

# Finance/Treasurer



## Chapter Leadership Handbook

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*Advancing Productivity, Innovation, and Competitive Success*

# **FINANCE/TREASURER CHAPTER LEADERSHIP HANDBOOK**

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## **Preface**

This manual describes basic financial tools and techniques that can help APICS chapters responsibly manage chapter funds. It also explains a chapter's reporting responsibilities to federal, state, and local regulatory agencies. Using this manual as a guide, your chapter can implement financial management guidelines and controls that are consistent with standard accounting practices and that make it easier for your members and APICS professional staff to understand the chapter's financial operations. Each chapter's board of directors should formally adopt policies, tailored to local chapter requirements, to implement the financial control procedures that are described in this publication.

Our thanks to Susan S. Vowell, CPA, for her contributions in preparing this publication. Special thanks also to Joyce M. Mihuta; Jon E. Bingol, CFPIM; Ronald K. Althaus, CFPIM, CIRM, C.P.M.; Luis Barcón, CPIM, CIRM, C.P.M.; and James Semerad, CPIM, Jonah, for their invaluable contributions to the content.

## **Chapter Financial Responsibility**

APICS chapters provide a service directly to their members and indirectly to APICS and depend upon both for financial support. Chapters thus must create a relationship of trust with members and with APICS in the receipt and disbursement of funds. Establishing firm financial controls and procedures, as well as providing reports on your chapter's financial position, will create in members and in APICS a trust that your chapter is committed to the prudent expenditure and protection of their funds.

The financial responsibilities of a chapter may be summarized into the following five major areas, each of which is addressed in detail in later sections of this manual:

- Maintaining financial records (pages 17-18).
- Preparing accurate and meaningful financial statements (pages 19-20).
- Budgeting and anticipating financial challenges (pages 25-27).
- Establishing internal controls to safeguard and manage the chapter's financial assets (pages 30-35).
- Complying with federal, state, and local reporting requirements (pages 35-48).

## **Chapter Board of Directors Financial Responsibility**

As a body, the board of directors of a chapter has considerable power. In contrast, an individual director, acting alone, has almost no power. Rather, each director exerts power as one element in the board of directors. However, individual directors are still legally accountable for chapter actions in certain circumstances and have legally protected rights and duties to participate in the board's decision. (See the section of this manual on the Volunteer Protection Act, page 49.)

Among the primary responsibilities of a chapter's board of directors is acting as steward of the chapter's finances. Since the chapter is funded with member dues and the support of APICS, directors should ensure that funds are spent to further member interests. To fulfill this mandate, directors must effectively oversee chapter operations, including regularly evaluating the viability, effectiveness, and cost efficiency of program activities and service delivery systems.

The chapter board of directors is also ultimately responsible for ensuring compliance with all relevant federal, state, and local governmental regulations and reporting requirements.

## **Appointing a Chapter Treasurer**

In general, the treasurer of a chapter is second in importance only to the president or board chair because the chapter's programs depend entirely on the chapter's finances. While not necessarily responsible for raising funds, the treasurer is charged with stewardship of the chapter's funds and with the responsibility of monitoring and reporting the chapter's financial position. The treasurer should have basic accounting knowledge and, ideally, general financial management expertise.

## **Orienting New Treasurers**

Here are several strategies to ensure an orderly transition.

*Much of your transitional work begins soon after you assume office.*

Immediately after being named treasurer, start compiling a file with tips for your successor. Note questions you had during the different stages of your own orientation so that later you can share them with your successor. This tip sheet will help with troubleshooting, updating policies, and noting how difficult situations were handled.

*Six months before transition, give your input to the chapter president concerning qualities needed in an effective treasurer.*

Be candid. If you believe a suggested candidate does not have what it takes, say so.

*Three months before transition, summarize the tips for the new treasurer.*

The material in this *Handbook* will be helpful, but be sure to add things only you know, such as that the people at XYZ Corporation will pay but are always late with checks, that the bank statement usually comes on the Xth day of the month, how your group's software works, etc.

*Two months before, meet with the new treasurer to review your records in detail.*

These include your filing system, forms, names of contacts from banks and vendors, contracts with hotels, computer software, policies and procedures, bank statements, budgets, and others. Also, outline where the chapter is in the budgeting process. Be available to answer questions should the need arise. Your role is to offer support and guidance.

*One month before, get signature cards from the bank and other financial institutions for checking and savings accounts.*

Have the new treasurer and other appropriate board members sign them.

## Conflict of Interest Policy

Due to the fiduciary duties inherent in the board of directors of a chapter, a chapter should develop a conflict of interest policy in an attempt to identify and protect itself against any potential ethical dilemmas. Such a policy may also protect the chapter from any potential perception of chapter assets benefiting private individuals, a strict prohibition of 501(c)(6) tax-exempt status.

The following examples may be considered a conflict of interest between a board of directors and a chapter.

*Example 1:* Director Smith serves on a chapter's board of directors. Smith also owns 25 percent of Sunny Publishing Company. The chapter enters into a contract with Sunny Publishing Company to print the chapter's membership directory. Smith knows that this will be good business for the publishing company, but he also knows that, if the chapter were to inquire, it would obtain a better price for the publication of its membership directory at Rainy Publishing Company.

*Example 2:* Director Smith has served as a director for an APICS chapter for ten years and is well known to all board members. Smith desperately needs a loan and the chair of the board, without checking with other members of the board, agrees that it will be no problem to make a \$2,000 loan to Smith out of the chapter's funds.

*Example 3:* Director Smith serves on the board of an APICS chapter. Smith also owns a private consulting practice and specializes in providing instruction to corporations for CIRM certification courses. The chapter also provides CIRM certification courses. Without surveying the market for competitive bids, the chapter gives Smith an exclusive contract to instruct all of the chapter's certification courses.

If any of these situations sound familiar, contact APICS Chapter Relations.

## Financial Status of APICS Chapters

Not-for-profit organizations like APICS exist for different reasons than commercial organizations. In oversimplified terms, a commercial organization exists to realize a profit, while a not-for-profit organization exists to meet some need of the community or of its members.

As long as a not-for-profit organization has sufficient resources to carry out its objectives, there is no real need for it to “make a profit” or have an excess of income over expense. While a prudent board may want to have a “profit” to provide for a rainy day, a surplus or profit is only incidental to the principal objective of the board, which is to fulfill the functions for which the organization was founded.

### Nonprofit, Tax-Exempt, or Not-for-Profit?

Although the terms “nonprofit,” “tax-exempt,” and “not-for-profit” are used interchangeably by the general public, they actually mean different things.

**Nonprofit** means an entity has been organized under and according to the provisions of *state* nonprofit statutes. Despite the name, a nonprofit organization may make a profit, as long as that profit is devoted to the organization’s nonprofit purpose and is not distributed to the organization’s members or managers.

**Not-for-profit** is a term coined by individuals associated with the industry to describe organizations that are primarily operated not for a profit, but to serve the needs of the community or the organizations’ members. Although the term “not-for-profit” is used by industry professionals because it best characterizes the intent of such organizations’ operations, it has no legislative or regulatory significance.

A **tax-exempt** entity is one classified by the Internal Revenue Service as exempt from *federal* income taxes under certain provisions of the Internal Revenue Code. Just because an organization has nonprofit status under applicable *state* law does not mean it automatically has *federal* tax-exempt status. And an organization that *is* considered tax-exempt by the IRS may still have to pay state and local taxes.



*A chapter that is incorporated in its resident state under that state’s nonprofit statute and has applied for and received recognition from the IRS as exempt from federal income taxes may correctly be identified as a nonprofit, tax-exempt, not-for-profit organization.*

## **Definition of a Professional Society**

The Internal Revenue Code provides an exemption from federal income taxes for professional societies (“business leagues”) under Section 501(c)(6). The regulations define such an organization as follows:

1. Its members must have a common business interest.
2. Its purpose must be to promote that interest.
3. Its purpose must not be to engage in a regular business of a kind ordinarily carried on for profit.
4. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.
5. It is not organized primarily for profit.
6. No part of its net earnings may inure to the benefit of any private individual.

Clearly, APICS and its individual chapters fit the definition of a professional society and, as such, may be granted tax-exempt status under Internal Revenue Code Section 501(c)(6).

## **What Is the Difference Between 501(c)(6) and 501(c)(3)?**

Not-for-profit trade associations, professional societies, and business leagues whose earnings do not benefit private individuals may be determined by the IRS to be exempt from federal income taxation under Internal Revenue Code Section 501(c)(6). Such organizations are not prohibited from engaging in political campaign activity, and there is no specific limit on lobbying expenditures.

In general, religious, educational, scientific, or charitable organizations whose earnings do not benefit private individuals may be determined by the IRS to be exempt from federal income taxation under Internal Revenue Code Section 501(c)(3). The primary advantage of 501(c)(3) exemption is that charitable contributions by individual and corporate donors to the organization may qualify as income tax deductions for those donors. Organizations designated as 501(c)(3) are also eligible for significantly reduced postal rates, subject to specific restrictions. The drawbacks to 501(c)(3) status are the strict prohibition against engaging in political campaign activities and the limitation on expenditures for lobbying activities.

Some APICS chapters obtained 501(c)(3) tax-exempt status many years ago when the IRS was more lenient in granting such status. However, the nature of APICS chapters' activities is more accurately defined by Internal Revenue Code Section 501(c)(6).

## **Is There a Limit on How Much Money Chapters May Have in Reserve?**

Many APICS chapters want to know the maximum amount of money they may have in reserve without jeopardizing their nonprofit or tax-exempt status. In fact, the IRS does not focus on a tax-

exempt organization's reserves as long as the purpose for the reserves is to ultimately carry out the objectives for which the organization was granted tax-exempt status. Similarly, state regulatory agencies disregard the issue of reserves. However, what is important to the IRS is the relationship between the activities carried out to generate the excess revenue and the organization's exempt purpose. (See the section of this manual on unrelated business income, pages 37-39.)

More information on chapter tax status may be found in the section of this manual on taxes, beginning on page 35.

The amount of a chapter's reserves may affect how members and APICS perceive the chapter's fiscal responsibility and management. For example, members may not support an increase in membership dues if a chapter is not meeting current member needs, has no specific plans to invest the funds in future member service projects, and is merely holding excessive funds in reserve.

## **Other Financial Management Considerations**

As custodian of its members' money, the chapter must safeguard its assets in a conservative and fiscally responsible manner. To do so requires long-term as well as short-term planning.

No matter how large or small a chapter is, it should establish policies for accumulating a reserve fund and for investing available cash.

The reserve and investment policy may be consolidated into one policy; this discussion, however, will deal with them separately. (See pages 33-34 for discussion of investments)

## **Reserve Policy**

There are three reasons for having a reserve fund.

- 1. To cover obligations to members.** Members pay dues in advance for products and services to be rendered by the chapter over a particular future period. The chapter must ensure that there will be funds to pay for these services.

In most situations, the cycle of the collection of membership dues is either constant throughout the year or occurs in the same known period (such as January and February) from year to year. In either case, the chapter assumes that money will come in to pay for the cost of services.

However, if there is an economic downturn and membership renewals or education attendance decline dramatically, there must still be enough available money to cover promised services to current members through their membership year. (Of course, the chapter must be constantly aware of attendance trends so that if there is a slowdown in the revenue stream, spending adjustments can be made accordingly.)

A chapter may also use the reserve fund to provide indemnification (to provide somebody with protection, especially financial protection, against possible loss, damage, or liability) for its officers against risks associated with managing the chapter. (See the section of this manual on insurance protection for legal liability, page 49.)

- 2. To allow for revenue shortfalls or unforeseen expenses.** Even if membership does not decline, other sources of revenue may drop unpredictably. For example, a chapter may have made unbreakable commitments for meeting space for an upcoming seminar or workshop. If the registration does not materialize, the commitments still must be met. Funds must still be available to cover such payments.
- 3. To build funds for capital expansion.** Computers, presentation equipment, appropriate software, and even office space are important assets for many chapters. The size of such an investment may be larger than the budget can allow in a single year, so the board may wish to earmark a certain amount for a certain number of years toward purchasing such assets.

Even chapters without a formal reserve policy will have excess funds in a bank or other investment vehicle at various times. The reserve policy identifies the minimum level of these funds.

The reserve policy should also stipulate that a majority of the board must approve any action that would deplete the funds below the established minimum level. Such approval would, of course, be carried in the board minutes.

The board should study the chapter's future needs, the "worst case" shortfalls over a multiyear span, and trends from the past several years concerning members and other sources of revenue.

It should then decide what the target balance in the reserve fund should be.

The need for establishing a policy to set up and contribute to a reserve fund is clear; the amount that should be set aside for reserves is not so clear.

Several methods for determining the target balance of the reserve funds are:

- **As a specific dollar amount.** For example, if the board feels that \$5,000 is an adequate amount to keep in reserves, then \$5,000 is the target balance. The reserve may grow to be greater than \$5,000, but the excess would be available to return to members in the form of additional services.
- **As a percentage of one year's operating costs.** For example, if the annual budget is \$30,000 and the target balance is 50 percent of one year's operating costs, then the target balance for the reserve fund would be \$15,000. As the budget changes, the target balance changes.
- **As the amount associated with a specific program or area.** For example, the board may decide that the target balance should be equal to the cost of providing newsletters, professional development meetings, and certification review courses over a two-year period. Again, as these projected costs change, so would the target balance.

There is no one right way to determine the amount of the target balance in a reserve fund. The discussion of methodology above merely sets out several examples of addressing the issue.

It is imperative that all officers be involved in identifying both the amount of the target balance and the date for achieving that balance. The primary consideration is that money must be available to protect the members' investment in their chapter.

## **Why and How to Incorporate**

Professional associations incorporate because doing so offers many advantages. Corporate status, or recognition as a legal entity that can sue and be sued in its corporate name, in most cases provides a liability shelter against individual financial responsibility for corporate officers and directors. In the case of a lawsuit or judgment against an incorporated chapter, no one may seize the personal assets of individual leaders of the chapter. Incorporation is the only rock-solid protection for personal assets that can be had in the business world.

Incorporation is a legal process that is regulated by individual states; therefore, it is best to retain an attorney licensed in your chapter's state to assist in the process. Articles of incorporation and bylaws are requirements for a chapter to incorporate; articles of incorporation define how a chapter is structured, and bylaws define how a chapter operates. A chapter should use the sample articles of incorporation in Appendix L and the APICS bylaws as a model for its own. An attorney can assist in modifying or adding to these documents as necessary for chapter applicability.

In some states, attorneys are required to provide a minimum number of hours of pro bono (free) service to not-for-profit organizations as a requirement for licensure.

It is important to note that in most states, it is illegal for your chapter to present itself as a corporation when it is not.

*Articles of incorporation* (your chapter's agreement with the state) serve as an outline of a chapter's formal organization. To obtain corporate status for an APICS chapter, the chapter board of directors must formally request the state where the chapter is located to bestow that status by filing articles of incorporation with the respective secretary of state. They should set out in clear, unambiguous language the essential elements of a chapter's structure.



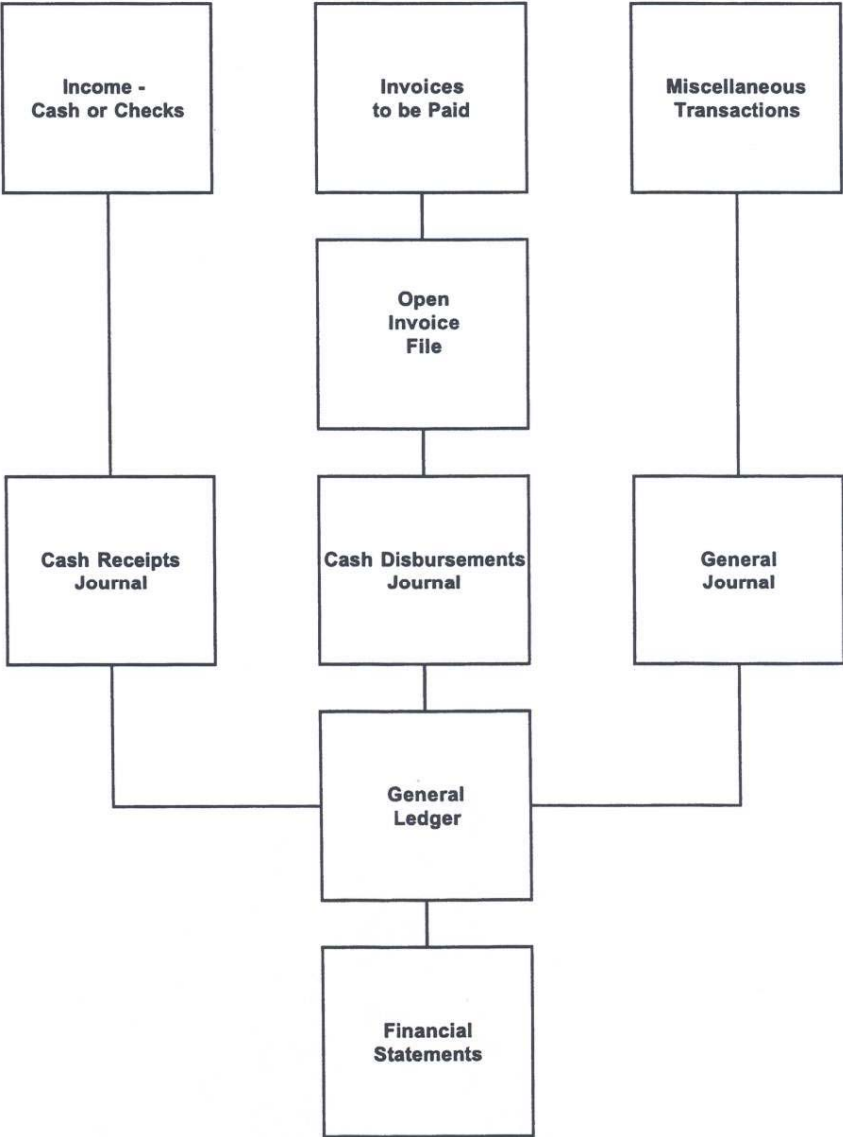
*A chapter should use the sample articles of incorporation in Appendix L and the APICS bylaws as a model for its own. An attorney can assist in modifying or adding to these documents as appropriate for your chapter. See the APICS Volunteer Resources section of the Web site for sample bylaws.*

The *bylaws* (your chapter's agreement with the members) of a chapter serve as a blueprint for the chapter's working structure. They should describe the division of power and the interrelationships among the chapter's members, board, committees, and officers. State law generally stipulates that a nonprofit corporation's bylaws be adopted by the initial board of directors at its initial meeting. For purposes of approving bylaws, the "initial meeting" of a newly incorporated chapter is the first meeting after obtaining corporate status, regardless of how many years the chapter may have been operating as an unincorporated entity.

# Handling Your Chapter's Funds

During the course of its existence, a chapter may receive, handle, and expend large sums of money. As a result, each chapter has a responsibility to develop and follow a system of financial management that adheres to generally accepted accounting principles. This section examines traditional accounting methods and reporting requirements that are recommended to chapters.

## Flow of Financial Information: Cash Receipts and Disbursements



## Cash Basis vs. Accrual Basis Accounting

There are two primary methods of bookkeeping from which a chapter may choose to structure its system: *cash basis* or *accrual basis*.

*Cash basis* bookkeeping is the simplest method and the most widely used by small not-for-profit organizations. Revenues are recorded in the cash receipts journal only when they are actually received and expenses are recorded in the cash disbursements journal only when the money is actually spent.



*Generally accepted accounting principles require that the accrual method be used in the presentation of financial statements. However, it may be more practical to maintain chapter books on a cash basis and make adjusting entries at the end of each year for the purpose of presenting financial statements.*

With the *accrual* method, all income is recorded in the books when it is earned or receivable, regardless of when it is actually received. Expenses are recorded when they are incurred, regardless of when they are actually paid. The accrual method is recommended for chapters that have accounts receivable or substantial accounts payable. In addition to the cash receipts and cash disbursements journals, an accounts receivable journal and an accounts payable journal are needed. The accrual method more accurately reflects the true income and expenses of a chapter over a period of time.

The chapter's choice of an appropriate bookkeeping method should be made after careful study of the nature of common transactions. For example, are most bills paid by the end of the month? Or is notification of dues revenue to be received shortly followed by actual receipt of the dues payments? It is very important that a chapter's basis of bookkeeping produce an accurate picture of the chapter's financial position.

## Chart of Accounts

A chart of accounts is the mechanism for categorizing the operations of a chapter. Each account is assigned a title and number and is classified under a general category or type of account—assets, liabilities, fund balance, revenue, and expenses. The title of each individual account should clearly describe the nature of the account; for example, accounts payable, accounts receivable, dues revenue, or printing expenses. A numbering system should identify each account, and the numbers should reflect the category or type of account. APICS has developed a simple, standardized format for chapters to use to establish charts of accounts. (See Appendix A, Chart of Accounts, on page 52.)

A review of the annual budget and its categories is a good place for a chapter to start in adapting APICS' standard chart of accounts for its own use. However, it is important for a chapter to find a balance between too few categories that may not provide sufficient information and too many categories that may result in confusion. Once an effective chart of accounts has been developed, the chapter will use the same accounts for the budget, the bookkeeping system, and the internal financial statements. This way, comparisons between budgeted and actual revenue and expenses are meaningful.

## **“Keeping the Books”**

Journals and ledgers—“the books”—are the principal components of a bookkeeping system. The process of “keeping the books” or “bookkeeping” is merely the recording of all financial transactions into the appropriate journals and ledgers. The nature and form of a chapter’s books will vary with the needs and complexity of the chapter. Many chapters may find that columnar accounting paper will suffice; others may need the time-saving benefits of a computerized accounting software package. Regardless of the bookkeeping system, it is important to understand the interrelationship of the following “books” because such nomenclature is universal in both paper and computerized bookkeeping.

- *Journals*—where similar transactions are recorded and efficiently summarized. The key to understanding the operation of a journal is to see that each transaction is recorded twice—once in a “total” column and once in a specific “category” column.
- *Cash receipts journal*—where all income is recorded. As each item is received, it is added to total income and also to an appropriate income category.
- *Cash disbursements journal*—where all expenses are recorded. The journal’s categories should correspond to the budget categories and should be totaled and reviewed monthly.
- *General journal*—where transactions that do not correspond to any other journal are re-ordered; for example, interest on savings accounts.
- *General ledger*—where all financial information is summarized and continually updated. Each journal is totaled monthly, and these totals are then transferred or “posted” to the general ledger.
- *Trial balance*—a listing of each account and its balance in the general ledger. The total debits should equal the total credits, thus verifying that the books are balanced.

## Accounting Software

Today's accounting software is fully capable of handling a variety of numbering systems for charts of accounts. If the chart of accounts is well designed, software packages can group the individual totals of similar accounts and journals into useful figures for a chapter's financial statements, historical data, comparison information, and budgeting. Moreover, with a very basic understanding of bookkeeping management, most chapters may be able to produce very informative financial statements with the automated assistance of accounting software packages. The following are some accounting packages that chapters may want to consider purchasing at retail establishments where computer software is sold:\*

- *Quicken (Intuit Inc.)*—a “checkbook” system that provides cash-basis financial reports only.
- *Quick Books (Intuit Inc.)*—a more refined version of Quicken that allows for financial management on an accrual basis.
- *Peachtree (Peachtree Software)*—a more sophisticated system that allows for preparation of more detailed financial statements and reporting.
- *Simply Accounting*—the basic version comes with the usual general ledger, receivables, payables, inventory, project costing, and payroll solutions.
- *Microsoft Money (Small Business)*—provides powerful tools for cash flow management, tax planning, inventory tracking, online payroll management, and income and expense categorization.

*\*APICS does not endorse these products or guarantee their success. It is recommended that chapters contact several computer retailers to obtain expert advice on their hardware and software needs, as well as item availability and pricing.*

## Maintaining Financial Records

Recording and processing financial transactions involves a substantial amount of document creation, handling, and filing. As the years go by and a chapter's files expand in size, the obvious question will be “what can be thrown out?” The answer depends on tax and legal considerations. IRS audits generally go back only three years, but state and local governmental agencies may require that a chapter maintain certain documents for a longer time to demonstrate qualification for nonprofit status.



**A chapter's charter and certificate of incorporation document the chapter's legal existence and should be kept permanently in the chapter's files and at APICS Headquarters.**

Since there is no single statute of limitations and the time period for each statute varies depending on the particular law and state, record retention policies should be guided by the rule of reason and by the probability and dollar amount of risk involved. In addition, policies should involve careful evaluation of the cost and burden of storing information and the potential need to access the information at a future time. A comprehensive records retention checklist produced by the U.S. Office of Management and Budget (OMB) is provided in Appendix I of this manual (see page 68).

## Financial Statements and Reporting

One of the most important responsibilities of a chapter treasurer is to prepare complete and easily comprehensible financial statements for the chapter leadership on a regular and timely basis. Chapters' financial statements provide a summary of financial status and operating results. They are key elements in depicting the financial strengths and weaknesses of chapters and the gains or losses arising from operations. In addition, the organized, consistent, and timely issuance of these statements provides an indication of the orderliness of the accounting system—essential for the protection of chapters' assets. As a result, financial statements should be prepared monthly and carefully reviewed by board members so informed decisions may be made as to the chapters' operations.



*Most computer accounting software will prepare basic financial statements with the push of a button. More advanced software packages may allow you to customize financial statements for your chapter's specialized needs. (See Accounting Software, page 17.)*

Chapters are free to design *internal* financial statements in any format that suits them. However, these statements are not to be confused with audited financial statements compiled by independent CPA firms, which have specific formats promulgated by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). Although internal financial statements should meet the needs of particular chapters, they should reasonably approximate the appearance of audited financial statements, and it is recommended that the same terminology be used in naming them.

### Financial Statements

#### Statement of Position (Balance Sheet)

The statement of position indicates chapter assets and liabilities at a certain point in time, such as the end of the month. Assets (cash, inventory) as well as liabilities (commitments) and chapter equity are each listed and totaled. Total assets must equal total liabilities and chapter equity.

#### Statement of Activities (Income and Expense Statement, Receipts and Expenditures Report)

The statement of activities reports chapter financial activity and results of operations during a certain time period. It indicates the major sources and amounts of revenue and expenses, as well as the amount of surplus or deficit. The amount of surplus or deficit is calculated by subtracting expenses from revenue. It is recommended that the board review two statements of activities—a statement summarizing revenues and expenses of the most recent time period and a year-to-date statement summarizing the transactions of all the months in the current fiscal year.

## Cash Flow Statement (Statement of Changes in Financial Position)

The cash flow statement is a summary of the resources made available to a chapter and the uses made of such resources during a certain time period, usually a chapter's fiscal year. In some ways, this statement is similar to the statement of activities in that it presents cash received and spent. It differs by dividing transactions into four groups: operating, capital, financing, and investing cash flows. Also, there is less detail of specific types of operating cash flows because such detail is already shown in the statement of activities. Although a cash flow statement is generally prepared only at the end of a chapter's fiscal year, chapters must pay close attention to cash flow throughout the year.

## Comparative Analyses and Variances

Comparative analysis and careful evaluation of variances of income and expenses from the budget or from prior-year figures, followed by corrective action if required, make up an essential function of chapter financial management. To make the most of the statement of activities for this purpose, there should be a point for comparison so that the reader will have some basis for making a judgment on operations. In most instances, this will be a comparison with a budget or figures from the corresponding period of the previous year.



*The best-prepared financial statements serve little purpose if a chapter's board is unwilling to review them promptly and to take action if it becomes apparent that the chapter is sustaining a deficit, expenses are exceeding budget, or income is not as high as anticipated.*

## Monitoring Performance Measures

Financial statement analyses are not limited to information in an individual chapter's books and records. They may include any pertinent statistics and economic facts that relate to the various phases of chapter activity. A chapter's board of directors should compile a list of appropriate functional and external economic measures for comparatively analyzing the chapter's financial performance. Examples of the types of measures that can be included follow.

- Trend of APICS membership growth in region.
- Comparison of income to local economic trends.
- Analysis of results of individual programs.
- Breakdown of expenses.
- Classification of sources of income; for example, educational programs, publication sales, dues, professional development meeting fees.

Chapters that provide programs and services that are meaningful to members will grow, which in turn permits the chapter to provide even greater service to members. Establishing appropriate performance measures, monitoring their relevance to chapter activities, and continuously analyzing the chapter's financial statements relative to the performance measures will provide chapter leadership with a deeper insight into operations that may improve the chapter's financial success.

## **Year-End Audit or Review?**

Should a chapter's books and records be audited? And if so, by whom? Similar to other decisions the board has to make, this is a value judgment for which there are no absolute answers. Audits cost time and money; the expected benefits must therefore be considered carefully. In general, though, an independent, periodic review of the chapter's financial control procedures and the accuracy of its financial statements is important to ensuring a chapter's financial stability.

### ***Audit***

An audit is a series of procedures performed by a certified public accountant (CPA) to test, on a selective basis, a chapter's financial transactions and related internal controls, with a view to forming an opinion about the fairness of the presentation of the financial statements for the period. An audit is not an examination of every transaction that has been recorded. It is a series of tests designed to give the accountant a basis for judging how effectively the financial records are maintained and the degree of reliance that can be placed on the internal controls. An audit is generally conducted immediately after the end of the chapter's fiscal year and is monitored by the board of directors or its appointed audit committee.

The benefits of an audit to chapters are these:

- It provides assurance that the financial statements taken as a whole are not materially misstated.
- It provides assurance that the financial statements are in conformity with generally accepted accounting principles.
- It provides general business advice that may be useful to the board of directors for planning and control purposes.
- Bankers and other creditors find audited financial statements to be credible information that reduces uncertainties.

## **Review Report**

In situations where the board feels comfortable that the financial management of the chapter is being competently handled, or the chapter cannot afford the expense of an audit, the limited assurance provided by an independent accountant's review report on the financial statements may be satisfactory. A review report states that inquiries and analytical review procedures were applied and that no material modifications need to be made to the chapter's financial statements for them to conform to generally accepted accounting principles. However, because a review has substantially less scope than an audit, the report does not express an opinion regarding the representation of the financial statements as a whole, thereby providing only limited assurance as to their reliability.



*Chapters are not required to have either an audit or a review every year. There may be special circumstances under which the chapter is more concerned about its financial management, particularly when there is a change in officers or treasurer, and the chapter desires to have the greater assurance that an audit provides. In other years a review may suffice. Each year, your chapter should perform a cost-benefit analysis as to whether an independent review of your financial statement makes sense.*

## **Engaging an Auditor**

With proper planning, an audit can be a positive experience for chapters. Select an auditor at least three months before the end of the chapter's fiscal year. The selection process can take several months because information about the chapter must be assembled for prospective auditors, and information about prospective auditors must be evaluated. A fee must be negotiated for audit services, and all agreed-upon procedures must be documented in an engagement letter prepared by the auditor.

Engage a qualified CPA or public accounting firm to conduct an audit. Since an audit involves a working relationship, particularly between the chapter's treasurer and board of directors and the CPA in charge of the audit, interpersonal factors are important. Engaging an auditor with experience in working with not-for-profit organizations is ideal. Individual CPAs and CPA firms are licensed by their respective state boards of accountancy to perform audits and are required to fulfill continuing professional education requirements and abide by codes of professional ethics in order to maintain their licensure. Both state CPA societies and the American Institute of CPAs may be contacted for referrals of licensed professionals in your chapter's locale.

The auditor must also be independent of the chapter. For example, an individual who has been engaged by the chapter to perform its audit, or any person connected with a firm engaged by the chapter to perform its audit, may not serve on the chapter's board or perform any management functions for the chapter.

In assessing the qualifications of an auditor, the following information should be considered:

- The auditing firm's background and experience, including specific not-for-profit expertise.
- Information about the CPA firm's size and personnel.
- Résumé information about the person who will be in charge of the audit and the qualifications of staff members to be assigned. This information should include number of years of audit experience, the amount of experience in not-for-profit accounting and auditing, and professional certifications.
- References in the local business community.

This information may be formally requested by a chapter in the form of a request for proposal (RFP) for audit services. (See Appendix C on page 57 for a sample RFP.)

Similarly, auditing firms will need to have a basic understanding of the chapter's mission and operations before they can make the decision to bid on an audit. To estimate the complexity of the audit, the chapter should provide information on the size of the chapter, the qualifications of those performing the chapter's accounting functions, the sources of revenue, the number and amounts of cash receipts and disbursements in a typical month, a copy of the most recent financial statements, and a copy of a current budget. A list of the chapter's board of directors may also be helpful for the audit firm to identify any possible relationships that may create a conflict of interest.

A prospective auditor will submit a proposal that is, in effect, a sales document that provides the firm's qualifications, specifically identifies the audit services to be performed for the chapter, and proposes the fee for such services. It is valuable for a chapter to request proposals from more than one qualified auditor so as to have a basis for comparing the qualifications, services, and fees among the firms. Once the chapter notifies the selected firm of its acceptance, an engagement letter is prepared by the firm and given to the chapter to sign, indicating mutual acceptance of the terms of the audit engagement.

### ***Cost-Saving Tips***

- A chapter may be able to negotiate reduced audit fees if the audit occurs during a slow time of year for the audit firm, generally in the summer.
- Chapters may be able to obtain a reduced cost for the audit as a friendly gesture from a CPA who is presently providing services to a board director or a major industry supporter.

- Eliminating as much uncertainty as possible about the audit by presenting organized, detailed, and complete financial records enables the chapter to better negotiate a lower fee based on reduced efforts required by the auditor. If detailed supplemental schedules (such as investments or expenses) are needed for the audited financial statement package, consider having the schedules prepared by chapter personnel instead of the auditor, who will charge additional fees for this service.
- A 10-minute phone call for professional accounting advice may cost \$25 to \$50. Ask the auditor to agree to a specified number of telephone consultations or a certain amount of time for phone calls to be included in the audit fee. Have this agreement documented in the engagement letter. If the auditor says that there is no charge for telephone consultations, it is still advisable to have the agreement so stated in the engagement letter.
- Many CPA firms are public-spirited and engage in some volunteer activities. By stressing the chapter's mission and the importance of keeping the audit fee to a minimum, a lower fee may be negotiated.
- Emphasize that the chapter is seeking a long-term relationship with an audit firm. There are certain startup costs for a new client that the firm has to consider. The initial audit takes more time for both the auditor, who has to set up certain files and understand the operations of the chapter, and the chapter, which has to seek and engage a new auditor as well as "train" the auditor on its operations. Therefore, it is in everyone's best interest to have a long-term relationship, and for the chapter to periodically assess the value of the services it is receiving.



*Accounting firms and CPAs are generally very busy during tax season, which runs from December through April. This is the worst time to send out RFPs for audit services. Plan ahead!*

# Budget Process

## From Strategic Plan to Financial Plan

A chapter's board of directors establishes policies to achieve the mission of the chapter—procuring necessary resources, overseeing operations, and planning future directions. At least annually, the board should create or update a master plan of yearly activities reflecting the chapter's short-range and long-range goals. It should review the programs and clarify the chapter's commitments. As steward of the chapter's finances, the board is accountable to chapter members and to APICS for ensuring that funds are used to support chapter programs and services. Budgeting is an integral part of managing and planning for the future of any chapter and must be regarded as essential to sustaining ongoing operations.

## How to Establish an Annual Budget

A budget is a plan of action. It represents a chapter's blueprint for the coming months or years, expressed in monetary terms. The budget results from the board's decisions as to the chapter's programs for the future. Thus, a chapter must know what its goals are before it can prepare a budget. The following basic steps are recommended to prepare a well-conceived budget.



*It is very important that budgeting be done with the chapter's goals and activity plans clearly in mind.*

1. Prepare a list of objectives or goals for the upcoming year. Re-evaluate the relative priority of existing programs, and include any new initiatives.
2. Estimate the cost of each objective or goal on the list. For continuing programs, the previous year's actual expenses and budget will be helpful in estimating these costs. For new programs, substantial effort may be necessary to accurately estimate costs.
3. Estimate the expected income of the chapter. For many chapters, member dues provide the principal chapter income, so consider carefully the expected economic climate in the community and respective member industries. A year when unemployment is high or there is a downturn in the local economy is a poor year to expect increased dues revenue.
4. Compare total expected income to the expense of achieving the chapter's objectives and goals. Where projected expenses exceed income, value judgments will have to be made. What programs are most important? What costs can be reduced? Can additional income be found? This is when the chapter's operating blueprint for the coming year is fixed.

5. Submit the final proposed budget to the entire board for ratification. This should not be just a formality. The budget should be carefully presented and reviewed so that once approved, all chapter leaders will be firmly committed to the resulting plan of action.
6. Past performance is generally a good indicator of future performance; thus, budgets and financial statements from previous years are invaluable to establishing a realistic budget. Financial statements from previous years that compare the “budgeted” with actual revenues and expenses, item by item, are similarly an indispensable budgeting aid. It also is helpful to review a year-to-date financial statement and compare it with the budget. Input from past chapter program leaders and directors, as well as other chapters in a region, may also prove valuable.



*Chapter treasurers may be best qualified to handle the financial manipulations of budget preparation, but since the budget also involves policy decisions, a chapter should establish a budget committee. The committee should consist of several chapter leaders responsible for policy decisions and chapter activities. The entire chapter board may itself act as the budget committee, or it may appoint a subcommittee.*

## **Comparing Budget to Actual Performance**

The most carefully thought-out budget will be of little value if it is not compared throughout the year with the actual results of chapter operations. As such, the budget should be compared to actual financial statement figures *monthly* to monitor chapter financial activities throughout the year. Properly used, the budget can provide a benchmark that will be an early warning to the board that financial goals may not be met. A budget, to be effective, must be a working document that forms the basis for action. A budget should not be seen as a restrictive device, but a way of estimating and guiding the spending of chapter resources.

The best-prepared budget serves little purpose if the board is unwilling to take action once it becomes apparent that expenses are exceeding the budget or that income has not been as high as anticipated. The board must be prepared to modify chapter plans if it becomes clear that the budget cannot be met. Many budgets fail because the board does not take aggressive, corrective action. In these instances, the chapter's board is not fulfilling its responsibilities and the budget is a meaningless formality.

Monthly comparison of the chapter's budget to actual operating results can also be a very effective internal control. If deviations from the budget are carefully followed up by the board, the likelihood of a misappropriation occurring without being detected quickly is considerably reduced. Every board member should ask questions about any item that appears out of line either with the budget or with expected figures.

During the course of a budget year, a chapter may be tempted to revise its budget. Wherever possible, budget revisions should be restricted only to those instances where major changes of income or expense levels develop. In fact, it is generally better to record and explain deviations from a current year's budget so that the information is available for subsequent years' budget planning.



*In general, organizations underestimate expenses and are overly optimistic in estimating income when developing budgets. Especially for chapters with limited cash reserves, unreliable budgeted income and expense figures may put a chapter in serious financial jeopardy. A realistic “safety margin” should be built into chapter budgets by overestimating expenses by 10 percent and underestimating income by 10 percent.*

## Cash Flow Projections

Even if a chapter estimates that a year's total income may be adequate to meet that year's projected expenses, the timing of the receipt of the income is critical. A chapter should analyze its cash needs on a monthly basis, keeping the following issues in mind:

- During which part of the year are most educational programs and professional development meetings held?
- When will membership dues be collected?
- Will rent or other fixed expenses increase during the year?
- If the chapter employs workers, will there be any changes in employee payroll taxes and when will they take effect?
- When are special events planned that may unusually increase either revenue or expenses?

Using the chapter's chart of accounts, monthly estimated cash receipts and disbursements can be projected. If the balance of estimated cash on hand at the end of any given month drops below zero, the chapter will experience negative cash flow—not enough cash to meet expenses at a given time. In this case, the board should take steps to improve cash flow by cutting back program delivery, increasing fundraising efforts, or investigating short-term borrowing opportunities.



*Forecasting cash flow allows the board enough time to investigate alternative sources of revenue. Proper planning and close monitoring of cash flow enable a chapter to sustain uninterrupted delivery of its programs and services.*

## Multiyear Plan

The importance of planning into the future cannot be overemphasized. In this fast-moving age, chapters can quickly get out of step with members' needs. When this happens, member dues and income quickly disappear. Developing a multiyear financial plan is one technique to minimize the chance of this happening. The development of a multiyear financial plan may require considerable effort by forcing a chapter's board to look into the future and anticipate not only financial challenges the chapter may face, but also the operational goals and objectives it wants to achieve. As such, the time period covered should not exceed five years. Such a plan will require periodic updates, since the important objectives of a chapter's board today may not match those of a future board. However, the payoff of developing a multiyear financial plan is being prepared for the unexpected.

There is no standard method for preparing a multiyear plan, but the following steps for developing a five-year document may be valuable to the chapter.

1. Set up a planning committee of three or more individuals who are both knowledgeable and influential within the chapter leadership.
2. Before meeting as a committee, each member should take five sheets of paper, each representing one of the five years, and on each sheet list all the goals and objectives that are considered important to the chapter for that year. It is important that the list encompass activities that the chapter should be doing during each year, particularly as they might differ from what is being done currently. No consideration should be given to costs at this point.
3. After independently preparing a conception of future goals and objectives for the chapter, the committee should meet and discuss the projections jointly. The committee should agree on a plan of objectives that all feel is reasonable.
4. Only after the committee has agreed on the objectives for each of the five years is it appropriate to estimate the relevant costs for attaining each of the goals. Although there may be many unknowns and uncertainties as to the details of how each goal will be accomplished, it is important that a best estimate of costs be made.

5. After costs have been associated with each objective for the five years, totaling the estimated costs will dictate the income needed to sustain the objectives. Up to this point, no consideration is given to how goals will be financed; in long-range planning, a chapter should set its objectives and then look for the financial means to achieve them.
6. The final step is to determine how income will be raised to accomplish set objectives. It is possible that as a result of the five-year plan, new sources of income may be required. However, if the chapter's goals and objectives are advocated by the board and the membership, the chapter should be able to obtain sufficient financial support. If not, the chapter's objectives may not be important enough to justify support and should be reevaluated.



*The master five-year financial plan resulting from these steps should guide the chapter's board in its planning each year. It should be reviewed at least every year or two and should be updated and extended to represent a viable and board-endorsed five-year plan for the future.*

## **Internal Control**

Internal control is a system of policies and procedures that minimizes the likelihood of misappropriation of chapter assets or misstatement of chapter accounts, and maximizes the likelihood of detection if these problems occur. Due to the nature of chapter funding, a chapter has a responsibility to its members and to APICS not only to safeguard chapter assets, but also to use prudence in protecting those assets. A significant loss of assets through theft or fraud could jeopardize chapter programs and publicly embarrass the chapter.

## **Banking**

Every chapter needs its own bank account to safeguard chapter money. Depositing chapter funds into an account belonging to an individual associated with the chapter constitutes poor financial management and places undue fiduciary responsibility on that person. Similarly, chapter funds should not be commingled with region funds.

### ***Employer Identification Number (EIN)***

To open a chapter account at a bank or other financial institution, a chapter needs its own employer identification number (EIN). An EIN is a nine-digit number assigned to an organization for IRS filing and reporting purposes. It establishes a unique identity for an organization in the same way that a social security number uniquely identifies an individual. An EIN is easily obtained within 4 or 5 weeks by mail or immediately by telephone. IRS Form SS-4, Application for Employer Identification Number, is used to obtain a number, and there is no fee. (See Appendix M, page 77, for a sample Form SS-4.)

### ***Structure of Account Signatures***

Every chapter needs a system of checks and balances with regard to its finances. In general, for example, it is best if one person writes and signs checks on behalf of the chapter and another person is authorized to approve invoices—one person should not do both. Without this separation, one person could authorize an invoice for payment, write out a check to pay the invoice, and cash the check.

However, since chapters may have limited personnel resources for this purpose and the treasurer or check signer may also be the bookkeeper, two signatures should be required on all checks. This provides additional control only as long as the second check signer also examines the invoices or supporting bills before signing checks. Even if the treasurer is not the bookkeeper, it is recommended that two signatures be required on checks exceeding \$250 and for transfers out of savings accounts. The inconvenience this may create may be limited by appointing three or four individuals as authorized signatories, but requiring only two for a transaction.

## ***Bank Reconciliations***

One of the most important methods of financial control for a chapter is a monthly bank reconciliation of all chapter bank accounts. Preparing a bank reconciliation involves reviewing the chapter's checkbook balance and the general ledger cash balances. The reconciliation verifies that these balances agree with what the bank states are the cash balances. Reconciliation is the primary method of double-checking the chapter's handling of cash receipts and disbursements during the month and exposing any errors. Bank reconciliations should be performed by someone who does not record cash receipts and disbursements.

## **Accepting Credit Card Payments**

Chapters may want to consider accepting credit cards as a means of payment for member dues, sales of educational material, conference and training fees, or professional-development meeting registrations. Credit cards not only are a convenience for members, they also eliminate the custodial responsibility for the collection of cash at a public function. However, accepting credit cards will cost the chapter money in the form of processing fees, and it does impose additional internal control responsibilities on the chapter for reconciling monthly credit card statements to the chapter's cash and accounts receivable balances.

The most widely used credit cards in the United States are VISA, MasterCard, and American Express. If a chapter is interested in accepting VISA or MasterCard, it is necessary to establish a respective VISA or MasterCard merchant account through an acquiring financial institution. (VISA and MasterCard are not themselves banks but are associations of banks that provide credit card services.) The chapter should contact the financial institution that handles its business accounts to establish such a merchant account. If an account is unavailable, the chapter should contact other local, small, not-for-profit organizations that accept VISA or MasterCard for referrals to their acquiring institutions. Acceptance of the American Express card is contracted for directly through the American Express Company. Chapters may coordinate transmission of American Express credit card transactions directly with their present financial institutions. For this convenience, American Express may charge slightly higher processing fees than VISA or MasterCard.

## **Electronic Commerce**

A chapter may decide to enable members to pay for products and services by means of logging on to the chapter's Web site and providing the appropriate credit card information. This kind of electronic commerce requires not only an affiliation with a credit card service and corresponding additional internal control responsibilities, but also Internet accessibility and a commitment to maintain and regularly review the chapter's Web site. Such a service will also require the chapter's commitment to making electronic commerce as secure as possible by installing appropriate software components on its Web site. A chapter engaging in electronic commerce should adopt security technology that encrypts credit card information and purchase details during

an electronic transaction to ensure that information will not be accessible to anyone but the credit card company and the chapter. The Secure Electronic Transaction Protocol (SET) is the latest effort to develop a standard, universal way of conducting electronic commerce that offers unprecedented levels of security and assurance. With the added benefit of digital signature certificates (encrypted electronic documents that verify and authenticate chapters' and customers' identities to each other in a highly secure format), credit card services, financial institutions, chapters, and customers may engage in electronic commerce with maximum protection against fraud.

## **Recommended Policies and Procedures**

Implementing internal financial controls and operating a chapter is made easier if a chapter develops a manual of policies and procedures. A short manual of five to ten pages that clearly communicates policies and procedures regarding administration, accounting, transactions, and use of assets is a recommended and worthwhile investment of time. Since the manual represents official policies of the chapter, it should be formally approved by the chapter's board of directors. Such a manual may alleviate misunderstandings among chapter personnel and prevent conflict, as well as send a message to members and APICS that a chapter is organized and operated in an effective, efficient, and responsible manner. The manual is also valuable when there are changes in chapter leadership. An administrative and financial policies and procedures manual is a valuable tool for volunteers in day-to-day chapter operations, and it helps ensure complete and accurate financial information. Following are some examples of recommended policies and procedures for cash receipts and disbursements.

### ***Safeguarding Collection of Cash and Property***

- Prenumbered receipts should be issued for all payments at the time they are received. A duplicate copy should be accounted for and a comparison eventually made between the aggregate of the receipts issued and the amount deposited in the bank.
- Cash collections should be under the control of two people wherever possible, particularly where it is not practicable to issue receipts.
- The individual opening mail containing payments for dues, products, or services should record all payments received in a journal (manual or automated) reflecting the date and activity that generated the income. Payments received in the form of checks should be restrictively endorsed promptly upon receipt.
- All payments received should be deposited in the bank, intact and on a timely basis.
- The cash receipts journal should be compared to the bank deposit monthly by someone not maintaining the journal or the deposit.

## ***Authorization of General Disbursements***

- Initial control of chapter funds should be through an approved chapter budget.
- A purchase authorization must be used so that commitments of chapter assets will be known, recorded, and approved.
- Suggested guidelines for attaining approval of chapter expenditures:
  - More than \$500 requires prior approval by the board of directors with a signed purchase authorization; \$100 to \$500 requires approval if the purchase is not budgeted.
  - If budgeted, \$100 to \$500 requires prior approval by a chapter officer with a signed purchase authorization.
  - Under \$100 requires prior approval by an officer or committee chair, if it is within the scope of committee activities, and if it is within the budget allowance and accompanied by a signed purchase authorization.
- Funds may not be expended (or a check written) without a properly executed purchase authorization accompanied by an invoice indicating the receipt of goods or services by the chapter.
- Two authorized signatures are required on all issued checks exceeding \$250.
- A cash disbursement journal (manual or automated) must be established to record payment date, payee, check number, amount of check, and expense account(s) affected.
- All unpaid purchase commitments and invoices must be recorded and controlled to reflect anticipated expenses for chapters operating on a cash basis, and to accurately state chapter equity for those operating on an accrual basis.
- Copies of all purchase authorizations should be sequentially maintained to ensure that all transactions are recorded.

## **Investment of Chapter Funds**

The investment of a chapter's excess cash should always be approved in advance by the chapter's board of directors. If investment policies are board-approved, the people making the actual investment decisions will be bound by the policy and prohibited from making risky investment decisions in the hope of achieving a higher investment return than expected by approved investments, no matter how well-intended.

In addition, before investment decisions are made, an analysis should be done to ensure that funds are available to meet the chapter's ongoing cash obligations. This analysis will become part of the permanent record surrounding the investment.

Finally, the maximum amount of funds insured by a financial institution offering investment vehicles should be taken into consideration when implementing an investment policy. Presently, the maximum amount insured by the Federal Deposit Insurance Corporation (FDIC) is \$100,000.

## **Transfer Requirements When Officers Change**

When chapter officers change, either by appointment or election, the chapter should take action to ensure the continuity of chapter operations:

- Change financial institution signature cards to remove old officers and add new officers.
- If required by the incorporating state, update corporate resolution papers to reflect the names of new officers.
- Reconcile the chapter's checkbook balance to the most current bank statements.

## **Appointing an Internal Audit Committee**

Chapters should establish an internal audit committee whose primary function is to conduct random audits of the chapter's books and records during the year. Such an audit may include reconciliations of bank balances and reviews of chapter expenditures to ensure that chapter financial policies are being followed. For maximum effectiveness, the audit must be performed by people who are not involved with the treasurer's function. To meet its responsibilities, the audit committee may perform the following procedures:

- Review chapter financial records of receipt and disbursement at least every six months to ensure that proper records are being maintained and regulatory reports are being filed as required.
- Review internal control procedures, as dictated in the chapter policies and procedures manual, to ensure compliance.
- Report findings and any recommendations for improvement to the chapter president.

The internal audit committee also may be responsible for choosing an independent auditor to annually review the chapter's financial statements, as well as the books and records from which the financial reports are compiled. (See pages 21 and 40 for more information on chapter audits.)

## Procedures for Chapter Credit from APICS

As stated in section 2.2 of the APICS Standard Operating Procedures (SOPs), credit will be extended to chapters in good standing when requested by the chapter president or designated representative. All chapters are assigned a *chapter billing number* that must accompany an order. This billing number can be released only to the current chapter president. To obtain your chapter's billing number, contact the APICS Chapter Relations Department. The chapter president may change the chapter billing number at any time by sending a request for the change in writing to APICS Chapter Relations at [chaprel@apicshq.org](mailto:chaprel@apicshq.org) or (800) 444-2742 or (703) 354-8851, ext. 2324.

All chapter invoices are mailed to the address designated under the Chapter Billing function in My Chapter. Chapter presidents can update this address at any time. Most chapters direct chapter invoices to the chapter's treasurer. Chapter presidents automatically receive a monthly summary of all open invoices billed to their chapter's billing number.

APICS requires payment of all invoices within 30 days. For chapter accounts, 90 days after an invoice's date, all open chapter accounts receivable are deducted from the chapter's rebate/disbursement check at the discretion of the APICS chief financial officer or a designated representative.

A balance exceeding a chapter's credit limit requires the approval of the APICS chief financial officer or a designated representative.

## Taxes

Chapters that have been incorporated under state nonprofit provisions and thus are recognized as nonprofit corporations are generally exempt from the state and federal income taxes applicable to for-profit corporations. However, such chapters do not automatically qualify for exemption from federal income taxes simply because they are nonprofit. Similarly, exemption from federal income taxes does not automatically exempt a chapter from federal and state employment taxes, local real estate taxes, or state sales and use taxes. In fact, it should not be assumed that because a chapter is nonprofit it is exempt from all taxes. Chapter leaders should *confirm*:

- Whether the chapter is exempt from federal income tax.
- Whether the chapter is exempt from local real estate taxes.
- Whether the chapter is exempt from state sales and use tax.
- Whether any forms are required to obtain and maintain such exemptions.

## How and Why to Apply for Federal Tax-Exempt Status (Form 1024)

Tax-exempt status is a privilege, not a right that is conferred on a chapter that meets certain requirements of the Internal Revenue Code. To ensure federal tax-exempt status, chapters must first be organized and operated in accordance with the requirements under Internal Revenue Code Section 501(c)(6) and then must obtain IRS recognition of meeting the requirements. (See page 8 for more information on tax-exempt status.)

Form 1024, Application for Recognition of Exemption, is used to document a chapter's organization and operation to the IRS. (See Appendix M for a sample Form 1024). The form requests information such as a chapter's purpose and activities, articles of incorporation, bylaws, and details of financial activity. There is a fee (\$150-\$500) to file the application for tax-exempt status, and it takes approximately 8 to 12 weeks for the IRS to respond. The desired result is in the form of an IRS Determination Letter, which indicates in writing the IRS approval of the chapter's tax-exempt status. Once received, chapters must provide a copy of the Determination Letter to APICS Headquarters.



**Although Form 1024 is not difficult to complete, an accountant or attorney specializing in services to tax-exempt organizations should review the document before the chapter files it with the IRS to ensure that all required and appropriate information is included. Professionals serving not-for-profit clients usually offer discounted rates for their service.**

Every chapter with its own tax exemption should have a copy of its IRS Determination Letter in its permanent files, available for public inspection. If a chapter cannot locate its Determination Letter, it can obtain a copy from the IRS for a nominal fee. To make this request, use Form 4506-A, Request for Public Inspection or Copy of Exempt Organization IRS Form (See Appendix M, page 77, for a sample Form 4506-A).

In addition to a general exemption from federal income taxes, tax-exempt status under Internal Revenue Code Section 501(c)(6) entitles chapter members to deduct qualifying dues and other fees paid to the chapter as trade or business expenses.

### Group Exemption Criteria

The IRS has determined that APICS is exempt from paying federal income taxes under Internal Revenue Code Section 501(c)(6). If a chapter does not desire to obtain tax-exempt status on its own by filing Form 1024, it may receive recognition of tax-exempt status through coverage by APICS' group exemption. A chapter may obtain tax-exempt status merely by informing the APICS assistant controller at APICS Headquarters in writing of its desire to be covered by the group exemption and providing the chapter's EIN (see page 30). In this case, the chapter's bylaws must mimic those of APICS and the chapter's articles of incorporation should follow the sample in Appendix L. Annually, APICS informs the IRS of the chapters it is covering with its group exemption. Although this method eliminates the necessity for chapters to individually apply to the IRS for tax exemption, it does not relieve chapters from Form 990 filing requirements.

## **Returns for Tax-Exempt Organizations: Form 990 and Form 990-EZ**

Tax-exempt organizations may not have to pay federal income taxes, but they may have to file a return with the IRS—an information return, not a tax return. Form 990 and Form 990-EZ provide the IRS with information about annual financial activities of a chapter. Most APICS chapters must file Form 990, Return of Organization Exempt from Income Tax. Organizations with annual gross receipts of less than \$100,000 *and* total assets at year-end of less than \$250,000 may file Form 990-EZ. The principal exceptions to this reporting requirement are chapters normally having gross receipts of \$25,000 or less, unless required by the state. Form 990 and Form 990-EZ include information on income, receipts, contributions, disbursements, assets, and liabilities. (See page 77 for samples of these forms.)

These information returns must be filed with the IRS by the 15th day of the 5th month after the end of a chapter's fiscal year (May 15 for December 31 year-end chapters; November 15 for June 30 year-end chapters). An extension of time to file the forms may be requested for two additional 3-month periods, as long as the request is made before the filing deadline. Penalties of \$10 per day, up to \$5,000, may be imposed by the IRS for each day a chapter is late in filing a required return. The returns do not require certification by an outside auditor, but it is a good idea to have an accountant who specializes in tax-exempt organizations review them.

APICS is not responsible for filing the annual information returns for chapters. However, APICS strongly recommends that chapters covered by the group exemption provide copies of the return to APICS Chapter Relations.

Chapters must disclose their annual information return (Form 990 series), with schedules, attachments, and supporting documents filed with the IRS. However, chapters do not have to disclose Schedule B of Form 990 or Form 990-T and do not need to identify their contributors. Returns need to be available for disclosure for only three years after the due date or filing date of the return, whichever is later. Chapters are required to make copies of these documents available to the public upon request. Chapters may charge a reasonable fee to cover photocopying and postage costs. Penalties of \$20 per day, up to \$10,000, may be imposed by the IRS for each day a chapter refuses public review of these documents.

## **Unrelated Business Income**

A chapter may be subject to federal and state income taxes on unrelated business income if it regularly carries on a trade or business activity that is not related to its exempt purpose. This is in contrast to passive investment income, such as royalties, dividends, interest, and capital gains, which are specifically excluded from the unrelated business income tax (UBIT).

## Definitions

- *Trade or business*—any activity carried on primarily for the production of income, whether or not profitable.
- *Unrelated*—any activity that does not substantially contribute to the performance of the chapters' exempt purposes.
- *Regularly carried on*—activities pursued with frequency, continuity, and in a manner generally comparable to commercial activities of for-profit ventures.

Some examples of *unrelated* business activity of a chapter include the following.

- **Income from Sale of Merchandise.** Income from the sale of merchandise not manufactured in the conduct of a chapter's exempt function may be subject to tax on unrelated business income. However, income from the sales of T-shirts, mugs, pens, or other items with the APICS logo may be exempt from UBIT because of its relationship to a chapter's exempt purpose, that of promoting APICS membership and its professional benefits.
- **Income from Sale of Advertising.** Income derived from the sale of advertising may also be subject to UBIT. Advertising income is taxed if the advertisements appear in a periodical published by the chapter, such as the chapter's newsletter. However, such income is not taxed if the sale of advertising is not regularly carried on. Advertising revenue that results from a one-time or annual publication (such as a chapter's annual membership directory) may not be subject to taxation, but only if the advertising campaign did not extend over a long time period.

Other types of business activity of a chapter that may be considered *related* include:

- **Conferences and Trade Shows.** Income from traditional conventions or trade shows and from public entertainment at educational programs is generally exempt from UBIT.
- **Sales of Books.** Sales of books and other publications that are educational in nature—when the distribution of the books is necessary or important to the chapter's exempt purpose, and when the distribution is conducted in a manner that can be distinguished from a commercial enterprise (for example, a “bookstore” at an educational program)—are generally exempt from UBIT.

## ***UBIT Exclusions***

The Internal Revenue Code excludes several types of activities from the definition of “unrelated trade or business” because of the manner in which the activity is carried on by chapters. The income from activities that may otherwise be considered unrelated may be excluded from taxation if

- Substantially all of the work is performed by uncompensated volunteers
- It is carried on primarily for the benefit of members
- It consists of selling merchandise, substantially all of which has been donated.

In 1997, legislation was passed to exclude from UBIT the revenue received by chapters from “qualified sponsorship payments.” A qualified sponsorship payment is corporate monies that are given to a chapter for purposes of supporting a particular chapter event or activity, for which there is no expectation of a return benefit by the corporation. A chapter may *acknowledge* the corporate sponsor at the event or activity by means of signs or a verbal expression of appreciation. However, if the chapter makes a qualitative or comparative statement about the sponsor’s products, gives price information, or otherwise endorses the sponsor’s product, the sponsorship payment will constitute payment for *advertising*, thus subjecting the revenue to UBIT. Similarly, if the chapter provides a benefit in return for the sponsorship payment, such as free advertising in its newsletter, this will also subject the revenue to UBIT.

## ***UBIT Taxation***

In calculating UBIT, chapters are allowed to deduct costs directly associated with the unrelated business. This places a burden on chapters to keep records in a manner that will support business deductions. Overhead can be applied, but chapters must be able to justify both the method of allocation and the reasonableness of the resulting amount. UBIT is taxed at the same rates as net income for corporations. After a special \$1,000 exemption, the first \$50,000 of net UBIT is taxed at 15 percent, the next \$25,000 at 25 percent, the next \$25,000 at 34 percent, and the balance at 39 percent.

Activities that generate UBIT for chapters are permissible as long as the chapters’ unrelated business activities are insubstantial when compared to the chapters’ exempt activities. If unrelated business activities are more than insubstantial, a chapter may lose its tax-exempt status. Although there is no IRS definition of “insubstantial,” generally, if greater than one-third of a chapter’s income is generated from the conduct of unrelated business activities, legal and accounting counsel should evaluate the issue. Chapters should thus seek professional tax advice before engaging in an unusual or unusually high-revenue-generating activity.

## **Form 990-T Requirements**

All chapters having *gross* income from unrelated business activities of \$1,000 or more are required to file Form 990-T, Exempt Organization Business Income Tax Return, at the same time Form 990 is filed with the IRS. (See Appendix M for a sample Form 990-T.) An extension of time to file Form 990-T may be requested for one additional 6-month period, as long as the request is made before the filing deadline. Chapters failing to file Form 990-T timely may be subject to penalties of 5 percent of the unpaid tax for each month the return is late, up to a maximum of 25 percent of the unpaid tax. An additional penalty, including interest, is imposed for late payment of the tax liability.

The basis for filing Form 990-T is *gross* income exceeding \$1,000 from unrelated business activities; that is, income before deducting applicable related and overhead expenses. Even if the unrelated business activities of a chapter result in a *net* loss, Form 990-T must be filed to begin the statute of limitations running to protect the chapter. Should the IRS challenge the position of a chapter on its unrelated business activity, its only viable defense would be recognition of the potential tax liability by filing Form 990-T.

## **IRS Audit**

Due to the close affiliation between APICS and APICS chapters and among APICS chapters, the ramifications of an IRS audit conducted on one chapter may have a significant impact on APICS entities as a whole. An IRS audit should be reported to APICS Chapter Relations immediately. A chapter audit is not the financial or managerial responsibility of APICS; however, the APICS professional staff will offer reasonable guidance. Chapter officers should retain a tax accountant/attorney to help prepare and to represent the chapter for the audit, if necessary. The final outcome should be reported to APICS Chapter Relations when the audit is complete. APICS can also monitor activities of other chapters in light of potential liabilities.

## **State and Local Taxes and Sales Taxes**

Just because a chapter is exempt from federal income taxes, it is not automatically exempt from state income taxes, sales and use taxes, franchise taxes, personal property taxes, or local real estate taxes. These taxes are imposed by state regulatory agencies, municipalities, and school district revenue authorities. Chapters that have been incorporated under a state's nonprofit statute are generally exempt from state income tax liability. However, chapters must separately apply to the appropriate taxing authorities for franchise, personal property, real estate, and sales and use tax exemptions. In general, most 501(c)(3) charitable organizations are granted franchise, real estate, and sales and use tax exemptions, but very few 501(c)(6) organizations are granted such privileges. Personal property tax exemptions are seldom available to either 501(c)(3) or 501(c)(6) organizations.

With respect to real estate taxes, if a chapter is not granted exemption from the local taxing authority (usually municipalities, counties, or school districts) and is assessed property taxes, an inquiry should be made about alternative payment arrangements. In some localities the taxing authorities have developed PILOT/SILOT programs that allow federally tax-exempt organizations to pay reduced fees (PILOT = payments in lieu of taxes) or provide free community services (SILOT = services in lieu of taxes) instead of paying assessed property taxes.

Chapters will not be exempt from the payment of sales tax on items they purchase unless they have a sales tax exemption certificate issued by their state department of revenue. Depending on state tax regulations, certain items purchased by a federally tax-exempt organization may be exempted from state sales taxes.

Similarly, chapters are not exempt from the collection and payment of state sales tax on commercial product sales unless they are specifically exempted by the department of revenue of the state in which they are making the sale. The state department of revenue can provide the applicable exemption details, since each state has different regulations. Although chapters are considered not-for-profit, this does not implicitly exempt them from state sales tax collection and payment.

### ***Sales Tax Payment***

Generally, organizations are required to pay state sales tax on all purchases of taxable merchandise in that state. However, most states grant exemptions to charitable organizations.

This exemption is not automatic; you must apply for it. If exemption is granted, then the chapter will receive an exemption certificate that it can present to vendors when making purchases. The vendor will then not charge tax on the purchase.

Please note that this exemption certificate provides only an exemption from paying sales tax, not from collecting tax on merchandise sold by the chapter.

### ***Sales Tax Collection***

Most states require all organizations, including charities, to collect sales tax on sales of merchandise, including donated merchandise. Some states exclude certain merchandise from sales tax (for example, certain educational publications). This varies greatly from state to state.

All chapters that sell merchandise must register with their state to collect sales tax. The chapter then remits the tax it has collected with the appropriate sales tax form, generally on a monthly or quarterly basis. Out-of-state mail order sales are exempted from sales tax.

**Hint:** A chapter that holds an educational conference for which a proceedings manual is provided may avoid the collection of sales tax on the sale of the manual if its price is included in the conference registration fee and not offered separately. In general, most states do not tax the sale of services (the educational conference), but they do tax the sale of tangible goods (the manual). However, if the manual is sold separately to an individual who does not attend the conference, tax must be charged on the sale of the manual.

**For information on either payment or collection of sales tax in a particular state, the state department of taxation or revenue should be able to refer you to its sales tax office. (See Appendix J on pages 69-73.)**

## **State Registration for Soliciting Funds**

A number of states have regulations requiring chapters to register with a regulatory agency (or obtain operating licenses or permits) before soliciting funds within the state. Most states make no distinction between resident and nonresident organizations, and in some instances a chapter soliciting funds by mail or through advertisements may have to register, even though it has no office in the state. This registration is generally required only if a chapter plans a fundraising event or solicits contributions outside its membership constituency. Chapters planning fundraising events should contact their state regulatory department for specific information. (See Appendix J, State and Federal Regulatory Contacts, page 69.)

## **Employee vs. Independent Contractor (Form W-2 vs. Form 1099)**

Some people who provide fee based services to a chapter may not be considered employees, particularly if their work for the chapter does not constitute their chief source of income and they work under minimal direction from the chapter. These workers are considered independent contractors, and they pay their own employment taxes. A chapter does not file withholding (income tax and FICA [Social Security and Medicare]) for independent contractors. In addition, a chapter is not responsible for unemployment (FUTA and state) or workers' compensation insurance for independent contractors. If a contractor earns \$600 or more from a chapter over the course of a calendar year, the chapter must report the contractor's earnings to the IRS at the end of the year using Form 1099-misc.

Alternatively, if a worker is characterized as an employee, the chapter must withhold income and FICA tax on behalf of the employee, pay the employer's share of FICA tax, federal and state unemployment taxes, and workers' compensation insurance and report annually the employee's earnings to the IRS using Form W-2. (See Appendix H, Federal Tax Filing Calendar, page 67.)

Recently, the IRS has tended to reject independent contractor classification for workers if those being paid appear in some ways to be regular employees. An APICS chapter was audited in 1997 by the IRS, challenging the chapter’s classification of certification instructors as independent contractors. The following worksheet, with questions established by the IRS, may assist a chapter in determining if workers are employees or independent contractors. In general, answering “yes” to questions 1 to 14 and “no” to questions 15 to 19 indicates that a worker is an employee, not an independent contractor.

	Yes	No
1. Are instructions furnished regarding where, when, and how the worker performs?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is training required by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the worker a necessary and vital part of the continuing business operation?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are services rendered personally by the worker?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are hiring, supervising, and paying of assistants done by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are hours of work set by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
7. Does a continuing relationship exist with the employer?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is full-time service required by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
9. Is the work done on the employer’s premises?	<input type="checkbox"/>	<input type="checkbox"/>
10. Is the order or sequence of services set by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
11. Are oral or written reports required by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
12. Are regular payments (hourly, weekly, monthly) made by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
13. Are the worker’s expenses paid by the employer?	<input type="checkbox"/>	<input type="checkbox"/>
14. Does the employer have the right to hire and fire the worker?	<input type="checkbox"/>	<input type="checkbox"/>
15. Is there a profit or loss possibility by the worker?	<input type="checkbox"/>	<input type="checkbox"/>
16. Does the worker have a significant equipment investment?	<input type="checkbox"/>	<input type="checkbox"/>
17. Does the worker perform services for more than one organization simultaneously?	<input type="checkbox"/>	<input type="checkbox"/>
18. Are the worker’s services available to the general public?	<input type="checkbox"/>	<input type="checkbox"/>
19. Is the worker legally obligated to satisfactorily complete the job?	<input type="checkbox"/>	<input type="checkbox"/>

In general, the certification instructors and event speakers that APICS chapters hire may be classified as independent contractors. As such, a chapter must prepare Form 1099-MISC for each independent contractor to whom it pays at least \$600 annually for services, honoraria, prizes, and awards. Moreover, payments for services to instructors and speakers that do not require receipts for reimbursement also must be reported on Form 1099-MISC. For example, if a chapter pays expenses of \$600 or more on behalf of a volunteer, speaker, or instructor and requires no receipts for the reimbursement, the amount must be reported on Form 1099-MISC. If the expenses are reimbursed based on legitimate receipts provided by the payee, the reimbursement does not have to be reported by the chapter on Form 1099-MISC.



*If the spouse of a chapter director or officer accompanies the chapter leader to a region meeting and the chapter reimburses the volunteer leader for the spouse's travel expenses, unless there is a bona fide business purpose for the spouse to attend the meeting, the reimbursement is required to be reported to the director or officer on Form 1099-MISC.*

Chapters *must* obtain the name, address, and TIN (taxpayer identification number, essentially the same as an EIN) of all independent contractors they hire to properly report their compensation to the IRS. Typical examples of chapter contractors include trainers, instructors, professional development-meeting speakers, printers, mail houses, graphic designers, and Web site designers. Form W-9 may be downloaded at [www.irs.gov](http://www.irs.gov) and used to record contractors' information; signatures are not required. The completed Form W-9 *must* be maintained in chapter files.

## **Canada**

Canada is a federal country with a national parliament as well as parliaments for each of its provinces and territories. As such, it is difficult to make countrywide generalizations about the legal and tax environments for chapters since they can be incorporated under a variety of statutes in individual provinces as well as under federal legislation.

### ***Requirements for Chapter Tax-Exempt Status***

Tax privileges that are conferred upon registered not-for-profit organizations in Canada are granted under the Income Tax Act, which is a federal statute applicable throughout the entire country. The Income Tax Act defines a "nonprofit organization" as something that is not a "charitable organization" or "charitable foundation." Hence, an APICS chapter would be considered a "nonprofit organization" in Canada. As such, chapters are exempt from tax on income derived from activities related to their exempt purpose and passive investments, but donations to them are not tax-deductible by donors.

Under the incorporating statute, the purposes that a chapter may pursue in order to be recognized as a nonprofit organization must in the broadest possible terms be for some charitable, educational, patriotic, community, or public benefit purpose. The only restriction is that the primary purpose must not be to operate some business, professional, or other for-profit activity. In addition, there is a prohibition against the

assets of a chapter benefiting any private individuals.

Although there are no requirements for Canadian chapters to incorporate, similar to U.S. chapters, unincorporated chapters in Canada are not separate legal entities that are able to protect their members or directors from personal liability for the chapter's obligations. If a chapter desires to incorporate in Canada, it must have members as well as directors. The minimum number of members required to incorporate ranges from three to five depending on the respective provincial statute. In addition, the chapter must have a constitution and bylaws, as well as a unique name on either a provincial or national basis. Registration as a corporate nonprofit organization is executed by the provincial government ministry in charge of corporate registrations. The ministry name varies according to the province, but it is almost always a sub-office in the ministry responsible for incorporating for-profit corporations.

Tax privileges are granted as a subsequent step by Revenue Canada. The application documents are very simple and there are no registration fees. Applying chapters must submit a detailed statement of activities and a budget. All applications from all parts of Canada are processed in Ottawa.

### ***Reporting to Regulatory Agencies***

Every chapter that is registered as a nonprofit organization must file a Public Information Return Form T1044 within six months of completing its fiscal year. In general, the return requires disclosure as to the income and expenditures of the chapter, as well as information on the chapter's business, political, and foreign activities. This information is available to the public if requested from Revenue Canada Charities Division. However, Charities Division has an office only in Ottawa and there are no requirements to file this public information return and make it available at any local Revenue Canada office or at the chapter's own office. In addition, the chapter must file a comprehensive set of financial statements with the public information return, but Revenue Canada is prohibited by law from making these financial statements available to the public since they are not an integral part of the public information return. Revenue Canada, however, does mandate that the public has access to a chapter's governing documents, names of directors, and any other registration information.

In addition to Revenue Canada filings, an incorporated chapter must make annual filings with the government ministry under which it is incorporated. A simple filing, it generally requires only information on the number of members and the names of current directors. In some jurisdictions financial statements must be filed with this report, which are then accessible by the public. The annual filing fees are nominal.

## ***Taxable Activities***

Similar to the United States, Canada imposes a tax at the corporate rate on income chapters derive from business activities unrelated to their exempt purpose. However, the concept of imposing an unrelated-business income tax on nonprofit organizations is relatively new and the Income Tax Act does not explicitly set forth how broadly or narrowly “unrelated” should be defined. Still, Revenue Canada reserves the right to review the business activity of chapters and, if found to be so extensive and commercial that it cannot be characterized as related, affected chapters face the possibility of revocation of their income tax exemption.

Canada also administers a Goods and Service Tax (GST), which is a comprehensive consumption tax that is applicable to almost every property and service in Canada, unless there is a specific exclusion in legislation. In general, only charities are afforded an exemption from and rebate of payment of GST, and chapters do not qualify. Still, there are a wide range of exemptions on property and import taxes that are available to chapters that vary according to provinces and municipalities. Researching respective provincial taxes and related exemptions is highly recommended for chapters from both a compliance and fiduciary perspective.

## **Mexico**

Mexico is a civil law country with a decentralized regulatory system for nonprofit activities. Reflecting this diverse structure, there are four primary authorities involved in the regulation of “civil associations,” the nonprofit sector into which APICS chapters generally are classified: the Private Assistance Board, an official state-level body on which both governmental officials and private individuals are represented, which regulates Mexico’s philanthropic organizations; the Ministry of Finance and Public Credit, which officiates all tax matters; the Ministry of Foreign Affairs, which approves the names of nonprofit organizations; and the Ministry of External Affairs, which issues incorporation permits.

### ***Requirements for Chapter Tax-Exempt Status***

According to the law, a civil association is a group of individuals who associate permanently in order to perform a common purpose, which must be neither unlawful nor primarily economic in character. Civil associations may engage in charitable activities, but generally their primary purpose is as a member-serving organization. They are governed by the respective civil codes of each of the different states of the republic. Chapters recognized by the Mexican Republic as civil associations enjoy a high degree of independence in terms of administration, but they are subject to the Treasury’s discretion with regard to certain beneficial tax treatment.

A chapter desiring recognition as a civil association must first apply for a permit from the Foreign Affairs Ministry, including a request for approval of its name. Such a permit is generally granted within a week and issued under the condition, established by the Mexican Constitution, that chapter members of foreign nationalities agree to abide by Mexican legal jurisdiction and will not seek diplomatic protection of their governments in case a legal conflict arises between the chapter and the government. Furthermore, a chapter must have at least two members who must prepare and have notarized a written founding contract to be eligible for registration in the Public Registry. When these requirements are satisfied, the chapter receives its own legal personality separate from its members. Although there are no other rules concerning the internal governance and administration of chapters, there are certain provisions relating to the bylaws, members' meetings, and chapter dissolution that must be observed, including a prohibition against private benefit, annual disclosure of required financial information and reports to tax authorities, and, in the case of dissolution, reversion of assets to another tax-exempt organization.

There is no legal authority to automatically bestow tax-exempt status on chapters recognized as civil associations in Mexico. Instead, chapters desiring exemption from corporate income tax must apply for the exemption in writing to the Ministry of the Treasury, Undersecretary of Revenues, Area of Donations or, alternatively, to the Local Legal Administration of Revenues of the same Ministry. The application must include (1) the section of law declaring the chapter's activities to be eligible for tax exemption; (2) a copy of the chapter's bylaws; and (3) evidence of the activities performed. Tax exemption is granted permanently; there is no need for periodic reapplication.

### ***Reporting to Regulatory Agencies***

Mexican chapters are required by law to have a simplified accounting system in the form of an accounting book that must, at a minimum:

- Identify every chapter program and activity
- Indicate documentation of income received from services, sales, or leases
- Identify all investments with appropriate documents.

For income tax purposes, chapters must file the following documents annually with appropriate state treasury authorities:

- Information Report, due in February, listing donations received in the preceding year.
- Tax Report, due in March, detailing any taxable income.
- Financial statements reviewed by a CPA-qualified auditor, due in July, indicating the chapter's compliance with tax laws.

Chapters are required to publicly display at their offices their tax reports filed for the previous three years as well as any documents that were filed with the region Treasury to obtain tax exemption.

### ***Taxable Activities***

Similar to regulations in the United States, chapters are exempted from income tax on revenue received from business activities related to their exempt purpose. However, to prevent unfair competition with for-profit entities, the Income Tax Law stipulates that chapters may not receive “substantial” income from business activities or it will tax such income at the 34 percent corporate rate. The definition of “substantial” is at the discretion of state regulatory authorities, but generally, business income should not exceed one-third of total annual revenue.

Tax-exempt chapters are also exempted from the 1.8 percent tax that is levied on the value of fixed assets of Mexican corporations, as well as the value-added tax (VAT) generally imposed on foreign in-kind donations. Income chapters receive from sales and services is still subject to a 15 percent VAT charge and chapters, like any other registered taxpayer, must file reports and pay all applicable individual and corporate sales taxes, withholding taxes, and social security taxes.

Finally, although the privilege to accept tax-deductible contributions is not specifically excluded by the Income Tax Law for chapters, the extension of this preferential treatment is at the discretion of the Treasury Department. In general, the eligibility of chapters to receive tax-deductible donations is seldom authorized.

## Insurance Protection for Legal Liability

A chapter that is incorporated exists as a legal entity separate from the people who volunteer to serve as chapter officers and directors. As such, an incorporated chapter generally shelters chapter volunteers from personal financial liability. Still, in today's litigious society, it is important to recognize that directors, officers, and other chapter volunteers may be liable for some chapter decisions and activities that go awry. To protect chapter assets and provide assurance to chapter volunteers of the protection of their personal assets, an understanding of the availability of insurance and the protection it provides is essential.

## Volunteer Protection Act

Signed into federal law in 1997, the Volunteer Protection Act provides certain protections from liability abuses related to volunteers serving not-for-profit organizations. The act may protect chapter volunteers but *it provides no protection to chapters themselves*. The intent of the act is to protect volunteers from liability for negligence that occurs within the scope of their work for chapters. However, the act's protection has limitations, including these:

- Volunteers are protected only to the extent that they are acting within the scope of their responsibilities to the organization at the time.
- While the act protects volunteers from liability arising from simple negligence, it does not protect against liability for intentional acts such as willful or reckless misconduct or gross negligence.
- Only *uncompensated* volunteers fall within the scope of protection.
- The act provides no protection against state and federal sexual offenses or civil rights violations, including charges of discrimination.
- The act does not prohibit anyone from bringing a lawsuit against a volunteer, even if it is groundless and its cause of action falls within the protective scope of the act.
- The act clearly applies to volunteers serving 501(c)(3) organizations. Although the original bill indicates that volunteers serving 501(c)(6) organizations are also intended to be protected, it is unclear whether the courts will agree.
- The act leaves the not-for-profit entity (the chapter) unprotected from its own liabilities and its responsibility to indemnify its volunteer and compensated personnel.

## Directors' and Officers' (D&O) and General Liability Insurance

Given its limitations, the Volunteer Protection Act may not significantly reduce a volunteer's need for indemnification protection by the chapter or for proper insurance coverage. Moreover, the act does not change a chapter's need for comprehensive protection for itself and any compensated personnel and volunteers. Most directors' and officers' (D&O) liability insurance policies cover not only volunteers but also compensated directors, officers, and employees. Moreover, many general liability policies written for 501(c)(6) organizations cover not only these individuals but also the organization itself.

D&O insurance may protect volunteers from employment claims based on civil rights violations or noncriminal sexual offenses, and it may provide some protection for non-negligent conduct. In addition, D&O insurance may protect volunteers (and all insured) against the legal fees and costs to defend a covered claim. General liability policies that cover the organization itself may extend this protection to the organization. A comprehensive policy also may pay all or part of the costs a volunteer may incur in settling a lawsuit.

**The single most important obligation of a chapter under its general liability or D&O insurance policy is to give the insurance company notice of any actual, threatened, or anticipated lawsuit or claim. All insurance policies have clauses requiring the insured to give notice of a claim within a certain period of time, and failure to give notice within the time limit may result in denial of coverage. Notice should be given to the insurance company itself, not just to the agent or broker.**

Perhaps more important than the scope of coverage, most D&O insurance policies are riddled with exclusions. The standard exclusions often involve types of risks that could produce sizable claims against directors and officers. Often excluded are losses covered by other insurance, Employee Retirement Income Security Act (ERISA) claims, fair employment claims, and libel or slander actions. If necessary, most exclusions may be deleted by negotiation or the payment of a separate premium. Because of the particular importance of D&O insurance, all chapter officers and directors should be sure that their policies, as well as the applications for them, have been reviewed with particular care.

## Scope of Chapter Insurance Coverage Provided by APICS

APICS does not provide general liability or D&O liability insurance coverage for individual chapters. However, since 2000, APICS has managed to secure a program administrator and insurance carrier to offer APICS chapters in the United States the opportunity to be insured under a group master policy for comprehensive general liability coverage at reduced rates. This liability coverage is designed to protect APICS chapters and their directors, officers, employees, and volunteers from claims alleging negligence that cause injuries to third parties.

While it is our goal to offer this program each year, due to increasing regulatory issues within the insurance industry, it may not always be possible. Currently, the enrollment period begins in May and the effective dates of the policy are July through June. APICS chapters in Canada and Mexico and chapters with more specialized insurance needs that require a separate general liability policy are encouraged to contact a local insurance carrier to request the necessary paperwork to receive a quote/proposal.

For additional information about the APICS Group Commercial General Liability Insurance Policy, visit the Volunteer Resources area of the Web site or contact APICS Chapter Relations.

Officers and directors should review their chapter's operations and activities to evaluate the potential for personal and organizational liability that may require insurance protection.

If a chapter has workers who are classified as employees, the chapter is obligated to provide *workers' compensation insurance* for the employees. In states that do not have a workers' compensation fund, insurance must be obtained from either a private insurance carrier or through self-insurance. Contact your state compensation commission to determine where and how insurance may be obtained.

## Appendix A: Chart of Accounts

- An account number should consist of a three-letter code designating office and two digits indicating an income or expense category.
- Postage and repetitive printing should be allocated to the appropriate office by the chapter president.
- Communications services, administrative services, and membership services should be absorbed as chapter administrative expenses.

### Officer Accounts (Base Number)

#### ADM—ADMINISTRATION

Income and expenses of chapter president, executive vice president, secretary, and treasurer.

#### PRO—PROGRAMS

Income and expenses associated with monthly professional development meetings and plant tours.

#### PUB—PUBLICITY

Expenses and income related to monthly newsletter.

#### MEM—MEMBERSHIP

Expenses and income related to the acquisition and recognition of new members and membership recognition campaigns.

#### PRD—PROFESSIONAL DEVELOPMENT

Expenses incurred by vice president of professional development in pursuit of chapter duties.

#### SPE—SPECIAL EVENTS

Net of expenses or income for special events such as workshops or seminars.

### Income/Expense Subaccounts

#### *Income Categories*

#### 01—MISCELLANEOUS INCOME

Income that does not fall into account categories 02, 03, 04, 05, or 06. Examples are sales of books after a seminar closeout, interest, and refunds not applicable elsewhere.

#### 02—PROFESSIONAL DEVELOPMENT MEETINGS (PDM)

Gross receipts from monthly meetings.

#### 03—REVIEW COURSES

Gross receipts from chapter review courses.

**04—CHAPTER MEMBERSHIP**

Receipts for new or renewed chapter membership.

**05—APICS MEMBERSHIP**

Receipts for new or renewed APICS membership.

**06—ADVERTISING**

Gross receipts from advertising in the chapter newsletter or on the chapter Web site (may be taxable).

**07—SPECIAL EVENTS**

Consolidated income from special events.



*Expense accounts should be set up only for expenses that occur frequently or are large dollar amounts. All other expenses should be categorized in the Miscellaneous Expense account or one of the other classifications.*

**Expense Categories**

**10—PRINTING**

Cost of printing all chapter forms and publications.

**11—POSTAGE**

Cost of mailing through the U.S. Postal Service or other agencies.

**12—OUTSIDE SERVICES**

Cost of duplicating documents and other services not defined elsewhere.

**13—SPEAKER FEES**

Remuneration (honorarium) to a speaker for his or her appearance.

**14—SPEAKER EXPENSES**

Expenses incurred by or for a speaker. Normally limited to accommodations, meals, transportation, and reasonable incidental expenses.

**15—CONFERENCE**

Expenses incurred to support registration and expenses for chapter officers to attend conference, tradeshow, and other educational activities.

**16—BOARD PLANNING MEETINGS**

Expenses incurred for board of directors meetings.

**17—BOARD RECOGNITION**

Expenses associated with gifts and events to recognize a contribution to chapter management and operation.

#### 18—REGION/TRAINING EXPENSES

Region assessments and expenses incurred in hosting region meetings. Reimbursement for expenses incurred by authorized chapter members attending region meetings and other volunteer training opportunities.

#### 19—SUPPLIES

Material purchases for chapter operations that cannot be applied elsewhere.

#### 20—MEMBERSHIP FEES TO APICS

The portion of membership income forwarded to APICS Headquarters.

#### 21—CHAPTER MEETING EXPENSES

Expenses incurred for chapter educational events (i.e., room rental, audio visual rental, and food/beverages), excluding speaker fees and speaker expenses.

#### 22—EDUCATIONAL CONTRIBUTIONS

Contributions to the Education and Research (E&R) Foundation or other educational institutions.

#### 23—ADMINISTRATIVE SERVICES

Any other administrative services.

#### 24—MEMBERSHIP SERVICES

Expenses incurred in the maintenance of the membership database and the production of reports and mailing labels.

#### 25—COMMUNICATION SERVICES

Expenses incurred for telephone, conference calls, fax, Internet, E-mail, and other services.

#### 26—WEB SITE SERVICES

Fees for Web site development and maintenance incurred.

#### 27—AUDIT AND LEGAL SERVICES

Fees for the annual audit and any legal services incurred.

#### 28—MISCELLANEOUS/OTHER

Expenses incurred by the chapter that cannot be applied to any other expense category.

#### 29—SPECIAL EVENTS

Consolidation of expenses incurred to develop, conduct, or promote special events.

## Appendix B: Financial Reports

<u>STATEMENT OF POSITION (BALANCE SHEET)</u>		<u>AS OF X/XX/XX</u>
<u>ASSETS</u>		
Cash on Hand	\$200.00	
Cash in Banks—Checking	\$2,000.00	
Cash in Banks—Savings	\$5,000.00	
Accounts Receivable	\$300.00	
Other Assets	\$0.00	
<b>TOTAL ASSETS</b>		<b>\$7,500.00</b>
<u>LIABILITIES</u>		
Accounts Payable	\$1,500.00	
<b>TOTAL LIABILITIES</b>		<b>\$1,500.00</b>
<u>CHAPTER EQUITY</u>	<u>\$6,000.00</u>	
<b>TOTAL LIABILITIES AND CHAPTER EQUITY</b>		<b>\$7,500.00</b>

<u>SCHEDULE OF ACCOUNTS RECEIVABLE AND PAYABLE</u>		<u>AS OF X/XX/XX</u>
<u>ACCOUNTS RECEIVABLE</u>		
Membership Dues	\$200.00	
Workshop Registration	<u>\$100.00</u>	
TOTAL		\$300.00
<u>ACCOUNTS PAYABLE</u>		
APICS Headquarters	\$500.00	
Sunny Publishing Company	\$300.00	
Grand Hotel	<u>\$700.00</u>	
TOTAL		\$1,500.00

**Statement of Activities (Income & Expense Statement)**

**Month Ending XX/XX/XX**

	<b>Month/XX Amount</b>	<b>Budget Amount</b>	<b>YTD Amount</b>
<b>INCOME</b>			
Review Courses	\$1,000.00	\$800.00	\$1,500.00
Professional Dev. Mtgs.	\$500.00	\$300.00	\$1,000.00
Chapter Membership	\$2,000.00	\$2,000.00	\$5,000.00
Special Events	\$100.00	\$400.00	\$100.00
<b>Total Income</b>	<b>\$3,600.00</b>	<b>\$3,500.00</b>	<b>\$7,600.00</b>
<b>EXPENSES</b>			
Printing	\$200.00	\$150.00	\$800.00
Chapter Mtg. Expenses	\$1,500.00	\$180.00	\$2,000.00
Postage	\$200.00	\$150.00	\$500.00
Outside Services	\$50.00	\$100.00	\$400.00
Speaker Expenses	\$400.00	\$200.00	\$1,000.00
Supplies	\$100.00	\$100.00	\$400.00
Audit/Legal Fees	\$1,000.00	\$700.00	\$1,200.00
Board Planning Meetings	\$100.00	\$50.00	\$150.00
Special Events	\$300.00	\$300.00	\$300.00
<b>Total Expenses</b>	<b>\$3850.00</b>	<b>\$2,550.00</b>	<b>\$6,750.00</b>
<b>Net Surplus/Deficit</b>	<b>-\$250.00</b>	<b>\$950.00</b>	<b>\$850.00</b>

## Appendix C: Sample Request for Proposal (RFP) for Audit Services

Date

This Request for Proposal (RFP) is to contract an audit of the financial statements for APICS [CHAPTER NAME] Chapter for the fiscal year ending [DATE].

The results of this audit shall be expressed in accordance with generally accepted auditing standards, which include an expression of an opinion by the auditor on the fairness of the financial statements in accordance with generally accepted accounting principles.

Your report should cover the following financial statements:

1. Statement of assets, liabilities, and fund balance.
2. Statement of support, revenue, and expenses and changes in fund balances.
3. Statement of changes in financial position.
4. The following supplementary reports as required by the management of APICS [CHAPTER NAME] Chapter:
  - Schedule of investments.
  - Schedule of fixed assets.
5. Review of APICS [CHAPTER NAME] Chapter's accounting system and procedures, including an evaluation of internal control with written comments and recommendations, if any.

The auditor will also prepare the federal Form 990.

Attached is a copy of our previous audited financial statements and our current budget. Information about our mission and related activities is included. A description of our sources of receipts and funds, the number and type of disbursements, and our financial personnel is also attached.

APICS [CHAPTER NAME] Chapter will close its books and be ready to start the audit on [DATE]. The auditor shall deliver the final audit report 10 weeks after the closing of the fiscal year.

The proposal should contain the following information:

1. Background and experience in auditing, including not-for-profit accounting.
2. The size and organizational structure of the auditor's firm.
3. Résumés of partner and manager staff; names and qualifications of the staff members to be assigned to our audit.
4. Statement of the firm's understanding of the work to be performed, including tax and nonaudit services.
5. Fee structure, including out-of-pocket expenses, and a maximum fee.

Inquiries and proposals concerning this RFP should be received within 4 weeks of the date of this letter. [NUMBER] copies of your proposal should be directed to:

President/Treasurer

APICS [CHAPTER NAME] Chapter

## Appendix D: Sample Consolidated Chapter Budget for Fiscal Year XXXX-XXXX

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<b>INCOME</b>													
Professional Dev. Mtgs.	200.00	200.00	200.00	200.00	800.00	200.00	200.00	200.00	800.00	200.00	200.00	200.00	3600.00
Review Courses	0.00	0.00	300.00	0.00	300.00	0.00	100.00	0.00	300.00	1500.00	300.00	0.00	2800.00
Chapter Membership	0.00	0.00	500.00	2000.00	2000.00	1000.00	500.00	0.00	0.00	0.00	0.00	0.00	6000.00
Special Events	0.00	500.00	0.00	0.00	400.00	0.00	0.00	0.00	0.00	600.00	0.00	0.00	1500.00
<b>TOTAL INCOME</b>	<b>200.00</b>	<b>700.00</b>	<b>1000.00</b>	<b>2200.00</b>	<b>3500.00</b>	<b>1200.00</b>	<b>800.00</b>	<b>200.00</b>	<b>1100.00</b>	<b>2300.00</b>	<b>500.00</b>	<b>200.00</b>	<b>13900.00</b>
<b>EXPENSES</b>													
Printing	500.00	100.00	100.00	100.00	150.00	100.00	100.00	300.00	100.00	1000.00	100.00	100.00	2750.00
Chapter Meeting Expenses	0.00	100.00	500.00	100.00	800.00	0.00	300.00	0.00	100.00	300.00	100.00	0.00	2300.00
Postage	150.00	50.00	50.00	50.00	150.00	50.00	50.00	100.00	50.00	200.00	50.00	50.00	1000.00
Outside Expenses	0.00	0.00	0.00	50.00	100.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	350.00
Speaker Expenses	0.00	0.00	100.00	0.00	200.00	0.00	0.00	0.00	200.00	400.00	0.00	0.00	900.00
Supplies	0.00	0.00	50.00	0.00	100.00	0.00	0.00	0.00	50.00	100.00	0.00	0.00	300.00
Audit/Legal Fees	0.00	0.00	0.00	0.00	700.00	500.00	0.00	0.00	0.00	0.00	100.00	0.00	1300.00
Board Planning Meetings	0.00	50.00	0.00	0.00	50.00	0.00	0.00	50.00	0.00	0.00	50.00	0.00	200.00
Special Events	0.00	300.00	0.00	0.00	300.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	700.00
<b>TOTAL EXPENSES</b>	<b>650.00</b>	<b>600.00</b>	<b>800.00</b>	<b>300.00</b>	<b>2550.00</b>	<b>650.00</b>	<b>450.00</b>	<b>450.00</b>	<b>600.00</b>	<b>2200.00</b>	<b>400.00</b>	<b>150.00</b>	<b>9800.00</b>
<b>NET SURPLUS/DEFICIT</b>	<b>-450.00</b>	<b>100.00</b>	<b>200.00</b>	<b>1900.00</b>	<b>950.00</b>	<b>550.00</b>	<b>350.00</b>	<b>-250.00</b>	<b>500.00</b>	<b>100.00</b>	<b>100.00</b>	<b>50.00</b>	<b>4100.00</b>
<b>CASH BUDGET PROJECTION</b>													
Starting Balance	5000.00	4550.00	4650.00	4850.00	6750.00	7700.00	8250.00	8600.00	8350.00	8850.00	8950.00	9050.00	5000.00
Plus: Budget Income	200.00	700.00	1000.00	2200.00	3500.00	1200.00	800.00	200.00	1100.00	2300.00	500.00	200.00	13900.00
Less: Budget Expense	650.00	600.00	800.00	300.00	2550.00	650.00	450.00	450.00	600.00	2200.00	400.00	150.00	9800.00
Ending Balance	4550.00	4650.00	4850.00	6750.00	7700.00	8250.00	8600.00	8350.00	8850.00	8950.00	9050.00	9100.00	9100.00

## **Appendix E: Frequently Asked Questions Regarding Chapter Billing Numbers**

### **1. I have placed orders by phone and by mail in the past using my chapter billing number. Can I place an order via the Web and get chapter pricing?**

One new feature on the APICS Web site is the ability for chapters to order materials online while receiving chapter-specific pricing and billing options. Previously, all chapter orders had to be placed over the phone or by mail to ensure proper billing.

Please note that any individual may place an order and bill it to the chapter, if they have a valid chapter billing number. APICS does not verify the relationship between the chapter and the person placing the order. The chapter billing number is provided only to the chapter president. For that reason, we strongly encourage presidents to limit the use of this number to select officers or staff.

We have established one new process to ensure the security of this tool. When an order is placed using a chapter billing number, a notification e-mail is sent to the chapter president. The subject line of that e-mail will read: An Order Was Placed Using Your APICS Chapter's Billing #.

### **Placing Orders**

The following procedures assume you have visited the site, created a secure user name and password, and are successfully logged in.

1. Select Bookstore from the top menu bar.
2. Select the items you wish to purchase.
3. Add items to cart.
4. When you are ready to check out, select the View Cart option.
5. Verify your items. (Note: any pricing listed now is based on the status of the individual purchaser. The next few steps will change pricing to chapter rate, if applicable.)
6. Check the box in the lower left-hand side of the window titled "Chapter Order."
7. When you check the box, another box will appear requesting the chapter billing number; enter the chapter billing number here.
8. Proceed through the order process.

9. When you get to the payment page, you will see an option to Bill the Chapter at the bottom of the page. You may select this or you may pay by credit card. In either case, you will be taken through the credit process.
10. When the order process is complete, an e-mail is sent to the president informing him or her of the transaction.

## **2. Can my chapter or region apply for a new billing number?**

If you would like to request a new chapter billing number for your chapter because of misuse or abuse, please send an e-mail request to [chaprel@apicshq.org](mailto:chaprel@apicshq.org). We will suspend your current billing number immediately, if the request is received during normal business hours. It may take several days to issue a new number, as we will need to verify and merge all transactions.

## **3. What is a chapter or region billing number?**

The chapter or region billing number enables APICS chapters and regions in good standing to receive special chapter pricing or quantity discounts on products ordered from the *Chapter Support Materials Catalog* and the *Educational Resources Catalog*. At the time the order is placed, the chapter or region officer must provide a member number and the chapter's billing number. These orders can either be billed to the chapter or paid for using a credit card. When the order is billed to the chapter, an invoice is generated and sent to the chapter's designated billing contact the first business day after the order is shipped. Note: Payment is due 30 days from the date the order is shipped. If invoices are not paid within 90 days, balances may be deducted from your rebates. In addition, chapter presidents receive a monthly statement summarizing order activity for a given month.

## **4. How do I get access to My Chapter's billing number?**

In most cases, the chapter billing number is provided to the current chapter president by his or her predecessor. If you are a chapter president and you need access to this number or wish to request a new billing number, please contact APICS Chapter Relations by phone at (800) 444-2742 or (703) 354-8851, ext. 2324, or by e-mail at [chaprel@apicshq.org](mailto:chaprel@apicshq.org). Note: Your chapter's billing number will be released to the current chapter president only upon verification of his or her identity. In turn, the chapter president may distribute the number to other officers in the chapter as appropriate.

## **5. Is there a limit to the balance a chapter can have outstanding on its chapter billing number?**

Yes, each chapter has a credit limit associated with its chapter billing number. Credit limit revisions or increases can be done upon request or when an order is placed that would exceed the chapter's established credit limit. In this process, the chapter's account and payment history are reviewed; if the account is current and the chapter has a history of timely payments, a credit increase is usually granted. Otherwise, the chapter must first clear past-due invoices before placing new orders that would exceed the established credit limit, or pay in advance with a credit card or check.

**6. As a chapter officer, can I place an order for membership applications if I don't have the chapter billing number?**

Some items in the *Chapter Support Materials Catalog* have no cost. For these items, you may order without having the chapter billing number. However, you need the chapter billing number to obtain chapter pricing on any item that has a cost.

**7. What's the difference between an invoice and a statement?**

Invoices are generated when someone places an order using a chapter billing number and bills those items to the chapter. Once the order has been shipped, invoices are sent to the chapter billing contact address indicated on each chapter's roster update form. The billing term is "Net 30 days."

Statements are generated monthly and are sent directly to the chapter president. Statements list only orders that are outstanding. Any order that has been placed and paid will not appear on the statement. This information enables chapter presidents to monitor order activity and to see which orders have been paid and which are still outstanding.

# Appendix F: Association Law Handbook (Personal Liability)

## Chapter 18: Personal Liability of Officers and Directors

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Officers and directors of an association ordinarily serve voluntarily without pay. They accept the positions, whether received by election or appointment, because of their interest in the trade, profession, or field represented by the association and because of their desire to see that trade, profession, or field enlightened and advanced. Despite the generosity they display in accepting the positions and agreeing to serve, association officers and directors should be aware that there is at least a possibility of individual, personal liability stemming from their activities on behalf of the association. The successful assertion of personal liability against association officers and directors is rare. But its consequences are drastic enough that associations should consider apprising officers and directors of the possibility and taking steps to guard against it.

The basic rule of liability for business corporations has long been that, as long as an officer or director exercises ordinary diligence and care, no personal liability will arise, even when actions or decisions made in poor judgment cause damage or injury. Good faith is the principal test of ordinary diligence and care. This business corporation rule usually will hold true for officers and directors of associations as well, but the unique exposure of associations to potential antitrust and other problems justifies special caution.

Officers or directors may knowingly perform or approve association activities that are beyond the association's appropriate sphere of authority (called *ultra vires* in the law). In the course of association work, they may intentionally cause injury or damage to persons or property. Officers or directors may even commit or facilitate acts while representing the association that violate antitrust or other laws. In any of these cases, they could be held personally liable.

Steps can be taken to minimize the exposure of officers and directors to personal liability. If allowed by appropriate state laws, associations may indemnify their officers and directors against liability incurred from their activities or decisions on behalf of the association. Associations may even provide insurance for this purpose.

### Summary

- Association officers and directors, even though they serve voluntarily and without pay, may be exposed in some circumstances to personal criminal or civil liability for acts they perform on behalf of the association.
- Ordinarily, an association officer or director who acts in good faith—using ordinary diligence and care—will not be found liable. Even incompetence or bad judgment generally will not be enough on which to make a case for liability against an officer or director. Bad faith or fraud are tests for liability.
- In general, an honest officer or director who uses reasonable discretion has no risk of individual, personal liability for the association's debts or obligations.
- Officers and directors ordinarily are entitled to rely on the advice and opinions of credentialed experts, such as accountants and attorneys.
- Officers and directors involved in association activities obviously beyond the corporate power and authority of the association (*ultra vires*) could be subject to personal civil liability. Even approving such activities could have the same result if the approval is given with full knowledge of the nature of an activity and the fact that it is outside the power and authority of the association. Officers and directors are held to the standard of a theoretical reasonable and prudent person in determining whether or not they are liable in these circumstances.
- Activities of officers and directors that intentionally cause injury or damage to persons or property (which in the law are called "torts") could give rise to personal liability even though the activities were carried on at the behest of the association. The association also may be separately liable for torts committed by its officers and directors. There was once a prevalent legal doctrine of immunity from tort liability for nonprofit groups; it is now all but extinct.

- Injury or damage to persons or property that might be committed by officers or directors in the course of association activities may result in the following complaints:
  - Negligence
  - Defamation
  - Interference with contract rights
- Officers and directors are not personally liable for the torts of association employees unless the officers or directors participated in the activities personally. They also are not personally liable for any acts of other officers or directors committed before they began serving.
- An association can itself be responsible for criminal activity, for example, when it is held to violate antitrust laws. Association officers and directors who participate in or knowingly approve criminal activities, such as those involving antitrust violations, also can be held individually, personally liable. They are not likely to be liable for criminal acts of others, such as association employees, unless the officers and directors were themselves involved in the criminal acts. But officer or director involvement in association activities proven to be in violation of criminal antitrust laws against, say, price fixing, surely can, and very likely will, result in personal criminal liability for the individual participants to the extent that fines or jail terms are imposed. Extreme vigilance is justified here.
- In the landmark 1982 *Hydrolevel* case in the U.S. Supreme Court, an association was itself held liable for treble damages resulting from the anticompetitive interpretation of one of its product standards. The interpretation was made by the association's lower staff in concert with subcommittee volunteers. They only appeared to be acting on behalf of the association, which did not know about the interpretation, did not approve of it, and did not benefit from it. *Hydrolevel* establishes the antitrust principle of association liability for antitrust violations of anyone acting with the apparent authority of the association.
- Officers and directors usually are not liable for the performance of contracts entered into by the association unless fraud is involved.
- State statutes or the association's own articles of incorporation and bylaws frequently define the duties of officers and directors. To knowingly and willfully fail in those duties could give rise to claims of personal liability. Once again, however, mere incompetence or bad judgment (as distinguished from fraud) are not enough on which to base personal liability.
- A 1974 federal court case interpreted the duty and responsibility of directors of a charitable organization, a hospital formed under the District of Columbia nonprofit corporation laws, and held that a director would be in default if:
  - While assigned to a particular committee of the board having general financial or investment responsibility, he had failed to use "due diligence" in supervising the actions of the officers, employees, or outside experts to whom the day-to-day decision-making responsibility had been delegated.
  - He had knowingly permitted the hospital to enter into business transactions with organizations in which he had a substantial interest or principal position without having made a prior full disclosure of the nature of his interest to the board or other persons charged with approving the transaction.
  - Except as required by the preceding paragraph, he actively participated in or voted in favor of a decision by the board or any committee or subcommittee to transact business with himself or any organization in which he had a substantial interest or position.
  - He otherwise failed to perform his duties honestly, in good faith, and with a reasonable amount of diligence and care.
- These criteria could serve for trade, professional, and other association officers and directors seeking guidelines on their measure of duty and responsibility.
- Association officers and directors can help protect against the possibility of claims for personal liability by:
  - Attending association meetings and reading association publications and correspondence carefully to keep fully aware of all association policies and activities.
  - Reviewing from time to time all association articles of incorporation, bylaws, and other governing documents.
  - Avoiding completely any conflicts of interest in dealing with the association and disclosing fully any potential conflicts.
  - Insisting that meeting minutes accurately reflect any comments or votes in opposition to matters acted on at meetings.
  - Requesting that a legal opinion be obtained on any matter that has unclear legal ramifications.

- Obtaining and carefully reviewing both audited and unaudited periodic financial reports of the association.
- The laws in many states allow nonprofit corporations to indemnify their officers and directors against claims made against them if the claims are based on officers' or directors' activities on behalf of the association, except in criminal situations or those involving gross negligence or fraud.
- Indemnification of officers and directors, where the law permits, should be stated in the association bylaws.
- Corporations, including nonprofit corporations such as associations, are permitted under state law to purchase director and officer liability insurance to protect themselves if they are required to pay claims or defend officers and directors they have indemnified. Some policies have been tailored to the special circumstances of associations and are preferred over standard corporate director and officer liability insurance intended for business corporations. Association-specific liability insurance protects the association and the officers, directors, staff, and others acting for the insured association, even in the absence of indemnification provisions adopted by the insured association.
- Because of the potential for personal liability on the part of officers and directors, association policies and activities should be continuously monitored by experienced legal counsel to help ensure that no bases for such liability arise.

## Chapter 18 Resources

### Books

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Kurtz. *Board Liability: Guide for Nonprofit Directors*. Washington, D.C.: Moyer Bell Limited, 1988, p. 91.

Oleck & Stewart. *Non-Profit Corporations, Organizations & Associations*. Englewood Cliffs, N.J.: Prentice-Hall, 1994, pp. 899, 933.

Overton, ed. *Guidebook for Directors of Nonprofit Corporations*. Chicago: American Bar Association, 1993, p. 59.

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Bierig. "Liability of Directors and Officers of Non-Profit Associations, Part I." *ASAE Association Law & Policy* (15 Jan. 1988): 4.

"Liability of Directors and Officers of Non-Profit Associations, Part H." *ASAE Association Law & Policy* (1 Feb. 1988): 4.

Fishman. "Standards of Conduct for Directors of Nonprofit Corporations." *Pace Law Review* (Winter 1987): 389.

Harvey. "The Public-Spirited Defendant and Others: Liability of Directors and Officers of Not-for-Profit Organizations." *John Marshall Law Review* (Summer 1984): 655.

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Howe. "Association Liability for Affiliates, Subsidiaries, and Chapters: Who's in Charge? Who's Responsible?" *Association Counsel* (Winter 1985).

Jacobs. "Is Your Association Liable?" *Association Management* (January 1985): 67.

\_\_\_\_. "Association Liability." *Association & Society Manager* (February/March 1979): 35.

\_\_\_\_. "Association Subsidiaries and the Law." *Association Management* (January/February and March/April 1986): 27.

MacArthur. "Know Your Legal Responsibilities." *Leadership* (1986): 55.

Owen & Hart. "What Association Boards Should Know About Liability." *Legal Times of Washington* (10 Dec. 1979): 23.

#### Cases

*Stern v. Lucy Webb Hayes Nat'l Training School for Deaconesses & Missionaries*, 381 F. Supp. 1003 (D.D.C. 1974). Responsibilities of nonprofit organization governing boards.

*ASME v. Hydrolevel Corp.*, 456 U.S. 556 (1982). Association held liable for antitrust violations of volunteer members acting with the apparent authority of the association.

# Appendix G: Internal Control Checklist

	YES	NO	N/A
<b>GENERAL</b>			
Are there documented procedures for gathering financial information and financial transactions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the chapter considered bonding individuals involved in recordkeeping and custody of assets?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is a meaningful chart of accounts in use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all bills paid by check?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the journals and general ledger kept up to date and balanced monthly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there support documents available for each transaction recorded in the chapter's books?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are bank reconciliations prepared monthly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is a trial balance prepared monthly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have all relevant federal, state, and local tax forms been filed on time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the board filed updated bank resolutions with correctly designated check signers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>CASH RECEIPTS</b>			
Are cash receipts deposited intact and on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are receipted deposit slips compared with the cash receipts journal by someone independent of the bookkeeping function, if feasible?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do cash receipts procedures include safeguards to assure that all funds due are ultimately collected and credited to the appropriate accounts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>CASH DISBURSEMENTS</b>			
Are cash disbursements made by prenumbered checks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are voided checks retained and accounted for?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are individuals who are authorized to approve expenditures clearly designated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all expenditures approved by an authorized person?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are two signatures required on each check?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the supply of unused checks adequately safeguarded?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are requests for expense reimbursements accompanied by appropriate receipts and/or approval of an authorized person?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the duties of writing checks and reconciling the bank statements segregated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>PURCHASES</b>			
Are all approved invoices promptly recorded in a voucher register and amounts distributed based on a meaningful chart of accounts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all unpaid invoices kept in a separate file and scheduled for payment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are statements from vendors compared with open invoices?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the mathematical accuracy of vendors' invoices verified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the chapter take advantage of discounts in paying bills?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is an authorized signature required to confirm the receipt of goods or services before an invoice is paid?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all original invoices and support marked "paid" to avoid any duplicate payments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>PETTY CASH (if applicable)</b>			
Is only one person responsible for the petty cash fund?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is each withdrawal from the fund supported by a voucher?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are receipts attached to the voucher?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the fund periodically counted by someone other than the keeper of the funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are vouchers filled out in ink, dated, and approved by a designated signator?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>FIXED ASSETS (if applicable)</b>			
Are all fixed assets listed in a fixed asset ledger, including complete purchase or donation value?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there adequate controls for the safeguarding of fixed assets?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all fixed assets periodically inventoried to verify their existence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the legal title of ownership for all chapter assets maintained on file and properly safeguarded?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>INVENTORIES (if applicable)</b>			
Are all inventories listed in an inventory ledger, including purchase price or donation value?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there adequate controls for the safeguarding of inventories?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all items periodically inventoried to verify their existence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Appendix H: Federal Tax Filing Calendar

### One Time Only

1024	Application for Recognition of Exemption under Section 501(c)(6)
8718	User Fee for Exempt Organization Determination Letter Request
SS-4	Application for Employer Identification Number

### One Time Only, Per Employee

W-4	Employee's Withholding Allowance Certificate (can be changed at employee's request)
I-9	Employment Eligibility Verification

### Quarterly

941	Employer's Quarterly Federal Tax
8109	Return Federal Tax Deposit Coupon

### Annually

940	Employer's Annual Federal Unemployment (FUTA) Tax Return
990*	Return of Organization Exempt from Income Tax
990-EZ*	Short Form Return of Organization Exempt from Income Tax
2758	Application for Extension of Time to File Certain Excise, Income, Information and Other Returns (to extend time to file Forms 990 and 990-EZ)
990-T*	Exempt Organization Business Income Tax Return
7004	Application for Automatic Extension of Time to File Corporation Income Tax Return (to extend time to file 990-T)
1099-11 <sup>*t</sup>	Interest Income
1099-MISC <sup>*t</sup>	Miscellaneous Income
W-2 <sup>t</sup>	Wage and Tax Statement

\* If chapter's activities trigger the filing requests.

<sup>t</sup> File with individual by January 31. File with IRS and Social Security Administration by February 28.

# Appendix I: Records Retention Timeline

## Corporate Organization Records

Corporate charter	PERMANENT
Certificate of incorporation	PERMANENT
Minutes of board of directors meetings	PERMANENT
Annual reports	PERMANENT

## Accounting Records

General journal	PERMANENT
General ledger	PERMANENT
Cash receipts book	10 years
Cash disbursements book	7 years
Bank statement and canceled checks	7 years
Billings for services	4 years
Employee travel and expense reports	4 years
Expense bills (source documents)	4 years
Petty cash records	4 years
Financial statements—annual	PERMANENT
Financial statements—monthly	7 years

## Fixed Assets

Land and buildings	PERMANENT
Equipment in use	KEEP ON FILE
Equipment traded in on similar asset	KEEP ON FILE
Equipment disposed of (no trade in)	7 years

## Contracts

Leases (after termination)	7 years
Client contracts	10 years
Grant agreements	10 years

## Tax Returns

Federal Form 990 and working papers	PERMANENT
State information returns and working papers	PERMANENT
Payroll tax returns	5 years
Withholding tax statements (Forms W-2, W-9)	7 years

## Personnel Records

Individual employee records	PERMANENT
Payroll book	PERMANENT
Employee insurance records	PERMANENT

<b>General Correspondence</b>	5 years
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## Appendix J: State and Federal Regulatory Contacts

### ALABAMA

Alabama Department of Revenue  
PO Box 327410  
Montgomery, AL 36132-7410  
(334) 242-1100  
[www.ador.state.al.us](http://www.ador.state.al.us)

### ALASKA

Alaska Department of Revenue  
State Office Building  
PO Box 110420  
Juneau, AK 99811-0420  
(907) 465-2320  
[www.revenue.state.ak.us](http://www.revenue.state.ak.us)

### ARIZONA

Arizona Department of Revenue  
1600 West Monroe Street  
Phoenix, AZ 85007-2650  
(602) 542-4260  
[www.revenue.state.az.us](http://www.revenue.state.az.us)

### ARKANSAS

Arkansas Department of Finance and  
Administration  
Revenue Division  
PO Box 3628  
Little Rock, AR 72203-3628  
(501) 682-1100  
[www.state.ar.us/revenue/rev1.html](http://www.state.ar.us/revenue/rev1.html)

### CALIFORNIA

California Franchise Tax Board  
PO Box 942840  
Sacramento, CA 94240-0040  
(800) 852-5711—in U.S.  
(916) 845-6500—outside U.S.  
[www.ftb.ca.gov](http://www.ftb.ca.gov)

### COLORADO

Colorado Department of Revenue  
Taxpayer Service Division  
1375 Sherman Street  
Denver, CO 80261  
(303) 232-2416  
[www.state.co.us](http://www.state.co.us)

### CONNECTICUT

Connecticut Department of Revenue  
Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford, CT 06106-5032  
(860) 297-4900  
(800) 382-9463—in state  
(860) 297-5962—outside state  
[www.ct.gov/drs](http://www.ct.gov/drs)

### DELAWARE

Delaware Division of Revenue  
820 North French Street  
PO Box 8911  
Wilmington, DE 19899-8911  
(302) 577-8200  
[www.state.de.us/revenue/default.shtml](http://www.state.de.us/revenue/default.shtml)

### FLORIDA

Florida Department of Revenue  
5050 West Tennessee Street  
Tallahassee, FL 32304  
(850) 922-4827  
[www.state.fl.us/](http://www.state.fl.us/)

### GEORGIA

Georgia Department of Revenue  
270 Washington Street, SW  
Atlanta, GA 30334  
(404) 656-4293  
[www.state.ga.us/departments/DOR](http://www.state.ga.us/departments/DOR)

**HAWAII**

Hawaii Department of Taxation  
PO Box 259  
Honolulu, HI 96809-0259  
(808) 587-1577  
(800) 222-3229  
[www.ehawaii.gov.org/efile](http://www.ehawaii.gov.org/efile)

**IDAHO**

Idaho State Tax Commission  
PO Box 36  
Boise, ID 83722  
(208) 334-7660  
[www.state.id.us/index.html](http://www.state.id.us/index.html)

**ILLINOIS**

Illinois Department of Revenue  
101 West Jefferson Street  
Springfield, IL 62794  
(800) 356-6302—in state  
(217) 782-3336—outside state  
[www.revenue.state.il.us](http://www.revenue.state.il.us)

**IOWA**

Iowa Department of Revenue and  
Finance  
Taxpayer Services Section  
PO Box 10457  
Des Moines, IA 50306  
(515) 281-3114  
[www.state.ia.us.government/ drf/index.htm](http://www.state.ia.us.government/ drf/index.htm)

**KANSAS**

Kansas Department of Revenue  
PO Box 12001  
Topeka, KS 66612-2001  
(913) 296-4937  
[www.ink.org/public/kdor](http://www.ink.org/public/kdor)

**KENTUCKY**

Kentucky Department of Revenue  
200 Fair Oaks Lane  
Frankfort, KY 40620  
(502) 564-4581  
[revenue.ky.gov](http://revenue.ky.gov)

**LOUISIANA**

Louisiana Department of Revenue  
PO Box 201  
Baton Rouge, LA 70821  
(504) 925-7532  
[www.rev.state.la.us](http://www.rev.state.la.us)

**MAINE**

Maine Bureau of Taxation  
Income Tax Division  
State Office Building  
Station 24  
Augusta, ME 04332  
(207) 626-8475  
[www.state.me.us/revenue](http://www.state.me.us/revenue)

**MARYLAND**

Maryland Comptroller of the Treasury  
Revenue Administration  
110 Carroll Street  
Annapolis, MD 21411  
(410) 974-3981  
[www.comp.state.md.us](http://www.comp.state.md.us)

**MASSACHUSETTS**

Massachusetts Department of Revenue  
Customer Service Bureau  
PO Box 7010  
Boston, MA 02204  
(617) 887-6367  
[www.magnet.state.ma.us/dor/dorpg.htm](http://www.magnet.state.ma.us/dor/dorpg.htm)

**MICHIGAN**

Michigan Department of the Treasury  
Revenue Administrative Services  
The Treasury Building  
430 West Allegan Street  
Lansing, MI 48922  
(517) 373-3200  
[www.michigan.gov/treasury](http://www.michigan.gov/treasury)

**MINNESOTA**

Minnesota Department of Revenue  
Mail Station 4450  
St. Paul, MN 55146-4450  
(612) 296-3781  
[www.taxes.state.mn.us](http://www.taxes.state.mn.us)

**MISSISSIPPI**

Mississippi State Tax Commission  
750 South Galatin  
Jackson, MS 39204  
(601) 354-6247  
[www.mississippi.gov](http://www.mississippi.gov)

**MISSOURI**

Missouri Department of Revenue  
PO Box 3022  
Jefferson City, MO 65105-3022  
(573) 751-5337  
[www.dor.mo.gov/tax/business](http://www.dor.mo.gov/tax/business)

**MONTANA**

Montana Department of Revenue  
Income Tax Division  
PO Box 5805  
Helena, MT 59604  
(406) 444-2837  
[www.mt.gov/revenue](http://www.mt.gov/revenue)

**NEBRASKA**

Nebraska Department of Revenue  
PO Box 94818  
Lincoln, NE 68509-4818  
(800) 747-8177—in state  
(402) 471-2971—outside state  
[www.revenue.state.ne.us/index.html](http://www.revenue.state.ne.us/index.html)

**NEVADA**

State of Nevada Department of  
Taxation Capitol Complex  
Carson City, NV 89710-0003  
(775) 684-2000  
[www.tax.state.nv.us](http://www.tax.state.nv.us)

**NEW HAMPSHIRE**

New Hampshire Department of Revenue  
Administration  
61 South Spring Street  
Concord, NH 03301  
(603) 271-2191  
(800) 367-6263  
[www.nh.gov/revenue](http://www.nh.gov/revenue)

**NEW JERSEY**

New Jersey Division of Taxation  
CN269  
Trenton, NJ 08646  
(609) 292-7613  
[www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)

**NEW MEXICO**

New Mexico Taxation and Revenue  
Department  
Revenue Division  
PO Box 630  
Santa Fe, NM 87504-0630  
(505) 827-0700  
[www.state.nm.us/tax](http://www.state.nm.us/tax)

**NEW YORK CITY (NYC)**

Department of Finance  
Bureau of Tax Collection  
25 Elm Place  
Brooklyn, NY 11201  
(718) 935-6739  
[www.ci.nyc.ny.us](http://www.ci.nyc.ny.us)

**NEW YORK STATE**

NYS Department of Taxation and  
Finance  
Taxpayer Service Bureau  
W. Averell Harriman Campus  
Albany, NY 12227  
(800) 462-8100  
[www.tax.state.ny.us](http://www.tax.state.ny.us)

**NORTH CAROLINA**

Department of Revenue  
PO Box 25000  
Raleigh, NC 27640  
(919) 715-0397  
[www.dor.state.nc.us](http://www.dor.state.nc.us)

**NORTH DAKOTA**

North Dakota Office of State Tax  
Commissioner  
State Capitol  
600 East Boulevard Avenue  
Bismark, ND 58505-0599  
(701) 328-3017  
[discovernd.com/business](http://discovernd.com/business)

**OHIO**

Ohio Department of Taxation  
Income Tax Division  
PO Box 2476  
Columbus, OH 43266-0076  
(614) 433-7750  
[www.state.oh.us/tax](http://www.state.oh.us/tax)

**OKLAHOMA**

Oklahoma Tax Commission  
2501 Lincoln Boulevard  
Oklahoma City, OK 73194  
(405) 521-3108  
[www.oktax.state.ok.us/oktax](http://www.oktax.state.ok.us/oktax)

**OREGON**

Oregon Department of Revenue  
955 Center Street, NE  
Salem, OR 97310  
(503) 378-4988  
[www.dor.state.or.us](http://www.dor.state.or.us)

**PENNSYLVANIA**

Commonwealth of Pennsylvania  
Department of Revenue  
Strawberry Square  
Harrisburg, PA 17128  
(717) 787-8201  
[www.revenue.state.pa.us](http://www.revenue.state.pa.us)

**RHODE ISLAND**

Rhode Island Division of Taxation  
1 Capitol Hill  
Providence, RI 02908-5800  
(401) 277-3934  
[www.tax.state.ri.us](http://www.tax.state.ri.us)

**SOUTH CAROLINA**

South Carolina Tax Commission  
PO Box 125  
Columbia, SC 29214  
(803) 737-5000  
[www.dor.state.sc.us](http://www.dor.state.sc.us)

**SOUTH DAKOTA**

South Dakota Department of Revenue  
700 Governors Drive  
Pierre, SD 57501  
(605) 773-3311  
[www.state.sd.us/drr2/businessstax/bustax.htm](http://www.state.sd.us/drr2/businessstax/bustax.htm)

**TENNESSEE**

Tennessee Department of Revenue  
Andrew Jackson State Office Building  
500 Deaderick Street, 4th Floor  
Nashville, TN 37242  
(615) 741-4465  
[www.state.tn.us/revenue](http://www.state.tn.us/revenue)

**TEXAS**

Comptroller of Treasury  
State of Texas  
111 West 6th Street  
Starr Building  
Austin, TX 78701  
(512) 463-4600  
[www.window.state.tx.us](http://www.window.state.tx.us)

**UTAH**

Utah State Tax Commission  
210 North 1950 West  
Salt Lake City, UT 84134  
(801) 297-2200  
[tax.utah.gov](http://tax.utah.gov)

**VERMONT**

Vermont Department of Taxes  
109 State Street  
Montpelier, VT 05609  
(802) 828-2515  
[www.state.vt.us/tax](http://www.state.vt.us/tax)

**VIRGINIA**

Virginia Department of Taxation  
Taxpayers Assistance  
PO Box 1880  
Richmond, VA 23282-1880  
(804) 367-8031  
[www.tax.virginia.gov](http://www.tax.virginia.gov)

**WASHINGTON**

Washington Department of Revenue  
General Administration Building  
PO Box 47478  
Olympia, WA 98504-7478  
(360) 786-6100  
[access.wa.gov](http://access.wa.gov)

**WASHINGTON, DC**

Government of District of Columbia  
Department of Finance and Revenue  
300 Indiana Avenue, NW  
Washington, DC 20001  
(202) 727-6170  
(202) 727-4TAX (202-727-4829)  
[cfo.dc.gov/cfo/site/default.asp](http://cfo.dc.gov/cfo/site/default.asp)

**WEST VIRGINIA**

West Virginia State Tax Department  
PO Box 3784  
Charleston, WV 25337-3784  
(304) 558-2051  
[www.wvweb.com/taxrev](http://www.wvweb.com/taxrev)

**WISCONSIN**

Wisconsin Department of Revenue  
PO Box 8903  
Madison, WI 53708-8903  
(608) 266-1961  
[www.dor.state.wi.us](http://www.dor.state.wi.us)

**WYOMING**

Revenue Department  
Herschler Building  
122 West 25th Street  
Cheyenne, WY 82002  
(307) 777-7378  
[revenue.state.wy.us](http://revenue.state.wy.us)

**PUERTO RICO**

Commonwealth of Puerto Rico  
Department of the Treasury  
Internal Revenue Collections Area  
PO Box 2501  
San Juan, PR 00902-2501  
(809) 721-2020  
[www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr)

**CANADA**

Revenue Canada, Charities Division  
Ottawa, Ontario K18 OL5  
CANADA  
(613) 954-0410  
[www.ccra-adrc.gc.ca/tax](http://www.ccra-adrc.gc.ca/tax)

**MEXICO**

Ministry of Finance and Public Credit  
Delegacion Cuauhtemoc  
06700 Mexico, D. F.  
MEXICO  
[www.shcp.gob.mx](http://www.shcp.gob.mx)

## **Appendix K: Additional Reference Sources**

### **INTERNAL REVENUE SERVICE (IRS)**

1110 Constitution Avenue, NW  
Washington, DC 20001  
(800) 829-1040  
[www.irs.ustreas.gov/formspubs/index.html](http://www.irs.ustreas.gov/formspubs/index.html)

Forms and publications can be obtained from the IRS Web site. The Web site is an easily accessible way to get answers to questions quickly!

### **AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)**

1211 Avenue of the Americas  
New York, NY 10036-8775  
(212) 596-6200  
[www.aicpa.org](http://www.aicpa.org)

AICPA is an excellent resource for CPA referrals and publications emphasizing not-for-profit accounting and audit issues.

### **AMERICAN SOCIETY OF ASSOCIATION EXECUTIVES (ASAE)**

1575 Eye Street, NW  
  
Washington, DC 20005-1168  
(202) 626-2723  
[www.asaenet.org](http://www.asaenet.org)

ASAE provides an extensive collection of publications and resources for chapters, from membership development to financial management to strategic thinking.

## Appendix L: Sample Articles of Incorporation

**SAMPLE ARTICLES OF INCORPORATION OF THE**  
\_\_\_\_\_ [insert Chapter name here]  
**Chapter of APICS The Association for Operations Management**

*The following sample provides the nature and scope of Articles of Incorporation for a 501(c)(6) organization. The sample should not be adopted without discussing incorporation more in depth with an attorney.*

The undersigned incorporator(s), (a) natural person(s) 21 years of age or older, acting as incorporator(s) of a corporation under the \_\_\_\_\_ [INSERT STATE AUTHORITY STATE AUTHORITY NAME HERE], adopt the following Articles of Incorporation.

**ARTICLE I**  
**NAME/REGISTERED OFFICE**

The name of this corporation shall be: the [INSERT CHAPTER NAME] chapter of APICS.

**ARTICLE II**  
**PURPOSE**

This corporation is organized exclusively for the purpose of promoting and advancing the business and professional interests of operations management professionals, within the meaning of Section 501(c)(6) of the Internal Revenue Code.

**ARTICLE III**  
**LIMITATIONS**

At all times the following shall operate as conditions restricting the operations and activities of the corporation:

1. No part of the net earnings of the corporation shall inure to any member of the corporation not qualifying as exempt under Section 501(c)(6) of the Internal Revenue Code, nor to any director or officer of the corporation, nor to any other private persons, excepting solely such reasonable compensation that the corporation shall pay for services actually rendered to the corporation, or allowed by the corporation as a reasonable allowance for authorized expenditures incurred on behalf of the corporation.

**ARTICLE IV**  
**MEMBERS**

The corporation shall have a voting membership. Classes of membership shall be such as defined in the bylaws for APICS The Association for Operations Management.

**ARTICLE V  
DIRECTORS**

The management and affairs of the corporation shall be at all times under the direction of a Board of Directors, whose operations in governing the corporation shall be defined by statute and by the corporation's bylaws. No member or director shall have any right, title, or interest in or to any property of the corporation. The election of directors and their terms of office are as stated in the bylaws of the corporation.

The corporation's first Board of Directors shall be comprised of the following natural persons, who will serve until the first election is held: {List Directors' Names, and optionally, Addresses}]

**ARTICLE VI  
DEBT OBLIGATIONS AND PERSONAL LIABILITY**

No member, officer, or director of this corporation shall be personally liable for the debts or obligations of this corporation of any nature whatsoever, nor shall any of the property of the members, officers, or directors be subject to the payment of the debts or obligations of this corporation.

**ARTICLE VII  
DISSOLUTION**

Upon dissolution, the balance of any assets or property of the Corporation that remains after all debts, obligations, and liabilities are paid, will be distributed to another organization with similar purposes and activities that is exempt from federal income taxation under section 501(c)(6) or 501(c)(3) as determined by the Internal Revenue Service.

**ARTICLE VIII  
INCORPORATOR**

The incorporator(s) of this corporation is(are):

[INSERT NAME(S) AND ADDRESS(ES) OF INDIVIDUAL(S) INCORPORATING ENTITY—YOU ONLY NEED ONE, BUT MAY HAVE MORE IF YOU WISH]

The undersigned incorporator(s) certify(ies) both that she/he/they execute(s) these Articles for the purposes herein stated, and that by such execution, she/he/they affirm(s) the understanding that should any of the information in these Articles be intentionally or knowingly misstated, she/he/they is/are subject to criminal penalties for perjury.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## Appendix M: Federal Information Returns and Tax Forms

### SAMPLES

Form SS-4	Application for Employer Identification Number\
Form 1024 or 1023	Application for Recognition of Exemption (501(c)(6)), (501(c)(3))
Form 8718	Application for User Fee for Exempt Organization Determination Letter Request
Form 990-EZ	Short Form Return of Organization Exempt from Income Tax
Form 990	Return of Organization Exempt from Income Tax

### OTHER FORMS

Schedule A (Form 990)	Organization Exempt Under 501(c)(3)
Form 990-T	Exempt Organization Business Income Tax Return
Form 4506-A	Request for Public Inspection or Copy of Exempt Organization IRS Form
Form W-9	Request for Taxpayer Identification Number and Certification

All forms listed above are available on the IRS Web site at ***www.irs.gov***.

# Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

EIN
OMB No. 1545-0003

➤ See separate instructions for each line. ➤ Keep a copy for your records.

<b>Type or print clearly.</b>	<b>1</b> Legal name of entity (or individual) for whom the EIN is being requested <b>Chapter Name</b>	
	<b>2</b> Trade name of business (if different from name on line 1) <b>Chapter Name</b>	<b>3</b> Executor, trustee, "care of" name <b>"Name," Treasurer</b>
	<b>4a</b> Mailing address (room, apt., suite no. and street, or P.O. box) <b>APICS Street</b>	<b>5a</b> Street address (if different) (Do not enter a P.O. box.)
	<b>4b</b> City, state, and ZIP code <b>Anytown, USA 00000</b>	<b>5b</b> City, state, and ZIP code
	<b>6</b> County and state where principal business is located <b>Anycounty, USA</b>	
	<b>7a</b> Name of principal officer, general partner, grantor, owner, or trustor <b>"Name," President</b>	<b>7b</b> SSN, ITIN, or EIN

**8a Type of entity** (check only one box)

<input type="checkbox"/> Sole proprietor (SSN) _____	<input type="checkbox"/> Estate (SSN of decedent) _____
<input type="checkbox"/> Partnership	<input type="checkbox"/> Plan administrator (SSN) _____
<input type="checkbox"/> Corporation (enter form number to be filed) ➤ _____	<input type="checkbox"/> Trust (SSN of grantor) _____
<input type="checkbox"/> Personal service corp.	<input type="checkbox"/> National Guard <input type="checkbox"/> State/local government
<input type="checkbox"/> Church or church-controlled organization	<input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military
<input checked="" type="checkbox"/> Other nonprofit organization (specify) ➤ <b>Professional Association</b> Group Exemption Number (GEN) ➤ _____	<input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises
<input type="checkbox"/> Other (specify) ➤ _____	

**8b** If a corporation, name the state or foreign country (if applicable) where incorporated

State <b>Anystate</b>	Foreign country
--------------------------	-----------------

**9 Reason for applying** (check only one box)

<input type="checkbox"/> Started new business (specify type) ➤ _____	<input type="checkbox"/> Banking purpose (specify purpose) ➤ _____
<input type="checkbox"/> Hired employees (Check the box and see line 12.)	<input type="checkbox"/> Changed type of organization (specify new type) ➤ _____
<input type="checkbox"/> Compliance with IRS withholding regulations	<input type="checkbox"/> Purchased going business
<input checked="" type="checkbox"/> Other (specify) ➤ <b>New Chapter</b>	<input type="checkbox"/> Created a trust (specify type) ➤ _____
	<input type="checkbox"/> Created a pension plan (specify type) ➤ _____

**10** Date business started or acquired (month, day, year)  
**MM/DD/YY**

**11** Closing month of accounting year  
**June**

**12** First date wages or annuities were paid or will be paid (month, day, year). **Note:** If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (month, day, year) . . . . . ➤ **N/A**

**13** Highest number of employees expected in the next 12 months. **Note:** If the applicant does not expect to have any employees during the period, enter "-0-." . . . . . ➤

Agricultural	Household	Other
<b>0</b>	<b>0</b>	<b>0</b>

**14** Check **one** box that best describes the principal activity of your business.

<input type="checkbox"/> Construction	<input type="checkbox"/> Rental & leasing	<input type="checkbox"/> Transportation & warehousing	<input type="checkbox"/> Health care & social assistance	<input type="checkbox"/> Wholesale-agent/broker
<input type="checkbox"/> Real estate	<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Finance & insurance	<input type="checkbox"/> Accommodation & food service	<input type="checkbox"/> Wholesale-other
			<input checked="" type="checkbox"/> Other (specify) <b>Educational/Professional Association</b>	<input type="checkbox"/> Retail

**15** Indicate principal line of merchandise sold; specific construction work done; products produced; or services provided.  
**N/A**

**16a** Has the applicant ever applied for an employer identification number for this or any other business? . . . . .  Yes  No  
**Note:** If "Yes," please complete lines 16b and 16c.

**16b** If you checked "Yes" on line 16a, give applicant's legal name and trade name shown on prior application if different from line 1 or 2 above.  
 Legal name ➤ \_\_\_\_\_ Trade name ➤ \_\_\_\_\_

**16c** Approximate date when, and city and state where, the application was filed. Enter previous employer identification number if known.

Approximate date when filed (mo., day, year)	City and state where filed	Previous EIN

Complete this section **only** if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.

<b>Third Party Designee</b>	Designee's name	Designee's telephone number (include area code) ( )
	Address and ZIP code	Designee's fax number (include area code) ( )

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Name and title (type or print clearly) ➤ **"Name," Treasurer**

Signature ➤ \_\_\_\_\_ Date ➤ \_\_\_\_\_

Applicant's telephone number (include area code)  
( **xxx** ) **xxx-xxxx**

Applicant's fax number (include area code)  
( **xxx** ) **xxx-xxxx**

# Application for Recognition of Exemption Under Section 501(a)

If exempt status is approved,  
 this application will be open  
 for public inspection.

Read the instructions for each Part carefully. **A User Fee must be attached to this application.**

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to the organization.

**Complete the Procedural Checklist on page 6 of the instructions.**

**Part I. Identification of Applicant** (Must be completed by all applicants; also complete appropriate schedule.)  
 Submit only the schedule that applies to your organization. Do not submit blank schedules.

Check the appropriate box below to indicate the section under which the organization is applying:

- a  Section 501(c)(2)—Title holding corporations (Schedule A, page 7)
- b  Section 501(c)(4)—Civic leagues, social welfare organizations (including certain war veterans' organizations), or local associations of employees (Schedule B, page 8)
- c  Section 501(c)(5)—Labor, agricultural, or horticultural organizations (Schedule C, page 9)
- d  Section 501(c)(6)—Business leagues, chambers of commerce, etc. (Schedule C, page 9)
- e  Section 501(c)(7)—Social clubs (Schedule D, page 11)
- f  Section 501(c)(8)—Fraternal beneficiary societies, etc., providing life, sick, accident, or other benefits to members (Schedule E, page 13)
- g  Section 501(c)(9)—Voluntary employees' beneficiary associations (Parts I through IV and Schedule F, page 14)
- h  Section 501(c)(10)—Domestic fraternal societies, orders, etc., not providing life, sick, accident, or other benefits (Schedule E, page 13)
- i  Section 501(c)(12)—Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations (Schedule G, page 15)
- j  Section 501(c)(13)—Cemeteries, crematoria, and like corporations (Schedule H, page 16)
- k  Section 501(c)(15)—Mutual insurance companies or associations, other than life or marine (Schedule I, page 17)
- l  Section 501(c)(17)—Trusts providing for the payment of supplemental unemployment compensation benefits (Parts I through IV and Schedule J, page 18)
- m  Section 501(c)(19)—A post, organization, auxiliary unit, etc., of past or present members of the Armed Forces of the United States (Schedule K, page 19)
- n  Section 501(c)(25)—Title holding corporations or trusts (Schedule A, page 7)

<b>1a</b> Full name of organization (as shown in organizing document)  <b>Chapter Name</b>	<b>2</b> Employer identification number (EIN) (if none, see <b>Specific Instructions</b> on page 2)  <b>xx - xxxxxx</b>			
<b>1b</b> c/o Name (if applicable)	<b>3</b> Name and telephone number of person to be contacted if additional information is needed  <b>"Name," Treasurer</b>  <b>( xxx ) xxx-xxxx</b>			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>1c</b> Address (number and street) <b>APICS Street</b></td> <td style="width: 50%;">Room/Suite</td> </tr> </table>		<b>1c</b> Address (number and street) <b>APICS Street</b>	Room/Suite	
<b>1c</b> Address (number and street) <b>APICS Street</b>		Room/Suite		
<b>1d</b> City, town or post office, state, and ZIP + 4 If you have a foreign address, see <b>Specific Instructions</b> for Part I, page 2. <b>Anytown, USA 00000-0000</b>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"><b>1e</b> Web site address <b>www."your APICS chapter".com</b></td> <td style="width: 30%;"><b>4</b> Month the annual accounting period ends <b>June</b></td> <td style="width: 40%;"><b>5</b> Date incorporated or formed <b>MM/DD/YY</b></td> </tr> </table>	<b>1e</b> Web site address <b>www."your APICS chapter".com</b>	<b>4</b> Month the annual accounting period ends <b>June</b>	<b>5</b> Date incorporated or formed <b>MM/DD/YY</b>	
<b>1e</b> Web site address <b>www."your APICS chapter".com</b>	<b>4</b> Month the annual accounting period ends <b>June</b>	<b>5</b> Date incorporated or formed <b>MM/DD/YY</b>		

**6** Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code?  Yes  No  
 If "Yes," attach an explanation.

**7** Has the organization filed Federal income tax returns or exempt organization information returns?  Yes  No  
 If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.

**8** Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING.

- a  Corporation— Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also attach a copy of the bylaws.
- b  Trust— Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.
- c  Association— Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence that the organization was formed by adoption of the document by more than one person. Also include a copy of the bylaws.

If this is a corporation or an unincorporated association that has not yet adopted bylaws, check here

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization, and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

**PLEASE  
SIGN  
HERE**

-----  
 (Signature) (Type or print name and title or authority of signer) (Date)

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**Part II. Activities and Operational Information** (Must be completed by all applicants)

---

- 1** Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: **(a)** a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; **(b)** when the activity was or will be initiated; and **(c)** where and by whom the activity will be conducted.

**Describe significant program services provided by the chapter. Include the percentage of time devoted to each activity and the number of members served by each activity -- an estimate of both figures is acceptable. Describe how each activity promotes the education and professionalism of members.**

**Some typical activities include:**

**Seminars  
Workshops  
Certification Classes  
Newsletters  
Dinner Meetings  
Scholarship Programs**

- 
- 2** List the organization's present and future sources of financial support, beginning with the largest source first.

**Some typical sources of financial support include:**

**Seminar and Workshop fees  
Certification class registration charges  
Dinner Meeting fees  
Donations/Contributions**

---

**Part II. Activities and Operational Information** (continued)

**3** Give the following information about the organization's governing body:

<b>a</b> Names, addresses, and titles of officers, directors, trustees, etc.	<b>b</b> Annual compensation
<b>"Name," Address -- President</b>	<b>\$0.00</b>
<b>"Name," Address -- Vice President</b>	<b>\$0.00</b>
<b>"Name," Address -- Treasurer</b>	<b>\$0.00</b>
<b>"Name," Address -- Secretary</b>	<b>\$0.00</b>

**4** If the organization is the outgrowth or continuation of any form of predecessor, state the name of each predecessor, the period during which it was in existence, and the reasons for its termination. Submit copies of all papers by which any transfer of assets was effected.

**N/A**

**5** If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees).

**N/A**

**6** If the organization has capital stock issued and outstanding, state: **(1)** class or classes of the stock; **(2)** number and par value of the shares; **(3)** consideration for which they were issued; and **(4)** if any dividends have been paid or whether your organization's creating instrument authorizes dividend payments on any class of capital stock.

**N/A**

**7** State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued.

**Voluntary membership is available to individuals engaged in work related to, or who have an interest in, resource management. The two classes of membership are "Affiliate Corporate Members" and "chapter members." All members have voting privileges.**

**8** Explain how your organization's assets will be distributed on dissolution.

**Upon dissolution, any funds will be donated to the Education and Research Foundation of APICS. Other chapter assets will be donated to another APICS chapter in the region or the disbanding chapter. Under no circumstances should the assets revert to any private individual or group of private individuals.**

**Part II. Activities and Operational Information** (continued)

**9** Has the organization made or does it plan to make any distribution of its property or surplus funds to shareholders or members? . . . . .  Yes  No  
 If "Yes," state the full details, including: **(1)** amounts or value; **(2)** source of funds or property distributed or to be distributed; and **(3)** basis of, and authority for, distribution or planned distribution.

**10** Does, or will, any part of your organization's receipts represent payments for services performed or to be performed? .  Yes  No  
 If "Yes," state in detail the amount received and the character of the services performed or to be performed.  
**If the chapter provides services to individual members or to other organizations for which it is compensated, include a description here. For example, if a chapter provides administrative services for another chapter and is paid for such services. Educational programming is not considered a "service" for purposes of this question.**

**11** Has the organization made, or does it plan to make, any payments to members or shareholders for services performed or to be performed? . . . . .  Yes  No  
 If "Yes," state in detail the amount paid, the character of the services, and to whom the payments have been, or will be, made.

**12** Does the organization have any arrangement to provide insurance for members, their dependents, or others (including provisions for the payment of sick or death benefits, pensions, or annuities)? . . . . .  Yes  No  
 If "Yes," describe and explain the arrangement's eligibility rules and attach a sample copy of each plan document and each type of policy issued.

**13** Is the organization under the supervisory jurisdiction of any public regulatory body, such as a social welfare agency, etc.? . . . .  Yes  No  
 If "Yes," submit copies of all administrative opinions or court decisions regarding this supervision, as well as copies of applications or requests for the opinions or decisions.

**14** Does the organization now lease or does it plan to lease any property? . . . . .  Yes  No  
 If "Yes," explain in detail. Include the amount of rent, a description of the property, and any relationship between the applicant organization and the other party. Also, attach a copy of any rental or lease agreement. (If the organization is a party, as a lessor, to multiple leases of rental real property under similar lease agreements, please attach a single representative copy of the leases.)

**15** Has the organization spent or does it plan to spend any money attempting to influence the selection, nomination, election, or appointment of any person to any Federal, state, or local public office or to an office in a political organization? . .  Yes  No  
 If "Yes," explain in detail and list the amounts spent or to be spent in each case.

**16** Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material? . . . . .  Yes  No  
 If "Yes," attach a recent copy of each.

**Part III. Financial Data** (Must be completed by all applicants)

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. **If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.**

**A. Statement of Revenue and Expenses**

Revenue	(a) Current Tax Year	3 Prior Tax Years or Proposed Budget for Next 2 Years			(e) Total
	From _____ To mm/dd/yy	(b) 19Y3	(c) 19Y2	(d) 19Y1	
1 Gross dues and assessments of members . . . . .	5,000	4,500	3,000	3,000	15,500
2 Gross contributions, gifts, etc. . . . .	500	500			1,000
3 Gross amounts derived from activities related to the organization's exempt purpose (attach schedule) (Include related cost of sales on line 9.)	2,000	2,500	3,000	2,000	9,500
4 Gross amounts from unrelated business activities (attach schedule)					
5 Gain from sale of assets, excluding inventory items (attach schedule) . . . . .					
6 Investment income (see page 3 of the instructions)	50	30	20	10	110
7 Other revenue (attach schedule), . . . . .					
8 Total revenue (add lines 1 through 7) . . . . .	7,550	4,000	3,000	2,000	12,000
<b>Expenses</b>					
9 Expenses attributable to activities related to the organization's exempt purposes, . . . . .	3,000	4,000	3,000	2,000	12,000
10 Expenses attributable to unrelated business activities					
11 Contributions, gifts, grants, and similar amounts paid (attach schedule), . . . . .	1,000	500			1,500
12 Disbursements to or for the benefit of members (attach schedule)					
13 Compensation of officers, directors, and trustees (attach schedule)					
14 Other salaries and wages, . . . . .					
15 Interest . . . . .					
16 Occupancy . . . . .					
17 Depreciation and depletion . . . . .					
18 Other expenses (attach schedule) . . . . .	1,000	1,000	1,000	500	3,500
19 Total expenses (add lines 9 through 18) . . . . .	5,000	5,500	4,000	2,500	17,000
20 Excess of revenue over expenses (line 8 minus line 19) . . . . .	2,550	2,030	2,020	2,510	9,110

**B. Balance Sheet (at the end of the period shown)**

Assets		Current Tax Year as of mm/dd/yy
1 Cash . . . . .		1 4,000
2 Accounts receivable, net . . . . .		2 500
3 Inventories . . . . .		3
4 Bonds and notes receivable (attach schedule)		4
5 Corporate stocks (attach schedule), . . . . .		5
6 Mortgage loans (attach schedule) . . . . .		6
7 Other investments (attach schedule) . . . . .		7
8 Depreciable and depletable assets (attach schedule)		8
9 Land . . . . .		9
10 Other assets (attach schedule) . . . . .		10
11 <b>Total assets</b> . . . . .		11 4,500
<b>Liabilities</b>		
12 Accounts payable . . . . .		12 1,000
13 Contributions, gifts, grants, etc., payable . . . . .		13
14 Mortgages and notes payable (attach schedule)		14
15 Other liabilities (attach schedule) . . . . .		15
16 <b>Total liabilities</b> , . . . . .		16 1,000
<b>Fund Balances or Net Assets</b>		
17 Total fund balances or net assets . . . . .		17 3,500
18 <b>Total liabilities and fund balances or net assets</b> (add line 16 and line 17)		18 4,500

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation.  ▶

**Part IV. Notice Requirements (Sections 501(c)(9) and 501(c)(17) Organizations Only)**

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**1** Section 501(c)(9) and 501(c)(17) organizations:

Are you filing Form 1024 within 15 months from the end of the month in which the organization was created or formed as required by section 505(c)? . . . . .  **Yes**  **No**

If "Yes," skip the rest of this Part.

If "No," answer question 2.

---

**2** If you answer "No" to question 1, are you filing Form 1024 within 27 months from the end of the month in which the organization was created or formed? . . . . .  **Yes**  **No**

If "Yes," your organization qualifies under Regulation section 301.9100-2 for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 3 and 4.

If "No," answer question 3.

---

**3** If you answer "No" to question 2, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3? . . . . .  **Yes**  **No**

If "Yes," give the reasons for not filing this application within the 27-month period described in question 2. See Specific Instructions, Part IV, Line 3, page 4, before completing this item. Do not answer question 4.

If "No," answer question 4.

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**4** If you answer "No" to question 3, your organization's qualification as a section 501(c)(9) or 501(c)(17) organization can be recognized only from the date this application is filed. Therefore, does the organization want us to consider its application as a request for recognition of exemption as a section 501(c)(9) or 501(c)(17) organization from the date the application is received and not retroactively to the date the organization was created or formed? . . . . .  **Yes**  **No**

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**Schedule C** **Organizations described in section 501(c)(5) (Labor, agricultural, including fishermen's organizations, or horticultural organizations) or section 501(c)(6) (business leagues, chambers of commerce, etc.)**

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- 1** Describe any services the organization performs for members or others. (If the description of the services is contained in Part II of the application, enter the page and item number here.)

**Described in Part II**

- 
- 2** Fishermen's organizations only.—What kinds of aquatic resources (not including mineral) are cultivated or harvested by those eligible for membership in the organization?

**Not Applicable**

- 
- 3** Labor organizations only.—Is the organization organized under the terms of a collective bargaining agreement? . . .  **Yes**  **No**

If "Yes," attach a copy of the latest agreement.

**Not applicable**

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# Procedural Checklist

## Make sure the application is complete.

If you do not complete all applicable parts or do not provide all required attachments, we may return the incomplete application for the organization to resubmit with the missing information or attachments. This will delay the processing of the application and may delay the effective date of your organization's exempt status. The organization may also incur additional user fees.

### Have you . . .

- \_\_\_\_\_ Attached **Form 8718** (User Fee for Exempt Organization Determination Letter Request) and the appropriate fee?
- \_\_\_\_\_ Prepared the application for mailing? (See **Where To File** addresses in Form 8718.)
- \_\_\_\_\_ Completed all Parts and Schedules that apply to the organization?
- \_\_\_\_\_ Shown your organization's **Employer Identification Number (EIN)**?
  - a. If your organization has an EIN, write it in the space provided.
  - b. If this is a newly formed organization and does not have an Employer Identification Number, obtain an EIN by telephone. (See Specific Instructions, Part I, Line 2, on page 2.)
- \_\_\_\_\_ If applicable, described your organization's **specific activities** as directed in Part II, question 1 of the application?
- \_\_\_\_\_ Included a **conformed copy** of the complete organizing instrument? (Part I, question 8 of the application.)
- \_\_\_\_\_ Had the application signed by one of the following:
  - a. An officer or trustee who is authorized to sign (e.g., president, treasurer); **or**
  - b. A person authorized by a power of attorney (submit Form 2848 or other power of attorney)?
- \_\_\_\_\_ If applicable, enclosed **financial statements** (Part III)?
  - a. Current year (must include period up to within 60 days of the date the application is filed) and 3 preceding years.
  - b. Detailed breakdown of revenue and expenses (no lump sums).
  - c. If the organization has been in existence less than 1 year, it must also submit proposed budgets for 2 years showing the amounts and types of receipts and expenditures anticipated.

**Note:** *During the technical review of a completed application, it may be necessary to contact the organization for more specific or additional information.*

**Do not send this checklist with the application.**

# User Fee for Exempt Organization Determination Letter Request

➤ **Attach this form to determination letter application.  
 (Form 8718 is NOT a determination letter application.)**

<b>For IRS Use Only</b>	OMB No. 1545-1798
	Control number _____
	Amount paid _____
	User fee screener _____

1 Name of organization	2 Employer Identification Number <b>xx ; XXXXXXX</b>
------------------------	---

**Caution:** Do not attach Form 8718 to an application for a pension plan determination letter. Use Form 8717 instead.

**3 Type of request** **Fee**

- a  Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging not more than \$10,000 during the preceding 4 years, or
  - A new organization that anticipates gross receipts averaging not more than \$10,000 during its first 4 years ▶ \$150
- Note:** If you checked box 3a, you must complete the Certification below.

### Certification

I certify that the annual gross receipts of \_\_\_\_\_  
name of organization

have averaged (or are expected to average) not more than \$10,000 during the preceding 4 (or the first 4) years of operation.

Signature ▶ \_\_\_\_\_ Title ▶ \_\_\_\_\_

- b  Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging more than \$10,000 during the preceding 4 years or
  - A new organization that anticipates gross receipts averaging more than \$10,000 during its first 4 years ▶ \$500
- c  Group exemption letters ▶ \$500

## Instructions

The law requires payment of a user fee with each application for a determination letter. The user fees are listed on line 3 above. For more information, see Rev. Proc. 2003-8, 2003-1, I.R.B. 236, or latest annual update.

Check the box or boxes on line 3 for the type of application you are submitting. If you check box 3a, you must complete and sign the certification statement that appears under line 3a.

Attach to Form 8718 a check or money order payable to the "United States Treasury" for the full amount of the user fee. If you do not include the full amount, your application will be returned. Attach Form 8718 to your determination letter application.

Generally, the user fee will be refunded only if the Internal Revenue Service declines to issue a determination.

## Where To File

Send the determination letter application and Form 8718 to:

Internal Revenue Service  
 P.O. Box 192  
 Covington, KY 41012-0192

If you are using express mail or a delivery service, send the application and Form 8718 to:

Internal Revenue Service  
 201 West Rivercenter Blvd.  
 Attn: Extracting Stop 312  
 Covington, KY 41011

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you want your organization to be recognized as tax-exempt by the IRS, you are required to give us this information. We need it to determine whether the organization meets the legal requirements for tax-exempt status.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of Form 8718 are covered in Code section 6104.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is 5 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Products Coordinating Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send this form to this address. Instead, see **Where To File** above.

Attach Check or Money Order Here



Short Form

OMB No. 1545-1150

Form 990-EZ

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2003

Open to Public Inspection

Department of the Treasury Internal Revenue Service

For organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at the end of the year. The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2003 calendar year, or tax year beginning, 2003, and ending, 20

B Check if applicable:

- Address change
Name change
Initial return
Final return
Amended return
Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization: Chapter Name
Number and street (or P.O. box, if mail is not delivered to street address): 123 ABC Street
Room/suite:
City or town, state or country, and ZIP + 4: Anytown, USA 00000-0000

D Employer identification number: xx-xxxxxxx
E Telephone number: (xxx) xxx-xxxx
F Group Exemption Number: . . .

G Accounting method: Cash Accrual
Other (specify)

I Website: www.Your APICS name.com
J Organization type (check only one): 501(c) (6) (insert no.) 4947(a)(1) or 527

H Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

K Check if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Add lines 5b, 6b, and 7b, to line 9 to determine gross receipts; if \$100,000 or more, file Form 990 instead of Form 990-EZ. \$ 76,100

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 37 of the instructions.)

Table with 9 columns: Line number, Description, Sub-line, Amount, Total. Rows include Revenue (1-9), Expenses (10-17), and Net Assets (18-21).

Part II Balance Sheets—If Total assets on line 25, column (B) are \$250,000 or more, file Form 990 instead of Form 990-EZ.

Table with 3 columns: Line number, Description, (A) Beginning of year, (B) End of year. Rows include 22 Cash, savings, and investments; 23 Land and buildings; 24 Other assets; 25 Total assets; 26 Total liabilities; 27 Net assets or fund balances.

<b>Part III Statement of Program Service Accomplishments</b> (See page 41 of the instructions.)		<b>Expenses</b>
What is the organization's primary exempt purpose? <b>Education and Professional Development</b>		(Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; optional for others.)
Describe what was achieved in carrying out the organization's exempt purposes. In a clear and concise manner, describe the services provided, the number of persons benefited, or other relevant information for each program title.		
<b>28</b>	<b>Workshops - bi-monthly educational program with a variety of speakers presenting topics on specific areas of business interest. Average of 40 people attend each workshop.</b> (Grants \$ _____)	<b>28a</b>
<b>29</b>	<b>Dinner Meetings - Monthly networking meetings with a speaker presentation on industry topics. Average 70 people attend each dinner.</b> (Grants \$ _____)	<b>29a</b>
<b>30</b>	..... (Grants \$ _____)	<b>30a</b>
<b>31</b>	Other program services (attach schedule) . . . . . (Grants \$ _____)	<b>31a</b>
<b>32</b>	<b>Total program service expenses</b> (add lines 28a through 31a) . . . . . <input type="checkbox"/>	<b>32</b>

<b>Part IV List of Officers, Directors, Trustees, and Key Employees</b> (List each one even if not compensated. See page 41 of the instructions.)				
(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
<b>President Name</b> Address	<b>President (Part-Time)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Vice President Name</b> Address	<b>Vice President (PT)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Board of Directors Names</b> Address(es)	<b>Board Member (PT)</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Part V Other Information</b> (Note the attachment requirement in General Instruction V, page 14.)		Yes	No
<b>33</b>	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity		<input checked="" type="checkbox"/>
<b>34</b>	Were any changes made to the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.		<input checked="" type="checkbox"/>
<b>35</b>	If the organization had income from business activities, such as those reported on lines 2, 6, and 7 (among others), but <b>not</b> reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T.		
<b>a</b>	Did the organization have unrelated business gross income of \$1,000 or more or 6033(e) notice, reporting, and proxy tax requirements?		<input checked="" type="checkbox"/>
<b>b</b>	If "Yes," has it filed a tax return on <b>Form 990-T</b> for this year? . . . . .		<input checked="" type="checkbox"/>
<b>36</b>	Was there a liquidation, dissolution, termination, or substantial contraction during the year? (If "Yes," attach a statement.)		<input checked="" type="checkbox"/>
<b>37a</b>	Enter amount of political expenditures, direct or indirect, as described in the instructions. <input type="checkbox"/> <b>37a</b> _____ <b>0</b>		
<b>b</b>	Did the organization file <b>Form 1120-POL</b> for this year? . . . . .		
<b>38a</b>	Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee <b>or</b> were any such loans made in a prior year and still unpaid at the start of the period covered by this return? . . . . .		<input checked="" type="checkbox"/>
<b>b</b>	If "Yes," attach the schedule specified in the line 38 instructions and enter the amount involved. <b>38b</b> _____ <b>N/A</b>		
<b>39</b>	<b>501(c)(7) organizations.</b> Enter: <b>a</b> Initiation fees and capital contributions included on line 9 <b>39a</b> _____ <b>N/A</b>		
<b>b</b>	Gross receipts, included on line 9, for public use of club facilities <b>39b</b> _____ <b>N/A</b>		
<b>40a</b>	<b>501(c)(3) organizations.</b> Enter: Amount of tax imposed on the organization during the year under: section 4911 <input type="checkbox"/> <b>N/A</b> ; section 4912 <input type="checkbox"/> <b>N/A</b> ; section 4955 <input type="checkbox"/> <b>N/A</b>		
<b>b</b>	<b>501(c)(3) and (4) organizations.</b> Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach an explanation. . . . .		<b>N/A</b>
<b>c</b>	Amount of tax imposed on organization managers or disqualified persons during the year under 4912, 4955, and 4958 <input type="checkbox"/> _____ <b>N/A</b>		<b>N/A</b>
<b>d</b>	Enter: Amount of tax on line 40c, above, reimbursed by the organization <input type="checkbox"/> _____ <b>N/A</b>		<b>N/A</b>
<b>41</b>	List the states with which a copy of this return is filed. <input type="checkbox"/> <b>Check if State where located requires return copy</b>		
<b>42</b>	The books are in care of <input type="checkbox"/> <b>Chapter Name</b> . . . . . Telephone no. <input type="checkbox"/> ( <b>xxx</b> ) <b>xxx-xxxx</b> Located at <input type="checkbox"/> <b>123 ABC Street, Anytown, USA</b> . . . . . ZIP + 4 <input type="checkbox"/> <b>00000-0000</b>		
<b>43</b>	<b>Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of Form 1041</b> —Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year . . . . . <input type="checkbox"/> <b>43</b> _____ <b>N/A</b>		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

<b>Please Sign Here</b>	<input type="checkbox"/> Signature of officer _____ Date _____
	<input type="checkbox"/> <b>Officer Name</b> _____ Type or print name and title.
<b>Paid Preparer's Use Only</b>	Preparer's signature <input type="checkbox"/> _____ Date _____ Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP + 4 <input type="checkbox"/> <b>Consider having return reviewed by qualified accountant before filing.</b> EIN <input type="checkbox"/> _____ Phone no. <input type="checkbox"/> ( ) _____



# Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

**2003**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

**A For the 2003 calendar year, or tax year beginning** , 2003, and ending , 20

<p><b>B</b> Check if applicable:</p> <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<p>Please use IRS label or print or type. See Specific Instructions.</p>	<p><b>C</b> Name of organization <b>Chapter Name</b></p> <p>Number and street (or P.O. box if mail is not delivered to street address) Room/suite <b>123 ABC Street</b></p> <p>City or town, state or country, and ZIP + 4 <b>Anytown, USA 00000-0000</b></p>	<p><b>D</b> Employer identification number <b>XX-XXXXXXX</b></p> <p><b>E</b> Telephone number ( <b>XXX</b> ) <b>XXX-XXXX</b></p> <p><b>F</b> Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____</p>
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**H and I are not applicable to section 527 organizations.**  
**H(a)** Is this a group return for affiliates?  Yes  No  
**H(b)** If "Yes," enter number of affiliates \_\_\_\_\_  
**H(c)** Are all affiliates included?  Yes  No (If "No," attach a list. See instructions.)  
**H(d)** Is this a separate return filed by an organization covered by a group ruling?  Yes  No

**G Website:** [www.Your APICS name.com](http://www.Your APICS name.com)

**J Organization type** (check only one)  501(c) ( **6** )  (insert no.)  4947(a)(1) or  527

**K** Check here  if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. **Some states require a complete return.**

**I** Group Exemption Number \_\_\_\_\_

**M** Check  if the organization is **not** required to attach Sch. B (Form 990, 990-EZ, or 990-PF).



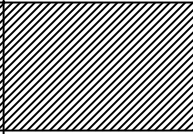
**L** Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 \_\_\_\_\_

**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances** (See page 18 of the instructions.)

	<p><b>1</b> Contributions, gifts, grants, and similar amounts received:</p> <p><b>a</b> Direct public support . . . . . <b>1a</b></p> <p><b>b</b> Indirect public support . . . . . <b>1b</b></p> <p><b>c</b> Government contributions (grants) . . . . . <b>1c</b></p> <p><b>d Total</b> (add lines 1a through 1c) (cash \$ _____ noncash \$ _____ ) <b>1d</b></p> <p><b>2</b> Program service revenue including government fees and contracts (from Part VII, line 93) <b>2</b> <span style="float:right"><b>65,000</b></span></p> <p><b>3</b> Membership dues and assessments . . . . . <b>3</b> <span style="float:right"><b>70,000</b></span></p> <p><b>4</b> Interest on savings and temporary cash investments . . . . . <b>4</b> <span style="float:right"><b>500</b></span></p> <p><b>5</b> Dividends and interest from securities . . . . . <b>5</b></p> <p><b>6a</b> Gross rents . . . . . <b>6a</b></p> <p><b>b</b> Less: rental expenses . . . . . <b>6b</b></p> <p><b>c</b> Net rental income or (loss) (subtract line 6b from line 6a) . . . . . <b>6c</b></p> <p><b>7</b> Other investment income (describe _____ ) <b>7</b></p> <p><b>8a</b> Gross amount from sales of assets other than inventory . . . . . <b>8a</b></p> <p><b>b</b> Less: cost or other basis and sales expenses . . . . . <b>8b</b></p> <p><b>c</b> Gain or (loss) (attach schedule) . . . . . <b>8c</b></p> <p><b>d</b> Net gain or (loss) (combine line 8c, columns (A) and (B)) . . . . . <b>8d</b></p> <p><b>9</b> Special events and activities (attach schedule). If any amount is from <b>gaming</b>, check here <input type="checkbox"/></p> <p><b>a</b> Gross revenue (not including \$ _____ of contributions reported on line 1a) . . . . . <b>9a</b> <span style="float:right"><b>80,000</b></span></p> <p><b>b</b> Less: direct expenses other than fundraising expenses . . . . . <b>9b</b> <span style="float:right"><b>70,000</b></span></p> <p><b>c</b> Net income or (loss) from special events (subtract line 9b from line 9a) . . . . . <b>9c</b> <span style="float:right"><b>10,000</b></span></p> <p><b>10a</b> Gross sales of inventory, less returns and allowances . . . . . <b>10a</b></p> <p><b>b</b> Less: cost of goods sold . . . . . <b>10b</b></p> <p><b>c</b> Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) . . . . . <b>10c</b></p> <p><b>11</b> Other revenue (from Part VII, line 103) . . . . . <b>11</b></p> <p><b>12 Total revenue</b> (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) . . . . . <b>12</b> <span style="float:right"><b>145,000</b></span></p>		
Revenue			
Expenses	<p><b>13</b> Program services (from line 44, column (B)) . . . . . <b>13</b></p> <p><b>14</b> Management and general (from line 44, column (C)) . . . . . <b>14</b></p> <p><b>15</b> Fundraising (from line 44, column (D)) . . . . . <b>15</b></p> <p><b>16</b> Payments to affiliates (attach schedule) . . . . . <b>16</b></p> <p><b>17 Total expenses</b> (add lines 16 and 44, column (A)) . . . . . <b>17</b> <span style="float:right"><b>128,000</b></span></p>		
Net Assets	<p><b>18</b> Excess or (deficit) for the year (subtract line 17 from line 12) . . . . . <b>18</b> <span style="float:right"><b>17,500</b></span></p> <p><b>19</b> Net assets or fund balances at beginning of year (from line 73, column (A)) . . . . . <b>19</b> <span style="float:right"><b>45,000</b></span></p> <p><b>20</b> Other changes in net assets or fund balances (attach explanation) . . . . . <b>20</b></p> <p><b>21</b> Net assets or fund balances at end of year (combine lines 18, 19, and 20) . . . . . <b>21</b> <span style="float:right"><b>62,500</b></span></p>		

**Part II Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See page 22 of the instructions.)

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>			(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) . . . . . (cash \$ _____ noncash \$ _____)	22	2,000			
23	Specific assistance to individuals (attach schedule)	23				
24	Benefits paid to or for members (attach schedule).	24				
25	Compensation of officers, directors, etc. . . . .	25				
26	Other salaries and wages . . . . .	26				
27	Pension plan contributions . . . . .	27				
28	Other employee benefits . . . . .	28				
29	Payroll taxes . . . . .	29				
30	Professional fundraising fees . . . . .	30				
31	Accounting fees . . . . .	31	1,000			
32	Legal fees . . . . .	32	500			
33	Supplies . . . . .	33	2,500			
34	Telephone . . . . .	34	5,000			
35	Postage and shipping . . . . .	35	10,000			
36	Occupancy . . . . .	36				
37	Equipment rental and maintenance . . . . .	37				
38	Printing and publications . . . . .	38	12,000			
39	Travel . . . . .	39	5,000			
40	Conferences, conventions, and meetings . . . . .	40	30,000			
41	Interest . . . . .	41				
42	Depreciation, depletion, etc. (attach schedule)	42				
43	Other expenses not covered above (itemize): a .....	43a	5,000			
b	.....	43b	55,000			
c	.....	43c				
d	.....	43d				
e	.....	43e				
44	<b>Total functional expenses</b> (add lines 22 through 43). <i>Organizations completing columns (B)-(D), carry these totals to lines 13-15 .</i>	44	128,000			

**Joint Costs.** Check   if you are following SOP 98-2.  
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? .   Yes  No  
 If "Yes," enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_; (ii) the amount allocated to Program services \$ \_\_\_\_\_; (iii) the amount allocated to Management and general \$ \_\_\_\_\_; and (iv) the amount allocated to Fundraising \$ \_\_\_\_\_

**Part III Statement of Program Service Accomplishments** (See page 25 of the instructions.)

What is the organization's primary exempt purpose? <input checked="" type="checkbox"/> <b>Education and Professional Development</b>		Program Service Expenses
<small>(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)</small>		
a	<b>Education and Training - Provision of technical presentation for the educational advancement of professionals in the industry. Approximately 300 individuals attended programs during the year.</b> ..... (Grants and allocations \$ _____)	
b	<b>Dinner Meetings - Provide opportunity for professionals to share expertise and network in the industry. Held monthly, dinner meetings attract an average of 70 attendees each.</b> ..... (Grants and allocations \$ _____)	
c	<b>Membership Publicity - Promotional activities in support membership development enhance awareness of educational programs, networking, and technical publications available to industry professionals.</b> ..... (Grants and allocations \$ _____)	
d	..... ..... (Grants and allocations \$ _____)	
e	Other program services (attach schedule) (Grants and allocations \$ _____)	
f	<b>Total of Program Service Expenses</b> (should equal line 44, column (B), Program services) . . . . . <input checked="" type="checkbox"/>	

**Part IV Balance Sheets** (See page 25 of the instructions.)

		<b>Note:</b> Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.		(A) Beginning of year		(B) End of year
<b>Assets</b>	<b>45</b>	Cash—non-interest-bearing . . . . .		<b>5,000</b>	<b>45</b>	<b>7,000</b>
	<b>46</b>	Savings and temporary cash investments . . . . .		<b>45,000</b>	<b>46</b>	<b>55,000</b>
	<b>47a</b>	Accounts receivable . . . . .	<b>3,000</b>			
	<b>b</b>	Less: allowance for doubtful accounts . . . . .		<b>2,000</b>	<b>47c</b>	<b>3,000</b>
	<b>48a</b>	Pledges receivable . . . . .				
	<b>b</b>	Less: allowance for doubtful accounts . . . . .			<b>48c</b>	
	<b>49</b>	Grants receivable . . . . .			<b>49</b>	
	<b>50</b>	Receivables from officers, directors, trustees, and key employees (attach schedule) . . . . .			<b>50</b>	
	<b>51a</b>	Other notes and loans receivable (attach schedule). . . . .				
	<b>b</b>	Less: allowance for doubtful accounts . . . . .			<b>51c</b>	
	<b>52</b>	Inventories for sale or use . . . . .			<b>52</b>	
	<b>53</b>	Prepaid expenses and deferred charges . . . . .		<b>3,000</b>	<b>53</b>	<b>2,500</b>
	<b>54</b>	Investments—securities (attach schedule). . . . .	<input checked="" type="checkbox"/> Cost <input type="checkbox"/> FMV		<b>54</b>	
	<b>55a</b>	Investments—land, buildings, and equipment: basis . . . . .				
<b>b</b>	Less: accumulated depreciation (attach schedule). . . . .			<b>55c</b>		
<b>56</b>	Investments—other (attach schedule) . . . . .			<b>56</b>		
<b>57a</b>	Land, buildings, and equipment: basis . . . . .					
<b>b</b>	Less: accumulated depreciation (attach schedule). . . . .			<b>57c</b>		
<b>58</b>	Other assets (describe <input checked="" type="checkbox"/> _____ )			<b>58</b>		
<b>59</b>	<b>Total assets</b> (add lines 45 through 58) (must equal line 74) . . . . .			<b>55,000</b>	<b>59</b>	<b>67,500</b>
<b>Liabilities</b>	<b>60</b>	Accounts payable and accrued expenses . . . . .			<b>60</b>	<b>5,000</b>
	<b>61</b>	Grants payable . . . . .			<b>61</b>	
	<b>62</b>	Deferred revenue . . . . .			<b>62</b>	
	<b>63</b>	Loans from officers, directors, trustees, and key employees (attach schedule). . . . .				
	<b>64a</b>	Tax-exempt bond liabilities (attach schedule) . . . . .			<b>64a</b>	
	<b>b</b>	Mortgages and other notes payable (attach schedule) . . . . .			<b>64b</b>	
	<b>65</b>	Other liabilities (describe <input checked="" type="checkbox"/> _____ )			<b>65</b>	
<b>66</b>	<b>Total liabilities</b> (add lines 60 through 65) . . . . .			<b>10,000</b>	<b>66</b>	<b>5,000</b>
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.</b>					
	<b>67</b>	Unrestricted . . . . .			<b>67</b>	
	<b>68</b>	Temporarily restricted . . . . .			<b>68</b>	
	<b>69</b>	Permanently restricted . . . . .			<b>69</b>	
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.</b>					
	<b>70</b>	Capital stock, trust principal, or current funds . . . . .			<b>70</b>	
	<b>71</b>	Paid-in or capital surplus, or land, building, and equipment fund . . . . .			<b>71</b>	
	<b>72</b>	Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>45,000</b>	<b>72</b>	<b>62,500</b>
<b>73</b>	<b>Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72; column (A) <b>must</b> equal line 19; column (B) <b>must</b> equal line 21). . . . .			<b>45,000</b>	<b>73</b>	<b>62,500</b>
<b>74</b>	<b>Total liabilities and net assets / fund balances</b> (add lines 66 and 73)			<b>55,000</b>	<b>74</b>	<b>67,500</b>

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

**Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return** (See page 27 of the instructions.)

<b>a</b> Total revenue, gains, and other support per audited financial statements . . . <input type="checkbox"/>	<b>a</b>			
<b>b</b> Amounts included on line <b>a</b> but not on line 12, Form 990:				
<b>(1)</b> Net unrealized gains on investments . . . \$ _____				
<b>(2)</b> Donated services and use of facilities \$ _____				
<b>(3)</b> Recoveries of prior year grants . . . \$ _____				
<b>(4)</b> Other (specify): ..... ..... \$ _____				
Add amounts on lines <b>(1)</b> through <b>(4)</b> <input type="checkbox"/>	<b>b</b>			
<b>c</b> Line <b>a</b> minus line <b>b</b> . . . . . <input type="checkbox"/>	<b>c</b>			
<b>d</b> Amounts included on line 12, Form 990 but not on line <b>a</b> :				
<b>(1)</b> Investment expenses not included on line 6b, Form 990 . . . \$ _____				
<b>(2)</b> Other (specify): ..... ..... \$ _____				
Add amounts on lines <b>(1)</b> and <b>(2)</b> <input type="checkbox"/>	<b>d</b>			
<b>e</b> Total revenue per line 12, Form 990 (line <b>c</b> plus line <b>d</b> ) . . . . . <input type="checkbox"/>	<b>e</b>			

**Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return**

<b>a</b> Total expenses and losses per audited financial statements . . . <input type="checkbox"/>	<b>a</b>			
<b>b</b> Amounts included on line <b>a</b> but not on line 17, Form 990:				
<b>(1)</b> Donated services and use of facilities \$ _____				
<b>(2)</b> Prior year adjustments reported on line 20, Form 990 . . . . . \$ _____				
<b>(3)</b> Losses reported on line 20, Form 990 . . . \$ _____				
<b>(4)</b> Other (specify): ..... ..... \$ _____				
Add amounts on lines <b>(1)</b> through <b>(4)</b> <input type="checkbox"/>	<b>b</b>			
<b>c</b> Line <b>a</b> minus line <b>b</b> . . . . . <input type="checkbox"/>	<b>c</b>			
<b>d</b> Amounts included on line 17, Form 990 but not on line <b>a</b> :				
<b>(1)</b> Investment expenses not included on line 6b, Form 990. . . \$ _____				
<b>(2)</b> Other (specify): ..... ..... \$ _____				
Add amounts on lines <b>(1)</b> and <b>(2)</b> <input type="checkbox"/>	<b>d</b>			
<b>e</b> Total expenses per line 17, Form 990 (line <b>c</b> plus line <b>d</b> ) . . . . . <input type="checkbox"/>	<b>e</b>			

**Part V List of Officers, Directors, Trustees, and Key Employees** (List each one even if not compensated; see page 27 of the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
<b>President Name</b> .....	<b>President 10</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Address</b> .....				
<b>Vice President Name</b> .....	<b>Vice President 5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Address</b> .....				
<b>Treasurer Name</b> .....	<b>Treasurer 10</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Address</b> .....				
<b>Secretary Name</b> .....	<b>Secretary 5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Address</b> .....				
<b>Board of Directors Names</b> .....	<b>Board Members 2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Addresses</b> .....				
.....				
.....				
.....				
.....				
.....				

**75** Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations?  Yes  No  
If "Yes," attach schedule—see page 28 of the instructions.

Part VI Other Information (See page 28 of the instructions.)

76 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity. 77 Were any changes made in the organizing or governing documents but not reported to the IRS? 78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? 78b If "Yes," has it filed a tax return on Form 990-T for this year? 79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? 80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? 80b If "Yes," enter the name of the organization and check whether it is exempt or nonexempt. 81a Enter direct and indirect political expenditures. See line 81 instructions. 81b Did the organization file Form 1120-POL for this year? 82a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? 82b If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) 83a Did the organization comply with the public inspection requirements for returns and exemption applications? 83b Did the organization comply with the disclosure requirements relating to quid pro quo contributions? 84a Did the organization solicit any contributions or gifts that were not tax deductible? 84b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? 85 501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members? b Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year. c Dues, assessments, and similar amounts from members. d Section 162(e) lobbying and political expenditures. e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices. f Taxable amount of lobbying and political expenditures (line 85d less 85e). g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? 86 501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12. b Gross receipts, included on line 12, for public use of club facilities. 87 501(c)(12) orgs. Enter: a Gross income from members or shareholders. b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) 88 At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX. 89a 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911; section 4912; section 4955. b 501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction. c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958. d Enter: Amount of tax on line 89c, above, reimbursed by the organization. 90a List the states with which a copy of this return is filed. Check if State where located requires return copy. b Number of employees employed in the pay period that includes March 12, 2003 (See instructions.) 91 The books are in care of Chapter Name Telephone no. Located at 123 ABC Street, Anytown, USA ZIP + 4 92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041—Check here and enter the amount of tax-exempt interest received or accrued during the tax year.

**Part VII Analysis of Income-Producing Activities** (See page 33 of the instructions.)

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
<b>93</b> Program service revenue:					
<b>a</b> <b>Chapter Dinner Meetings</b>					<b>20,000</b>
<b>b</b> <b>Educational Programs</b>					<b>45,000</b>
<b>c</b>					
<b>d</b>					
<b>e</b>					
<b>f</b> Medicare/Medicaid payments . . . . .					
<b>g</b> Fees and contracts from government agencies					
<b>94</b> Membership dues and assessments . . . . .					
<b>95</b> Interest on savings and temporary cash investments			<b>14</b>	<b>500</b>	
<b>96</b> Dividends and interest from securities . . . . .					
<b>97</b> Net rental income or (loss) from real estate:					
<b>a</b> debt-financed property . . . . .					
<b>b</b> not debt-financed property . . . . .					
<b>98</b> Net rental income or (loss) from personal property			<b>01</b>	<b>10,000</b>	
<b>99</b> Other investment income . . . . .					
<b>100</b> Gain or (loss) from sales of assets other than inventory					
<b>101</b> Net income or (loss) from special events . . . . .					
<b>102</b> Gross profit or (loss) from sales of inventory . . . . .					
<b>103</b> Other revenue: <b>a</b> _____					
<b>b</b> _____					
<b>c</b> _____					
<b>d</b> _____					
<b>e</b> _____					
<b>104</b> Subtotal (add columns (B), (D), and (E)) . . . . .				<b>10,500</b>	<b>135,000</b>
<b>105</b> <b>Total</b> (add line 104, columns (B), (D), and (E)). . . . .					<b>145,500</b>

**Note:** Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
<b>93a</b>	<b>Dinner meetings provide an opportunity for professionals to share industry interest and expertise.</b>
<b>93b</b>	<b>Workshops, seminars, and certification classes for the educational advancement of professionals in the industry.</b>
<b>94</b>	<b>Membership promotes awareness of educational programs, networking sessions, and technical publications for industry professionals.</b>

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 34 of the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  **Yes**  **No**  
 (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  **Yes**  **No**  
**Note:** If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Please Sign Here**

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_  
**Officer Name, Officer Title** \_\_\_\_\_  
 Type or print name and title.

**Paid Preparer's Use Only**

Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN or PTIN (See Gen. Inst. W) \_\_\_\_\_  
 Firm's name (or yours if self-employed), address, and ZIP + 4 \_\_\_\_\_ **Consider having return reviewed by qualified accountant before filing** EIN \_\_\_\_\_ Phone no. \_\_\_\_\_





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