

## RIMS Chapter Treasurer's Handbook

### Introduction:

Does your chapter have too much or too little money in the bank? Has your chapter raised money for the benefit of a charity or scholarship? Does your chapter need to have an independent financial review or audit? No matter your answers to these questions, it is important to make sure that regular discussions regarding your chapter's finances are occurring at your board meetings. Your chapter is funded by, amongst other things, member dues. Therefore, you should ensure that funds are managed and spent to further the interests of the members.

Administration of a volunteer chapter takes work and managing your chapter's finances is one of the most important and, at times, most complicated activities that a volunteer chapter board needs to oversee. Ideally, a chapter's treasurer should have some basic accounting knowledge and some financial management skills. However, managing your chapter's finances is not the job of one person but of the entire board and all committee members.

Your board has a fiduciary responsibility to keep accurate and complete records of its finances and to share that information with the local membership on a regular basis. Your chapter should also create a budget each year that shows what the group plans to accomplish. You should consider the purchase of a software package, such as QuickBooks, to help make bookkeeping and reporting for your chapter's activities an easier task.

In order to help your board manage its finances, RIMS has created this handbook which provides you with some basic guidelines and tools. Although a chapter treasurer's job responsibilities can vary from chapter to chapter, there are some tasks that should be considered a standard part of the job. The items included in this handbook, along with your chapter's constitution and bylaws, and state/provincial/local laws, will help your board take care of its fiduciary responsibilities.

### Incorporation:

- Having your chapter incorporated offers you many advantages including liability protection for the board, including the fact that officers cannot be held financially responsible in the event of a lawsuit against the chapter.
- RIMS requires that all chapters be incorporated and that they maintain that status. It is important to make sure that your chapter remains up to date by filing any required information with the state or province as needed. Typically a chapter will need to have a current list of officers and an updated constitution and bylaws in order to retain corporate status.
- In the United States, check with your Secretary of State to find out what is required. Every state has its own agency responsible for registering and maintaining records on corporations. This agency is usually known as the Corporation Commission of the Secretary of State.
- In Canada, each province has a different office that handles incorporation.
- In Mexico, in order to start the incorporation process you will need to go to the Secretaría de Relaciones Exteriores and give them five possible names for the "non-for-profit" organization. Once they agree and select the name you should use you need to go to the notary and start the paperwork. Finally, you go to the Secretaria de Hacienda y Credito Publico to add your association and to obtain the official Federal Contribution Registration.

- Japan is divided into 47 prefectures. A non-profit organization (NPO) has to be certified by either the local government or national agencies. To be a certified NPO, there are number of regulations that you would have to clear. However, a chapter can opt to be a non-official NPO (i.e. RIMS Japan Chapter). In that case the chapter can simply be registered at the National Tax Agency and pay the appropriate taxes.
- CT Corp offers a service at an annual fee. CT Corporation will maintain your chapter incorporation status at your chapter's request. Any government correspondence about your chapter's corporate standing is sent to CT and routed through RIMS to your chapter. Please make certain that all annual report requests are completed and submitted to your secretary of state's office. If your chapter has not yet been incorporated, RIMS will assist you with the initial paperwork.

## Tax Issues and Non-Profit Status:

### U.S. Chapters

#### **Tax Exemption**

RIMS is a not-for-profit membership organization under Section 501(c)(6) of the Internal Revenue Code. This section affords RIMS tax exempt status, which means that no federal or state income taxes must be paid on revenue earned, except for unrelated business income tax on such items as advertising or publications income. RIMS chapters do not automatically have that exemption, but must file Form 1024 with the IRS to qualify for 501(c)(6) status. Many states require additional filings for tax exempt status, and you should check with your state government about such requirements. 501(c)(6) organizations are obligated to pay state and local sales tax for goods and services purchased.

#### **Federal Tax Identification Number (SS-4)**

All chapters are required to obtain a federal Tax Identification Number (TIN). Your TIN is needed to open a bank account and is used to file your annual IRS Form 990. Form SS-4 is available from the local IRS office or online. A copy should be forwarded to the RIMS office. If you are unable to locate your chapter's TIN, check with your bank, as it is required for all accounts.

#### **Federal Form 990**

Form 990 or 990EZ - Return of Organization Exempt from Income Tax - must be filed with the IRS annually if your chapter's gross income exceeds \$50,000. The distinction between the two forms is based on income, and changes annually, so you'll need to check the IRS website each year to determine which form must be used. Form 990N must be filed online by any nonprofit organization with income under \$50,000. To obtain copies of the forms and a set of instructions, go to the IRS website at [www.irs.gov](http://www.irs.gov). The deadline for filing with the IRS is "on or before the 15th day of the fifth month, following the close of the accounting period." If, for example, a chapter's fiscal year ends on December 31<sup>st</sup>, the tax return is due on or before May 15<sup>th</sup>.

#### **Tax Payer Right to Know**

Under current federal legislation, anyone has the right to request certain information and documents from a tax exempt organization. The exact rules on how quickly and in what format this must be supplied can be found on the IRS Web site at [www.irs.gov](http://www.irs.gov).

*(Note: Names and addresses of contributors included on Schedule B of the IRS returns should be omitted when sending a copy of the form to a member of the public or when posting the return online.)*

## State Identification Number

Most states require all nonprofits have a state identification number that the chapter will use on any state filings. Please check online to find the application.

## State Forms

Most states require an annual form that should be filed at the same time your federal form is submitted. Please check online to determine what your local filing requirements are, and to obtain the proper forms.

## Tax Record Keeping

Your chapter should have available copies of the following:

- The application for tax exemption (Form 1024), including all attachments.
- The IRS determination letter.
- The IRS letter containing your federal tax identification number.
- The state letter containing your state identification number.
- The last 3 IRS tax returns (Form 990 or 990 EZ or 990N online receipt) filed.
- The last 3 state returns filed.

## Tax Issues and Non-Profit Status:

### Canadian Chapters

#### Revenue

Questions should be referred to a Problem Resolution Program Coordinator. You can find the telephone number under Canada Revenue Agency (CRA) in the Government of Canada section of the telephone book. In order to qualify for tax exempt status, the terms an association must satisfy are the following requirements which are set forth in paragraph 149(1)(1) of the Income Tax Act:

- it must not, in the opinion of the Minister, be a charity;
- it must be organized exclusively for social welfare, civic improvement, pleasure, recreation or any other purpose except profit;
- it must in fact be operated exclusively for the same purpose in b. for which it was organized or for any of the other purposes mentioned in b.; and no part of its income may be paid, payable or otherwise made available for the personal benefit of any proprietor, member or shareholder, except in connection with the promotion of amateur athletics in Canada.
- The organization will have to file the Non-Profit Organization (NPO) Information Return (Form T1044) even though it qualifies as an exempt organization if any of the following apply:
- the organization received or is entitled to receive dividends, interest, rentals or royalties in the fiscal period totaling more than \$10,000;
- the total assets of the organization were more than \$200,000 at the end of the immediately preceding fiscal period; or such a return had to be filed for a preceding fiscal period.

An organization that has to file the Non-Profit Information Return may also have to file other returns such as the T2 Corporation Income Tax Return, the T2 short, or the T3 Trust Income Tax and Information Return. The T2 Corporation Income Tax Guide, and the T3 Guide and trust Return contain information to help you file your T2 or T3 return. For information on how you may need to file see Interpretation Bulletin IT-83, Non-Profit Organizations - Taxation of Income from Property.

A non-profit organization is not required to include financial statements with the NPO return. Your organization has to file its NPO information return, without receiving notice, within six months after the end of its fiscal period. Contact Canada Revenue Agency (CRA) at <http://www.cra-arc.gc.ca/menu-e.html> for complete details and answers to questions.

## **Tax Issues and Non-Profit Status:**

*Chapters Outside of the United States and Canada*

RIMS requires all chapters to be incorporated. Check with your federal or local government to find requirements and processes.

- In Japan, the Japan National TAX Agency is the appropriate government agency you should refer to for questions regarding taxes and non-profit incorporation issues.
- In Mexico, the agency that collects the taxes is the Secretaría de Hacienda y Crédito Público (SHCP). The agency that administrates the tax income from the government is Secretaría de Administración Tributaria, which is part of the SHCP.

## **Budget Guidelines:**

- Review previous expenses:
  - Are cost savings available? What costs have increased, and why?
- Review current sources of income:
  - Meeting / program fees; Chapter dues
- Review/discuss sources of additional revenue/savings:
  - Sponsorship; Fundraising ; Hold meetings in member's (Associates') offices

## **Budget Planning Guidelines**

An annual budget will assist in planning the activities for next year. Financial requirements for various chapter projects must be estimated in order to establish a realistic budget based on anticipated income. The following is a general set of guidelines for budget planning:

- 1 Start the budget planning process at your annual board retreat/planning meeting.
- 2 Review all existing programs and activities to determine whether they will continue.
- 3 Identify each new activity your chapter has decided to initiate in the coming year.
- 4 Each committee should complete an activity worksheet if there are expenses or revenues attached to the project. The worksheet should include a complete description of the activity.
- 5 All activity sheets should be submitted to the treasurer prior to the board retreat/planning meeting, so that a comprehensive budget can be created.
- 6 Review the chapter's dues structure and requirements, and make changes if necessary. Updated chapter dues are submitted to RIMS each September. A notice will be sent to each chapter in the summer as a reminder.
- 7 In the event your anticipated revenues don't cover the anticipated program expenses, individual projects should be prioritized and voted on by the group at your chapter's planning meeting or retreat to create a budget where the expenses are not more than the revenues.
- 8 Budgets can be created in an Excel worksheet or accounting software package such as QuickBooks.



Your chapter's annual budget should be relatively straightforward and easy to use. Your chapter's budget documents should show clear linkages to your planning documents. Special attention should be paid to your chapter's program/project budget items. Work with your chapter's program chair and committees to ensure a minimum of surprises. Individual project budgets help to involve all volunteers and committee members in the budget process. Compliance with financial guidelines will be much higher if those affected by the budget process have helped to create the financial goals for your group.

A sample individual budget worksheet for one project/program is included in this handbook's appendix.

## **Reporting and Record Keeping:**

### **Reporting Responsibilities**

Your chapter has a fiduciary responsibility to its members to report the financial status of the chapter to its members.

Your treasurer is responsible for the following:

- 1 All revenue should be deposited promptly and recorded on the books.
- 2 All bills should be paid within a reasonable period of time. Significant/ unusual expenses, such as officers' travel, should be approved in advance by the board during the budget process or by your chapter's president.
- 3 All bank accounts and investment accounts must be reconciled every month to ensure accurate financial reports.
- 4 Give the Board a Balance Sheet and Income Statement every month. The Income Statement must include line-by-line comparisons to the approved budget. Explain any significant differences in writing.
- 5 Members of the chapter should be given the financial reports in the chapter's newsletter or on the chapter's website at least every quarter.
- 6 The Treasurer is responsible for alerting the board to any anticipated cash flow problems or unusual activity.

### **Record Keeping Guidelines**

Some chapters have significant cash resources. The board should determine if these funds should be invested. It is best to have other board members work with the treasurer and determine the best approach.

The following is a list of items that your chapter might have, with suggested retention periods, although legal requirements vary by state and province. It is suggested that you maintain a "history" file to be passed on to your successors. This history will become an invaluable resource to future chapter leaders.

## Documents Retention Time Recommendations

Chapter Records	Retention Time	Copy to RIMS Headquarters
Minutes of Board Meetings	Permanent	No
Constitution and Bylaws	Permanent	Yes
Approval of Federal ID Number	Permanent	Yes
Incorporation	Permanent	Yes
Application for Tax Exempt Status	Permanent	No
IRS Determination Letter	Permanent	No
Tax Returns (Support Information)	7 Years	No
Chapter Newsletters (If they provide Chapter's history)	Permanent	No
Chapter Activity Forms (Names, Meeting Dates, Topics, Speakers)	3 Years	No
Regional Conference Records	Permanent	No
Chapter Monthly Financial Reports	1 Year	No
Chapter Annual Financial Records (Bank Statements, Annual Financial Reports, Checks showing payment)	7 Years	No
Officer/Committee records/reports	3 Years	No
Correspondence with RIMS office	1-3 Years	No
Canceled Checks	5 Years	No
Paid Invoices	5 Years	No
Meeting Receipts	3 Years	No
Photographs	Permanent	No

## Reserves

How much money is too much and what is enough? The IRS and the CRA (Canada) do not have official guidelines regarding chapter reserves, as long as the purpose of the reserves is to carry out the objectives or mission under which the chapter was founded and incorporated. In Japan, you should check with the National TAX Agency to make sure that there are no official limitations on a chapter's reserves. In Mexico, there are no guidelines regarding reserves. However, SHCP has the power to initiate an investigation of any organization that seems suspicious.

RIMS has found that it is good business practice to hold anywhere from 6 months to 18 months of operating expenses as cash in the bank. This will allow your chapter to continue operating in the event any major events or activities are cancelled, and avoid losses if investment funds might have to be sold during a market downturn. It also allows your chapter to have some flexibility in its spending. This might include hiring a paid administrator for the chapter, which could be good for the long term health of the group.

It is important to note that perception can be a problem. If your chapter is fortunate enough to have a large cash balance, you may want to consider spending down some of the funds on activities that directly benefit the members. For example, you could host a thank you luncheon for renewing members each year. In addition, you may not want to enact a dues increase if there is no need for additional funds to run the budgeted programs and projects your board has approved.

## Fundraising:

Money raised through chapter fundraising efforts must be given to a risk related organization or project. It is important to take into consideration that funds given to a charity that is not risk related must be earmarked for a risk related project by that charity.

In addition, funds must be used for the purposes for which they were originally intended. For example: If you are having a golf tournament for the Spencer Educational Foundation, funds raised must be given to Spencer and not to another charity.

## **Acceptable Examples of Fundraising:**

- Spencer Educational Foundation: the mission of the Foundation is to stimulate, promote and encourage promising students of risk management disciplines in fulfilling their education goals primarily by providing scholarship awards and educational grants.
- William H. McGannon Foundation for Advancement of Risk Management: a Canadian foundation established to provide financial resources for the advancement of risk management.
- Local scholarship: your chapter can develop its own scholarship through a local university/school.
- Local charity: for example, fire extinguishers/smoke detectors could be donated to a women's shelter or an orphanage.

## Membership Dues:

### **Collecting & Receiving**

RIMS will collect dues for your chapter when collecting Society dues. RIMS requires that members who join the society also belong to their local chapter. If RIMS collects your chapter's dues, you have the opportunity to review and change the amount you are charging one time per year only. Each year a notice will be sent to your chapter during the summer, and as part of the budget process, your board needs to decide whether an increase will be necessary to fund anticipated activities in the coming year. Changes and confirmations of the amounts being charged by your chapter are due back to RIMS in September. These dues will take effect the following January.

Occasionally, a member of RIMS changes chapters during the course of the year. When this occurs RIMS does not collect dues for the new chapter until it is time for the member to renew their entire membership. In other words, it is possible that your chapter could welcome and provide services to a new member without receiving dues for that member for a number of months. Many chapters wait until RIMS bills the member; however, your chapter does have the option of billing the member directly for the pro-rated amount. On the other hand, as members move out of your chapter, you retain the dues related to them.

Dues received for your chapter will be sent from RIMS by wire transfer to your chapter's bank within 60 days of receipt, if your bank doesn't charge to receive wires. If your bank does charge for wire transfers, RIMS will send your chapter's dues by check. If you have not already done so or if your chapter's bank account has recently changed, please contact RIMS at [chapterservices@RIMS.org](mailto:chapterservices@RIMS.org) with your account and wire transfer routing numbers. RIMS includes a detailed explanation for any payment along with the wire payment stub or the check.

### **Determining Dues Amounts**

When evaluating what your chapter charges as dues each year there are a number of things you should consider. The most important consideration is the benefits your chapter is offering to each member. Consider the following:

- What does it cost to operate your chapter?
- How many meetings does your chapter hold each year?
- Do you charge your members to come to the meetings or is the charge included in your dues amount?
- Do you have a paid administrator or any other contractors to help your chapter: i.e. use the services of a Webmaster?
- Do you print a newsletter?
- Do you have a holiday party or other social outings?
- Do you have sponsorship opportunities?
- Do you have any other sources of income?



## Receiving Payments:

Because RIMS chapters hold events, collect sponsorship dollars and charge meeting fees chapters handle money. Many chapters accept checks only as payment, but your chapter may want to consider the option of accepting credit cards.

If your chapter is considering accepting credit card payments, here are two options.

- **Credit Card Machine:** Talk to your chapter's bank and other financial institutions regarding the cost, fees, and process to obtain and use a credit card machine to process payments. Compare programs and costs before deciding on which bank will provide this service. In addition to obtaining the machine, your board should also consider who will be responsible to process the payments, refunds, etc. Some Chapters also use Square and other technology attached to mobile devices.
- **Online Payment Services (i.e. PayPal):** These accounts enable any individual or business with an e-mail address to send and receive payments online securely, easily and quickly. Your chapter should look at the fees associated with each transaction, which credit cards will be accepted, who will have access to the account, etc. It is suggested you contact other chapters who have used similar services. To find chapter's already using this service, post a message to [RIMS Chapter Officers' Opis Community](#).

## Making Payments for Services:

If your chapter pays for services performed by someone not treated as an employee, such as an office administrator or a bookkeeper, a 1099-MISC tax form must be mailed to the Internal Revenue Service at year-end.

- This form must be completed if payments totaling \$600 or more were made during the year.
- The form must be given to the payee on or before January 31.
- The 1099(s) along with a summary form 1098 must be filed with the IRS on or before February 28.

Please go online to [www.irs.gov](http://www.irs.gov) to find the necessary forms and instructions.

## Independent External Financial Review or Audit:

In the United States, you must check with your state Attorney General to determine what the revenue guidelines are that require an independent external audit, an independent external review, or an internal financial statement.

If your chapter is outside of the United States, please refer to your country's legal reporting requirements for non-profit organizations.

In order to make sure that any review or audit of the books is impartial, it is important that the individual/company is independent from the chapter. You'll need to hire an independent CPA, CA or accounting firm. You should also solicit multiple bids for the service in order to make sure you are selecting what's best for the chapter. Make sure to mention the chapter's mission and non-profit status as some firms may offer a reduced fee when a non-profit is involved.

## Conclusion:

Managing your chapter's finances is not an easy job! It is imperative that you have the buy-in and assistance of everyone on the board and on your chapter's committees in order to make sure that it is done correctly. All chapter volunteers must be involved in developing and implementing the chapter's budget. The treasurer should act as the manager of the chapter's finances, but should not be the one doing all of the work, since the entire board is responsible for the financial well-being and integrity of the chapter. The treasurer should orchestrate the budget process and pull together all committee, program and project worksheets. The treasurer should be responsible for all regular reporting to the board and members at large regarding the overall financial health of the chapter and status of the budget. Finally, the treasurer should make sure that all local/state/provincial requirements are being met by the chapter.

It is important to pay attention to any legal requirements as well as your chapter's constitution and bylaws to make sure that you are fulfilling any necessary reporting obligations. It is vital for your continuing existence that your chapter files annual tax returns as mandated by federal and state law.

RIMS encourages you to be open with your members regarding your chapter's financial status. As each member pays dues to your chapter, they are entitled to understand where and why money is being spent, and what benefits they receive. Disseminating your chapter's basic financial statements each quarter in your chapter's newsletter or Web site will help your board answer members' questions and alleviate any concerns that the members may have regarding the chapter's financial health and the management of the chapter's funds.

As treasurer you have taken on an incredibly valuable, important and rewarding role for your chapter. We hope that this handbook will be of assistance throughout your term. If you have any additional questions, please do not hesitate to contact RIMS at [chapterservices@RIMS.org](mailto:chapterservices@RIMS.org) or (212) 655-6031.

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