SFPE
Engineering A Fire Safe World ®

SFPE Chapter Treasurer’s Handbook

Introduction:

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

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

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

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

Incorporation:

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

- Japan is divided into 47 prefectures. A non-profit organization (NPO) has to be certified by either the local government or national agencies. To be a certified NPO, you would have to clear a number of regulations. However, a chapter can opt to be a non-official NPO (e.g., RIMS Japan Chapter). In that case, the chapter can simply register at the National Tax Agency and pay the appropriate taxes.

Tax Issues and Non-Profit Status:

U.S. Chapters

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

Federal Tax Identification Number (also EIN)
All incorporated chapters are required to obtain a federal Tax Identification Number (TIN). Your TIN is needed to open a bank account and is used to file your annual IRS Form 990. Form SS-4 is available from the local IRS office or online. A copy should be forwarded to the SFPE office. If you cannot locate your chapter's TIN, check with us, or your bank, as it is required for all accounts.

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

Tax Payer Right to Know
Under current federal legislation, anyone has the right to request certain information and documents from a tax exempt organization. The exact rules on how quickly and in what format this must be supplied can be found on the IRS Web site at *www.irs.gov*.

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

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

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

Tax Record Keeping
Your chapter should have available copies of the following:

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

Tax Issues and Non-Profit Status:

Canadian Chapters

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

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

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

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

Tax Issues and Non-Profit Status:

Chapters Outside of the United States and Canada

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

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

Budget Guidelines:

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

Budget Planning Guidelines

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

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

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

This handbook's appendix includes a sample individual budget worksheet for one project/program.

Reporting and Record Keeping:

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

Your treasurer is responsible for the following:

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

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

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

Documents Retention Time Recommendations

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

Reserves

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

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

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

Fundraising:

Money raised through chapter fundraising efforts must be given to a fire protection/engineering-related organization or project (like scholarship for students enrolled in fire safety related courses). It is important to consider that funds given to a charity that is not fire protection/engineering-related must be earmarked for a fire protection project by that charity.

In addition, funds must be used for the purposes for which they were originally intended. For example, If you are having a golf tournament for the scholarships for students enrolled in related courses, funds raised must be used for tuition and not for any other purposes.

Acceptable Examples of Fundraising:

- Golf tournaments to fund students travel to SFPE, or chapter's educational events
- Local scholarship: your chapter can develop its own scholarship through a local university/school.
- Local charity: for example, fire extinguishers/smoke detectors could be donated to a women's shelter or an orphanage.

Membership Dues:

Collecting & Receiving
Currently SFPE does not collect dues for your chapter when collecting Society dues, neither requires that members who join the society also belong to their local chapter. Chapters can set their own dues, we encourage to revise the amounts every year. We also encourage to allow student to join for free.

Determining Dues Amounts

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

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

Receiving Payments:

Because SFPE chapters hold events, collect sponsorship dollars and charge meeting fees chapters handle money. Many chapters used to accept checks only as payment, but nowadays credit card payments are strongly preferred.

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

- Credit Card Machine: Talk to your chapter's bank and other financial institutions regarding the cost, fees, and process to obtain and use a credit card machine to process payments. Compare programs and costs before deciding on which bank will provide this service. In addition to obtaining the machine, your board should also consider who will be responsible to process the payments, refunds, etc. Some Chapters also use Square and other technology attached to mobile devices.

- Online Payment Services (i.e. PayPal): These accounts enable any individual or business with an e-mail address to send and receive payments online securely, easily and quickly. Your chapter should look at the fees associated with each transaction, which credit cards will be accepted, who will have access to the account, etc. It is suggested you contact other chapters who have used similar services.

Making Payments for Services:

If your chapter pays for services performed by someone, such as an office administrator or a bookkeeper, a 1099-MISC tax form must be mailed to the Internal Revenue Service at year- end.

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

Please go online to www.irs.gov to find the necessary forms and instructions.

Independent External Financial Review or Audit:

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

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

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

Conclusion:

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

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

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

As treasurer you have taken on an incredibly valuable, important and rewarding role for your chapter. We hope that this handbook will be of assistance throughout your term..

APPENDIX 1: Sample Annual Program/Project Budget Worksheet

Program/ Project Date	Program/ Project Format	Projected Expenses	Projected Revenue	Projected Net	Actual Expenses	Actual Revenue	Actual **Net**	Notes
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	RIMS - Chapter				
	Budget				
	Historical Actuals		Current Year		Next Year
	12/31/15	12/31/16	8/31/17	12/31/17	12/31/18
	Actual	Actual	Actual	Budget	Budget
Income					
Dues Revenue					
Associate Dues - $180 (Society)					-
Corporate Associate Dues - $500 (Chapter)					-
Corporate Dues - $500 (Society)					-
Deputy Dues - $85 (Society)					-
Total Dues Revenue	**-**	**-**	**-**	**-**	**-**
Educational Conf Rev					
Risk Management Forum					
Registration Fees					-
Sponsorships ($22,980 def rev in 2017)					-
Total Educational Conf Rev	**-**	**-**	**-**	**-**	**-**
Event Income					
Golf Tournament					
Mulligans & Strings					-
Registration Fees					-
Special Events Sponsorship					-
Sponsorships					-
Total Event Income	**-**	**-**	**-**	**-**	**-**
Interest Earned					**-**
Meeting Fees					**-**
Total Income	**-**	**-**	**-**	**-**	**-**
Expenses					
Administrative Exp					
Professional Services					
Administrator Fees					-
Bookkeeper Fees					-
Other Professional Services					-
Total Professional Services	**-**	**-**	**-**	**-**	**-**
Bank and Credit Card Charges					-
Gifts					-
Registrations & Licenses					-
Services					-
Supplies and Postage					-
Total Administrative Exp & Prof Svcs	**-**	**-**	**-**	**-**	**-**
Charitable Giving					
Brothers Redevelopment Cont.					-
Charitable Contributions					-
GIS					-
Member Scholarship					-
NMSU RMI Program Scholarships					-
UCD Monthly Meeting Sponsorship					-
UCD RMI Program Scholarships					-
Total Charitable Giving	**-**	**-**	**-**	**-**	**-**
Educational Conf Expense					
Risk Management Forum					
Facility Fee - Room					-
Gifts					-
Program/Signage					-
Total Educational Conf Expense	**-**	**-**	**-**	**-**	**-**

	RIMS - Chapter Budget				
	Historical Actuals		Current Year		Next Year
	12/31/15 Actual	12/31/16 Actual	8/31/17 Actual	12/31/17 Budget	12/31/18 Budget
Event Expense					
Golf Tournament					
Fee, Food and Beverage					-
Gifts and Prizes					-
Signage and Brochures					-
Supplies					-
Total Event Expense	-	-	-	-	-
Meeting Expense					
Board Planning Meeting					
Dinner					-
Facility Fee - Food & Beverage					-
Travel and Lodging					-
Total Board Planning Meeting	-	-	-	-	-
Chapter Advocacy					
Annual Conference Reception					-
Meals					-
Registration Fee					-
Travel and Lodging					-
Total Chapter Advocacy	-	-	-	-	-
Chapter Committees					
Food and Beverage					-
Supplies					-
Total Chapter Committees	-	-	-	-	-
Monthly Meetings					
Board Meeting					-
Facility Fee - Food & AV					-
Facility Fee - Room					-
Speakers					-
Holiday/Appreciation Party					-
Total Monthly Meetings	-	-	-	-	-
Total Meeting Expense	-	-	-	-	-
Total Expenses	-	-	-	-	-
Net Operating Income	-	-	-	-	-

Sample Balance Sheet

[Name] Chapter of SFPE Balance Sheet

Period Ending (date)

(Name of financial institution and account number)

Previous balance of (date)

Deposits

Disbursements

Current balance

Submitted at (date) Board Meeting

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Treasurer