

Treasurer's Quick Reference Guide

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Treasurer's Annual Cycle



STEP 1 – BUDGET

- Calculate the amount of money expected to be received within the coming fiscal year:
 - Use membership numbers from the year prior and multiply it by the local's dues.
- Analyze the expenses from the previous year or two to determine what needs to be included in the new budget.
- Include new anticipated expenses.
- Feel free to utilize the template budget matrix available in **Treasurer Resources**.
- Discuss/present the proposed budget to the e-board for consideration and adoption.
- Budgets are a plan and often need to be revised throughout the year. Revisions can happen as needed or at a prescribed juncture as per the local's policy.

STEP 2 – CONTROLS

What Are Internal Controls?

“Internal controls” are financial management practices that are systematically used to prevent misuse and misappropriation of assets, such as occur through theft or embezzlement. Internal controls are generally described in written policies that set forth the procedures that the nonprofit will follow, as well as who is responsible. The goal of internal controls is to create business practices that serve as “checks and balances” on staff (and sometimes board members) and/or outside vendors, in order to reduce the risk of misappropriation of funds/assets.

Example of a basic internal control: A policy that requires two signatures on a check is a basic internal control. This business practice is designed to prevent one person from having sole authority for writing checks on the nonprofit's behalf.

Example of an internal control that every nonprofit can put into practice: A policy to lock the office door when no one is monitoring the entrance. This policy is designed to minimize the risk of theft of computers that can happen in broad daylight, and with very little time needed to unplug, pick up, and carry away some of the nonprofit's most precious assets.

More examples of internal control policies:

- A policy requiring that employees may only be reimbursed for expenses that are approved in advance, in writing;
- A “segregation of duties” policy requiring that the person who logs in checks received in the mail is not the same person who is responsible for depositing checks. Similarly, the same person should not both prepare the payroll, and also distribute or have custody of the payroll checks.
- A periodic review by an objective person of the list of all vendors receiving fees/checks from the nonprofit (because a common scheme involves creating a fictitious vendor).
- A policy to keep all cash in a locked drawer and to deposit cash and checks in the bank, soon after they are received.
- A policy to conduct a background check of employees who handle money, prior to hire and periodically throughout employment.

Where should you start? The top priority for any nonprofit is to put in place at least the basic internal controls that address who has access to the nonprofit's bank accounts, and *who has authority* to spend money on the nonprofit's behalf, whether via check, cash, credit card, or some other means¹.

¹ Retrieved on 6/6/2024: Internal Controls for Nonprofits | National Council of Nonprofits.
<https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/internal-controls-nonprofits>

Smaller Locals

- If possible, no debit cards, try to get a business credit card with the bank/credit union that the account is with.
- Two check signors.
- Create an expense reporting process so that the people making the purchases have a format to log the purchases, attach receipts, and include a preparer and approver for signing off on the reports – these can be done monthly (**a ledger template and reimbursement request form template are available in the Treasurer Resources**).
- For new vendors and independent contractors, always ensure you have a signed contract or invoice and W-9 on file before payment is processed.
- Ensure annual audits are included in the local's financial policies (**information for internal audits can be found in the Treasurer Resources**).
- When in doubt document, document, document. Create a paper trail for any special circumstance and include dates and people's and/or vendors names.

Larger Locals (using an accounting system)

- All of the above and...
- Whenever possible, a single person should not be responsible for all steps for a financial task. For example:
 - Invoice received
 - Ensure the purchase is approved by the appropriate local officer (initial/date the invoice as approved)
 - Person 1: Enter the invoice/bill into the accounting system
 - Person 2: Print the check

STEP 3 – MONTHLY RECONCILIATION

- Get your ledger, bank statement, and all backup documents for the same month.
- Use the reconciliation worksheet to reconcile the bank account for the same month.
- Retain all the backup paperwork with the completed reconciliation worksheet in your binder for the month completed. Backup paperwork may include:
 - a. Completed reconciliation worksheet
 - b. Ledger
 - c. Bank statement
 - d. Check copies
 - e. Invoices
 - f. Deposit slips
 - g. Pertinent notes or communication concerning specific transactions
- A template ledger and reconciliation worksheet can be found in **Treasurer Resources**.

STEP 4 – ANNUAL INTERNAL AUDIT

1. Control for Audit Process: Select two member volunteers who are not involved with financial processes within the organization. The Treasurer or President should not be involved. These volunteers will give about two hours of their time each year to perform the internal audit.
2. Review the financial policies and procedures. Analyze if these were used in practice.
3. Ensure the ending bank balance from the end of the previous fiscal year matches the beginning bank balance for the beginning of the audit year.
4. Establish a threshold for outgoing payments and randomly select transactions to analyze. Or, if there are very few, analyze all transactions.
 - a. Were proper controls used?
 - b. Were the policies and procedures followed?
5. Outstanding check review.
6. Compare expenses with the established budget- were transactions within the budget? If there were line items over budget, was this due to an event or associated with an individual?
7. Analyze the transactions from two directions:
 - a. Using the back-up documents for deposits and expenditures, trace the transactions to the bank statements.
 - b. Using the bank statements, trace the transactions to the back-up documents (receipts, deposit slips, etc.).
 - c. Investigate any discrepancies.
8. Analyze grant funds by reviewing the funder's MOU (memorandum of understanding).
 - a. Were the funds tracked properly and utilized in a timely manner?
 - b. Where the funds restricted? Conditional?
 - c. Were the conditions/restrictions met?
 - d. Is there a right of return for unused funds?
9. When applicable, review board meeting minutes to determine if board approval was attained when necessary.
10. The auditors will provide a signed and dated document that shows the fiscal year reviewed, a list of reviewed transactions, the procedures performed, and any recommendations and/or comments. This will be provided to the Treasurer and retained with all financial statements. The audit should be reviewed with the audit committee or with the local president and comments/suggestions considered.

Additional information for internal audits is available in the NEA Guide for Best Financial Practices for Local Leaders, this and the above process are available in the **Treasurer Resources**.

STEP 5 – TAX FILING (990)

Most tax-exempt organizations are required to file an annual return. Which form an organization must file generally depends on its financial activity, as indicated in the chart below.

Status	Form to File	Instructions
Gross receipts normally \leq \$50,000 Note: Organizations eligible to file the e-Postcard may choose to file a full return	990-N	User Guide for Form 990-N PDF
Gross receipts < \$200,000, and Total assets < \$500,000	990-EZ PDF or 990 PDF	Instructions PDF
Gross receipts \geq \$200,000, or Total assets \geq \$500,000	990 PDF	Instructions PDF
Private foundation - regardless of financial status	990-PF PDF	Instructions PDF

Retrieved 6/6/2024: Form 990 Series Which Forms Do Exempt Organizations File Filing Phase In | Internal Revenue Service (irs.gov)
<https://www.irs.gov/charities-non-profits/form-990-series-which-forms-do-exempt-organizations-file-filing-phase-in>

Reference the IRS 990 Instructions or the above link for more information, these are available in **Treasurer Resources**.

STEP 6 – 1099S

Form 1099-NEC

Non-employee Compensation (NEC) is a form business owners use to report non-employee compensation. Only use this form to report non-employee compensation to independent contractors. Do not report other types of payments.

Beginning in 2020, 1099-NEC is used instead of 1099-MISC to keep non-employee expenses separate from Form 1099-MISC.

Non-employee compensation includes fees, commissions, prizes, awards, and other forms of compensation for services.

File Form 1099-NEC for each person you paid the following to during the year:

\$600 or more in:

- Services performed by someone who is not your employee (e.g., independent contractor). This includes payments for parts or materials used to perform the services (box 1)
OR
- Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1)
OR
- Payments to an attorney in box 1 (Attorneys' fees of \$600 or more paid in the course of your trade or business)

Reference the IRS 1099 Instructions for more information, these are available in **Treasurer Resources**.

INFORMATION & RESOURCES

Lost EIN

If you previously applied for and received an Employer Identification Number (EIN) for your business, but have since misplaced it, try any or all of the following actions to locate the number:

- Find the computer-generated notice that was issued by the IRS when you applied for your EIN. This notice is issued as a confirmation of your application for, and receipt of an EIN.
- If you used your EIN to open a bank account, or apply for any type of state or local license, you should contact the bank or agency to secure your EIN.
- Find a previously filed tax return for your existing entity (if you have filed a return) for which you have your lost or misplaced EIN. Your previously filed return should be notated with your EIN.
- Ask the IRS to search for your EIN by calling the Business & Specialty Tax Line at 800-829-4933. The hours of operation are 7:00 a.m. - 7:00 p.m. local time, Monday through Friday. An assistor will ask you for identifying information and provide the number to you over the telephone, as long as you are a person who is authorized to receive it. Examples of an authorized person include, but are not limited to, a sole proprietor, a partner in a partnership, a corporate officer, a trustee of a trust, or an executor of an estate.

Retrieved 6/6/2024: Lost or Misplaced Your EIN? | Internal Revenue Service (irs.gov)
<https://www.irs.gov/businesses/small-businesses-self-employed/lost-or-misplaced-your-ein>

Getting a New EIN

Applying for an Employer Identification Number (EIN) is a free service offered by the Internal Revenue Service. Beware of websites on the Internet that charge for this free service.

All EIN applications (mail, fax, electronic) must disclose the name and Taxpayer Identification Number (SSN, ITIN, or EIN) of the true principal officer, general partner, grantor, owner or trustor. This individual or entity, which the IRS will call the “responsible party,” controls, manages, or directs the applicant entity and the disposition of its funds and assets. Unless the applicant is a government entity, the responsible party must be an individual (i.e., a natural person), not an entity.

Retrieved 6/6/2024: How to Apply for an EIN | Internal Revenue Service (irs.gov)
<https://www.irs.gov/businesses/small-businesses-self-employed/how-to-apply-for-an-ein>

Opening a Bank Account

- An EIN number is required.
- If the local claims to be tax exempt, proof will be required (IRS letter stating the local's 501 status).
- The bank/credit union may require board meeting minutes indicating the proper signors for the account.

Changing Over Signors

- Each bank/credit union will have it's own forms to be completed indicating the parties to be removed and/or added to the account.
- Board meeting minutes indicating the change in signors may be required.

How to Update Organization Information for Your Local's EIN

- EIN numbers cannot be transferred, but organization information can be updated with the IRS using Form 8822-B, this information is available in Treasurer Resources.

Filing for Tax Exempt Status

- Form 1024 must be submitted electronically through Pay.gov. You can access the most recent revision of the form at Pay.gov.
- To submit Form 1024, you must:
 - Register for an account on Pay.gov
 - Enter "1024" in the search box and select Form 1024.
 - Complete the form.
- Instructions are available in **Treasurer Resources**.

Trade Name Registration, with the Secretary of State:

- The trade name must match the name as stated in the local's constitution.
- 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 Forms" link under Resources towards the bottom of this page. 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.

You may expedite your application if you include an additional \$25 fee, turnaround time is 2/3 days. You may mail in the expedite fee along with a copy of the application or contact our office at 602-542-6187 letting us know that you want to expedite your application. If calling by phone you will need to provide the barcode number of the Trade name application found on the upper right-hand corner of the application.

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.

Retrieved 6/6/2024: Arizona Secretary of State: Trade Names and Trademarks | Arizona Secretary of State (azsos.gov)
<https://azsos.gov/business/tntm>

Links to the IRS & AZ Secretary of State information referenced above, and many more, are also available in the Electronic Resources Guide, available in **Treasurer Resources**.

TREASURER RESOURCES INDEX

Treasurer Quick Reference Guide

Treasurer's Training Workbook

NEA Guide to Best Financial Practices

Electronic Resources

Internal Audit Procedure

Budget Template

Reimbursement Request Form Template

Ledger

Reconciliation Worksheet

Getting Organized

Campaign Finance Guide

IRS 1099 Instructions (2024)

IRS EIN Application (2024)

IRS Change Form (Form 8822-B)

IRS Form 1024 Instructions (2022)

IRS 990 N/Postcard E-Filing Guide



www.arizonaaea.org/TRI

or

bit.ly/aea-tri