the organization. This form of resolution is also required by title agencies when selling organization owned real estate. Often an organization will use a board resolution to formalize which financial institutions the organization will do business with. This can act as a safeguard against personnel moving the organizations money to a new institution without authorization. *Sample of board resolution for banking see appendix page 76.*



What does it mean to be a Nonprofit or Not-for-profit? Isn't it the same as being Tax-Exempt?

Often you will hear the terms Nonprofit and Tax-Exempt used interchangeably. These terms, while closely related, are two completely different things. Nearly all organizations that are nonprofit wish to be tax-exempt as well, so the terms are often confused. Becoming nonprofit and becoming tax-exempt are different processes, done at different times (usually), and by different government agencies.

Granting nonprofit status is done by the state, while applying for tax-exempt designation (such as 501(c)(5), the labor union tax-exemption) is granted by the federal government specifically, the IRS.

A nonprofit organization is simply any organization for which those who control or support it do not earn a profit. **This doesn't mean that a nonprofit can't make a profit.** A nonprofit organization can produce services, and it can earn a profit while doing so. It can even invest those profits in hopes of earning more money. However, *all the money made must go back into the organization* – there is no “profit sharing” among members. This is one reason that nonprofits are known more and more commonly as “not-for-profits.” They may make a profit to help them stay in business, but making money is not their reason for being.

Individual states, and not the federal government, grant official nonprofit status. Following is a discussion of the advantages and disadvantage of incorporating your organization and formally being granted nonprofit status by the state. If you have chosen to incorporate you establish your organization as a nonprofit at the time of filing. If you do not choose to incorporate, you are by default choosing to operate as an *unincorporated organization* which is considered a nonprofit. We highly recommend that all unincorporated organizations register their name as a trade name with the Arizona Secretary of State. This will establish a public record that you are operating as such within the state.

Incorporation

The decision as to whether to incorporate your association should be considered and discussed at the board level. Incorporating your nonprofit will set legal protections in place that can keep you and your directors' personal assets separate from the organization's liabilities. While there are several benefits to incorporation there are also increased responsibilities and costs to weigh.

Advantages of Incorporation

Personal Liability Protection

Incorporation will limit your personal liability from the organization's activities. If it appears that your nonprofit organization may be the target of a lawsuit, or has the possibility of defaulting on future loans, you may want to consider incorporating to limit potential personal liability. Just like regular corporations, nonprofit corporations can be sued. However, also like normal corporations, the members and directors of nonprofit corporations are shielded from the liability of the nonprofit corporation. As a separate legal entity, the organization would be liable for debts and court judgements against it. Creditors and courts are generally limited to the assets of the corporation and the leaders are not personally liable for the corporation's debts.

As a rule, nonprofits can engage in very limited political activities. If your organizations political activities expose you to the threat of lawsuits that come from overzealous advocacy, you should incorporate. If you do not, and your organization is sued and loses, your personal assets may be at risk if the organization's assets do not cover the monetary award.

Property Ownership

If you wish to acquire, hold or dispose of real and personal property, your organization should first incorporate. When incorporated the property will be owned by the corporation, not its members. The corporation will also be liable for any liabilities associated with the property including not only any debt, but exposure to other risks such as zoning and environmental exposures.

Often nonprofit organization can apply for exemption from property taxes by filing for an exemption with their County Assessor's Office. In Arizona, public education is funded through the revenue generated by property taxes. AEA believes that payment of property taxes on our buildings supports our mission thus we do not take advantage of this exemption.

Hiring Employees

If your organization intends to employ individuals, you should incorporate. The corporation, as a legal entity, will enter into the employment contracts and bear all the risks associated with being an employer.

The Right to Sue (and be Sued)

As a separate corporate legal entity, the association may sue and be sued in its own name as well as institute or defend suits for enforcement of federal rights and liabilities.

Stability and Continuity

Using the corporate form of organization provides a certain amount of stability and protection. In the event of an internal disturbance or extreme financial stress, the prospects of continuation and survival increase.

Disadvantages of Incorporation

Identify and Maintaining a Statutory Agent

Every Arizona corporation must designate a statutory agent. The purpose of the statutory agent is to provide a legal address (not a P.O. Box) within that jurisdiction where there are persons available during normal business hours to facilitate legal service of process being served in the event of a legal action or lawsuit. Penalties for not maintaining a registered agent generally will cause a jurisdiction to revoke a business's corporate or LLC legal status as well as in some cases, assess additional penalty fees on the entity.

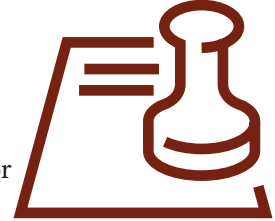
If a registered agent fails to perform their function, it can have dire consequences for the business entity. For example, the failure to respond to a summons could result in a default judgment. This is one of the most common reasons that business entities generally will utilize a third party as their registered agent be it a commercial service company, an attorney, or in some cases, a CPA. Most third parties charge a fee for this service.

Increased Costs and Administrative Burden

There are several fees and costs involved in establishing and maintaining a corporate status. These costs include; initial and ongoing filing fees with the Arizona Corporation Commission, legal expenses for drafting and filing your articles of incorporation and expenses associated with maintaining a statutory agent. There are also requirements to file an annual report, an obligation to file any changes in your constitution and bylaws and statutory requirements for keeping corporate records (i.e., time and place of annual meetings, etc.).

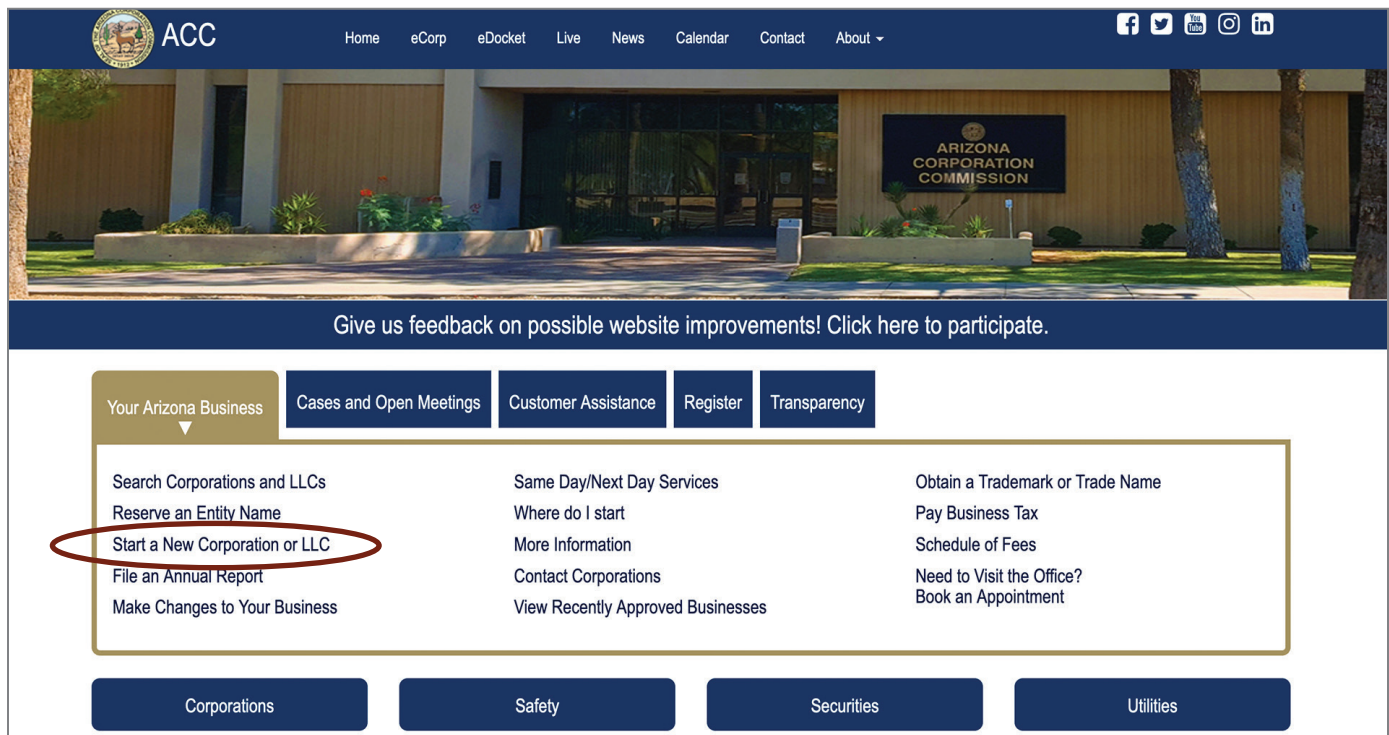
Failure to file your annual report can lead to your corporation being automatically administratively dissolved 90 days after the due date.

If you are considering incorporating, we suggest you consult with legal experts prior to beginning the process to ensure it is right for you and for assistance in preparing your Articles of Incorporation. The Arizona Corporation Commission manages and maintains registrations, annual reporting and the database for all corporations registered in the state. More information can also be found at the Arizona Corporation Commission website. Most importantly understand the state's ongoing requirements for reporting and renewal.



Arizona Corporation Commission

www.azcc.gov



Under the eCorp tab on the top menu you will find more information including FAQ's such as the one below, the ability to search on your organization to determine if you are incorporated or previously were and are now revoked.

COMPLIANCE

ACC

Search for an Entity Name

eCorp Search File **FAQ**

Same Day/Next Day Filers: If you are faxing your filing please fax it to 602-542-0900. If you fax to any other fax number, your filing WILL be delayed.

Important Outage Notice

The system will be temporarily unavailable from 5:00 AM to 8:00 AM on Sunday, July 18th for system updates. We apologize for any inconvenience for the upcoming outage.

Book Appointment

Need to visit the office?
Book an Appointment

File

SIGN IN

Forgot your password

Email Address *

Password *

Sign In

Please create an eCorp account to begin. If you already have an account, then please sign in. Register

Public Notice

Pursuant to A.R.S. §10-130, this database includes certain documents approved for filing within the last 90 days for Corporations with a known place of business address or LLCs with a Statutory Agent street address, in Maricopa County or Pima County.

FAQs Where do I start? Consumer Alerts Processing Times Latest Statistics Get Help/Feedback

ACC

Search for an Entity Name

eCorp Search File **FAQ**

Corporations Expand all

How do I form a corporation?

How do I form a nonprofit corporation?

A nonprofit corporation is formed the same way a for-profit or business corporation is formed, but the statutory requirements for the articles of incorporation are a little different. A nonprofit corporation is formed or created by submitting Articles of Incorporation to the Arizona Corporation Commission ("A.C.C."). The A.C.C. staff will examine the articles for statutory compliance and either approve the articles for filing or reject the articles with instructions on how to resubmit the document. Once the articles are approved for filing, the corporation is incorporated (formed or created). Use the FILE feature to find the A.C.C. form for Articles of Incorporation.

"Nonprofit" does not mean "tax-exempt" in Arizona. The A.C.C. form for nonprofit articles of incorporation meets only the Arizona statutory minimum requirements to form a nonprofit corporation, and does NOT contain language that might be required by the I.R.S. to obtain tax-exempt status. You should seek legal or tax advice, or research the I.R.S. (www.irs.gov) requirements before submitting any documents to the A.C.C.

Trade Name Registration

In Arizona, trade names and trademarks are handled by the Office of the Secretary of State.

The registration of a trade name (sometimes referred to as a “business name,” “fictitious name” or Doing Business As, referred to as a “DBA”) is not legally required in Arizona but is an accepted business practice. This will establish a public record that you are operating within the state. Registrations of trade names are valid for 5 years and the fee is \$10.00.

Arizona Secretary of State

www.azsos.gov



When completing the application please **list your association as being the owner** of the trade name. This is important because when the renewal comes around if someone other than the association is listed you will need to file for a change in ownership before renewing which adds a layer of complexity to a very simple renewal process.

The screenshot shows the Arizona Secretary of State website. At the top, there is a navigation menu with links for Elections, Business, Services, Rules, About the Office, and AZ State Library. A search bar is located on the right. Below the navigation is the logo for Adrian Fontes, Secretary of State. The main content area features a large image of two people standing in a desert landscape, with a prominent rock formation in the background. Below the image is a button labeled 'About the Office'. In the bottom left corner, there is a 'Quick Links' section with several links. The link 'Trade Names & Trademarks' is circled in red.

The application is online only, very simple and requires basic information such as the name of the organization, address and phone number information. **The one piece of information that you may need to look for ahead of time is the date the name was first used.** This would most likely be the date your association was established.

PLEASE NOTE

Online filing for Trade Names and Trademarks has been fully implemented and PDF forms are no longer accepted. You may access the online filing system by selecting the "Online Trade Name & Trademark Filing" link to the right of this screen under "Forms & Resources". Any PDF applications received will be returned and you will be instructed to file online.

Select the appropriate application and follow the prompts to complete your filing. Some applications will require review by our office staff and you will receive a message advising you of this at the end of your filing.

Processing time for online filings requiring review is currently 2-3 weeks.

Upon completion of our review, you will receive an email prompting you for payment or if your filing is being rejected, an email with the reasons for rejection. Once payment has been completed, you will receive your certificate via the email that you provided.

Trade Name and Trademark Cancellations and Assignments must be printed, signed, dated and notarized and mailed in for processing to the following:

Secretary of State
 Attn: Trade Name/Trademark
 1700 W. Washington St., Fl. 7
 Phoenix, AZ 85007-2808

Trademark Registrations require that you provide an image/logo of your trademark. You must provide a full written description that accurately describes the trademark you are registering. If your trademark consists of **only text/words**, please indicate this in the description field of the online application and provide an image of only the words you wish to trademark.

On the Owner Name and Entity Type field, if an LLC, PLLC, or Corporation, enter the name exactly as it is filed with the Arizona Corporation Commission, including the corporate ending (Correct: Jane Doe's Party Supplies, LLC) (Incorrect: Jane Doe's Party Supplies).

EXERCISE

Fill in the blank or circle the correct answer.

The _____ is often referred to as the founding document of an organization.

How membership dues are determined would be define in the _____.

Amendments to the Constitution are typically agreed to and passed by the Board.

True or False

My school district has added a new type of position, where could I look to see if the person who is hired into that position can be a member of my association? _____.

What documents, in combination, provide a bank with evidence that Penny Tracer, Treasurer of your local association is an authorized signer on your bank account?

The _____ which states the Treasurer shall perform banking duties such as establishing accounts and signing checks and a _____ which acknowledges that Penny has been elected as Treasurer.

In an unincorporated association, if the association fails to pay its bills, creditors can pursue _____ for payment because they do not have the _____ provided by incorporation.

Name three types of costs a corporation can expect to pay

1. _____,
2. _____,
3. _____.

Where can you find information regarding the incorporation process including the forms to file?
_____.

Trade names are registered and maintained by the _____.

IRS Requirements

Establishing a Tax Identification Number

All individuals, organizations and corporations who operate in the United States are required by the Internal Revenue Service (IRS) to establish a unique Taxpayer Identification Number (TIN). For individuals this is our social security number or SSN. For organizations and corporations, this is an Employer Identification Number or EIN.

Your EIN should never be loaned or shared with others (especially your PAC). It is uniquely tied to your association and is used for a variety of purposes including:

- Filing for Tax-Exempt Status
- Filing Annual Tax Returns
- Opening Bank Accounts, Brokerage or Investment Accounts
- Entering into Real Estate Transactions
- Payroll Tax Reporting
- 1099 Reporting

Your EIN is an important number that will be utilized for the entire life of the association. The **documentation for your EIN should be filed with all other permanent documents and retained in a secure location known to more than one individual.**

Internal Revenue Service

www.irs.gov/charities-and-nonprofits

You can now apply for and receive an EIN almost instantly online at the www.irs.gov website.

If you cannot locate your EIN, know that the EIN you are using is incorrect or not an EIN (perhaps it is an SSN), you will need to follow the remediation process on page 77 of this workbook.


Examples

EIN	XX - XXXXXXXX
SSN	XXX - XX - XXXX

While the IRS website is available always, the functionality which allows you to apply for an EIN has specific hours of operations, Monday through Friday, from 7 a.m. to 10 p.m. Eastern Time. You will need about 15 minutes to complete the application and allow it to process so do not start it if you do not have the time needed to complete the process as it WILL NOT save for completion later.

Your EIN will immediately be returned to you on your computer screen. You will want to make sure you can download, save or print your EIN for you records at the time you are completing the application.

The screenshot shows the IRS website's 'Charities and Nonprofits' section. The navigation bar includes 'File', 'Pay', 'Refunds', 'Credits & Deductions', and 'Forms & Instructions'. A search bar is present. The main heading is 'Charities and Nonprofits'. Below it, there are links for 'Home / File / Charities and Nonprofits' and language options: English, Español, 中文 (简体), 中文 (繁體), 한국어, Русский, Tiếng Việt, and Kreyòl ayisyen. The page is divided into sections: 'Individuals', 'Businesses and Self-Employed', and 'Charities and Nonprofits'. Under 'Charities and Nonprofits', there are links for 'Exempt Organization Types', 'Lifecycle of an Exempt Organization', 'Annual Filing and Forms', 'Charitable Contributions', and 'Search for Charities'. Three main content boxes are visible: 'Tax-Exempt Organization Search (TEOS)', 'Annual Filing & Forms', and 'Employer Identification Number (EIN)'. The 'Employer Identification Number (EIN)' box is circled in red and contains the text: 'Get an EIN to apply for tax-exempt status and file returns. Be sure you are a legally formed organization before applying for an EIN' and a blue 'Apply' button.

 **Hours of operation:**
Monday through Friday 7 a.m. to 10 p.m. Eastern Time.

Step 1: Determine Your Eligibility...

- You may apply for an EIN online if your principal business is located in the United States or U.S. Territories.
- The person applying online must have a valid Taxpayer Identification Number (SSN, ITIN, EIN).
- You are limited to one EIN per [responsible party](#) per day.


Step 2: Understand the Online Application...

- You must complete this application in one session, as you will not be able to save and return at a later time.
- Your session will expire after 15 minutes of inactivity, and you will need to start over.

Step 3: Submit Your Application...

- After all validations are done you will get your EIN immediately upon completion. You can then download, save, and print your EIN confirmation notice.



[Help](#) | [Apply for New EIN](#) | [Exit](#)


EIN Assistant

Important Information Before You Begin
Use this assistant to apply for and obtain an Employer Identification Number (EIN).
[Do I need an EIN?](#)
[Do I need a new EIN?](#)

For help or additional information on any topic, click the underlined key words, or view Help Topics on the right side of the screen. Make sure that pop-ups are allowed from this site.

About the EIN Assistant

- You must complete this application in one session, as you will **not** be able to save and return at a later time.
- For security purposes, your session will expire after 15 minutes of [inactivity](#), and you will need to start over.
- You will receive your EIN immediately upon verification. [When will I be able to use my EIN?](#)
- If you wish to receive your confirmation letter online, we strongly recommended that you install [Adobe Reader](#) before beginning the application if it is not already installed.

Restrictions

- Effective May 21, 2012, to ensure fair and equitable treatment for all taxpayers, the Internal Revenue Service will limit Employer Identification Number (EIN) issuance to one per [responsible party](#) per day. This limitation is applicable to all requests for EINs whether online or by phone, fax or mail. We apologize for any inconvenience this may cause.
- If a [third party designee](#) (TPD) is completing the online application on behalf of the taxpayer, the taxpayer must [authorize the third party](#) to apply for and receive the EIN on his or her behalf.
- The business location must be within the United States or [U.S. territories](#).
- Foreign filers without an Individual Taxpayer Identification Number (ITIN) cannot use this assistant to obtain an EIN.
- If you were incorporated outside of the United States or the U.S. territories, you cannot apply for an EIN online. Please call us at 267-941-1099 (this is not a toll free number).

Begin Application >>

If you are not comfortable sending information via the Internet, download the [Form SS-4](#) PDF file and the instructions for alternative ways of applying.

[IRS Privacy Policy](#)

EIN Assistant

Your Progress: **1. Identify** | 2. Authenticate | 3. Addresses | 4. Details | 5. EIN Confirmation

What type of legal structure is applying for an EIN?

Before applying for an EIN you should have already determined what type of legal structure, business, or type of organization is being established.

Choose the type you are applying for. If you don't see your type, select "View Additional Types."

- Sole Proprietor**
Includes individuals who are in business for themselves and household employers.
- Partnerships**
Includes partnerships and joint ventures.
- Corporations**
Includes S corporations, personal service corporations, real estate investment trusts (REIT), regulated investment conduits (RIC), and settlement funds.
- Limited Liability Company (LLC)**
A limited liability company (LLC) is a structure allowed by state statute and is formed by filing articles of organization with the state.
- Estate**
An estate is a legal entity created as a result of a person's death.
- Trusts**
All types of trusts including conservatorships, custodianships, guardianships, irrevocable trusts, revocable trusts, and receiverships.
- View Additional Types, Including Tax-Exempt and Governmental Organizations**
If none of the above fit what you are establishing, there are several others to choose from

Help Topics

[What if I do not know what type of legal structure or organization to choose?](#)

<< Back

Continue >>

EIN Assistant

Your Progress: 1. Identify | **2. Authenticate** | 3. Addresses | 4. Details | 5. EIN Confirmation

Additional Types

Choose the type you are applying for. You can click the underlined terms for a description.

- [Bankruptcy Estate \(Individual\)](#)
- [Block/Tenant Association](#)
- [Church](#)
- [Church-Controlled Organization](#)
- [Community or Volunteer Group](#)
- [Employer/Fiscal Agent \(under IRC Sec 3504\)](#)
- [Employer Plan \(401K, Money Purchase Plan, etc.\)](#)
- [Farmers' Cooperative](#)
- [Government, Federal/Military](#)
- [Government, Indian Tribal Governments](#)
- [Government, State/Local](#)
- [Homeowners/Condo Association](#)
- [Household Employer](#)
- [IRA](#)
- [Memorial or Scholarship Fund](#)
- [National Guard](#)
- [Plan Administrator](#)
- [Political Organization](#)
- [PTA/PTO or School Organization](#)
- [REMIC](#)
- [Social or Savings Club](#)
- [Sports Teams \(community\)](#)
- [Withholding Agent](#)
- [Other Non-Profit/Tax-Exempt Organizations](#)**

Help Topics

[What if I still do not know what type of structure or organization to choose?](#)

<< Back

Continue >>

IRS.gov [Help](#) | [Apply for New EIN](#) | [Exit](#)

EIN Assistant

Your Progress: 1. Identify 2. Authenticate 3. Addresses 4. Details 5. EIN Confirmation

Please confirm your selection.

Confirm your selection of **Other Non-Profit/Tax-Exempt Organizations** as the type of structure applying for an EIN.

What it is...

- A non-profit organization is an entity organized and operated for one or more of the purposes listed under Section 501(a) of the Internal Revenue Code.

What it is not...

- A business or organization organized for profit.
- A sole proprietorship or partnership.

If you need to change your type of structure, we recommend that you do so **now**, otherwise you will have to start over and re-enter your information. Additional help may be found by reviewing [all types of organizations and structures](#) before making your selection.

[Help Topics](#)

- What is the difference between non-profit and tax-exempt status?
- How does my organization receive formal recognition as a tax-exempt organization by the IRS?
- What if I am not sure my organization would qualify as a tax-exempt organization?

[<< Change Type](#) [Continue >>](#)

COMPLIANCE

Once you click Continue above you will come to a screen which requests information as to why you are requesting an EIN. For our local associations the proper reason is for Banking purposes.

IRS.gov [Help](#) | [Apply for New EIN](#) | [Exit](#)

EIN Assistant

Your Progress: 1. Identify 2. Authenticate 3. Addresses 4. Details 5. EIN Confirmation

Why is the Non-Profit/Tax-Exempt Organization requesting an EIN?

Choose **one** reason that best describes why you are applying for an EIN.

- Started a new business**
Select this option if you are beginning a new business.
- Hired employee(s)**
Select this option if you already have a business and need to hire employees.
- Banking purposes**
Select this option if the reason for applying for the EIN is strictly to satisfy banking requirements or local law.
- Changed type of organization**
Select this option if you are changing the type of organization you currently operate, such as changing from a sole proprietor to a partnership, changing from a partnership to a corporation, etc.
- Purchased active business**
Select this option if you are purchasing a business that is already in operation.

[Help Topics](#)

- I do not see my reason for applying here. What should I choose?
- What if more than one reason applies to me?

[Continue >>](#)


After clicking on the Continue button you will proceed to the Responsible Party page.

On this page the IRS is requesting information on who the responsible party is for the entity. The IRS defines the responsible part for our associations as:

..... “responsible party” is the person who has a level of control over, or entitlement to, the funds or assets in the entity that, as a practical matter, enables the individual, directly or indirectly, to control, manage or direct the entity and the disposition of its funds and assets.

In the case of local associations, the responsible party should be an officer of the association, preferable the Treasurer. As the responsible party you will be the contact point for the IRS and the address you list will be where notices and information is sent to by the IRS. You will need the social security number and address for this individual.

After clicking on the Continue button you will proceed to the Addresses page. This is where you will enter the mailing address of the organization and the address of the responsible party.


[Help](#) | [Apply for New EIN](#) | [Exit](#)

EIN Assistant

Your Progress:
1. Identify ✓
2. Authenticate
3. Addresses
4. Details
5. EIN Confirmation

You selected individual. Please tell us about the Responsible Party.

*** Required fields**
Must match IRS records or this application cannot be processed.
The only punctuation and special characters allowed are hyphen (-) and ampersand (&).

First name *

Middle name/initial

Last name *

Suffix (Jr, Sr, etc.)

SSN/ITIN * - -

Choose One: *

I am a responsible and duly authorized [member](#) or [officer](#) having knowledge of this organization's affairs.

I am a third party applying for an EIN on behalf of this organization.

Before continuing, please review the information above for typographical errors.

As the responsible party on record, once your term in office is complete and you transition your role to the new Treasurer you will need to complete a Form 8822-B Change of Address or Responsible Party – Business and file it with the IRS to have your name removed and the new Treasurer established as the point of contact. This is covered in the Transitions section of this workbook.

EIN Assistant

Your Progress: 1. Identify ✓ 2. Authenticate ✓ 3. Addresses 4. Details 5. EIN Confirmation

Where is the Non-Profit/Tax-Exempt Organization physically located?

* Required fields

The only special characters allowed for street and city are - and /.

Note: Must be a U.S. address. Do not enter a P.O. box. [For military addresses click here.](#)

Street *

City *

State/U.S. territory *

ZIP code *

Phone number * - -

Should the mail be directed to a specific person or department within your organization? (This is commonly referred to as the "Care Of" name.)

If yes, please enter name:

Do you have an address **different** from the above where you want your mail to be sent? * Yes No

Before continuing, please review the information above for typographical errors.

Continue >>

EIN Assistant

Your Progress: 1. Identify ✓ 2. Authenticate ✓ 3. Addresses ✓ 4. Details 5. EIN Confirmation

Tell us about the Non-Profit/Tax-Exempt Organization.

* Required fields

The only punctuation and special characters allowed are hyphen (-) and ampersand (&).

The trade name may not contain an ending such as 'LLC', 'LC', 'PLLC', 'PA', 'Corp', or 'Inc'.

Legal name of Non-Profit/Tax-Exempt Organization *

[Trade name/Doing business as](#) (only if different from legal name)

County where Non-Profit/Tax-Exempt Organization is located *

State/Territory where Non-Profit/Tax-Exempt Organization is located *

Non-Profit/Tax-Exempt Organization [start date](#) *

Before continuing, please review the information above for typographical errors.

Continue >>

On this screen it is important to ensure that your Legal Name matches your constitution.

EIN Assistant

Your Progress: 1. Identify ✓ 2. Authenticate ✓ 3. Addresses ✓ 4. Details 5. EIN Confirmation

Tell us more about the Non-Profit/Tax-Exempt Organization.

* Required fields

- Does your business own a [highway motor vehicle](#) with a [taxable gross weight](#) of 55,000 pounds or more? * Yes No
- Does your business involve [gambling/wagering](#)? * Yes No
- Does your business need to file [Form 720](#) (Quarterly Federal [Excise Tax Return](#))? * Yes No
- Does your business sell or manufacture alcohol, tobacco, or firearms? * Yes No
- Do you have, or do you expect to have, any [employees who will receive Forms W-2](#) in the next 12 months? * (Forms W-2 require additional filings with the IRS.) Yes No

Before continuing, please review the information above.

Continue >>

Help Topics

[What is Form 720?](#)

EIN Assistant

Your Progress: 1. Identify ✓ 2. Authenticate ✓ 3. Addresses ✓ 4. Details 5. EIN Confirmation

What does your business or organization do?

Choose one category that best describes your business. Click the underlined links for additional examples for each category.

- [Accommodations](#)
Casino hotel, hotel, or motel.
- [Construction](#)
Building houses/residential structures, building industrial/commercial structures, specialty trade contractors, remodelers, heavy construction contractors, land subdivision contractors, or site preparation contractors.
- [Finance](#)
Banks, sales financing, credit card issuing, mortgage company/broker, securities broker, investment advice, or trust administration.
- [Food Service](#)
Retail fast food, restaurant, bar, coffee shop, catering, or mobile food service.
- [Health Care](#)
Doctor, mental health specialist, hospital, or outpatient care center.
- [Insurance](#)
Insurance company or broker.
- [Manufacturing](#)
Mechanical, physical, or chemical transformation of materials/substances/components into new products, including the assembly of components.
- [Real Estate](#)
Renting or leasing real estate, managing real estate, real estate agent/broker, selling, buying, or renting real estate for others.
- [Rental & Leasing](#)
Rent/lease automobiles, consumer goods, commercial goods, or industrial goods.
- [Retail](#)
Retail store, internet sales (exclusively), direct sales (catalogue, mail-order, door to door), auction house, or selling goods on auction sites.
- [Social Assistance](#)
Youth services, residential care facility, services for the disabled, or community food/housing/relief services.
- [Transportation](#)
Air transportation, rail transportation, water transportation, trucking, passenger transportation, support activity for transportation, or delivery/courier service.
- [Warehousing](#)
Operating warehousing or storage facilities for general merchandise, refrigerated goods, or other warehouse products; establishments that provide facilities to store goods but do not sell the goods they handle.
- [Wholesale](#)
Wholesale agent/broker, importer, exporter, manufacturers' representative, merchant, distributor, or jobber.
- Other

<< Back

Continue >>

EIN Assistant

Your Progress: 1. Identify ✓ 2. Authenticate ✓ 3. Addresses ✓ 4. Details 6. EIN Confirmation

You have chosen Other.

Please choose one of the following that best describes your primary business activity:

- Consulting
- Manufacturing
- Organization (such as religious, environmental, social or civic, athletic, etc.)
- Rental
- Repair
- Sell goods
- Services
- Other - please specify your primary business activity:

<< Back

Activity:

Continue >>

Select "Other", and "Labor Union". Once you have reviewed the details and clicked on Continue you will proceed to the last screen which asks how you would like to receive your EIN.

[Help](#) | [Apply for New EIN](#) | [Exit](#)

IRS.gov

EIN Assistant

Your Progress: 1. Identity ✓ 2. Authenticate ✓ 3. Addresses ✓ 4. Details ✓ 5. EIN Confirmation

How would you like to receive your EIN Confirmation Letter?

You have **two** options for receiving your confirmation letter. Please choose one below:

Receive letter online. This option requires [Adobe Reader](#).
You will be able to view, print, and save this letter immediately. It will not be mailed to you.

Receive letter by mail. The IRS will send the letter to the mailing address you provided - allow up to 4 weeks for delivery.

[Continue >>](#)

You can select from two choices; receive it online or have it mailed. If you select receive online, you will immediately be assigned your new EIN number. You should be given an opportunity to download, save and print the number also. I suggest both printing it and downloading/saving it to ensure that you have permanent documentation of your number.

Obtaining FEDERAL Tax-exempt Status under IRS Code Section 501

The Federal government grants tax-exempt status to qualifying organizations. These organizations are exempt from paying federal income tax on income generated from activities that are substantially related to the purpose for which the association was organized. There are a total of 26 exemptions categories under the tax code. Below is a portion of these.

Organization Reference Chart

Section of 1986 Code	Description of organization	General nature of activities	Application Form	Annual return required to be filed	Contributions allowable
501(c)(1)	Corporations Organized under Act of Congress (including Federal Credit Unions)	Instrumentalities of the United States	No Form	None	Yes, if made for exclusively public purposes
501(c)(2)	Title Holding Corporation For Exempt Organization	Holding title to property of an exempt organization	1024	990 ¹ or 990-EZ ²	No ²
501(c)(3)	Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations	Activities of nature implied by description of class of organization	1023, 1023-EZ	990 ¹ or 990-EZ ² , or 990-PF	Yes, generally
501(c)(4)	Civic Leagues, Social Welfare Organizations, and Local Associations of Employees	Promotion of community welfare; charitable, educational, or recreational	Must provide notice on Form 8976; may also submit Form 1024	990 ¹ or 990-EZ ²	No, generally ^{2,3}
501(c)(5)	Labor, Agricultural, and Horticultural Organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products of efficiency	May self-declare, 1024	990 ¹ or 990-EZ ²	No ²
501(c)(6)	Business Leagues, Chambers of Commerce, Real Estate Boards, etc.	Improvement of business conditions of one or more lines of business	May self-declare, 1024	990 ¹ or 990-EZ ²	No ²
501(c)(7)	Social and Recreational Clubs	Pleasure, recreation, social activities	May self-declare, 1024	990 ¹ or 990-EZ ²	No ²
501(c)(8)	Fraternal Beneficiary Societies and Associations	Lodge providing for payment of life, sickness, accident or other benefits to members	1024	990 ¹ or 990-EZ ²	Yes, if for certain Sec. 501(c)(3) purposes
501(c)(9)	Voluntary Employees Beneficiary Associations	Providing for payment of life, sickness, accident, or other benefits to members	1024	990 ¹ or 990-EZ ²	No ²

Not all tax-exempt organizations are afforded the same treatment by the IRS. As you see above, only certain types of organizations can accept tax deductible contributions. These are what we typically consider charitable organizations. The AEA Foundation is an example of a 501(c)(3).

Your local association should be tax-exempt under code section 501(c)(5). Labor Organizations fall under this category as all its members are employed by a common employer whereas AEA qualifies under code section 501(c)(6) as a Business League (professional association) consisting of individuals from different employers.

Generally, an organization becomes tax-exempt by applying for the status through submission of IRS Form 1024 Application for Recognition of Exemption Under Section 501(a). (See sample on p. 80.)

At first glance the 19-page Form 1024 can seem overwhelming. Remember though, this form is for all types of tax-exempt organizations therefore, most pages do not apply. For our local organizations the general information on pages 1-5 and the specific information required for a 501(c)(5), page 9 Schedule C are the only pages you will need to complete. **In most situations the three years of financial data will be the most time-consuming piece to compile.**

Additionally, every Form 1024 MUST be accompanied by a Form 8718 User Fee for Exempt Organization Determination Letter Request (See sample on p. 86.) together with a check for the applicable fees. The fees for filing is \$600.

Included in your filing:

- Form 1024
- Form 8718
- \$600 Fee

Several weeks after you complete and mail the forms, the IRS will send you a letter saying your status is “pending.” Keep this letter as it is usually enough proof for others who might require proof of your exempt status.

When status is granted, the IRS will send a “letter of determination” that your organization can then use to prove its tax-exempt status on a more permanent basis. The letter of determinate is a key organization document which should be passed on and read by every member of the executive board regularly.

STATE Tax-Exempt Status

Arizona Revised Statutes (A.R.S.) § 43-1201(A) states that organizations that are exempt from federal income tax under Internal Revenue Code (IRC) § 501 are exempt from the corporate income tax imposed under Title 43 of the Arizona Revised Statutes.

This means that you are automatically granted state tax-exempt status when you receive your federal determination letter. There is nothing else to do for the state.

What about Sales Tax?

Tax-exempt status applies to federal and state income taxes ONLY. Exemptions of sales tax are very specific and in Arizona, typically apply only to medical equipment. Often you will hear discussions about vendors offering to not charge sales tax to tax-exempt organizations. This is just simply incorrect. Vendors may offer DISCOUNTS to nonprofit or tax-exempt organizations, but no waivers of sales tax are allowed.

The IRS Requirements

1

EIN

&

2

Tax-Exempt
Status

EXERCISE

There are at least 6 things you will need your EIN for, name three:

- 1. _____
- 2. _____
- 3. _____

When applying for an EIN the reason you should select for why you are applying is _____.

Which two forms must be filed with the IRS to apply for federal tax-exempt status? _____ and _____.

Local Associations should file as Labor Unions under what IRS Code Section? _____.

Will applying for tax-exempt status cost you anything? _____.
How much? _____.

IRS Compliance

Annual Returns / Annual Electronic Notice / Form 990

Just like individuals and businesses, nonprofits must file an annual tax return. For nonprofits this return is filed on one of three forms in the Form 990 series. Which form you will file depends upon the amount of annual gross receipts your local receives. Gross receipts mean all cash the association took in during the fiscal year in the form of dues, grants, fees etc.

Annual Receipts	Form To File
Under \$50,000	990-N (e-Postcard)
\$50,000 - \$200,000	990-EZ
Over \$200,000	990

If your association has assets of over \$500,000, regardless of your annual receipts, you must file the Form 990.

The majority of AEA Local Associations will be required to file the Form 990-N (e-Postcard). This is also referred to as the Annual Electronic Notice. It is a very simple filing (only 8 pieces of information) and should be able to be completed by the Treasurer.

A few of our Local Associations need to file Form 990-EZ, or what is commonly referred to as the Annual Tax Return-short form. Due to the complexity of this form, we suggest that these organizations utilize a qualified preparer to assist with this filing. If you need help locating someone who can assist you, please contact the AEA Business Manager.

Filing Your Form 990-N, Electronic Notice (e-Postcard)

The Form 990-N (e-Postcard) is an electronic filing which can only be filed electronically on the IRS website.

All filers must register at IRS.gov prior to filing their initial Form 990-N online. This is a one-time registration; you won't be asked to register again when filing next year.

In order to register you must already be recognized as a tax-exempt organization with the IRS.

The Form 990-N asks for the following information:

- (1) EIN (Tax ID#)
- ➔ (2) Tax year (highlighted below)
- (3) Legal name and mailing address
- (4) Any other name the organization uses
- (5) Name and address of principal officer
- (6) Organization's website address (if applicable)
- (7) Confirmation that gross receipts are \$50K or less
- (8) If applicable, a statement that the organization has terminated

Click on the question-mark icons to display help windows.
The information provided will enable you to file a more complete return and reduce the chances the IRS has to contact you.

Form 990-EZ Department of the Treasury Internal Revenue Service	Short Form Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations) ▶ Do not enter social security numbers on this form as it may be made public. ▶ Go to www.irs.gov/Form990EZ for instructions and the latest information.	OMB No. 1545-1150 2018 Open to Public Inspection				
A For the 2018 calendar year, or tax year beginning , 2018, and ending , 20						
B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization [?] <table border="1" style="width: 100%;"> <tr> <td>Number and street (or P.O. box, if mail is not delivered to street address) [?]</td> <td>Room/suite</td> </tr> <tr> <td colspan="2">City or town, state or province, country, and ZIP or foreign postal code</td> </tr> </table>	Number and street (or P.O. box, if mail is not delivered to street address) [?]	Room/suite	City or town, state or province, country, and ZIP or foreign postal code		D Employer identification number [?] E Telephone number F Group Exemption Number ▶ [?]
Number and street (or P.O. box, if mail is not delivered to street address) [?]	Room/suite					
City or town, state or province, country, and ZIP or foreign postal code						

*Tax Year – The IRS used a December 31st date to generate new forms for each tax year. If you have a fiscal year which is not December 31st you must use the form for the year in which your tax year began. For example, for the fiscal year July 1, 2017 to June 30, 2018 you will need to use the 2017 Form and the IRS will consider this your 2017 Tax Year.

Sample Form 990-N (e-Postcard) As Filed for ABC Education Association

Exempt Organizations Select Check Exempt Organizations Select Check Home
990-N (e-Postcard) filer information
Tax Period: 2017 (07/01/2017 - 06/30/2018)
Employer Identification Number (EIN): 90-1234567
Legal Name: ABC EDUCATION ASSOCIATION
Mailing Address: 123 MAIN STREET PHOENIX, AZ 85004 United States
Doing Business As:
Gross receipts not greater than: \$50,000
Organization has terminated: No
Principal Officer's Name and Address: JANE SMITH 123 MAIN STREET PHOENIX, AZ 85004 United States
Website URL: WWW.ABCEA.ORG

Form 990 Due Date / Penalties / Ramifications of Not Filing

Form 990 is due every year by the *15th day of the 5th month after the close of your tax year*. You cannot file until after your tax year ends, even the **e-Postcard**.

Form 990-N If your 990-N is late, the IRS will send a reminder notice to the last address on file. There is no penalty assessment for filing Form 990-N late however, **you can lose your tax-exempt status for not filing three consecutive years.**

Form 990-EZ Failure to file a return by the due date (including any extensions of time), will result in a penalty of \$20 a day for each day the return is late or if the organization does not give all the information required on the return or does not give the correct information. The maximum penalty for any return is the lesser of \$10,000 or 5 percent of the organization's gross receipts for the year.

If the organization is subject to this penalty, the IRS may specify a date by which the return of correct information must be filed. If the return is not filed by that date, *an individual* within the organization who fails to comply may be charged a penalty of \$10 a day. The maximum penalty on all individuals for failures with respect to a return shall not exceed \$5,000.

Automatic revocation occurs when a tax-exempt organization that is required to file an annual return (e.g., Form 990, 990-EZ or 990-PF) or submit an annual electronic notice (Form 990-N, or e-Postcard) does not do so for three consecutive years. Under the law, the organization automatically loses its federal tax-exemption.



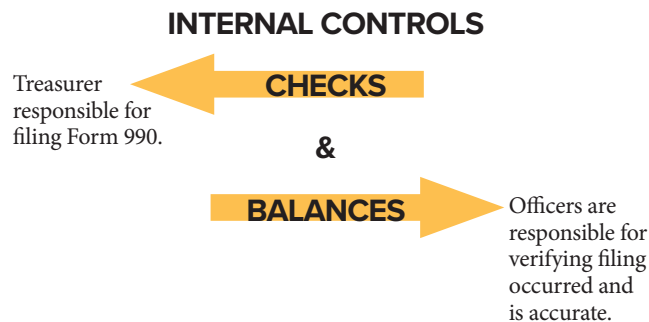
VERY
IMPORTANT

Does the Exempt Organization Have to File an Annual Information Return with the State of Arizona?

Most organizations that have tax-exempt status under A.R.S. § 43-1201 must file Arizona Form 99 or a copy of the organization's federal return of organization exempt from income tax *only if their gross receipts exceed \$50,000.*

The 3 Additional Items that Can Put Your Tax-Exempt Status in Jeopardy

1. **Engaging in Activity Unrelated to Your Purpose**
Always keep in mind that your constitution defines your purpose. You qualified for tax-exempt status with the purpose listed on your application. Engaging in activities (especially political activities) that are unrelated to your stated purpose can put our tax-exempt status in jeopardy.
2. **Private Inurement**
Private Inurement is when the organization's assets or earnings are used for the benefit of an individual rather than for the good of the organization. Some example are:
 - Compensating employees or officers disproportionately high compared with their duties
 - Excessive travel and entertainment
 - Procuring goods or services from relatives or friends at higher than market rate
3. **UBIT – Unrelated Business Income Tax**
Occasionally organizations will generate income from activities unrelated to their business purpose (e.g. subletting building space, advertising income in publications). The IRS imposes an Unrelated Business Income Tax on the income from these activities if they exceed \$1000. This will require the filing of Form 990-T, *Exempt Organization Business Income Tax Return*. Consistently high UBIT income in proportion to other income can raise a red flag with the IRS.



Payroll Taxes and Reporting

Organizations that employ individuals as employees are subject to a wide variety of reporting requirements. This includes gathering proper withholding information via Forms W-4, *Employee's Withholding Allowance Certificates*, filing quarterly payroll tax returns via Forms 940 and 941, *Employer's Annual Federal Unemployment Tax Return* and *Employer's Quarterly Federal Tax Return*, annual reporting of W-2s, *Wage and Tax Statements* and the *Employers W-3 Reconciliation of Income Tax Withhold and Transmittal of Tax-Statements*. There are also State filings required that mirror the federal requirements.

In addition to tax filings there are several other requirements for things such as maintaining workers compensation insurance, new hire reporting, etc.

Due to the complexities and liability exposure with payroll reporting we highly recommend engaging an accountant to work with you in this area to ensure that the proper filings are made.

Form 1099-MISC, Form 1099-NEC and Form 1096

Every business or organization operating in the United States must notify the IRS if they have made specific types of payments to reportable entity types. Additionally, they must provide the recipient of these payments with a tax form for their records. In order to complete these required forms, you will need the accurate Tax Identification Number (TIN) and address information for the entities receiving the payments. IRS Form W-9, *Request for Taxpayer Identification Number and Certification*, is used to obtain this information. (See sample on p. 87.) It is strongly suggested that this form be obtained PRIOR to payment being made as it is exponentially more difficult to obtain the information after the fact.

Form 1099-Misc, *Miscellaneous Income*, is the form sent to recipients, with a copy for the IRS. Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*, is the Transmittal Form required to be filed with the IRS copies of the Form 1099. Payments which equal or exceed \$600 in total are reportable. (See samples on pp. 88, 89.)

There are many types of items that require reporting. The types that would most likely apply to our organizations are listed below:

- Rents
- Legal expense
- Dues forgiveness in lieu of compensation
- Stipends
- Prizes and awards
- Loan forgiveness

Form 1099-NEC, Nonemployee Compensation is the form sent to recipients for services performed by someone who is not your employee.

Forms 1099-Misc and 1099-NEC must be mailed to the recipient by January 31st of the following year for all payments made during the prior calendar year. The IRS Copy of the forms together with the IRS Transmittal Form 1096 are due on the last day of February if filing paper forms. A copy of the IRS submittal must also be filed with the Arizona Department of Revenue.

There are penalties for not filing or filing late. The amount of the penalty is based on when you file the correct information return. The penalty is as follows. \$50 per information return if you correctly file within 30 days (by March 30 if the due date is February 28). \$100 per information return if you correctly file more than 30 days after the due date but by August 1. \$260 per information return if you file after August 1 or if you do not file required information returns.

More information can be found at <http://www.irs.gov/form1099>. Your AEA Business Office is well versed in the filing of these form and can answer any questions you may have.

IRS Audits / Notices

IRS Audits of tax-exempt organizations are rare but do occur sometimes as part of their random audit plan. These audits can take several different forms from a written request to submit information, a request to visit an IRS office (desktop audits) to their request to visit your location (a field audit).

You may also receive notices if they believe something has not been appropriately filed. Many of these notices come in the way of a request for payment of fees and penalties.



If you receive an IRS notice it is best to contact the AEA Business Manager to determine the best course of action. Often the fees and penalties can be eliminated by taking corrective action and contacting the IRS to request a waiver. We are happy to assist in dealing with these issues due to the higher level of both legal and financial exposure.

EXERCISE

Match the information in column A to the correct answer in column B.

A	B
Form you report stipends paid to officer on if over the reporting threshold	1000
Gross earnings threshold (in \$) under which you can still file an e-Postcard	9
Income allowed under UBIT before you need to file a 990-T	5
Number of items needed to complete the Annual Electronic Notice	600
Form 990s are due on the 15th of what month after your year end	1099
Form used to ask contractors, vendors etc. for their TIN and address information, W?	8
The payment threshold over which Form 1099s are issued (in \$)	50,000

Internal Controls

Internal Controls

Internal controls refer to a system of checks and balances within an organization designed to minimize errors, protect against misappropriation and maximize the ability to detect problems on a timely basis. The existence of controls, in the ways of processes and procedures, act as a deterrent against improper activities. They are also essential to ensuring that any losses, if incurred, are covered by insurance companies.

Who is responsible for ensuring controls are in place and followed?

EVERYONE

Board Members / Officers / Staff / Auditors



On a broad basis internal controls serve several purposes:

- Safeguard the assets of the organization
- Ensure the accuracy and reliability of financial statements
- Promote operating efficiency
- Encourage compliance with governance and management directives

Internal controls are thought of as a “system” because no one control can typically prevent all the different possibilities for loss when a person with bad intentions attempts to redirect the associations assets. It takes a series of control for adequate protection to be in place. Controls are often thought of as direct and indirect. A direct control would be “**no check can go out without two signatures.**” An indirect control would be “**someone other than the signer review copies of the bank statements and all checks presented for payment.**” Often when a direct control is impractical an indirect control will be used in its place.

In addition to direct and indirect controls, segregation of duties is often used as an internal control. This means that all aspects of a transaction cannot be focused in one individual. Take for example an expenditure. There are several steps in this transaction; authorization of

the expense, approval of the invoice, entry into the accounting system, payment either by check or credit card, signing of the check or review and payment of the credit card statement. If one individual performs all these tasks, there is no separation of duties and thus no “second set of eyes” to look at the transactions and ensure its authenticity.

Below are some suggested recommendations and controls for specific areas;

Receipts (ACH, Check and Cash)

- All local associations should establish themselves to receive dues deposits from AEA via ACH. ACH is the Automatic Clearing House, a method of transferring funds directly from one bank to another almost instantaneous. AEA disburses dues via ACH once each month on the 20th directly into local association accounts. Receiving funds via ACH, instead of by check, helps ensure that funds will not be syphoned off in the depositing process, checks will not be lost due to misplacement, and it helps prevent theft by others outside of the organization.



- Deposit all checks received IN FULL on a timely basis, no cash back transactions. Inappropriately deducting cash from a deposit is called syphoning. To prevent syphoning a control that should be implemented is periodic reviews of the deposit slips or online deposits to make sure that no deductions were taken from the deposit in the way of cash. The sooner a check is deposited into the bank, the sooner you can ensure that the funds will be available to pay the check. The longer you wait to deposit a check the higher the likelihood that the check will be rejected due to lack of funds. Undeposited checks seem to grow legs and make a run for it. Make sure the check stub or copy of the check as well as the deposit slip is retained to show it was deposited in full.

- Cash receipts should be accounted for at the time received and deposited on a timely basis. Make getting the money to the bank a priority not an afterthought! Undeposited cash is an invitation for trouble. If there is an event where cash is being collected, the record of receipts should be done by someone other than the custodian of the cash. (Separation of duties).



- Documentation of funds received and from whom should be kept together and in a secured place. Entries should be made into the accounting records (checkbook, spreadsheet, software) as soon as possible after the transaction takes place.

Disbursements

- All disbursements should be made via check and made out to a specific person or company as it provides the greatest level of support. Details regarding each check written should include; date, amount, to whom the funds were paid, what the funds were for, what was the business purpose of the expense as well as *which budget line items the expense should be recorded to.*

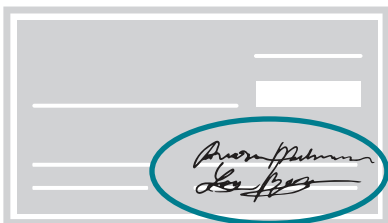
- Checks made out to Cash should be prohibited!
- Pay individual invoices, not statement balances. This helps prevent against duplicate billings and duplicate payments. Require the vendor to send you the backup invoices if you only receive a statement.



- Keep good control of your checks. Use checks in sequential order, store them in a safe place and make sure they are pre-numbered when ordering them.
- Two signatures are recommended on all checks. Two signatures reduce the possibility of unauthorized disbursements. Occasionally logistical challenges will make it impractical to utilize two signers. These situations should be rare but when they do occur

alternative controls such as preauthorization of checks to be disbursed and strong bank statement controls should be implemented.

No signing of blank checks!



- Voided checks should be retained with VOID written across the face of the check and the signature lines cut out. The check should be saved for record keeping purposes to document why a check was written out of sequence. A simple statement as to why the check was voided should be recorded (either on the front or back of the check or in the register).
- Automatic Payments / Electronic Funds – while we highly recommend that associations attempt to avoid these arrangements whenever possible, associations will sometime enter into automatic debit agreements or automatic electronic funds transfers for certain expenses. Prior to these arrangements being established, clear documentation should be created to document the expense including, the payee, the purpose of the expense, the amount, the length of time, and *any notice requirements* required to terminate the expense. This documentation should be approved by NO FEWER than two officers.

Frequently, this type of documentation does not exist resulting in automatic payments continuing for several months beyond the need while the documentation and process for terminating the expense is located. It is a true waste of resources so make sure the documentation is created and retained in a place that it can be passed onto future Treasurers in the transition process.

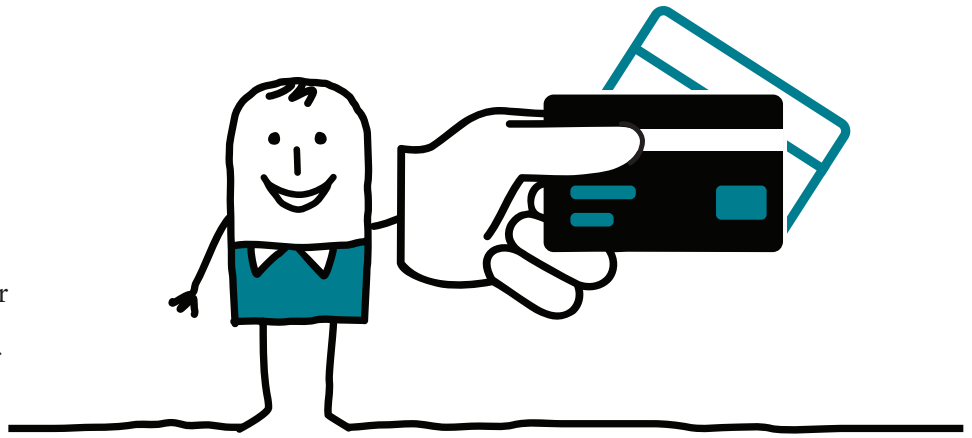
- If you are making payments to vendors or contractors what will result in the issuance of a Form 1099 at year-end make sure you obtain the Form W-9 disclosure form PRIOR to making any payments. This will ensure that you have the tax ID and address you will need at year-end. **Not issuing a Form 1099 because you do not have the information to do so will result in a penalty being assessed on the issuing organization (YOU).**

Credit Cards

Credit cards can be an efficient way to facilitate the purchase of goods and are often indispensable for travel and entertainment expenses. However, the nature of credit cards creates unique risks that require careful consideration. By their nature they avoid the two-signer rule and circumvent the controls for other types of disbursement. Without proper internal controls and processes, credit cards can be used to misappropriate assets without detection for an extended period of time.

There are three key internal controls for credit card use that should be put in place if your organization opts to use them:

1. **A formal credit card policy.** Consider creating a formal credit card policy that dictates who is authorized to use your organization's credit cards. The policy should clearly state the types of purchases that are allowable and the procedures for documenting the business purpose for each respective expense. It is important to enforce this policy for all card users, regardless of their level in the organization's hierarchy. Allowing top-level members to bypass these policies can create an atmosphere in which others may do the same. It is also important to spell out the consequences for inappropriate credit card usage.
2. **Substantiation.** Original receipts (without exception) must be submitted for all credit card charges, as these receipts substantiate the purchases made with the card. The business purpose should be documented on the receipt to ensure that the charge was a legitimate business expense. The receipt also ensures proper general ledger coding of the expense. Expense reports and credit card receipts should be submitted for processing in a timely manner to allow proper review and reconciliation of expensed items.
3. **Regular statement reviews.** A designated individual or committee who is knowledgeable about the nuances of the business (ideally not a credit card holder) should review all credit card statements and supporting receipts to verify the propriety of the charges. The reviewer should be thorough, detailed, and have a skeptical mindset. Reviewers should also be comfortable and willing to enforce the internal control policy regarding receipts and coding of expenditures. No individual should be allowed to verify the authenticity of their own charges.



A few additional controls to consider:

- Set monthly and overall credit limits for all who are issued credit cards.
- Consider performing credit checks on individuals who are issued credit cards. Poor credit could indicate an area of concern or the need for stronger controls with someone who has a history of poor fiscal management.
- ***NO cash advances allowed!***
- Set up monitoring rights with the credit card issuer to allow online review and notification of any unusual activity.

Charging personal items to the business constitutes credit card abuse. With the proper internal controls in place you can ensure credit card payments and reimbursements are made for legitimate business purposes only and reduce the risk of fraudulent activity.

Make sure your credit card statement is paid in full **every** month. ***Not paying your statement in full indirectly authorizes the accumulation of debt to your organization without the proper review, consideration, approval or controls.***

Not paying in full also delays the recording of those expenses and misrepresents the true financial position of the organization.

ATM/Debit Cards

Avoid obtaining ATM and Debit Cards whenever possible. Transactions made using these cards are some of the most difficult transactions to document and account for and therefore they open up the organization to significant exposure. If you need an ATM card to facilitate making deposits in the after-hours then assign it to one person, keep it in a secured place and use it **ONLY** for deposit purposes. The use of debit cards **EXPONENTIALLY** increase the risk of fraud and loss for your organization.

Gift Cards

Gift cards are the not so distant cousin of ATM/Debit cards. Most gift cards are purchased using credit cards which even further complicates these transactions. Gift cards of \$25 and less for periodic contests, awards etc., are generally all right. Using gift cards to pay for contract services however is a big problem and should not be allowed. Using gift cards in this manner circumvents the controls in place for contract services and disguises expense which should be captured for 1099 reporting purposes.

Bank Statements/Reconciliations

The reconciliation of bank accounts and the review of bank statements in conjunctions with those reconciliations is perhaps the single most significant control that can protect your association.

Bank statements or access to online banking should be given to 2 officers, typically the President and the Treasurer. It is imperative that the bank accounts be reconciled on a timely basis each month and reviewed by at least one other officer than the Treasurer who usually performs the reconciliation. The review should include scrutinizing both the reconciliation and the bank statements. Any unusual items should be followed up on immediately. Treasurers should not take offense at questions asked regarding items on the bank statement. Often transactions that seem straight forward to the person recording them and dealing with the information first hand are not so clear to someone unfamiliar with details.

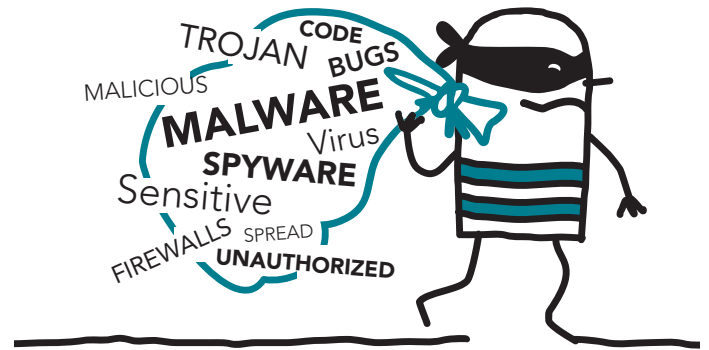
Maintaining / Updating Authorized Check Signers

It is very important to maintain and update your authorized check signers at your financial institution on a timely basis. Officer terms are limited and their check signing authority should be limited to those terms also. Signature cards should be updated whenever officers with signing authorizing leave positions. An annual review is suggested so that those no longer authorized can be removed and new authorized individuals added. Authorizing signature cards can be obtained from your financial institution who can also help you with completing the necessary paperwork.

We have seen many situations where the authorized signer was not updated properly when a transition occurred Eventually the only other remaining signer may transition out also leaving the association with literally no access to their own funds. **Be diligent and get those signers updated!**

Wire Transfers and Cybersecurity Threats

If your association periodically makes wire transfers, it is essential that strong procedures and controls are established and followed with precision. Cyber-hackers are getting more creative every day. A well-known technique used is sending an email request from what may look like a legitimate officer account requesting another officer to approve a wire transfer. Unsuspectingly people have surrendered critical information that can then be exploited, and your bank accounts compromised. Any requests of this kind should be verified either by phone or in person.



Petty Cash Funds

Your association may find the need to establish a petty cash fund to handle expenditures that cannot efficiently be made by check. If the decision is made to establish a petty cash fund it should be authorized via a board resolution which should include the amount of the fund as well as the name and position of the custodian of the funds. A check should be written to the petty-cash custodian who will cash it and keep the cash in a secured place.

As cash is expended from the fund a list of disbursements with the actual receipts should be maintained. When the balance approaches a level that calls for the fund to be replenished the list with the detailed receipts should be submitted as a check request for replenishment.

Whenever there is a change in the custodian of the fund the name and position of the new custodian should be included in the meeting minutes. When the fund is turned over all the cash and receipts should be counted and verified against the amount established for the fund. Any discrepancies should be investigated, resolved and brought to the attention of the board.

Travel Advances

Periodically your association may request that individuals travel on association business and to do so you will need to advance them funds to assist in their travels. It is important to remember that an advance is essentially a temporary loan to that individual that must either be repaid in full OR receipts for legitimate travel expenses must be submitted to substantiate that the funds were spent on approved association business. See the Accounting Section of this workbook for more details regarding what constitutes a legitimate business expense and the documentation required. All travel advances should be cleared either through repayment or receipts within 30 days from the date of travel. If an advance is not cleared on a timely basis the matter should be brought to the attention of the President, or if appropriate the board. If an advance is not cleared, a *Form 1099 should be issued to that individual at year end for the amount of the advance.*

Financial Statements

Regular, timely financial statements which compare actual spending year to date to budgeted amounts is one of the little appreciated internal controls. A Treasurers

inability or unwillingness to produce detailed financial statements at every meeting should raise a red flag and call for further inquiry.

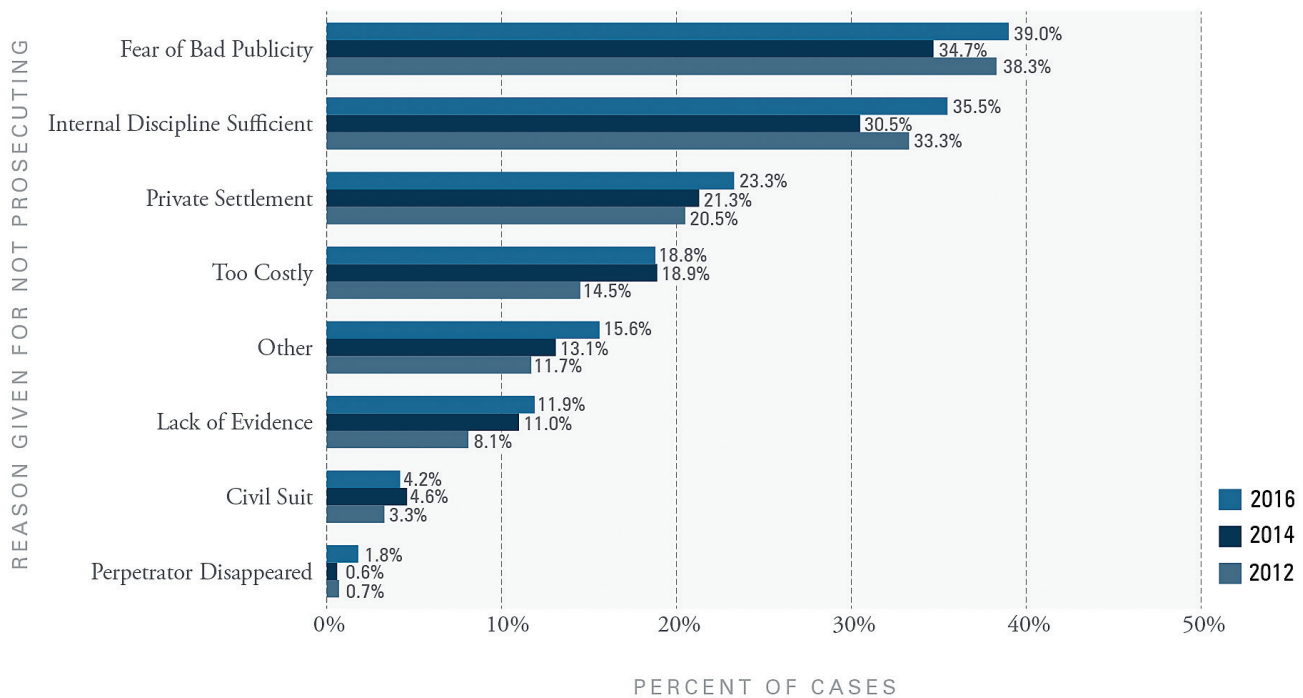
Fraud

Fraud in nonprofit organizations is the dirty little secret that no one wishes to talk about. According to fraud experts, fraud in nonprofit organizations occurs at a rates substantially higher than in other industries yet the large public frauds are what we typically hear about in the press.

According to the Association of Certified Fraud Examiners (ACFE) an estimated 5% of nonprofit organizations revenues are lost to occupational fraud on an annual basis. However, many frauds are never reports so it is highly likely that the 5% estimate is significantly understated.

The number one reason for not reporting a fraud to law enforcement is fear of bad publicity. This is particularly true with nonprofit organizations who are the custodians of public contributions and membership dues. Many fear that the publicity will compromise their reputation and mission so they choose to deal with it internally.

Figure 102: Reason(s) Case Not Referred to Law Enforcement



Source: Report to the Nations on Occupational Fraud and Abuse, 2016 Global Fraud Study, Association of Certified Fraud Examiners. <https://s3-us-west-2.amazonaws.com/acfe-public/2016-report-to-the-nations.pdf>

What constitutes fraud?

- Theft of funds belonging to the association
- Reimbursement of fictitious expenses
- Diversion of funds into a separate account for repayment later (temporary unauthorized use of money)
- Improper membership reporting
- Misleading financial reporting
- Related party transaction executed at inflated pricing
- Use of association funds for purposes not intended by the governing board

The Fraud Triangle – A Perfect Storm

Fraud experts use the fraud triangle to explain how fraud can occur in any organization. Three key factors are generally present in most fraud cases;



Pressure

The individual perpetrating the fraud feels an external pressure of some sort. This pressure can come in many forms such as attempting to live a lifestyle that cannot be supported by their regular resources, financial obligations and an inability to meet them, gambling or addiction problems, etc.

Opportunity

To commit fraud the perpetrator must “see an opening” due to poor controls. This could be from a lack of oversight, a concentration of duties, inexperience or intimidation due to tenure, rank or experience or an overly trusting atmosphere.

Rationalize

Once the pressure exists and the opportunity presents itself, rationalization of improper activities becomes fairly easy, especially in a nonprofit, volunteer based organization. The feeling that I am owed something for my efforts, those that came before me benefited somehow or its just temporary borrowing are easy thoughts to formulate. Even if initially the intent is not to permanently remove funds it eventually evolves to that.

It is easy to see that the key to preventing fraud in any organization is in making sure that the opportunity to commit the fraud does not exist. Everyone has pressure from time to time and everyone can rationalize bad

behavior if it is to their benefit, but if the opportunity does not exist because the proper controls are in place the thoughts are just thoughts and never turn into action.

Red Flags and Warning Signs

Red flags are simply things we should pay attention to. They do not always indicate that improprieties exist, they are merely things we should take heed of and not ignore. If we see a red flag because we cannot put in place a desired control, consider indirect controls and processes that can be put in place to gain assurance that transactions are handled properly despite the existence of the red flag condition.



Below is a list of red flags that you should pay attention to;

- Lack of segregation of duties – too many high-risk tasks concentrated in one individual. A reluctance to allow others to get involved.
- No oversight of the person with the checkbook (no dual signatures, no expense approvals).
- Bank statements not reviewed by someone other than the Treasurer, bank reconciliations not prepared on a timely basis.
- Deficiencies in documentation of disbursements – no documentation, photocopied receipts, payments from invoices and statements, alterations on invoices, checks or deposit slips.
- Commingling of funds – personal and association, association and PAC.
- Presence of Cash transactions – checks written to cash, bank withdrawals for cash, deductions from deposits. Use of ATM/Debit Cards. Large volume of petty cash transactions.
- Blank checks present.
- Personal charges on credit cards, delaying in producing backup for credit card transactions.
- Unusually high gift card activity.
- Delaying in depositing cash.
- Dishonest, flippant attitude with a disregard for processes and controls. Narcissistic attitude that the rules do not apply to me.
- Reluctant to open books and records to others, avoidance of review or audit by others.

- No internal review of books by audit committee or external review by independent auditors.
- Financial Reporting deficiencies – regular and timely financial statements with a comparison to budget not given to the board on a monthly basis.

Whenever there is a suspicion of improprieties of any kind your association leadership should feel comfortable reaching out to AEA. Your Organizations Consultant, Business Manager and Legal Counsel are available to assist you in navigating difficult situations. Do not feel like you need to go it alone and do not let the fear of publicity compromise your common sense. Reach out to those with expertise, we are here to serve you.

Internal and External Audits

Auditing involves examining financial record and transactions to ensure receipts have been properly accounted for and expenditures have been properly authorized and records in the accounting system per the associations bylaws, standing rules and budget limitations.

Association bylaws or policies and procedures indicate when an audit is to be made, its procedure, and when it should be reported to the membership. Ideally, financial records should be audited at least once a year.

The process of selecting/electing individuals to serve on the internal audit committee or for retaining a professional firm (with nonprofit accounting experience) should be included in the policies and procedures.

The purpose of an audit is to provide reasonable assurance that an association's financial statements are free of material misstatements and to ensure that receipts and expenditures are in conformity with the association's bylaws. It is not intended to determine the effectiveness of internal controls of the association or to detect fraud.

Depending on the size of your association you must determine whether an internal or external audit is appropriate. External audits, while providing a slightly higher level of assurance, can be cost prohibited. The creation of a strong audit committee with established,

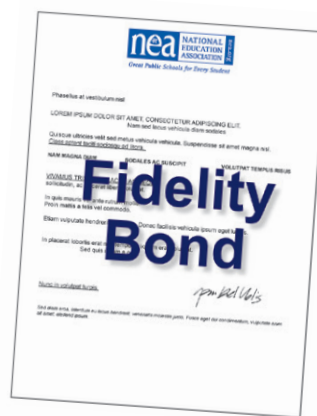
consistent procedures and continuity of members can provide many times even more assurance than external auditors in that they are much more aware of the intents and standard practices of your association.

Fidelity Bond

Pursuant to the requirements of the Labor Management Reporting and Disclosure Act (Landrum-Griffin Act), NEA provides, a \$1,400,00 blanket fidelity bond (insurance coverage) to protect the association from theft or misappropriation of association funds. The NEA Fidelity Bond Program insures not only NEA and all state and local affiliates from loss of association funds sustained through the mishandling of these funds by association staff and officers, but also provided for theft by non-employees. All state and local affiliates are covered automatically, there is no financial contribution requirement for this coverage.

The Fidelity Bond Program covers investigative costs of up to \$25,000 for any claim involving a loss greater than \$100,000 that is covered under the Fidelity Bond Employee Dishonesty Policy. All other investigative costs for claims of \$100,000 or less or investigative cost exceeding \$25,000 for claims over \$100,000 are the responsibility of the insured. There is a \$1,000 deductible on all losses incurred. This expense is the responsibility of the entity experiencing the loss.

For more information regarding the Fidelity Bond coverage contact your AEA Legal Counsel.



The internal audit committee should consist of a minimum of 3 members.
Whenever there is a change in the Treasurer position an internal audit should be performed.

EXERCISE

Internal controls refer to a system of _____ and _____.

Name three types of controls; _____,
and _____ of _____.

Who is responsible for ensuring controls are in place and followed?

- a. Board Members
- b. Officers
- c. Staff
- d. Auditors
- e. None of the Above
- f. All of the Above

The fraud triangle consists of these three components; _____,
_____ and _____.

Of the components above, which is the key to ensuring that fraud does not occur?

_____.

When it comes to fraud, what is the flag you should never ignore?

NEA Blue AEA Purple the Arizona Flag the American Flag Red

Financial statements should be accurate and _____ with a comparison to
_____.

Budgets

Budgeting Philosophy

A budget is a document that express the goals and objectives of the association in terms of dollars. If an association has a high level of participation in the creation of the budget, they have an increased chance of success in achieving their goals and in maximizing the utilization of member resources for the benefit of the members.

The budget should answer the following questions:

- What do we want to achieve?
- How do we plan to pursue our goals? Consider a variety of options and alternatives.
- What will each plan cost?
- What resources are available and when will they be received?

Once the budget has been established, the subsequent tracking of actual spending compared to the budget will assist with these questions:

- Are we on track?
- Are our goals still realistic?
- Should an alternative plan be adopted?
- Should we re-evaluate the allocation of our resources?
- Should we seek additional resources?

Budget building is a process that can help strengthen the organization and provide meaningful internal, two-way communication.

The Budget is a Treasurer's best friend. Let the budget do the work for you. The budget spells out how the association has chosen to spend it funds. When approved members spend funds, they will need to designate where that money is coming from within the budget. When spending that does not fall within the budget is proposed, the governing body (budget committee or executive board) will need to review and approve that spending, as well as designate where the money is coming from and revise the budget accordingly. The same holds true for overspending.



The Treasurer is responsible for handling the budgeting process, assisting with the accumulation and creation, tracking expenses to the budget line items and for timely reporting against the budget. The designated governing body is responsible for creating a budget to meet the goals of the association and to ensure the association operates to the budget.

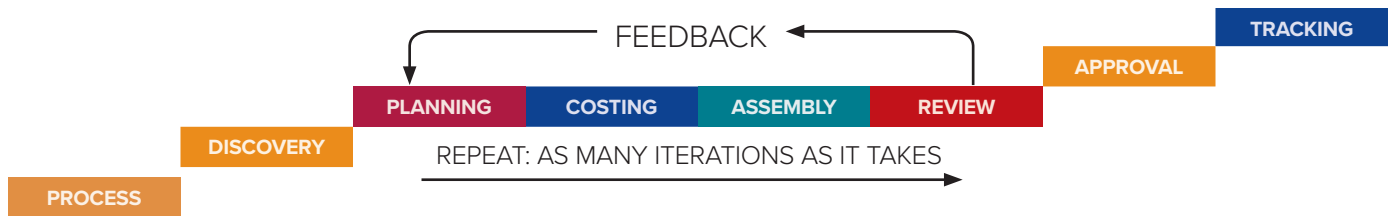
Budgeting Process

The budgeting process begins with determining who will be responsible for defining and executing the process. Often a budget committee will be formed for this purpose. Lacking a formal committee, the organization should identify which individuals will be responsible for defining and executing the process. While the Treasurer most definitely assists in the process they should *never* be expected to go it alone.

There are 8 key steps in the development of a sound budget.

1. Process
2. Discovery
3. Planning
4. Costing
5. Assembly
6. Review
7. Approval
8. Tracking

Budget creation is an iterative process, do not expect to get it right on the first pass. Balancing the needs, goals and resources involves tradeoffs, compromises, and sometimes just thinking outside of the box of new ways of doing things. The more you work the process, the better your budget will work for you.



PROCESS

- Determine what the process will look like and who should be involved. Select a budget committee.
- Establish a timeline for various stages that will allow you to present the final product to be adopted by your delegate body. Work backwards from the meeting date you intend to seek approve at.
- Develop a method for identifying members requests, requirements and ideas. This can be accomplished through general membership meeting, site meetings, questionnaire, surveys.

DISCOVERY

- Obtain actual spending information for the prior year.
- For repeat spending items like rent, insurance, etc. gather up information on rates to be expected for the coming year or forecasted changes to current rates. Explore whether there are any potential savings to be realized.
- Follow through on obtaining input from members utilizing methods identified in the Process Phase.
- Distribute the information gathered to officers, chairpersons and committees for development of programs to meet member requests.

PLANNING

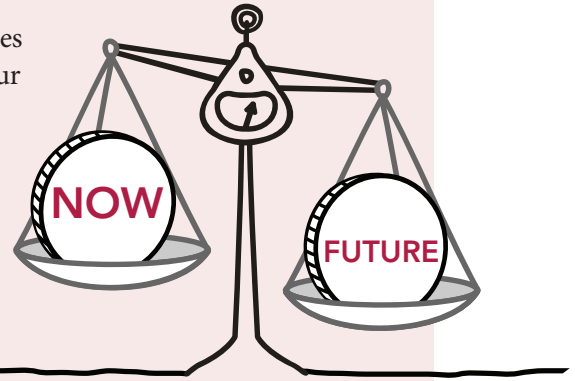
- Determine the resources available. Project membership numbers, determine dues if they are driven by bylaws or formula. **BE CONSERVATIVE WHEN DETERMINING RESOURCES.** If your local has flexibility in establishing dues, then start with the same dues as the current year and make a realistic estimate of membership as a starting point. If you are in a declining membership trend forecast realistically – we all want membership to increase, we just can't bet the budget on it. Investment in programs to increase membership should certainly be considered.
- Develop programs and initiatives to meet the goals and objectives identified in the Discovery Phase.
- Explore alternative methods of delivering programs, entertain different methods based on different cost profiles. Consider combining events or programs to reduce costs if necessary. Be creative, get ideas and most of all - communicate.

COSTING

- Obtain cost estimates for the various programs identified in the Planning Phase.
- Finalize the cost of items outside of the programs.
- What about reserves?? Determine if you need to add to them or if they are available for use.

Reserves

It is always prudent to accumulate funds for unexpected emergencies as well as to capitalize on unexpected opportunities. How much your organization accumulates depends on many factors such as the volatility of your membership levels, the different types of activities you engage in, the associations relationship with their employer and your members acceptance of the need to maintain reserve funds. Having an established plan for how much to carry in reserves will make it easier to have these conversations. If you arrive at a goal of building additional reserves you will want to identify the amount for this budget cycle and build this into your initial budget.



Is there a limited to the amount of reserves you can accumulate? Technically no, but practically speaking yes. Often organizations fear that accumulating large bank balances will jeopardize their nonprofit or tax-exempt status and subject them to scrutiny. The IRS is less concerned with the quantity of money you have than in HOW you spend your money, specifically that it is in line with your stated *purpose*. Remember just because you are a nonprofit doesn't mean you can generate a profit and put it away in reserves. It means you that your purpose is not to make a profit, there is no "profit sharing" among members and all the money made goes back into the organization.

On a practical level, one of our fiduciary responsibilities is to maximize the benefits of our resources for our members. If all dues money was simply placed in reserves, it would be offering little benefit to current members. Determining how much to spend on current programs and how much to save to protect the future of the organization is just one of many challenges we face in the budgeting process.

ASSEMBLY

- Using the information identified in the Planning and Costing Phases it is now time to assemble the budget.
- As part of the Assembly Process you will need to identify line items for each cost, or bucket of costs, which you wish to identify. This will be the same level you will track actual expenses against so not too small and not too big, you need to figure out just the right level at which to present and track your expenses as to deliver meaningful information to the members.
- It is helpful to assemble your budget not only by line item, but also in comparison to the actual expense from the prior year. This will assist those reviewing the budget to understand the impact it may have on delivered services as compared to the prior year.

Local Association
Budget 2018-19

Description	Actual 2017-18	Budget 2018-19	Notes
Member Dues	\$ 11,970	\$ 12,000	400 members @ \$30
Membership	7,781	7,400	
Meeting Expense	1,796	1,400	
New Member Engagement	-	1,000	New program
Communications	315	300	
Executive Board			
President	317	300	
Vice President	197	200	
Treasurer	122	100	
Office expense	263	250	
Committees	211	200	
Retirement Events	348	350	
Reserve Allocation	621	500	
Expenses	\$ 11,970	\$ 12,000	

REVIEW

- Once the initial budget has been assembled it is now time to look and see if your resources and your expenses (including reserve allocations) are in balance.
- Depending on the gap between your resources and expenses, you will now go through the process of reworking the budget. This may be as simple as consulting with your budget team and deciding to cut back or add to one area or a few areas or, if the difference is sizeable, going back to the Planning Process and determining if there are other ways of meeting the objectives and goals.
- How many iterations it takes to get the budget in balance will depend on many things including communication, flexibility and creativity.

APPROVAL

Just when you thought you were done there is one final step and it isn't always an easy one. You must now take the budget to the board and get their approval, you have to sell it. The committee's job is now to explain the

budget. Without too many details talk about the process, what was considered, what goals were identified, options considered, the challenges, the tradeoffs, etc. Most often, if the budget team believes the budget proposed is the best that could be achieved to meet the goals with the resources available, then the board will see it that way also.

TRACKING

The last phase of budgeting process is tracking. It is important that actual expenses are tracked to the budget line items and reported back to the board on a comparative basis to ensure that you operate as close to the budget as possible. Variances of actual vs budgeted amounts, both that have already occurred or that are anticipated to occur, should be discussed and dealt with. Often there are tradeoffs of overruns and savings within the budget that net out and nothing is to be done except monitoring. Other times however, if the variance is significant, a new budgeting process should be initiated, and the budget revised to acknowledge how the budget will be balanced, whether from additional resources or reduced spending in other areas, or both.

EXERCISE

Circle the *best* answer for each question.

Who is responsible for creating the association's the budget?

TREASURER PRESIDENT BUDGET COMMITTEE BOARD

Who assigns where costs incurred should be charged to within the budget?

PRESIDENT SPENDER RECEIVER TREASURER

I believe in setting high goals to push people to achieve success. How optimistic should I be when establishing the number of members forecasted for budgeting purposes?

TO THE MOON 10% HIGHER THAN LAST YEAR NO GROWTH 90% OF CURRENT MEMBERSHIP

How much profit can an association make before the IRS will come calling for their share?

UNLIMITED TWICE AS MUCH AS THE PRIOR YEAR \$1,000 NONE

When should an association consider providing for reserves?

WHEN THEY HAVE A LOT OF SURPLUS WHEN MEMBERSHIP IS GROWING ALWAYS

How many iterations should an association go through to balance their budget?

AS MANY AS IT TAKES AS MANY AS IT TAKES AS MANY AS IT TAKES AS MANY AS IT TAKES

Accounting Systems and Processes

Accounting Systems and Tools

Accounting is a system of collecting, classifying, reporting and interpreting financial information that is relevant to the operation of the association. The purpose of accounting is to provide information regarding the operational effectiveness of the association through the presentation of the operating statement and to provide a picture of the financial condition at a specific date via the balance sheet.

What type of “system” you implement will depend on many factors including;

- Size of your association
- Budget (association budget and the amount allocated to treasury functions)
- Number of transactions processed
- Detailed level of account categories
- Informational needs
- Organizational policy
- Technical skillset of Treasurer



The Checkbook Register is perhaps the simplest form of system available and the cost is FREE. The downside of the checkbook register is that to present financial information to the association, especially summarized by budget category, you will need to take an additional step to prepare a statement of operating activities and balance sheet.

Excel is a Microsoft Office product that many people have access to through their personal computers. Excel can be used in a variety of ways; as a check register, as a tool to accumulate costs, and as a financial presentation tool.

Quicken is desktop financial software that comes with some limited financial reporting. You can purchase Quicken for around \$44.99 at most office supply stores, online or at Costco, Sam’s Club, etc. Quicken is easy to use and convenient however, you will need a computer with the correct specifications to load the software on and ***you will need to make sure that the data is backed up to an external location to guard against loss.*** The software media (disks) will need to be secured so that it can be passed on to the next Treasurer.

QuickBooks Desktop Pro is accounting software that is installed on a desktop computer. If you wish to load budget information so that you can produce Actual vs Budgeted financial statements this software can accommodate that. Additionally, checks can be produced directly from the software saving time and providing for better control. The price for this desktop software is \$209.99. You will need a computer with the correct specifications to load the software on and ***you will need to make sure that the data is backed up to an external location to guard against loss.*** The software media (disks) will need to be secured so that it can be passed on to the next Treasurer.

QuickBooks Online is the same as the desktop version with a few functionality differences and a slightly different look. The online software can be accessed from anywhere using a web browser. Multiple users (3) can be established which enhances the internal controls for the association. The basic online software QuickBooks Essentials, which does not come with the ability to load budgets, runs \$35/month. The upgrade version

which includes budgeting, runs \$50/month. Since there is an online service there are no hardware requirements other than the availability of a standard browser and all the data is backed up in the cloud by Intuit the service provider. This version also includes functionality to assist with Form 1099 preparation. A significant advantage to using QuickBooks Online is that the transition to a new Treasurer is as simple as changing the user information and passwords.

Both QuickBooks products can produce an export file for your accounting firm's use in preparing compiled, reviewed or audit financial statements in addition to using the information for preparation of your annual tax reporting.

We strongly recommend that associations with over \$50,000 in annual receipts, who are thus required to file an annual tax return Form 990EZ or 990, consider utilizing either QuickBooks Desktop Prop or QuickBooks Online. The software will assist in the tax return preparation processes as well as significantly improve your ability to produce timely financial statements with comparisons to budget as they can be automatically generated by the system once the transactions are entered.

Accounting Processes and Procedures

Whereas the Accounting System refers to the actual method by which information will be gathered and reported, Accounting Processes and Procedures refers to the detailed steps to be followed to complete specific actions. Processes and procedures outline the documentation required for specific transactions as well as the transaction flow and what approvals are necessary to complete the transaction. Processes and procedures should be developed collectively by the entire executive board and once established, adherence and support are essential to ensuring that proper controls are maintained and in place. Both internal and external auditors look to the established processes and procedures of an association as the baseline upon which compliance is measured.

The internal controls section of this workbook contains many suggestions for processes and controls. We suggest that you read that section while developing processes and procedures for specific areas to ensure that your transaction flow builds in the proper controls.

IRS Guidelines for Business Expenses

Even though your association is tax-exempt, it is still subject to the IRS Guidelines for Business Expenses. IRS Publication 535, Business Expenses can be found on the irs.gov website for reference. For an expense to be considered a legitimate business expense the expense must be both ordinary and necessary. An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your trade or business. An expense does not have to be indispensable to be considered necessary.

Business Travel Expenses / Advances

Each association should have a written travel expense policy which details what types of expenses are authorized for reimbursement, any limits on expense amounts, guidelines for booking travel (i.e., coach class), tipping policy, etc.

If members utilize their personal vehicles for association business travel the preferred method of reimbursement is at the IRS Standard Mileage Rate. This rate can be found on the IRS at <https://www.irs.gov/tax-professionals/standard-mileage-rates>. The mileage rate is computed to consider everything with regard to auto costs – depreciation of the vehicle, insurance, maintenance and fuel. No amounts should be paid more than the IRS rate as those amounts will be considered taxable income to the recipient. The 2017 IRS Standard Mileage Rate is \$.535 per mile.

The key things to remember for business travel expenses are; there must be a business purpose recorded for the expense, the expenditure must be substantiated in the way of a receipt or invoice and the expense should be submitted for reimbursement within 30 days.

THE 5 W's

WHO was there?

List of parties in attendance

WHAT was purchased?

Itemized Receipt (Not Credit Card charge slip)

WHEN was the expense incurred?

Date

WHERE was the expense incurred?

Store, restaurant, etc.

WHY?

Business Purpose

Checking Account and Bank Account Reconciliations

The general-purpose checking account is used to record the day to day transactions of the association including; receiving deposits for local association dues from AEA, deposits of funds collected for non-dues activities, paying the bills of the association, payment of stipends to officer of the association and, in a few instances, to pay actual payroll expenses of staff. Reserve funds, funds held for specific purposes or long-term designations, should be held in a separate account. Whenever possible bills of the association should be paid by check as this provides for the greatest level of documentation, control and transparency.

If your association has not yet signed up for ACH dues deposits, we strongly encourage you to do that today. AEA will ACH your dues dollars directly into your checking account on the 20th of the month in October through August. An **Authorization For Automatic Deposits Form** is can be requested from the AEA Membership Processing Associates.

Each association should develop disbursement processes outlining who can authorize expenditures, how approval is obtained, how invoices should be sent in, when payment can be expected, etc.

The most significant process involving the checking account is that of the monthly bank reconciliation. Reconciliations should be performed monthly and presented to board or designated officer for review.

As an added level of accountability, the reviewing officer should report their review to the board and have it documented in the minutes.

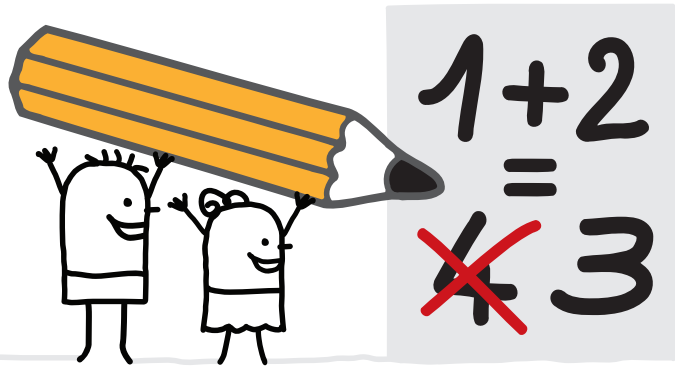
At least two officers of the association should have access to the bank account at all times. Statements should be accessible by both parties whether through physical statements, forwarding of a copy or online access. One of the strongest controls you can put in place is to have a second set of eyes reviewing the bank account on a regular basis.

Establishing and Accounting for a Petty Cash Fund

While the preference is always to have members submit association-related expenses for reimbursement by check, members may not always have the financial means to pay for these expenses up front. In these cases, associations may find it is beneficial to maintain a petty cash fund. If a petty cash fund is to be maintained, it should first be authorized and established pursuant to a board resolution. The resolution should establish the level of cash to be maintained and provide the name and custodian of the fund. The check to establish the fund and all replenishments thereafter should be written to the petty cash custodian who will be responsible for cashing the check and placing the funds in a secured container. When there is a change is the petty-cash custodian the new custodian should be appointed by board resolution and an accounting and formal transfer of the fund should occur.

Credit Cards

As easy as credit cards are to use for the payment of expenses, they are exponentially harder to account for. If your association elects to use credit cards please read over the controls section on credit cards in detail. The challenge is obtaining the necessary receipts and documentation from the users on a timely basis. The statement does not provide you with the proper information required (the 5Ws) to substantial the expenditures. When the receipts are not in before the bill needs to be paid the Treasurer is put in a difficult situation – pay the bill without substantiation and risk illegitimate expenses and controls violations that would need to be reported to the board or, pay the bill late incurring fees and damaging some one's credit? There is also the temptation to use the credit card for personal expenses. This puts the Treasurer in the difficult position of having to collect repayment and report the misuse to the board.



Financial Reporting

Financial information is most valuable to its recipients when it is timely. Timely financial results for your association can identify areas of concern before they become problems or positive trends on which you can capitalize before you miss the opportunity.

So, what is timely? Timely, in the financial world, is as close as possible to the period in which the activities being reported on occurred, but far enough away to allow for the accurate capture and reporting of the information.

Financial activities are measured in equal divisions (periods) of time, most often monthly. So, it would reason that timely financial statements would be ones produced as close to the end of the month as possible – every month.

The bare minimum financial package that should be presented to the executive board each month is:

- Statement of Activities - with actuals compared to budget
- Variance Explanations for any significant differences on the Statement of Activities
- Bank reconciliations for every bank account

Often you will hear people in the financial world reference materiality, as in “make sure you discuss any material variances.” Historically, the standard measure of materiality was a variance of 5% or more from budget. Now, materiality is defined in broader terms;



*Information is material if its omission or misstatement could influence the judgement and decisions of the user of the information as measured by the **reasonable and prudent person standard**.*

It is important to remember as the producer of financial information that you have much more information as to the details behind every transaction. Although you have taken in those details and perhaps interpreted the information as not material or not warranting mention, the same may not hold true to the other board members. **When in doubt – call it out.**



**Local Association -
Statement of Operations**

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Year to Date	Budget
Member Dues	\$ 539	\$ 1,197	\$ -	\$ 1,616	\$ 1,077				\$ 4,429	\$ 12,000
Membership	753	312							1,065	7400
Meeting Expense	72								72	1400
New Member Engagement	84								84	1000
Communications									-	300
Executive Board									-	
President	200								200	300
Vice President	100								100	200
Treasurer									-	100
Office expense			52						52	250
Committees			114						114	200
Retirement Events									-	350
Reserve Allocation									-	500
Expenses	\$ 1,209	\$ 312	\$ 166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,687	\$ 12,000



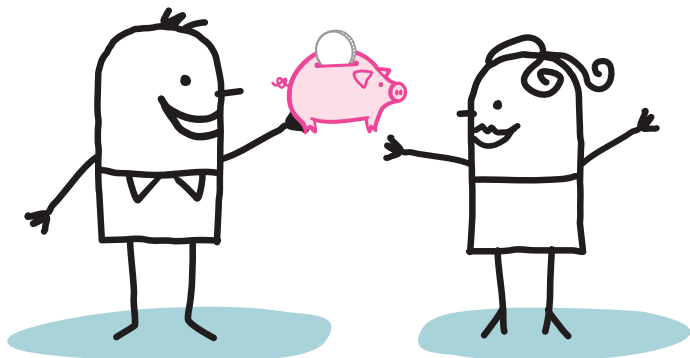
Encourage your executive board to
READ the financial statements,
to **ASK** questions to gain more clarity,
to do it at the **MEETING** with others present
so that *everyone* can take in the information
and to request **FOLLOW-UP**
if the information they seek is not readily available.

Questions **are not** criticisms, they are a way
of drawing attention to the importance of
what you do as a Treasurer and a request to
get better acquainted with your numbers.
Thank you for asking!

Transitioning the Role of Treasurer

Passing It On

A smooth transition from the Outgoing to the Incoming Treasurer is best achieved with coordination and cooperation from both parties. While information exchanged through documents is valuable and necessary, often it is the information exchanged informally and the relationship which is forged which proves to be the most valuable.



Document and Information Exchange

There is a significant amount of information which needs to be passed along as well as actual physical documents. Petty cash funds needs to be verified and exchanged and bank documents completed and filed with financial institutions to remove old signers and put in place new signers. Depending on the mailing address on record with your banks, this information may need to be updated also. Lastly, the Outgoing Treasurer needs to complete and file a change notice to the IRS to ensure that they will be removed as the contact person on the account.

Below is a summary of documents and information that should be passed along:

Documents – Permanent

- Constitution
- Bylaws
- Policies & Procedures
- Articles of Incorporation or Trade name Registration
- EIN Record
- IRS Determination Letter
- Tax Returns for Prior Years

Documents – Current

- Financial Statements for open tax years and Treasurer Reports (tax years are considered open for 3 yrs from the date of filing.
- Financial Records for prior years including bank statements, checkbooks and check registers.
- Budget – current budget and documentation on process or assumptions
- AEA Annual Report
- Contracts with Vendors or Employees
- Leases – Facility or Equipment
- Committee Assignments and contact information

AEA Support Team Contact Information

- Organizational Consultant
- Field Associate
- Membership Processing Contact
- Business Manager

Contact Information (address, phone, email)

- Financial Institutions (banks and brokerage)
- Insurance
- Auditors / Tax Preparer
- Vendors
- Credit Cards (if applicable)

Annual Calendar of Due Dates

- Local Association Meeting Schedule
- Corporate Commission Reporting (if incorporates)
- Secretary of State filing for Trade name (every 5 years)
- IRS Form 990
- Payroll Tax Reporting

Computer Systems and Software

- User Names and Passwords to Software Systems
- Software Media (disks, jump drives, etc) for Accounting Systems, Spreadsheets, Word

Miscellaneous

- Documents and Forms used by the position (Local Expense Reports, Check Requests, etc.)
- Mailing Address Currently Being Used
- Meeting Requirements / Expectations

Discussion Questions For Consideration

1. What is one of the biggest challenges of the position and how have you worked to overcome it?
2. Who are your go to people and do I have their contact information?
3. Who was your greatest resource?
4. What has worked well?
5. What or who are challenges to deal with?
6. What tools have you used that are the most useful?
7. What training, workshops, seminars or books to you recommend to assist me in my role?
8. What system or method worked best for you in managing your time?
9. How did you track due dates and ensure that you met them?
10. What were 2-3 things that you found to be significantly different once you were in the job that how you perceived them when you accepted the position?
11. What is the one piece of advice or information you wish, in retrospect, that someone would have told you before you accept the position?
12. Can you name one thing that someone did for you or that you did for yourself that really made a difference in improving the position?
13. What do you feel will be my greatest challenge?

Form 8822-B

Change of Address or Responsible Party - Business

This form filed with the Internal Revenue Service to notify them of changes in;

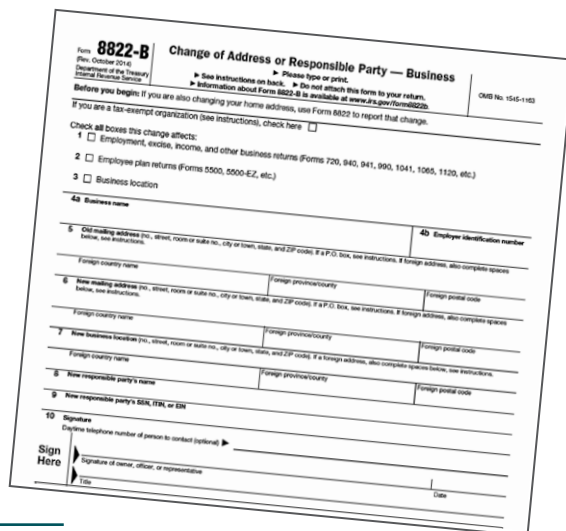
- your business mailing address,
- your business location, or
- the identity of your responsible party.

This form is very important as all notices sent from the IRS go the address and responsible party on record. If this information is not updated not only will the association miss potentially important notices, these notices could contain action items that if not attended to could result in the revocation of your tax-exempt status.

Additionally, if the association loses track of who is the IRS contact and their mailing it can become very difficult to get the needed information so that the records can be updated. The IRS will only send the request to update the information to the last known contact and address

on file. If the previous contact is no longer at the address on record it can become literally impossible to update the IRS records leaving the association with no other choice than to close down the entire EIN number and reestablish the association as though it were a new entity, including filing for tax-exempt status, etc.

A Copy of the Form 8822-B, *Change of Address or Responsible Party- Business*, can be found in the appendix section on page 93.



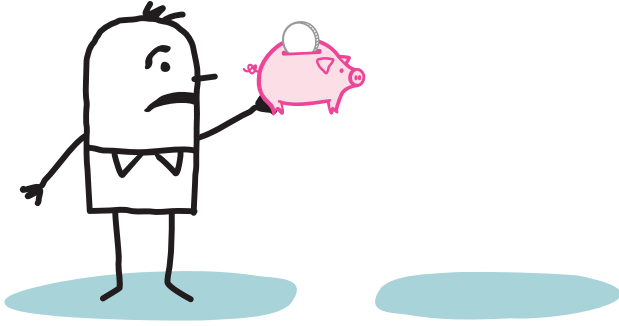
The image shows a sample of Form 8822-B, titled "Change of Address or Responsible Party - Business". The form includes fields for the old mailing address, new mailing address, new business location, and new responsible party's name. It also has sections for the taxpayer's signature and the signature of the owner, officer, or representative. The form is numbered 8822-B and includes the IRS logo and the text "Department of the Treasury Internal Revenue Service".

Document Retention

The proper retention and disposal of association documents is important not only for the historical information and continuity of the association but there are also legal requirements that must be met regarding the retention of documents. Unneeded information should be disposed of if it is not required to be retained as too much information being retained is also a concern. When disposing of documents be sure to shred anything that is sensitive, especially membership related information that may include bank accounts, credit card information or personal information.

Constitution and Bylaws	Permanently
Incorporation Documents	Permanently
Trade name Registration Documents	Permanently
Tax-Exempt Status – IRS Determination Letter	Permanently
Income Tax Returns	Permanently
Financial Records Supporting Tax Returns	3 yrs from date of filing
Election Related Documents	For the Term of the Officer
Leases, Contracts, Retainer Agreements	6 yrs after agreement ends
Property Documents	Permanently
Budgets	Permanently
Employment Related	
Hiring documents/applications, references	3 yrs from termination
Offer Letters, Contracts	6 yrs from termination
Immigration and Tax Forms	3 yrs from termination
Wage and Hour Records	Permanently
Payroll Related Tax Returns	Permanently
Banking Signature Card Copies	Until Updated with New Cards

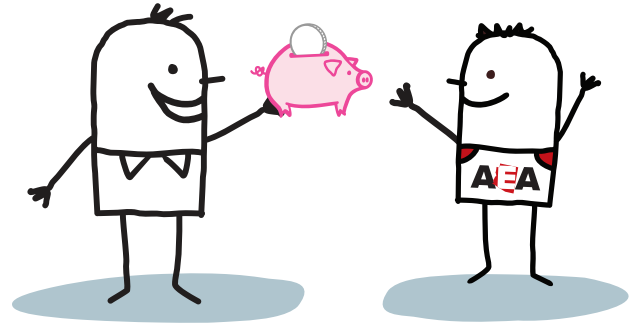
No Successor



What should you do if there is no one to transition your responsibilities to? Sometime an organization will not be able to find members who are willing to step into leadership roles. These organizations will no longer have an effective officer structure and thus there will be no successor for you to pass on the fiduciary responsibilities. Your local may go dormant for a period of time. (Cease meaningful association activities). In these situations, we suggested that any remaining funds of the organization and the IRS Responsible Party function be transferred to AEA for custody and administration until such a time as the association reestablishes an officer structure who can take on these duties.

Allowing AEA to step in will:

- Safeguarding of the association's assets for the future
- Authorize AEA to file the Annual Form 990
- Retain compliance for the association
- Transfer personal liability away from the departing officers



If you feel you are in this situation please contact either the AEA Business Manager or AEA Legal Counsel for assistance in making this transition.



APPENDIX DOCUMENTS

Financial and Operational Standards (Financial and Ethical Conduct)

SECTION B. 2

FINANCIAL AND OPERATIONAL STANDARDS

February 5, 2010

I. Policy Statement

- A. The Arizona Education Association acknowledges its special responsibility to ensure the integrity, honesty and reputation of the Association. The Association pledges its support to the members, students, and communities it serves.
- B. The Association leaders and employees are its entrusted fiduciaries and the keepers of its voice. Members believe in, support, and trust the Association's leaders and employees with its resources. The governance and employees of the Association accept the responsibility to treat Association resources with the utmost care and adhere to the highest ethical standards. To that end, the Association acknowledges these principles that guide it, the control activities used to protect the resources entrusted to it, and the process to monitor those controls.

II. Financial and Ethical Conduct

- A. In fulfillment of their obligation the governance and employees of the Association commit to:
 - 1. Exercise appropriate fiduciary responsibilities over Association resources and its Assets.
 - 2. Fully and fairly disclose and act appropriately in avoiding actual or apparent conflicts of interest;
 - 3. Comply with applicable rules and regulations of the Association and government agencies;
 - 4. Respect confidentiality of information acquired in the course of their work;
 - 5. Provide Association constituents with information that is complete, accurate and appropriate;
 - 6. Carry out activities professionally, with honesty and integrity;
 - 7. Not knowingly engage in any illegal activity or breach of fiduciary responsibility;
 - 8. Report violations of this Code in accordance with all applicable rules of procedure;
 - 9. Institute due process policies for violations of this Code of Financial and Ethics;
 - 10. Be accountable for adhering to this Code.

Conflict of Interest

SECTION B. 1

FINANCIAL CONFLICT OF INTEREST POLICY FOR AEA OFFICIALS AND EMPLOYEES

February 5, 2010

I. Policy Statement

- A. AEA officials and employees have a fiduciary obligation to act in the best interests of AEA.
- B. It is not realistic to expect to define in a complete and absolute manner all actual or potential conflicts of interest. Virtually any situation in which a responsible person or a related party benefits or stands to benefit at the expense or potential expense of the association or where the interests of a responsible person or related party and the association are opposed presents a potential conflict of interest.

II. Purpose

The purpose of this conflict of interest policy (“CI policy”) is to provide guidance to AEA officials and employees in complying with this fiduciary obligation.

III. Definitions

As used in the CI policy, the following terms have the meanings indicated:

- A. The term “AEA official” means an AEA Board of Director member or officer, a member of an AEA committee, and any other person designated by AEA governance to represent AEA. The term does not mean an employee of, or a consultant retained by, AEA;
- B. The term “AEA employee” means a regular, probationary, part-time, or temporary AEA employee. The term does not mean a consultant retained by AEA;
- C. The term “immediate family” of an AEA official or employee means his or her parent, spouse or spousal equivalent, child(ren), grandparent, great –grandparent, grandchild, spouses of children, sibling, mother- or father-in-law, sister- or brother-in-law, or daughter- or son-in-law, step relations;
- D. The term “directly or indirectly” means an action taken by an AEA official or employee in his or her own name (directly) or through a member of the immediate family or a business associate of an AEA official or employee (indirectly);
- E. The term “participate in an AEA decision” means the authority to approve, disapprove, recommend, or otherwise influence the position taken by AEA; and
- F. The term “conflict of interest officer” means the person who is responsible for the implementation of the CI policy.
- G. “person” means a member of AEA, an employee of AEA or an AEA affiliate, a consultant or vendor who does or seeks to do business with AEA or an AEA affiliate, and any other representative of AEA or an AEA affiliate.

IV. Statement of Principle

- A. No AEA official or employee shall, directly or indirectly, have any interest or relationship, take any action or engage in any transaction, or incur any obligation which is in conflict with, or gives the appearance of a conflict with, the proper and faithful performance of his or her AEA responsibilities.
- B. An official shall refrain from making substantial investments in, or accepting an official position with, any enterprise which he/she knows or should know transacts business with, or may seek to transact business, with the association or with association members.

Conflict of Interest

- C. An official shall refrain from participating as an official in any matter affecting an enterprise in which such official has a personal, financial interest where it could reasonably be inferred that he/she participated in order to serve his/her personal, financial interests.
- D. An official shall not accept anything of value from an enterprise which is doing business, or seeking to do business with the association or with association members where it could reasonable be inferred that the official's objectivity in the performance of his/her official duties might be affected by his/her accepting the thing of value.
- E. An official shall not accept or retain any other association position where it is reasonable to infer that his/her objectivity in the performance of his/her official duties will be impaired with respect to decisions he/she may be called upon to make as an official.
- F. An official shall not disclose association information which is confidential in nature and which was procured by reason of his/her official position to any person, group, institution, or organization which the association did not authorize or intend to receive such information.
- G. An official in his or her capacity as an official shall not enable or assist any representative from any vendor in direct competition with any AEA endorsed vendor to market, promote or sell products or services of such vendor to AEA members.

V. Prohibited Activities

The activities that are prohibited by the statement of principle set forth in Section IV. include, but are not limited to, the following:

- A. No AEA official or employee shall, without the advance written approval of the Conflict of Interest officer ("CI officer"), have a direct or indirect financial or personal interest in or relationship with any business, firm, person, or entity that does or seeks to do business with AEA. This prohibition shall not apply to investments in a business, firm, or other entity through the purchase of securities that are traded on a registered national securities exchange or utilizing any services that the business, firm, person, or entity makes available to the general public in the normal course of business.
- B. No AEA official or employee shall, except in the performance of his or her AEA responsibilities, receive any compensation, gift, gratuity, loan or other thing of value from any business, firm, person, or other entity which does or seeks to do business with AEA, or which has financial or other interests that may be affected by the performance or nonperformance of the AEA official's or employee's AEA responsibilities. The term "business, firm, person or other entity" does not include AEA affiliates or related organizations (e.g., NEA or NEA member benefits corporation), and the term "compensation, gift, gratuity, loan, or any other thing of value" does not include an item that has a value of \$250 or less or a loan that is available to the general public on similar terms.
- C. No AEA official or employee shall, except in the performance of his or her AEA responsibilities or in response to a legal mandate, (1) disclose any information obtained by reason of his or her AEA position that is not otherwise available to the general membership of AEA and that could be used to the detriment of AEA, or (2) use or permit others to use any information obtained by reason of his or her AEA position that is not otherwise available to the general membership of AEA to directly or indirectly further the AEA official's or employee's financial or personal interest.
- D. No AEA official or employee shall, without the advance written approval of the CI officer, directly or indirectly sell goods or services to AEA. This prohibition shall not apply to the payment, in accordance with AEA policy, of compensation or a stipend to an AEA official or employee for carrying out his or her AEA responsibilities.
- E. No AEA official or employee shall accept any other position or assignment which would conflict with his or her fiduciary obligation to act in the best interests of AEA or interfere with the AEA official's or employee's ability to properly carry out his or her AEA responsibilities.
- F. No AEA official or employee shall use or permit others to use his or her position with AEA to create the impression that AEA endorses or has endorsed a product, service, or program when that is not in fact the case or to otherwise directly or indirectly further the AEA official's or employee's financial or personal interest.

Conflict of Interest

VI. Implementation Procedure

- A. The AEA Executive Director shall serve as the CI officer and in that capacity shall be responsible for the implementation of the CI policy. The CI officer shall monitor the implementation of the CI policy. The CI officer shall recommend to the AEA Board of Directors such modifications in the policy as he or she may from time to time deem appropriate. If the misconduct is against the executive director or the executive director is unable to perform this function then the general counsel will serve as the CI officer.
- B. (1) if an AEA official or employee believes that he or she may be engaged or about to become engaged in an activity that is prohibited by the CI policy, he or she shall consult with the CI officer. The CI officer shall attempt to deal with the matter informally. If unable to do so, the CI officer shall submit to the AEA official or employee a written opinion indicating whether the activity in question is prohibited by the CI policy, and, if so, what should be done to correct the situation.
- (2) if the AEA official or employee disagrees, in whole or in part, with the conclusions of the CI officer, he or she may appeal to the AEA president, vice-president, and executive director (“CI appeals committee”) by filing a written notice of appeal with the AEA president within ten (10) calendar days after receiving the opinion of the CI officer. The decision of the CI appeals committee shall be final and binding. If the AEA official or employee files a timely appeal, he or she need not comply with the opinion of the CI officer pending the outcome of the appeal. If the AEA official or employee does not file a timely appeal, he or she shall comply with the opinion of the CI officer.
- C. (1) if an AEA member, official or employee believes that an AEA official or employee is engaged or is about to become engaged in an activity that is prohibited by the CI policy, the member or employee may file a written complaint with the CI officer. The complainant shall identify himself or herself to the CI officer, but the CI officer shall, if requested to do so by the complainant, treat the complaint as anonymous and not reveal the complainant’s name.
- (2) upon receiving a complaint, the CI officer shall consult with the complainant and the AEA official or employee in question. Based upon the information received from the complainant and the AEA official, employee, and/or other relevant information, the CI officer shall decide whether the AEA official is engaged or is about to become engaged in an activity that is prohibited by the CI policy, and, if so, what should be done to correct the situation. The CI officer shall submit to the AEA official and the complainant a written opinion setting forth his or her conclusions.
- (3) if the AEA official or employee disagrees, in whole or in part, with the conclusions of the CI officer, he or she may appeal to the CI appeals committee by filing a written notice of appeal with the AEA president within ten (10) calendar days after receiving the opinion of the CI officer. The decision of the CI appeals committee shall be final and binding. If the AE official or employee files a timely appeal, he or she need not comply with the opinion of the CI officer pending the outcome of the appeal. If the AEA official or employee does not file a timely appeal, he or she shall comply with the opinion of the CI officer.
- D. In implementing the CI policy, the CI officer and the CI appeals committee shall consider all relevant factors, including the specific AEA responsibilities of the AEA official or employee and the nature of the allegedly prohibited activity, and shall interpret and apply the CI policy in a manner that furthers its intended purpose.

VII. Miscellaneous

- A. Nothing in the CI policy shall be interpreted or applied to deprive an AEA official or employee of any right that he or she may have under the AEA governing documents, a contract with AEA, or a statute. To the extent that the CI policy is inconsistent with any such right, the right in the AEA governing document, contract with AEA, or statute shall take precedence.
- B. If a question arises as to whether the CI officer or another member of the CI appeals committee may be engaged or about to become engaged in an activity that is prohibited by the CI policy, the matter shall be dealt with by the members of the AEA Management Performance and Appraisal Committee.

Conflict of Interest

- C. All information and documents involved in the implementation of the CI policy shall be treated as confidential, and the CI officer shall make such information and documents available to others only on an “as-needed” basis.

VIII. Annual Statement of Disclosure

- A. By September 1st each year, AEA officers, AEA Board of Directors, AEA Executive Director, AEA managers, and AEA employees shall receive a copy of the AEA conflict of interest policy along with the annual statement of disclosure form.
- B. Annually, all AEA officers, AEA directors, AEA management, and AEA employees shall submit a signed statement of disclosure to the AEA Executive Director or designee.

Financial Internal Controls

SECTION B. 3

FINANCIAL INTERNAL CONTROLS

February 5, 2010

I. Policy Statement

- A. A strong Internal Control structure is fundamental to achieving Association goals.
- B. Internal Controls must be designed to provide reasonable assurances regarding the safeguarding of resources against mistakes, fraud or abuse, reliability of operating and financial information, continued commitment to compliance with Association policies, applicable laws and regulations, and the accuracy of Association business activities and records.
- C. To maintain the highest standards of quality in financial reporting through business ethics and effective internal controls, the Association supports:
 - 1. A control environment founded on ethical values and technical competence;
 - 2. The identification and analysis of relevant internal and external risks that can hinder the achievement of business and Association objectives;
 - 3. The implementation of control activities that mitigate each identified risk with the appropriate focus on prevention, detection and correction;
 - 4. The institution of fluid information pathways among management, employees and governance that capture, process and communicate relevant internal and external information in a timely manner;
 - 5. Systems of evaluation and assessment to monitor whether Internal Controls are adequate, effective and adaptive;
 - 6. Adoption of formal internal control policies and procedures;
 - 7. Documentation of systems of internal control procedures in a comprehensive manner as well as roles and responsibilities of governance and employees;
 - 8. Appropriately communicating with and educating governance and employees on their roles and responsibilities.

Whistleblower Policy

SECTION B. 5

WHISTLEBLOWER POLICY FOR AEA OFFICIALS AND EMPLOYEES

February 5, 2010

I. Policy Statement

- A. It is essential that whistleblower protections exist within the AEA to ensure that fraud and mismanagement are reported early and well before it is too late for national, state and local associations to escape ruin to their finances and reputation. These behaviors undermine morale and adversely affect the ability of the Association to achieve its full potential.
- B. AEA officials and employees are obligated to comply with all relevant legal requirements in carrying out their AEA responsibilities.
- C. A failure to meet this obligation – whether intentional or inadvertent – can have adverse consequences for the reputation and operation of AEA.

II. Purpose

The purpose of this Whistleblower Policy (“WB Policy”) is to establish a procedure by means of which any such failures can be brought to the attention of AEA, so that appropriate corrective action can be taken.

III. Definitions

As used in the WB Policy, the following terms have the meanings indicated:

- A. The term “misconduct” means an action taken by an AEA official or employee in carrying out his or her AEA responsibilities that is in violation of a legal requirement and/or a violation of the AEA Corporate Financial and Operational Standards.
- B. The term “AEA official” means an AEA Board of Directors member or officer, a member of an AEA committee, and any other person designated by AEA governance to represent AEA. The term does not mean an employee of, or a consultant retained by, AEA;
- C. The term “AEA employee” means a regular, probationary, part-time, or temporary AEA employee. The term does not mean a consultant retained by AEA;
- D. The term “WB Officer” means the person who is responsible for the implementation of the WB Policy.
- E. The term Whistleblower: One who discloses information which the person reasonably believes demonstrates (1) violation of laws, regulations, Association rules or Association policies; or (2) Gross mismanagement of Association resources that he or she has reasonable cause to believe constitutes misconduct.
- F. Person” means a member of AEA, an employee of AEA or an AEA affiliate, a consultant or vendor who does or seeks to do business with AEA or an AEA affiliate, and any other representative of AEA or an AEA affiliate.

IV. Whistleblower Officer

The AEA Executive Director shall serve as the WB Officer, and in that capacity shall be responsible for the implementation of the WB Policy. The WB Officer shall recommend to the AEA Board of Directors such modifications in the Policy as it may from time to time deem appropriate.

V. Notifying AEA of Alleged Misconduct

- A. Any person who has reasonable cause to believe that an AEA official or employee has engaged or is about to engage in misconduct should notify the WB Officer in writing. The WB Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. That person (the whistleblower) shall identify himself or herself in the notice to the WB Officer, but the WB Officer shall, if requested to do so by the whistleblower, treat the notice as anonymous and shall not,

Whistleblower Policy

except in response to a legal mandate, reveal the whistleblower's name. If the WB Officer is unavailable, and the whistleblower believes that a delay in providing notification can have adverse consequences for AEA, he or she may notify the AEA President, who shall as soon as possible thereafter turn the matter over to the WB Officer.

- B. If, based upon the information provided by the whistleblower and other relevant information, the WB Officer has reasonable cause to believe that an AEA official or employee has engaged or is about to engage in misconduct, the WB Officer shall turn the matter over to the AEA General Counsel.
- C. The General Counsel shall conduct an expeditious investigation of the alleged misconduct and shall submit to the WB Officer a written opinion setting forth his or her conclusions as to whether the AEA official or employee has engaged or is about to engage in misconduct, and, if so, what should be done to correct the situation.
- D. After consulting with the AEA President, the WB Officer shall arrange for such action to be taken as he or she deems appropriate to correct the situation.
- E. If the WB Officer concludes that any person has made an allegation of misconduct, or has participated in an investigation of alleged misconduct, in bad faith or without reasonable cause, the WB Officer, after consulting with the AEA President, shall arrange for appropriate disciplinary action to be taken against that person.

VI. Protection of Persons Who Provide Evidence of Alleged Misconduct

- A. Except as otherwise provided in Section V. (E.) above, no person shall be subject to any form of direct or indirect retaliation by an AEA official, an AEA employee, or other AEA representative because he or she (1) is a whistleblower, (2) has participated in an investigation of alleged misconduct, or (3) has in good faith in any other way been involved in the implementation of the WB Policy.
- B. If any person believes that he or she has been subject to retaliation in violation of Section A. above, that person shall report such retaliation to the WB Officer. The WB Officer shall investigate the matter, and if the WB Officer concludes that an AEA official, AEA employee, or other AEA representative has engaged in retaliation, the WB Officer, after consulting with the AEA President, shall arrange for appropriate disciplinary action to be taken against said AEA official, AEA employee, or representative of AEA.
- C. The reporting of any Officer or Executive Director is suspected of misconduct shall be as follows: President to the Vice-president, Vice-president to the Treasurer, Treasurer to the Vice-president, Board members to the President and Executive Director to the General Counsel.

VII. Miscellaneous

- A. Nothing in the WB Policy shall be interpreted or applied to deprive any person of any right that he or she may have under the AEA governing documents, a contract with AEA, or a statute. To the extent that the WB Policy is inconsistent with any such right, the right in the AEA governing document, contract with AEA, or statute shall take precedence.
- B. Any person who believes that an AEA official or employee has engaged or is about to engage in misconduct is encouraged to exhaust the WB Policy before attempting to deal with the matter in any other forum.
- C. All information and documents involved in the implementation of the WB Policy shall be treated as confidential, and the WB Officer shall make such information and documents available to others only on an "as needed" basis. To the extent relevant, all privileges, including the attorney/client and attorney work product privileges, shall apply to information and documents involved in the implementation of the WB Policy.
- D. If a question arises as to whether the WB Officer has engaged or is about to engage in misconduct, the matter shall be dealt with by the AEA President.

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SAMPLE CONSTITUTION

(Revised [Date])

For AEA Active Member Local Associations

(This can be used for teacher only, ESP only or wall-to-wall units) - See Membership Section

Material in capitals identifies provisions required for compliance with AEA-NEA standards. Local constitutions must have comparable language. Materials typed in lower case are only suggestions for inclusion in a constitution.

ARTICLE I NAME (AND INCORPORATION, if applicable)

The name of this organization shall be _____, hereafter referred to as the Association.

ARTICLE II AFFILIATION

THE ASSOCIATION SHALL BE AN AFFILIATE OF THE ARIZONA EDUCATION ASSOCIATION UNDER ITS RULES AND THE NATIONAL EDUCATION ASSOCIATION UNDER ITS RULES.

ARTICLE III PURPOSES (PURPOSES OR PREAMBLE MUST BE COMPATIBLE TO THOSE OF AEA-NEA).

Section 1. To work for the welfare of students, the advancement of education and the improvement of instructional opportunities for all.

Section 2. To develop and promote the adoption of such personnel policies and standards of preparation and participation as mark a profession.

Section 3. To advance professional rights and status and responsibilities of its members.

Section 4. To develop and promote a continuing program to secure and maintain better employment benefits, uniform practices, sound retirement systems and improvements in terms and conditions of employment.

Section 5. To form a representative body to speak with authority for members.

Section 6. To establish cooperation with the community.

Section 7. (ADD ONLY IF ESP UNIT) To unify and strengthen educational support personnel so as to enable members to speak with a common voice on all matters of mutual concern.

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ARTICLE IV MEMBERSHIP

Section 1. THE MEMBERSHIP YEAR SHALL BE CONSISTENT WITH THE MEMBERSHIP YEAR OF THE ARIZONA AND NATIONAL EDUCATION ASSOCIATIONS.

Section 2. Active Members (Choose one of the six options shown below).

Option A: (All employees of the district or institution).
Active membership in the Association shall be open to any person employed in the _____ School District.

Option B: (All employees except administrative or supervisory personnel).
Active membership in the Association shall be open to any person, other than administrative or supervisory personnel, employed in the _____ School District.

Option C: (All certified personnel including administrators and supervisors).
Active membership in the Association shall be open to any person employed in the _____ School District who holds a valid teaching and/or administrative certificate issued by the Arizona State Board of Education.

Option D: (All certified personnel except administrators and supervisors).
Active membership in the Association shall be open to any person employed in the _____ School District, except administrative and supervisory personnel, who holds a valid teaching certificate issued by the Arizona State Board of Education.

Option E: (All educational support personnel).
Active membership in the Association shall be open to any educational support person employed in the _____ School District who is not eligible for Active Certificated membership in the AEA.

Option F: (All educational support personnel except administrators and supervisors).
Active membership in the Association shall be open to any educational support person, except administrators and supervisors, employed in the _____ School District who is not eligible for Active Certificated membership in the AEA.

Section 3. Honorary Members

Honorary membership may be conferred upon members of the teaching profession or other persons for distinguished service to education and the profession. Honorary members shall enjoy all the privileges of the Association except those of voting and holding office.

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Section 4. Rights of Membership

a. EVERY ACTIVE MEMBER SHALL HAVE EQUAL RIGHTS AND PRIVILEGES WITHIN THE ORGANIZATION TO NOMINATE, TO BE NOMINATED, TO HOLD OFFICE; TO VOTE IN ELECTIONS OR ON REFERENDA OF THE ASSOCIATION; TO ATTEND MEMBERSHIP MEETINGS; TO PARTICIPATE IN THE DELIBERATIONS AND VOTING UPON THE BUSINESS OF SUCH MEETINGS.

b. Every member shall have the right to meet and assemble fully with other members; to express views at meetings upon candidates in an election of the Association or upon any business properly brought before the meeting.

c. EACH MEMBER SHALL BE GUARANTEED "DUE PROCESS." NO MEMBER SHALL BE FINED, SUSPENDED, EXPELLED OR OTHERWISE DISCIPLINED EXCEPT FOR NON-PAYMENT OF DUES WITHOUT BEING SERVED WITH SPECIFIC WRITTEN CHARGES AND GIVEN FULL "DUE PROCESS" RIGHTS INCLUDING AN ADMINISTRATIVE HEARING BEFORE THE REPRESENTATIVE COUNCIL.

ARTICLE V OFFICERS

Section 1. The officers of the Association shall consist of a president, a vice-president or president-elect, a secretary-treasurer, or a corresponding secretary, a recording secretary and a treasurer. (All are local options).

Section 2. The officers shall be elected at the (month) general meeting and be installed in (month) for a term of (number) year(s).

Section 3. Officers of the Association shall serve their terms as long as they perform the duties of their office to the satisfaction of the membership, subject only to recall.

a. Recommendation for recall can be made by the submission of a petition containing the signatures of _____% of the membership to the Executive Committee.

b. The Executive Committee shall notify, in writing, any officer who has been recommended for recall.

c. Any officer may appeal, in writing, to the Executive Committee.

d. The Executive Committee shall schedule hearings to review the recommendations of recall of an officer.

e. The report of those hearings shall be made available to the membership.

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f. A general membership meeting shall be called two weeks after the issuance of the report.

g. Such recall shall be determined by a majority vote of the membership in attendance at said meeting.

Section 4. Nothing in this article shall be construed as precluding officers from succeeding themselves in office, if duly elected.

Section 5. In the event of a vacancy in the office of the president, the president-elect or the vice-president shall become president and serve until the next annual election.

ARTICLE VI EXECUTIVE COMMITTEE

Section 1. The Executive Committee shall consist of:

a. the officers of the Association;

b. the immediate past president (optional);

c. ONE ELECTED REPRESENTATIVE FOR EACH (number)¹ MEMBERS OR MAJOR FRACTION THEREOF.

NOTE: The representatives serving on the Executive Committee must represent numbers of members, not buildings. The membership may be broken down into zones or clusters of buildings so long as each representative has a near equal constituency--observing one person-one vote. An alternative would be to elect representatives at-large by the total active membership.

Section 2. THE ASSOCIATION SHALL GUARANTEE ETHNIC-MINORITY REPRESENTATION ON THE EXECUTIVE COMMITTEE AT LEAST PROPORTIONATE TO ITS ACTIVE ETHNIC-MINORITY MEMBERSHIP.²

Section 3. NOTE: If the local affiliate provides active membership for education support professionals, the constitution and bylaws need the following compatible language:

THE ASSOCIATION SHALL GUARANTEE EDUCATION SUPPORT PROFESSIONAL REPRESENTATION ON THE EXECUTIVE COMMITTEE AT LEAST PROPORTIONATE TO ITS ACTIVE EDUCATION SUPPORT PROFESSIONAL MEMBERSHIP.

1. In a small association, the officers alone may be sufficient to function as an Executive Committee.

2. The general membership must elect sufficient number of at large ethnic-minority and/or administrator members to bring the governing body into compliance.

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Section 4. NOTE: If the local affiliate provides active membership for administrators and supervisors, the constitution and bylaws need the following compatible language:

THE ASSOCIATION SHALL GUARANTEE ADMINISTRATOR REPRESENTATION ON THE EXECUTIVE COMMITTEE AT LEAST PROPORTIONATE TO ITS ACTIVE ADMINISTRATOR MEMBERSHIP.

ARTICLE VII REPRESENTATIVE COUNCIL

Section 1. The policy-forming body of the Association shall be the Representative Council.

Section 2. The Representative Council shall consist of the Executive Committee and one or more other elected representatives from each school or work site.

Section 3. a. AT EACH WORK SITE IN THE _____ PUBLIC SCHOOL DISTRICT, THOSE PERSONS WHO ARE ACTIVE MEMBERS OF THIS ASSOCIATION SHALL ELECT FOR A TERM OF (number) YEAR(S) ONE REPRESENTATIVE TO THE REPRESENTATIVE COUNCIL FOR EVERY (number)³ MEMBERS OR MAJOR FRACTION THEREOF.

b. THE ASSOCIATION SHALL GUARANTEE ETHNIC-MINORITY REPRESENTATION ON ITS REPRESENTATIVE COUNCIL AT LEAST PROPORTIONATE TO ITS ACTIVE ETHNIC-MINORITY MEMBERSHIP. (See note Article VI, Section 3).

c. NOTE: If the local affiliate provides active membership for education support professionals, the constitution and bylaws need the following or compatible language:

THE ASSOCIATION SHALL GUARANTEE EDUCATION SUPPORT PROFESSIONAL REPRESENTATION ON ITS REPRESENTATIVE COUNCIL AT LEAST PROPORTIONATE TO ITS ACTIVE EDUCATION SUPPORT PROFESSIONAL MEMBERSHIP.

d. NOTE: If the local affiliate provides active membership for administrators and supervisors, the constitution and bylaws need the following or compatible language:

THE ASSOCIATION SHALL GUARANTEE ADMINISTRATOR REPRESENTATION ON ITS REPRESENTATIVE COUNCIL AT LEAST PROPORTIONATE TO ITS ACTIVE ADMINISTRATOR MEMBERSHIP.

³ Usually, one representative for each ten members or major fraction thereof is the ratio used.

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- Section 4. The building or work site representative or designee shall call meetings of the Association members within their buildings or work sites to discuss Association business, appoint such building committees as the Association may require and organize and oversee the subsequent elections of representatives, the enrollment of members and the two-way Association communication within the building.
- Section 5. Any member of the Association who is not a member of the Representative Council may attend the meetings, shall sit apart from the voting body, but shall receive permission to speak.

ARTICLE VIII AMENDMENTS

Amendments to the Constitution may be made by a two-thirds majority of the active members of the Association voting in a regular or special election called for the purpose provided that:

- a. the amendments have been submitted in writing to the secretary of the Association;
- b. the secretary of the Association has distributed copies of the proposed amendments to all active members of the Association at least two calendar weeks in advance of a secret ballot;
- c. notice of the meeting for the purpose of election has been distributed at least two weeks in advance of said meeting.

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ARTICLE I MEETINGS

Section 1. Executive Committee

The Executive Committee shall meet on the (day) of each month at _____ p.m. at the call of the president or at the request of any three members of the Committee.

Section 2. Representative Council

a. The Representative Council shall meet on the (day) of each school month at _____ p.m. The Executive Committee shall prepare the agenda for each meeting and shall circulate it to all members of the Council so the representatives have time to discuss it with their members in advance of the Council meetings.

b. Special meetings of the Representative Council may be held at the call of the president or upon written request to the Executive Committee of _____% of the representatives. Business to come before special meetings shall be limited to items stated in the call, which shall be sent in writing to each representative if time permits.

Section 3. General Membership Meetings

a. The Executive Committee shall arrange at least (number)⁴ meetings of the members each year.

b. Special meetings of the membership may be called by the president, or upon request of one-quarter of the members for a specific purpose; but no business other than that for which the meeting is called may be transacted.

c. At least one week prior to each general membership meeting, the secretary shall notify all members of the time and place of said meeting and the agenda or business to be considered.

⁴. If a local association does not have a Representative Council, then there must be at least (number) general membership meetings per year.

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Section 4. The order of business at any Representative Council or regular general membership meeting shall be as follows:

- a. Call to Order
- b. Approval of Minutes
- c. Correspondence
- d. Report of Treasurer
- e. Reports of Standing Committees
- f. Reports of Special Committees
- g. Old Business
- h. New Business
- i. Adjournment

ARTICLE II QUORUM

Section 1. A majority of the Executive Committee members shall constitute a quorum for the Executive Committee meetings.

Section 2. A majority of the Representative Council members shall constitute a quorum for the Representative Council meetings.

Section 3. The members present shall constitute a quorum for the general membership meetings.

ARTICLE III POWERS AND DUTIES OF THE OFFICERS

Section 1. President

The president shall:

- a. preside over all meetings of the Executive Committee, Representative Council and general membership;
- b. appoint, with the approval of the Executive Committee, the chairperson and members of all standing committees and special committees not otherwise provided for in the Constitution and Bylaws;
- c. be an ex-officio member of all committees;
- d. with the treasurer, sign all orders drawn upon the treasury for which a voucher has been submitted;
- e. represent the Association before the public personally or through a designated representative;
- f. perform all other functions usually attributed to this office.

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Section 2. Vice-President (or President-elect)

The vice-president shall:

- a. assume all duties of the president in his or her absence and work closely with one or more standing committees as the president may suggest;
- b. become president whenever the presidency becomes vacant as provided for in Article V, Section 5 of the Constitution;
- c. be an ex-officio member of the committees of the president's choice.

Section 3. Corresponding Secretary (or Secretary-Treasurer)

The corresponding secretary shall:

- a. be responsible for handling all correspondence for the Association;
- b. as directed by the president and Executive Committee, carry on the affairs of the Association;
- c. notify the appropriate members as to the time and place of the Executive Committee, Representative Council and general membership meetings at least seven calendar days prior to the meetings.

Section 4. Recording Secretary (or Secretary-Treasurer)

The recording secretary shall:

- a. keep accurate minutes of all Executive Committee, Representative Council and general membership meetings;
- b. maintain the official files;
- c. distribute minutes to all members within ten days following the Executive Committee, Representative Council and general membership meetings;
- d. distribute copies of all proposed amendments to the Constitution as prescribed in Article VIII of the Constitution.

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Section 5. Treasurer (or Secretary-Treasurer)

The treasurer shall:

- a. be responsible for collection of all dues;
- b. deposit all monies in a bank, in the name of the Association;
- c. notify the AEA of the name of the bank in which Association dues are deposited;
- d. hold the funds of the Association and disperse them accordingly upon submission of vouchers approved by the president;
- e. sign all checks along with the president;
- f. report at each meeting of the Executive Committee, Representative Council and general membership;
- g. prepare an annual financial statement which shall be distributed to all members;
- h. file the appropriate federal and state forms;
- i. transmit appropriate AEA-NEA dues money to the AEA no later than two days after its receipt by the Association from the Board of Education;
- j. serve on the Budget Committee;
- k. be bonded for such amount as may be determined by the Executive Committee from time to time. *(The NEA currently provides a bond which covers the officers of the Association).*

ARTICLE IV POWERS AND DUTIES OF THE EXECUTIVE COMMITTEE

Section 1. The Executive Committee shall:

- a. be responsible for the management of the Association;
- b. authorize all expenditures within the limits of the budget;
- c. by two-thirds vote, authorize the spending of money for non-budget items not to exceed \$_____ in any one case;

Disbursements in excess of \$_____ must have the approval of a majority of the Representative Council;

- d. propose policies for consideration by the Representative Council;

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- e. execute policies established by the Representative Council;
- f. cause to be reported to the members its transactions and those of the Representative Council;
- g. establish such special committees as may be necessary;
- h. set the agenda for the Representative Council and all general membership meetings.

Section 2. In the event of vacancies in the office of president, the vice-president shall become president and serve until the next annual election.

ARTICLE V POWERS OF THE REPRESENTATIVE COUNCIL

Section 1. The Representative Council shall:

- a. approve the budget;⁵
- b. set the dues for the Association;⁶
- c. act on reports of committees;
- d. establish the policies of the Association;
- e. adopt rules for governing the conduct of meetings as are consistent with the Constitution and Bylaws.

Section 2. Powers not delegated to the Executive Committee, the officers or other groups in the Association shall be vested in the Representative Council.

ARTICLE VI COMMITTEES

Section 1. Structure

There shall be standing committees carrying the specific functions listed below. They shall have at least (number) members, selected to be broadly representative of all members, appointed for overlapping terms of (number) years.

^{5.} If an association does not have a Representative Council, then the budget should be submitted to the general membership for approval.

^{6.} If a local association does not have a Representative Council, any change in the rate of dues or levy of a general or special assessment must be voted upon by secret ballot at a general or special membership meeting or within school balloting after reasonable notice of intention to vote upon such question or voting in a membership referendum conducted by a secret ballot.

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Section 2. Appointment

The president, with the advice and consent of the Executive Committee, shall appoint members of the standing committees at the regular meeting in (month) and fill unexpired terms as vacancies occur.

Section 3. Meetings

Each standing committee shall meet according to a calendar developed by the committee.

Section 4. Reports

Each committee shall select a secretary who shall keep a continuing record of activities. Chairpersons shall report as necessary to the Executive Committee, Representative Council and general membership and such reports shall become part of the continuing committee records in the Association files.

Section 5. Committee Title and Duties (*Suggestion Only*)

a. The Bargaining Committee shall survey the members and prepare a proposed package to be negotiated with the Board of Education by the Association's negotiating team in all areas of member welfare and general working conditions.

b. The Advocacy Committee shall explore and prepare programs for securing satisfactory policies and procedures for the redress of grievances. It shall process all grievances filed in accordance with the Agreement and policies adopted by the Association. It shall advise the Executive Committee in situations involving the defense of individual rights.

c. The Quality Teaching & Learning Committee shall serve the Association as monitor and initiator of the classroom teachers' input to positive programs of instruction for the schools. It shall serve as a representative of the teachers to a school district's instructional council where such a vehicle exists by contract. The Instruction Committee shall investigate recommended changes in instructional programs for effects such programs may have on the professional educator. It should report its findings or curriculum developments directly to the Executive Committee.

Constitution & Bylaws

d. The Membership Committee shall organize and conduct membership enrollment. Its members shall attempt to enroll cash members, new employees and former non-members enrolled for the current school year. It shall communicate with members on Automatic Payroll Deduction to return by direct mail any corrections in their status or address after receiving their annual membership cards in the mail.

e. The Public Relations Committee shall seek to develop public understanding of the purposes and programs of the Association. It shall develop procedures by which the Association can present material through newspapers, radio, television and other mass media and work cooperatively with the public in civic, fraternal and social organizations.

f. The Communications Committee shall be responsible to keep the general membership informed of Association action through fliers and newsletters. It shall develop a telephone call system for the membership in case of a crisis situation. At least one of its members shall be at the disposal of the Negotiating Team. All communications shall be reviewed by the Association president.

(Depending on the size of the local, e and f can be combined.)

g. The Social Committee shall organize such social activities as may serve the needs of members and promote rapport within the Association.

h. The Legislative Committee shall have broad concern for state and national legislation affecting the interest of the Association. It shall inform members about newly proposed and enacted legislation related to their interests, promote activities leading to the passage of desirable legislation, encourage members to exercise their responsibility to vote and their right to participate in political activity.

i. The Budget Committee shall propose to the Representative Council for action a budget for the Association each year. Members of the Budget Committee shall have full and complete access to all financial and other records of the Association pertinent to the preparation of the annual budget.

Section 6. Special Committees

Each year, the president shall appoint, with the approval of the Executive Committee, an Audit Committee, Election Committee and such other special committees as may be necessary, and shall disband them upon completion of their duties. These committees shall operate according to rules approved by the Executive Committee. No officer shall serve on the Audit or Election Committees. A copy of the audit shall become part of the Association's permanent record. A copy shall be sent to AEA.

Constitution & Bylaws

ARTICLE VII ELECTIONS

Section 1. NOMINATIONS

THE ELECTIONS COMMITTEE SHALL UNIFORMLY INFORM ALL MEMBERS OF UPCOMING ELECTIONS, VACANT ELECTIVE POSITIONS, PROVIDE NOMINATION FORMS AND ESTABLISH TIMELINES FOR NOMINATIONS AND ELECTIONS.

Section 2. THE ELECTIONS COMMITTEE SHALL PRESENT ALL NOMINATIONS TO THE GENERAL MEMBERSHIP IN A UNIFORM MANNER. ANY MEMBER OF THE ASSOCIATION MAY NOMINATE CANDIDATES.

Section 3. MEMBERS SHALL VOTE FOR CANDIDATES BY SECRET BALLOT IN ACCORDANCE WITH PROCEDURES DEVELOPED BY THE ELECTIONS COMMITTEE AND APPROVED BY THE REPRESENTATIVE COUNCIL (OR EXECUTIVE COMMITTEE).

Section 4. ALL ELECTIONS WILL BE HELD ON THE SAME DAY AND TIME THROUGHOUT THE SCHOOL DISTRICT.

Section 5. IN THE EVENT OF THE RESIGNATION OR DISQUALIFICATION OF ANY ELECTED MEMBER OF THE EXECUTIVE COMMITTEE OR THE REPRESENTATIVE COUNCIL OTHER THAN THE PRESIDENT, VICE-PRESIDENT OR PRESIDENT-ELECT, (see Constitution, Article V, Section 5), A SPECIAL ELECTION SHALL BE HELD WITHIN (number) DAYS OF SUCH RESIGNATION OR DISQUALIFICATION. THE ELECTED MEMBER SHALL SERVE OUT THE BALANCE OF THE UNEXPIRED TERM OF OFFICE

ARTICLE VIII FISCAL YEAR

The fiscal year of the Association shall begin (date) and end (date).

ARTICLE IX AUTHORITY

The most recent edition of "Robert's Rules of Order" shall be the parliamentary authority for the Association on all questions not covered by the Constitution and Bylaws and such standing rules as the Executive Committee may adopt.

ARTICLE X AMENDMENTS

Amendments to the Bylaws may be made by a two-thirds majority of the active members of the Association voting in a regular or special election called for this purpose, provided that each amendment has been previously introduced at a regular meeting of the Representative Council⁷ and that copies have been distributed to each active member of the Association at least two calendar weeks in advance of a secret ballot election.

7. If a local association does not have a Representative Council, the amendments should be introduced at a previous regular meeting of the general membership.

Sample Board Resolution for Banking

AEA Financial Consent Agenda

AUTHORIZATION FOR DEPOSITORIES

August 7, 2017

A) Article III, Section 15 of the AEA Constitution

"Resolved, that the AEA Board of Directors identify and approve the following financial institutions as depositories for AEA and EIF funds for September 1, 2017 through August 31, 2018 - fiscal year 2017-2018.

Bank of America
US Bank
Merrill Lynch
JPMorgan
Compass Bank-BBVA
Compass Brokerage-BBVA
Chase Bank

AUTHORIZATION FOR AUDIT

B) Article IV, Section 1 of the AEA Bylaws

"Resolved, that the AEA Board of Directors appoint the auditing firm of Henry & Horne Inc. to conduct the audit of the 2014-2015, 2015-16 and 2016-17 budgets, financial records and operations of the Arizona Education Association (AEA) and the Education Improvement Fund (EIF) for the month beginning September 1, and ending August 31, of each fiscal year. This is a three year agreement between the Arizona Education Association and Henry & Horne, LLC."

AUTHORIZATION TO APPROPRIATE FUNDS

C) Requirement of the National Education Employees Assistance Fund:

"Resolved, that the Arizona Education Association is hereby authorized to appropriate an amount not to exceed \$2.00 per active Certified and Classified member for the National Education Employees Assistance Fund. The funds for this appropriation are to be drawn against the Association's net assets and shall be listed as a note to the financial statements."

The Compliance Remediation Process

STEP 1

Validating Your EIN

Do you have an EIN?

IF YES, go to Step 2.

IF YOU DO NOT KNOW IF YOU DO or DON'T KNOW THE NUMBER, you must try to determine if you can locate it before moving on. In the EXACT order listed below, attempt to locate the EIN:

1. Contact your bank and ask them what the EIN is associated with your checking account.
2. Look through old association documents.
3. Contact the former Treasurer or other officers.
4. Call AEA Membership Processing and ask them to check your old Annual Reports to see if they can find one.
5. Contact the AEA Business Manager to see if there are any other files at AEA that may have your number on it. Then proceed to step 2.

IF NO, or if after performing all the steps above you cannot locate one:

1. Apply for an EIN at www.irs.gov.
2. If the application fails because a number already exists with that name, contact AEA Business Manager for next steps.
3. Make sure to give the number to your bank so that they can attach it to your account. You may need to close your account and open a new one if they cannot add it.
4. Keep the document with your EIN number in a safe place, it is a permanent record. Then proceed to step 2.

STEP 2

Incorporated or Unincorporated Organization

Is your Local Association Incorporated? (Search Corporation Commission database)

SEARCH

www.azcc.gov

eCorp (click on square in lower left corner)

Search (try several different names; full name, abbreviated, acronym)

If your association comes up in the database, click on the corporation name and check the corporate status.

IS THE ASSOCIATION IN GOOD STANDING?

IF YES, go back one page and scroll down to the Annual Report Section noting when the next Annual Report is due and then proceed to Step 3.

IF NO, contact AEA Business Manager or AEA Legal Counsel to discuss remediation plan.

IF your association *does not come up in the database*, you are an unincorporated organization, continue with the following instructions:

Is your Local Association Name registered as a Trade Name with the Secretary of State? (Search the Secretary of State database)

SEARCH

www.azsos.gov

Business (click on either top menu or bottom button)

Search our Databases

Trade Name, Trademark and Partnerships

Search by Name (try several different names; full name, abbreviated, acronym)

The database contains the name of corporations and Limited Liability Companies in addition to trade names.

The Compliance Remediation Process

STEP 2, *continued*

Incorporated or Unincorporated Organization, *continued*

Is your Local Association Name registered as a Trade Name with the Secretary of State? (Search the Secretary of State database) *continued*

IF YOUR ASSOCIATION NAME APPEARS IN THE DATABASE note what type of registration it is. If it is trade name, go to Step 3.

IF YOUR ASSOCIATION IS LISTED AS SOMETHING OTHER THAN A TRADE NAME, click on the file number and determine if this is in fact your organization. If it is, note the name on the file and determine if it was not one you searched for earlier. If this is your organization, **go back to the beginning of Step 2** and go through the steps again as Incorporated.

If your association does not appear in the database you will want to register your trade name with the Secretary of State. Click on Trade Names & Trademarks on the left side menu and follow the steps to register. The fee is \$10 and is good for 5 years.

When completing the application please list your association as being the owner of the trade name. This is important because when the renewal comes around if someone other than the association is listed you will need to file for a change in ownership before renewing which adds a layer of complexity to a very simple renewal process.

STEP 3

Tax-Exempt Status

Does your Local Association have Tax-Exempt Status with the IRS?
(Search IRS database)

SEARCH

www.irs.gov

Charities & Nonprofits (blue rectangle box in upper righthand corner under search)

Tax Exempt Organization Search

Tax Exempt Organization Search

(blue rectangle box towards the bottom of the page)

SEARCH THE DATABASE USING YOUR EIN

IF YOU HAVE TAX-EXEMPT STATUS you will appear in the search results.

NOTE: If you appear in this search, click on your name and note the last report filed and determine if you are current in your filings. (If you miss three reports the IRS will automatically revoke your tax-exempt status.) If you are not current in your filings, contact AEA Business Manager to determine what steps to follow to come into total compliance.

IF YOU WERE NOT IN THE SEARCH BY EIN, then a second search should be performed by organization name. Be sure to use your full association name, not acronyms.

IF YOU DO NOT APPEAR IN EITHER OF THESE SEARCHES and HAVE REVENUE UNDER \$50,000 this means you DO NOT HAVE TAX-EXEMPT STATUS, continue to next page.

The Compliance Remediation Process

STEP 3, *continued*

Tax-Exempt Status, *continued*

Does your Local Association have Tax-Exempt Status with the IRS?
(Search IRS database) *continued*

You will need to apply for tax-exempt status with the IRS by filing the following two forms:

Form 1024 Application for Recognition of Exemption under Section 501 (a).

This form can be found on the IRS website by searching for the form number in the search box. The form is lengthy as it is built to handle a wide variety of applications. For AEA Local Associations only page 1-5 and page 9 will need to be complete.

Form 8718 User Fee for Exempt Organization Determination Letter Request.

This form can be found on the IRS website by searching for the form number in the search box. This form must accompany the Form 1024 and an application fee of either \$600 must be included.

It will take a few weeks for the IRS to process the application and issue you an IRS Determination Letter documenting your tax-exempt status.

This letter is very important and should be kept with permanent documents to be passed on to each subsequent Treasurer (make copies, store an electronic copy.)

STEP 4

Annual Form 990 Filing

Once you have official tax-exempt status you can then register on the IRS website to file your Annual Form 990-N electronically. This Annual Notice is eight questions long and easy to file.

It is due annually on the 15th day of the 5th month after your fiscal year-end.



IRS 1024 Application for Recognition of Exemption under Section 501(a)

Form 1024 (Rev. January 2022) Department of the Treasury Internal Revenue Service	Application for Recognition of Exemption Under Section 501(a) or Section 521 of the Internal Revenue Code Do not enter social security numbers on this form as it may be made public. Go to www.irs.gov/Form1024 for instructions and the latest information.	OMB No. 1545-0047 <i>Note: If exempt status is approved, this application will be open for public inspection.</i>
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Use the "?" buttons throughout this form for help in completing this application. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 877-829-5500.

If you cannot complete required responses within the textbox limits throughout this form, upload your additional narratives with the other required documents.

Part I Identification of Applicant

1 Full Name of Organization (exactly as it appears in your organizing document)			
2 Care of Name (if applicable)			
3 Mailing Address (number, street and room/suite)		4 City	5 Country United States
6 State	7 Zip Code + 4	8 Foreign Province (or State)	9 Foreign Postal Code
10 Employer Identification Number	11 Month Tax Year Ends	12 Person to Contact if More Information is Needed (officer, director, trustee, or authorized representative)	
13 Contact Telephone Number		14 Fax Number (optional)	15 User Fee Submitted
16 Organization's Website (if available):			
17 List the names, titles, and mailing addresses of your officers, directors, and/or trustees.			
First Name:		Last Name:	
Mailing Address:		City:	
State (or Province):		Zip Code (or Foreign Postal Code):	
First Name:		Last Name:	
Mailing Address:		City:	
State (or Province):		Zip Code (or Foreign Postal Code):	
First Name:		Last Name:	
Mailing Address:		City:	
State (or Province):		Zip Code (or Foreign Postal Code):	
First Name:		Last Name:	
Mailing Address:		City:	
State (or Province):		Zip Code (or Foreign Postal Code):	
First Name:		Last Name:	
Mailing Address:		City:	
State (or Province):		Zip Code (or Foreign Postal Code):	

Check here to add more officers, directors, and/or trustees.

IRS 1024 Application for Recognition of Exemption under Section 501(a)

Form 1024 (Rev. 01-2022) Name:

EIN:

Page 2

Part II Organizational Structure

1 You must be a corporation, limited liability company (LLC), unincorporated association, or trust to be tax exempt.

Select your type of organization.

Corporation

At the end of this form, you must upload a copy of your articles of incorporation (and any amendments) that shows proof of filing with the appropriate state agency.

Limited Liability Company (LLC)

At the end of this form, you must upload a copy of your articles of organization (and any amendments) that shows proof of filing with the appropriate state agency. Also, if you adopted an operating agreement, upload a copy, along with any amendments.

Unincorporated Association

At the end of this form, you must upload a copy of your articles of association, constitution, or other similar organizing document that is dated and includes at least two signatures. Include signed and dated copies of any amendments.

Trust

At the end of this form, you must upload a signed and dated copy of your trust agreement. Include signed and dated copies of any amendments.

2 Enter the date you formed. (MM/DD/YYYY)

3 Select your state (or U.S. territory) of incorporation or other formation. If you were formed under the laws of a foreign country, select Foreign Country.

4 Have you adopted bylaws? If "Yes," at the end of this form, upload a current copy showing the date of adoption. If Yes No "No," explain how you select your officers, directors, or trustees.

IRS 1024 Application for Recognition of Exemption under Section 501(a)

Form 1024 (Rev. 01-2022) Name:

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Part II Organizational Structure (continued)

5 Check the appropriate box below to indicate the section under which you are applying:

- Section 501(c)(2)—Title holding corporations (Schedule A)
- Section 501(c)(5)—Labor, agricultural, or horticultural organizations (Schedule B)
- Section 501(c)(6)—Business leagues, chambers of commerce, etc. (Schedule C)
- Section 501(c)(7)—Social clubs (Schedule D)
- Section 501(c)(8)—Fraternal beneficiary societies, etc., providing life, sick, accident, or other benefits to members (Schedule E)
- Section 501(c)(9)—Voluntary employees' beneficiary associations (Schedule F)
- Section 501(c)(10)—Domestic fraternal societies, orders, etc., not providing life, sick, accident, or other benefits (Schedule E)
- Section 501(c)(11)—Teachers' Retirement Fund Associations
- Section 501(c)(12)—Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations (Schedule G)
- Section 501(c)(13)—Cemeteries, crematoria, and like corporations (Schedule H)
- Section 501(c)(14)—Credit Unions (Schedule I)
- Section 501(c)(15)—Mutual insurance companies or associations, other than life or marine (See Instructions for Part III)
- Section 501(c)(16)—Corporations organized to finance crop operations
- Section 501(c)(17)—Trusts providing for the payment of supplemental unemployment compensation benefits (Schedule J)
- Section 501(c)(18)—Employee funded pension trusts (created before June 25, 1959)
- Section 501(c)(19)—A post, organization, auxiliary unit, etc., of past or present members of the Armed Forces of the United States (Schedule K)
- Section 501(c)(21)—Black Lung Benefit Trusts
- Section 501(c)(22)—Withdrawal Liability Payment Funds
- Section 501(c)(23)—Veterans' organizations (created before 1880)
- Section 501(c)(25)—Title holding corporations or trusts with multiple parents (Schedule A)
- Section 501(c)(26)—State-Sponsored High-Risk Health Coverage Organizations
- Section 501(c)(27)—State-Sponsored Worker's Compensation Reinsurance Organizations
- Section 501(c)(28)—National Railroad Retirement Investment Trust
- Section 501(c)(29)—Qualified Nonprofit Health Insurance Issuers (See Instructions for Part III)
- Section 501(d)—Religious and apostolic organizations (Schedule L)
- Section 521—Farmers' Cooperative Associations (Schedule M)

IRS 1024 Application for Recognition of Exemption under Section 501(a)

Part III Your Activities

1 Describe completely and in detail your past, present, and planned activities. Do not refer to or repeat the purposes in your organizing document or speculate about potential future programs. Your narrative description of activities should be thorough and accurate because we determine whether you qualify for exempt status based on the information in your application.

For each past, present, or planned activity, include information that answers the following questions:

- What is the activity?
- Who conducts the activity?
- Where is the activity conducted?
- What percentage of your total time is allocated to the activity?
- How is the activity funded (for example, donations, fees, etc.) and what percentage of your overall expenses is allocated to this activity?
- How does the activity further your exempt purposes?

IRS 1024 Application for Recognition of Exemption under Section 501(a)

Form 1024 (Rev. 01-2022) Name:

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Part III Your Activities (continued)

2 Enter the 3-character NTEE Code that best describes your activities.

Or check here if you want the IRS to select the NTEE Code that best describes your activities.

3 Do you or will you spend any money or time attempting to influence the selection, nomination, election, or appointment of any person to any federal, state, or local public office or to an office in a political organization? If "Yes," explain in detail and list the amounts of money and time you spent or plan to spend in each case.

Yes No

4 Are you a successor to another organization? Answer "Yes" if you have taken or will take over the activities of another organization, you took over 25% or more of the fair market value of the net assets of another organization, or you were established upon the conversion of an organization from for-profit to nonprofit status. If "Yes," explain. If "No," continue to Line 5.

Yes No

4a Are you a successor to a for-profit organization?

Yes No

4b List the name, last address, and EIN of your predecessor organization and describe its activities.

4c List the owners, partners, principal stockholders, officers, and governing board members of your predecessor organization. Include their names, addresses, and share/interest in the predecessor organization (if for-profit).

Form 1024 (Rev. 01-2022)

IRS 1024 Application for Recognition of Exemption under Section 501(a)

Part III **Your Activities** (continued)

4d Explain your relationship with your predecessor organization and why you took over its activities or assets or converted from for-profit to nonprofit status.

4e Do you or will you maintain a working relationship with any of the persons listed in Line 4c or with any for-profit organization in which these persons own more than a 35% interest? If "Yes," describe the relationship. Yes No

4f Were any assets transferred, whether by gift or sale, from the predecessor organization to you? If "Yes," provide a list of assets, indicate the value of each asset, explain how the value was determined, and if an appraisal was obtained, at the end of this form upload a copy. For each asset listed, also explain if the transfer was by gift, sale, or combination thereof and describe any restrictions that were placed on the use or sale of the assets. Yes No

4g Were any debts or liabilities transferred from the predecessor organization to you? If "Yes," provide a list of the debts or liabilities that were transferred to you, indicating the amount of each, how the amount was determined, and the name of the person to whom the debt or liability is owed. Yes No

IRS 1024 Application for Recognition of Exemption under Section 501(a)

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Part III Your Activities (continued)

- 4h** Will you lease or rent any property or equipment to or from the predecessor organization or any persons listed in Line 4c or a for-profit organization in which these persons own more than a 35% interest? If "Yes," describe the arrangement(s) including how the lease or rental value was determined. Yes No

- 5** Do you have members? If "Yes," state your membership requirements, your classes of membership, the number of members in each class, and the voting rights or privileges associated with each class. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Yes No

- 6** Do you or will you make any distributions of property or surplus funds to shareholders or members? If "Yes," explain. Yes No

- 7** Have you or will you issue capital stock? If "Yes," state the class or classes of stock, number and par value of the shares, consideration for which stock was issued, and if any dividends have been or will be paid. Yes No

IRS 1024 Application for Recognition of Exemption under Section 501(a)

Part III Your Activities (continued)

8 Explain how your assets will be distributed upon dissolution.

9 Do you or will you have any arrangement to provide insurance for members, their dependents, or others (including provisions for the payment of sick or death benefits, pensions, or annuities)? If "Yes," describe the arrangement, including the terms and conditions of eligibility for membership and benefits. Yes No

10 Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," name each foreign organization, the country and region within each country in which each foreign organization operates, any relationship you have with each foreign organization, and whether the foreign organization accepts contributions earmarked for a specific country or organization (if so, specify which countries or organizations). If "No," continue to Line 11. Yes No

10a Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. Yes No

IRS 1024 Application for Recognition of Exemption under Section 501(a)

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Part III Your Activities (continued)

- 10b** Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including periodic reporting requirements, auditing grantees, site visits by your employees or compliance checks by impartial experts, etc., to verify that grant funds are being used appropriately. Yes No

- 10c** Do you share board members or other key personnel with the recipient organizations? If "Yes," identify the relationships. Yes No

- 10d** When you make grants, loans, or other distributions to foreign organizations, will you check the Office of Foreign Assets Control (OFAC) List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list? Describe any other practices you will engage in to ensure that foreign expenditures or grants are not diverted to support terrorism or other non-exempt activities. Yes No

- 10e** Will you comply with all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC? Yes No

- 10f** Will you acquire from OFAC the appropriate license and registration where necessary? Yes No

- 11** Do you or will you operate in a foreign country or countries? If "Yes," name each foreign country and region within each country in which you do or will operate and describe your operations in each one. If "No," continue to Part IV. Yes No

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IRS 1024 Application for Recognition of Exemption under Section 501(a)

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Part III Your Activities (continued)

- 11a** When you conduct activities in foreign countries, will you check the Office of Foreign Assets Control (OFAC) List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list? Describe any other practices you will engage in to ensure that foreign expenditures or grants are not diverted to support terrorism or other non-exempt activities. Yes No

- 11b** Will you comply with all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC? Yes No

- 11c** Will you acquire from OFAC the appropriate license and registration where necessary? Yes No

Part IV Compensation and Other Financial Arrangements

- 1** Do you or will you compensate your officers, directors, trustees, employees, members, or independent contractors? If "No," continue to Line 2. Yes No

- 1a** Do or will the individuals that approve compensation arrangements follow a conflict of interest policy? If "No," describe how you set compensation that is reasonable. Yes No

- 1b** Do you or will you compensate any of your officers, directors, trustees, employees, members, or independent contractors through nonfixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all nonfixed compensation agreements. Yes No

IRS 1024 Application for Recognition of Exemption under Section 501(a)

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Part IV Compensation and Other Financial Arrangements (continued)

- 2 Do you or will you purchase or sell any goods, services, or assets from or to: (i) any of your officers, directors, or trustees; (ii) any family of any of your officers, directors, or trustees; (iii) any organizations in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest; (iv) your highest compensated employees; (v) your highest compensated independent contractors; or (vi) any member of your organization? If "Yes," describe any such transactions that you made or intend to make, with whom you make or will make such transactions, how the terms are or will be negotiated at arm's length, and how you determine you pay no more than fair market value or you are paid at least fair market value. Yes No

- 3 Do you or will you have any leases, contracts, loans, or other agreements with: (i) your officers, directors, or trustees; (ii) any family of any of your officers, directors, or trustees; (iii) any organizations in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest; (iv) your highest compensated employees; (v) your highest compensated independent contractors; or (vi) any member of your organization? If "Yes," describe any written or oral arrangements that you made or intend to make, with whom you have or will have such arrangements, how the terms are or will be negotiated at arm's length, and how you determine you pay no more than fair market value or you are paid at least fair market value. Yes No

- 4 Do you or will you be paid for services you perform? If "Yes," describe these services, the income and expenses related to the services, and how they further your exempt purposes. Yes No

- 5 Do you or will you participate in any joint ventures, including partnerships or limited liability companies treated as partnerships, in which you share profits and losses with partners? If "Yes," for each joint venture, state your ownership percentage and your investment in each joint venture, describe the tax status of all other participants, describe the activities of each and how you exercise control over those activities, and describe how each joint venture furthers your exempt purposes. Yes No

Form 1024 (Rev. 01-2022)

IRS 1024 Application for Recognition of Exemption under Section 501(a)

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Part V Financial Data

A. Statement of Revenues and Expenses			
Type of revenue	Current tax year	2 prior or succeeding tax years	
	From: <u> </u> / <u> </u> / <u> </u>	From: <u> </u> / <u> </u> / <u> </u>	From: <u> </u> / <u> </u> / <u> </u>
	To: <u> </u> / <u> </u> / <u> </u>	To: <u> </u> / <u> </u> / <u> </u>	To: <u> </u> / <u> </u> / <u> </u>
1 Gifts, grants, and contributions received			
2 Membership fees received			
3 Gross investment income			
4 Net unrelated business income			
5 Taxes levied for your benefit			
6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)			
7 Any revenue not otherwise classified (provide an itemized list below)			
8 Total of lines 1 through 7	\$0.	\$0.	\$0.
9 Gross receipts from any activity that is related to your exempt purpose (provide an itemized list below)			
10 Total of lines 8 and 9	\$0.	\$0.	\$0.
11 Net gain or loss on sale of capital assets (provide an itemized list below)			
12 Total Revenue	\$0.	\$0.	\$0.
Type of expense	Current tax year	2 prior or succeeding tax years	
13 Fundraising expenses			
14 Contributions, gifts, grants, and similar amounts paid out (provide an itemized list below)			
15 Disbursements to or for the benefit of members (provide an itemized list below)			
16 Compensation of officers, directors, and trustees			
17 Other salaries and wages			
18 Interest expense			
19 Occupancy (rent, utilities, etc.)			
20 Depreciation and depletion			
21 Professional fees			
22 Any expense not otherwise classified, such as program services (provide an itemized list below)			
23 Total Expenses	\$0.	\$0.	\$0.

24 Itemized financial data

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Part V Financial Data (continued)

B. Balance Sheet (for your most recently completed tax year)		Year End:
Assets		
1	Cash	
2	Accounts receivable, net	
3	Inventories	
4	Bonds and notes receivable (provide an itemized list below)	
5	Corporate stocks (provide an itemized list below)	
6	Loans receivable (provide an itemized list below)	
7	Other investments (provide an itemized list below)	
8	Depreciable assets (provide an itemized list below)	
9	Land	
10	Other assets (provide an itemized list below)	
11	Total Assets	\$0.
Liabilities		
12	Accounts payable	
13	Contributions, gifts, grants, etc. payable	
14	Mortgages and notes payable (provide an itemized list below)	
15	Other liabilities (provide an itemized list below)	
16	Total Liabilities	\$0.
Fund Balances or Net Assets		
17	Total fund balances or net assets	
18	Total Liabilities and Fund Balances or Net Assets	\$0.

19 Itemized financial data

IRS 1024 Application for Recognition of Exemption under Section 501(a)

Form 1024 (Rev. 01-2022) Name:

EIN:

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Schedule B Organizations described in section 501(c)(5)—Labor, agricultural, or horticultural organizations

1 Select your type of organization from the list below.

- Labor organization
- Agricultural organization (continue to Line 3)
- Horticultural organization (continue to Line 3)

2 Are you organized under the terms of a collective bargaining agreement? If "Yes," at the end of this form, upload a current copy. Continue to Line 4. Yes No

3 Describe the products your members produce or will produce, if applicable. If you are a fishermen's organization, describe the kinds of aquatic resources that are cultivated or harvested by your members.

4 Describe any services you perform or will perform for members or others.

Form 1024 (Rev. 01-2022)

IRS 8718 User Fee for Exempt Organization Determination Letter Request

Form 8718
 (Rev. November 2021)
 Department of the Treasury
 Internal Revenue Service

**User Fee for Exempt Organization
 Determination Letter Request**
 ▶ Attach this form to determination letter application.
 (Form 8718 is NOT a determination letter application.)
 ▶ Go to www.irs.gov/Form8718 for the latest information.

OMB No. 1545-0047
 For IRS Use Only
 Control number _____
 Amount paid _____
 User fee screener _____

Name of organization	Employer Identification Number
----------------------	--------------------------------

Caution: Do not attach Form 8718 to an application for a pension plan determination letter. Use Form 8717 instead.

1 Type of request	Fee
<p>a <input type="checkbox"/> Application for recognition of exemption under section 501 or under section 521 from organizations (other than pension, profit-sharing, and stock bonus plans described in section 401). Enter the applicable fee amount ▶ \$ _____</p>	
<p>b <input type="checkbox"/> Group exemption letters ▶ \$ _____</p>	

Section references are to the Internal Revenue Code, unless otherwise noted.

Instructions

The law requires payment of a user fee with each application for a determination letter. For more information, see Rev. Proc. 2021-5, 2021-1 I.R.B. 250, or latest annual update, available on www.irs.gov.

Check only one box on line 1 for the type of application you are submitting. Then, enter the appropriate user fee amount in the space provided.

Caution: The application will not be processed without payment of the proper user fee.

Attach to Form 8718 a check or money order payable to the "United States Treasury" for the full amount of the user fee. If you do not include the full amount, your application will be returned. Attach Form 8718 to your determination letter application.

Generally, the user fee will be refunded only if the Internal Revenue Service declines to issue a determination.

Where To File

Send the determination letter application and Form 8718 to:

Internal Revenue Service
 TE/GE Stop 31A Team 105
 P.O. Box 12192
 Covington, KY 41012-0192

Who Should File

Organizations applying for federal income tax exemption, other than filers of Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, or Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code (all of which are filed only electronically), should file Form 8718.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for tax exempt taxpayers filing this form is approved under OMB control number 1545-0047 and is included in the estimates shown in the instructions for their tax exempt tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from www.irs.gov/FormComments. Or you can send your comments to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where To File*, above.

Form W-9, Request for Taxpayer Identification Number and Certification

Form **W-9**
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

▶ Go to www.irs.gov/FormW9 for instructions and the latest information.

Print or type. See Specific Instructions on page 3.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.		
	2 Business name/disregarded entity name, if different from above		
	3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes.		4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <small>(Applies to accounts maintained outside the U.S.)</small>
	<input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____ Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner. <input type="checkbox"/> Other (see instructions) ▶ _____		
	5 Address (number, street, and apt. or suite no.) See instructions.		Requester's name and address (optional)
	6 City, state, and ZIP code		
	7 List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number											
				-				-			
or											
Employer identification number											
				-							

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here

Signature of U.S. person ▶

Date ▶

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.

Form 1096, Annual Summary and Transmittal of U.S. Information Returns



Attention filers of Form 1096:

This form is provided for informational purposes only. It appears in red, similar to the official IRS form. The official printed version of this IRS form is scannable, but a copy, printed from this website, is not. Do **not** print and file a Form 1096 downloaded from this website; a penalty may be imposed for filing with the IRS information return forms that can't be scanned. See part O in the current General Instructions for Certain Information Returns, available at www.irs.gov/form1099, for more information about penalties.

To order official IRS information returns, which include a scannable Form 1096 for filing with the IRS, visit www.IRS.gov/orderforms. Click on [Employer and Information Returns](#), and we'll mail you the forms you request and their instructions, as well as any publications you may order.

Information returns may also be filed electronically. To file electronically, you must have software, or a service provider, that will create the file in the proper format. More information can be found at:

- IRS Filing Information Returns Electronically (FIRE) system (visit www.IRS.gov/FIRE), or
- IRS Affordable Care Act Information Returns (AIR) program (visit www.IRS.gov/AIR).

See IRS Publications 1141, 1167, and 1179 for more information about printing these tax forms.

Form 1096, Annual Summary and Transmittal of U.S. Information Returns

Do Not Staple 6969

Form 1096 (Rev. February 2021) Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">Annual Summary and Transmittal of U.S. Information Returns</h2>	OMB No. 1545-0108 <h1 style="margin: 0;">2021</h1>
FILER'S name		
Street address (including room or suite number)		
City or town, state or province, country, and ZIP or foreign postal code		
Name of person to contact		Telephone number
Email address		Fax number
For Official Use Only 		
1 Employer identification number	2 Social security number	3 Total number of forms
4 Federal income tax withheld \$		5 Total amount reported with this Form 1096 \$
6 Enter an "X" in only one box below to indicate the type of form being filed.		
W-2G 32	1097-BTC 50	1098 81
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-LTC 93	1099-MISC 95	1099-NEC 71
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1098-C 78	1098-E 84	1098-F 03
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-INT 92	1099-K 10	1099-LS 16
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1098-Q 74	1098-T 83	1099-A 80
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-QA 1A	1099-R 98	1099-S 75
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-OB 79	1099-C 85	1099-CAP 73
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-QA 97	1099-Q 31	1099-QA 1A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-SB 43	3921 25	3922 26
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5498 28	5498-ESA 72	5498-QA 2A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5498-SA 27		
<input type="checkbox"/>		

Return this entire page to the Internal Revenue Service. Photocopies are not acceptable. Send this form, with the copies of the form checked in box 6, to the IRS in a flat mailer (not folded).

Under penalties of perjury, I declare that I have examined this return and accompanying documents and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Instructions

Future developments. For the latest information about developments related to Form 1096, such as legislation enacted after it was published, go to www.irs.gov/Form1096.

Reminder. The only acceptable method of electronically filing information returns listed on this form in box 6 with the IRS is through the FIRE System. See Pub. 1220.

Purpose of form. Use this form to transmit paper Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G to the IRS.

Caution: If you are required to file 250 or more information returns of any one type, you must file electronically. If you are required to file electronically but fail to do so, and you do not have an approved waiver, you may be subject to a penalty. The Taxpayer First Act of 2019, enacted July 1, 2019, authorized the Department of the Treasury and the IRS to issue regulations that reduce the 250-return requirement for 2021 tax returns. If those regulations are issued and effective for 2021 tax returns required to be filed in 2022, we will post an article at www.irs.gov/Form1099 explaining the change. Until regulations are issued, however, the number remains at 250, as reflected in these instructions. For more information, see part F in the 2021 General Instructions for Certain Information Returns.

Forms 1099-QA and 5498-QA can be filed on paper only, regardless of the number of returns.

Who must file. Any person or entity who files any of the forms shown in line 6 above must file Form 1096 to transmit those forms to the IRS.

Enter the filer's name, address (including room, suite, or other unit number), and taxpayer identification number (TIN) in the spaces provided on the form. The name, address, and TIN of the filer on this form must be the same as those you enter in the upper left area of Forms 1097, 1098, 1099, 3921, 3922, 5498, or W-2G.

When to file. File Form 1096 as follows.

- With Forms 1097, 1098, 1099, 3921, 3922, or W-2G, file by February 28, 2022.
- With Forms 1099-NEC, file by January 31, 2022.
- With Forms 5498, file by May 31, 2022.

Where To File

Send all information returns filed on paper with Form 1096 to the following.

If your principal business, office or agency, or legal residence in the case of an individual, is located in

Use the following address

Alabama, Arizona, Arkansas, Delaware, Florida, Georgia, Kentucky, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Texas, Vermont, Virginia

Internal Revenue Service
Austin Submission Processing Center
P.O. Box 149213
Austin, TX 78714

Form 1096, Annual Summary and Transmittal of U.S. Information Returns

Alaska, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming

Internal Revenue Service Center
P.O. Box 219256
Kansas City, MO 64121-9256

California, Connecticut, District of Columbia, Louisiana, Maryland, Pennsylvania, Rhode Island, West Virginia

Department of the Treasury
Internal Revenue Service Center
1973 North Rulon White Blvd.
Ogden, UT 84201

If your legal residence or principal place of business is outside the United States, file with the Internal Revenue Service, Austin Submission Processing Center, P.O. Box 149213, Austin, TX 78714.

Transmitting to the IRS. Group the forms by form number and transmit each group with a separate Form 1096. For example, if you must file both Forms 1098 and 1099-A, complete one Form 1096 to transmit your Forms 1098 and another Form 1096 to transmit your Forms 1099-A. You need not submit original and corrected returns separately. Do not send a form (1099, 5498, etc.) containing summary (subtotal) information with Form 1096. Summary information for the group of forms being sent is entered only in boxes 3, 4, and 5 of Form 1096.

Box 1 or 2. Enter your TIN in either box 1 or 2, not both. Individuals not in a trade or business must enter their social security number (SSN) in box 2. Sole proprietors and all others must enter their employer identification number (EIN) in box 1. However, sole proprietors who do not have an EIN must enter their SSN in box 2. Use the same EIN or SSN on Form 1096 that you use on Form 1097, 1098, 1099, 3921, 3922, 5498, or W-2G.

Box 3. Enter the number of forms you are transmitting with this Form 1096. Do not include blank or voided forms or the Form 1096 in your total. Enter the number of correctly completed forms, not the number of pages, being transmitted. For example, if you send one page of three-to-a-page Forms 1098-E with a Form 1096 and you have correctly completed two Forms 1098-E on that page, enter "2" in box 3 of Form 1096.

Box 4. Enter the total federal income tax withheld shown on the forms being transmitted with this Form 1096.

Box 5. No entry is required if you are filing Form 1098-T, 1099-A, or 1099-G. For all other forms in the listing that follows, enter the total of the amounts from the specific boxes identified for each form.

Form W-2G	Box 1
Form 1097-BTC	Box 1
Form 1098	Boxes 1 and 6
Form 1098-C	Box 4c
Form 1098-E	Box 1
Form 1098-F	Box 1
Form 1098-Q	Box 4
Form 1099-B	Boxes 1d and 13
Form 1099-C	Box 2
Form 1099-CAP	Box 2
Form 1099-DIV	Boxes 1a, 2a, 3, 9, 10, and 11
Form 1099-INT	Boxes 1, 3, 8, 10, 11, and 13
Form 1099-K	Box 1a
Form 1099-LS	Box 1
Form 1099-LTC	Boxes 1 and 2
Form 1099-MISC	Boxes 1, 2, 3, 5, 6, 8, 9, 10, 11, and 13
Form 1099-NEC	Box 1
Form 1099-OID	Boxes 1, 2, 5, 6, and 8
Form 1099-PATR	Boxes 1, 2, 3, and 5
Form 1099-Q	Box 1
Form 1099-QA	Box 1
Form 1099-R	Box 1
Form 1099-S	Box 2
Form 1099-SA	Box 1
Form 1099-SB	Boxes 1 and 2
Form 3921	Boxes 3 and 4
Form 3922	Boxes 3, 4, and 5
Form 5498	Boxes 1, 2, 3, 4, 5, 8, 9, 10, 12b, 13a, and 14a
Form 5498-ESA	Boxes 1 and 2
Form 5498-QA	Boxes 1 and 2
Form 5498-SA	Box 1

Corrected returns. For information about filing corrections, see the 2021 General Instructions for Certain Information Returns. Originals and corrections of the same type of return can be submitted using one Form 1096.

Form 1099-Misc, Miscellaneous Income

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2021 Form 1099-MISC	Miscellaneous Information	
		2 Royalties \$			
		3 Other income \$			
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds \$	4 Federal income tax withheld \$	Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> \$	6 Medical and health care payments \$		
		9 Crop insurance proceeds \$	8 Substitute payments in lieu of dividends or interest \$		
		11 Fish purchased for resale \$	10 Gross proceeds paid to an attorney \$		
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments \$	12 Section 409A deferrals \$		14 Nonqualified deferred compensation \$
		15 State tax withheld \$	16 State/Payer's state no.		17 State income \$
		\$		\$	
		\$		\$	

Form **1099-MISC** (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

This form is a multiple page form with strict IRS requirements regarding color therefore they are typically purchased at an office supply store. Please visit https://www.irs.gov/site-index-search?search=form+1099-misc&field_pup_historical_1=1&field_pup_historical=1 for more information.

Form 1099-NEC, Nonemployee Compensation

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		2021 Form 1099-NEC	Nonemployee Compensation
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
		\$			
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Street address (including apt. no.)		3			
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld			
		\$			
Account number (see instructions)		5 State tax withheld	6 State/Payer's state no.		
		\$		\$	
		\$		\$	

Form **1099-NEC** (keep for your records) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

Form 8822-B, Change of Address or Responsible Party- Business

Form **8822-B**
(Rev. December 2019)
Department of the Treasury
Internal Revenue Service

Change of Address or Responsible Party — Business

▶ Please type or print.

▶ See instructions on back. ▶ Do not attach this form to your return.
▶ Go to www.irs.gov/Form8822B for the latest information.

OMB No. 1545-1163

Before you begin: If you are also changing your home address, use Form 8822 to report that change.

If you are a tax-exempt organization (see instructions), check here

Check **all** boxes this change affects.

- 1 Employment, excise, income, and other business returns (Forms 720, 940, 941, 990, 1041, 1065, 1120, etc.)
- 2 Employee plan returns (Forms 5500, 5500-EZ, etc.)
- 3 Business location

4a Business name	4b Employer identification number
-------------------------	--

5 Old mailing address (no., street, room or suite no., city or town, state, and ZIP code). If a P.O. box, see instructions. If foreign address, also complete spaces below, see instructions.

Foreign country name	Foreign province/county	Foreign postal code
----------------------	-------------------------	---------------------

6 New mailing address (no., street, room or suite no., city or town, state, and ZIP code). If a P.O. box, see instructions. If foreign address, also complete spaces below, see instructions.

Foreign country name	Foreign province/county	Foreign postal code
----------------------	-------------------------	---------------------

7 New business location (no., street, room or suite no., city or town, state, and ZIP code). If a foreign address, also complete spaces below, see instructions.

Foreign country name	Foreign province/county	Foreign postal code
----------------------	-------------------------	---------------------

8 New responsible party's name

9 New responsible party's SSN, ITIN, or EIN. (CAUTION: YOU MUST REFER TO THE INSTRUCTIONS FOR FORM SS-4 TO SEE WHO MAY USE AN EIN.)

10 Signature. Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.
Daytime telephone number of person to contact (optional) ▶ _____

Sign Here	Signature of owner, officer, or representative	Date
	Title	

Where To File	
Send this form to the address shown here that applies to you.	
IF your old business address was in . . .	THEN use this address . . .
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Internal Revenue Service Kansas City, MO 64999
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming, any place outside the United States	Internal Revenue Service Ogden, UT 84201-0023

Future Developments

Information about any future developments affecting Form 8822-B (such as legislation enacted after we release it) will be posted at www.irs.gov/Form8822B.

Purpose of Form

Use Form 8822-B to notify the Internal Revenue Service if you changed your business mailing address, your business location, or the identity of your responsible party. Also, any entities that change their address or identity of their responsible party must file Form 8822-B, whether or not they are engaged in a trade or business. If you are a representative signing for the taxpayer, attach to Form 8822-B a copy of your power of attorney. Generally, it takes 4 to 6 weeks to process your address or responsible party change.

Changing both home and business addresses? Use Form 8822 to change your home address.

Tax-Exempt Organizations

Check the box if you are a tax-exempt organization. See Pub. 557, Tax-Exempt Status for Your Organization, for details.

Addresses

Be sure to include any apartment, room, or suite number in the space provided.

P.O. Box

Enter your box number instead of your street address only if your post office does not deliver mail to your street address.

Foreign Address

Follow the country's practice for entering the postal code. Please do not abbreviate the country name.

"In Care of" Address

If you receive your mail in care of a third party (such as an accountant or attorney), enter "C/O" followed by the third party's name and street address or P.O. box.

Responsible Party

Any entity with an EIN is required to report a change in its "responsible party" on lines 8 and 9 within 60 days of the change. See Regulations section 301.6109-1(d)(2)(ii). See Form SS-4, Application for Employer Identification Number, and its instructions, for guidance about who can be a "responsible party" for line 8 and which identification number to enter for line 9.

Signature

An officer, owner, general partner or LLC member manager, plan administrator, fiduciary, or an authorized representative must sign. An officer is the president, vice president, treasurer, chief accounting officer, etc.



If you are a representative signing on behalf of the taxpayer, you must attach to Form 8822-B a copy of your power of attorney. To do this, you can use Form 2848. The Internal Revenue Service will not complete an address or responsible party change from an "unauthorized" third party.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Our legal right to ask for information is Internal Revenue Code sections 6001 and 6011, which require you to file a statement with us for any tax for which you are liable. Section 6109 requires that you provide your identifying number on what you file. This is so we know who you are, and can process your form and other papers.

Generally, tax returns and return information are confidential, as required by section 6103. However, we may give the information to the Department of Justice and to other federal agencies, as provided by law. We may give it to cities,

states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

If you are an entity with an EIN and your responsible party has changed, use of this form is mandatory. Otherwise, use of this form is voluntary. You will not be subject to penalties for failure to file this form. However, if you fail to provide the IRS with your current mailing address or the identity of your responsible party, you may not receive a notice of deficiency or a notice of demand for tax. Despite the failure to receive such notices, penalties and interest will continue to accrue on any tax deficiencies.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is 18 minutes.

Comments. You can send us comments from www.irs.gov/FormComments. Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Don't send the form to this office.**



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