

# Financial Fundamentals for Non-Profits

## Tax-Exempt Status

- SHRM Affiliates are exempt from some taxes but not all taxes. These are examples of taxes for non-profits.
  - UBI – Unrelated Business Income (mainly advertising): Most states will require a business license
  - Federal Payroll (Social Security, Medicare and Unemployment)
  - State Taxes, such as sales tax, real estate tax, state gross receipt tax, and state unemployment tax
- Chapters/State Councils are responsible for filing for their own tax-exempt status; may not use SHRM's status or federal Taxpayer Identification Number
- IRS classifications based on nature of chapter's/council's activities
- IRS provides Letter of Determination
  - File original in a safe place; a scan of document can be sent to SHRM as a back up
- Check IRS status at <https://www.irs.gov/Charities-&-Non-Profits>

## 501c6 vs. 501c3

- **501(c)(6)**
  - Applies to trade associations, *professional societies*, business leagues
  - Form 1024
  - Charitable contributions are not tax deductible
  - No restriction on amount of lobbying activities
  - Business expense deduction for dues except that portion used to support lobbying activities
  - Amount of dues spent on lobbying must be disclosed to members
- **501(c)(3)**
  - Applies to educational, charitable, and religious organizations
  - Form 1023
  - Charitable contributions may be tax deductible
  - Permitted to lobby – do not devote substantial part to lobbying activities
  - Less than 5% of activities to lobbying

## Bank Accounts

- Open a separate bank account for your affiliate; do not change bank accounts with each new treasurer, and account should not be in a person's name
- Someone other than a check signer should receive the bank statement
- Reconcile it every month
- Cash Receipts – should be secured and deposited in a timely manner
- Direct deposit of Chapter/State Council Financial Support Payments
- Need to send acknowledgement if a contribution is greater than \$250
- Cash Disbursements – keep good records of expenses paid
- Have a reasonable number of check signers
- Set dollar amount limits for check signers

## Federal Tax Reporting (required by IRS for all affiliates every year)

- IRS Form 990
  - Gross receipts > \$200,000 or total assets > \$500,000
- IRS Form 990EZ
  - Gross receipts < \$200,000 and total assets < \$500,000
- IRS Form 990-N
  - Gross receipts of \$50,000 or less
- Due by 15<sup>th</sup> day of the 5<sup>th</sup> month after the end of the chapter's/council's fiscal year with extension provisions up to 6 months
- Penalties for late filings
- Open to Public Inspection

## **Federal Tax Reporting - Employee or Independent Contractor**

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- W-2
  - Employee
- 1099-MISC
  - W9 - Used to obtain name, address, taxpayer ID/SS#
  - Independent Contractor paid \$600 or more
    - Program speakers
    - Web designer
    - Professional services
    - Chapter or Council paid staff (CMPs)

## **Insurance**

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- General Liability and Directors' and Officers' Insurance (Also, see articles on D&O insurance in the VLRC – search for term)
- SHRM does not provide insurance to affiliates
- Available from ASAE/AON: [www.asae-aon.com/Pages/Directors-and-Officers-Liability-Insurance.aspx](http://www.asae-aon.com/Pages/Directors-and-Officers-Liability-Insurance.aspx)

## **Increasing Revenue**

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**Income through Sponsorships and Advertisements** (More info on this topic in the Volunteer Leaders' Resource Center at <https://community.shrm.org/vlrc/resources-shrm/viewvlrcarticle?DocumentKey=20e6212e-be0d-4be6-a7c8-763e128bf9f1>)

## **Financial Support from SHRM**

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The **Chapter Financial Support Payment (CFSP)** Program returns a portion of each SHRM national member's dues to the chapter via a quarterly payment for 100% chapters or a twice-a-year payment for non-100% chapters.

- \$6.25 per quarter (\$25.00 annually) per member for 100% chapters
- \$5.00 twice per year (\$10.00 annually) per member for non-100% chapters

### **Net Gain Payment**

- Paid in the first quarter of each calendar year
- Calculated by subtracting the 12/31 national membership total for last year from the 12/31 national membership total for the current year and multiplying the difference by \$25.00

### **SHRM Certification Financial Support**

- SHRM will provide an annual payment of \$20 to each chapter for every primary chapter member who holds a **SHRM certification** at the conclusion of 2015 and 2016, and \$10 to state councils for all SHRM members in the state who do so.
- This payment will be made for individuals who obtain the SHRM-CP or SHRM-SCP through the Pathway process or who earn the SHRM certification by passing the exam.

## **SHRM's Online Guide to Financial Management**

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This comprehensive guide is available online in the Volunteer Leaders' Resource Center at

<https://community.shrm.org/vlrc/communityresources/resources/viewdocument?DocumentKey=7302f4e4-a057-45a2-9f89-a90ffecc7487&CommunityKey=3fce3c52-fe59-4917-8289-af7d8b4190a9&tab=librarydocuments>

- Operating Considerations
- Methods of Accounting and Financial Reporting
- Checklist of Internal Controls Over a Chapter's Cash Transactions
- Auditing
- Financial Maintenance Questionnaire
- Investments
- Tax Filings
- Unrelated Business Income Taxes
- Lobbying Activities
- Travel and Meal Reimbursement
- Record Retention Guidelines