

FINANCIAL GUIDELINES FOR SPSF AFFILIATES

There are standard financial management policies and procedures common to nonprofit organizations that ASPSF affiliates must follow. These policies provide your board of directors with an accurate picture of income and expense. Internal controls agreed upon by the board offer safeguards against any misunderstandings or discrepancies arising from the management of finances.

Certain decisions must be made when an affiliate is established or renewed. One of the most critical decision is whether the SPSF Board will establish itself as an independent, incorporated nonprofit organization with tax-exempt 501(c)3 status or seek fiscal sponsorship by such an entity. Without tax-exempt status, your organization may not solicit donations in the state of Arkansas, nor may your donors receive any tax benefits from their donations.

Other important factors to consider are included below. Some of these decisions may depend on fiscal sponsorship agreements:

- defining the SPSF's fiscal year;
- establishing a checking account at a local bank and selecting who may sign checks; It is recommended that two people are required to sign all checks.
- selecting an independent auditor;
- maintaining nonprofit, tax-exempt status;
- selecting a board treasurer and determining his/her duties;
- establishing a repository for all financial materials;
- establishing policies that clearly state the limitations on fund management, use and disbursement; and
- developing a working budget outlining anticipated income and expenses.

Once the above are completed, procedures appropriate to your scholarship fund can be determined. These include:

- the selection of computer software or other recordkeeping systems, with special attention given to safeguarding sensitive student information;
- the establishment of procedures concerning petty cash, including strict rules governing its use and a clear and careful system for recording its expenditure;
- the selection of a person to open mail and record all moneys received in a "cash receipts" journal; additionally, all checks received should be immediately endorsed "for deposit only";

- the selection of a trained individual to prepare all accounts payable and receivable;
- the selection of an additional individual, other than the one who handles the mail and deposits, to oversee and reconcile the bank account;
- the preparation of monthly reports to the board detailing expenses and revenues;
- a dedicated mail receptacle, preferably one that does not change when board leadership changes; and
- mode(s) of communication that do not change as leadership changes, such as a dedicated SPSF email account, telephone and/or fax.

Each affiliate should begin planning a budget and organizing fundraising activities prior to the beginning of each fiscal year. While preparing the budget, the board president should maintain a close channel of communication with both the finance and fundraising committees. Input from both is essential.

If an ASPSF affiliate is handling money for the first time and does not have a fiscal recordkeeping system in place, we highly recommend that a qualified, experienced accountant or bookkeeper be engaged to assist in setting up and training members on such a system.

REVENUE CONTROLS

Internal controls help insure the reliability of accounting data and promote operational efficiency. ASPSF recommends segregation of duties, which reduces the chance of loss or theft of money. The following revenue controls are suggested:

- One person (other than the person recording the deposit in the checkbook or accounting program) should be designated to collect and deposit funds;
- All checks received should immediately be endorsed “For Deposit Only to the Account of (name of affiliate).” Each donation for deposit should be recorded on a deposit slip, along with the name of the donor or payee. The deposit slip should be prepared in duplicate or photocopied, along with the items being deposited. The deposit should be delivered in a timely manner to the bank.
- One copy of the deposit should be retained by the Treasurer as a control.
- Cash collected at events should be counted by a person other than the one who collects the money and deposited immediately, with deposit slips prepared in duplicate; and
- No expenses should be paid out of cash collected at the event. A separate petty cash account should be maintained, if necessary, and all payments out of petty cash must be accompanied by a verifying receipt.

We have included an SPSF Affiliate's Accounting Procedures as an example to further guide you through the delegation of financial tasks within your Affiliate. You can find it on page 3-5 of this section.

AUDIT

Every nonprofit organization handling money should be audited on an annual basis by an independent auditor. The resulting document should be available to board members, donors, and others requesting proof that your funds are managed well. Audits vary in their complexity so if you are in the beginning stages of developing your scholarship fund, your audit should be fairly simple and brief. The more money you handle and the more varied the sources of the money, the lengthier your audit will be.

Please remember that there are many experienced bookkeepers and accountants who are willing to volunteer with nonprofit organizations and lend their expertise for our fiscal recordkeeping needs. Finding such a volunteer will add much needed human resources to your efforts and reduce or eliminate the cost of paying for expensive services.

IRS REGULATIONS

In order to provide tax exemptions for charitable contributions, nonprofits must apply to the Internal Revenue Service for public charity tax-exempt status. This status is also extremely important to donors such as private foundations that can only give to tax-exempt organizations. The ASPSF encourages its affiliates to partner with established nonprofits or public institutions that already have tax-exempt status. These organizations are accustomed to filing documents like the annual Form 990 with the IRS. If such a partnership is not possible and an affiliate does not already have its tax-exempt status in place, it may want to go through the process of applying for tax-exempt 501(c)3 status. This process requires filing fees paid to the local circuit court, the Arkansas Secretary of State, and finally to the IRS, along with the proper documents (articles of incorporation, bylaws, etc.). We encourage affiliates in this situation to contact a local attorney or CPA familiar with the process.

All nonprofits with tax-exempt status are required to annually file *Form 990* with the IRS. There is a short form, the *Form 990 E-Z*, for those organizations handling between \$25,000 and \$100,000 per year. Beginning in 2008, organizations handling less than \$25,000 are required to electronically file a *990-N* (commonly known as an e-postcard). Almost all IRS forms can be downloaded from the IRS website at <http://www.irs.ustreas.gov/formspubs/index.html>.

IMPORTANT: Because IRS filing rules and regulations change often, the above statements are only guidelines and should be verified by a knowledgeable tax professional.

REPORTING REQUIREMENTS FOR CHARITABLE ORGANIZATIONS

All charitable organizations soliciting financial support within Arkansas are required by Arkansas law to annually register with the State Attorney General (ACT 1198). Registration is free and requires a simple form to be completed and mailed. If an organization hires a professional fundraiser who takes a percentage of the proceeds as a fee or if your revenue is over \$500,000 per year, the reporting is more complicated. For more information, contact the Attorney General's office at (800) 482-8982 or at <http://www.ag.state.ar.us>.

DONOR CORRESPONDENCE

As of 2007, donors are not able to deduct cash contributions from their taxes without adequate supporting bank records or written correspondence from your organization. Each donor should promptly receive a letter written on your official stationery indicating the amount of the cash donation or best-guess estimate of the value of donated goods and services, the date it was received and the fact that it is tax deductible by virtue of your tax exempt status. It should also indicate if goods or services were given as a result of the contribution. For more information on IRS rules and regulations regarding tax-deductible contributions, visit <http://www.irs.gov/pub/irs-pdf/p526.pdf>.

BUDGETING

A budget should be viewed as a blueprint for expenditures. It is never exact and is not *meant* to be. It is, however, your very best guess concerning your financial need for the year, what financial resources will be available to you, and how you will spend it. ASPSF divides its budget into two distinct sections, income and expenses, in order to have a clear picture of our anticipated sources of income and ongoing expenses. As an organization with salaries to pay, an office to maintain, and quite a few expenditures to keep track of, ASPSF may differ from affiliates in the complexity of its budget. A sample budget is provided on page 3-6 of this section.

SAMPLE

SINGLE PARENT SCHOLARSHIP FUND OF PULASKI COUNTY OFFICE AND ACCOUNTING PROCEDURES

The following policies and procedures are designed to ensure the integrity of all funds received by Single Parent Scholarship Fund of Pulaski County (SPSF). Our goal is to act responsibly and in ways that are above reproach in all financial transactions of SPSF.

MAIL

1. The Receptionist date stamps all mail on the envelope. All mail is given to the Executive Director unopened, and he/she will record the date received.
2. Invoices are invoice stamped and dated when opened. (see Payables #1).
3. After the Executive Director reviews the invoices and bank statements, he/she gives them to the Bookkeeper to be processed.
 - a. Invoices are filed in the accounts payable folder until time for payment.
 - b. Checks are processed for deposit (see Receipts).

RECEIPTS

1. Stamp the back of the check with the SPSF endorsement stamp. Receipts should be deposited as soon as possible. Receipts not deposited are stored in the locked file cabinet.
2. Each donor check is entered into a database (Name, Address, Phone #, Purpose of Donation, Amount, and Date). Copies of all donor checks are kept in a separate binder.
3. Checks to be deposited are totaled on the adding machine and listed on a deposit slip.
4. Confirm the deposit by having a second person run an additional tape.
5. Enter the deposit into the receipts journal on Quicken.
6. Bookkeeper will create the monthly financial reports.

PAYABLES

1. Invoices are appropriately stamped when received (Date Received, Authorization to Pay, Check #, Date Paid, Amount).
2. The Executive Director signs off on each invoice.
3. Checks payable are written semi-monthly.
4. A check is written for each invoice and attached to the invoice. Check information is entered on the invoice stamp and on the check stub along with the date, name of payee, reason/invoice number, account number, and check amount.
5. Checks with the stamped invoice are given to the Executive Director to review and sign.
6. Two signatures are required on all checks over \$1,000.
7. The Executive Director or a member of the Executive Committee of the Board of Directors is required to sign all checks.
8. Copies of checks and invoices are made.
9. Office copies of invoices and checks are filed in the appropriate account file. One file each regular vendor is maintained and then consolidated after the year end audit.

PAYMENT REQUESTS BY STUDENTS

1. Bookkeeper will check student account balances upon request.
2. Payment requests are to be forwarded to the Case Manager for approval.
3. Payment on approved requests will be done on the 1st and 15th of the month.

Sample Budget for a Single Parent Scholarship Fund

Expense Item	2004 Budget	Actual	% of Budget
General Operating			
Awards Luncheon	\$600.00	\$553.50	92.25%
Board Expenses	\$900.00	\$909.08	101.01%
Equipment	\$1,000.00	\$850.87	85.09%
Evaluation	\$2,000.00	\$0.00	0.00%
Fundraising - General	\$300.00	\$3,058.95	1019.65%
Fundraising - Printing	\$0.00	\$0.00	N/A
Fundraising - Postage	\$200.00	\$507.84	253.92%
Legal/Professional Fees	\$500.00	\$225.00	45.00%
Marketing/PR	\$1,000.00	\$585.00	58.50%
Meal Expenses/Dues	\$500.00	\$718.64	143.73%
Office/Program Supplies	\$1,500.00	\$2,924.33	194.96%
Office Furnishings	\$75.00	\$390.28	520.37%
Other	\$820.57	\$555.57	67.71%
Postage	\$2,000.00	\$1,396.53	69.83%
Printing & Reproduction	\$1,200.00	\$449.30	37.44%
Space Cost	\$732.00	\$486.88	66.51%
Telephone	\$480.00	\$624.59	130.12%
Travel & Mileage; Training	\$1,250.00	\$1,340.95	107.28%
Subtotal	\$15,057.57	\$15,577.31	103.45%
Payroll Expenses			
Employee Benefits	\$4,271.00	\$3,687.72	86.34%
Salary	\$31,200.00	\$31,653.85	101.45%
Payroll Tax	\$2,500.00	\$2,458.67	98.35%
Subtotal	\$37,971.00	\$37,800.24	99.55%
Total Operating Budget	\$53,028.57	\$53,377.55	100.66%
Scholarships	\$125,000.00	\$113,649.38	90.92%
Grand Total	\$178,028.57	\$167,026.93	93.82%

FISCAL SPONSORSHIP MEMORANDUM OF UNDERSTANDING
BETWEEN

BOARD OF DIRECTORS OF THE SINGLE PARENT SCHOLARSHIP FUND OF
_____ **COUNTY**

AND

(Fiscal Sponsor)

The _____ County Single Parent Scholarship Fund Board, (or other name) known hereafter as __CSPSF and the _____, known hereafter as Fiscal Sponsor do hereby enter into this Memorandum of Understanding regarding fiscal policies and procedures.

Fiscal Guidelines and Procedures:

1. Invoices for payment of services will be submitted to __CSPSF Board Treasurer and reviewed by the Finance Committee. Responsibilities include:
 - 1a. verification of services provided
 - 2b. verification that services invoiced for have been rendered
2. Provided the invoice meets the requirement of __CSPSF, the Finance Committee will sign the invoices and recommended payment by the Fiscal Sponsor. The appropriate category that payment should be requested from will be indicated on the invoice before submission to the Fiscal Sponsor for payment. Approved invoices will be forwarded to the Fiscal Sponsor by the __CSPSF Board Treasurer for immediate payment.
3. Should an invoice require correction or total rejection by the __CSPSF Board Treasurer or the Finance Committee, the Treasurer will contact the Service Provider for resolution. Provided the issue is resolved, the invoice will be forwarded to the Fiscal Sponsor for recommended payment. If a resolution cannot be agreed upon, the __CSPSF Board will have the final decision.
4. The __CSPSF Board Treasurer will act as a resource person to the Fiscal Sponsor, providing assistance with any corrections or clarifications of invoices as appropriate.
5. Should the Fiscal Sponsor reject payment of any invoice, the invoice and a written explanation for rejection should be forwarded to the __CSPSF Board Treasurer.
6. The Fiscal Sponsor is required to review all invoiced expenditures submitted for payment to ensure they meet the requirements of the __CSPSF Board before authorizing payment. This is a checks and balance system to ensure all authorized payments are allowable as outlined in the By-Laws.

7. The __CSPSF account will be maintained by the Fiscal Sponsor. The Fiscal Sponsor's role will be to maintain accurate financial records and manage all accounts payable and receivable for __CSPSF. The Fiscal Sponsor will act as the contracting entity for the __CSPSF Board. The Fiscal Sponsor will be responsible for account reconciliation and general account management.
8. The Fiscal Sponsor must keep records that reflect precisely where all __CSPSF dollars are spent including a proper and complete audit trail. Generally accepted accounting principals and practices will be followed by the Fiscal Sponsor when administering __CSPSF monies.
9. The Fiscal Sponsor will make open the fiscal records of the __CSPSF to the general public upon request.
10. The Fiscal Sponsor will prepare a financial report and present it to the __CSPSF Board Treasurer on a monthly basis regarding expenditure, administrative costs, and financial status. The __CSPSF Board Treasurer will present this report to the __CSPSF Board at its regularly scheduled board meetings.
11. The Fiscal Sponsor may charge a bookkeeping fee of up to 5% of all local contributions and up to 5% of all matching funds awarded by Arkansas Single Parent Scholarship Fund. Details of such an arrangement should be included as an addendum to this Memorandum of Understanding.

Signature:

In Witness Whereof, the parties have signed this Agreement on this ____ day of

_____.

BY: _____
 Authorized Fiscal Sponsor Representative

BY: _____
 Single Parent Scholarship Fund Board Chairman

BY: _____
 Single Parent Scholarship Fund Board Treasurer