

ElderStudy Financial Practices: A Tutorial

1. IRS Tax Status for ElderStudy

- a. **Introduction, page 2, Tax Status** summarizes the IRS recognition of ElderStudy as a 501c3 tax-exempt non-profit organization. Under a Federal Act passed in 2006, ElderStudy is required to file an electronic tax return each year so long as the annual income does not exceed \$25,000. A hard-copy Form 990 is required if income exceeds \$25,000.
- b. **Appendix B-1, Board of Directors**, pages B-1 thru B-3 provides a copy of the Exemption Letter.
- c. **Appendix B-1, Board of Directors**, pages B-4 and B-5 provides the Annual IRS Reporting Requirements notification. Since the ElderStudy financial year runs from September 1 to the next August 31, ElderStudy must file their tax return before the next January 15th.
- d. **The Tax Return** is to be filed by the Treasurer after the Annual Audit has been approved by the Board of Directors at their December Board Meeting [page A-6, subsection 4.b.(4)(i).]

2. Budget and Financial Responsibilities

- a. **Constitution Article III**, page A-1, second paragraph states: “No part of the net earnings of the organization shall inure to the benefit of, or be distributable to its members, officers, or other private persons, except that the organization shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments/distributions in furtherance of the purposes set forth.”
- b. **ByLaw 1.c** (page A-3) states that “Membership fees shall be set by the Board of Directors based on Administration Committee recommendations.”
- c. **ByLaw 5.a.(4)** On page A-6 states that: “The Administration Committee monitors finances and projects future needs, proposes an annual budget, and recommends annual fees.”
- d. **Page D-1**, the tenth bullet under Duties of the Committee Chairperson states that a Committee Chairperson will “Observe the Budget and follow the ElderStudy financial procedures”.
- e. **ByLaw 5d** (page A-7) describes the procedures by which Committees may request reallocation of their approved budget when unforeseen circumstances may cause a need to adjust their budget.

- f. **Page B-1** expands the Board of Directors responsibilities to specifically include (1) Approving the annual operating budget and (2) Approving all non-budgeted financial requests. It should be noted that the ElderStudy Budget assigns a funding limit to individual expense categories associated with each Standing Committee's operations thus making the budget allocation itemized rather than lump-sum. An example Budget is shown at the end of this Appendix.
- g. **Page B-3** addresses Annual Reporting to the IRS and specifically tasks the Treasurer for this action after the Annual Audit Report has been accepted by the Board.
- h. **The Memorandum of Understanding** between ElderStudy and the University of Mary Washington (pages A-9 to A-11) includes ElderStudy financial responsibilities relative to (1) the Bachelor of Liberal Studies Scholarship (Page A-11) and (2) Financial Reporting requirements (pages A-11 and B-4)/

3. Paying Bills and Disbursements

- a. **ByLaw 4.b.(4)** describing the Duties of the Treasurer contains multiple references relative to this topic:
 - (i) Keeping a detailed account of all monies received and expended,
 - (ii) Receive, collect, deposit, and disperse organizational funds in a timely, orderly manner.
 - (iii) Pay bills and sign checks.
 - (iv) Report on organizational funds at Board and General Membership Meetings.
 - (v) Participate in the preparation of the annual budget.
- b. **Procedures for Keeping Financial Records** are described on pages E-3 thru E-6. Specific subjects under this heading include Receipts, Disbursements, Bank Accounts, Bank reconciliations, Special Educational Activities and Programs, Preparation of Financial Statements (ie, Reports), Audits (monthly and annual), and Disposition of Excess Funds. Under this later topic, the minimum Capital Reserve amount is defined (page E-6).
- c. **Page F-5** under Curriculum Committee describes **Honoraria and Donations** associated with program speaker presentations.

4. Audits and Financial Records

- a. **ByLaw 4.b.(4)(g, h, and i)** identify reconciliation and audit requirements.
- b. **Page E-4, Item D** describes Bank Statement Reconciliation.
- c. **Page E-5, Item F** describes Preparation of Financial Statements
- d. **Page E-5, Item G** describes Monthly and Annual Audits

EXAMPLE LINE-ITEM BUDGET FOR A FISCAL YEAR

Budget Period: [period to be inserted]

Projected Income

Previous Years Carry-Over Balance	TBD
Membership Fees	13,118
Interest from Checking Account	0
Interest from Maturing CDs	46
Miscellaneous	<u>0</u>
Total Projected Income	\$ 13,164

Approved Expenses

Board of Directors

Awards	0
BLS Scholarship	1,000
Election Expenses (copying, mailing)	200
Grants (excess funds if available)	TBD
Classroom Contingency	<u>TBD</u>
Subtotal	\$ 1,200

Curriculum Committee

Speakers/Programs	6,800
Postage, Mailing, Copying	125
Gifts & Gratuities	25
Stationery & Supplies	100
Telephone Services	<u>150</u>
Subtotal	\$7,200

Administration Committee

General Operating Expenses	150
Stationery, Supplies, Publications	125
Postage, Mailing, & Copying	<u>75</u>
Subtotal	\$350

Membership Committee

Brochures	150
Stationery & Supplies	100
Gifts & Remembrances	200
Name Tags (Net)	275
Newsletters (5)	1,600
Postage, Mailing & Copying	200
Website	125
Telephone Services	150
Membership Meetings & Special Events (Net)	<u>1,000</u>
Subtotal	\$3,800

Total Planned Expenses for this example	\$ 12,550
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