

Financial Information  
For  
Council and Affiliate Treasurers



Council and Affiliate Services Division  
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## Congratulations, Treasurer.

You hold an extremely important position. Through your efforts, council members will understand the organization's financial picture and the leadership team will rely on information you provide— about the size of the treasury, planned and actual income and expenditures, budget projections, losses and gains— that will assist it with strategic planning. Yours is a valuable administrative service, requiring commitment and responsibility.

IRA's Council and Affiliate Services Division prepared this guide to assist you with your responsibilities. The guide is organized into five parts, and each new part begins with a list of the essential elements and summary statements about the covered topics. Some examples from IRA and other nonprofit organizations are included for your guidance. Please note that the term "council" appears throughout this publication to refer to IRA-chartered organizations. For further information about IRA council types and structure, see Appendix F.

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## Thank you for your work on behalf of literacy!

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# FINANCIAL POLICIES AND PROCEDURES

## Responsibilities and Duties Bookkeeping Basics Budget Process Finance Committee

### **Essential Elements for Policies and Procedures**

This section acquaints you with the general duties and overall responsibilities of an IRA Council/Affiliate treasurer for managing finances and making fiscally responsible recommendations to the Council/Affiliate leadership. Your role as treasurer is vitally important to the council.

Council treasurer should

- Understand the scope of responsibilities regarding budget, financial management, and required reports
- Uphold policies and procedures consistent with generally accepted accounting practices
- Monitor income and expenses relative to the annual budget
- Use an expense system that includes receipts and multiple approvals for payments
- Maintain a system for bookkeeping that generates accurate reports and facilitates audits
- Contribute to budget planning

# Responsibilities and Duties

Council and affiliate treasurers promote strong financial management so that their organizations can support activities which affect literacy positively.

A treasurer may be expected to

- Enforce financial policies and procedures.
- Advise Board of its fiscal responsibility and promote financial literacy.
- Collect funds diligently.
- Keep timely and accurate records.
- Report regularly to Executive Committee and Board members.
- Present financial information clearly to Board members.
- Offer financial advice on budgeting and investing.
- Address the financial ramifications of budget decisions by an Executive Committee or Board of Directors.
- Provide oversight on uses of budget monies.
- Ensure whistleblower protection regarding financial matters.

## *Shared Responsibility*

Council finances are a responsibility shared among council leaders and the Board that require a system of checks and balances. Some IRA councils divide the treasurer’s responsibilities between two people, with one focusing on budget oversight and guidance, while the other signs checks and keeps the books. In other councils, the president becomes part of the checks and balances system, approving expenditures and authorizing payment before the treasurer may complete the process.

## *Treasurer’s Checklist*

Following is the IRA Leadership Packet *Checklist for Council Treasurers*, also available on IRA’s website, [www.reading.org](http://www.reading.org). The checklist is only a general guide to a treasurer’s duties. IRA councils may require additional responsibilities or procedures.

Treasurer's Checklist	<u>Target Date</u>	<u>Completion Date</u>
• Renew membership in the International Reading Association, the state/provincial association, and local or special interest council, as appropriate.		
• Attend annual state/provincial leadership workshop.		
• Review current fiscal policies with board members.		

Treasurer's Checklist -- continued	<u>Target Date</u>	<u>Completion Date</u>
• Update budget and submit it for adoption by the board after reviewing all requests.		
• Chair the finance committee.		
• Maintain custody of council funds.		
• Obtain or update bonding policy.		
• Promote whistleblower protection.		
• Update bank records to reflect current officers, authorized signatures, and accurate EIN.		
• Collect money due the council.		
• Maintain accurate, up-to-date records of income and expenditures.		
• Deposit and disburse funds.		
• Sign checks, along with another designated council officer.		
• Attend all board meetings and provide written financial reports.		
• Update all financial records for transfer to the incoming treasurer at the end of the term of office.		
• Provide financial records for the annual audit.		
• Complete and return the appropriate IRS Form 990. Provide IRA with a copy of 990 or receipt for filing 990-N. If outside the U.S., send annual financial report to IRA Headquarters.		
• Distribute budget request forms to all incoming officers and chairs for the coming fiscal year.		
• Prepare a budget request for the finance committee for the coming fiscal year.		
• Assist the incoming treasurer in developing the proposed budget for the coming year.		
• Transfer financial records to the incoming treasurer.		

### *Job Description*

A treasurer's job description should reflect actual duties and should be rewritten as responsibilities and duties change. This is easier to accomplish if the job description is part of a policy manual and not part of the council's bylaws. A sample treasurer's job description follows.

**ABC Reading Council  
Duties of the Treasurer**

The Treasurer shall be appointed by the Board of Directors for a term of three years and, at the discretion of the Board of Directors, may be reappointed for additional terms of three years each. The Treasurer has voting privileges and serves on the Board of Directors and Executive Committee.

The Treasurer shall:

1. Execute the duties essential to the maintenance of financial records of the council.
2. Have custody of council funds which shall be deposited in the name of the ABC Reading Council at a bank approved by the Board of Directors.
3. Serve on the Finance Committee.
4. Sign council checks and drafts for the disbursement of funds consistent with the Board approved annual budget.
5. Cooperate fully with a certified public accountant at the time of the annual audit.
6. File required IRS forms within established dates and submit copies to IRA Headquarters.
7. Perform additional duties as assigned by the President and/or the Board of Directors.
8. Provide a written report at every Board of Directors meeting, delegates or general assembly.
9. Turn over to successor all funds, accounts, books and other records in a timely manner.

## **Bookkeeping Basics**

If a treasurer is responsible for overseeing day-to-day transactions, familiarity with bookkeeping terminology and various financial reports is essential.

While manual recordkeeping can help new treasurers develop bookkeeping “sense” (according to some nonprofit advisors), most volunteers use accounting software to handle transactions and create necessary reports. Accounting software for nonprofits and products developed for small business and home use—Quicken, Quickbooks, Microsoft Money, or One-Write Plus—can be purchased for \$200–\$2000. See Appendix A for online sources related to accounting software selection.

## *Bookkeeping & Report Terminology*

### **Balance Sheet**

Sometimes called a Statement of Position or General Ledger, this report displays all assets, liabilities, and net assets at a point in time, like end-of-month, quarter, or close of the fiscal year. (See sample in Appendix B.)

### **Cash Flow Statement**

A financial report that permits monitoring of cash income and its use. Understanding cash flow is particularly helpful in nonprofits that may have membership campaigns (to demonstrate why income spikes) or conferences (to demonstrate why expenses jump). (See sample in Appendix B)

### **Chart of Accounts, Accounts**

An account is established for each category of income and expense. The numbers assigned to categories comprise the chart of accounts. Financial reports can be easily generated when each income and expense is categorized by an account.

### **Checking Account**

An Employer Identification Number (EIN) is normally required to open a bank account in the U.S.

All bills should be paid by check through the council's checking account. All council income should be deposited in the checking account and be disbursed from there to other bank accounts or creditors.

### **Deposit Slips**

Deposit slips from all bank accounts should be saved. If the bank doesn't provide deposit records, get a deposit book with carbon or another type of duplicate record.

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

A nine digit number issued in the U.S. by the Internal Revenue Service which is used for business transactions and reporting. Councils should complete Form SS-4 obtained from IRA's Council and Affiliate Services division in order to alert the IRS that the council is a subunit of an exempt organization. IRA verifies all subunit Employer Identification Numbers to the IRS annually.

### **GAAP/Generally Accepted Accounting Principles**

This acronym is based in the authoritative standards set by policy boards, like the Financial Accounting Standards Board, but is applied more generically to describe a set of rules for entering financial transactions that meets professional and ethical standards.

**General Ledger.** See **Balance Sheet.**

### **Income Statement**

Also known as a statement of activities, this financial report shows income and expenses compared to the budget. (See sample in Appendix B.)

### **Membership Roster**

The list of council members should indicate Name, Address, Type of Membership (Local and/or International), Expiration Date of Membership, and Amount of Dues Paid.

### **Paid Bills**

Paid bill should be marked to indicate the date and check number of payment. They should be filed and retained for seven years.

### **Petty Cash**

Councils should avoid the use of petty cash because it complicates record keeping. Instead, councils may establish a procedure for the treasurer to personally pay for small purchases and receive reimbursement when a nominal amount, such as \$5, has accrued.

### **Posting of Accounts**

Transactions should be posted to Accounts on a regular weekly, biweekly, or monthly schedule.

### **Receipt Book**

A receipt book provides the council with the means to provide proof of payment from members.

### **Record Retention**

Most financial records should be retained for seven years or longer. See page 16 for Record Availability and Retention. Councils are advised to check with state or provincial authorities for additional requirements.

### **Savings Account**

The council should maintain at least one interest bearing savings account. Some councils maintain a “working funds” account and a “reserve” account.

**Statement of Activities.** See **Income Statement.**

**Statement of Position.** See **Balance Sheet.**

## *Security Measures*

Basic security measures are recommended to prevent any implications of impropriety in the handling of funds.

1. Never sign blank checks. Checks with payee and additional information should be signed by two officers, one of whom is the president or a board member. While it may be cumbersome, it provides a level of protection to the council’s finances. Some nonprofit organizations also require second approval for wire transfers.
2. Mark each bill to show the date paid, the check number, the account category, and the treasurer’s approval.

3. At the end of each accounting period, the president or designated board member (not the treasurer) should review all paid bills to ensure that expenditures are legitimate.
4. Council finances should be audited periodically. Some large public accounting firms will conduct an audit gratis for nonprofit organizations.
5. A council or affiliate should adopt a policy to protect whistleblowers who question financial activities.

## **Sample Whistleblower Policy**

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### **General**

{organization name} (Organization) Code of Ethics and Conduct (“Code”) requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

### **Reporting Responsibility**

It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy.

### **No Retaliation**

No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Organization prior to seeking resolution outside the Organization.

### **Reporting Violations**

The Code addresses the Organization’s open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee’s supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor’s response, you are encouraged to speak with someone in the Human Resources Department or anyone in management whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Organization’s Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization’s open door policy, individuals should contact the Organization’s Compliance Officer directly.

## **Sample Whistleblower Policy — continued**

### **Compliance Officer**

The Organization's Compliance Officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his discretion, shall advise the Executive Director and/or the audit committee. The Compliance Officer has direct access to the audit committee of the board of directors and is required to report to the audit committee at least annually on compliance activity. The Organization's Compliance Officer is the chair of the audit committee.

### **Accounting and Auditing Matters**

The audit committee of the board of directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Compliance Officer shall immediately notify the audit committee of any such complaint and work with the committee until the matter is resolved.

### **Acting in Good Faith**

Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

### **Confidentiality**

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

### **Handling of Reported Violations**

The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Audit Committee Compliance Officer

{organization name} Management Staff

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# Budget Process

Each IRA-affiliated council is expected to operate on a budget which provides an overall operating plan for activities and initiatives. Development and approval of a budget is done in accordance with Bylaws and Policy Manual directives, but it represents a best-guess estimate of the expenses and revenues a council may experience over a year. It does not guarantee income or authorize expenditures. It only provides guidance for making financial decisions. Once adopted, the budget should be used as a financial plan.

## *Budget Preparation*

### **Planning:**

1. Review the Bylaws and Policy Manual for compliance on budget preparation. Determine whether an individual or committee will prepare each line item in the budget.
2. Establish a formal method for changing/adding new line items to the budget.
3. Establish guidelines at the beginning of budget preparation to share with board and determine if all priorities are being addressed. (See page 11.)
4. Establish a date prior to start of fiscal year to present budget for Board approval.

### **Preparation:**

1. Gather information. Start early in order to allow for review, interpretation, and revision.
  - a. Review historical data, i.e. actual revenue and expenses from prior years.
  - b. Review minutes of meetings for motions that will affect budget.
  - c. Consider federal, state, or local legislation that might affect budget.
  - d. Make a reasonable assessment of the economic situation in the council's service area.
  - e. Discuss prior budget with predecessor to uncover unexpected factors or nuances affecting the budget.
2. Calculations.
  - a. Start with revenue; this will set the standard for expenses.
  - b. Break down expense items to the smallest components if possible.  
Example: Postage = 1,000 pieces x .42 each = \$420.00
  - c. Target line items for possible reduction if needed.
  - d. Remember most calculations will amount to a guess. Error on the side of an educated guess and not wishful thinking.
  - e. Round up or down to nearest dollar, for simplicity.
  - f. Determine whether anticipated revenue or expense needs to reach a threshold level, like \$50 or \$100, before it qualifies for its own line item in the budget. Some low dollar expectations may need to be grouped together.
3. Finalization
  - a. Compare total revenue to expenses to determine if there will be an excess or deficit.
  - b. Never adjust your revenue to obtain a balanced budget. If there is an excess of revenue show it. If there is a deficit, see if expenses can be adjusted. If not, show the deficit.

- c. Make every effort to live within the council's means. If the council's reserve fund or investments must be used to augment revenues, identify it separately in proposed budget and obtain separate Board approval to do so.
- d. A treasurer should never adjust an approved budget without approval by the Board of Directors.

**Note:** Anyone or any group authorized by the bylaws and/or the board can prepare a budget. This preparation, however, should include input from committee chairs about planned projects based on the council's goals. Although the council's Bylaws should indicate how the final budget is approved, state nonprofit corporation law should also be reviewed.

**ABC READING COUNCIL**  
**Budget Planning Guidelines and Assumptions, Constraints and Priorities**

The proposed 20XX-20XX budget will conform to the following budget guidelines.

**I. Budget Revenue Assumptions:**

- Membership income will increase by 3.0 percent over the current year's level due to a corresponding increase in marketing and outreach efforts by council members.
- Pre-registration rates for the annual conference will remain the same: \$100 for members and \$175 for non-members. On-site registration fees for members will increase from \$110 to \$115. The total projected conference registration is \$2,500.

**II. Budget Expense Assumptions:**

- Appropriations for services such as supplies, contracted services, professional development, and other miscellaneous expenses will not be increased over the amounts budgeted for the prior year.
- The postage account will be increased by 15 percent to reflect a proposed rate hike in mid-year, and one additional newsletter being sent to all council members.

**III. Budget Constraints:**

- Membership dues rate will remain unchanged.
- Funds for travel-related purposes will be reduced by 10 percent so other needs can be addressed.

**IV. Program Priorities:**

- The council will improve member communications capability by increasing newsletter issues from three to four per year.
- As the council is cosponsoring an annual conference next spring, sufficient funds must be budgeted to address any essential and unanticipated expenses that may arise. This will ensure its smooth operation and overall success.
- The council will begin a special outreach effort in the coming fiscal year to attract new members within our geographic area so funds must be budgeted for these special marketing activities.

*Sample Budget.* See Appendix C.

# Finance Committee

In addition to service on the Executive Committee, many IRA treasurers serve on a Finance Committee.

## *Sample Finance Committee Charge*

20XX-20XX

<b>Number of Members</b>	5
<b>Method of Appointment</b>	Members shall include the President, President-Elect, 1 <sup>st</sup> Vice President, Treasurer, and Immediate Past President. The Treasurer shall serve as Chair.
<b>Term of Office</b>	Three years for the Treasurer, one year for all others. Reappointment to one additional consecutive term of three years is permissible for the Treasurer only.
<b>Meeting Frequency</b>	At least two meetings annually, by teleconference or face-to-face. Additional meetings as needed.
<b>Role</b>	To help the Board discharge its fiduciary obligations.
<b>Responsibilities</b>	<p>Ensure maintenance of accurate and complete financial records, including monitoring income and expenditures against projections.</p> <p>Ensure preparation of accurate, timely and meaningful financial statements for the Board.</p> <p>Oversee preparation of annual operating and capital budgets that reflect the strategic plan and Board policies.</p> <p>Safeguard the Council's assets, including assessing the implications of proposed funding and ensuring proper risk-management provisions are in place.</p> <p>Recommend to the Board investment policies and guidelines for reserve funds and endowments, oversee investment performance and recommend changes to the investment strategy as appropriate.</p> <p>Assist the Board in developing financial literacy and in understanding the Council's financial affairs.</p>

**Responsibilities** — continued

Ensure compliance with federal, state and other requirements related to finances.

Review and recommend financial policies, including ensuring adequate internal controls and use of standard accounting practices.

*Finance Committee Chair Checklist*

Finance Committee Chair's Checklist	<u>Target Date</u>	<u>Completion Date</u>
• Serve as treasurer of the council (see checklist, page 3).		
• Examine financial procedures and make recommendations for changes to the board.		
• Ensure that committee members and Board develop financial literacy.		
• Have all expenses exceeding the budget amount approved by the board of directors before funds are expended.		
• Make recommendations to the board on the best financial institution to use for deposit and disbursement of funds.		
• Keep the board informed on the status of any council investments; make recommendations for liquidating or reinvesting.		
• Prepare a realistic budget for the coming year based on projected income and funds needed by officers and committee and task force chairs.		
• Present the proposed budget to the president and the board for revision, approval, and adoption.		
• Send letters of appreciation to all committee members at the end of your term.		

# **COUNCIL/AFFILIATE, BOARD, and GENERAL MEMBERSHIP REPORTS**

## **Financial Reporting Records Availability and Retention**

### **Essential Elements for Council, Board, and General Membership Reports**

**A treasurer will make regular financial reports to the council/affiliate leadership team, to the Board of Directors, and, annually, to the general membership. Some financial reports, like an annual audit, are included in the permanent records held by the council.**

- The system adopted to track actual income and expenses must produce accurate reporting.
- IRA suggests an annual financial audit by an auditing firm or committee of volunteers that compares bank records with councils' financial reports.
- Certain financial reports, including end-year ledgers and balance reports, are part of the council's permanent records.

The purpose for this section of the guide is to familiarize you with several financial reports and to alert you to the need to make certain records available and retained.

# Financial Reporting

## *Financial Reports*

A council or affiliate leadership team and/or the Board draw on accurate and timely financial information when making decisions about operations, programs, and services. A **Balance Sheet** or **Statement of Position** presents a picture of the council's overall financial health by identifying assets and liabilities. This snapshot of the organization's finances is the basis for annual financial reports provided to the members. A **Statement of Income** or **Statement of Activities** allows decision makers to compare actual income and expense to the budget. A **Cash Flow Statement**, which should include projections for the next six months, complements other financial reports by indicating whether the council will experience a cash surplus or shortage.

See Appendix B for sample financial reports.

## *Independent Audit of Financial Records*

Protecting an organization's financial resources is a leadership obligation that should include the use of proper internal controls and an annual audit of the financial records. Although a committee of volunteers who are financially literate and who currently have no financial responsibilities within the organization can examine financial records, IRA strongly recommends hiring an auditor.

The financial audit must include a comparison of bank records with the council's financial reports. The types of records to review include bank statements, canceled checks, payment authorization forms, invoices, etc. Duplicate bank records can be requested from the bank, and mailed directly to the auditor or audit committee to prevent the possibility of tampering. Similarly, investment balances can be confirmed directly by contacting the investment manager. Cancelled checks can be examined for the appropriate signatures, vendor names, and sequential numbering to ensure that none are missing. Payment authorization forms and invoices can be examined for proper approvals, documentation, and budget codes.

Professionals use an audit program to plan their work. Sample audit programs designed for nonprofit organizations can be viewed on the Web or ordered from professional publishing companies. However, these programs are intended for use by trained auditors, so they may be of limited usefulness.

## *Internal Controls*

Errors and misappropriations can be reduced by using certain procedures and avoiding others.

To prevent problems,

- Review and approve a disbursement request before making payment.
- Use a lockbox for accepting payments by mail.
- Discourage use of acronyms when entering payee transactions.

- Require two (2) signatures on each check.

To detect problems,

- Have bank statements reviewed by someone other than the treasurer.
- Reconcile bank accounts in a timely way.
- Compare budgeted figures to actual experience regularly.
- Ensure whistleblower protection.

An internal control questionnaire, which can be obtained from a local auditing company or professional organization, is a good tool to use in reviewing a council's internal control structure.

## **Record Availability and Retention**

Recordkeeping by IRA councils and affiliates is affected by various national, state, and provincial laws. Passage of the 2002 American Competitiveness and Corporate Accountability Act, popularly known as Sarbanes-Oxley or SOX, has been the impetus for many regulators to improve oversight and governance by Boards through new legislative initiatives. Although Sarbanes-Oxley affects nonprofits in limited ways, states and provinces may take a broader view of governance issues, so a treasurer needs to stay informed about accountability regulations.

### *Record Availability*

The U.S. Internal Revenue Service requires tax-exempt organizations to make annual tax returns and applications for exemption available for public inspection. In addition, copies of returns and applications for exemption must be provided on request—immediately in the case of in-person requests, and within 30 days in the case of written requests. A tax-exempt organization may recoup a reasonable copying fee plus actual postage, if any.

All councils are encouraged to develop annual financial reports and to share this information with their members and IRA's Council and Affiliate Services Division at headquarters. U.S.-based IRA councils must send a copy of the filed IRS Form 990 to headquarters so that it will be available for public inspection. Other councils and affiliates are invited to share annual financial reports with IRA headquarters, as well.

### *Retention and Document Destruction*

Nonprofit organizations should have a written, mandatory document retention and periodic destruction policy. Policies such as this will eliminate accidental or innocent destruction. In addition, it is important for administrative personnel to know the length of time records should be retained to comply with national, state/provincial, or local regulation.

The following table provides the minimum requirements.

*This information is provided as guidance in determining your organization's document retention policy.*

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<b>Type of Document</b>	<b>Minimum Requirement</b>
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank Reconciliations	2 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense Analyses/expense distribution schedules	7 years
Year End Financial Statements	Permanently
Insurance Policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws and charter	Permanently
Patents and related Papers	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

The International Reading Association expects councils and affiliates to retain their official charter certificate and to make copies of amended bylaws and annual financial reports, like the U.S. Form 990, available to headquarters.

# TAX STATUS AND REQUIREMENTS

## Canadian Tax Information U.S. Federal Tax Information U.S. State Tax Information

### Essential Elements for Tax Status and Requirements

Most countries have laws regulating the establishment and operation of nonprofit organizations. Nonprofit status does not necessarily confer complete tax exemption, nor does it necessarily remove an organization from tax filing requirements established by national governments. Governments generally make available through their revenue agencies information about filing requirements that IRA councils and affiliates must review and implement.

**U.S.-based** councils and state associations are exempt from federal income tax under the International Reading Association's General Exemption status. Annual paperwork and compliance with IRS regulations affecting 501(c)(3) is necessary to protect this status and maintain tax exemption.

- New councils should consult with the Council and Affiliate Services Division at IRA or with the IRA Coordinator for their state before applying for an Employer Identification Number (EIN).
- Donors and grantors may request proof of income tax exempt status from a U.S.-based local council or state association. An EIN does not confer this status but IRA can provide copies of its IRS determination letters that establish tax status for headquarters and councils included in its group exemption.
- The IRS prohibits 501(c)(3) organizations from political activities and imposes financial limitations on efforts to influence legislation or call any segment of the public into action on legislative matters.
- The IRS provides specific guidance regarding charitable contributions made to 501(c)(3) organizations.

This part of the guide will demonstrate issues and resources that may be helpful in understanding tax status and requirements.

# Canadian Tax Information

## *Nonprofit Information*

Income Tax Guide to the Non-Profit Organization (NPO) Information Return is available through Revenue Canada, [www.cra.gc.ca](http://www.cra.gc.ca). An NPO is organized and operated solely for social welfare, civic improvement, pleasure or recreation, or any other purpose except profit.

Generally, a nonprofit organization organized and operated solely for social welfare, civic improvement, or other purposes except profit, will be exempt from income tax and does not have to register either federally or provincially to acquire its tax exempt status. Although exempt from tax under Part 1 of the Income Tax Act, an NPO must file form T1044 (NPO Information Return) if taxable dividends, interest, rentals, or royalties exceed \$10,000 or the total assets were more than \$200,000 at the end of the immediately preceding fiscal period.

Even though a Canadian nonprofit organization may not be required to file tax returns, all other requirements of the Income Tax Act must be followed. This includes preparation of T4's for paid employees of the organization. Also, a nonprofit organization cannot issue official donation receipts.

Councils may contact Revenue Canada for further information about tax obligations and filing requirements.

## *Additional tax information*

### **Goods and Services Tax (GST)**

Tax on the supply of most goods and services. The current rate is 6%.

### **Harmonized Sales Tax (HST)**

A value added tax that replaced the retail sales tax and the GST in participating provinces including Newfoundland and Labrador, Nova Scotia and New Brunswick. The current rate is 14%. 6% represents the federal component and 8% the provincial component.

Some goods or services are exempt from GST and HST but all organizations other than government entities and Indian bands must pay the tax on non-exempt goods and services.

### **Registration for GST and HST**

Organizations are required to register for GST/HST if they provide taxable goods or services in Canada and their revenues exceed the threshold for charities and nonprofit organizations.

# U. S. Federal Tax Information

The International Reading Association is classified under Section 501(c)(3) by the Internal Revenue Service, its designation for charitable, educational, and scientific nonprofit groups. IRA applied for and was granted Group Exemption status by the IRS, establishing income tax exemption for IRA and state associations, local and special councils chartered by IRA and operating within the U.S. Donors, grant makers, and others may request proof of 501(c)(3) status, so copies of IRS determinations letters are available on request from [councils@reading.org](mailto:councils@reading.org).

## *Employer Identification Number (EIN) and Group Exemption*

State and local councils link to IRA's tax exempt status when they apply for an Employer Identification Number (EIN). All entities operating within the U.S. must obtain an EIN, even if they have no employees. An EIN is required to open a bank account, apply for business licenses or special postal status, file an information tax return, or apply for foundation awards and grants.

Councils should contact IRA before applying for an EIN so that IRA's group identification number can be used in the application process. IRA has completed sections of form SS-4, used to apply for an EIN, with its group exemption number and other relevant information. Although an EIN can be applied for online or by telephone, neither process elicits General Exemption information. Obtaining an EIN by faxing IRS at the appropriate IRS Service Center is the fastest (four-day turn-around) way to obtain an EIN within the Group Exemption. Requesting an EIN by mail is also available, but takes 10 weeks to process.

Councils that apply for an EIN individually, without supplying pertinent IRA information, will be issued an EIN, but will not be recognized as part of the group exemption until further procedures are followed. If a council's status is at issue, contact [councils@reading.org](mailto:councils@reading.org) for assistance.

## **Maintaining Group Exemption**

Each council must authorize the International Reading Association to include it in the annual report IRA files with the IRS verifying the status of councils included in the Group Exemption. Councils with annual revenues at or below \$25,000 must file a 990-N; failure to file for three consecutive years results in a loss of nonprofit status that cannot be regained under IRA's group exemption.

In addition, Group Exemption councils must comply with additional IRS requirements for 501(c)(3) and tax exempt status, including those affecting lobbying activities and treatment of donors.

## *Lobbying Activities and 501(c)(3) Organizations*

Internal Revenue Code Section 501(c)(3) prohibits lobbying that would be perceived as affecting the outcome of public elections, directly or indirectly. Councils and state associations cannot contribute to a candidate's campaign, endorse (or imply endorsement) or participate in campaign activity for or against a candidate for federal, state, or local government office, including school board positions.

Councils and state associations may lobby for legislative issues, but with a financial limitation.

Lobby includes

- *Direct lobbying*, or contacting legislators for the purpose of proposing, supporting, or opposing specific legislation. A lobbying communication must both refer to specific legislation (including proposals which have not been introduced but are more than a general concept, and reflect a view on its merits.
- *Grassroots lobbying*, or efforts to influence any segment of the public regarding legislative matters, and must include a call to action. A call to action exists if the material directly tells its audience to contact their legislators; provides a legislator's address, phone number, or similar information; provides a prepared message to be sent to legislator (for example, a post card or petition); identifies specific legislators' positions on the legislation or as a member of the committee that will consider the legislation.

IRA's Washington office (phone: 202-624-8800) is available to answer questions about proposed legislative lobbying activities for your council.

Please note: *Lobbying is not*

- Communication to council members discussing legislation but not urging action by membership.
- Disseminating an independent and objective nonpartisan analysis, study, or research of a legislative issue. (The costs of preparing raw research data and other materials that are not advocacy communications will not be grassroots lobbying expenditures even if the materials are later used in lobbying.)
- Responding to written requests from a legislative body, committee, or subcommittee for technical advice on pending legislation
- Self-defense activity
- Discussion of policy issues, the resolution of which would require legislation. This discussion cannot address the merits of specific legislative measures.

## *Charitable Contributions and Tax Exempt Organizations*

IRS Publication 1771, *Charitable Contributions—Substantiation and Disclosure Requirements*, explains the federal tax law for organizations such as charities and churches that receive tax-deductible charitable contributions and for taxpayers who make them. (States also regulate charitable contributions; the National Association of State Charity Officials provides direct links to all state offices at <http://www.nasconet.org/agencies> .)

Councils and state associations that accept single contribution of \$250 or more can assist the donor by providing written acknowledgment (generally no later than January 31 for donations received in the previous year) that specifies the name of the recipient organization, the amount of a cash contribution or description of a non-cash contribution (including unreimbursed expenses). If no goods or services were provided by the council in exchange for the contribution, there should be a statement to that effect.

When goods and services are provided in return for a contribution, written disclosure must be provided for any single payment in excess of \$75. The council must also make a good faith estimate of the value of goods or services provided, along with a description of the same.

The Internal Revenue Service identifies token exceptions and provides guidance related to member benefits.

IRA's Development Division (phone: 302-731-1600, ext. 480) is available to answer any questions you might have about charitable contributions and your council.

### *Filing a Form 990 with the IRS*

To retain tax exempt status, all U.S.-based IRA local/special interest councils and state associations must file an information return with the IRS annually. The type of form required is generally determined by gross receipts and assets. Form 990 can be filed between July 1 and November 15 (first day of a new fiscal year and the 15<sup>th</sup> day of 5<sup>th</sup> month after the fiscal year ends). The IRS is phasing in two versions of the 990 as follows.

<b><i>2007 Tax Year (Filed in 2008 or 2009)</i></b>	<b><i>Form to File</i></b>
Gross receipts normally ≤ \$25,000	990-N
Gross receipts > \$25,000 and < \$100,000, and Total assets < \$250,000	990-EZ or 990
Gross receipts ≥ \$100,000, or Total assets ≥ \$250,000	990

<b><i>2008 Tax Year (Filed in 2009 or 2010)</i></b>	<b><i>Form to File</i></b>
Gross receipts normally ≤ \$25,000	990-N
Gross receipts > \$25,000 and < \$ 1 million, and Total assets < \$2.5 million	990-EZ or 990
Gross receipts ≥ \$1 million, or Total assets ≥ \$2.5 million	990

<b>2009 Tax Year (Filed in 2010 or 2011)</b>	<b>Form to File</b>
Gross receipts normally ≤ \$25,000	990-N
Gross receipts > \$25,000 and < \$500,000, and Total assets < \$1.25 million	990-EZ or 990
Gross receipts ≥ \$500,000, or Total assets ≥ \$1.25 million	990

<b>2010 Tax Year and later (Filed in 2011 and later)</b>	<b>Form to File</b>
Gross receipts normally ≤ \$50,000	990-N
Gross receipts > \$50,000 and < \$200,000, and Total assets < \$500,000	990-EZ or 990
Gross receipts ≥ \$200,000, or Total assets ≥ \$500,000	990

990-N filing guide is available at  
[www.reading.org/AccessFor/CouncilLeaders/CouncilManagement.aspx](http://www.reading.org/AccessFor/CouncilLeaders/CouncilManagement.aspx).

A copy of the 990, 990-EZ, 990-T, or receipt for 990-N should be sent to IRA’s Council and Affiliate Division to ensure compliance with public disclosure. Contact [councils@reading.org](mailto:councils@reading.org) for further information.

### *Additional Tax Considerations*

**Calculating Gross Receipts:** The total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. A three year average is used to determine “normal gross receipts.”

**Schedule B:** Review instructions for Form 990 and 990-EZ to determine filing status.

**Electronic Filing Requirements:** Tax-exempt organizations with \$10 million or more in total assets and ALL private foundations and charitable trusts are required to file electronically. If an organization is required to file electronically but does not, the organization is considered to have not filed its return.

**Failure to File Penalties:** Form 2758 is used to request an extension of time to file. There is a penalty for filing late which amounts to \$20 per day up to \$10,000 or 5% of the gross receipts of the organization for the year.

**Form 990T, Exempt Organization Business Income Tax Return/Unrelated Business Income:** In addition to the filing requirements above, if the Council has unrelated business income, Form 990-T must be filed and quarterly estimated tax payments may be necessary. Unrelated business income tax

(UBIT) is triggered by income generated from an activity that is regularly carried on by the organization and is not substantially related to the organization's performance of its exempt purpose or function. A tax exempt organization with gross income of \$1,000 or more for the year from unrelated trade or business must file Form 990-T and pay any tax due.

An example which applies to International Reading Association is advertising revenue. The expenses incurred in generating this income reduce the taxable amount. IRS Publication 598 can be consulted to determine whether sales of advertising in journals or other activities must be reported or are excludable. Instructions for Form 990-T can be found at <http://www.irs.gov/pub/irs-pdf/i990t.pdf>.

# U.S. State Tax Information

Obtaining exempt status with the federal government does not exempt your council from state taxes. Some states allow tax exemption for education organizations, provided criteria is met and procedures followed. Some states require tax exempt or nonprofit organizations to file information and/or income tax returns. Contact the revenue office in your state for more information.

## *Charitable, nonprofit, and not-for-profit*

States differ on the terms used for organizations like your council. For example, the State of Delaware requires organizations to be charitable in order to qualify for special tax treatment within the state. To be charitable means that a free benefit is being provided to the general public.

## *State Business Licenses*

Some states and/or municipalities require entities with a physical presence or operating within their boundaries to purchase a business license. This usually requires the payment of an annual fee. Contact your state, county or city government offices for more information.

## *State Sales and Use Tax*

Sales tax is imposed on the sale of goods or services and is computed as a percentage of the total sales price. Sales taxes may be imposed either on the purchaser, in which case they are charged on each transaction, or on the seller, where they are collected as a percentage of the gross receipts during a given period.

The retail sales tax, which has been imposed by almost all the states and the District of Columbia, is the most usual form of sales tax. The combined, or state-local, taxation rate for sales of goods and personal services generally ranges from 2 to 8 percent.

For a list of state sales tax and tax rates, visit [www.taxadmin.org/fta/rate/sales.html](http://www.taxadmin.org/fta/rate/sales.html).

## *State Sales Tax License/Registration*

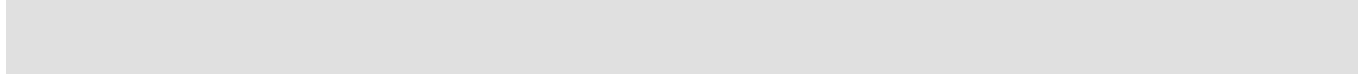
Selling goods or services in the U.S. requires the collection and remission of state and, sometimes, city sales taxes. The state's revenue office should be contacted prior to making sales of any kind to ensure compliance with its laws. Organizations must file forms to obtain a license to collect sales tax in advance of making any sales. Temporary licenses are available in some states.

## *State Sales Tax Exemptions for Public Charities and Nonprofits*

**BEING EXEMPT FROM PAYING FEDERAL INCOME TAX  
DOES NOT MEAN THAT A COUNCIL IS EXEMPT FROM PAYING STATE SALES TAX.**

Many states offer certain organizations an exemption from a sales tax requirement, although regulations vary from state to state. Individual state's sales tax requirements can be found at [www.aicpa.org/yellow/yptstax.htm](http://www.aicpa.org/yellow/yptstax.htm).

To avoid paying state sales tax, a separate exemption approval is needed from each state where business is conducted. Obtaining exemption approval begins with a completed state sales tax exemption application from the granting state. If the state approves the application, it may issue a sales tax exemption number which must then be used to complete an exemption certificate. Each vendor will require a copy of the council's exemption certificate before waiving state sales tax. Note that hotel occupancy taxes added to invoices for room charges are not considered a sales tax.



# LIABILITY PROTECTION

## Insurance and Bonding Incorporation

### Essential Elements for Liability Protection

**A treasurer can assist the council's Executive Committee and Board of Directors in selecting options to protect the council's financial health.**

- A surety bond protects a council from losses associated with mishandling of finances and is recommended by IRA.
- Councils should review activities and operations to determine needs for liability insurance
- Incorporation provides liability shelter against individual financial responsibility for corporate officers and directors..

The purpose for this section of the guide is to familiarize you with bonding, insurance and incorporation.

# Insurance and Bonding

The International Reading Association recommends a surety bond, equaling the previous fiscal year's financial activity, for the office of president and treasurer (not individual). In addition, councils and affiliates should evaluate their need for liability coverage.

Councils may purchase insurance/bonding, called Association Office Package Policy, through IRA's insurance carrier. (For further information, contact IRA's director of finance, Greg Rumsey, at [grumsey@reading.org](mailto:grumsey@reading.org); sample forms are available in Appendix D.)

## *Bonding*

Bonding is a form of insurance that protects the organization from financial losses stemming from irregularities in the handling of funds. A surety bond should be obtained for those offices (not individuals) that have responsibility for handling the finances of the council. This includes anyone who cosigns checks by virtue of the office held (e.g., president and treasurer). The bond should be for an amount equal to the total previous year's financial activity.

## *Do Councils Need Liability Insurance Coverage?*

Source: Webster, George D., *The Law of Associations*, Nov., 1997.

A fundamental rule in the law of corporations, both profit and nonprofit, is that authority for managing the affairs is vested in the board of directors. (Councils are viewed to be identical in concept to associations, although organizational size and the scope and complexity of sponsored activities may vary considerably.)

Every nonprofit corporation statute describes the fiduciary obligations or duties of a nonprofit director. Most such statutes require directors to act (1) in good faith (the duty of loyalty); (2) with the care an ordinary prudent person in a like position would exercise under similar circumstances (the duty of care); and (3) in a manner the director reasonably believes to be in the best interest of the corporation (the duty of obedience).

When claims against directors materialize, courts consider various criteria, including the duties listed above, to determine whether a board acted responsibly or not. Associations, including councils, are permitted to purchase insurance to cover directors and officers from liability for suits involving defamation, employment (including wrongful discharge), copyright and other types of infringement, breach of fiduciary duty, and other possibilities.

Choose such coverage carefully. Look closely to determine if provisions allow the council to select its own attorney. Also, review the coverage to see if the payment of costs by the insurance carrier, including attorneys' fees, will be made on an on-going basis, rather than just when the matter is resolved. This is important since litigation can last for extended periods and a council would otherwise be responsible for paying such costs on a periodic basis which could represent a budgetary problem.

## *Why Does My Council/Affiliate Need Insurance?*

There are a variety of reasons to consider insurance coverage for your council/affiliate. Listed below are a few questions— if you answer yes to any of these, you have a need for insurance.

1. Does your Council/Affiliate hold meetings in places such as schools, hotels, restaurants, malls, etc., which require evidence/proof of insurance?  
                   \_\_\_\_\_ yes                    \_\_\_\_\_ no
  
2. Does the Council/Affiliate own any property such as computers, fax machines or general office furniture?  
                   \_\_\_\_\_ yes                    \_\_\_\_\_ no
  
3. Does the Council/Affiliate have to bond Board Members that routinely handle the Association funds?  
                   \_\_\_\_\_ yes                    \_\_\_\_\_ no
  
4. Does your Council/Affiliate want to protect the assets of its officers/members in the event of a liability claim?  
                   \_\_\_\_\_ yes                    \_\_\_\_\_ no
  
5. Do your officers/members use personal automobiles to perform council/affiliate functions?  
                   \_\_\_\_\_ yes                    \_\_\_\_\_ no

*IRA Memo to Councils in U.S., its Territories, and Canada*

March 2009

MEMO TO: Council Officers  
 FROM: Greg Rumsey, Director of Finance & Administration  
 SUBJECT: **Certificates of Insurance**

Councils located in the United States, its territories, and Canada may obtain their own annual insurance through our broker, WillisHRH. Through our group buying power, WillisHRH developed an IRA Council Package Policy. The council policy is underwritten by the Travelers Property Casualty Corp., and covers the operations of your council, including seminars, meetings and special events, and certificates of insurance.

You should know that IRA Headquarters is acutely aware of the cost dilemma that councils face when considering insurance coverage. We believe our present program offers economical rates.

Changes affecting the insurance industry have significantly influenced the underwriting appetites of virtually all insurance companies. Our broker has researched our choices for providing the IRA Council Package policy. Travelers still represents the broadest available coverage and best pricing overall. However, Travelers may not be willing to underwrite every council as they have in the past. It is possible that some councils may be offered the same basic coverage and similar pricing but with a different insurance company.

A summary of coverage and an enrollment form are enclosed. If you have questions regarding the policy, please feel free to contact Edie Holyfield at WillisHRH, 800 King Farm Blvd., Suite 200, Rockville, MD 20850; telephone (800) 800-2860; fax (301) 692-4474.

It is very important that councils who already have insurance through WillisHRH **notify them of any changes in the council's leadership status**. We have been advised that there is an ongoing problem with policies being canceled, because correspondence and invoices for the annual premium installments are being sent to the leader

who initiated the policy. In most cases, that person is no longer in office. When the invoice is not paid, the policy is canceled, leaving the council unaware that they are without coverage.

### *IRA Insurance Forms*

See Appendix D.

*Excerpt from an IRA Council's Policies and Procedures Handbook*

Procedures for Obtaining Insurance with  
ABC State Reading Council

1. First, set up your annual calendar with all your meetings. Find out which places require insurance coverage.
2. It will be the local council's responsibility to obtain a certificate of insurance for each event. This document shows proof of insurance. The insurance company will need the name of the contact person at the location as well as the name of the place. You can call the insurance company regarding this information.
3. It will take one to two weeks to obtain a certificate for insurance. The insurance company can fax that document to you if necessary.
4. Each council's policy is mailed to the state association treasurer. The treasurer will forward the policy to the local council as it is received. ABC Reading Council will only cover the basic policy.
5. All insurance policies renew themselves automatically. The local council needs to notify the state association treasurer if there is a change in its insurance needs. Each council should review its insurance needs on an annual basis.
6. If local councils need to contact our insurance company, the contact information is  
IMAN Insurance Company  
Policy Questions  
123 Main Street, Suite 100  
Anytown, DE 19711  
Phone: 1-800-COV-ERED (268-3733)  
Fax: 1-302-555-1212
7. Lost or Need to Report a Claim  
IMAN Service Center, 1-800-555-1234  
(Monday – Friday, 8 AM – 8 PM, EST)  
  
IMAN Claims Line, 1-800-555-5678  
(24 hours/7 days a week)
8. If you encounter any difficulties, contact (state association treasurer's address, phone number, e-mail).

# Incorporation

## *Reasons for Incorporating*

Corporate status creates a legal entity that, in most cases, provides a liability shelter against individual financial responsibility for corporate officers and directors. In addition, corporate existence may be perpetual, as opposed to the life span of an individual. Incorporation gives the organization an entity to continue year after year.

## *Process and Costs for Incorporating*

What is the process for incorporation? An attorney should be retained to provide professional advice and explanation of the process. According to *The Law of Associations*, Matthew Bender & Co., Inc., typical requirements are

1. The name of the corporation.
2. The period of duration (usually perpetual).
3. The purpose or purposes for which the corporation is organized.
4. Any provisions in the articles of incorporation for the regulation of the internal affairs of the corporation, including any provisions for distribution of assets on dissolution or final liquidation.
5. Address of its initial registered office, and the name of its initial registered agent at such address.
6. The number of directors constituting the initial board of directors, and the names and addresses of the persons who are to serve as the initial directors.
7. Name and address of each incorporator.

Legal costs associated with seeking incorporation status are one-time costs and, according to IRA's attorney, typically fall in the \$250 to \$1,000 range. Most incorporations involve \$500 to \$750. A local attorney can provide an interested council with a closer estimate for these costs. The cost may be reduced significantly if a council, perhaps through one of its members, possesses a special relationship or contact with an attorney in its area.

Some states may require an annual filing fee once incorporation is obtained. Others do not require such for nonprofit organizations. For example, Delaware requires a registered agent designation and annual filing fee that varies from \$25 to \$200.

# MANAGEMENT PRACTICES FOR SERVICES

## Ownership and Work for Hire Employees and Contractors Outsourcing

### Essential Elements for Management Practices for Outside Services

**Some council activities may involve outside vendors, contractors, and volunteer authors. The Treasurer protects the interest of the Council by reviewing all policies affecting services performed for the Council and advising the Executive Committee about options with regard to third-party functions.**

- Volunteers should sign a work for hire agreement before creating materials or products for a council. Otherwise, issues may arise with regard to intellectual property and copyright.
- Employees and independent contractors are subject to different tax treatment. Guidelines issued by the U.S. Internal Revenue Service and the Revenue Canada distinguish between employees and contractors. Paying royalties of \$10 and independent contractor fees of more than \$600 trigger mailing of 1099 or 1096 forms in the U.S.
- The number of third-party services marketed to nonprofit associations has expanded beyond auditing and legal services. Key questions can assist councils in determining the value of outsourcing certain functions.

The purpose for this section of the guide is to familiarize you with work for hire, contractor, and outsourcing issues. Again, this is general information and does not reflect legal, accounting or other professional advice which councils may need.

# Ownership and Work for Hire

## *Copyright Issues*

Before an IRA council arranges to have materials or products created, ownership issues should be resolved by consulting applicable copyright law. In the U.S., copyright rights and protections generally belong to the “author,” i.e. the person who created the work. If a U.S.-based council wants copyright, it may establish that the product is “work made for hire.” A work is considered to be “made for hire” if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire and it is either

- (1) prepared by an employee within the scope of his or her employment; or
- (2) is specially ordered or commissioned for use as a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test, or an atlas.

Information about copyright is available online from the U.S. Copyright Office by clicking on Basics ([www.copyright.gov/circs/circ1.html#wccc](http://www.copyright.gov/circs/circ1.html#wccc)).

To protect council copyright rights, employees, independent contractors, and volunteers should be required to sign a “work for hire” agreement prior to beginning work on a project. Where an employment relationship does not exist and/or the work is not of a type which may be characterized as a work for hire, IRA and/or its councils can require volunteers or contractors to assign their copyrights to IRA or the applicable council, although there is a minor issue with this arrangement. An author who assigns copyright rights can terminate them during a five year period beginning 35 years from the date of transfer. This right of cancellation devolves upon the heirs and assigns of a deceased author, when the owners of more than one half of the deceased author’s interest elect to exercise that right

## *Sample Agreements*

See Appendix E for three examples of work for hire agreements that can be used to assign copyright rights.

- Work for Hire Agreement (Employee) should be used in situations where the author is an employee and will create works with appropriate supervision and control. The employee agreement can be completed once and will cover the term of employment
- Work for Hire Agreement (Non-employee) should be used with individuals who are not employees, but are creating the types of work described in (2) in the *Copyright Issues* section above. Please note in the sample agreement that “Exhibit I” should be created and attached. If the non-employee creates additional works, additional agreements must be completed.
- Assignment of Copyright should be used in all other cases. Again, this agreement must be completed for each product.

# Employees and Contractors

Employees and independent contractors are treated differently for tax purposes. When Councils hire people to do work, the first issue to be resolved is whether the person qualifies as an employee or contractor.

## *How to Distinguish Between An Independent Contractor and An Employee*

In the United States, reliance on an independent contractor to perform specific tasks allows an employer to avoid costs for federal and state unemployment compensation taxes, the employer's FICA portion, other fringe benefits, and overhead such as office space, furniture, equipment, utilities and support staff, and the cost of preparing and filing payroll tax returns.

However, the potential liabilities, including penalties, are heavy if the Internal Revenue Service (IRS) or courts determine that an independent contractor is really an employee.

*IRS Publication 1779* provides the following guidance to determine worker's status.

The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These relevant facts fall into three main categories: behavioral control; financial control; and relationship of the parties. In each case, it is very important to consider all the facts – no single fact provides the answer. Carefully review the following definitions.

### **BEHAVIORAL CONTROL**

These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done – as long as the employer has the right to direct and control the work.

For example,

- **Instructions** – if you receive extensive instructions on how work is to be done, this suggests that you are an employee. Instructions can cover a wide range of topics, for example how, when, or where to do the work; what tools or equipment to use; what assistants to hire to help with the work; where to purchase supplies and services.  
If you receive less extensive instructions about what should be done, but not how it should be done, you may be an independent contractor.
- **Training** – if the business provides you with training about required procedures and methods, this indicates that the business wants the work done in a certain way, and this suggests that you may be an employee.

### **FINANCIAL CONTROL**

These facts show whether there is a right to direct or control the business part of the work.

For example,

**Significant Investment** – if you have a significant investment in your work, you may be an independent contractor. While there is no precise dollar test, the investment must have substance. However, a significant investment is not necessary to be an independent contractor.

- **Expenses** – if you are not reimbursed for some or all business expenses, then you may be an independent contractor, especially if your unreimbursed business expenses are high.

- **Opportunity for Profit or Loss** – if you can realize a profit or incur a loss, this suggests that you are in business for yourself and that you may be an independent contractor.

### **RELATIONSHIP OF THE PARTIES**

These are facts that illustrate how the business and the worker perceive their relationship.

For example,

- **Employee Benefits** – if you receive benefits, such as insurance, pension, or paid leave, this is an indication that you may be an employee. If you do not receive benefits, you could be either an employee or an independent contractor.
- **Written Contracts** – a written contract may show what both you and the business intend. This may be very significant if it is difficult, if not impossible, to determine status based on other facts.

## *Employee Information and Forms*

*IRS Publication 15, Circular E, Employer's Tax Guide*, provides extensive guidance to employers regarding required forms and deadlines. These forms are commonly required for all employees.

I-9	Employment eligibility
W-4	Employee's withholding allowance certificate
Form 8109	Federal Tax Deposit Coupon
Form 941 or 944	Employer's Quarterly Federal Tax Return
Form W-2	Wage and Tax Statement
Form W-3	Transmittal of Income and Tax Statements
Any state required forms.	

### **Taxes**

Social Security - 6.2% (on wages up to \$102,000, effective January 2008)

Medicare Tax - 1.45% (unlimited)

Federal Income Tax - based on withholding tables found in Circular E

State Income Tax - if required

Payroll tax filing requirements are fairly time consuming. Companies such as ADP and Paychex provide payroll processing services which reduce the burden of payroll processing and filing requirements. In addition, some banks are offering this service for small businesses.

## *Independent Contractor Reporting Requirements*

Services totaling \$600.00 or more and/or royalties totaling \$10.00 or more in a calendar year and paid to an unincorporated individual or business require the following forms.

Form 1099MISC	Miscellaneous Income
Form 1096	Annual Summary and Transmittal of US Information Returns
Form W-9	Request for Taxpayer Identification Number and Certification

## *Sample Letter Requesting Contractor EIN or Social Security Number*

Dear Colleague:

We have a request for payment to you but we are unable to process it without your Social Security or Federal Identification Number. Internal Revenue Service Regulations require us to report all payments of royalty fees over \$10.00 or payments for services, grants, or awards of \$600.00 or more in any one calendar year.

In order to comply with this regulation, we are asking that you complete the enclosed Form W-9 and return it to (Council name) in the self-addressed envelope that has been enclosed. The regulations also require us to withhold 28% of the payment if we do not have your tax I.D. number.

If we do not hear from you within six (6) weeks, we will process your payment less the 28% that is required by law. Thank you in advance for your help.

Sincerely,

## **Outsourcing**

An increasing number of companies are marketing services to nonprofits, including website management, conference and meeting management, membership file maintenance, and this trend is expected to continue.

Generally, when a decision needs to be made about whether to do something in-house or hire outside expertise, key questions arise. Nonprofits are encouraged to differentiate between core competencies and support functions, assess strengths and weaknesses, consider time and cost, and evaluate whether outsourcing will really simplify a process or procedure.

For example, some councils may consider adopting a system for participant payment, such as PayPal, for council conference registration. Among the questions the council might ask before making this decision are

- Does the planned activity contribute directly to achieving council goals?
- Does the company have a credible track record?

- Does the company provide services related to the council's specific needs?
- What is the process for satisfying complaints?
- Is there a contact person available to the council?
- Is it easy to contact that company?
- What costs are involved for the council?
- Is the commitment short or long term?

## Conclusion

### Financial Information for Council and Affiliate Treasurers

The International Reading Association recognizes and values the significant contribution that treasurers make to the successful operation of IRA-chartered councils and affiliates. The Council and Affiliate Services staff hope that this publication is useful and that treasurers will assist the staff in improving this product by sharing your comments and concerns. A list of staff contacts appears below.

This publication is distributed with the understanding that the authors, publisher, and distributors are not rendering legal, accounting, or other professional advice or opinions on specific facts or matters, and accordingly, assume no liability whatsoever in connection with its use.

#### Division of Council and Affiliate Services Contacts

Telephone 1-800-336-READ (1-800-336-7323), U.S. and Canada; +302-731-1600, elsewhere

Fax +302-731-1274

E-mail [councils@reading.org](mailto:councils@reading.org)

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Sarah Nelson Womble, leadership development associate for the West, Southwest, Rocky Mountain, Rupertsland, and Transmountain regions, [swomble@reading.org](mailto:swomble@reading.org), telephone +501-833-0979, website <http://swomble.home.comcast.net>

## Appendix A — Resources

### Accounting software selection

[www.allianceonline.org/FAQ/financial\\_management](http://www.allianceonline.org/FAQ/financial_management)  
[www.guidestar.org/DisplayArticle.do](http://www.guidestar.org/DisplayArticle.do)  
[www.managementhelp.org/finance/np\\_fnce/np\\_fnce.htm](http://www.managementhelp.org/finance/np_fnce/np_fnce.htm)  
[www.muridae.com/nporegulation/](http://www.muridae.com/nporegulation/)

### Tax Information

U.S. Internal Revenue Service (IRS) website, [www.irs.gov](http://www.irs.gov)

For tax-exempt information, 30 minute lessons on forms, discussion of employment issues, etc.: [www.stayexempt.org](http://www.stayexempt.org)

Canadian Tax information: [www.c4ra-arc.gc.ca](http://www.c4ra-arc.gc.ca)

### Sarbanes-Oxley Act of 2002

Q&A What Is Sarbanes-Oxley? And What Does It have to Do with My Nonprofit?  
<http://nonprofit.about.com/od/nonprofitmanagement/f/sarbanes.htm>

The Sarbanes-Oxley Act and Implications for Nonprofit Organizations (revised January 2006), BoardSource and Independent Sector,  
[www.independentsector.org/PDFs/sarbanesoxley.pdf](http://www.independentsector.org/PDFs/sarbanesoxley.pdf)

Checklist for Accountability, Independent Sector,  
[www.independentsector.org/PDFs/sarbanesoxley.pdf](http://www.independentsector.org/PDFs/sarbanesoxley.pdf)

### General

Alliance for Non-Profit Management, <http://www.allianceonline.org/about>

## Appendix B —Sample Financial Reports

Balance Sheet, also known as the General Ledger or Statement of Position, shows the total council financial picture. A Balance Sheet is generally prepared quarterly or twice a year, rather than once a month. The three components of a Balance Sheet are

1. Income vs. Expense
2. Assets vs. Liabilities
3. Retained Funds or Deficits

Income and expenses are totaled by account (category) for the specified period.

In many cases, councils do not own capital assets, inventories, securities, or other depreciable assets. Thus, assets are compiled by simply adding cash in bank accounts to any accounts receivable, compiled by account and totaled. In determining assets, it is important to know the amount of funds retained by the council at the end of the previous year (or accounting period). This comes from the Balance Sheet.

Liabilities include such items as outstanding loans, accounts payable, and unpaid taxes. Liabilities are compiled by account (category) and totaled.

The formula for a Balance Sheet is

1. Income minus Expenses = Current Retained Funds or Deficit.
2. Assets minus Liabilities = Total Retained Funds or Deficit.
3. Total Retained Funds minus Retained Funds from the previous year's Balance Sheet = Current Retained Funds.
4. Current Retained Funds from Assets and Liabilities must balance with Current Retained Funds from Income and Expenses.
5. Total Liabilities plus Total Retained Funds must balance with Total Assets.

## Balance Sheet

### A. ASSETS vs. LIABILITIES

#### ASSETS

Checking	\$1000.00
Savings	8000.00

Total Assets:	\$9000.00
---------------	-----------

#### LIABILITIES

Accounts Payable:	\$1000.00
-------------------	-----------

Total Liabilities	\$1000.00
-------------------	-----------

Retained Funds from Previous Years	5000.00
---------------------------------------	---------

Current Retained Funds:	\$3000.00
----------------------------	-----------

Total Retained Funds	\$8000.00
-------------------------	-----------

Total Liabilities and Retained Funds	\$9000.00
---	-----------

### B. INCOME vs. EXPENSES

#### INCOME

Dues	\$ 5000.00
Meetings	5000.00
Interest	100.00
Workshops	4900.00

Total Income:	\$15000.00
---------------	------------

#### EXPENSES

Room Rental	\$ 5000.00
Equipment Rental	500.00
Refreshments	3000.00
Postage	500.00
Printing	3000.00

Total Expenses	\$12000.00
----------------	------------

Current Retained Funds	\$ 3000.00
---------------------------	------------

**Income Statement**  
**7/1/06 through 6/30/07**

<b>Category Description</b>	<b>Actual</b>	<b>Budget</b>	<b>6/30/07 Diff</b>
<b>REVENUE</b>			
Journal Advertising	\$2,099.59	\$2,250.00	(\$150.41)
Membership	15,731.00	16,625.00	(894.00)
Miscellaneous	2,250.00	2,000.00	250.00
Interest	1,000.00	1,000.00	0.00
State Conference	<u>29,500.00</u>	<u>23,800.00</u>	<u>5,700.00</u>
<b>TOTAL ANTICIPATED REVENUE</b>	<b>\$50,580.59</b>	<b>\$45,675.00</b>	<b>\$4,905.59</b>
<b>EXPENSES</b>			
Executive Board:			
Delegates Assembly	\$1,200.00	\$1,000.00	\$200.00
IRA Leadership Travel	0.00	1,000.00	(1,000.00)
Travel Executive Board	500.00	1,200.00	(700.00)
Executive Board – Other	<u>0.00</u>	<u>450.00</u>	<u>(450.00)</u>
Total Executive Board	\$1,700.00	\$3,650.00	(\$1,950.00)
Miscellaneous:			
Honor Council	\$2,515.00	\$100.00	\$2,415.00
Journal	0.00	9,000.00	(9,000.00)
New Councils	0.00	100.00	(100.00)
Newsletter	0.00	4,000.00	(4,000.00)
State Coordinator	6,000.00	1,200.00	4,800.00
Miscellaneous – Other	<u>0.00</u>	<u>150.00</u>	<u>(150.00)</u>
Total Miscellaneous	\$8,515.00	\$14,550.00	(\$6,035.00)
Summer Leadership:			
Meals & Facility	\$1,500.00	\$1,500.00	\$0.00
Travel	<u>2,511.00</u>	<u>3,800.00</u>	<u>(1,289.00)</u>
Total Summer Leadership	\$4,011.00	\$5,300.00	(\$1,289.00)
<b>TOTAL ANTICIPATED EXPENSES</b>	<b>\$14,226.00</b>	<b>\$23,500.00</b>	<b>(\$9,274.00)</b>
<b>SURPLUS</b>	<b><u>\$36,354.59</u></b>	<b><u>\$22,175.00</u></b>	<b><u>\$14,179.59</u></b>

**Any Reading Council**  
**Monthly Income Statement**  
20XX – 20XX

	July	August	September	1 <sup>st</sup> Qtr Subtotal	October	November	December	2 <sup>nd</sup> Qtr Subtotal	YR-TO-DATE TOTAL
<b>Revenue:</b>									
Annual Conference/Program	\$0.00	\$0.00	\$728.50	<b>\$728.50</b>	\$1,839.48	\$9,568.53	\$0.00	<b>\$11,408.01</b>	<b>\$12,136.51</b>
Bank Account(s) Interest	20.57	22.45	24.96	<b>67.98</b>	27.32	28.89	34.04	<b>90.25</b>	<b>158.23</b>
Fund Raising Project(s)	0.00	0.00	0.00	<b>0.00</b>	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Membership	110.00	50.00	1,400.00	<b>1,560.00</b>	790.00	500.00	120.00	<b>1,410.00</b>	<b>2,970.00</b>
Publication Advertisements	0.00	300.00	0.00	<b>300.00</b>	0.00	175.00	0.00	<b>175.00</b>	<b>475.00</b>
Journal Subscriptions	0.00	0.00	820.00	<b>820.00</b>	240.00	170.00	110.00	<b>520.00</b>	<b>1,340.00</b>
<b>Total Revenue</b>	<b>\$130.57</b>	<b>\$372.45</b>	<b>\$2,973.46</b>	<b>\$3,476.48</b>	<b>\$2,896.80</b>	<b>\$10,442.42</b>	<b>\$264.04</b>	<b>\$13,603.26</b>	<b>\$17,079.74</b>
<b>Expenses:</b>									
Officers (list each separately)									
Travel	\$175.00	\$0.00	\$186.45	<b>\$362.35</b>	\$57.35	\$64.44	\$42.96	<b>\$165.35</b>	<b>\$527.70</b>
Communication	62.58	138.74	70.89	<b>272.21</b>	55.92	43.78	20.95	<b>120.65</b>	<b>392.86</b>
Board of Directors' Meetings									
Facilities	150.00	0.00	150.00	<b>300.00</b>	0.00	0.00	0.00	<b>0.00</b>	<b>300.00</b>
Food/Beverage	375.65	0.00	408.69	<b>784.34</b>	0.00	0.00	0.00	<b>0.00</b>	<b>784.34</b>
Travel	745.49	0.00	751.09	<b>1,496.58</b>	0.00	0.00	0.00	<b>0.00</b>	<b>1,496.58</b>
IRA Coordinator									
Leadership	0.00	0.00	0.00	<b>0.00</b>	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Travel	0.00	33.72	42.78	<b>76.50</b>	54.84	18.38	0.00	<b>73.22</b>	<b>149.72</b>
Communication	0.00	14.97	10.56	<b>25.53</b>	7.34	13.56	7.29	<b>28.19</b>	<b>53.72</b>
Committees (list each with projects/programs)									
Publications									
Newsletter	0.00	0.00	525.75	<b>525.75</b>	0.00	0.00	529.13	<b>529.13</b>	<b>1,054.88</b>
Journal	0.00	0.00	0.00	<b>0.00</b>	0.00	1,546.82	0.00	<b>1,546.82</b>	<b>1,546.82</b>
Membership									
Data Management	0.00	150.00	0.00	<b>150.00</b>	0.00	150.00	0.00	<b>150.00</b>	<b>300.00</b>
Communication	0.00	41.53	0.00	<b>41.53</b>	0.00	26.60	0.00	<b>26.60</b>	<b>68.13</b>
Promotional Items	0.00	0.00	0.00	<b>0.00</b>	100.00	0.00	0.00	<b>100.00</b>	<b>100.00</b>
Conference/Program									
Start-up Advance	4,300.00	0.00	0.00	<b>4,300.00</b>	0.00	0.00	0.00	<b>0.00</b>	<b>4,300.00</b>
Misc. (itemize expenses)	300.00	0.00	528.57	<b>828.57</b>	886.32	529.71	398.59	<b>1,814.62</b>	<b>2,643.19</b>
<b>Total Expenses</b>	<b>\$6,109.62</b>	<b>\$378.96</b>	<b>\$2,674.78</b>	<b>\$9,163.36</b>	<b>\$1,162.37</b>	<b>\$2,393.29</b>	<b>\$998.92</b>	<b>\$4,554.58</b>	<b>\$13,717.94</b>
Excess (Deficit) of Income to Expenses				<b>(\$5,686.88)</b>				<b>\$9,048.68</b>	<b>\$3,361.80</b>

Fund Balance as of December 31, 20XX

**\$27,661.70**

# Twelve-month cash flow

ABC Reading Council

Fiscal Year Begins: Jul-08

	Pre-Startup EST	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Total Item EST
<b>Cash on Hand</b> (beginning of month)	2,706	2,706	1,706	3,706	4,456	4,356	3,576	3,221	3,621	4,801	5,601	5,101	4,791	4,791

<b>CASH RECEIPTS</b>														
Conference		0	0	0	0	0	0	500	1,500	3,300	0	0	0	4,300
Membership		750	2,025	750	150	45	45	150	30	300	0	15	0	4,260
Miscellaneous		25	25	25	25	25	25	25	25	25	25	25	25	300
<b>TOTAL CASH RECEIPTS</b>	0	775	2,050	775	175	70	70	675	1,555	3,625	25	40	25	8,860
<b>Total Cash Available</b> (before cash out)	2,706	3,481	3,756	4,481	4,631	4,426	3,646	3,896	5,176	8,426	5,626	5,141	4,816	13,651

<b>CASH PAID OUT</b>														
Travel		150	0	0	0	0	0	0	0	0	0	300	0	450
Membership		1,000	0	0	0	0	400	0	0	0	0	0	0	1,400
Newsletter		250	0	0	250	0	0	250	0	0	250	0	0	1,000
Promotional		0	25	0	0	25	0	0	100	0	0	25	0	175
Conference						500			250	2,800	250			3,800
Miscellaneous		25	25	25	25	25	25	25	25	25	25	25	25	300
Board Meeting						300								300
Insurance		350												350
<b>SUBTOTAL</b>	0	1,775	50	25	275	850	425	275	375	2,825	525	350	25	7,775
<b>TOTAL CASH PAID OUT</b>	0	1,775	50	25	275	850	425	275	375	2,825	525	350	25	7,775
<b>Cash Position</b> (end of month)	2,706	1,706	3,706	4,456	4,356	3,576	3,221	3,621	4,801	5,601	5,101	4,791	4,791	5,876

# Appendix C — Sample Budget

## PROPOSED BUDGET 20XX-20XX

Checking Account Balance \$18,657.19

### REVENUE

#### Projected 20XX-20XX Revenue

Membership Dues	7,500.00
State Spring Conference Gross Income	7,500.00
Interest from Checking Account	<u>500.00</u>
<b>Total:</b>	<b>\$15,500.00</b>

### EXPENSES

#### Planned 20XX-20XX Expenditures

A. Printing	1,500.00
B. Postage	500.00
C. Newsletter	2,500.00
D. President's Expenses	400.00
E. President-elect's Expenses	200.00
F. Secretary's Expenses	100.00
G. Treasurer's Expenses	100.00
H. Membership Director's Expenses	200.00
I. Committee Expenses	400.00
J. Winter Board Meeting	800.00
K. Spring Conference	3,500.00
L. Summer Leadership Conference	2,000.00
M. State Coordinator's Expenses	400.00
N. IRA Convention	2,000.00
O. Leadership-IRA	500.00
P. Miscellaneous	<u>400.00</u>
<b>Total:</b>	<b>\$15,500.00</b>

Sample  
**ABC READING ASSOCIATION**  
**PROPOSED 20XX-20XX BUDGET**

	<b><u>Prior Year</u></b> <b><u>BUDGET</u></b>	<b><u>Current Year</u></b> <b><u>BUDGET</u></b>	<b><u>Increase or</u></b> <b><u>(Decrease)</u></b>
<b><u>INCOME:</u></b>			
Conference Book Sales	\$ 3,520	\$ 1,060	\$ (2,460)
Conference Exhibits	25,000	25,000	-
Conference Meals	35,000	38,000	3,000
Conference Miscellaneous	n/a	2,000	2,000
Conference Registration	72,500	75,000	2,500
Donations	14,580	23,240	8,660
Interest	6,000	4,000	(2,000)
JAAL Ads	5,000	4,000	(1,000)
Meals - Guests	300	300	-
Membership	48,000	48,000	-
Miscellaneous - General	n/a	100	100
Promotions	1,500	1,000	(500)
Foundation	n/a	200	200
<b><u>TOTAL ANTICIPATED REVENUE</u></b>	<b><u>\$211,400</u></b>	<b><u>\$221,900</u></b>	<b><u>\$10,500</u></b>
<b><u>CONFERENCE EXPENSES:</u></b>			
Clerical	\$ 1,000	\$ 1,000	\$ -
Exhibits	6,000	6,000	-
Facilities - Audio Visual	800	4,000	3,200
Facilities - Meals	35,000	38,000	3,000
Hospitality	1,000	1,000	-
Local Arrangements	1,500	1,500	-
Miscellaneous	700	2,000	1,300
Postage/Mailing	4,000	5,000	1,000
Pre-plan Conference 20XX	1,500	2,000	500
Printing	15,000	16,000	1,000
Promotions	1,000	1,000	-
Registrations and Supplies	2,500	2,500	-
Speakers	15,000	16,500	1,500
<b><u>TOTAL ANTICIPATED CONFERENCE EXPENSES</u></b>	<b><u>\$85,000</u></b>	<b><u>\$96,500</u></b>	<b><u>\$ 11,500</u></b>

	<b><u>Prior Year</u></b> <b><u>BUDGET</u></b>	<b><u>Current Year</u></b> <b><u>BUDGET</u></b>	<b><u>Increase or</u></b> <b><u>(Decrease)</u></b>
<b><u>BOARD EXPENSES:</u></b>			
Administrators	\$ 300	\$ 200	(100)
Adult/Intergenerational Literacy	500	500	-
Audit/Tax Preparation	2,000	1,000	(1,000)
Bylaws	500	100	(400)
Council Support	3,000	4,500	1,500
Executive Board	3,500	5,000	1,500
Executive Services	28,000	28,000	-
Journal/Publications	14,000	13,000	(1,000)
Leadership - IRA	n/a	1,000	1,000
Leadership	5,000	5,000	-
Literature/Young Authors	2,000	2,000	-
Literature/Young Readers	2,000	2,000	-
Local Council Projects	3,000	3,000	-
Membership - IRA	200	200	-
Membership - Student	200	200	-
Membership	900	900	-
Newsletter	14,000	12,000	(2,000)
Newspaper in Education	400	300	(100)
Nominations/Election	2,000	1,800	(200)
Operating Expenses	5,000	5,500	500
Parents and Reading	1,000	1,000	-
Past Presidents' Advisory	1,000	1,000	-
Professional Standards	200	100	(100)
Public Relations	1,400	1,200	(200)
Research/Teacher Grants (1000/5000)	6,000	6,000	-
Resolutions/Legislation	1,000	1,000	-
Scholarships	1,000	1,000	-
Task Force for Assessment (Ad Hoc)	2,500	2,500	-
Teachers as Readers (Ad Hoc)	500	500	-
Travel/Lunch	16,500	16,500	-
<b>TOTAL ANTICIPATED BOARD EXPENSES</b>	<b>\$118,100</b>	<b>\$117,000</b>	<b>(1,100)</b>

	<b><u>Prior Year BUDGET</u></b>	<b><u>Current Year BUDGET</u></b>	<b><u>Increase or (Decrease)</u></b>
<b><u>OFFICERS/COORDINATOR EXPENSES:</u></b>			
President	\$ 2,000	\$ 2,000	-
President-elect	1,500	1,500	-
Vice President	1,300	1,300	-
Corresponding Secretary	400	500	100
Recording Secretary	500	500	-
Treasurer	500	500	-
State Coordinator	1,600	1,600	-
Immediate Past President	500	500	-
<b><u>TOTAL ANTICIPATED OFF/COORD EXPENSES</u></b>	<b><u>\$ 8,300</u></b>	<b><u>\$ 8,400</u></b>	<b><u>100</u></b>
<b><u>GRAND TOTAL ANTICIPATED EXPENSES:</u></b>	<b><u>\$211,400</u></b>	<b><u>\$221,900</u></b>	<b><u>10,500</u></b>
<b><u>GRAND TOTAL ANTICIPATED INCOME:</u></b>	<b><u>\$211,400</u></b>	<b><u>\$221,900</u></b>	<b><u>10,500</u></b>

# Appendix D — IRA INSURANCE FORMS

Association Office Package Policy

Application for Insurance

March 2009

MEMO TO: Council Officers  
FROM: Greg Rumsey, Director of Finance & Administration  
SUBJECT: **Certificates of Insurance**

Councils located in the United States, its territories, and Canada may obtain their own annual insurance through our broker, WillisHRH. Through our group buying power, WillisHRH developed an IRA Council Package Policy. The council policy is underwritten by the Travelers Property Casualty Corp., and covers the operations of your council, including seminars, meetings and special events, and certificates of insurance.

You should know that IRA Headquarters is acutely aware of the cost dilemma that councils face when considering insurance coverage. We believe our present program offers economical rates.

Changes affecting the insurance industry have significantly influenced the underwriting appetites of virtually all insurance companies. Our broker has researched our choices for providing the IRA Council Package policy. Travelers still represents the broadest available coverage and best pricing overall. However, Travelers may not be willing to underwrite every council as they have in the past. It is possible that some councils may be offered the same basic coverage and similar pricing but with a different insurance company.

A summary of coverage and an enrollment form are enclosed. If you have questions regarding the policy, please feel free to contact Edie Holyfield at WillisHRH, 800 King Farm Blvd., Suite 200, Rockville, MD 20850; telephone (800) 800-2860; fax (301) 692-4474.

It is very important that councils who already have insurance through WillisHRH **notify them of any changes in the council's leadership status**. We have been advised that there is an ongoing problem with policies being canceled, because correspondence and invoices for the annual premium installments are being sent to the leader who initiated the policy. In most cases, that person is no longer in office. When the invoice is not paid, the policy is canceled, leaving the council unaware that they are without coverage.

Enclosure

# IRA Council Office Package Policy

## *Basic Insurance Coverage*

Most state and local chapters of IRA are primarily interested in securing either General Liability Coverage or Fidelity Bonding to cover their financial activities. In order to secure the lowest minimum cost allowed by the major insurance companies, we offer this coverage within a package-type policy of benefits. The minimum premiums for this type of policy are generally \$500 to \$1,500 annually, depending on each state's insurance regulations. Policies may include the following coverage:

Personal Property (includes furniture, computer equipment, files, materials, etc.) .....	\$10,000
Personal Effects & Property of Others.....	\$10,000
Property Away from Premises .....	\$10,000
Valuable Papers & Record Replacement .....	\$10,000
Business Income Replacement (up to 12 months – no limit).....	Actual Loss
Employee Dishonesty Bond (covers up to 5 Officers).....	\$25,000
Money & Securities (on premises).....	\$10,000
(off premises).....	\$2,000

## *General Liability Coverage*

*(Includes Liability for Meetings & Conventions)*

Bodily Injury, Property Damage, etc. ....	Aggregate Limit ...	\$2,000,000
Each Occurrence .....		\$1,000,000
Personal Injury & Advertising .....		\$1,000,000
Premises Medical Payment .....		\$5,000
Fire Damage Legal Liability .....		\$300,000
Host Liquor Liability .....		\$1,000,000
Non-Owned & Hired Auto Liability.....		\$1,000,000

**NOTE:** If you have a need for higher limits than shown, or require other types of coverage such as a computer policy, umbrella excess liability, building coverage, workers' compensation, convention cancellation, or directors' and officers' liability coverage, we can provide a quotation for your specific circumstances. After the initial coordination of coverage with Edie Holyfield, WillisHRH, (800) 800-2860, all ongoing services, e.g., changes to policy limits, address changes, contact and billing information, should be directed to:

Travelers Customer Service Center  
Toll Free: 1-877-411-0770 / Fax: 1-888-872-8921  
**Hours: 8:00 AM to 8:00 PM EST**  
**CLAIMS: 24 Hours / 7 Days a Week ... 1-800-238-6225**

## *Other Available Common Types of Insurance Coverage*

### **Directors & Officers Liability (D&O)**

D&O, sometimes called Non-Profit Organization Liability coverage, is designed to protect the directors and officers from the allegations of negligence for their duties on behalf of the organization. Typically these policies will also provide protection for the organization itself. D&O should be considered as “managerial errors and omissions” coverage, to protect against claims for the decisions involving the administration of the council. For most small councils that do not have any employees, the estimated premium would usually be about \$1,000 for a \$1,000,000 limit of liability.

This coverage should not be confused with policies designed to protect against the professional errors and omissions. Miscellaneous Errors & Omissions is a policy that most councils do not need to consider obtaining. Miscellaneous E&O policies might be designed to cover allegations of negligent teaching.

### **Convention Cancellation Coverage**

Convention Cancellation policies protect the council from losses that might result from the sudden unexpected cancellation of the scheduled meeting or convention. These losses can result from expenses and deposits for the meeting or the loss of “profit” the meeting would have generated. Examples of claims would include the cancellation or rescheduling of a meeting because of a major blizzard and the cost of additional mailings, phone calls, printing new information. There are restrictions for certain types of claims but the policies are fairly broad. The policy is rated on the gross revenue that the meeting is projected to generate. The coverage limit is the maximum of the estimated revenue minus whatever expenses can be recovered.

The September 11th terrorism tragedy had an enormous impact on this coverage and the result is that the policies will not cover most acts of terrorism unless you agree to pay an additional premium. However, before the threat of terrorism, the coverage was still being purchased to protect organizations from all of the other types of losses. The minimum revenue for a meeting is usually going to be over \$50,000 and the premiums are very reasonable for the coverage without the full terrorism coverage. The larger the meeting and the more money in expected profits or expenses the more a council should consider obtaining this policy.



Name of Account: \_\_\_\_\_ Phone No. \_\_\_\_\_

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

\_\_\_\_\_

Effective Date: \_\_\_\_\_

Contact Name: \_\_\_\_\_ Website Address: \_\_\_\_\_

Direct Billing: Yes  No  Service Ctr: Yes  No

Building Construction: \_\_\_\_\_

Building Age: \_\_\_\_\_ Yrs. Occupied Space: \_\_\_\_\_ (square feet)

**BASIC COVERAGE PROVIDED:**

Personal Property (Furniture, Files, Etc) \$10,000 Other: \_\_\_\_\_

Employee Dishonesty (Up to 5 persons) \$25,000 Other: \_\_\_\_\_

Additional Persons > 5 \_\_\_\_\_

General Liability: \$1,000,000 Per Occurrence / \$2,000,000 Aggregate Limit

Hired & Non-Owned Auto: \$1,000,000 Liability Limit

List below the Meetings, Conventions and Trade Shows for which a certificate of insurance may be required:

Name of Event	Address	Date and Number Attending
1.		
2.		
3.		

If you need additional coverage such as computer insurance, extra liability, or other forms of Property and Casualty coverage, please indicate below:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



1. What are the association's goals and objectives (please attach a copy of the association bylaws)?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. How many members are there? \_\_\_\_\_ Is chapter liability requested? Yes

No

3. Is personal injury coverage requested? Yes  No  (If yes, please describe all publications, including newsletters and attach a sample of each). \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Does the association professional liability policy provide PI coverage? Yes  No

Please provide the name of the carrier. \_\_\_\_\_

The limits provided \_\_\_\_\_

The effective/expiration dates \_\_\_\_\_ / \_\_\_\_\_

4. Is publisher's liability coverage provided for either, by a separate policy or is it covered under the association professional liability carrier? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Please provide the name of the carrier. \_\_\_\_\_

The limits provided \_\_\_\_\_

The effective/expiration dates \_\_\_\_\_ / \_\_\_\_\_

5. Are there any off-premises activities or special events sponsored by the insured? (i.e., conventions, seminars, fun runs, etc. Yes  No  If yes, please list. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

6. Does the insured do any lobbying or is the insured involved in any political activity? Yes  No

\_\_\_\_\_  
\_\_\_\_\_



7. Please describe any of the following exposures that the insured may have: (Are these covered by the association professional liability policy or is there a separate policy provided?)

Accreditation: \_\_\_\_\_  
\_\_\_\_\_

Certification: \_\_\_\_\_  
\_\_\_\_\_

Peer Review: \_\_\_\_\_  
\_\_\_\_\_

Standard Setting: \_\_\_\_\_  
\_\_\_\_\_

**Mail or Fax to:**  
**Hilb, Rogal and Hobbs of Metropolitan Washington**  
**ATTN: Edie Holyfield, Marketing**  
**800 King Farm Blvd, Suite 200**  
**Rockville, MD 20850**

**PHONE: 1-301-692-3079**  
**1-800-800-2860**  
**FAX: 1-301-692-4474**  
**E-Mail: [Edie.holyfield@hrh.com](mailto:Edie.holyfield@hrh.com)**

## Appendix E — Work for Hire Agreement Samples

### Work for Hire Agreement (Employee)

This agreement is made and entered into on \_\_\_\_\_, by  
and between \_\_\_\_\_ (the “Employer”) and  
(the “Employee”).

WHEREAS, the Employer is a nonprofit organization which desires to produce certain creative materials for a publication or other creative or educational endeavor described on Exhibit I hereto (the “Project”).

WHEREAS, the Employee is an experienced creator of materials for such projects and is willing to provide certain creative services to the Employer to create materials defined and desired by the Employer for the Project as works for hire pursuant to 17 U.S.C. § 101, resulting in the Employer being the author of any and all copyrights in such works.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Any and all materials created by the Employee for the Project shall be works made for hire.
2. The Employer shall have the power to direct the Employee’s creation of such works, there general nature and appearance, the specific features, where they are created, how they are created, and what equipment and materials are used to create them.
3. The Employer, in execution of this Project, shall have complete control over the Employee’s work schedule, work assignment, and the right to hire and assign assistants.
4. The Employer shall take all reasonable steps to see that all normal formalities of business formation and operation are met concerning the Project, shall provide the Employee with all benefits normally provided by the Employer, and shall comply with all applicable laws concerning such employment, including the withholding of taxes from monetary payments to the Employee for the Project.
5. In the event that, for any reason, such works are not considered to be the property of the Employer, in consideration of the Employee’s hiring and employment and the compensation paid to the Employee by Employer, and in order to further effectuate the intent of the parties as evidenced by the preceding sentence, the Employee hereby assigns to the Employer all of his or her right, title and interest in and to such works, and all copyrights and other intellectual property relative thereto and all improvements, adaptations and modifications, and agrees to execute and deliver to the Employer from time to time upon request, all further instruments or documents, and to take all additional acts as may be necessary or advisable to vest in the Employer all right and title in and to such works.
6. Other or additional matters concerning this employment may be agreed to by and between the Employer and Employee from time to time by one or more written documents. Such agreements, however, shall not negate any of the foregoing provisions, and shall be void and of no effect to

the extent that they may change or negate the copyright status of any work created hereunder as a work for hire.

IN WITNESS WHEREOF, the Employer has caused this Agreement to be signed by a person authorized to sign on its behalf and the Employee has set his or her hand and seal, as of the day and year first above written.

The Employer:

[Name of Entity]

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

\_\_\_\_\_  
Title

The Employee:

\_\_\_\_\_  
Name (SEAL)

SS:            }State of \_\_\_\_\_  
                  }  
                  }County of \_\_\_\_\_

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, the undersigned Notary Public of said State, personally appeared \_\_\_\_\_, who acknowledge h\_\_self to be the person whose name is subscribed to the within instrument as the Employee, and acknowledged that the same is h\_\_ act and deed.

WITNESS my hand and Notarial Seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

## Work for Hire Agreement (Nonemployee)

This agreement is made and entered into on \_\_\_\_\_,  
by and between \_\_\_\_\_ (the "Principal")  
and \_\_\_\_\_ (the "Agent").

WHEREAS, the Principal has requested Agent to assist in preparing materials intended to serve as either (i) a contribution to a collective work or a compilation, (ii) a translation, an introduction, conclusion, forward, afterward, explanation, illustration, chart, table, editorial material, bibliography, appendix, index or other item supplementary to another work, or (iii) instructional materials, tests, test answers, or other items intended to be used in seminars or other instructional activities, more particularly described on Exhibit I (the "Project").

WHEREAS, the Agent is an experienced creator of materials for such projects and is willing to provide certain creative services to the Principal to create materials defined and desired by the Principal for the Project as works for hire pursuant to 17 U.S.C. § 101, resulting in the Principal being the author of any and all copyrights in such works.

NOW THEREFORE, in consideration of the foregoing and \$10.00 paid in hand by the Principal to the Agent, the receipt and sufficiency of which are hereby acknowledged, and for other good and valuable consideration, and intending to be legally bound, the parties hereto agree as follows:

1. All such materials created by the Agent for the Project shall be works made for hire, such that the Principal shall be the author thereof and shall have all copyright rights and other rights or ownership arising from authorship, including, without limitation, all rights to publish, distribute, copy, adapt, modify or alter such works. Except for such compensation, if any, as may be agreed upon between the Principal and the Agent under separate written agreement, the Agent shall be entitled to no payment or compensation with respect to such works or the Project or the Principal's exploitation of its rights.
2. In the event that, for any reason, such works are not considered to be the property of the Principal, in consideration of the attribution to be given to the Agent in such materials, and any other compensation paid to the Agent by the Principal pursuant to a separate agreement as described in the preceding paragraph, if any, and in order to further effectuate the intent of the parties as evidenced by the preceding paragraph, the Agent hereby assigns to the Principal all of his or her right, title and interest in and to such works, and all copyrights and other intellectual property relative thereto and all improvements, adaptations, and modifications, and agrees to execute and deliver to the Principal from time to time upon request, all further interments or documents, and to take all additional acts as may be necessary for advisable to vest in the Principal all right and title in and to such works.

**Exhibit I**

Description of Project (could be separate sheet)

IN WITNESS WHEREOF, the Principal has caused this Agreement to be signed by a person authorized to sign on its behalf and the Agent has set his or her hand and seal, as of the day and year first above written.

The Principal:

[Name of Entity]

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

\_\_\_\_\_  
Title

The Agent:

\_\_\_\_\_  
Name (SEAL)

SS:            } State of \_\_\_\_\_  
                  }  
                  } County of \_\_\_\_\_

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
before me, the undersigned Notary Public of said State, personally appeared  
\_\_\_\_\_, who acknowledge h\_\_self to be the person whose name is  
subscribed to the within instrument as the Agent, and acknowledged that the same is h\_\_ act and  
deed.

WITNESS my hand and Notarial Seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

**Copyright Assignment**

This agreement is made and entered into on \_\_\_\_\_, by and between (the "Assignor") and \_\_\_\_\_ (the "Assignee").

WHEREAS, the Assignee is a nonprofit organization which desires to produce certain creative materials for a publication or other creative or educational endeavor described on Exhibit I (the "Project").

WHEREAS, the Assignor has assisted the Assignee in creating those materials and desires to assign its rights in and to such works to the Assignee.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Assignor agrees as follows:

1. Assignor hereby assigns all of his or her right, right, title and interest in and to the materials created for the Project by Assignor, and all copyrights and other intellectual property relative thereto and all improvements, adaptations and modifications, and agrees to execute and deliver to the Assignee from time to time upon request, all further instruments or documents, and to take all additional acts as may be necessary or advisable to vest in the Assignee all right and title in and to such works.
2. This assignment shall be binding on the heirs and assigns of Assignor and shall benefit the successors and assigns of Assignee.

IN WITNESS WHEREOF, the Assignor has set his or her hand and seal, as of the day and year first above written.

The Assignor:

\_\_\_\_\_  
Name (SEAL)

SS:            } State of \_\_\_\_\_  
                  }  
                  } County of \_\_\_\_\_

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, the undersigned Notary Public of said State, personally appeared \_\_\_\_\_, who acknowledge h\_\_self to be the person whose name is subscribed to the within instrument as the Agent, and acknowledged that the same is h\_\_ act and deed.

WITNESS my hand and Notarial Seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

# Appendix F — Types of Councils and Affiliates

The following designations are used by the International Reading Association to distinguish councils and affiliates.



## **Local Council**

A local council serves membership in a geographic area as defined by a governing entity such as a town, city, county, parish, etc. Local councils are active participants in their state/provincial/national associations as well as the International Reading Association.

## **Group Council**

A group council may be formed in economically developing countries. Group councils maintain communication with other councils in their county or region as well as the International Reading Association. A chartering fee for the group council replaces the requirement for a minimum of ten individual IRA memberships among council members.

## **Special Interest Council**

A special interest council is formed by ten or more individual members of the association within a state, province, or nation who represent 1) a group particularly interested in some aspect of reading or 2) particular academic professional groups such as students, administrators, college professors, etc.

## **Regional Council**

A regional council serves a large geographic area as defined by a country's governing entity such as oblast, union territories, etc. The programs presented by a regional council are at a level not usually attainable by local or group councils.

**State/Provincial Council**

A state council serves a state in the United States. A provincial council serves a province in Canada. The programs presented by a state or provincial council are at a level not usually attainable by local councils.

**National Affiliate**

A national affiliate is organized on a nationwide scale in a country. Because a national affiliate serves such a large area, it establishes a comprehensive program for an entire country. The methods used to achieve this end will necessarily vary widely in each nation.