

FINANCES

SOME NOTES ON A TREASURER'S DUTIES

As your League's treasurer, you are the chief financial officer of your League. A typical description of your duties, whether in your League's bylaws or in a separate job description, usually says that as treasurer you will do some or all of the following:

- Collect, keep records of, and disburse all League funds (“promptly deposit receipts and pay bills”):
 - collect/receive all revenue,
 - be the custodian of these funds,
 - deposit them in a bank or banks designated by the Board, and
 - disburse the same only as authorized by the League's board and/or bylaws;
 - Deposit any tax-deductible donations into the appropriate local or LWVUS Education Fund.
- Make reports to the board and members:
 - present Treasurer's Reports to the board at its regular meetings, and keep copies or see that the recording secretary does so.
 - present an Annual Report to the membership before and/or at the Annual Meeting.
 - Anticipate large expenses and notify the board in advance.
- Help establish fiscal management procedures.

True, but only the beginning. In most Connecticut Leagues, the treasurer also:

- serves as a member of the budget and/or finance committees, either voting or *ex-officio*, depending on the League's bylaws,
- prepares the books for periodic review or audit,
- files the League's annual 990-N on-line tax return with the IRS,
- whenever a League has specific “project” accounts, informs committee chairs if their expenses seem out of line with the budget or are anticipated to exceed the budget, and
- collects money at League events or names a designee to do it.

In Leagues that have a separate education fund, it is the treasurer's duty to make sure that money destined for the ed fund **never** gets mixed with the money destined for the League, and that income and expense records are rigorously kept separate.

In all Leagues, the treasurer keeps track of membership dues. In most Leagues you'll work with the membership chair to keep accurate lists of members and dues paid and owed. In some Leagues you'll then help the membership chair complete the annual membership census update for the LWVCT and LWVUS every January.

HOWEVER —

In more than half of Connecticut's Leagues, the membership chair works on recruiting and retention and has nothing to do with actually maintaining membership records. In those Leagues, it is usually the treasurer who keeps track of members' names, addresses, phone numbers and e-mail addresses,

who completes the annual membership census for the LWWCT and LWWUS every January, and who inputs membership data changes into the LWWUS database and informs the LWWCT office of those changes on a regular basis. It is therefore increasingly useful that anyone who is being nominated for a position as treasurer have excellent computer skills both with spreadsheets and with using the internet, and be willing to work with the LWWUS and LWWCT to keep membership data current on all levels.

Finally, a note on handoff to your successor:

- Give the new treasurer all your League's financial records.
- Jointly review those records.

In turn, the new treasurer is solely responsible for:

- Registering the signatures of herself and any new president and/or other signatory at the financial institutions your League will be using.
- Learning how to use relevant software, such as Quicken, QuickBooks, or whatever spreadsheet your League has been using. Even if she changes software, she may have to retrieve earlier records.

RECOMMENDED FINANCIAL CONTROLS

Internal Controls

The LWVUS recommends that your League should have written financial policies and procedures to ensure that financial information is reliable; that assets and records are not lost, misused or stolen; and that policies are followed and laws and regulations complied with. If your League is big enough, try to spread the responsibility for the following functions between several different members: authorizing purchases and other transactions (usually the Board or an executive committee), recording transactions (the treasurer), keeping physical custody of assets (depends on the asset); and reconciling accounts (in Leagues with sufficient personnel, try to have this done by an assistant treasurer or other person).

Controls for Income

- Open mail promptly — some of those envelopes may contain checks, and others may contain bills that carry penalties if not paid promptly.
- Review and endorse checks upon receipt; if a check is incorrectly filled out, contact the maker or return the check to her with a note (e.g., “Please sign this and return it to me in the enclosed envelope.”).
- Make copies of all checks before depositing them.
- Prepare and make deposits on a regular basis; make large deposits ASAP.
- Promptly deposit all cash received (don’t use cash to pay bills or replenish petty cash).
- Reconcile income with deposits (if possible, not the same person).
- Reconcile bank statements promptly (if possible, not the same person who deposits receipts).

Controls for Expenditures

- The board should adopt a budget and monitor expenses.
- The board should require specific approval for any unbudgeted expenses.
- The board must specifically authorize all signatories – your bank will demand it.
- The board may require more than one signature for checks, or for checks over a certain amount.
- The treasurer should receive (or create) and maintain documentation for each check written.
- The treasurer should obtain and document approval for each expenditure, either through the budget or through the board.

Useful Security Measures

- Use pre-numbered checks.
- Keep blank checks in a secure location or under lock and key.
- Limit access to computer records and use passwords.
- Make frequent backups of computer records. If possible, periodically store backups at another location.

External Controls: Financial Review or Audit

A **review** consists of a careful reading of the financial statements and asking questions, but does not include examining the underlying source documents.

An **audit** includes verification by tracing samples of original source documents through to the financial statements to ensure their accuracy. An audit also normally includes reviewing and testing internal controls. Procedures may include verifying recorded receipts against bank statements; verifying bank reconciliations; accounting for the sequence of check numbers; reconciling dues income to the membership rolls; comparing income and expenses with the budget; confirming balances on deposit with the LWVUS Education Fund; and verifying amounts reported in a sample monthly financial statement.

How often should your League get a review or audit?

If possible, an annual review is a great idea, especially if you can find someone who will do it for you for free. However, biennial should suffice. At the very least, an outgoing treasurer should have the books reviewed before she hands them over to her successor.

If you suspect possible mismanagement, embezzlement or fraud, you may need a full-scale audit.

Facilitating a review or audit

As treasurer, you should consider attaching to each of your Treasurer's Reports a summary of the receipts and disbursements for the period the Report covers, originals or copies of the period's bank statement(s), and the reconciliation report(s) for each such bank statement. It at least gives comfort that things balance, and it can help your auditor/reviewer follow the paper trail of your League's finances.

PREPARING A BUDGET

A budget is a planning instrument that reflects the goals, priorities and activities planned for the year. Leagues have different ways of developing their budgets, but the usual steps are:

- The board appoints, or the membership elects, a budget committee.
 - The treasurer chairs the budget committee, or
 - The treasurer serves on the committee as a voting member or
 - The treasurer advises the committee and attends meetings *ex officio*.
- The budget committee meets at least once and recommends a budget to the board.
- The board approves, or modifies and approves, the submitted budget.
- The board publishes the budget to the entire membership, usually at least 30 days before the League's annual meeting.
- The membership approves, or modifies and approves, the budget at the League's annual meeting.

A well-conceived, realistic budget reflects all anticipated income and expenses for the fiscal year.

- Expenses should include:
 - PMP payments to both the LWVUS and the LWVCT based on your League's head count on January 31,
 - for Leagues that are incorporated, the SOTS's annual fee (currently \$50),
 - costs of special events, whether reimbursed or not,
 - costs of all regular activities,
and, if possible,
 - costs of sending delegates to state or national LWV conventions

Income should reflect expected growth or decrease in membership dues and contributions.

Where the budget committee has significant questions, it is usually wise to budget on the low side for income and on the high side for expenditures.

A sample budget worksheet is included near the end of this handbook.

PER-MEMBER PAYMENTS

What is PMP?

Every local League pays an annual Per-Member Payment (PMP) to the LWVCT and the LWVUS for each member it has, other than Life Members. Your League's PMP obligations are based on your January 31 membership count as recorded in the LWVUS database.

In 2013-2014 your PMPs were set at \$16.50 to the LWVCT and \$31.00 to the LWVUS.

Note:

A detailed explanation of the Per Member Payment can be found in the LWVUS's "President's Packet" and under Frequently Asked Questions in "Tools for Leaders," both found in the member section of the LWVUS website, www.lwv.org.

When to Pay PMP

Your League may pay PMP in full at the beginning of the fiscal year in July, or on a regular semi-annual (for LWVCT) or quarterly (for LWVCT or LWVUS) basis. Both the LWVCT and LWVUS send an initial invoice to all Leagues, and will send balance-due statements to Leagues that pay semi-annually or quarterly.

THE MEMBERSHIP YEAR AND OPTIONS FOR MEMBERSHIP DUES

All League membership years have to start on July 1. However, in order to give you time to chase after late-paying members, the LWVCT and LWVUS don't lock in their rosters for any current year until the following January 31. After that, they set their budgets and figure out what they'll have to ask in PMPs, which your League then pays starting on the next July 1.

The thing to remember, therefore, is that you don't pay PMP on any first-time members until (at the earliest) July 1 of the year AFTER they've signed on. For new members recruited on or after February 1st, you don't pay PMP until July 1 of the FOLLOWING year, i.e., a year and a half later.

This permits your League to do any or all of the following:

- Offer all new members reduced first-year dues. (For example, LWV Bridgeport Area has regular dues of \$50 and signs up new members at \$35 for their first year.)
- Offer new members who sign up between February 1 and June 30 membership for a year-and-a-half for their first dues payment.
- Pro-rate first-year dues so that new members pay, for example, 100% between July 1 and, say, September 30, 60% between October 1 and January 31, and 40% between February 1 and June 30.
- Offer new after-February-1st members the option of delaying paying their membership dues until the following July 1 — although LWVCT doesn't recommend it, it's risky but possible.

By reducing first-year dues and/or stretching out the period that they cover, you should make it easier to recruit new members who aren't quite sure if the League is right for them, and to retain newer members who might otherwise resent having to pay full dues again less than a year after they've joined.

STARTING AN EDUCATION FUND ACCOUNT WITH THE LWVUS

The IRS defines all state and local Leagues as 501(c)(4) nonprofit organizations; donations to them are not tax-deductible. However, LWV education funds are 501(c)(3) non-profit organizations allowed to solicit contributions that are tax-deductible.

Some local Leagues have considered establishing education funds in order to attract support from donors who want to give tax-deductible contributions. However, the process of establishing a separate education fund, applying for 501(c)(3) recognition from the IRS, and maintaining the fund's separate existence under both state law and federal regulation may prove more expensive (and time-consuming) than the results might justify.

To make it easier for local Leagues to get contributions, the League of Women Voters of the US makes its tax deduction available to all Leagues through the League of Women Voters Education Fund (LWVEF). It was established in 1957 as a separate, tax-exempt organization with 501(c)(3) tax status. This service allows local Leagues to obtain tax-deductible funding for educational projects while at the same time relieving Leagues of the administrative burdens connected with creating and maintaining their own education funds.

All of the forms for the LWVUS's state and local grants program are up on their website at <http://www.lwv.org/AM/Template.cfm?Section=Treasurer&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=130&ContentID=13811>. This page is in the Treasurer's "Toolbox" in the Tools for Leaders section of the For Members area of the website.

How to start an education fund account with LWVEF:

1. Contact Membership/Field Support to obtain necessary information and forms. You may e-mail the LWVUS at GrantServices@lwv.org, or call (202) 263-1346. Fax 202-429-0854, or 202-429-4343.
2. Forms for deposits and withdrawals have been created and are available online, or can be sent via e-mail, fax or hard copy. The LWVUS now offers "interactive" withdrawal request and approval forms (see the forms in the back of this booklet). These allow you to type information directly into the fields and either print and mail them or to submit them via e-mail.
3. On all forms, it is important to **include your League number** as an identifying number for accuracy in tracking deposits and withdrawals.
4. Send contributions and raised funds **payable to the LWVEF** with a completed Deposit Form. Make sure to put the amount of the contributions on the **first line**, indicating that the money be placed in the League Grant Service Account indicated at the top of the form, and noting the number of checks and the amount for each check submitted. Once the money has been deposited and the account has been updated, a report will be generated from the accounting department to indicate that a deposit has been added to your League's account.
5. If a project is ongoing, year to year, your League simply needs to submit a Request for Withdrawal using the LWVEF forms (continue to briefly describe the project on the

withdrawal form). A check will be cut and sent. No other notice is necessary. No other notice will accompany the check – however, each check will include the project number as a means of tracking resources for each project. If you have any questions, please e-mail: GrantServices@lww.org.

6. If you have a new project, please e-mail the following: project title, description, budget amount, timeline of activities to: GrantServices@lww.org. An approval e-mail or questions will follow.
7. Once approval has been granted via e-mail notification, and if sufficient funds are already in the account of the League making the request, a check will be disbursed upon receipt of a completed Withdrawal Form including the project number. The check may take two to three weeks to be sent depending on when the form reaches the national office. Again, the check serves as notice of approval. If there are not enough funds in the account, the League must make additional deposits to the account using the Deposit Form.
8. After funds have been disbursed and the project has been completed, fill out a Project Final Report. The project will be closed in the corresponding League's account.

In order to use the grant service for funding, the projects must meet IRS and League criteria.

IRS Criteria:

1. The projects must be educational. The project must be completed for the purpose of informing the public in a fair and objective manner. The League cannot advocate a particular position on legislation or urge any action to affect legislation (federal, state, or local). The project cannot involve the development of a League position by consensus or other form of agreement nor can it promote a League position. The project cannot involve work with political parties or candidates for office (other than nonpartisan voter service activities such as candidate debates or voters' guides). It cannot influence the outcome of an election.
2. The project must serve the general public, not League members exclusively.
3. The project cannot be conducted for the sole purpose of promoting or building League membership. The project's resources cannot be used to support the membership recruitment or membership maintenance activities of the League. Therefore, internal membership materials do not qualify for funding.

LWVUS Criteria:

1. The project cannot be started before the approval application is submitted and approved. LWVEF trustees must ensure that it will meet IRS and LWV criteria.
2. The project must not give direct grants to outside organizations.
3. The project must be nonpartisan.
4. If your project generates income, the income must be used for educational purposes only.
5. The LWVEF must be properly credited.

USING MONEY IN YOUR LWVUS ED FUND ACCOUNT TO PAY PART OF YOUR LWVUS PMP

Your League may satisfy up to 50% of its current PMP obligation to the LWVUS through tax-deductible contributions to the League of Women Voters Education Fund. This can be done with (1) contributions made directly to the LWVEF for the purpose of paying the PMP; (2) unrestricted funds held in the LWVEF state/local grants accounts; and (3) unrestricted funds held in accounts managed by your local League education fund with the approval of your education fund board.

If your League decides to satisfy up to 50% of its current PMP obligation through tax-deductible contributions to the national education fund, please use the LWVUS's form to withdraw funds from your League's State and Local Grant account with the LWVEF, or to send check(s) for this purpose. Please make sure these checks are made payable to the LWVEF. Mail the check(s) and a copy of the invoice directly to the national office: League of Women Voters, 1730 M Street, Suite 1000, Washington, DC 20036. Do NOT use the envelope that the LWVUS sends with your League's PMP invoice – that envelope is for checks to the LWVUS only.

If your League would like to satisfy more than 50% of its PMP obligation through tax-deductible contributions, please send a simple request letter or e-mail to membership@lww.org at the LWVUS.

WHY THE LWVCT ED FUND DOESN'T DO LOCAL ACCOUNTS

A few local Leagues used to have small subaccounts in the LWVCT Education Fund. The LWVCT has had to stop providing this service because it does not have the staff to keep adequate track of the separate subaccounts.

USING RESTRICTED FUNDS

If your League has been given money under limiting conditions, those restrictions must be honored unless you can get the donor to waive the conditions. The need to honor restrictions is particularly acute when the money has been willed to your League, because if you break the terms in a Will, and if the donor's surviving family members find out, they can sue you to get the money for themselves, and you will have to pay it back even if you've already spent it.

Neither the LWVUS nor the LWVCT is equipped to keep track of such restrictions for you. It is therefore your and your president's joint responsibility to make sure that your League keeps and transmits to incoming officers all records of any conditional or restricted donations.

IRS ANNUAL ELECTRONIC FILING REQUIREMENT (Form 990-N “e-Postcard”)

Leagues whose gross receipts are normally less than \$50,000 must file a Form 990-N, also known as the e-Postcard, every year. You must complete and file the form electronically; there is no paper form. (Any League lucky enough to have annual gross receipts that are normally greater than \$50,000 must file Form 990 or Form 990-EZ.)

Due Date of the E-Postcard

The e-Postcard is due every year by the 15th day of the 5th month after the close of your tax year. Because your League is a member of the LWVCT’s group exemption, your tax year must start on July 1st and end on June 30th. You cannot file the e-Postcard until after your tax year ends.

How to File

Go to the IRS website and type 990-N into the search box. The site will take you to the correct link. After you’ve typed in your log-in number and password, you will be asked if you’re willing to leave the IRS’s website; the correct answer is “yes.”

Information You Will Need to File the E-Postcard

- Your League’s Employer identification Number (EIN), also known as a Taxpayer Identification Number (TIN). Yours is available from the LWVCT office if you need it.
- Your League’s password (usually your EIN/TIN without hyphens and with a 2-digit extension, usually “01”).
- Tax year: for all Connecticut Leagues, this must be July 1 thru June 30.
- Legal name and mailing address (**this will go into the “doing business as” box rather than the “name” box**, because the IRS keeps us indexed within the LWVCT group exemption).
- Any other names the organization uses.
- Name and address of a principal officer.
- Your League’s website or web page address.
- Confirmation that your League’s annual gross receipts are normally \$50,000 or less.
- If applicable, a statement that your League has terminated or is terminating (going out of business).

Late Filing or Failure to File the E-Postcard

If you do not file your e-Postcard on time, the IRS will send you a reminder notice but you will not be assessed a penalty for late filing the e-Postcard. However, an organization that fails to file required e-Postcards (or information returns – Forms 990 or 990-EZ) for three consecutive years will automatically lose its tax-exempt status. The revocation of the organization’s tax-exempt status will not take place until the filing due date of the third year.

LWVCT EDUCATION FUND REVENUE-SHARING POLICIES
(Amended 8/13/96)

- 1. Revenue Sharing:** Local Leagues will receive 15% of any unrestricted corporate contribution to the LWVCT Education Fund from a corporation whose headquarters are located in that local League's community. This 15% will be held in a reserved fund for the use of the local League. Those local Leagues having their own Education Funds will be sent their 15% share.

These funds are made available for specific local League Voters Service and other educational activities and publications. The local League need only submit application forms (available from the LWVCT Office) to the treasurer of the LWVCT Education Fund.

The LWVCT Office has up-to-date figures on your League's accumulated funds. At the completion of the project, a final account must be sent to LWVCT office explaining how the Education Fund money was spent.

- 2. Hold Harmless Agreement:** If any corporate donor decides (on the basis of Education Fund solicitation) to contribute to the LWVCT Education Fund rather than the local League, the local League is guaranteed the amount it previously received from that corporate donor - up to the total of any unrestricted contribution. Therefore, local Leagues should notify the LWVCT Office of corporate donations received during the last two years in order to establish a corporate donation history. The purpose of this agreement is to prevent local Leagues from losing what was a regular source of income from a corporate donor.

The Hold Harmless Agreement will terminate after one year unless the local League continues to actively solicit the corporation for a donation on at least a yearly basis and reports this to the LWVCT office.

- 3. Finder's Fee:** A new corporate donation of unrestricted funds received through the initiation of a local League will entitle that local League to an additional 15% reserved funds as a finder's fee for the first year. (e.g. if a local League has contacted a corporation which chooses to make a \$1000 contribution to the LWVCT Education Fund, the local League will receive \$150 Finder's Fee [during the first year] and \$150 Revenue sharing.)

- 4. Joint Solicitation:** At any time the LWVCTEF pays a visit for the purpose of raising general support (as opposed to funding for a specific project) to a corporation in a community in which there is a local League, the local League President will be invited to accompany the LWVCTEF solicitor.



SAMPLE GIFT DONATION and RECEIPT

[On behalf of myself and my family,] I, _____, hereby give [\$ _____] [my entire collection of _____] to the League of Women Voters of _____.

I give this [money][collection][item] subject to the following stipulations:

Signed:

(print name) _____
Donor

Date

On behalf of the LWWCT of _____ I hereby accept the above-referenced [funds][collection][item][, subject to the stipulations listed herein].

For the LWWCT of _____:
Signed:

(print name) _____
Title: _____
Duly authorized

Date

SAMPLE BUDGET

	Current FY Budgeted	Current FY Actual	Current FY Difference	Next FY Proposed
INCOME				
<u>Membership</u>				
Dues				
Members' Contributions				
Board & general meeting income				
Fund-raising				
<u>Interest</u>				
savings account				
CD				
TOTAL INCOME*				
EXPENSES				
<u>General/Administrative</u>				
office supplies				
stamps				
stationery				
Liability Insurance (w/ LWVCT PMP)	12	12	0	12
D&O Insurance				
annual corporate filing fee	50	50	0	50
auditor's fee				
President's/Board Expenses				
<u>Meetings</u>				
general/membership				
Convention/Council				
workshops/conferences				
<u>Membership</u>				
for new-member letters				
for dues renewals				
bulletin				
sunshine				
Fund-raising				
<u>PMP</u>				
LWVUS				
LWVCT				
<u>Voter Service</u>				
voters' guides				
debates/forums				
directories of elected officials				
Advocacy/lobbying				
Miscellaneous				
TOTAL CURRENT EXPENSES				
Withdrawals from Reserve				
NET EXPENSES*				
ASSETS as of mm/dd/20__				

* "Total Income" must match "Net Expenses."