

# **Business Practices for Local Treasurers and Executive Boards September 2018**



*Website: [www.wea-chinook.org](http://www.wea-chinook.org)*

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## TRANSITION TIME

**Outgoing Officers:** Pass along records and information such as:

- Duties & responsibilities
- Constitution & Bylaws
- Policy & procedure manuals
- Committee information
- How-to manual (if available)
- Contact lists (phone numbers, emails, etc.)
- UniServ information
- Due dates
- Annual events
- Meeting requirements
- Mail
- Electronic & paper files
- Passwords
- Budget
- \$ Bank statements
- \$ Bank account signature & access changes
- \$ Checkbook & register
- \$ Cash receipts & disbursement records
- \$ Treasurer reports and financial statements
- \$ Tax and other regulatory filings
- \$ Change of address for statements:
  - Bank
  - School District
  - IRS

**Incoming Officers:** Ask lots of questions, such as the following:

- What has worked well?
- What has been a challenge?
- Who to “go to”?
- Who are the “blockers”?
- What do I do when...? (i.e., IRS letters)
- What tools have been most useful?
- What training/workshops should I consider?
- What meetings will give me the best information?
- What seems to work for managing my calendar and time?
- When you became an officer, what was the greatest challenge you faced and why?
- What is the most helpful thing someone did for you to help you be a better officer?

*\$ - Specific to Treasurer*

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## Calendar of Important Fiscal Dates

October	Prepare financial paperwork/budget for audit (either internal or external). It's recommended that locals with 300-750 members have an annual audit by a CPA.
November	Perform the audit or of the local's books.

*File IRS 990-EZ Tax Return if local's income is over \$50,000 **OR** an e-postcard (990N) if local's income is under \$50,000 **OR** 990T if **unrelated** business income is over \$1,000 **AND YOUR LOCAL HAS RECEIVED TAX EXEMPT STATUS FROM THE IRS** (see p.35) on the following schedule:*

January 15      Fiscal Year September 1 - August 31

April 15        Fiscal Year January 1 - December 31

*Non tax-exempt corporations file Form 1120 on the same schedule and are subject to taxation.*

*The link to file the 990N is <https://www.irs.gov/990n>*

January 31	Deadline for sending 1099s to persons who have received \$600 or more from your local. (See p. 36 for additional information.)
March 1	Deadline for filing IRS Form 1096 with proper copy of the 1099s.
May - June	Prepare projected budget for the next fiscal year. Send in form showing new officers for the next year Send in form showing local dues for the next year
When notified	File Nonprofit Corporation Annual Report with the Secretary of State (see p. 31).

## How Long Documents Need to be Kept

Document* Retention/Destruction	
Accounts payable/receivable ledgers and schedules	7 years
Audit Reports (external)	Permanently
Audit Reports (internal)	7 years
Bank reconciliations	1 year
Bylaws and Constitution	Permanently
Cash books	Permanently
Charts of Accounts	Permanently
Checks - cancelled for important payments (file w/ transaction papers)	Permanently
Contracts and leases (equipment, rental space, etc.)	7 years
Contracts - local CBAs	Permanently
Correspondence (routine) with vendors/members	1 year
Correspondence (legal and important matters only)	Permanently
Deeds, mortgages, and bills of sale	Permanently
Depreciation schedules	Permanently
Dues received lists	7 years
Duplicated deposit slips	1 year
Election of Officers - related documents	1 year
Employee personnel records (after termination)	Permanently
Employee tax records	7 years
Financial statements and general ledgers	Permanently
Grievances (formal)	Permanently
Grievances (potential)	2 years
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.)	Permanently
Internal reports to members	3 years
Invoices	7 years
Membership Enrollment Forms of any type that involve payroll deductions	Permanently
Minutes of meetings	Permanently
Notes receivable ledgers and schedules	7 years
Payroll records and summaries (including member dues)	7 years
Petty cash vouchers	3 years
Physical inventory tags	3 years
Property records and appraisals by outside appraisers	Permanently
Purchase orders	7 years
Tax returns and worksheets/determination papers	Permanently
Time sheets/Activity reports	7 years
Vouchers for payment and voucher register and schedules	7 years
* Both paper and electronic (email or computer file)	

# Local Association Checklist

## When forming an Association

- ☐ Adopt Bylaws and Constitution
- ☐ Elect Officers
- ☐ Apply for Affiliation with WEA/NEA
- ☐ Set Annual Budget - **THIS ALSO NEEDS TO BE DONE ANNUALLY**
- ☐ Apply for Employer ID Number with the IRS (Form SS-4)
- ☐ Apply for Non Profit Corporation status with the State of Washington
- ☐ Apply for a Tax Exempt Status with the IRS (Forms 8718 and 1024)
- ☐ Apply for a Washington State Master Business License if your Assn has employees or pays taxes

Secretary of State: [www.sos.wa.gov/corps/nonprofitinformation.aspx](http://www.sos.wa.gov/corps/nonprofitinformation.aspx)

360-725-0377

IRS: To see if you have an EIN call (800) 829-4933

To obtain an EIN: <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-%28EIN%29-Online>

To find out if already tax-exempt : <http://www.irs.gov/Charities-&Non-Profits/Exempt-Organizations-Select-Check>

## Introduction

Your local association is a business entity and must be regarded as such by its Board and officers. There are legal requirements imposed by the State of Washington and the federal government that bind the association's officers and with which the corporation must comply. This manual will discuss these legal requirements. Should your local need to file for incorporation, a tax ID number, or IRS Non-Profit Corporation Status, contact WEA Chinook for forms and assistance. See the previous page for an "Association Checklist."

You may have become a local leader for any number of reasons. You may also feel that your position will only involve going to a few meetings, serving on a committee or two, getting together with colleagues . . . **BUT**, if you serve on your local's Board, you have legal and ethical responsibilities toward the organization's "corporate survival," its financial ability to fulfill its legal obligations, and the success of local programs. As a Board member you have a fiduciary responsibility to hold the local's assets and dues collected from your members in trust and to use them to serve the professional welfare of your members.

Many locals try to do and be something else (social clubs, scholarship grantors, etc.), however, these types of activities should be funded only after necessary program and legal obligations are met. The entire Board - not just the President and Treasurer - is responsible for seeing that this happens. The following questions should be considered at least annually:

- ✓ Do we have a realistic budget when considering:
  - how much money will be received in dues and interest;
  - any internal and external environmental forces affecting the local; and
  - the cost and **effectiveness** of planned programs and activities?
- ✓ Do we have enough cash (i.e., money available to pay our bills in a timely manner)?
- ✓ Do we have enough funds in reserve for a financial crisis? WEA now recommends that 30% of income be set aside as a reserve, or enough to cover three months' expenses should funding be held up for some reason?
- ✓ Are our expenditures in line with what we budgeted and do they support our program goals?

In summary, all members of the Executive Board are responsible for safeguarding the assets of the association and for ensuring that its resources are used for the maximum benefit of its members.



## Responsibilities of the Local Treasurer

Maintenance of a fiscally responsible association is accomplished by carefully doing the following in a timely manner:

- ✓ keeping current and precise financial records,
- ✓ preparing accurate and meaningful financial reports,
- ✓ presenting monthly and year-end financial reports to the Board and members,
- ✓ preparing and monitoring the budget,
- ✓ anticipating financial problems,
- ✓ properly safeguarding and managing financial assets,
- ✓ complying with federal and state requirements, and
- ✓ assisting with an annual financial audit or review of association funds.

Successfully meeting these basic requirements encourages membership confidence, enhances organization integrity and effectiveness, makes it possible to adequately fund and implement goals and objectives, fulfills the fiscal responsibilities of officers and the executive board, assists in understanding a critical IRS audit, and prevents serious financial crises from developing.

***TIP Organizations with cash flows of less than \$10,000 do not require complex financial records. Accuracy and consistency are far more important.***

## Financial Procedures

Since a local association is organized to provide services to its members and is dependent upon them for financial support, every effort should be made to provide internal controls and procedures as well as external reports to create awareness that the funds are managed properly. The membership should also be informed as to the financial position and the operating results of the local association.

## **Financial Policies**

There are four major sources of financial policies for an association.

1. Many policies are stated in the constitution or bylaws:

- Definition of roles (President, Vice President, Secretary, Treasurer),
- Dues assessment (calculation of amount based on Bylaws),
- Bonding (who is covered, how much),
- Restrictions on use of Operating Reserve (amount, how to use),
- Authority to conduct business (investments, grant requests).

Policies are also established through Executive Committee actions:

- Preparation of reports (who makes, frequency),
- Conflict of interest (roles with other organizations, honoraria),
- Payment policies (who, limitations),
- Banking (who can sign, co-signatures, which bank),
- Audit/review (frequency, scope, books to be maintained, who does the audit/review),
- Bills paid by authorization only (Board approval, receipt voucher, etc.).

2. Another source is the Budget Committee:

- Budget development and responsibility (variances, approval of changes),
- Separate funds.

3. And finally federal, state and local authorities:

- Internal Revenue Service (IRS),
- Office of the Secretary of State (SOS),
- Public Disclosure Commission (PDC).

## **Financial Statements**

Financial statements provide local association members with a summary of the financial status of the local and should be presented by the treasurer at every regularly scheduled meeting of the local. **An oral statement giving the cash balance in each of the accounts is not an adequate financial report.** Basic financial reports should include a Statement of Revenue and Expense often referred to as Cash & Disbursements Report (see p. 17).

## **Budgets and Funding**

Before the local's treasurer can fulfill the obligations of the position, the corporation (local association) must adopt an annual budget as per the Bylaws. The most important consideration in setting up a budget for your organization should be its purpose . . . the standard statements we use when forming a local are:

*To promote the cause of education in those areas of the State of Washington where Association members are engaged in the profession of teaching or other educational work, and*

*To serve the professional welfare of the teaching/education profession and teacher/ educational support members.*

As local leaders, your responsibility is to guide and assist your association in carrying out these purposes. To do this you need a strong organizing program and a budget reflecting those things that you wish to accomplish during the year. Your UniServ Representative will help you with your organizing efforts, and Margery at the UniServ office will help you with your budget and financial management concerns.

A budget is the tool used for planning how to meet an organization's goals and objectives by projecting expenses so that they are equal to, or less than, anticipated income (revenue). Keep in mind when preparing your association budgets that you will need to:

- Communicate with your membership (requiring money for meetings and for newsletter preparation and distribution),
- Assist your members to be the best educators/support personnel/local leaders they can be,

- Send delegates to WEA Rep Assembly,
- Fund arbitrations (budget \$1500 per year),
- Have money for special organizing efforts (like stalled negotiations), and
- Encourage and prepare emerging leaders within your organizations so that you will not need to act as president, treasurer, etc., for life!

Both WEA and Chinook offer trainings and grants to help with some of these, but your budgets should also contain items reflecting these interests on your association's

## Income

To figure out how much income your local will receive in a year, the formula might be:

### **Example Only**

#	.76-1.00 FTE members	X	\$__ local dues	+	
#	.51-.75 FTE members	X	\$__ local dues	+	
#	.26-.50 FTE members	X	\$__ local dues	+	
#	less than .25 FTE members	X	\$__ local dues	=	<b>Annual Income</b>

Please note that this is an example. Your local's bylaws may have a different breakdown for local dues, and you should use that for your estimates.

Your district payroll officer sends the dues collected from bargaining unit members either directly to your local or to WEA each month through the secure billing website. Dues will then either be directly deposited into your local's checking account or sent by check from US Bank. A report listing individual members and their deductions is sent to Locals, but will not arrive at the same time as the dues disbursement ACH Advice of Credit (or check). This report should always be carefully checked for errors. Any errors should be resolved quickly with WEA Chinook.

## Types of Budgets

### Program Budget

A typical budget would show an estimate of monies anticipated and an allocation of funds into program expenditure areas. Under this concept it is possible to weigh member services provided by a given program against costs and other programs. A program budget might be as simple as:

Expected Revenue		\$3,000
Expected Training Program Expense	100	
Expected Member Services Expense	2,150	
Expected Allocation to Reserve	<u>750</u>	
Expected Expense		\$3,000

If desired, program budgets can be sub-allocated by type of expenses. Generally, a program budget system requires more time and effort to manage than a line item budget as costs must be allocated on a program basis rather than by expense category.

### Line Item Budget

A line item budget allocates funds on the basis of expense type (salaries/honoraria/stipends, supplies, travel, rent, postage, etc.) and is most suited to small associations. Under this concept, the cost of funding a given program is not readily known.

### Modified Program Budget

The most common budget approach used by associations is the hybrid between program and line item budgets known as a modified program budget. To understand this type of budget it is necessary to review its major components which, illustrated in sample form, are:

(1) Prior Year Fund Balance	<i>plus</i>	\$ 300	
(2) Estimated Current Year Revenue			
A. Membership Dues	<i>plus</i>	2,650	
B. Interest Revenue	<i>equals</i>	<u>50</u>	
Funds Available to Budget			\$3,000
(3) Current Expenditure Allocations	<i>plus</i>	2,250	
(4) Not Allocated/Cash Flow Reserve	<i>equals</i>	<u>750</u>	
Total Use of Available Funds			\$3,000

The prior year fund balance (item 1) represents the **net** balance remaining to start a new budget year **after** year-end unpaid bills are deducted from known cash balances. Item 4, cash flow reserve, is the budget component used to plan

for providing the cash to pay bills on those occasions when cash disbursements may temporarily exceed cash receipts (25% OF YOUR BUDGET). In budget form, these components might appear as:

Funds Available to Budget		\$3,000
Current Expenditure Allocations		
Governance Allocation	\$ 100	
Rep Assembly Program	400	
Telephone	10	
Postage	10	
Non-Profit Corporation Fee	10	
Transportation		
UniServ/Local Meetings	50	
Advocacy	1,700	
Training	100	
Contingency/Cash Flow Reserves	750	
Use of Available Funds		\$3,000

***A sample Budget Worksheet and Operating Budget worksheet follows. Please feel free to modify these for your local's accounts.***

## Budget Worksheet

### BUDGET WORK SHEET

	Actual/Anticipated 2016-17	Projected 2017-18
<b><u>INCOME</u></b>		
<b>Local Dues</b>		
# Full Time Members @ \$____	\$_____	\$_____
# Half Time Members @ \$____	\$_____	\$_____
<b>Total</b>	\$_____	\$_____
<b>Other Income</b>		
Interest on Savings Accounts	\$_____	\$_____
Other Interest	\$_____	\$_____
Assessments	\$_____	\$_____
Miscellaneous	\$_____	\$_____
<b>Total</b>	\$_____	\$_____
<b>Carry Over</b>	\$_____	\$_____
<b>TOTAL INCOME</b>	\$_____	\$_____

<b><u>EXPENDITURES</u></b>		
<b>Operating Expenses</b>		
Accounting/Audit Costs	\$_____	\$_____
Employee Costs	\$_____	\$_____
Equipment Purchase	\$_____	\$_____
Equipment Rental	\$_____	\$_____
Insurance	\$_____	\$_____
Legal Fees	\$_____	\$_____
Newsletter Expenses	\$_____	\$_____
Office Supplies	\$_____	\$_____
Postage	\$_____	\$_____
Rent/Mortgage	\$_____	\$_____
Telephone	\$_____	\$_____
Utilities	\$_____	\$_____
Other	\$_____	\$_____
<b>Total</b>	\$_____	\$_____
<b>Governance</b>		
Officer Stipends	\$_____	\$_____
** Committee Chair Stipends	\$_____	\$_____
** Release Time Expenses	\$_____	\$_____
** Officer Expenses	\$_____	\$_____
*** Exec Committee Meeting Expenses	\$_____	\$_____
*** Rep Council Meeting Expenses	\$_____	\$_____
*** General Membership Meeting Expenses	\$_____	\$_____
WEA RA Expenses	\$_____	\$_____
NEA RA Expenses	\$_____	\$_____
Other	\$_____	\$_____
<b>Total</b>	\$_____	\$_____

**Advocacy**

** Bargaining Committee Stipends	\$	\$
Bargaining Committee Meeting Expenses	\$	\$
Negotiation Expenses	\$	\$
Bargaining Training	\$	\$
** Grievance Committee Stipends	\$	\$
Grievance Committee Meeting Expenses	\$	\$
Arbitrations	\$	\$
Grievance Training	\$	\$
** Building Rep Stipends	\$	\$
Building Rep Expenses	\$	\$
New Member Orientation/Sign-up	\$	\$
Other	\$	\$
<b>Total</b>	\$ -	\$ -
<b>Instructional/Professional Development (IPD)</b>		
**** WEA Trainings	\$	\$
**** WEALA	\$	\$
**** NEA Conferences	\$	\$
Other	\$	\$
<b>Total</b>	\$ -	\$ -
<b>Social</b>		
Event Expenses	\$	\$
Retirement Gifts	\$	\$
Recognition Gifts, Flowers, Cards	\$	\$
Other	\$	\$
<b>Total</b>	\$ -	\$ -
<b>Outside Expenses</b>		
***** Community Outreach	\$	\$
***** Levy Contributions	\$	\$
Contributions	\$	\$
Scholarships	\$	\$
Other	\$	\$
<b>Total</b>	\$ -	\$ -
<b>Contingency Fund</b>	\$	\$
<b>Cash Reserve</b> (recommend 30% of income)	\$ -	\$ -
<b>TOTAL EXPENDITURES</b>	\$ -	\$ -

List only those items that apply to your local, and feel free to add additional items.

Total Expenditures should be equal to the Total Income.

\*\* These expenses may fit under a different category such as IPD (Training) or Advocacy.

\*\*\* Include **all** expenses related to the meeting.

\*\*\*\* Specify name of class(es), include all expenses related to this class.

\*\*\*\*\* If reimbursed by the Council, add reimbursement back into this line item rather than recording it as income.

\*\*\*\*\* Must be approved by your membership; cannot be more than 10% of your expenses, nor can it be annual.



## **Local Association Operating Budget**

### **Local Association Operating Budget Fiscal Year September 1, 201\_ to August 31, 201\_**

	<b><u>Budgeted Amount</u></b>
Local Dues	\$ -
Other Income	\$ -
Carry Over	\$
<b>TOTAL INCOME</b>	<b>\$ -</b>

### **EXPENDITURES**

(By major accounts)

Operating Expenses	\$ -
Governance	\$ -
Negotiations	\$ -
*Grievance/Arbitration	\$ -
Instructional/Professional Development (IPD)	\$ -
Social	\$ -
Outside Expenses	\$ -
Contingency Fund	\$
Cash Reserve (recommend 30% of income)	\$ -
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>

***Total Income and Total Expenditures should be equal.***

***\*Each local should have \$1500 budgeted each year for arbitrations.***

Since a budget is built on estimates, actual revenue and expenditures are likely to deviate from budgeted figures. Slight deviations are not a cause for concern. The important consideration is the expected impact of the deviations on the "bottom line" at the end of the year. It is critical to monitor the budget regularly to ensure that the budget balance at year-end will not be in negative territory.

The main tool to monitor a budget is the monthly status report, such as the one shown on the next page. Ideally, this report will include a column for the budget, current month revenue and expenditures, annual revenue and expenditures year-to-date (YTD), percent of year-to-date figures to budget, and remaining budget balances. The percent of budget, year-to-date, and remaining balance figures should be watched carefully. The two key conditions to look for on a regular basis are:

1. **Unusually low and not readily explainable revenue percent and year-to-date figures.**
2. **Unusually high and not readily explainable expenditure percent and year-to-date figures.**

If either of these key figures is significantly "out of line" the deviations should be considered significant and corrective action taken. Also, there should be an explanation presented in the notes to your monthly report about why it occurred.

Do not automatically change the budget if you go over a particular line item. Amending a budget must be done by a vote according to your bylaws. It is okay if a line item is overspent as long as there are funds available, the reason for the over expenditure is valid and was approved based on your local's policies and is not a continuing occurrence.

***TIP Budgeting is a logical step-by-step process. When a budget is built around goals and objectives within the framework of available funds, the only task remaining is to monitor expenditures relative to budget allocations.***

## Sample Cash & Disbursements Report – October

### INCOME

	Budget	October Income	YTD Income	Balance	% Budget YTD
MEMBER DUES	\$2,650.00	\$220.83	\$441.67	\$2,208.33	16.7%
INTEREST INCOME					
Checking	\$10.00	\$0.83	\$1.67	\$8.33	16.7%
Savings	\$40.00	\$3.33	\$6.67	\$33.33	16.7%
MISCELLANEOUS INCOME					
CASH CARRYOVER	\$300.00	\$0.00	\$300.00	\$0.00	100.0%
<b>TOTAL INCOME</b>	<b>\$3,000.00</b>	<b>\$225.00</b>	<b>\$750.00</b>	<b>\$2,250.00</b>	<b>25.0%</b>
			% of year elapsed		16.7%

EXPENSES					% Budget YTD
Account Category	Budget	October Expense	YTD Expense	Balance	
GOVERNANCE	\$100.00	\$10.00	\$30.00	\$70.00	30.0%
Rep Assembly	\$400.00	\$0.00	\$0.00	\$400.00	0.0%
OPERATIONS					
Telephone	\$10.00	\$2.00	\$2.00	\$8.00	20.0%
Postage	\$10.00	\$1.00	\$1.00	\$9.00	10.0%
Non-Profit Corporation Fee	\$10.00	\$10.00	\$10.00	\$0.00	100.0%
PROGRAM					
Mileage	\$70.00	\$5.00	\$7.00	\$63.00	10.0%
Advocacy	\$1,500.00	\$0.00	\$10.00	\$1,490.00	0.7%
Training	\$100.00	\$0.00	\$0.00	\$100.00	0.0%
CONTINGENCY (non-designated funds)	\$0.00	\$0.00	\$0.00	\$0.00	
<b>TOTAL EXPENSE</b>	<b>\$2,250.00</b>	<b>\$28.00</b>	<b>\$60.00</b>	<b>\$2,190.00</b>	<b>2.7%</b>
CASH RESERVE	\$750.00				
	\$3,000.00		% of year elapsed		16.7%
Beginning Cash	\$493.00				
Monthly Income	\$225.00				
Monthly Expenses	\$28.00				
<b>Total Cash Balance</b>	<b>\$690.00</b>				

## **Credit**

Locals can obtain credit cards, money market accounts, and Certificates of Deposit through NEA. Check the NEA Member Benefits home page at [www.neamb.com](http://www.neamb.com) for more information. In order to reduce the chances of an unauthorized purchase we recommend that your local **NOT** use debit cards or credit cards. Debit cards are especially discouraged for two reasons. First, the rule about having two signatures for anything deducted from the checking account (i.e., check signers) is ignored. Second, money can be taken directly out of the account without the knowledge of the treasurer which could inadvertently lead to an overdraft situation.

## **Investments**

Every dollar that you earn in interest is a dollar that does not need to be collected in dues. In terms of types of investment accounts we recommend that you stay away from anything outside of federally-insured banks or credit unions (unless you are a very large local and have investment expertise available). Your normal alternatives are checking accounts, savings accounts, money market accounts, and certificates of deposit. However, if your local has not been granted tax exempt status by the IRS, it might not be a good idea to earn interest since this may require filing tax returns and paying taxes if a large amount of interest is earned.

Locals can obtain money market accounts, and Certificates of Deposit through NEA. Check the NEA Member Benefits home page at [www.neamb.com](http://www.neamb.com) for more information

## **Scholarship Funds**

While giving scholarships to graduating seniors is admirable, please do not do so to the detriment of necessary member activities. Remember, the main purpose of your local is to serve the profession of education and to advocate and work to improve the welfare of your members. There must be money set aside for arbitrations, for financial reviews, for training for your leaders and members, for meetings, etc. After these expenses have been met, then your local can decide whether or not to fund a scholarship and how much to grant.

Local associations should not solicit contributions for scholarship funds that will be put in the local's accounts. Unless a scholarship fund is separately established from the local and has tax-exempt status under IRS Code Sections 501<sub>(c)(3)</sub> and 509<sub>(a)(1)</sub> or <sub>(2)</sub>, contributions to the fund will not be tax deductible by

the giver. Compliance with various provisions of the State of Washington Charitable Solicitations Act is also required.

***TIP Contact Chinook for assistance in establishing a scholarship fund due to the sensitive nature of maintaining such funds.***

## **Fund Raising by Locals**

Fund raising by tax exempt and nonprofit organizations is an activity closely monitored by state and federal government agencies. While fund raising may be permitted, tax exempt organizations **must** ensure that their legal structure permits non-membership fee-based fund raising activities. Further, special accounts need to be set up and administered separately from normal checking and savings accounts. Taxes may also be levied on amounts collected.

***Tip The complex nature of income tax law and state and federal regulations dealing with fund raising by tax exempt organizations requires access to legal and financial technical assistance. Records maintenance and bookkeeping requirements also increase dramatically.***

## **Funds Available Through the Council and WEA**

### **Community Outreach Grants**

If your local has a project that will connect your school and community, consider applying for a grant. For more information and an application form, please check our website [www.wea-chinook.org](http://www.wea-chinook.org).

### **Rep Assembly**

Chinook offers grants to assist small locals to send an additional delegate to this important statewide association business meeting. Information will be sent to local presidents at the appropriate time, and the form may be found on our website at [www.wea-chinook.org](http://www.wea-chinook.org).

### **Local Engagement Grant**

The purpose is to provide resources to create deeper involvement in your local and WEA. Proposals should focus on activities that reach members who are not customarily engaged in union activities. New members are of special interest, but any proposal that develops a broader base of support and better connects members with WEA and/or the local will be considered. The form may be found on our website at [www.wea-chinook.org](http://www.wea-chinook.org).

### **Release Time for Small Local Presidents**

WEA provides grants for release time and substitutes for presidents (or their designees) of small local associations (with 100 or fewer members) to support their membership. WEA will reimburse locals the cost of up to eight (8) substitute days per local affiliate per year. Please contact the Council President for more information.

### **Political Action and Local Dues**

When your local wishes to expend money for school board candidate campaigns, application may be made to the WEA Chinook Public Education Action Committee (PEAC) to use WEA-PAC funds for this purpose. WEA-PAC funds may only be used for supporting candidates through direct or in-kind contributions and cannot be used for non-candidate activities.

Public disclosure law requires that all written political advertising include the sponsor's name and address (radio and TV ads need only include the sponsor's name). Therefore, in any ad that you run using WEA-PAC funds you must state "sponsored by the Washington Education Association Political Action Committee on behalf of your local's name, PO Box 9100, Federal Way, WA 98063-9100.

**Do not make any political contributions to candidates, INCLUDING SCHOOL BOARD CANDIDATES, from your local budget.** To do so may necessitate the filing of an additional tax return along with the payment of taxes and may place your organization's tax-exempt status at risk. **All contributions to candidates for state office are made through the WEA Political Action Committee in order to keep within contribution limits, and all contributions to federal level candidates are made through the NEA Fund for Children and Public Education.** Also, under PDC rules, locals may not collect and deliver contributions for candidates ("bundling").

While your local may occasionally choose to use dues dollars to support ballot campaigns, **including levies and bonds**, bear in mind that you may not do this on a regular basis nor may you use a substantial portion of dues for this purpose (according to the IRS less than 10% of your budget, and according to the PDC less than 1%, 8%, and 13% of the total expenditures of the organization in three successive years). Also, the most important thing to keep in mind is that you **MUST** have your membership's support and agreement on any such expenditure of dues dollars in the form of a vote at either a general membership meeting or, for larger locals, a rep council meeting

***TIP Up to a \$10,000 fine may be levied against violators of PDC regulations, so please DO NOT engage in political activity as a local without checking out the legality of what you plan to do beforehand.***

**WEA Chinook WEA-PAC Funding Application Form**

**Procedure:** (Do not use local dues dollars or personal funds. We will be unable to reimburse.)

1. Please have all monies go directly to a committee (levy, bond, school board candidate).
2. File a request for funds with the Chinook PEAC;
3. Indicate the exact amount needed and the name of the committee to go on the check;
4. Make sure this form has been approved and signed by your local president;
5. Return this form to: **WEA Chinook PEAC, 5220 Capitol Boulevard, Tumwater, WA 98501-4419. Phone 943-1776/800-244-0147 FAX 943-0675.**
6. Allow several weeks for approval of your request and processing of the check;
7. Make sure that any ad that this money may be earmarked for states "Paid for by the Washington Education Association Political Action Committee on behalf of (your local's name)."

Name of Local Association: \_\_\_\_\_

Amount Requested: \$ \_\_\_\_\_

Date Requested: \_\_\_\_\_

Current Allocation for your Local is: \$ \_\_\_\_\_

What is this money to be used for? \_\_\_\_\_  
\_\_\_\_\_

To whom shall the check be made payable? \_\_\_\_\_

Address: (*where check is to be mailed*) \_\_\_\_\_  
\_\_\_\_\_

When do you need this check? \_\_\_\_\_

Approved by Local President: \_\_\_\_\_  
(signature) (date approved)

---

PLEASE DO NOT WRITE BELOW

---

Approved by PEAC: \_\_\_\_\_  
(signature) (date approved)

Approved by Staff: \_\_\_\_\_  
(signature) (date approved)

## Accounting Procedures

The accounting function can be described as a system for collecting, classifying, reporting, and interpreting financial information that is relevant to the operation of the association. A major purpose of accounting is to provide information about the operational effectiveness of an association during a period of time and its financial condition at a particular date. The system itself will depend on many factors including:

- Size of the association
- Size of the budget
- Number of transactions
- Number and detail of account categories
- Informational needs
- Organizational policy

Accounting systems in use by local associations range from manual systems, which use a checkbook register and/or special journals to sophisticated computer programs. We recommend QuickBooks for associations with more than 200 members and there are various other options for smaller locals.

For very small locals, the checkbook register may suffice. Be sure to include enough detail about the receipts and expenditures so that the information needed for your monthly Income and Disbursements Report can be compiled from it. Alternatively, the transactions can be listed in a report as they appear in the checkbook record. This system is applicable to locals that have fewer than ten (10) transactions per month.

***TIP The key to successful management of organizational finances is to establish sound, common sense operating policies and implement proven accounting controls to ensure that policies are properly maintained. Having the fiscal year match the membership year (September 1 - August 31) simplifies budget planning.***



## Checking Account

The checking account is used to pay the bills of a local association. It is increased by deposits and interest earned, if applicable, and decreased by checks and bank service charges. Except for petty cash, all bills should be paid by check. The treasurer should remember the following when writing checks:

- Checks should be written only when authorized approvers have approved bills.
- Never sign a blank check (one without the payee and amount filled in).
- Ideally, checks should require dual signatures.
- Checks should be pre-numbered and used in sequential order. Every check number should be accounted for. Voided checks should be defaced by writing VOID across the check and filed in order.
- Before writing a check, a voucher should be filled out.
- After writing a check, the bill should be marked “paid” with the check number, check amount and date of payment attached to the voucher so that it is not erroneously paid a second time. A policy should be established so that payments are made against original invoices only. Paying from a copy or a statement could result in duplicate payment.
- Someone other than the treasurer should reconcile the checking account to the bank statement on a monthly basis.

When the treasurer receives a bill, a check voucher (sample follows) should be filled out and approved by the treasurer or president. The completed check voucher and the check stub or duplicate should be attached to the bill or expense voucher after payment.

The form to be used for reimbursement requests is the expense voucher which must be completed and signed by the person to be reimbursed and then processed like other bills and invoices. Receipts for expenditures must be attached. A sample follows the check voucher.

## Association Account Check Voucher

MAKE CHECK PAYABLE TO: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IN THE AMOUNT OF: \$ \_\_\_\_\_  
-----

EXPLANATION OF EXPENSE: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

CHARGE TO LINE ITEM:

# \_\_\_\_\_ \$ \_\_\_\_\_  
# \_\_\_\_\_ \$ \_\_\_\_\_  
# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_  
# \_\_\_\_\_ \$ \_\_\_\_\_  
# \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_  
VOUCHER APPROVED FOR CHECK ISSUANCE

DATE APPROVED: \_\_\_\_\_

CHECK AMOUNT \$ \_\_\_\_\_

CHECK NUMBER \_\_\_\_\_

BE SURE TO ATTACH ALL RECEIPTS

## Expense Voucher (Sample)

### STATEMENT OF EXPENSES



5220 Capitol Blvd.  
Tumwater 98501-4419  
360.943.1776; 800.244.0147  
FAX: 360.943.0675

NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
\_\_\_\_\_

Date	Description	Mileage	Lodging	Breakfast	Lunch	Dinner	Other	Totals
<b>TOTALS</b>								

Claimant's Signature \_\_\_\_\_ Date \_\_\_\_\_

Current mileage rate is ¢

**\*All expenses to be reimbursed must be applied for within sixty (60) days of incurring such expenses.**

**\*\*By my signature I certify that this voucher is correct and no detailed expense has been previously paid.**

---

#### THE FOLLOWING GUIDELINES SHALL BE USED FOR REIMBURSEMENT OF EXPENSES WHILE ON WEA CHINOOK BUSINESS

Individuals traveling on WEA Chinook business, or incurring expenses related to WEA Chinook business, shall be reimbursed for such expenses. Such authorized persons are expected to exercise the same care in the incurring expenses that a discreet person would exercise in incurring personal expenses.

#### **TRANSPORTATION**

Methods of transportation shall include the use of public transportation and personal autos. Reimbursement for auto mileage shall not exceed reasonable and customary airfare and related expenses (see "Ground Transportation Cost-Comparison Worksheet" on back). Carpooling is expected whenever possible. The mileage rate for WEA Chinook business shall be equal to the WEA adopted guidelines for governance, currently fifty-seven and a half cents (.575¢) per mile. If you, for own convenience, travel by indirect route or interrupt travel by direct route, the extra expense shall be borne by you. Mileage to/from airport/train station is generally considered to be a single round trip. If someone drives you and picks you up, mileage reimbursement will not exceed the cost of that single round trip plus parking fees at one of the off-site airport parking lots. Van or shuttle service will be reimbursed (receipt required). The use of rental cars requires prior approval.

#### **MEALS/LODGING**

Actual expenses for meals & lodging shall be paid subject to the following restrictions:

1. Lodging shall be limited to the per person amount charged WEA Chinook in the designated hotel. When hotel reservations are made and WEA Chinook or the hotel is not notified of your inability to use the room by 6:00 pm of the original arrival date, the no-show cost incurred will be billed to the individual by WEA Chinook. Exceptions to this provision may be made by a consensus of the Executive Board. Members will be encouraged to share housing (double occupancy) for all meetings. If you choose to have a single room, you are expected to pay one-half of the room costs.
2. Meals shall be reimbursed up to a maximum sixty-one dollars (\$61.00) per day (less group meal costs) based upon actual receipts.

**Vouchers must have all receipts attached and must be submitted within 60 days of the expense.**

## Ground Transportation Cost-Comparison Worksheet

When a business itinerary would normally include air travel, WEA Chinook reimbursement will not exceed the average lowest readily-available discount airfare plus transportation to and from airports. A printed air travel itinerary, dated at least two weeks prior to departure must be attached to the worksheet. A signed cost-comparison worksheet in the following format should be attached to the voucher.

### (A) Cost of trip by Air

Airfare (based upon criteria listed above) \_\_\_\_\_

Travel to/from airports: \_\_\_\_\_

    Mileage \_\_\_\_\_ miles at .\_\_¢ per mile \_\_\_\_\_

    Taxi or shuttle expenses \_\_\_\_\_

Parking at originating airport (if applicable) \_\_\_\_\_

Other: \_\_\_\_\_

**Maximum Reimbursement Total (A)** \_\_\_\_\_

### (B) Cost of trip by Personal Vehicle

Mileage \_\_\_\_\_ miles at .\_\_¢ per mile \_\_\_\_\_

Parking at destination \_\_\_\_\_

Road, bridge and tunnel tolls \_\_\_\_\_

Meal expenses while en route \_\_\_\_\_

Lodging expenses while en route \_\_\_\_\_

Other: \_\_\_\_\_

**Maximum Reimbursement Total (B)** \_\_\_\_\_

### (C) Cost of trip by train

Train fare (coach) \_\_\_\_\_

Travel to/from train station: \_\_\_\_\_

    Mileage \_\_\_\_\_ miles at .\_\_¢ per mile \_\_\_\_\_

    Taxi or shuttle expenses \_\_\_\_\_

Parking at originating train station (if applicable) \_\_\_\_\_

Other: \_\_\_\_\_

**Maximum Reimbursement Total (C)** \_\_\_\_\_

Mileage to/from airport/train station is generally considered to be a single round trip. However, if you choose to have someone drive you and pick you up, mileage reimbursement will not exceed the cost of that single round trip plus parking fees at one of the off-site airport parking lots or train station.

\_\_\_\_\_  
Traveler signature

## Petty Cash

Occasionally, the treasurer will receive a request for small expenses (less than \$5). It is not practical to write a check for each small expense; therefore it may be paid from a petty cash fund. A petty cash fund maintains a minimal cash balance (generally \$20 - \$50) and is kept to meet small payments. To establish a petty cash fund:

- An expense voucher is written for the amount of the initial petty cash fund (e.g. \$50), payable to "Petty Cash."
- The check for Petty Cash is shown in the Cash Expenditure Journal under the miscellaneous column, with Petty Cash as the explanation.
- When the petty cash check is cashed, the cash kept in safe place (safe or locked drawer).
- As expenses (under \$5) are received, a petty cash voucher is completed with the receipt attached if available. The cash is disbursed and the receiver signs the petty cash voucher. Petty cash vouchers are kept with the petty cash.
- When the petty cash fund runs low (e.g. under \$15), the cash should be replenished for the amount used. In other words, the amount should equal the total of the petty cash vouchers used.

Note: At any time, the petty cash plus the petty cash vouchers must total the amount of the petty cash fund (e.g. Cash \$15, Vouchers \$35 = \$50).

PETTY CASH VOUCHER	
DATE OF PAYMENT _____	
DESCRIPTION OF ITEM OR SERVICE PURCHASED	AMOUNT
CHARGE TO ACCT. NO. _____	TOTAL ►
PAYMENT FOR ABOVE RECEIVED BY: _____	APPROVED BY: _____ (FUND CUSTODIAN)

Form #PCV-6 The Drawing Board, Inc., Box 505, Dallas, Texas

## Bank Reconciliation

All bank accounts should be reconciled each month by the treasurer and verified by the president in accordance with established accounting principles. For various reasons, the balance on the bank statement may not agree with your checkbook balance. The following items usually account for the difference: outstanding checks, deposits in transit, bank service charges, or human error. A common bank reconciliation form follows.

## Illustrated Bank Reconciliation

### Checking Reconciliation

\_\_\_\_\_ Association

\_\_\_\_\_, 20\_\_

Bank Statement Balance	\$	1		Checkbook Balance	\$	2
------------------------	----	---	--	-------------------	----	---

Plus: Deposits in Transit

Plus: Corrections

\$ 3  
\$  
\$  
\$

Description	Amount
_____	\$ 4
_____	\$ 5
Total Additions	\$
Subtotal	\$

Less: Outstanding Checks

Number	Amount
_____	\$ 6
_____	_____
_____	_____
_____	_____

Less: Service Charge & Corrections

Description	Amount
_____	\$ 7
_____	_____
_____	_____

Total Outstanding Checks \$ \_\_\_\_\_

Total Deductions \$ \_\_\_\_\_

Adjusted Bank Statement Balance \$ \_\_\_\_\_

Adjusted Checkbook Balance \$ \_\_\_\_\_



8  
\_\_\_\_\_

These Amounts Must Agree

- A. Complete the heading with the applicable month and year.
- B. Place the ending bank statement balance at (1). Place the month-end balance of your checkbook at (2).
- C. Compare the deposits listed on your bank statement with your record of deposits. Your record of deposits can be found in your checkbook. Any deposits in your checkbook that the bank has not recorded should be shown as a Deposit in Transit (3). Any deposits you may not have recorded in your checkbook should be shown as a "Plus: Correction" (4).
- D. Compare the "Paid or Canceled" checks returned with the bank statement, with entries on the bank statement and entries in the checkbook. Any difference(s) must be recorded as a correction (5).

- E. Checks that have been written but have not cleared the bank by the end of the month are called “outstanding checks.” Compare the checkbook listing of checks you have written with the canceled checks from the bank; any checks written which are not returned are “outstanding” and should be listed under (6).
- F. Determine the amount of service charge deducted by the bank and not deducted by you. The service charge is normally identified with a “SC” and should be deducted by (7).
- G. Look at the bank statement for additional deductions not recorded in the checkbook. Record these items in (7).
- H. Total the two sides of the bank reconciliation. The (8) totals should agree. These totals should also agree with the balance in your checkbook.

## **Internal Control**

Internal control refers to a system of financial checks and balances designed to minimize errors or misappropriation of assets, maximize the detection if it occurs and protect the association overall. It is the treasurer’s responsibility to safeguard the assets of the association by ensuring these controls are in place.

One of the basics of good internal control is that no one person handles all aspects of any financial transaction. This creates the system of "checks and balances." An example would be the person who approves a bill to be paid should not be the same person who signs the check to pay it. However, an association most likely does not have paid staff support, has are only one or two bank accounts (checking and savings) and there is only one person handling everything - the treasurer. It may not be easy or practical to involve several people in all financial transactions and therefore you may assume that your association will have poor internal control. In spite of this situation, there are some possible safeguards to alleviate this potential problem.

The budget and meeting minutes are an excellent source of verification of financial activities in a broad sense. Additionally, the corporate charter and bylaws should be reviewed to determine that all activities comply and that the designated individuals are performing their proper functions.

## **Fraud**

Fraud and embezzlement are illegal acts punishable under the law and consist of:

- Theft of funds belonging to the local
- Outright misappropriation
- Reimbursement for fictitious expenses
- Diversion into a separate account with reimbursement at a later date (stealing the temporary use of the money)
- Misleading financial reporting
- Purchase of goods or services from related parties at an inflated cost
- Use of local funds for purposes not intended by the governing body

## Audits

As with individuals, organizations are subject to IRS audits for up to seven (7) years, so please keep your financial records for at least that period of time (see p. iv). In the advent notification of an IRS audit is received, immediately contact your local's accountant or Chinook for assistance in responding.

Annual external audits and/or compilation reports are important to the fiscal wellbeing of an organization. Accordingly, the need to maintain records to support an audit is obvious. Records customarily required to support an audit are organizing instruments (articles of incorporation, tax determination letter, bylaws, etc.); minutes of all executive board/committee and rep council meetings; books and records detailing the organization's assets, liabilities, receipts, and disbursements; payroll records (as appropriate); check register, canceled checks, and bank statements; copies of all tax or information returns filed during the year; and correspondence files.

Associations that decide they cannot afford external audits should at least establish an association audit committee to perform an annual internal audit. This committee - which should not include anyone who was authorized to sign checks - will review all payments made during the preceding year to verify that they were made for approved purposes. Each payment should be checked for authorization signatures and for adequate supporting documentation that clearly indicates what the payment was for. Other areas that should be reviewed by an internal audit committee include bank reconciliations, bookkeeping records and procedures, and any area of fiscal concern to the committee. A "Local Association Financial Management/Audit Checklist" that can be used by this committee can be found on page 43.

***TIP Audits ensure organization integrity and should be undertaken annually. The failure to "account for" organization funds can create significant credibility problems with association membership.***



# State and Federal Government Requirements

## State of Washington

### Nonprofit Corporation Status

Each of your locals is incorporated as a “Domestic Nonprofit Corporation” in the State of Washington. This is what makes your association a business entity and protects individual officers from taxes on association income and the corporate obligations of the association.

As long as the required report is filed each year, that will hold true. If your local changes its name, an amended report must be sent in.

### The Annual Report

Incorporated associations must file an annual report (list of officers and directors) each year to remain in active status. A notice will be sent out 45 days prior to your incorporation anniversary date to the corporation's Registered Office address. It is the responsibility of the corporation to see that the annual report is filed either online or by mail in a timely manner. An annual fee of \$10 must accompany the filing.

Failure to complete the annual report can result in dissolution of the corporation. For assistance contact Margery Owens at Chinook or the Corporations Division, Office of the Secretary of State, PO Box 40234, Olympia, WA 98504-0234, (360) 753-7115. If you wish, you may name Margery as Registered Agent and use Chinook's for the registered Office address. (See sample on next page.) <http://www.sos.wa.gov/corps/NonprofitRenewal.aspx>

### Change of Registered Office or Agent

It is the responsibility of the corporation to keep the Office of the Secretary of State informed of any changes in the Registered Agent or Registered Office address. Forms for this purpose may be obtained upon request, or the section provided on the annual report may be used to report changes.

***Tip We strongly recommend that all local associations incorporate to minimize potential action against individuals in leadership positions. Also, use of a central mailing address that does not change year-to-year simplifies correspondence with the Secretary of State.***

# Nonprofit Corporation Annual Report

Page 1 of 2



Office of the Secretary of State  
Corporations & Charities Division

## Nonprofit Corporation

See attached detailed instructions

☐ Filing Fee \$10.00

☐ Filing Fee with Expedited Service \$60.00

This Box For Office Use Only

UBI Number:

## NONPROFIT CORPORATION ANNUAL REPORT

Chapter RCW 24.03

### SECTION 1 (required)

NAME OF CORPORATION: (as currently recorded with the Office of the Secretary of State)

STATE or COUNTRY OF INCORPORATION:

### SECTION 2 (agent information required)

NAME AND ADDRESS OF THE WASHINGTON STATE REGISTERED AGENT:

Name: Margery Owens

Physical Location Address (required):

5220 Capitol Blvd

City Tumwater

WA Zip Code

98501

Mailing or Postal Address (optional):

City

WA Zip Code

### CONSENT TO SERVE AS REGISTERED AGENT: (required if changes have been made)

I consent to serve as Registered Agent in the State of Washington for the above named corporation. I understand it will be my responsibility to accept Service of Process on behalf of the corporation; to forward mail to the corporation; and to immediately notify the Office of the Secretary of State if I resign or change the Registered Office Address.

X

Signature of Registered Agent

Printed Name

Date

### SECTION 3 (required for Foreign Entities)

ADDRESS OF THE PRINCIPAL OFFICE:

Street Address

City

State

Zip

PO Box

City

State

Zip

**SECTION 4** *(required every year)*

**BRIEFLY DESCRIBE THE AFFAIRS (NATURE OF BUSINESS) THE NONPROFIT CORPORATION IS CONDUCTING:**

Representation of the rights of classified/certificated employees  
in the ----- School District.

**SECTION 5** *(required every year)*

**NAME AND ADDRESS OF ALL CURRENT OFFICERS AND DIRECTORS:**

*(If necessary, attach additional names and addresses)*

**PRESIDENT:** \_\_\_\_\_

Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**VICE PRESIDENT:** \_\_\_\_\_

Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**SECRETARY:** \_\_\_\_\_

Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**TREASURER:** \_\_\_\_\_

Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**DIRECTOR:** \_\_\_\_\_

Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

*(If necessary, attach additional names, titles and addresses)*

**SECTION 6** *(required)*

**AUTHORIZED SIGNATURE** *(see instructions page)*

*This document is hereby executed under penalties of perjury, and is, to the best of my knowledge, true and correct.*

X _____	_____	_____	_____
Signature	Printed Name and Title	Date	Phone

## **Internal Revenue Service**

### **Employer Identification Number (EIN) – APPLY FOR THIS BEFORE APPLYING FOR STATE NON-PROFIT CORPORATION STATUS OR THE LOCAL COULD OWE TAXES**

The IRS monitors organizations through an employer identification (EIN) number, sometimes referred to as a tax I.D. number. These numbers are similar to social security numbers in concept and are obtained by filing IRS Form SS-4, *Application for Employer Identification Number*. If you are unsure whether or not your local has an EIN (or to get one) you may call 1-800-829-4933 (toll free). Or, you may apply online at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) (click on Apply for an EIN Online under “Tools”).

***TIP An EIN simplifies the maintenance of records for tax purposes. All locals should have their own Employer Identification Number.***

### **Tax-Exempt Status**

Associations are organized and operated as both nonprofit and tax-exempt. Nonprofit status refers to incorporation under state law; tax-exempt status refers to federal income tax exemption under the Internal Revenue Code. Once a local is incorporated in the State of Washington it becomes a corporation in the eyes of the Internal Revenue Service and may need to pay corporate income taxes. These are payable not only on interest but also on dues received and not expended. Therefore, if yours is a fairly large local we recommend that you apply for tax-exempt status if you have not already done so **OR** do not collect interest on your savings.

***Tip Apply for IRS tax-exempt status at the same time you file as a nonprofit corporation in Washington State.***

A nonprofit organization, whether incorporated or not, is **not** automatically exempt from paying federal income tax. The official evidence of tax-exempt status is a determination letter granted by the IRS. Obtaining tax-exempt status requires filing IRS form 1024, *Application for Recognition of Exemption Under Section 501 (a) or for Determination Under Section 120*. IRS form 8718, *User Fee for Exempt Organization Determination Letter Request*, must accompany an application for tax-exempt status. IRS Publication 557, *Tax-Exempt Status for Your Organization*, explains the procedures that must be followed. Locals applying for this status should choose 501(c)(5) which is for labor organizations. Sample application materials are available at the Chinook office, and the forms are available online.

To find out whether your local is tax exempt go to <http://www.irs.gov/Charities-&Non-Profits/Exempt-Organizations-Select-Check>. You will be asked for the local's tax ID (EIN) number. As always, if you need assistance, please feel free to contact Margery at Chinook.

***TIP If tax-exempt status is not obtained, it is wise not to use interest-bearing accounts as they trigger automatic reports to the IRS.***

### **Tax Returns**

**ALL** IRS organizations are required to file either Form 990-N (the e-Postcard), Form 990-EZ, Form 990 or Form 990T. Returns are to be filed by the 15th day of the 5<sup>th</sup> month after the close of your tax year. For example, if your tax year ends August 31, the return must be filed by the following January 15<sup>th</sup>. If your local does not file for 3 consecutive years, its tax exempt status will be lost.

Small locals whose total income including dues is less than \$50,000 would file an e-Postcard (990-N). For more information and to file go to <https://www.irs.gov/990n>. The postcard must be filed electronically and will ask for the following information:

- Employer/taxpayer identification number (EIN or TIN)
- Tax year
- Local's legal name and mailing address
- Any other names the local uses
- Name and address of a principal officer
- Web site address (if applicable)
- Confirmation that the organization takes in \$50,000 or less in dues, interest, etc.

Failure to file a timely return could mean a penalty of \$100 per day, up to \$5,000 for the association and/or its treasurer as well as a loss of the association's tax-exempt status. **Failure to file will mean that Local dues received are taxable by the IRS.**

Locals must file IRS Form 990T, *Exempt Organization Business Income Tax Return*, instead of the e-Postcard if **unrelated** business income (usually interpreted as income unrelated to an organization's exempt purpose including income from newsletter advertising, is greater than \$1,000. Interest from bank accounts or investments, if not a significant part of total association income, is not considered unrelated business income and is not taxable.

Tax exempt locals with annual gross revenue exceeding \$50,000 must file IRS Form 990-EZ, *Return of Organization Exempt From Income Tax* instead of the 990-N.

Also, if your local donates more than \$100 to any candidate (including school board candidates) and has a net investment income of more than \$100, you must file IRS Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*. However, as is explained on page 38, locals **do not make candidate contributions**.

***TIP The changing nature of federal tax structures requires continuous attention. Seek assistance for tax issues if unsure about which forms to file and when.***

### **IRS Form 1096 and 1099-MISC**

By January 31 your local association is required to send 1099s to **ANY INDIVIDUAL** to whom the local gave **\$600** or more **TOTAL** during the previous year from January 1 through December 31 including:

- honoraria
- stipends
- dues waivers or reimbursements (for local leaders – dues are still deductible for that person on their 1040 Schedule A)
- gifts
- donations

but **NOT** including:

- expense reimbursements
- scholarships.

They must be sent by **January 31st**, and an accompanying 1096 must be sent to the IRS by March 1st with a copy of the forms (samples follow).

Form <b>1096</b>		<b>Annual Summary and Transmittal of U.S. Information Returns</b>				OMB No. 1545-0108 <b>2013</b>											
Department of the Treasury Internal Revenue Service																	
FILER'S name  <b>Chinook Education Association</b>  Street address (including room or suite number) <b>5220 Capitol Blvd</b>  City or town, province or state, country, and ZIP or foreign postal code <b>Tumwater WA 98501-4419</b>																	
Name of person to contact <b>Margery Owens</b>				Telephone number <b>360-943-1776</b>													
Email address <b>mowens@washingtonea.org</b>				Fax number <b>360-943-0675</b>													
1 Employer identification number <b>91-1234567</b>		2 Social security number 		3 Total number of forms <b>2</b>		4 Federal income tax withheld <b>\$ 0</b>											
5 Total amount reported with this Form 1096 <b>\$1,575.00</b>						<b>Total of all forms</b>											
6 Enter an "X" in only one box below to indicate the type of form being filed.																	
W-2G 32	1097-BTC 50	1098 81	1098-C 78	1098-E 84	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73	1099-DIV 91	1099-G 86	1099-H 71	1099-INT 92	1099-K 10	1099-LTC 93	1099-MISC 95	1099-OID 96
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
1099-PATR 97	1099-Q 31	1099-R 98	1099-S 75	1099-SA 94	3921 25	3922 26	5498 28	5498-ESA 72	5498-SA 27								
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>								

## For Official Use Only



**Return this entire page to the Internal Revenue Service. Photocopies are not acceptable.**

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ► Margery Owens

Title ► Admin Asst Date ► 1/15/14

### Instructions

**Future developments.** For the latest information about developments related to Form 1096, such as legislation enacted after they were published, go to [www.irs.gov/form1096](http://www.irs.gov/form1096).

**Reminder.** The only acceptable method of filing information returns with Internal Revenue Service/Information Returns Branch is electronically through the FIRE system. See Pub. 1220, Specifications for Filing Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically.

**Purpose of form.** Use this form to transmit paper Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G to the Internal Revenue Service. Do not use Form 1096 to transmit electronically. For electronic submissions, see Pub. 1220.

**Caution.** If you are required to file 250 or more information returns of any one type, you must file electronically. If you are required to file electronically but fail to do so, and you do not have an approved waiver, you may be subject to a penalty. For more information, see part F in the 2013 General Instructions for Certain Information Returns.

**Who must file.** The name, address, and TIN of the filer on this form must be the same as those you enter in the upper left area of Forms 1097, 1098, 1099, 3921, 3922, 5498, or W-2G. A filer is any person or entity who files any of the forms shown in line 6 above.

Enter the filer's name, address (including room, suite, or other unit number), and TIN in the spaces provided on the form.

**When to file.** File Form 1096 as follows.

- With Forms 1097, 1098, 1099, 3921, 3922, or W-2G, file by February 28, 2014.
- With Forms 5498, file by June 2, 2014.

### Where To File

Send all information returns filed on paper with Form 1096 to the following:

**If your principal business, office or agency, or legal residence in the case of an individual, is located in**

**Use the following three-line address**

Alabama, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, West Virginia

Department of the Treasury  
Internal Revenue Service Center  
Austin, TX 73301

9595

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.  Chinook Education Association 5220 Capitol Blvd Tumwater WA 98501-4419		1 Rents	OMB No. 1545-0115		<b>2013</b> Form 1099-MISC	<b>Miscellaneous Income</b>
		\$				
		2 Royalties				
PAYER'S federal identification number  91-1234567		RECIPIENT'S identification number  000-00-0000		3 Other income	4 Federal income tax withheld	<b>Copy A</b> <b>For</b> <b>Internal Revenue Service Center</b>  <b>File with Form 1096.</b>  <b>For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.</b>
				\$	\$ 0	
RECIPIENT'S name  John Smith		5 Fishing boat proceeds  \$		6 Medical and health care payments  \$		
Street address (including apt. no.)  15 Elm St		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds  \$		
						11 Foreign tax paid  \$
City or town, province or state, country, and ZIP or foreign postal code  Olympia WA 98501		13 Excess golden parachute payments  \$		14 Gross proceeds paid to an attorney  \$		
						12 Foreign country or U.S. possession  \$
Account number (see instructions)  2nd TIN not <input type="checkbox"/>		16 State tax withheld  \$ 0		17 State/Payer's state no.  \$		
						18 State income  \$
15a Section 409A deferrals  \$		15b Section 409A income  \$		18 State income  \$		

Form 1099-MISC

Cat. No. 14425J

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service

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☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.  Chinook Education Association 5220 Capitol Blvd Tumwater WA 98501-4419		1 Rents	OMB No. 1545-0115		<b>2013</b> Form 1099-MISC	<b>Miscellaneous Income</b>
		\$				
		2 Royalties				
PAYER'S federal identification number  91-1234567		RECIPIENT'S identification number  000-00-0000		3 Other income	4 Federal income tax withheld	<b>Copy A</b> <b>For</b> <b>Internal Revenue Service Center</b>  <b>File with Form 1096.</b>  <b>For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.</b>
				\$	\$ 0	
RECIPIENT'S name  Jane Adams		5 Fishing boat proceeds  \$		6 Medical and health care payments  \$		
Street address (including apt. no.)  43 Capitol Blvd		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds  \$		
						11 Foreign tax paid  \$
City or town, province or state, country, and ZIP or foreign postal code  Olympia WA 98501		13 Excess golden parachute payments  \$		14 Gross proceeds paid to an attorney  \$		
						12 Foreign country or U.S. possession  \$
Account number (see instructions)  2nd TIN not <input type="checkbox"/>		16 State tax withheld  \$ 0		17 State/Payer's state no.  \$		
						18 State income  \$
15a Section 409A deferrals  \$		15b Section 409A income  \$		18 State income  \$		

Form 1099-MISC

Cat. No. 14425J

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service

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## Quick Reference Do's



Do make sure that the assets of the association are safeguarded and used solely for the benefit of members.



Do adopt a budget prior to the start of the fiscal year.



Do compare budget to actual expenses on a monthly basis.



Do identify and explain differences between budget and actual expenses and plan accordingly.



Do prepare and present complete and accurate financial statements to the Board on a monthly basis.



Do make deposits timely. Keep detailed records of all deposit transactions.



Do have proper supporting written documentation for every check written or wire transfer made. Make sure every disbursement is authorized. (Documentation includes invoices, receipts, approved minutes, etc.)



Do require 2 signatures for every check written.



Do reconcile the bank accounts monthly.



Do have an Internal Audit Committee review the financial records annually, or, if a local with more than 300 members, have an annual audit or review by an independent certified public accountant.



Do comply with federal and state laws and regulations with respect to tax-exempt status. When in doubt, consult your accountant. Association funds should only be used for the exempt purpose.



Do file all federal and state reports on time. This includes IRS Form 990, 1099's, payroll tax reports, etc.



Do formally adopt and implement policies regarding (a) conflicts of interest, (b) code of ethics, (c) document retention, (d) travel reimbursement policies, check signing authority, and (e) financial and operational standards.

## Quick Reference Don't's



Don't give out members' personal information (i.e. social security number, home address, e-mail address, telephone number, health matters, etc.) to unauthorized persons. This information is confidential and subject to privacy laws.



Don't spend more than you make. Do not operate "in the red".



Don't conduct transactions for the benefit of any person – only for the benefit of the local association and its members.



Don't deposit association funds into personal bank account.



Don't accept "post-dated" checks.



Don't spend funds for activities not approved by the membership.



Don't write checks for "Cash."



Don't sign blank checks (missing payee and/or amount).



Don't sign checks payable to yourself.



Don't withdraw cash from the association's bank accounts.



Don't pay bills from statements. Require vendors to provide an original Invoice. Be careful of copies and faxes to avoid duplicate payment



Don't destroy association records until after the retention timeline has passed.

# Local Association Financial Management/Audit Checklist

Name of Local: \_\_\_\_\_

Period Covered by Audit: \_\_\_\_\_ Date of Last Audit: \_\_\_\_\_

Period Covered by Last Audit: \_\_\_\_\_

The purpose of this Financial Management/Audit Checklist is to provide local audit committees a tool to conduct a review and audit of the financial management practices of the local association. Generally, the Committee should not include any person who was authorized to sign on the bank account for the period being audited.

## ***BUDGET***

1. Did a budget committee prepare the budget? Yes/No  
If "NO," who prepared the budget? \_\_\_\_\_
2. Was the budget reviewed and approved by the Executive Committee? Yes/No
3. Did the general membership approve the budget? Yes/No  
Date: \_\_\_\_\_ If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## ***FINANCIAL REPORTS***

1. Did the treasurer prepare detailed written reports for every membership meeting? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Did the treasurer prepare detailed, written reports for every rep. council meeting? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Were these reports clear, concise and easily understood? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Did the reports show, in detail, the source(s) of all income and expenses? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Was there any period of time exceeding 60 days when no treasurer's report was provided? Yes/No  
If "YES," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Did the treasurer prepare an annual or year-end financial report? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. Was the annual treasurer's report used as a planning tool for the new budget? Yes/No  
If "NO," explain: \_\_\_\_\_
8. Were the books and records available at every meeting? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_

### ***FINANCIAL PROCEDURES/CONTROLS***

1. Were dues always promptly deposited into the local's bank account? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Were local funds ever deposited into a personal bank account? Yes/No  
If "YES," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Were local funds ever deposited elsewhere? Yes/No  
If "YES," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. Was a receipt always written from the treasurer to a person who gave funds to the treasurer? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_

5. Is the local's accounting system sufficient to maintain accurate records of income and expense transactions? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Was all income properly allocated and categorized? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. Were all expenditures properly allocated and categorized? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. Was there a proper invoice for each expenditure? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
9. Was every expenditure part of the approved budget or properly approved at a general membership meeting or rep. council meeting? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
10. Is there a duplicate bank statement sent, by the bank, to the president? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### ***BANK ACCOUNTS***

1. Does the local have a checking account? Yes/No  
Bank \_\_\_\_\_  
Account Number \_\_\_\_\_
2. Are the checks sequentially numbered? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Were all the checks properly signed by two (2) elected officers? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. Are all the checks accounted for - including voided checks? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Does the local have a copy of the current bank signature card(s)? Yes/No
6. Does the local have a savings account or other interest earning account? Yes/No

### ***NONPROFIT CORPORATION***

1. Is the local incorporated?  
Corporation Number \_\_\_\_\_  
Date \_\_\_\_\_
2. Was the local's Annual Corporation Report filed during the year? Yes/No  
If "NO," explain: \_\_\_\_\_

### ***INTERNAL REVENUE SERVICE***

1. What is the local's Employer Identification Number? \_\_\_\_\_
2. Has the local been granted tax-exempt status? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Did the local gross income including dues exceed \$50,000 for the most recent fiscal year? Yes/No

For tax-exempt locals:

If "YES," did the outgoing treasurer complete IRS Form 990 for the local? Yes/No

If "NO," who will complete it? \_\_\_\_\_

If "NO," did the outgoing treasurer complete IRS Form 990N for the local? Yes/No

If "NO," who will complete it? \_\_\_\_\_

For other locals:

Did the treasurer complete IRS Form 1120 for the local? Yes/No

If "NO," who will complete it? \_\_\_\_\_

4. If the local has filed Forms 990, 990N, or 1120, are they available for Inspection? Yes/No  
If "NO," explain: \_\_\_\_\_

### ***BANK RECONCILIATION***

1. Was the bank account promptly reconciled with the bank statement each month? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Did the treasurer's monthly balance, as reported on the Monthly Treasurer's Report, balance with the bank statement - each month? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Did the treasurer's year-end balance reconcile to the final bank statement of the year? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_
4. At the time of the audit, had all the checks cleared the bank? Yes/No  
If "NO," list the check numbers that have not cleared: \_\_\_\_\_  
\_\_\_\_\_

### ***EXAMINATION OF BOOKS/RECORDS***

1. Do the cancelled checks and the entries in the checkbook or disbursement ledger and the monthly treasurer's reports all agree with each other? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Do the deposit slips and the entries in the checkbook or income ledger and the monthly treasurer's reports all agree with each other? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Were dues received for each month of the fiscal year? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_

4. Did the expenses for all projects and activities fall within budgeted levels? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Were there any significant differences between the income and expenses of an activity conducted this year, compared to the income and expenses of the same activity conducted in a previous year? Yes/No  
If "YES," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Are any checks written to individuals for the reimbursement of local expenses? Yes/No
7. Is every check written to an individual for an expense reimbursement fully documented with receipt(s) clearly indicating that the expense was proper? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. Are any checks written for "cash"? Yes/No  
If "YES," explain: \_\_\_\_\_  
\_\_\_\_\_  
If "YES," are there proper receipts for each check written for "cash"? Yes/No
9. Have all the financial obligations of the local been paid in full? Yes/No  
If "NO," explain: \_\_\_\_\_  
\_\_\_\_\_

### ***OTHER***

1. Were there any disagreements during the year about the expenditure of funds? Yes/No  
If "YES," explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Was the treasurer cooperative during the audit and with the audit committee? Yes/No



3. Were there questions that could not be answered solely by an examination of the books and records – that required additional information from the treasurer or another individual? Yes/No  
If “YES,” explain: \_\_\_\_\_  
\_\_\_\_\_
4. Were the books and records legible? Yes/No
5. Were the books and records maintained in ink? Yes/No
6. Were any of the records maintained on computer? Yes/No  
If “YES,” will this continue? Yes/No
7. Did the local purchase any equipment and donate it to the school district? Yes/No  
If “YES,” explain: \_\_\_\_\_  
\_\_\_\_\_  
If “YES,” did the local get a “hold Harmless Agreement” from the District? Yes/No
8. Does the local own any equipment? Yes/No  
If “YES,” describe it: \_\_\_\_\_  
\_\_\_\_\_

***RECOMMENDATIONS & COMMENTS OF THE AUDIT COMMITTEE***

Completion Date of Audit: \_\_\_\_\_ By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

