

Leadership Finance & Operations Guide
Units and Divisions
Council for Exception Children
Updated: January 16, 2019

Purpose of this Guide

The purpose of this guide is to outline the essentials necessary for leadership operations of Units and Divisions. This guide is intended to be a quick reference on easily located topics in bullet list format. Resources are provided at the end of this guide that can be accessed for more in-depth information on topics of interest.

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Dues Collection & Distribution

Units

- CEC collects and distributes dues for each Unit and distributes on an annual basis (in March of each year for the prior year). Payments are made by check.
- CEC undergoes an annual independent audit, part of which ensures that Unit dues are being collected correctly and distributed accurately.
- CEC collects \$8 per member for the appropriate Unit and withholds \$1 for each member for processing. CEC distributes the remaining \$7 to the appropriate Unit. The payments are accompanied by a report that provides the amount of dues paid by Member and Member Level.
- In order to receive the annual dues, each Unit must supply the following to CEC each year via the required assurance form:
 - Contact Information for Current Officers & Directors
 - Copy of Current Bylaws
 - U.S. State Units – Most Recent 990 Tax Return
 - Answer Miscellaneous Compliance Questions and Signed Assurance Form

Divisions

- CEC Provides monthly financial statement and reports of dues paid by Member and Member Level.
- CEC collects and distributes dues for each Division and distributes those dues on a monthly or quarterly basis, depending on the preference of the Division. Payments are made by check or ACH transfer.
- CEC undergoes an annual independent audit, part of which ensures that Division dues are being collected correctly and distributed accurately.
- In order to receive dues, each Division must supply the following to CEC on an annual basis via the required assurance form:
 - Contact Information for Current Officers & Directors
 - Copy of Current Bylaws
 - U.S. State Units – Most Recent 990 Tax Return
 - Answers Miscellaneous Compliance Questions and Signed Assurance Form

Budgeting & Accounting

What Budgeting **IS**:

- Annual plan for revenues, expense and net surplus for the organization.
- Roadmap for financial success in the coming year

What Budgeting **IS NOT**:

- A measure of ability to predict the future

Budget Development:

- Towards the end of each fiscal year, the unit or division should develop a budget for the upcoming fiscal year.
- Current year actual performance for revenue and expense should be reviewed and used as guidelines for setting the revenue and expense budget for the upcoming year.
- Any changes to revenue or expense in the upcoming year's budget compared to the current year should be noted as part of the budget document.
- Keeping notes as to how budgeted revenue and expense were determined will be beneficial when tracking the budget throughout the year.
- The final budget should be reviewed and approved by the Unit or Division officers and board of directors.
- An outline of the budgeting process can be found at:
<https://nonprofitsassistancefund.org/resources/item/10-step-budgeting-checklist>

Budgeting & Accounting Resources:

- CEC's Units and Divisions are relatively small in financial size; therefore, a small-business solution for budgeting and accounting is recommended.
- QuickBooks is popular for small businesses and is easy to install and use. The software can guide you in setting up your revenue and expense accounts and allows easy entry and tracking of these accounts. More information can be found at: www.quickbooks.com
- Small businesses often use Excel spreadsheets to set up annual budgets. A budget template ("Example Budget Template") is provided on the CEC website at:
<https://www.cec.sped.org/About-Us/CEC-Leadership/Unit-and-Division-Leadership-Resources>
This template is provided as an example and revenue and expense line items can be inserted / edited to meet the specific needs of the Unit or Division

Budget Monitoring:

- Throughout the year, compare actual financial results to the budget on a monthly basis to determine progress towards financial goals.
- Pay attention to bottom line (net surplus / loss) first, then drill down to individual items for more information
- If falling short of bottom line budget, drill down on line-items to determine where adjustments need to be made (increase revenue / decrease expense).
- If ahead of bottom line budget, drill down on line-items to determine areas of success.
- The bottom line goal may not be reached as planned via the revenue and expense budgeted. However, this is acceptable if net bottom line is ultimately reached. Please see example below. In this example, revenue came in under budget by \$201K; however, expenses were kept under budget by \$208K; thus, bottom line budgeted surplus of \$1.3 million was still achieved.

2018 CEC Convention - Tampa, FL			
	Actuals	Budget	\$ Variance
Revenue			
Exhibit Revenue	330,550	350,000	(19,450)
Registration Revenue	1,633,029	1,816,376	(183,347)
Other Revenue	128,480	127,000	1,480
Total Revenue	\$2,092,059	\$2,293,376	(\$201,317)
Expenses			
Audio / Visual	202,431	274,000	(71,569)
Contract Services	226,510	269,624	(43,114)
Facility Rental	98,884	118,210	(19,326)
Marketing	49,994	103,250	(53,256)
Other Expenses	199,964	221,475	(21,511)
Total Expenses	\$777,783	\$986,559	(\$208,776)
NET (Bottom Line)	\$1,314,276	\$1,306,817	\$7,459

Reserves Guidelines

- The amount of reserves that an organization should keep is subjective and based on the goals of the organization.
- Reserves are generally measured in terms of months the organization could survive if no additional cash were generated.
- The months of reserves available to the organization is calculated by taking the total of Liquid Assets (Cash & Investments) divided by the average monthly expense of the organization.

- Example: Organization has \$100,000 in cash and \$400,000 in marketable investments (stocks, bonds, etc.). The organization has average expenses of \$200,000. Thus, average months reserves = $(\$100,000 + \$400,000) / \$200,000 = 2.5$ months reserves.
- The average non-profit has 3 – 6 months reserves. If a non-profit’s reserves exceed 1-year, the organization may be viewed as “stockpiling” cash and should consider expanding programming or making donations. These are guidelines only and the amount of reserves depends on the goals of the non-profit organization.

501(c)(3) Tax Exemption Information (U.S. Only)

Each State Unit or Division is a separate legal entity from CEC. As such, CEC does not provide financial reporting or make any required filing on behalf of any State Unit or Division. Further, CEC’s tax-exempt status as a 501(c)(3) does not extend to any State Unit or Division. Each State Unit or Division must be incorporated as its own 501(c)(3) organization with its own Employer Identification Number (EIN).

Checking Tax-Exempt Status of State Unit or Division

- To check the tax-exempt status of the State Unit or Division, contact the IRS at 877-829-5500 and request an “affirmation letter” or “determination letter”.
- If status has been revoked, visit www.irs.gov/charities-non-profits to learn more about reinstatement.

Maintaining 501(c)(3) Tax-Exempt Status

- It is prohibited to endorse or fund a political candidate or political organization.
- Organizations may lobby for issue advocacy as long as it furthers the mission of the 501(c)(3) organization; however lobbying activities may not include reference to any political candidate or organization. Only a limited amount of lobbying is allowed and cannot be the primary activity of the organization.
- Cannot generate excessive Unrelated Business Income (“UBI”).
- Keep clean and organized financial records and keep the following on file:
Articles of Incorporation
Bylaws
990 Tax Return (5-7 Years) – must make available to public upon request
IRS Determination or Affirmation Letter

Form 990 Required Annual Tax Returns (U.S. Only)

Form 990 is a required informational return provided to the IRS by a 501(c)(3) tax exempt organization. A State Unit may want to obtain the services of an accountant if filing a complex 990 return; however, the Unit may choose to file less-complex returns on its own. Visit website for more information:

www.irs.gov/charities-non-profits

- **Revenues > \$200,000 or Assets > \$500,000** – File form 990 tax return.
- **Revenues < \$200,000 and Assets < \$500,000** – File simplified form 990-EZ tax return.
- **Revenues < \$50,000** – File very short form 990-N tax return.
- If any “Unrelated Business Income” (UBI) is generated, must also file form 990-T tax return. This portion of income may incur tax.
- All forms can be filed online or by traditional U.S. mail.
- Returns are due on the 15th day of the 5th month following fiscal year close.
Example: Fiscal Year Close on September 30, 2016; return due February 15, 2017
Example: Fiscal Year Close on December 31, 2016; return due May 15, 2017

Other Operating Considerations (U.S. Only)

Insurance (U.S. Only)

Listed below are various types of insurance to consider. Forrest T. Jones & Co. manages a consortium of education organizations to provide the most competitive rates for our members. State Units or Divisions may contact them for coverage options (see “Contacts” section).

- Directors & Officers Insurance (most nonprofits have this in place at a minimum)
- Commercial & Liability Insurance
- Convention & Events Insurance
- Errors & Omissions Insurance
- Association Professional Liability Insurance

Annual Audit (U.S. Only)

- Financial and internal controls review by an independent agency.
- Often is optional for nonprofits but is required by some states.
- Many nonprofits opt for an annual audit even if not required (best practice).

Definitions

501(c)(3) Organization	Organization formed meeting specific criteria that is exempt from pay taxes on income generated from organization-related activities.
Auditor / Audit	Firm that provides independent review (audit) of an organization's accounting and internal controls. Usually occurs on an annual basis.
Articles of Incorporation	Organizing document filed with the state. Must be completed before applying for 501(c)(3) status.
Bylaws	Set of rules adopted by an organization for the governance of its members and regulation of its affairs. Some states require these to be filed as part of its organizing documents.
EIN	Employer Identification Number – must be obtained before applying for 501(c)(3) status; unique number used to identify your organization with the IRS
Form 1023	Filed with the IRS to apply for 501(c)(3) status. Must be used by organizations that make or anticipate making more than \$50,000 per year in revenue.
Form 1023-EZ	Simplified version of Form 1023. May be used by organizations that make or anticipate making less than \$50,000 per year in revenue.
Form 990	Tax return filed by nonprofit organizations with revenues greater than \$200,000 or assets greater than \$500,000.
Form 990-EZ	Simplified version of Form 990 that may be filed by organizations with revenues less than \$200,000 and assets less than \$500,000.
Form 990-N	Very short “postcard” version of 990 that may filed by organizations with revenues less than \$50,000.
Form 990-T	Must be filed by nonprofit organizations that generate Unrelated Business Income (UBI).
Form SS-4	Form that can be completed to obtain an EIN. Can also obtain EIN immediately by applying online.
IRS Determination Letter	Provided by IRS upon acceptance of application for 501(c)(3) status. Updates can be requested from IRS if needed.
IRS Affirmation Letter	Provided by IRS anytime following formation of the 501(c)(3) organization. Nearly identical to the determination letter, but has current date.
Organizing Documents	Documents required to be filed with the state before obtaining 501(c)(3) status. These include the “Articles of Incorporation” (or similar) and possibly the organization's Bylaws, depending on the state.
UBI	Unrelated Business Income – income generated on a regular basis by a 501(c)(3) organization that does not further its exempt purpose. This type of income must be disclosed and may be taxable. A common example is revenue generated from selling advertising to a commercial business in publication produced by the 501(c)(3) organization.

Resources

- www.stayexempt.irs.gov
A comprehensive and helpful resource straight from the IRS including **video tutorials** on setting up and maintaining a 501(c)(3) organization as well as filing form 990 and other compliance issues. Also full of definitions and links to related forms.
- www.irs.gov/charities-non-profits
Detailed information on Form 990 and tax returns, forming and reinstating a 501(c)(3) tax-exempt organization, and other educational resources and guidance.
- www.councilofnonprofits.org
All things nonprofit including 501(c)(3) formation and maintenance, 990 filings, budgeting, audits, governance and more.
- <https://nonprofitsassistancefund.org/resources/item/10-step-budgeting-checklist>
Excellent outline on the budgeting process.
- <https://www.irs.gov/charities-non-profits/form-990-series-which-forms-do-exempt-organizations-file-filing-phase-in>
Lists each form 990 available for filing based on the 501(c)(3) organization's size
- **Membership Reports**
provides analysis of division membership recruitment and retention; emailed on a monthly basis to each State Unit.
- **Membership Roster**
includes list of current, new and lapsed members; emailed on a monthly basis to each Unit.

Contacts

<p>Craig Evans Council for Exceptional Children Chief Financial Officer 703-264-9416 craige@cec.sped.org</p>	<p><u>Questions Regarding:</u> Finance / Accounting / Budgeting 501(c)(3) Tax-Exempt Information Form 990 Tax Returns</p>
<p>Bryan Reynolds Council for Exceptional Children Membership and Database Manager 703-264-9480 bryanr@cec.sped.org</p>	<p><u>Questions Regarding:</u> Unit Membership Data & Reports Unit Dues Collection & Distribution General Membership</p>
<p>Tiffany Lewis Council for Exceptional Children Sr. Accountant 703-264-9410 tiffanyl@cec.sped.org</p>	<p><u>Questions Regarding:</u> Division Financials & Reports Division Dues Collection & Distribution</p>
<p>Fred Wheeler Forrest T. Jones & Co. 703-318-8189 fwheeler@ftj.com</p>	<p><u>Questions Regarding:</u> Insurance Coverage Options Insurance Applications</p>
<p>Internal Revenue Service (877) 829-5500 www.irs.gov/charities-non-profits</p>	<p><u>Questions Regarding:</u> 501(c)(3) Determination & Affirmation Letters 501(c)(3) Reinstatement Form 990 Tax Returns</p>