

National Art Education Association

**Handbook for
State/Province Art
Education Association
Treasurers or
Financial Trustees**

2007

**Written by the
Financial Management Committee,
NAEA Western Region**

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IMPORTANT NOTICE

This document is intended to be used as a guide only. It does not carry legal backing. The National Art Education Association does not assume financial responsibility for decisions or actions taken by state or province art education associations based on content contained within. State/Province art education association treasurers or financial trustees should consult with your financial advisor or an attorney on any points in this guide.

Table of Contents

Introduction	5
1.0. Suggested Policies and Procedures	6
1.1. Treasurers Duties: No Association Bookkeeper	6
Other Related Policies	7
1.2. Treasurer’s Duties: With Association Bookkeeper	7
Other Related Policies	8
1.3. Bookkeeper Duties	8
Other Related Policies	9
2.0. Job Descriptions	10
2.1. Treasurer	10
2.2. Bookkeeper	11
3.0. Background, Qualifications, and Training	11
4.0. Banking Procedures	12
5.0. Payment / Reimbursement Procedures	12
6.0. Conference Registration and Reimbursement	13
7.0. Bonding and Insurance	14
8.0. Revenue/Benefits	14
9.0 Maintenance of Budget Accounts	14
10.0. Signature Authorization	15
11.0. Fiscal Year and Carryover Money	16
12.0. Federal and Tax Exempt Status	16
13.0. Cash Box	17

14.0. Banking Fees and Assessments	17
15.0. Definitions: IRS Terms/Forms	18
15.1. Non-Profits 501 (C)(3): Exemption Requirements	18
15.2. IRS / Non-Profits 501 (C)(6):4.76.15.1 (03-01-2003): Business Leagues	20
16.0. Website Resources	20
17.0. IRS Forms and Due Dates	21
Appendix: Sample Forms	22
Sample Line Item Disbursement Form	23
Sample Budget Itemization	24
Sample Budget Spending Report	28
Sample Budget Workshop for 2006	29
Sample Budget Report	30
Sample Volunteer Automobile Log & In-kind Voucher	31
Sample Daily Receipt Recap Sheet	32
Sample Disbursement Form	33
Glossary	34

INTRODUCTION

Each state and province art education association carries responsibility for the ongoing management of the financial resources of the association. Management of these resources requires that various state and federal laws and policies be carefully observed and followed. Often, financial officers have varying knowledge and skills needed to meet this responsibility. Terms of office and transition periods for state association treasurers and financial trustees vary among associations. Training programs for these officers may not exist. Mentoring of financial officers also may be inconsistent and may not provide for an efficient transfer of responsibilities from one officer to another. Changes in laws and other financial management practices or policies require that financial officers educate themselves about such changes and act to implement them.

During the NAEA Western Region Summer Leadership Forum in Madison, Wisconsin in June of 2005, former NAEA Western Region Vice President, Diane Scully selected financial management of state and province art education associations as the theme for leadership training. Treasurers and financial trustees, other state officers, and interested members from states in the Western Region were invited to participate in a workshop designed to outline financial policies and practices needed for successful management of the resources of state and province associations. A number of questions, issues, and concerns were raised and discussed during the forum. In meetings of the Delegates Assembly held in Chicago in March of 2006, Western Region delegates requested that a handbook be created for treasurers or financial trustees with essential information that would assist them in conducting the duties of their offices. After approval was given by the NAEA Board of Directors, a committee was created and charged with creation of the *Handbook for State/Province Art Education Association Treasurers or Financial Trustees*. The committee was chaired by Madeline Milidonis-Fritz of Michigan. Others on the committee included Mignon Hatton of Arkansas, Rick Mittelstadt and Mark Trampf of Minnesota, Leesha Dunkeson of Missouri, Bob Curtis of Oklahoma, Jean McCulloch Harper of Wisconsin, and Dr. Robert Sabol, NAEA Western Region Vice President. Treasurers and financial trustees from these and other states were asked to contribute content for the handbook including Richard Mittelstadt of Minnesota, Joni Siler of Michigan, and Dr. Brad Venable of Indiana. This document represents the combined efforts of these people.

The Handbook is not intended to be comprehensive. Its purpose is to provide guidance to state and province art education association Treasurers and Financial Trustees and Executive Boards in conducting the financial affairs of their offices. Application of and need for some policies may vary among associations. Each association should review its Constitution, By-Laws, and Policy Manual or Operational Handbook regularly to determine whether existing policies are adequate or require revision and whether creation and adoption of new policies are required. State or province association policies are subject to application of all applicable state and federal laws. It is the responsibility of

the officers and Executive Boards of state or province associations to scrupulously monitor compliance with all such statutes.

It is understood that differing organizational terms or titles may be given to officer groups, councils, or boards and to other leadership groups responsible for conducting the business of associations. For purposes of this document, the terms “Executive Board” or “Executive Council” shall refer to elected officers of the association. The terms “Governing Council” or “General Council” will refer to elected officers and appointed officers, standing committee chairs, or any other individuals with leadership responsibilities for the association. Within associations other terms or titles may exist for these and other leadership groups. Determining alternate parallel terms or titles for leadership groups to which included policies apply will be the province of the elected officers of the association.

1.0. SUGGESTED FINANCIAL POLICIES & PROCEDURES

The Executive Board recognizes its responsibility to maintain stable, secure financial policies that will abide by all state and federal laws, and protect the association’s non-profit organization status.

Association policies should be clearly written for all financial matters such as, but not limited to maintenance of budget accounts, signature authorization, fiscal year and carryover money, federal and state tax exempt status, cash box, banking fees and assessments, securing authorization for investments in savings, savings certificates, money market, or mutual fund accounts, and reimbursements.

The association Constitution and By-Laws should include the Job Description for the Treasurer *and* Bookkeeper [if the association has one] and clearly define duties or responsibilities of these officers.

1.1.0. TREASURER DUTIES: *[For associations with no association Bookkeeper]*

The Treasurer will:

- 1.1.1. Receive and deposit all association monetary funds in the banking institution approved by the Executive Board.
- 1.1.2. Maintain prudent investments in money market account, or mutual funds approved by the Executive Board.
- 1.1.3. Disburse funds by check when proper invoices, forms, and receipts have been submitted for reimbursement or payment.
- 1.1.4. Maintain electronic financial records for the association.

- 1.1.5. Serve on the Finance Committee.
- 1.1.6. Submit proposed budget to Executive Board prior to the beginning of the next fiscal year.
- 1.1.7. Submit an Annual Report for publication at the Annual Business meeting.
- 1.1.8. Be responsible for all financial reporting as required by law.
- 1.1.9. Work cooperatively with the Bookkeeper [if there is an association Bookkeeper] as the second reviewer in the monthly reconciliation of all financial records, and the annual preparation of tax records as required by law.

Other Related Policies

- 1.1.10. The Association Financial Institution[s] shall be reviewed annually and a report should be given to the Executive Board detailing whether a change to another institution needs to be made.
- 1.1.11. Signatures on all accounts should be changed when required by election results, personnel changes in positions on the Executive Board, or the law.
- 1.1.12. Signatures for all banking Institutions shall be handled during an official Executive Board meeting as required by State and Federal banking laws and Homeland Security laws, with all designated parties present and signing.
- 1.1.13. Checks must be signed by an Executive Board member other than the one who makes out the checks. *Example:* if the bookkeeper makes out the checks, another Executive Board member signs the checks.
 - a. A variation on this could be a two signature process; ie the bookkeeper makes out the check and signs it, as well as the treasurer or another designated executive board member.
- 1.1.14. The treasurer or bookkeeper compiles a monthly journal of checks for approval by the second executive board designee [treasurer]. The check journal is then approved and the checks dispersed by the writer of the checks.
 - a. The journal is then signed by both the bookkeeper and the treasurer.

1.2.0. TREASURER DUTIES: *[For associations with an association Bookkeeper]*

The Treasurer will:

- 1.2.1. Maintain prudent investments in money market account or mutual funds approved by the Executive Board.
- 1.2.2. Maintain electronic financial records for the association.
- 1.2.3. Serve on the Finance Committee.
- 1.2.4. Submit proposed budget to Executive Board prior to the beginning of the next fiscal year.
- 1.2.5. Submit an Annual Report for publication at the Annual Business meeting.
- 1.2.6. Be responsible for all financial reporting as required by law.
- 1.2.7. Work cooperatively with the bookkeeper as the second reviewer in the monthly reconciliation of all financial records and the annual preparation of tax records as required by law.

Other Related Policies

- 1.2.8. The Association Financial Institution[s] shall be reviewed annually and a report should be given to the Executive Board detailing whether a change to another institution needs to be made.
- 1.2.9. Signatures on all accounts should be changed when required by election results, personnel changes in positions on the Executive Board, or the law.
- 1.2.10. Signatures for all banking Institutions shall be handled during an official executive Board meeting as required by State and Federal banking laws and Homeland Security laws, with all designated parties present and signing.

1.3.0. BOOKKEEPER DUTIES

A bookkeeper hired by the Executive Board shall:

- 1.3.1. A. Maintain both daily operating expenses and procedures for the association.
- B. Receive and deposit all association funds.
- C. Disburse funds by check as requested with the appropriate receipts, disbursement forms, and documentation.

- D. Disburse funds only if they are within the line item budget allowed by the Executive Board.
- E. Maintain electronic financial records of all transactions.
- F. Work cooperatively with the Treasurer to prepare annual tax records as required by law.
- G. Work cooperatively with the Treasurer to prepare the annual report.
- H. Work cooperatively with the Treasurer to prepare the association books for audit when required by the Executive Board and or by law.
- I. Work cooperatively with the Treasurer as the second reviewer in the monthly reconciliation of all financial records,

1.3.2. Maintain the daily finances for the annual association conference.

- A. Co-sign Conference account with the Conference Chair[s] and Treasurer.
- B. Receive and deposit all conference funds.
- C. Disburse funds by check as requested with the appropriate receipts, disbursement forms, and documentation.
- D. Disburse funds when approved by the Conference Chair[s].
- E. Maintain electronic financial records of all annual conference transactions.
- F. Work cooperatively with the Conference Chair[s] to complete the Annual Conference Financial Report.

1.3.3. Function cooperatively with the elected Treasurer.

Other Related Policies

- 1.3.4. Association books will be audited every year, until such time that it is recommended to audit during election years. The audit years will coordinate with the election of a new Executive Board or during a regularly scheduled number of years

For a treasury with few gross receipts, a yearly “review” by a Finance Committee is recommended standard procedure.

2.0. JOB DESCRIPTIONS

2.1 TREASURER

The Treasurer shall:

- 2.1.1. Handle all expenditures concerning association funds in collaboration with accounting professionals.
- 2.1.2. Oversee/facilitate long range financial planning in conjunction with approved professional(s) recommended by the finance committee or Executive Board.
- 2.1.3. Present an annual operating budget to the Executive Board and General Council at the January meeting for approval.
- 2.1.4. Submit records for financial review including:
 - A. A written report to be published for the General Business Meeting
 - B. An in-house financial review during off election years.
 - C. A written independent financial review [audit] following a general election.
- 2.1.5. Maintain non-profit [501 C3, 501c6] status and report status annually at Executive Board budget meetings.
- 2.1.6. Ensure expenditures within the budget shall not exceed the assets of the organization.
- 2.1.7. Seek and attend IRS training for non-profit organizations.
- 2.1.8. Attend Executive Board and General Council meetings.
- 2.1.9. Be bonded along with any other Executive Board or Governing Council members handling association funds.
- 2.1.10. Transfer funds on any given line item by approval of the Executive Council and notification of parties.
- 2.1.11. Insure that all Standing Committees controlling funds have accounts co-signed and supervised by the President and Bookkeeper.

2.2 BOOK KEEPER

The Bookkeeper shall:

- 2.2.1. Submit all financial reports within generally accepted accounting formats or any other accounting method as long as it is consistently used in cooperation with the Treasurer.
- 2.2.2. Prepare an updated line-item budget prior to each Executive Board meeting. The budget will be based on the fiscal year stated in the constitution.
- 2.2.3. Prepare the written report for presentation at the Executive Board and General Council meetings and annual business meetings in cooperation with the Treasurer.
- 2.2.4. Prepare the books for the annual review by an accountant and for income tax preparation as required by law.
- 2.2.5. Co-sign accounts that control the operating account and conference accounts.
- 2.2.6. Be bonded along with the Treasurer and any designated Executive Board members handling association funds.
- 2.2.7. Be bonded along with any other Governing Council members handling association funds.
- 2.2.8. Transfer funds on any given line item by approval of the Executive Board and notification of parties.
- 2.2.9. Insure that all Standing Committees controlling funds have accounts co-signed and supervised by the President, Treasurer, and Bookkeeper.

3.0. BACKGROUND, QUALIFICATIONS, AND TRAINING

3.1. Any individual in the association who has strong organizational skills, currently manages family finances, has experience using computer spread sheets such as Quicken or Excel, has a record of completing work in a timely and efficient manner, and is willing to devote a great deal of time to the association qualifies for the position of Treasurer.

3.2. The Treasurer must be of sound character, reliable, and, above all, trustworthy. It is recommended that the Executive Board actively seek information about these characteristics prior to accepting the nomination of any individual for election as Treasurer or selection as Bookkeeper. Although it is difficult to quantify these

characteristics, it is highly advisable for Nominating Committees to secure character references for Treasurer and Bookkeeper nominees.

3.3. It is sound practice for the association to bond the positions of Treasurer, Bookkeeper, and all officers or others who handle association funds.

3.4. For associations with less than \$100,000 in the treasury, careful screening of all financial records and transactions is the least expensive and the most practical course of action regardless of whether the position is appointed, elected, or hired.

3.5. Each organization should be a member of a state non-profit organization consortium which can either provide training for Treasurers or access information regarding procedures and obligations associated with treasury issues.

4.0. BANKING PROCEDURES

Banks will provide varying checking account options and fees. Therefore, it is important to review current banking procedures and policies such as: required minimum balances; the association's frequency of financial transactions; deposit procedures; un-cancelled checks [generally after 6 months]; and any other procedures or policies involved with banking of association funds.

4.1. ATM cards shall not be approved for use to pay for any conference or association expenses.

4.2. All association accounts shall be in the name of the association. Conference accounts will specify the conference year or special uses such as scholarship funds, grants, or other uses approved by the Executive Board.

4.3. All association accounts shall have authorized signatures from the President, Treasurer, and Bookkeeper as standard operating procedure. Additionally, as sound practice, more than one officer should be required to sign all checks. Conference accounts shall have the additional signature of the Conference Chair(s).

4.3.1 All accounts shall be set up and signed according to state banking and federal homeland security laws.

4.3.2 Association signatures must be updated with association elections and in accordance with state laws.

4.3.3 Consideration should be given to selecting a banking company that is widely available throughout the state or with accessibility to all board members approved to conduct banking for the association.

5.0. PAYMENT/ REIMBURSEMENT PROCEDURES

5.1. Bills shall be paid only if submitted with the appropriate disbursement or

reimbursement forms that have been filled out properly and include the proper receipts.

5.1.1. The association will provide standardized reimbursement forms.

5.1.2. State Non Profit Associations recommend acceptance of original receipts only. Copies of receipts can be altered and/or submitted multiple times.

5.2. Payments for disbursements will be made within the year they occur. Should a member request reimbursement after the year in which it occurred, it will be paid from the current year's budget, thus reducing the line item from which it is taken for that year.

5.3. The association reimburses for gas receipts only for the Executive Board and others as approved by the Executive Board. Mileage also may be deducted as volunteer miles on individual tax forms. [Refer to IRS volunteer mileage laws.]

NOTE: This provision may not apply to all state or province associations. Some associations may have policies restricting or prohibiting payment of mileage or fuel expenses of officers or association members.

5.4. Individuals receiving stipends from the association will submit an invoice for their services to the Treasurer or Bookkeeper for payment as designated by the Executive Board.

5.5. Routine expenditures, within the line item budget allowance authorized by the Council, may be approved by the officer or chair responsible.

6.0. CONFERENCE REGISTRATION AND REIMBURSEMENT

6.1. Conference registration fees and reimbursements should be set into policy within each association policy document.

6.1.1. These registration fees should designate the conference registration fees for full time college students, student helpers, retirees, conference committee members, officers, and guests.

6.2. The association should clearly define and state in the association policy document all policies that apply to registration fees at state and regional conferences for workshop presenters and organizers.

6.3. The association shall reimburse for mileage and the cost of supplies for conference presenters when their request and receipts are submitted on the association conference reimbursement form.

NOTE: This provision may not apply to all state or province associations. Some associations may have policies restricting or prohibiting payment of mileage, fuel,

and /or supplies or materials expenses for conference presenters, officers, or association members.

7.0. BONDING AND INSURANCE

7.1. The association Board of Directors, [President, President Elect, Vice President, Secretary, Treasurer, Membership, Conference Chairs, and Bookkeeper] and any other designated members handling association monies shall be bonded.

7.1.1. Bonding or insuring the Treasurer is generally recommended if there is more than \$100,000 in the treasury at any time during the fiscal year.

7.2. The association shall maintain Liability Insurance as required by state insurance laws.

8.0. REVENUE AND BENEFITS

8.1. The association shall not, in any way, act or engage in activities which might affect its right to full tax exemption or the right of donors to full tax deduction of their contributions to the association.

8.2. The association, if it is licensed as a tax exempt organization, shall operate so as to entitle all federal and/or state tax exemptions which may be granted to charitable, scientific, and education associations or foundations.

8.3. The association shall not sell any substantial part of its securities or other property for less than adequate consideration for money or money's worth.

8.4. The association shall not engage in any other transaction that either directly or indirectly results in such diversion of its revenues.

8.5. Annually the Executive Board and Governing Council shall determine that revenue has served the operation and stated purpose of the organization as set forth in the Constitution and By-laws.

8.6. The Executive Board and Governing Council shall engage in sensible fiscal management that values carryover of surplus from one fiscal year to the next in order to provide a contingency fund for unexpected expenses and to provide unearned income for the association.

8.7. The Executive Board and Governing Council shall annually review the monetary value of the contingency fund to determine if it is appropriate in the amount and/ or duration.

9.0. MAINTENANCE OF BUDGET ACCOUNTS

9.1. Upon approval of the annual budget by the association Executive Board and Governing Council, it shall be the responsibility of the council member who is the manager of the individual program or budgetary line item, not to exceed the monetary amount of their account.

9.2. If any expenses could or will exceed the budgeted amount in a particular account, it shall be the responsibility of that council member or account manager to seek approval as stated in association policy, i.e. Seek approval of Treasurer if the amount is less than \$100.00 or council governing body if the amount is over \$100.00

10.0. SIGNATURE AUTHORIZATION

10.1. It shall be the responsibility of the President [or designated agent] to represent the association with his/her name and signature on legal and ceremonial documents requiring such authorization and validation.

10.2. It shall be the responsibility of the Treasurer to represent the association with his/her signature on all financial documents and accounts requiring authorization and validation that either the President or Treasurer could sign.

10.3. Documents that the Treasurer shall be authorized to sign on behalf of the association are checks, contracts that involve payments, documents dealing with tax exemptions, or financial institutions relevant to the checking or investment accounts.

10.3.1. Documents that the association Bookkeeper shall be authorized to sign include all checks or financial documents dealing with the day-to-day operations of the association.

10.3.2. The Bookkeeper must seek authorization from the Treasurer or association governing body for any disbursements, contracts, or payments that exceed the budgeted amount.

10.4. Signatures of association Executive Council representatives shall be authorized to validate contractual agreements between vendors, venues, companies, keynote speakers, presenters, and individuals with association related duties of their office.

10.5. Every election year signature authorizations shall be reviewed and updated.

10.6. In the case of association checking accounts, money market or mutual fund accounts, signatures must be updated to include the current President if the current Treasurer be unable to fulfill this responsibility.

10.7. Should the role of Treasurer become vacant during his or her term of office, the President will continue to authorize financial transactions, withdrawals, or account closures until a new Treasurer can be appointed or elected.

11.0. FISCAL YEAR AND CARRYOVER MONEY

- 11.1. The fiscal year shall be defined in the association Constitution and By-Laws.
- 11.2. At the end of the fiscal year, all budgeted accounts shall be closed and the fiscal year budget report shall be finalized.
- 11.3. The Annual Report shall be published in the association designated publication. i.e. In fall or winter journals or newsletters, Book of Forms, on the association website, or other means of communication with the membership approved by the Executive Council.
- 11.4. Until the new budget is approved by the association, Executive Board, and Governing Council, money remaining in the appropriate accounts will be carried over into the general fund account.
- 11.4.1. Requests for reimbursement or payment following the closure of the fiscal year shall be drawn from the new fiscal year budget and charged to the appropriate proposed budget account.
 - 11.4.2. When appropriate, the Executive Board or Governing Council may direct the Treasurer to place the unused money from the previous fiscal year in the money market or mutual fund investments in order to provide financial security for the association.

12.0. FEDERAL AND TAX EXEMPT STATUS

- 12.1. As a non-profit organization with an income tax-exempt status under Section 501 C (3), associations shall remain in compliance with all rules regarding the Internal Revenue Code Section 509 (a) (2).
- 12.2. It shall be the duty of Executive Council members or their representatives to use either tax-exempt status when required or to substantiate the association as a non-profit organization free from tax obligations.
- 12.3. Association members shall remain in compliance with all rules regarding the State Sales and Use Tax Codes.
- 12.4. It shall be the duty of Executive Council members or their representatives to present the State Sales and Use Tax Exempt Certificate when purchasing exempt merchandise or services.
- 12.5. It is the duty of each association to check with their State Attorney General for State Sales and Use Tax Codes and to make sure their association designees comply with the state regulations for use.

13.0. CASH BOX

13.1. Before placing into service, money in all cash boxes provided by the Treasurer shall be counted by the designated association member(s) to verify the starting cash amount(s) on the form provided by the association.

13.2. Designated association member(s) who are in possession of the cash boxes shall be responsible for the welfare and safe keeping of the boxes and its contents before, during, and after sales activities.

13.3. Designated association member(s) who are in possession of the cash boxes shall be responsible to count the contents and write down the total dollar amount on the form provided prior to returning the box(es) to the Treasurer.

13.4. Cash received at a conference or other association sponsored event must be counted out at the beginning and end of each day. A “*Daily Receipt Recap Sheet*” must be signed and dated and deposited that day, or the next morning. The deposit slip must then be attached to the “*Daily Receipt Recap Sheet*” and turned into the treasurer or designated party for the official association records.

14.0. BANKING FEES AND ASSESSMENTS

14.1. In the event that all reasonable contacts and mutual negotiations regarding the loss of an association issued check does not result in a positive or mutually agreed upon solution, the following actions regarding stop payment for the issued check[s] shall be implemented:

14.1.1. Upon determination of probable cause, culpability, responsibility, and circumstance and after consultation with the President of the association, the total current bank fee for stop payment shall be assessed to the person, business, institution, or organization to whom an association check was issued and stop payment action was required.

14.1.2. The party to whom the check was issued shall be assessed this fee by reducing the amount of the re-issued check by the amount of the stop payment bank fee debited to the association.

14.1.3. If the amount of the original check is equal to or less than the stop payment fee, a check will not be reissued.

14.2. In the event that all reasonable contacts and mutual negotiations regarding an insufficient funds check is issued to the association does not result in a positive or

mutually agreed upon solution, the following actions regarding the fee assessed to the association for checks received with insufficient funds shall be implemented:

14.2.1. Payment of banking fee assessed to the association for returned deposited check due to insufficient funds shall be the accountability of the person, business, institution, or organization responsible for writing the check to the association.

14.2.2. After 30 days following first contact, the outstanding payment together with the insufficient funds fee shall be subject to the current annual finance charge (fee) as established by credit card companies or banking institutions.

14.3. In the event that all reasonable contacts and mutual negotiations regarding late payment to the association does not result in a positive or mutually agreed upon solution, the following actions regarding the annual finance charge on late payments shall be implemented:

14.3.1. After 30 days following first contact, the outstanding payment shall be subject to an annual finance charge of some specified amount (i.e.12%).

14.3.2. The current annual finance charge shall be added to the outstanding bill and compounded monthly until the outstanding bill has been paid.

15.0. DEFINITIONS: IRS TERMS/FORMS

15.1. 501C3: Exemption Requirements

To be tax-exempt as an organization described in IRC Section 501(c)(3) of the Code, an organization must be organized and operated exclusively for one or more of the purposes set forth in IRC Section 501(c)(3) and none of the earnings of the organization may inure to any private shareholder or individual. In addition, it may not attempt to influence legislation as a substantial part of its activities and it may not participate at all in campaign activity for or against political candidates.

The organizations described in IRC Section 501(c)(3) are commonly referred to under the general heading of "charitable organizations." Organizations described in IRC Section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with IRC Section 170.

The exempt purposes set forth in IRC Section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and the prevention of cruelty to children or animals. The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening the burdens of government; lessening of neighborhood

tensions; elimination of prejudice and discrimination; defense of human and civil rights secured by law; and combating community deterioration and juvenile delinquency. To be organized exclusively for a charitable purpose, the organization must be a corporation, community chest, fund, or foundation. A charitable trust is a fund or foundation and will qualify. However, an individual will not qualify. The articles of organization must limit the organization's purposes to one or more of the exempt purposes set forth in IRC Section 501(c)(3) and must not expressly empower it to engage, other than as an insubstantial part of its activities, in activities that are not in furtherance of one or more of those purposes. This requirement may be met if the purposes stated in the articles of organization are limited in some way by reference to IRC Section 501(c)(3). In addition, assets of an organization must be permanently dedicated to an exempt purpose. This means that should an organization dissolve, its assets must be distributed for an exempt purpose described in this chapter, or to the federal government or to a state or local government for a public purpose. To establish that an organization's assets will be permanently dedicated to an exempt purpose, the articles of organization should contain a provision insuring their distribution for an exempt purpose in the event of dissolution. Although reliance may be placed upon state law to establish permanent dedication of assets for exempt purposes, an organization's application can be processed by the IRS more rapidly if its articles of organization include a provision insuring permanent dedication of assets for exempt purposes. For examples of provisions that meet these requirements, download Publication 557, Tax-Exempt Status for Your Organization.

An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of the exempt purposes specified in IRC Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. For more information concerning types of charitable organizations and their activities, download Publication 557.

The organization must not be organized or operated for the benefit of private interests, such as the creator or the creator's family, shareholders of the organization, other designated individuals, or persons controlled directly or indirectly by such private interests. No part of the net earnings of an IRC Section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. A private shareholder or individual is a person having a personal and private interest in the activities of the organization. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any managers agreeing to the transaction.

IRC section 501(c)(3) organizations are restricted in the amount of political and legislative (lobbying) activities they may conduct. For a detailed discussion, see Political and Lobbying Activities. For further information regarding lobbying activities by charities, see the article Lobbying Issues; for more information regarding political activities of charities, see the FY-2002 CPE topic Election Year Issues.

15.2. 501C6: 4.76.15.1 (03-01-2003) Business Leagues

Introduction

This IRM section contains specific examination guidelines for an organization recognized as exempt from income tax under IRC section 501(a) as an organization described in IRC section 501(c)(6). It provides examination techniques effective in identifying and developing issues commonly encountered during the examination of an IRC section 501(c)(6) organization.

These guidelines provide specific assistance for the examination of an IRC section 501(c)(6) organization and are not all-inclusive. The purpose is to supplement the guidelines contained in IRM sections 4.75.2 through 4.75.6. The intent is not to restrict the examiner in identifying issues or using examination techniques not included herein.

This IRM does not contain detailed technical information regarding IRC section 501(c)(6) organizations. The examiner should review the technical information contained in IRM 7.25.6. 4.76.15.2 (03-01-2003)

Background Information

IRC section 501(c)(6) provides for the exemption of business leagues and similar organizations whose:

- A. Purpose is the promotion of the common business interest of its members'.
- B. Net earnings do not inure to the benefit of any member.
- C. Purpose is not to engage in a regular business of a kind ordinarily carried on for profit.
- D. Principal activity is not the performance of particular services for individual persons.

Note: Activities which constitute the performance of particular services to members may result in revocation of exemption if these are primary activities. If these are not primary activities, any income generated by them is unrelated business income.

16.0. WEBSITE RESOURCES

E-letter, plain-English summaries Answer Your Questions Here:

www.nonprofitissues.com

Information on 501C3: <http://www.irs.gov/publications/p557/inddex.html>

Information on 501C6: <http://www.irs.gov/irb/2003-01-06/irs-tege-eotopick03.pdf>
VL MBA Glossary: www.ventureline.com/glossary-N.asp

17.0. IRS FORMS AND DUE DATES

www.irs.gov/formspubs/lists [website to attain forms and more detailed explanation of forms listed below]

Form W2 End of the year report on employee income and deductions.

W2 must be mailed to each employee on or before January 31st following the end of the calendar year report.

Form W9 Request for Taxpayer Identification number

This is the form to garner information like address, SS # from conference presenters, vendors, everyone who will receive a check from the association. Also this form provides the information necessary for completing the 1099. These are kept on file for reference should they be requested by the IRS. *These need to be updated semiannually*

Form 990 Return of organization exempt from income tax

Organization Income tax return. It is recommended that a professional CPA prepare this form.

Due May 15th.

NOTE: If gross receipts are over \$25,000 per year.

Form 1096

Form used to tell the IRS how many 1099 forms have been issued. Due date: February 28 following the end of the year.

Form 1099 misc.

To notify the IRS that you have paid \$600 or more in any given calendar year mailed to the IRS by February 28. Not necessary to send to a corporation. Must be mailed to the recipient by January 31st following the end of the calendar year.

APPENDIX

Sample Forms

The following pages include samples of documents that associations may want to consider as they revise the association treasury responsibilities and procedures.

1. Line Item Disbursement Form: When members need reimbursement, this form is filled out, sent to the designated person [Treasurer or Bookkeeper] with receipts attached.
2. Budget Itemization: Executive Board and Governing Council members should have a copy of this to assist them in identifying the proper line item code. This also helps the council to understand the over all budget of the association.
3. Budget Spending Report: This is the report used to plan the next fiscal year. Often this report is ready for the Finance Committee meeting in November or December and becomes the foundation for the plans for the next years' budget.
4. Budget Workshop For 06: This is used at the end of the fiscal year to help plan the budget for the next fiscal year. The current year is listed in the first column, followed by the year to date [YTD] expenses, the proposed year, and a blank column as a worksheet for finance committee and executive discussion.
5. Budget Report: This is the report given at each council meeting. Members prefer the simple, less confusing format.
6. Volunteer Mileage Form: Governing Council members and association members record their mileage and meetings on this form for the association non-profit records and for their personal tax deductions.
7. Daily Receipt Recap Sheet: This is a accounting record of daily gross receipts received.
8. Disbursement Form: This record is a report of disbursements with pertinent information including accounts and amounts of disbursements.
9. Glossary: Often members and new officers need an explanation of terminology at meetings. This list is provided to help everyone have common understanding the accounting language.

See NAEA President Handbook 2006 edition for additional budget samples.

SAMPLE LINE ITEM DISBURSEMENT REQUEST

Office use only

Check #

Date:

With Receipts attached, Send to:

TREASURER'S NAME

PO BOX XXX

CITY, STATE ZIP

Phone: (XXX) XXX-XXXX Fax: (XXX) XXX-XXXX

ADMINISTRATION EXPENSES

- A-01 PRESIDENT
- A-02 PAST PRESIDENT
- A-03 PRESIDENT ELECT
- A-04 VICE-PRESIDENT
- A-05 TREASURER
- A-05.1 BOOKKEEPER
- A-06 RECORDING SECRETARY
- A-07 MEMBERSHIP SECRETARY
- A-08 DIVISION CHAIRS
- A-09 SCHOLARSHIP CHAIR

COMMUNICATIONS

- B-01 COMMUNICATIONS DIRECTOR
- B-01.1 PUBLICATION LAYOUT
- B-01.2 WEB DESIGNER
- B-02 NEWSLETTER
- B-03 OTHER PUBLICATION
- B-04 WEBSITE

COUNCIL EXPENSES

- C-01 MEETINGS
- C-02 COUNCIL WORKSHOPS
- C-03 OFFICE SUPPLIES
- C-04 EQUIPMENT
- C-05 INSURANCE
- C-06 PROFESSIONAL SERVICES

DELEGATE EXPENSES

- D-01 NAEA DELEGATES
- D-02 MEMBERSHIPS

PROFESSIONAL/PUBLICRELATIONS

- E-01 MINI CONFERENCES
- E-02 CONFERENCE SEE
- E-03 AWARDS/MEMORIALS
- E-04 ART AQUISITIONS
- E-05 YOUTH ARTS FESTIVALS
- E-06 NOMINATIONS/ELECTIONS
- E-07 YOUTH ARTS MONTH/ADVOCACY
- E-08 TRAVELING EXHIBIT
- E-09 SPECIAL PROJECTS
- E-10 REGION EXPENSES
- E-11 GRANTS
- E-12 SCHOLARSHIP FUND
- E-13 STATE ASSOCIATION/NAEA SCHOLARSHIP

OTHER

- F-01 REFUND
- F-02 CONTINGENCY FUND
- F-03 STATE ASSOCIATION./NAEA MEMBERSHIP

ACCOUNT #	REASON FOR EXPENSES	AMOUNT
_____	_____	_____
_____	_____	_____
_____	_____	_____

Make Check Payable to: _____ Total \$ _____

Address: _____

SIGNATURE OF PERSON MAKING REQUEST FOR FUNDS / TITLE

____/____/____
DATE SUBMITTED

AUTHORIZATION SIGNATURE / TITLE

____/____/____
DATE RECEIVED

SAMPLE BUDGET ITEMIZATION: *This document is a guideline when doing the annual budgeting process. The treasurer should update this document annually as memberships, fees, stipends, and other things change.*

A. Administration Expenses: mailing, postage, phone, supplies, travel connected with fulfilling elected positions.

A-1 President-	\$3,000
A-2 Past President-	\$1000
A-3 President Elect-	\$2,000
A-4 Vice President	\$ 1000
A-5 Treasurer	\$ 100
A-5.1	\$ 1000
A-6 Recording Secretary	\$ 100
A-7 Membership Secretary	\$ 700
A-8 Division Chairs	\$ 700
A-9 Scholarship Chair	\$ 75

B. Communications:

B.1- Communications Director -	\$2,400
B 1.1 Publication Layout-	\$2,000
B-1.2 Web designer	\$2,400 Stipend to update and monitor web site
B-2 <i>Newsletter</i> -to cover costs of printing and mailing winter, spring/summer, and fall Issues and handbook.	\$11,000
B-3 Other Publications- printing, mailing of Book of Forms, mini Summer PD Nominations/ Elections: Money to print and mail ballots for elections every other year.	\$ 500 Summer PD \$ 600 Book of Forms printing only Other publications as needed
B-4 Web Site: expenses related to web site.	\$ 240.00 Web Hosting \$ 20.00 Domain Name

C. Council Expenses:

C-1 Meetings: food, beverages for council meetings. Overnight lodging and meals for executive council before January meeting or other meetings requiring overnight stay before the council meeting.	\$1,800
C-2 Council Workshops: Council Retreat. The goal is for the association to pick up half the expenses for food, lodging, and meeting space costs.	\$2,500
C-3 Office Supplies: Stationary, seals, copies and supplies for council meetings.	\$ 600.
C-4 Equipment/ Software	\$1,000
C-5 Insurance: Required for conference and bonding of treasurer and bookkeeper	\$ 700
C-6 Professional Services: Hiring expertise or paying for services way above and beyond what is expected. This could be used for a consultant, grants, tax services [audit].	\$5,000
C-7 NAEA Conference Attendance: This assists in the costs for our Art Educators of the Year, Western Region Educators of the Year to attend the NAEA annual conference. Each may receive up to \$500 after disbursement forms and receipts are turned in.	

\$2,000

D. Delegate Expenses:

D-1 NAEA DELEGATES: Helps pay expenses, [airfare, hotel, transportation for two delegates to National Convention in the spring] and to Western Region leadership training.

\$2,400

D-2 Memberships: Professional affiliations:

\$ 40.00 ArtServe

\$ 250 American for the Arts

\$ 65 Coalition for Subject Matter
Organizations

\$ 300 State Art Teacher of the Year

\$ 200 MYAF

Other

E. Professional/ Public Relations:

E-2 Conference Seed: Money given to conferences to help them get started. Conference seed for chairs to attend National Conference 1 1/2 years prior to their convention.

\$1,000 Conference attendance

E-3 Awards/ Memorials:

\$1,000 Art educator of the Year [plaques,
mailing of books to readers]

Gifts for Conference Chairs

Gifts for retiring long term officers

Memorials/ flowers for members and or
spouses who have passed.

E-4 Arts Acquisitions: Purchase of 3-4 pieces from the member show. One is selected by Art Educator of the year.

\$1,500

E-5 MYAF: Meals, lodging, parking and other related expenses for those required to attend any functions of the festival. This would include the State President, State Association board members and Art Teacher of the Year honorees. This line item also reflects all other Festival related costs: adjudicators, art workshops, supplies for workshops, and all Teacher of the Year costs.

\$3,000

E-7 ADVOCACY/ YAM: mailing and expenses.

\$1,000

E-8 Governor's traveling Exhibit: framing of the 30 pieces involved in this High School show and any other expenses related to it.

\$500

E-9 Special projects: As decided by executive council

\$3,000

E-10 Region Expenses: Mailing, phone costs of liaisons, cost for regional get-togethers, can be used for adjudication

\$3,000

25

- E-11 Money spent related to grants.
- E-12 Scholarship Fund: Money donated for scholarships
- E-13 Endowment: Endowment for Scholarship winner, Community Foundation.
- E-17 Retired Art Educators: Pins for retired art educators. Other expenses related to this.
- E-18 State Association/NAEA Scholarship

F. Membership:

F-3 *see D2*

Income:

- B-2 Newsletter: Revenue from ads.
- C-1 Council Retreat: money paid by attendees.
- E-2 Fall Conference: Any revenues accrued.
- E-2 Conference Seed: Repayment of conference seed money.
- E-11 Grants: Any revenues relating to grants.
- E-14 Scholarship: Money donated to scholarship fund.
- E-20 Mini Conferences: Money taken in related to mini conferences.
- F-3 Interest: Interest from savings accounts, CD's, etc.
- Savings: money used from savings account to balance budget.

Revised January 2006

Account	2005 Budget	Prev.YTD	YTD	Balance
A. Administration				
A-1 President	3000		2192	808
A-2 Past President	800		174	626
A-3 President Elect	2000		1639	361
A-4 Vice President	500		185	315
A-5 Treasurer	100		448	-348
A-5.1 Bookkeeper			100	-100
A-6 Recording Secretary	100			
A-7 Membership Secretary	1800		1416	384
A-8 Division Chairs	600		638	-38
A-9 Scholarship Chair	75		0	75
B. Communications				
B-1 Communication Director	2400		2000	400
B-1.1 Publication Layout	2000		1355	645
B-1.2 Web Designer	2400		2400	0
B-2 Newsletter	10000		8773	1227
B-3 Other Publication	4500		1169	3331
B-4 Website	500		460	40
C. Council Expenses				
C-1 Meetings	2800		706	2094
C-2 Council Workshop/Ldrshp Retreat	2000		1263	737
C-3 Office Supplies	500		835	-335
C-4 Equipment/Software	1000		772	228
C-5 Insurance	750		537	213
C-6 Professional Services	7000		1600	5400
D. Delegate Expenses				
D-1 NAEA Delegates	2400		2620	-220
D-2 Memberships	500		500	0
E. Professional/Public Relations				
E-2 Conference Seed	7000		2450	4550
E-3 Awards/Memorials	1000		619	381
E-4 Art Acquisitions	1700		1071	629
E-5 Youth Arts Festival	3000		1796	1204
E-6 Nominations/Elections	0			
E-7 Youth Arts Month/Advocacy	1000		709	291
E-8 Traveling Exhibit	500		544	-44
E-9 Special Projects	3000		1639	1361
E-10 Region Expenses	3000		1095	1905
E-12 Scholarship Fund	1000		1000	0
F. Other	500		0	500
F-3 State Association/NAEA Membership	500		0	500

Sample Budget Spending Report

As of December 1, 2005

Account	2005 Bdgt	YTD	Proposed 06	Final 06
A. Administration				
A-1 President	3000	2192	3000	
A-2 Past President	800	174	800	
A-3 President Elect	2000	1944	2000	
A-4 Vice President	500	286	1000	
A-5 Treasurer	100	348	500	
A-5.1 Bookkeeper		550	1000	
A-6 Recording Secretary	100	0	100	
A-7 Membership Secretary	1800	1717	1400	
A-8 Division Chairs	600	638	700	
A-9 Scholarship Chair	75	0	75	
B. Communications				
B-1 Communication Director	2400	2400	2400	
B-1.1 Publication Layout	2000	1690	2000	
B-1.2 Web Designer	2400	2400	2400	
B-2 Arteacher	10000	9210	11000	
B-3 Other Publication	4500	1785	3500	
B-4 Website	500	260	300	
C. Council Expenses				
C-1 Meetings	2800	1097	1800	
C-2 Council Workshop/Ldrshp Retreat	2000	1263	2500	
C-3 Office Supplies	500	845	600	
C-4 Equipment/Software	1000	2289	1300	
C-5 Insurance	750	537	700	
C-6 Professional Services	7000	2600	4300	
C-7 State Association Conf Attendance			2000	
D. Delegate Expenses				
D-1 NAEA Delegates	2400	2620	2400	
D-2 Memberships	500	825	900	
E. Professional/Public Relations				
E-2 Conference Seed	7000	4570	7000	
E-3 Awards/Memorials	1000	619	1000	
E-4 Art Acquisitions	1700	1071	1500	
E-5 Youth Arts Festival	3000	1796	3000	
E-7 Youth Arts Month	1000	709	1000	
E-8 Traveling Exhibit	500	544	550	
E-9 Special Projects	3000	3639	3000	
E-10 Region Expenses	3000	3288	3000	
E-12 Scholarship Fund	1000	1000	1000	
F. Other	500	0		
F-3 State Association/NAEA Membership	500	0		
TOTALS	69925	54906	69725	

Account	2005 Budget	YTD	Proposed 06
A. Administration			
A-1 President	3000	2192	3000
A-2 Past President	800	174	800
A-3 President Elect	2000	1944	2000
A-4 Vice President	500	286	1000
A-5 Treasurer	100	348	500
A-5.1 Bookkeeper		550	1000
A-6 Recording Secretary	100	0	100
A-7 Membership Secretary	1800	1717	1400
A-8 Division Chairs	600	638	700
A-9 Scholarship Chair	75	0	75
B. Communications			
B-1 Communication Director	2400	2400	2400
B-1.1 Publication Layout	2000	1690	2000
B-1.2 Web Designer	2400	2400	2400
B-2 Newsletter	10000	9210	11000
B-3 Other Publication	4500	1785	3500
B-4 Website	500	260	300
C. Council Expenses			
C-1 Meetings	2800	1097	1800
C-2 Council Workshop/Ldrshp Retreat	2000	1263	2500
C-3 Office Supplies	500	845	600
C-4 Equipment/Software	1000	2289	1300
C-5 Insurance	750	537	700
C-6 Professional Services	7000	2600	4300
C-7 State Association Conf Attendance			2000
D. Delegate Expenses			
D-1 NAEA Delegates	2400	2620	2400
D-2 Memberships	500	825	900
E. Professional/Public Relations			
E-2 Conference Seed	7000	4570	7000
E-3 Awards/Memorials	1000	619	1000
E-4 Art Acquisitions	1700	1071	1500
E-5 Youth Arts Festival	3000	1796	3000
E-7 Youth Arts Month/Advocacy	1000	709	1000
E-8 Traveling Exhibit	500	544	550
E-9 Special Projects	3000	3639	3000
E-10 Region Expenses	3000	3288	3000
E-12 Scholarship Fund	1000	1000	1000
F. Other	500	0	
F-3 State Association/NAEA Membership	500	0	
TOTALS	69925	54906	69725

Sample Budget Report

As of July 10, 2006

Account	Budget 2006	YTD	Balance	NOTES
A. Administration				

A-1 President	3000	2048	952	
A-2 Past President	800	0	800	
A-3 President Elect	2000	519	1481	
A-4 Vice President	1000	868	132	
A-5 Treasurer	500	0	500	
A-5.1 Bookkeeper	1000	0	1000	
A-6 Recording Secretary	100	0	100	
A-7 Membership Secretary	1400	0	1400	
A-8 Division Chairs	700	160	540	
A-9 Scholarship Chair	75	0	75	
B. Communications				
B-1 Communication Director	2400	1100	1300	
B-1.1 Publication Layout	2000	1000	1000	
B-1.2 Web Designer	2400	1800	600	
B-2 Newsletter	11000	1494	9506	
B-3 Other Publication	3500	1423	2077	
B-4 Website	300	260	40	
C. Council Expenses				
C-1 Meetings	1800	910	890	
C-2 Council Workshop/Ldrshp Retreat	2500	0	2500	
C-3 Office Supplies	600	192	408	
C-4 Equipment/Software	1300	0	1300	
C-5 Insurance	700	212	488	
C-6 Professional Services	4300	1105	3195	Legal=\$685
C-7 State Association Conf Attendance	2000	1938	62	
D. Delegate Expenses				
D-1 NAEA Delegates	2400	1786	614	Future=\$266
D-2 Memberships	900	250	650	
E. Professional/Public Relations				
E-2 Conference Seed	7000	2000	5000	
E-3 Awards/Memorials	1000	146	854	
E-4 Art Acquisitions	1500	1127	373	
E-5 Youth Arts Festival	3000	2381	619	
E-7 YAM/Advocacy	1000	247	753	
E-8 Traveling Exhibit	550	0	550	
E-9 Special Projects	3000	32	2968	
E-10 Region Expenses	3000	1331	1669	
E-12 Scholarship Fund	1000	4	996	
F. Other				
F-3 State Association/NAEA Membership				
TOTALS	69725	24333	45392	

DAILY RECEIPT RECAP SHEET

DATE _____

START-UP AMOUNT [*impressed*] \$ _____

Initials

Initials

CASH COLLECTED \$ _____

CHECKS COLLECTED \$ _____

TOTAL \$ _____

LESS IMPRESSED AMOUNT \$ _____

DAILY DEPOSIT \$ _____

Signature

Title

Signature

Title

Attach the blank deposit slip and turn in to the treasurer or designated Executive Board member.

Sample Disbursement Form

Treasurer_____

Bookkeeper_____

Date_____

	Type	Date	Num	Account	Split	Amount
	Check					
	Check					
	Check					
	Check					
	Check					
	Check					
Total						

GLOSSARY

ACCRUAL is the recognition of revenue when earned or expenses when incurred regardless of when cash is received or disbursed.

ACCRUAL BASIS OF ACCOUNTING is wherein revenue and expenses are recorded in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period. This is the accounting basis that generally is required to be used in order to conform to generally accepted accounting principles (GAAP) in preparing financial statements for external users.

ACCRUED ASSETS are assets from revenues earned but not yet received.

ACCRUED EXPENSES are expenses incurred during an accounting period for which payment is postponed.

ACCRUED INCOME is income earned during a fiscal period but not paid by the end of the period.

ACCRUED INTEREST is interest earned but not paid since the last due date.

AUDIT is the inspection of the accounting records and procedures of a business, government unit, or other reporting entity by a trained accountant for the purpose of verifying the accuracy and completeness of the records. It could be conducted by a member of the organization (internal audit) or by an outsider (independent audit). A CPA audit determines the overall validity of financial statements. A tax audit (IRS in the U.S.) determines whether the appropriate tax was paid. An internal audit generally determines whether the company's procedures are followed and whether embezzlement or other illegal activity occurred.

AUDIT EVIDENCE includes written and electronic information (such as checks, records of electronic fund transfers, invoices, contracts, and other information) that permits the auditor to reach conclusions through reasoning.

AUDITING STANDARDS provide minimum guidance for the auditor that helps determine the extent of audit steps and procedures that should be applied to fulfill the audit objective. They are the criteria or yardsticks against which the quality of the audit results are evaluated.

AUDIT OPINION LETTER is a signed representation by an auditor as to the reliability and fairness of a set of financial statements. It is usually presented at the beginning of an audit report.

AUDITOR is an accountant usually certified by a national professional association of accountants, if one exists in the corporation's country, or certified by another country's recognized national association of accountants. Corporations will often work with both internal auditors and external auditors.

AUDIT PLAN/PLANNING is developing an overall strategy for the expected conduct and scope of the audit. The nature, extent, and timing of planning varies with the size and complexity of the entity, experience with the entity, and knowledge of the entity's business.

AUDIT REPORT is a signed, written document which presents the purpose, scope, and results of the audit. Results of the audit may include findings, conclusions (opinions), and recommendations.

AUDIT SCHEDULES are the information formats developed by the external auditors to guide the corporation in the preparation of particular information presented in a particular manner that facilitates the audit. These should always be completed by the corporation prior to the start of the audit.

AUDIT SCOPE refers to the activities covered by an internal audit. Audit scope includes, where appropriate: audit objectives; nature and extent of auditing procedures performed; Time period audited; and related activities not audited in order to delineate the boundaries of the audit.

AUDIT STRATEGY is a game plan to attack audit issues before they are raised. Reasons and justifications for all positions must be understood and the foundation laid for taking the position.

AUDIT TRAIL is a step-by-step record by which financial, business, and quality assurance data can be traced to its source. For example: checking the validity of an accounting entry through the step-by-step record by which accounting data can be traced to their source.

BALANCE SHEET is an itemized statement that lists the total assets and the total liabilities of a given business to portray its net worth at a given moment of time. The amounts shown on a balance sheet are generally the historic cost of items and not their current values.

BANK BALANCE is the amount of money in a bank account on a particular date as recorded by a financial institution on a bank statement.

BANK RECONCILIATION is the verification of a bank statement balance and the depositor's checkbook balance.

BANK STATEMENT is a statement reporting all transactions in the accounts held by the account holder.

BONDED is to: a. secure payment of duties and taxes on (goods) by giving a bond; or, b. convert into a debt secured by bonds; or, c. provide a bond for or cause to provide such a bond (e.g., to bond an employee) that guarantees any monetary loss caused by intentional acts by the bonded employee.

BONDING INSURANCE: Insurance purchased by the organization to protect the organization from theft and embezzlement. Please check with your state insurance laws.

BOOKKEEPING is the recording of business transactions, the art, practice, or labor involved in the systematic recording of the transactions affecting a business.

BUDGET is an itemized listing of the amount of all estimated revenue which a given business anticipates receiving, along with a listing of the amount of all estimated costs and expenses that will be incurred in obtaining the above mentioned income during a given period of time. A budget is typically for one business cycle, such as a year, or for several cycles (such as a five year capital budget). Of the many kinds of budgets, a **CASH BUDGET** shows **CASH FLOW**, an **EXPENSE BUDGET** lists expected payments of money, and a **CAPITAL BUDGET** shows the anticipated payments for **CAPITAL ASSETS**. See **FORECAST**, **PROJECTION**.

BUDGETARY ACCOUNTING, contrary to financial accounting, looks forward: it measures the cost of planned acquisitions and the use of economic resources in the future.

BUDGET CONTROL is actions carried out according to a budget plan. Through the use of a budget as a standard, an organization ensures that managers are implementing its plans and objectives. Their actual performance is measured against budgeted performance.

BUDGETING is the documenting of intended expenditures over a specified time period (normally one year) along with proposals for how to meet them. See also **ZERO BASED BUDGET**.

BUDGETING PROCESS is a systematic activity that develops a plan for the expenditure of a usually fixed resource, such as money or time, during a given period to achieve a desired result.

CASH BASIS OF ACCOUNTING is the accounting basis in which revenue and expenses are recorded in the period they are actually received or expended in cash. Use of the cash basis generally is not considered to be in conformity with generally accepted accounting principles (GAAP) and is therefore used only in selected situations, such as for very small businesses and (when permitted) for income tax reporting.

CASH BUDGET tracks a business's anticipated cash receipts and disbursements. This is a very detailed and important schedule that draws on information in the Operating Budget.

CHARITABLE SOLICITATION LICENSE: This allows sponsors to make charitable donations. Check with your state, possibly the Department of the Attorney General.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) is a recognized common set of accounting principles, standards, and procedures. GAAP is a combination of accepted methods of doing accounting and policy board set authoritative standards.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS), in the US, are the broad rules and guidelines set down by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA). In carrying out work for a client, a certified public accountant would apply the generally accepted accounting principles (GAAP); if they fail to do so, they can be held to be in violation of the AICPA's code of professional ethics.

INCOME SUMMARY ACCOUNT is the account in the general ledger used to summarize the revenue and expenses for the fiscal period.

INCORPORATED is a legal entity that has undergone incorporation through approval by a state government.

INCORPORATION is a legal process through which a company receives a charter and the state in which it is based allows it to operate as a corporation.

LIABILITY, in insurance, is a term used when analyzing insurance risks that describes possible areas of financial exposure / loss. Presently, there are three forms of liability coverage that insurers will underwrite: The first is general liability, which covers any kind of bodily injury to non-employees except that caused by automobiles and professional malpractice. The second is product liability, which covers injury to customers arising as a direct result of goods purchased from a business. The third is public liability, which covers injury to the public while they are on the premises of the insured. [*Covers conference sites, personal property, business property, and is renewed annually. Check with your state insurance laws and conference site requirements.*]

LINE ITEM BUDGET is a budget initiated by government entities in which budgeted financial statement elements are grouped by administrative entities and object. These budget item groups are usually presented in an incremental fashion that is in comparison to previous time periods. Line item budgets are also used in private industry for comparison and budgeting of selected object groups and their previous and future expenditure levels within an organization.

NONPROFIT ORGANIZATION is one that has committed legally not to distribute any net earnings (profits) to individuals with control over it such as members, officers, directors, or trustees. It may pay them for services rendered and goods provided. Also known as NOT-FOR-PROFIT ORGANIZATION.

ZERO BASED BUDGET is where the expenses or costs of the prior year are not taken into consideration when establishing expense or budgetary levels looking forward. Each expense category starts from zero. All expenses or cost levels within the budget must be justified or re-justified as being necessary; thus “zero-base”.

VL MBA Glossary: www.ventureline.com/glossary-N.asp

NOTES