

# A Best Practices Guide To Cash Handling

<b>Cash Handling Scorecard</b> (Item & points possible for yes answer)	
	Petty cash or “show bank” reconciled monthly (5 points)
	Receipt with tax id given for all cash received (5 points)
	Carbon receipts for all cash over \$20. (5 points)
	All cash received by 2 persons at shows (10 points)
	All cash separated by source (cover, tips, raffle) 5 points
	All cash counted by 2 persons and documented prior to giving to Treasurer. (10 points)
	Approximate \$ raised announced prior to close of show (15 points)
	All cash deposited within 48 hours (15 points)
	All shows reconciled at next Board meeting (15 points)
	All charities paid within 45 days of show (15 points)
(85 min score)	
<b>YOUR TOTAL CASH HANDLING SCORE</b>	

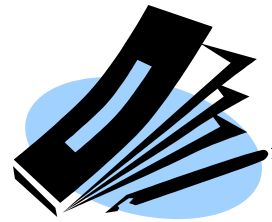
## WHY CASH HANDLING MATTERS

How you handle cash can affect your organization in many ways. Handle it carelessly and you may not have accurate reports or may even have volunteers open to accusations of theft. Handle cash professionally and



you protect your volunteers and your organization from accusations, and you have quicker and more accurate reports. Your charities should even get their funds faster!

The biggest danger with cash is that it does not have an automatic



paper trail, so creating a paper trail is an important protection, and may even be

required so that donors can claim their contribution on their taxes, if appropriate.

## CREATING YOUR RECEIPT

A receipt needs to have 5 items:

1. Your tax **ID** number
2. Your organizations **name**
3. The **date** of the contribution
4. The **amount** of the contribution, and
5. **Type** of contribution– cash or in-kind
6. While not required for donations of under \$200, **contributors** name is required for all larger gifts.
7. Also not required, but suggested, are including your **website**.

## WHEN TO RECEIPT

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Always. Anytime that anyone is handed cash or non-cash donations they should immediately give the gifter a written receipt.

Even a “temporary receipt” written on a bar napkin is better than not having any paper record.



Optimally, the giver gets a receipt and you retain a copy with the cash attached so that everyone knows what it is for. The easiest way to give a receipt at a show is to give a “ticket” that has the information– you can even use the show graphic to carry the “theme” through the evening.

If someone is paying for a **membership** you may choose to capture the persons name, address, email and phone number so that you can add them to your member list, or attach the cash to your “membership form”.

Do not feel like you need to pay money for **custom receipts**– get a book of duplicate receipts from any office supply store, and rubber stamp the required information about your organization onto the back of the “customer copy” of the receipt.

In any case where an individual has contributed **\$200** or more at a single time, the IRS and some

states require that they be issued a receipt with the above information. It is a good idea to do this even when not required and can serve as a great way to say thanks if done in the form of a Thank You Receipt. You are also required to **retain a copy** of the receipt in your organizations files.

## WORKING A SHOW, STEP-BY-STEP

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### PRESHOW

1. Print **receipts** to hand out at the show with all required information.
2. Prepare **envelopes** for handling the cash– one for door charges, one for raffle tickets, one for auction items, etc. Each cash type must be tracked and reported separately.
3. Make arrangements for a show **bank**, NEVER start with \$20 bills in your bank. Most events can be handled with a bank of \$200 made up of ones, fives, and maybe a ten dollar bill. Having one dollar bills is for the convenience of those who want money for tipping– if your show has a \$5, 10 or 15 cover charge you may want to just have \$200 in fives.

4. Make your “door” **sign**— listing the cover and the charity.
5. Get roll **tickets** for “raffles”
6. Print at least 2 copies of your “**show sheet**” that you will use to give the estimated fundraising total to the show emcees at the end of the show. (see sample show sheet at end of this report)

### AT THE SHOW

1. Two people must count and certify the starting bank.
2. At the door, one person should take money and one person should greet the guests and hand out the receipts. If the person taking the money is also handing out receipts and programs or flyers there is increased risk of cash handling mistakes.
3. Once the show starts, count the starting bank out of the till, have two people count it, put it in the envelope, seal it and sign it, and drop it so that it does not accidentally get included in your show total.
4. Place ALL non-cover money received into the correct envelope as you get it.
5. If using roll raffle tickets, have the person selling the tickets turn in money

throughout the show, keeping no more than change needed for a \$20 bill. This reduces risk that someone will walk away with it when they are “tearing tickets”.

6. Just prior to the end of the show, have at least 2 people count each envelope, total, and if appropriate, seal and initial. (Tips may stay open if you expect more tips).
7. Record the envelope totals on the show sheet, and give a written “estimated grand total” to the emcee for announcing prior to close of the show. Make clear that it is an “approximate” or “estimate” and round to the dollar. Give the second copy of the estimate to the charity representative if they are present.

### AFTER THE SHOW

1. The treasurer should recount the cash, maintaining the record by category (door, raffle, auction, tips, etc).
2. Receipts should be issued where appropriate.
3. Deposit show funds within 72 hours in a single deposit.



Do not mix shows in a single deposit or split one show into 2 deposits. Make separate deposits for each show so that the funds can be tracked back to the individual shows.

4. Complete the show report.
5. Email your DRAFT show report to the show coordinator or emcee and to the Board.



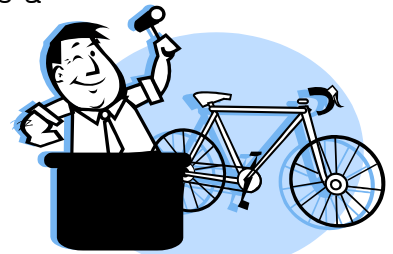
### AT THE NEXT BOARD MEETING

1. At the next Board Meeting, give a separate report for each show.
2. Once the Board approves the report, immediately issue the check to the charity, if all checks paid to you have cleared.
3. At the following Board Meeting report that the check has cleared, or include it on the list of uncleared liabilities reported to the Board.

### RAFFLES (including 50-50)

Your state may have specific rules for raffles- including the 50/50 raffle. Most states have a threshold for reporting raffle income, and many have separate licensing requirements. In one state (Oregon is the example here)

any charity raising over \$20,000 a year in raffles must have a separate raffle license purchased from the state. Raffles involving large prizes must have their tickets comply with a number of requirements including the charity name, ID number, and major prizes. You must retain the ticket portion that has the name and contact info (phone or email) of the purchasers, Winning tickets may have to be retained for a specific period of time, and you must show what you did with unclaimed prizes. In Oregon, and many other states, the items to be won must be in the possession of the charity prior to selling any tickets, and an annual report must be filed with raffle totals. Winners of items valued at over \$600 must be issued a tax form at the end of the year so some organizations never raffle items with a value of \$600 or more. In theory, 50/50 raffles must follow the same rules- and as a non-profit no benefits can be given to any individual (winner names a charity)- but that it seldom the practice.



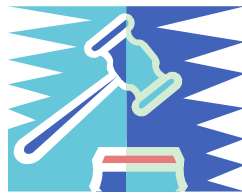
### AUCTIONS

Auctions have their own special challenges- finding the winner, getting paid, and making sure that the right person gets the item that they won. Here

are steps to make your auction a smooth one—

Before the auction, make a duplicate receipt for each item listing the date, charity, and auction item. Tape it to the item.

Your auctioneer needs 2 helpers— one will display the item, and one will take the winning item, write the winners first name and winning amount on it, hand the DUPLICATE (usually yellow) receipt to the winner and give the item and original receipt to the cashier.



The cashier should note PAID when it is paid for, and keep a copy of the receipt in the envelope with the money in the auction envelope.

Generally, money paid for auction items or garage sale items is not a tax-deductible contribution as they have received something of value for their contribution.

### NON-CASH DONATIONS (In-Kind)

Receipts for **non-cash** donations are a bit trickier. You need to include the item, an estimated value, and the purpose of the donation. Example— New GiGi purse, value \$130, donated for Empress Show raffle. All non-

cash donations must be tracked by individual donor. If any single donor has in excess of \$500 to any 501c3 organization in a calendar year, that organization is **REQUIRED** to complete an **IRS form 8283**. Certain types of non-cash donations may require that the value be supported by an appraisers statement of actual cash value



### WHEN YOU HAVE “AN ISSUE”

Humans make mistakes. At some point you may announce a total only to find out that it was wrong. Someone will write you a check that does not clear and you will have to adjust your payment to the charity. You may even turn up with cash missing. What to do?

1. Immediately report the issue to the Board as soon as possible— explaining what the issue is and what charity is affected..
2. When sending your check to the charity, explain any difference between the amount announced at the show and the amount on the check.
3. Attach all documentation, including envelopes with initials, to your file copy of the letter & deposit slip.

4. Understand that the Board is directly liable for any issues– they may decide to alter a local process to assist in preventing the issue in the future.

at the next meeting. It will also be used show night to report the estimated show income to the audience. It may serve to assist in budgeting for similar shows in the future.

### SAMPLE SHOW SHEET

Your show sheet should serve as the basis for the show report that the treasurer will give to the Board

The sample sheet below provides some of the basic information that you should be prepared to gather and report on.

### Show Sheet for the Imperial Sovereign Royal Omnipresent Court of Here

Name of Show: \_\_\_\_\_ Show Date \_\_\_\_\_

Location: \_\_\_\_\_ Coordinator: \_\_\_\_\_

Charity: \_\_\_\_\_ Starting Bank: \_\_\_\_\_

Door Income: \_\_\_\_\_

Raffle Income: \_\_\_\_\_

Auction Income: \_\_\_\_\_

Tip Income: \_\_\_\_\_

Other (\_\_\_\_\_) \_\_\_\_\_

Other (\_\_\_\_\_) \_\_\_\_\_

LESS COSTS:

Program, Lights, Set, etc – \_\_\_\_\_

Less Court % \_\_\_\_\_

**TOTAL ESTIMATED  
NET INCOME TO CHARITY**

\_\_\_\_\_

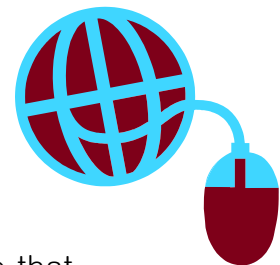
# A Best Practices Guide To Organizational Transparency

<b>Transparency Scorecard</b>	
	<b>Public Documents</b> (5 points each item)
	Meeting notices online at least 30 days prior to meetings, 45 days prior for annual meetings
	Minutes online within 30 days of meeting
	Treasurer Reports online
	Annual Financial Reports online (10 points for yes)
	<b>TOTAL DOCUMENTS SCORE</b> (out of 25 points)
	<b>Executive Sessions</b>
	Minutes online (5 points)
	Number of Exec sessions in the past 12 months: 3 or fewer 10 points 4 to 6 5 points 7 or more... 0 points
	Allowed attendees at Exec Sessions: Board Only 0 points Board & Monarchs..5 points Board, Monarchs and Titleholders...10 points
	<b>EXEC SESSION SCORE</b> (out of 25 points)
	<b>Board Member Elections</b> (5 points each)
	Public Notice 30 days in advance
	Applications 30 days in advance
	Interviews open to public
	Board Positions were contested
	Board Members names and email/contact information is public
	<b>BOARD ELECTION SCORE</b> (out of 25 points)
(55 min score) <b>YOUR TOTAL TRANSPARENCY SCORE</b>	

Transparency is becoming more and more important as an indicator of organizational health. Funders are insisting on it, legal agencies like the IRS use it to help establish if you are meeting non-profit requirements for record availability, and many members use it as an indicator of whether or not they have a real voice in the organization. One way to be more transparent is to enhance your online presence. A moderate cost to get online may save you even more in future costs, and market you more effectively.

## WHY POST ONLINE?

Aside from the practical reasons to have your information online, there are legal considerations. The IRS, and most states and regional jurisdictions, require that organizations make their legal filings available to the public. Posting your 990, 990EZ, Bylaws, Articles of Incorporation and other legal documents allows you to meet this requirement. If not posted, you must make copies for anyone who requests them, and provide notice or a method for requesting these documents.



## EXECUTIVE SESSIONS

Transparency requires that your decision making process be public whenever possible. Some states limit the purposes allowed for executive sessions for all public



charities– often allowing closed sessions to discuss legal issues (we are suing or being sued) or to discuss personnel issues (generally titleholders are not considered personnel under the law though approving their applications to run may be covered– check with your state for details.)

Even when you have had an authorized Executive Session, you may still be required to post or make available minutes that accurately reflect the purpose and general discussion of the session. In almost every state (I have not found an exception) the Executive Session may not be used to pass motions. The Executive Session must end, and the open session must reconvene in such a manner that the public can rejoin if they so desire prior to any motion being made or acted upon.

## PUBLIC RECORDS

The IRS is requiring that certain records be retained and most also

may be made available to the public. Most of the records noted as “permanent retention” below are also public documents. They are (with length of retention):

Type of Document	Minimum Requirement
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank Reconciliations	2 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense Analyses/expense distribution schedules	7 years
Year End Financial Statements	Permanently
Insurance Policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
IRS application materials and exemption letter	Permanently
Minute books, bylaws, Articles of Incorporation and Amendments	Permanently
Patents and related	Permanently

Papers	
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Restricted donations and endowments	Permanently
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

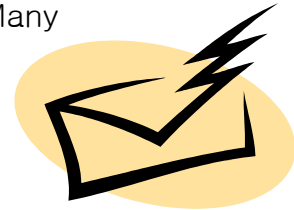
If you are a Membership Organization you also have responsibility for an annual report to your members— though this may be given orally at the annual meeting so long as the required points are reflected in the minutes of that meeting.

### NOTICE FOR MEETINGS

Most states require public notice for charitable corporation meetings.

Your state or province may be different, but generally they are:  
 Board and Officer Elections: 30 days minimum  
 Annual Meeting: 30 days minimum  
 Regular Meetings: 7–14 days  
 Special Meetings: 3–7 days  
 Executive Sessions 24 – 72 hours unless all Board Members are present at the Meeting and vote to go into Executive Session.

Legal notice for regular meetings can generally be given by posting on the website, email to Members, or mailing a written notice. Other meeting types generally require written notice. Many organizations bylaws have different requirements.



### E-MAIL VOTING

The IRS regulations do not prohibit email decision-making. Many states do have limitations, and most “old court” bylaws do not cover this issue well.

For example, Oregon allows email decision-making for most issues—elections, disciplinary actions, and contracts may NOT be considered for electronic balloting. That said, the state requires that a motion be made, and seconded, and that ALL members cast an email vote. If a single Board Member does not respond from their known email address the issue dies. The practical result of this is that anyone opposing the issue just does not vote and the issue is dead.

If approved, the vote must be announced at the next public meeting, and all email correspondence on the issue is available for public inspection. If your bylaws do not consider the

issue of electronic balloting you may want to update your bylaws with a specific provision that complies with your jurisdictions requirements.

Ask yourself what a person would think of your organization if all that they saw of you was your minutes and your website. Would they be able to tell what kind of work you really do, what your mission statement is, or even who is on your Board?

Here are some items to evaluate:

#### Financial Transparency–

1. Show and event reports shared at Board meetings?
2. 990 or 990EZ given to Board at least 15 days prior to voting on them?
3. Financial Reports at each meeting include copy of bank statement as well as expenses against budget?
4. Minutes include a financial report component including specific account balances?
5. IRS reports and state charitable reports are posted online or handed out to the members?
6. Annual meeting includes a complete report with a



breakdown of income and expenses?

7. All expenses are approved as a part of the budget process and any expenses outside of the approved budget are voted on at a public meeting?



8. Audits are completed by an outside CPA and given directly to the Board at least once every 3 years, annually if possible?
9. Does the Board question the financial report, ask for clarification of expenses or have significant discussion of financial issues?
10. Do you have a reserve fund? If yes, is it “reasonable” and is the amount increasing or decreasing over the past 3 years? (Most charity watchdogs consider it prudent for organizations to hold one to three years' worth of operating expenses in reserve, According to the **American Institute of Philanthropy**)

The purpose of this report is to focus on transparency for the financial component of the Courts– similar evaluations of the Board decision making process are also suggested to determine your organizational transparency. The components of the scorecard serve as a starting point for that discussion.

# A Best Practices Guide To Organizational Fiscal Responsibility

<b>Fiscal Responsibility Scorecard</b> (Item & points possible for yes answer)	
	All checks require 2 signatures (5 points)
	Receipt with tax id given for all cash received (5 points)
	Treasurer reports are included in all minutes (5 points)
	Board votes on 990 or 990EZ (or equivalent) prior to submission (10 points)
	Conflicts of interest are stated and included in minutes (5 points)
	Outside audits are done at least every 3 years (10 points)
	Charities authorize all shows done on their behalf (15 points)
	All cash deposited within 72 hours (10 points)
	All shows reconciled at next Board meeting (5 points)
	Written thank you letters and receipts given for all donations of \$200 or more (5 points)
	Written treasurer report includes copy of most recent bank statement for each account (15 points)
	All charities paid within 45 days of show (10 points)
(85 min score) <b>YOUR TOTAL FISCAL RESPONSIBILITY SCORE</b>	

## WHY FISCAL RESPONSIBILITY MATTERS

The single most serious requirement of a Board Member is

the requirement for “prudent” fiscal oversight. Poor fiscal oversight can lead to a crisis of community faith in your organization, penalties against the Board and individual members, and even the closure of your organization. This section looks at a dozen items that are indicators of how your Court is doing in this area. It obviously can not include all of the items that may be required by your individual state or province– it is your organizations responsibility to be aware of those requirements as a charity. Let’s look at each of the 12 components of the scorecard.



## ALL CHECKS REQUIRE TWO SIGNATURES.

There are several unstated components that are required to make this an effective indicator of your fiscal health.

1. No blank checks are ever signed.
2. All checks are completed IN INK prior to signing.
3. No checks are written that are not either within the Board approved budget or have already been approved at a public vote of the Board.

4. No more than 3 persons can sign checks. (This keeps a treasurer from floating between a large number of persons and reduces the options for mischief).
5. Receipts are required for all reimbursements.
6. No checks are written to charities unless you have their non-profit determination letter or ID number on file.
7. No transfers between accounts are done without prior authorization by the Board.
8. All financial reports include check number AND payee name as well as purpose.

### RECEIPTS, RECEIPTS, RECEIPTS

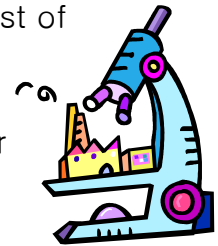
Receipts have 3 purposes. They start a paper trail for cash. They give your contributor the necessary information to claim their donation if appropriate, and



they meet the requirements imposed by the IRS and other oversight agencies for you as a charitable organization. If you do not issue legal receipts you significantly increase the opportunity for fiscal mischief, and risk your status as a charitable organization.

First, for US Courts, what the IRS requires:

1. Receipts for all single cash contributions of \$200 or more in cash by any person at one time, with a copy retained by the charity.
2. A form 8283 must be completed for all non-cash (in-kind or donated item) contributions of \$500 or more, with a copy retained by the Court.
3. All charitable organizations must provide a list of their major contributors totals by tax year to the person completing their 990 or 990EZ- you may be required to report these givers on the form.
4. All reimbursements must have associated receipts, and if the person getting the reimbursement is a member of the Board it may need to be reported on your 990 or 990EZ as an expense account/other- especially where travel reimbursement is involved.



The most effective receipts for philanthropies include a THANK YOU, your tax id, your name, the date and amount of the contribution, a quick statement about your mission and how important this contribution is to continuing your work, your website address, the signature of the

Treasurer and, if \$200 or more, the signature of the President. In the case of sponsors or significant givers you may even want to have the Monarchs sign the letter. While people often try to get these receipts out to donors quickly, you need to make sure that the check has cleared prior to sending the receipt, if the donation was paid by check.

### TREASURER REPORTS TO THE BOARD OF DIRECTORS

If the Board does not require timely and complete financial reports they are not meeting the standard of prudent oversight and may incur personal liability. Now that we have your attention– what needs to be included in the report to the Board?

All reports should include copies of the **actual bank statement** for each account that the organization maintains. The bank statement should NEVER be mailed to the Treasurer, it should be sent to the organization and be retained by the Secretary in the permanent files. Returned checks should also NEVER be given to the Treasurer. Why? In a significant number of past theft cases the treasurer merely wrote the payee in pencil, and changed the name when the check came back. Anyone reviewing later thought that it was a check to an approved vendor.

Comparing the bank statement to the treasurers report also gives an early indicator of problems– month end balances do not agree, a large number of checks have not cleared, deposits are not reflected on the bank statement or the amounts are different from the report, or money is being moved from one account to another without Board authorization or explanation. All bank fees should be explained and compared against the bank statement– many a charity has found out that there was a problem when the bank issued a NSF charge and they believed that there was money in the account.



The report should also include a copy of the **budget** showing expenditures and balances remaining in each budget line item. The report should show check number, amount, and payee. All checks that are not cleared after 60 days should be listed with the action taken (contacted charity, they will deposit, etc.)

Each **show** should have a separate report indicating date, name and place of event. Charity for event, expenses paid for show, and proposed disbursement to charity. No check should be mailed to the

charity until deposited checks have cleared. If deposits have cleared, the check should be prepared for signature at the meeting and the check number should be listed on the show recap.

Sounds like a lot of paper– and it can be. Remember, this is a primary responsibility for Board Members. Non– Board members may just get the account totals, expenditures made since the last Board Meeting, Income and source since last Board Meeting and outstanding or unreconciled debts. That same information, at a minimum, should also be included in the minutes.

## BUDGETS AND EXPENDITURES

If you do not have a budget, you should! The easiest ways to make your initial budget is to **look at the past year**, list the income and expenses by category (it makes your IRS reports



much easier to track it this way) and adjust for new issues. For

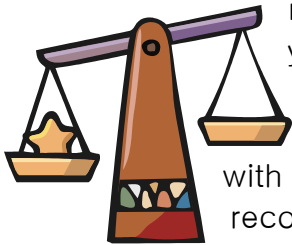
example, if you spent 1,000 on first class postage last year and stamps are going up 5% this year, give yourself an increase for postage and printing. If you bought a special piece of equipment last year but will not buy another this

year, reduce your equipment line item to reflect that. **Discuss items** like travel– the cost has gone up, but rather than just increasing the line item ask if any can be cut in keeping with your charitable purpose. Take a look at the budget report monthly, and **set aside more time each quarter** for a deeper look. **Start with income.** If your income target is \$30,000 of which 10%, or \$3,000, is for operations– at the end of the first quarter you needed approximately \$7,500 in income to have your \$750 for operations. If you have only raised \$2,000 so far, your operations expenses should not be over \$200, or you are spending your reserve funds to stay alive. There may be exceptions– like your biggest fundraiser is in the 2<sup>nd</sup> quarter– but then at the end of the second quarter you may need to adjust the budget to meet the new reality. **A budget is a living document.** At any point during the year the Board may decide, by vote and at a public meeting, to adjust the budget. The next months report should reflect those numbers and not the starter set.

As long as we are discussing budgets, lets talk about the **RESERVE FUND** line item. It is prudent to have a reserve fund. According to the American Institute of Philanthropy



([www.charitywatch.org](http://www.charitywatch.org)) the standard for charity reserve funds is one to three years of *operating expenses*. Please note, that's not 3 times your budget, it is operating expenses only. Take the charity distributions out of your report, and most of that balance should be operating expenses. The IRS and Institute of Philanthropy suggest that at least 60% of all funds raised should go to charity and NO MORE than 40% should go to operations. If you are not



meeting that goal you need to review your expenses to bring them in line with these recommendations. You may even want to go to

[www.guidestar.org](http://www.guidestar.org) and look up your organization to see what is online about you. Most sponsors will- take a look first!

A discussion of your budget is not complete until you discuss the reserve fund. Remember, this is your contribution to the future of the organization. It is as important as any other budget line item.

## THE CHARITY REPORT AND ANNUAL REPORT

Lets start with **the annual report**. This report should be completed within 90 days of the end of your fiscal year, and be presented at a meeting that specifically includes

the annual report on the agenda. It may even be the sole purpose of the meeting, or include election of Board Members.

At a minimum, the financial portion of the annual report should include:

1. Total Income,
2. Total expenses,
3. Profit or (loss) over past year,
4. Percent given to charity vs percent spent for operations,
5. Major fundraisers, and income sources, (memberships, advertising, grants and donations),
6. Listed amounts given to charities, by name,
7. Notice of whether the IRS and/or jurisdiction reports were submitted on time,
8. Results of any audit
9. Report of any financial irregularities and the policy changes put in place to prevent their reoccurrence.

Filing your **charity report** (990 or 990EZ in the US) is a requirement for retaining your charitable status. It must be carefully reviewed by the Board prior to signing and submission. The report will end up online at several



charity watchdog websites, so accuracy is critically important. Most courts complete the report themselves, or try to find a volunteer book keeper or CPA to help with completion. This does not reduce the Boards accountability.

The IRS also wants to know if you have made significant changes to your Operating Documents (Bylaws, generally) and many states require that you file any changes made in the past year with your state report, as well as a copy of the federal report.

The report, including required schedules (generally Schedule A and Schedule B) should be given to the Board at least 15 days prior to the meeting where it will be voted on. If any Board member has a question they should be sent to the preparer or treasurer as soon as possible so that they can research and confirm or adjust the report. Within 30 days of signing and mailing the report it should be available at the Court website. It is a public document and may be requested from you at any time. Posting it online serves as the easiest and most cost-effective way of making it available.



## FINANCIAL CONFLICT OF INTEREST REVIEW

Conflict of interest review begins at the time that applicants for the Board of Directors are being interviewed.

Minutes from the interviews should specifically note that applicants were asked to disclose membership on any other Board, and potential conflicts of interest due to business relationships or partnerships. (Boilerplate IRS policy at end of this report).

At any time during financial decision making affected Board Members should declare actual or potential conflicts, and the Board should immediately deal with the issue. For example, you have a Board Member who is on your Board as well as the Board of Charity XYZ. Someone proposes a fundraiser for charity XYZ. The Board Member may declare a potential conflict. The Board could decide that it is, or it is not. Often the Board may have a member of a titleholder household. Some may be concerned that Partner A voting on Partner B's travel budget is a conflict. This is a Board decision, made at a public meeting, based on your local policies.



The key financial conflict interest has already been decided for you by the IRS– under NO circumstances may the Board make a loan to a Board Member. Never. Doing so may cost the organizations charitable status.

## FUNDRAISING PITFALLS

The number one mistake made when fundraising is…  
Not getting the **permission** of the charity prior to publicizing the show! In most states the law requires that you have permission (many require written permission) to raise

charitable funds for a charity. This keeps the less scrupulous from collecting money under the name of a charity– and never giving the money to the charity. This also allows you to make sure that the charity is in fact eligible for charity disbursement (501c3 registered). Ask yourself how you would feel if you saw a poster saying that someone was raising money for your court– and you knew nothing about it. Do the right thing, get permission.

If you already have a relationship, at least email them that you are



doing the XYZ Fundraiser on \_\_date\_\_ as a benefit for them. It may increase your attendance (they could have a newsletter, or even post it on their website if you ask!) and it gives you a check and balance for the funds raised at the show. They will probably attend, and will announce to the office on Monday that YOU raised \$XXX at the fun show that weekend.

## THE OUTSIDE AUDIT

At a minimum, charities should get a fiscal audit at least **once every 3 years**. Those that can afford it, or who have the volunteer services of a CPA (make sure to give them an IRS form 8283 for their non-cash contribution and retain a copy for your records).

Some of the larger sponsors may require an audit report prior to making a contribution to your organization, and a good audit will also show that you are using dedicated fund contributions for



the purpose they were given.

Audits protect the Board.  
Audits protect the Treasurer.  
Audits protect the

contributors. Audits protect the charities you fundraiser for. That

said, why do so few Courts have audits? The cost. There are things that you can do to lower the cost of an audit. Find out what the CPA uses, and how they prefer to get it. Organize your stuff and let them see them prior to getting a quote. Some give a lower quote if you use a computer program like Quickbooks for non-profits, or will reduce the cost if you give them the contract to complete your IRS and state reports.

The audit should be presented directly to the board by the



auditor, with time for questions. When you get a clean audit make sure to

note the audit in your annual report, it is a meaningful accomplishment and helps to protect your organization.

## **SPECIAL NOTES– ADVERTISING AND MEMBERSHIP**

As more courts make money selling program advertising, be aware that the IRS has determined that income from advertising in your programs may be taxable for your organization.

<http://www.ryomagazine.com/october/501c3.htm>

1. If a nonprofit accepts paid advertising, the advertising fees may be unrelated business taxable income. The act of selling advertising is not in itself a tax exempt activity,

but is a sale of a business service that is taxed like a business is taxed.

2. However, advertising can be related to an exempt purpose if:

a. The organization coordinates the content of the advertisements with the editorial content of the publication; or  
b. Published advertisements reflect new developments in the fields promoted by the organization as part of its exempt purposes.

3. If unrelated activities become substantial, a nonprofit organization may lose its tax-exempt status. Although there is no "bright line" test under federal tax law, an activity generally becomes "substantial" somewhere between 10% and 20% of gross revenues or gross expenditures.

## **Membership Fees**

Caution must be used when granting "discounts or benefits" to members, or the income may be taxable. [www.irs.gov/pub/irs-pdf/p557.pdf](http://www.irs.gov/pub/irs-pdf/p557.pdf) (Pgs 30 & 31). It may affect their ability to deduct the contribution, and your ability to show you are a "public supported" organization.

Other general items have been included in sections on handling cash and organizational transparency. It is doubtful that ANY Court would get 100% on all of the scorecards. These sections have been provided as a guide to assist you in managing your organizations fiscal health. They may not include all of your local or regional requirements.

**CONFLICTS OF INTEREST DISCLOSURE AND ACKNOWLEDGMENT  
STATEMENT**

**[Each Director, Officer and Key Employee should sign and submit this form  
annually.]**

**Disclosure**

Please report below any transactions or potential transactions between our corporation and you, a family member or a business or corporation with which you are connected within the meaning of the Conflict of Interest Policy.

You have an ongoing obligation to notify the Board promptly of any such transactions that subsequently arise.

**List of Transactions Involving Conflicts or Potential Conflicts**

Please list any conflicts here:

**Acknowledgment**

I have received and read and will comply with the Conflicts of Interest Policy of this corporation. I affirm that, other than the interests reported, I am aware of no conflicts of interest that I have or may have within the meaning of the Conflicts of Interest Policy.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

DATE: \_\_\_\_\_

Please submit this form to the Secretary of the corporation and retain a copy for your records.