

Financial 'Review' of a Chapter

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Please note that NSA does not have a formal 'review' process for chapter finances. These suggestions are not NSA policy but are offered to help chapters design their own 'review' process.

I put 'review' in single quotes because in the CPA world, a review is a specific set of services provided by Certified Public Accountants. I have used the word review in this document the way a layperson would, to mean to look over, study, or examine again.

Create a committee that includes your VP Finance and two others. They do not need to be on your board but should be professional members of the chapter.

Create a list of procedures. Here are suggestions:

- Randomly select the financial statements from three months including the last month of the year
 - Review the bank reconciliation and the bank statement and verify that the cash balance reconciles
 - Select at least 3 expense checks from each month and review the invoice
- Review the finance policy and/or interview the VP Finance, Chapter Administrator or Bookkeeper to determine who can sign checks, has access to funds, or can call and move money. Compare that to your by-laws to be sure you are in alignment.
- For year-end
 - Compare the final revenue and expense totals to the budget and investigate any significant differences
 - Compare member dues to the number of members listed on your membership list times the annual dues to test for reasonableness
 - Review documentation for any large expenses or any related-party transactions (payment to any member, etc.)
 - Compare to the previous year-end financial statement and investigate major differences
- Document your work (probably a checklist along with any board recommendations) and include the result in a presentation to the board and as an attachment to the Minutes of the Board meeting to which it is presented

Recommend needed changes to your chapter board of directors if you are unable to complete the above procedures due to:

- inadequate information in by-laws
- inadequate or no chapter finance policy
- incomplete financial statements
- inadequate or no annual budget

One final note: **Filing Requirements for Small Organizations**

Effective with the tax year ending December 31, 2007, tax-exempt organizations with revenues less than \$25,000 must file the electronic Form 990-N, "Electronic Notice (e-

Postcard) for Tax-Exempt Organizations not required to File Form 990 or 990-EZ.” In the past, these organizations did not have any IRS filing requirements. Now, the electronic notice must be filed on an annual basis.

At the end of February 2008, the IRS announced an electronic filing system via their website at www.irs.gov that allows these small organizations to comply with new requirements. All organizations **MUST** file electronically; no paper returns will be accepted. Small organizations will need to provide the following information about the organization when filing the Form 990-N:

- * Legal name of the organization, as well as any other names used
- * Taxpayer identification number
- * Name and address of principal officer
- * Tax year
- * Mailing address
- * Website address
- * Statement verifying annual gross revenues is less than \$25,000

The return is due four and a half months after the organization's year end. There is no fee to file the Form 990-N. Organizations that fail to file the required Form 990-N for three consecutive years will automatically lose their tax-exempt status.

Like the Form 990, the Form 990-N will be available to the public via a disclosure site on www.irs.gov. For further questions about the Form 990-N, go to <http://www.irs.gov/contact/index.html> or contact your local IRS offices.

Need a quick consult? Feel free to contact Linda Keith CPA, former VP Finance and President of NSA/Northwest. Contact at 360 866 1982 or Linda@LindaKeithCPA.com.