



FINANCE AND ACCOUNTING

POLICIES AND PROCEDURES HANDBOOK

Revised 2023

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INTRODUCTION

Chapters are the foundation of AFCEA International, and the worldwide chapter structure is the key to the success of the association. Though many changes have occurred over the 75 plus years since AFCEA began, the constant and the bedrock of the association's success have always been the chapters and the members.

Within each chapter, the leadership is instrumental in carrying out AFCEA's mission, in implementing local programs, and in supporting the global goals and objectives of AFCEA International. Therefore, it is critical that chapter leaders understand their roles and responsibilities, their legal and ethical requirements, and their fiduciary liabilities in carrying out the duties of their positions.

This handbook is a compilation of guidelines, suggestions, and best practices for day-to-day financial operations, and chapter leaders should use this handbook, the Chapter Officer Handbook, and the AFCEA International By-Laws as operating guides.

Unless specifically stated, the use of "chapter" shall mean both a chapter and a chapter educational foundation.

If you have any suggestions or recommendations regarding the content of the handbook, please contact AFCEA International, Chapter Services at 703-631-6242.

CHAPTER OPERATIONS

Dedication and attention to detail are requirements for planning, organizing, and operating a successful chapter. The AFCEA chapter, providing services to its members and community, is the cornerstone of AFCEA's structure and its most valuable resource.

The chapter Board of Directors is the governing body, and they are responsible for the finances of the chapter. The Treasurer is the elected officer who maintains the financial records of the chapter and who is responsible for reporting those results to the Board.

Fiscal and fiduciary responsibility and liability apply to every chapter and chapter educational foundation regardless of the size or scope of their operations. Chapter officials are the stewards of AFCEA member's money, and they answer to the membership on how they use the funds entrusted to the association.

ORGANIZATIONAL OVERVIEW

AFCEA is a chapter based association. Chapters are strategically located near government and military installations to facilitate interaction among government and industry and to match government needs with industry solutions.

The chapter and the chapter educational foundation are two separate and distinct legal entities.

Chapters operate under the guidelines of the AFCEA International By-Laws, and they host activities to include events, member luncheons, speaker series, and other activities.

Chapter educational foundations are formed by the chapter to solicit and collect donations to support educational scholarships and awards for students and teachers in STEM related fields.

Each entity has its own Employer Identification Number (EIN), and each entity is required to maintain its own separate accounting records and bank accounts. The chapter and chapter educational foundation are both tax exempt entities. The chapter is tax-exempt under Internal Revenue Code (IRC) Section 501(c)(6), and the educational foundation is exempt under IRC Section 501(c)(3). Both entities must file their own, separate Form 990 tax return.

The chapter and chapter educational foundation's tax exempt statuses are secured by AFCEA International Headquarters through group exemptions with the Internal Revenue Service (IRS). When a new chapter is issued a charter by AFCEA International Headquarters, the AFCEA chief financial officer (CFO) will provide the chapter with its EIN. If the chapter stands up an educational foundation, the AFCEA CFO must be involved in securing the EIN so the proper forms can be filed with the IRS. This will automatically grant the educational foundation tax exempt status.

A chapter or chapter educational foundation should not file itself for its tax exempt status. AFCEA Headquarters will secure the status under the applicable group exemption, and there is no cost to the chapter. If an entity files for tax exempt status directly, there is a user fee (which can be avoided by working directly with AFCEA International Headquarters).

OPERATIONAL GUIDELINES

BANK ACCOUNTS

As the chapter is being formed, bank accounts should to be opened for the chapter and the chapter educational foundation. To assist with chapter leadership transition and for general oversight, the Regional Vice President should be included on the signature card for all accounts.

Each entity **must** have its own separate bank account(s) under its own respective EIN. A chapter or the educational foundation may each have multiple accounts, for instance a checking account and a money market account. Regardless of the number or types, bank accounts **must** be separate and distinct from each other: Chapter accounts must be opened with the chapter EIN, and educational foundation accounts must be opened with the foundation EIN.

Do not commingle chapter and educational foundation funds in the same bank account.

Revenues received from chapter operations (events, luncheons, etc.) must be deposited into the chapter bank accounts. Donations received for the educational foundation must be deposited into the educational foundation bank accounts. Donations to the educational foundation are qualified charitable donations, so the donor may take a tax deduction for the contribution. This is one of many reasons why the funds must always be deposited into the proper account.

Best Practices:

- Look at various banks to see if their services meet your operating requirements. Be sure to tell the bank that the chapter is tax exempt. Many banks will waive fees for non-profits.
- Banks are always looking to network. The bank may be a lead for a chapter sponsorship or they may fund a scholarship for a chapter's educational foundation.
- Monthly bank reconciliations must be timely—completed within a week of receiving the bank statement—to ensure proper controls over cash.
- Deposits must be made timely, intact, and to the proper account.

BUDGETING

Annually, the chapter and educational foundation should prepare an operating budget that is approved by the respective Board of Directors. The budget should include all sources of revenues and expenses, be realistic, and be used as a management tool to gauge operations and results. The budget process should be a collaborative effort with the Treasurer in the lead. The Treasurer should receive input from all chapter leaders and chairs who oversee various chapter functions, such as events, member services (luncheons, meetings, etc.), YAC programs, and scholarships and awards programs.

The budget should be developed by each respective functional area and in enough detail to be useful in managing the activities of the chapter. For example, each event should have its own individual budget, and then all events can be aggregated into one “Events” budget. Monthly meetings (speaker series, lunch and learn talks, etc.) should be budgeted individually and then aggregated into one functional budget, for example a budget called “Member Services.” The titles can be at the discretion of each chapter, but the budget needs sufficient detail to provide leadership with measurement tools to track results.

Educational foundation budgets need to include line items for various types of donations (individual, corporate, chapter, etc.) and line items for various expenses to include scholarships by type (STEM, ROTC, etc.), awards (students, teachers, school, etc.) and any other related expenses.

The budget must be realistic, measurable, and balanced each year. Excess net revenues over expenses (net income) can be budgeted with the goal of establishing, or adding to, the chapter reserve fund. The reserve fund provides a safety net to cover potential operating contingencies, such as covering an event cancellation or funding a chapter initiative or new program.

Many non-profit reference guides suggest a target reserve of 50 percent of the annual budgeted expenses. The chapter Board and Treasurer need to assess what a realistic amount is for the chapter reserve fund. The educational foundation should do the same. The foundation's reserve could be used to fund committed scholarships in years when donations may have decreased.

Best Practices:

- The budget process should allow enough time to build a draft budget properly; review and modify it as needed; and have it approved for implementation at the start of the operating year (whether a fiscal or calendar year).
- Monthly financial reports should be prepared and include actual results compared to the budget year-to-date. Variances from the budget should be explained.
- Various budgeting tools are available to chapters, such as Excel or QuickBooks. The chapter can choose the best tool to build its budget, but most critical is the development, approval, and implementation of the annual budget.

CHAPTER ANNUAL REPORT

Each chapter will submit an Annual Report to AFCEA Headquarters no later than March 1st of each year for the previous calendar year. All chapter annual reports are submitted electronically via the AFCEA portal.

The Annual Report serves two important purposes: (1) It helps maintain the chapter's tax exempt status, and (2) it serves as a reporting and analysis tool for the regional vice president and AFCEA chapter support personnel to ascertain the chapter's membership status, programs, financial position, and general health.

As part of the annual report, chapters must upload their most current Form 990 tax return. The annual report is prepared using calendar year information that may not always coincide with the chapter's tax reporting period (calendar year compared to fiscal year). It is not necessary to make adjustments if a chapter is in this situation. The Form 990 tax return can be uploaded at any time. If the fiscal year ends September 30, and the Form 990 is complete in January, the return can be uploaded at that time without waiting to submit the annual report.

Chapters that do not submit an annual report will not be eligible to receive any AFCEA International Awards.

Beginning in Fiscal Year 16, the AFCEA International Board of Directors and the AFCEA International Educational Foundation Board of Directors implemented a six (6) percent assessment on chapters payable to the AFCEA International Educational Foundation. This is an annual assessment from the chapter and should be included in the chapter budget and reported on its Annual Report. The 6 percent assessment is paid to the AFCEA International Educational Foundation annually, no later than June 1st. This assessment was put in place following multiple meetings and discussions with the regional vice presidents and chapter leaders.

The assessment is based on the net revenue raised for educational purposes for the chapter and chapter educational foundation. Following are a few scenarios that explain what is reported in the Annual Report

and how to calculate the net amount to be assessed the 6 percent:

- Chapter Event:
 - The chapter holds an event (IT day, conference, golf outing, fun-run, etc.). The gross receipts from the event are \$150,000, and related event expenses are \$120,000. The net from the event is \$30,000, and the \$30,000 is transferred to the educational foundation to fund scholarships and grants. This \$30,000 is subject to the 6 percent assessment, or \$1,800.
 - Assume the same scenario except from the \$30,000 the chapter keeps \$10,000 in chapter reserves and transfers \$20,000 to the educational foundation. In this case the \$20,000 is subject to the 6 percent assessment, or \$1,200.
- Other funding sources:
 - Assume during the fiscal/operating year that the chapter executes monthly luncheons, collects sponsorships for these luncheons, and has other sources of revenues. The chapter agrees to donate \$25,000 to its educational foundation from chapter cash reserves. The \$25,000 is subject to the 6 percent assessment or \$1,500. These funds are now in the educational foundation and are available for scholarships and grants.
- Note the assessment is based on net revenues and not what is paid out in scholarships or grants in any given year.
 - In the other funding sources scenario, assume that in the year of transfer that \$15,000 of the \$25,000 is disbursed. The following fiscal year, no revenues are raised for education, and the remaining \$10,000 is paid out. Because there was no new money raised, there is no assessment in the second year. A total of \$25,000 has been paid over two years, but for tracking purposes, the assessment has already been paid so there's no need to track disbursements over multiple years.

CHAPTER RECORDS

Thorough and accurate accounting and tax records must be maintained for all chapter and educational foundation activities and annual tax filings. In addition to the necessary financial records, tax returns, and minutes of Board meetings, each committee chairperson should provide a detailed report on his or her committee's activities. Such information as attendance at special events, cost of activities, revenues and other relevant information should be included in these reports. The compiled information greatly simplifies planning for a new committee chairperson and ensures a smooth transition of leadership positions.

It is essential that all financial records, tax returns, and applicable documentation be maintained by the Treasurer. The Treasurer must keep accurate and complete accounting records and supporting work papers for all tax filings. This is part of the fiduciary responsibilities of chapter leaders, and the better the recordkeeping, the easier the transition from one Treasurer to another.

Chapters can develop their own methods of maintaining and storing accounting and tax records, but the critical element is to have a plan in place to maintain the information. Backups of electronic data should be done periodically. A Records Retention Guide is provided, and it serves as a guideline for the length of time records should be maintained.

Chapter leadership should ensure that the new officers receive copies of applicable records and documentation as soon as possible so they can familiarize themselves with chapter operations.

General Recordkeeping:

- All cash receipts should be recorded and deposited as soon as possible, and all expenditures should be recorded at the time they are made. Chapter accounting records should be balanced and reconciled monthly.
 - Ideally, accounting should be done on the accrual basis of accounting, which recognizes income and expenses in the month they are incurred. For example, if a chapter executes an event in

May, revenues received and expenses paid prior to May will be recorded as deferred income and prepaid expenses, respectively. In May, these revenues and expenses are recognized as incurred, along with any other transactions executed in May for that event.

- o The other option to account for transactions is the cash basis of accounting. The cash basis records revenues when received and expenses when paid, regardless of when the revenues and expenses are actually incurred.
 - The concern with the cash basis accounting is timing. Revenues are typically received prior to an event, and expenses are paid afterward. Significant revenues could be recorded in the months prior to an event that inflate the bottom line. Then after the event, when the expenses are paid, the bottom line is reduced. With cash basis accounting, the potential exists for significant swings in the bottom line from month to month.

CONFLICTS OF INTEREST

Chapter leaders must avoid conflicts of interest, whether real or perceived. Related party transactions should be avoided, and in rare situations where they are entered into, full disclosure of the transaction(s) must be reported to the leadership and Board.

CONTRACTS AND SIGNING AUTHORITY

All contracts executed by the chapter must be in the name of the chapter. Terms and conditions should be clearly defined and acceptable to the chapter without placing undue burdens or financial risks on the chapter.

The AFCEA International Board of Directors instituted a contract review policy for chapters and chapter educational foundations for all contracts valued at more than \$25,000. The policy, as stated in the AFCEA International By-Laws, Article XII, Section 5, states:

“No Chapter shall have signatory authority to obligate AFCEA International or the Chapter on any contractual obligation in excess of \$25,000. Any contract with a value or expense in excess of \$25,000 must be reviewed and executed by AFCEA International in a manner consistent with the AFCEA International By-laws and Policy.”

The chapter and chapter educational foundation must forward contracts in excess of \$25,000 to the executive vice president/CFO of AFCEA International for contract review with legal counsel as needed.

Best Practices:

- Carefully consider all terms and conditions of the agreement:
 - o Are required deposits reasonable and adequately timed?
 - o Are attrition provisions reasonable?
 - o Are all costs associated with the agreement clearly detailed in the agreement?
 - Has the pricing been negotiated with the venue or vendor?
 - o Are there favorable termination provisions:
 - No penalty is incurred if a similar event is booked and executed within an agreed to time period
 - Any penalty is reduced/eliminated if the space is resold by the venue
 - o Force Majeure – does it cover extenuating circumstances such as a cancellation by the government?

CREDIT CARDS

Chapters may establish a merchant account that allows the chapter to accept credit card transactions. The chapter should evaluate multiple providers as fees can vary significantly. AFCEA International can assist with this process and securing competitive fees.

An AFCEA Chapter may open a chapter credit card under the name of the Chapter / Chapter President or their designee. The credit card will only be used for Chapter business activity and not for any personal activities. Charges should be for authorized Chapter expenses with the proper authorization and approval. All cash rebates or other types of earnings from the use of the credit card will be for the benefit of, and paid to, the Chapter and not to any individual. Because of the high risk of fraud and unlawfully accessing of bank accounts a debit card will not be used.

FINANCIAL REPORTS

Monthly financial reports should be prepared by the Treasurer and presented to the Board of Directors for review. The finance report should include the Statement of Financial Position (Balance Sheet) and the Statement of Activities (Income Statement). Revenues and expenses should be compared to the budget to date with explanations being provided for material variances. At the end of the operating/fiscal year, an annual report should be prepared for the board to review. This statement is the basis for the annual Form 990 filing.

FISCAL YEAR

When a new chapter is organized, a fiscal year must be established. Consideration must be given to selecting the fiscal year because once selected, it takes IRS approval to change.

AFCEA International Headquarters operates on a fiscal year that is in line with the U.S. federal government: October 1 through September 30. A chapter may use that same fiscal year, the calendar year, or another cycle that best coincides with chapter operations, for example, July 1 to June 30. The chapter and its chapter educational foundation should use the same fiscal reporting period.

MANAGEMENT SERVICES COMPANY

Some larger chapters have engaged a management services company to handle day-to-day operations, events management (registration, exhibits, patrons and sponsors, exhibit layout, monthly luncheons, etc.), and accounting functions. The agreement between the chapter and the management service company must clearly define the roles and responsibilities of the service company. The chapter also needs to have internal controls in place to ensure proper accounting of all transactions. Additional considerations include:

- Data protection and ownership – the agreement must clearly state that member information, AFCEA and chapter logos, intellectual property, etc. are owned by AFCEA and the chapter. Access to any of this information by an authorized chapter officer must be provided by the services company in a timely manner.
- The services company cannot execute contracts for the chapter. They can assist in negotiating terms, but they cannot sign agreements on behalf of the chapter.

- The agreement must include a transition plan for information maintained and services provided by the services company in the event they are replaced by another provider or if the chapter decides to disengage from their services.
 - Renewal terms should also be clearly defined in the agreement.
- Pricing should be competitive for the services being provided. Whenever possible multiple quotes should be solicited by the chapter to ensure fair pricing.
 - Ask for and check references provided by the company. Ask for contact information of clients who disengaged from the service provided and find out why they disengaged.

PETTY CASH

An AFCEA Chapter may establish a petty cash fund with a recommended balance of no more than \$100. It is the responsibility of the Chapter President, or that person's designee, to ensure that the petty cash fund is secured at all times. Disbursements will only be made for approved expenditures and generally only when under \$25. A receipt must accompany every disbursement and the receipt must be signed by the person receiving the cash and the person disbursing the cash. The petty cash fund will be maintained on an imprest basis.

DUTIES OF THE CHAPTER TREASURER

The chapter Treasurer is responsible for collecting, disbursing, and managing the chapter's funds. The Treasurer should be prepared at all times to submit a complete and accurate financial statement that reports the current financial status of the chapter. The Treasurer is responsible for filing the annual Form 990 for the chapter and the chapter educational foundation, if applicable.

The Treasurer should make all disbursements by check with the necessary supporting documentation to support the expense. The Treasurer normally signs all checks; however, at least one other board member/officer should be an authorized signer and chapters will include their RVP as an authorized account holder/signer. In addition, the Treasurer is normally custodian of chapter reserves in the form of savings or checking accounts and any investment accounts.

Best Practices:

- The chapter can implement an internal control that requires two signatures on checks for more than \$ XXX amount. The amount is determined by the chapter based on the size and scope of operations.

The Treasurer is the lead on the chapter budgeting process and also in monitoring the budget to actual results. Each committee should be a part of the budget process and be kept apprised of its financial activities to budget.

Some chapters may establish a Budget and Finance Committee to assist the Treasurer in the budget process, financial reporting, and tax return preparation. The Committee can act as an advisory group and provide input and recommendations as well as attest to the accuracy and completeness of the financial statements. The Treasurer should be a member of this committee.

RVPs are responsible for reviewing the financial status of their chapters at least semiannually. RVPs should review the accounting records and financial statements maintained by the chapter Treasurer. This should consist of, at a minimum, a three-ring binder that includes the following tabs: (1) Budget, (2) Bank Statements, (3) Deposits and Revenue, (4) Expenses and Checks, (5) Federal Tax Return and any required state filings, and (6) Approved and Signed Minutes of the BoD and Budget and Finance Committee, if applicable. Optional Tabs may include: (1) Credit Card Statements, (2) Investment Account Statements, (4) Misc. Support Documents, and (5) Contracts. There should be a binder for Chapter Operations and the Chapter Educational Foundation. Chapter Treasurers are required to make these binders available upon request by the RVP.

Other specific duties of the Treasurer include:

- *Receiving and depositing all funds*—Regardless of the source, funds paid into the chapter or chapter educational foundation should be handled by the Treasurer. These funds must be segregated into separate bank accounts in the name of the chapter and the chapter educational foundation.
- *Disbursing funds*—The Treasurer should disburse funds as authorized by the chapter officers and in accordance with established, approved budgets.
- *Preparing financial reports*—The Treasurer should:
 - Prepare monthly financial reports required for regular meetings of chapter officers and membership meetings.
 - Prepare the annual financial reports for the chapter.
 - Annually prepare and timely file the applicable Form 990 and maintain all tax records and reports to support the tax return filing.

CHAPTER TAXES

The operations of chapters and chapter educational foundations located in the United States or abroad on U.S. military installations fall under the United States Internal Revenue Code Sections 501(c)(6) and 501(c)(3), respectively. These U.S. based chapters and chapter educational foundations receive their tax-exempt status through the AFCEA International Headquarters Group Exemption. Other chapters located outside the United States will need to comply with the laws of their home nation.

Every U.S. chapter and chapter educational foundation must file its own information return with the IRS: This is the Form 990. The type of Form 990 required to be filed will depend on the amount of gross revenues received in the fiscal period by the chapter and the chapter educational foundation respectively. Regardless of the type of Form 990 filed, the returns for the chapter and the chapter educational foundation are due by the 15th day of the 5th month following the end of the chapter's fiscal year. Chapters following the AFCEA International fiscal year (October 1- September 30) must file by February 15. Those on a calendar fiscal year must file by May 15.

Note that a chapter and chapter educational foundation will each have its own unique EIN, and the respective Form 990 should include that specific EIN.

In addition to the federal IRS tax requirements, some states may require additional tax filings from non-profit entities. The Treasurer must insure that the chapter is in compliance with any state and local filing requirements.

FEDERAL TAX RETURNS

Depending upon the amount of gross receipts, either the Form 990-N (e-postcard), Form 990-EZ, or the Form 990 must be filed annually by the due date for the chapter and the chapter educational foundation.

The chapter and the chapter educational foundation must file its own separate tax return. Chapter specific operations must be reported on the applicable chapter Form 990, and the applicable educational foundation Form 990 only includes the activities related to educational foundation operations. Note that the chapter and chapter educational foundation may file different returns. For example, one may file the Form 990-N (e-postcard) with gross receipts of \$30,000, and the other may file the Form 990-EZ with gross receipts of \$125,000.

The applicable Form 990 to file is based on gross receipts and total assets. The Form 990-EZ and Form 990 may require additional supplemental schedules in addition to the basic tax return. The current gross receipt and total asset thresholds for the respective returns are:

- Gross receipts of \$50,000 or less: A chapter may file the Form 990-N (e-postcard). This is an on-line return.
- Gross receipts less than \$200,000 and total assets less than \$500,000: A chapter may file the Form 990-EZ, with additional schedules, as needed.
- Gross receipts greater than \$200,000 or total assets greater than \$500,000: A chapter must file the Form 990 with additional schedules, as needed.

Current revenue guidelines are available on the IRS website – www.irs.gov, or chapters may contact the AFCEA International CFO. Form 990-EZ and Form 990 tax returns and supporting schedules are all available through the IRS website – www.irs.gov, Forms and Pubs tab.

If a chapter cannot complete its return(s) for filing by the applicable due date, then it must file for an

extension for additional time to file the return. The form to file for an extension is Form 8868, and it's available on the IRS website. The IRS automatically grants a 6-month extension, but a chapter must file the Form 8868 by the return's applicable due date to qualify and avoid late filing penalties.

MAINTAINING TAX EXEMPT STATUS

The IRS has enacted requirements for all non-profits to file the applicable Form 990 annually. To maintain the tax exempt status of the chapter, or chapter educational foundation, an annual Form 990 **must** be timely filed.

Failure to file the applicable Form 990 for three consecutive years results in the automatic revocation of the tax exempt status. This action reflects poorly on the oversight and controls over chapter operations and can subject the chapter or educational foundation to federal and possible state income taxes. This is not a good use of chapter member money.

If the tax exempt status is revoked, a chapter must go through a lengthy and costly process to reinstate the tax exempt status. The automatic granting of the exempt status by AFCEA Headquarters will no longer apply, and the chapter or educational foundation must apply for exempt status as a stand-alone entity. At this point, the chapter must complete Form 1024; provide three prior years of tax returns, supplemental schedules and disclosures; and submit an affidavit to verify the completeness and accuracy of the information being submitted. A user fee is payable to the IRS with the application for reinstatement. In the case of the educational foundation, much of the information is the same; however, the foundation must complete a Form 1023.

Granting the exempt status is not an automatic process. The IRS will follow up with questions and may request additional documentation. During the period of revocation, the chapter may be subject to federal income taxes.

There is a very easy way to avoid this time consuming and costly process – file annually!

QUALIFIED DONATIONS

The chapter educational foundation, as a qualified 501(c)(3) charitable organization, may solicit and collect tax deductible donations. While the tax code defines requirements to acknowledge certain amounts of donations, it is a best practice to recognize every donation made to the educational foundation.

The chapter educational foundation should acknowledge each donation with a thank-you letter noting the amount donated and whether any goods or services were received by the donor in exchange for the donation. For instance, a \$100 donation to an educational foundation is fully deductible. The acknowledgment of the donation should include the following statement: "No goods or services were provided in exchange for or in recognition of your gift."

In another scenario, a \$100 a plate fundraising breakfast is partially deductible by the donor because goods were received – breakfast. The thank you note must report the amount of the goods or services received by the donor so the donor may properly deduct the net donation. In this case, the acknowledgment of the donation should include the following statement: "Goods (or services) in the amount of \$XXX (cost of the meal) were received in exchange for this donation."

MISCELLANEOUS

Following are additional guidelines and best practices for chapters. Chapters vary in size, scope, and complexity of operations, so they should use the guidelines that are relevant to them to ensure efficient operations.

ACCOUNTING RECORDS BACK-UP PROCEDURES

The chapter and chapter educational foundation should develop and implement back-up procedures for all electronic accounting and financial records. Periodic backups should be completed to ensure timely access to financial and accounting information.

ACCOUNTING METHOD

The chapter and chapter educational foundation should use the accrual method of accounting for all transactions. The accrual method is in compliance with Generally Accepted Accounting Principles (GAAP).

ACCOUNTS RECEIVABLE WRITE-OFF PROCEDURES, AUTHORITY, AND COLLECTIONS

The chapter and chapter educational foundation will ensure that all available means of collecting accounts receivable have been utilized, to include engaging a collection agency, before write-off procedures are initiated.

Upon completion of requested services, or in accordance with agreed to terms and conditions, an invoice will be sent to vendors or customers. If payment is not received in accordance with the agreed to terms, the Treasurer will contact the vendor or customer and attempt to collect the amount due. A record will be kept of all contacts made with the vendor or customer. If ninety (90) days have elapsed without payment, the account will be reviewed by the Treasurer for further action to include turning the account over to a collection agency or legal counsel for action. AFCEA International has engaged a collection agency that will provide services to the chapters as needed.

If a receivable is deemed uncollectible, the Treasurer should consult with the President before the account is written off. Once a write off has been initiated, other appropriate individuals will be advised to ensure further credit is not extended to the vendor.

Customers and vendors noted as poor credit risks should only be extended future credit if the back debt plus accrued interest is paid in full.

BANK RECONCILIATIONS

Bank reconciliations must be done monthly for all bank accounts. Periodically, the bank reconciliations should be reviewed by another independent Board member to ensure completion of the reconciliations and as a safeguard over cash. This individual should initial and date the work papers as an indication that the review was completed.

BARTERING

The chapter and chapter educational foundation should strictly prohibit any form of bartering for services, amenities, or special favors.

BID REQUIREMENTS

The chapter and chapter educational foundation should require competitive bids for various expenditures and services to include printing, capital purchases, professional services (accounting and audit, investment management, banking, event management, etc.), and any other purchase(s) as deemed necessary. A minimum of three competitive bids should be secured during a proposal process. If a product or service is provided by a sole source vendor, or if the product or service is so specialized that a request for proposal is not feasible, this should be noted with the execution of any contract for these products or services. As each product or service varies, the general rule will be expenses in excess of \$10,000 should be competitively bid.

At a minimum, professional services should be evaluated, and every three to five years a request for proposal should be prepared and sent to qualified vendors or firms in the respective field. This process does not mean a change needs to take place —It is a process to ensure due diligence is being done for services received. The decision to approve a vendor (incumbant or new) should be made with Board consent after presenting an analysis of the request for proposal findings.

BOARD-DESIGNATED FUNDS

The chapter and chapter educational foundation will treat any board-designated funds as either permanently or temporarily restricted net assets on the Statement of Financial Position contingent upon the restrictions placed on the use of the Designated Funds.

CAPITALIZATION

The chapter and chapter educational foundation will expense assets in the period purchased if these assets cost \$1,500 or less individually. Assets costing in excess of \$1,500 individually will be capitalized and depreciated in accordance with the applicable Internal Revenue Service and GAAP guidelines. Typically, chapters will not have capitalized assets such as furniture, computers, and printers

CHART OF ACCOUNTS

The chapter and chapter educational foundation will maintain a chart of accounts for each organization. Authorized and approved invoices and receipts must have the proper account code noted. The chart of accounts will be maintained and updated as needed by the Treasurer.

CHECK DEPOSITS

Deposits will be made timely and intact at the organization's bank.

CHECK DISBURSEMENTS

The chapter and chapter educational foundation will keep unused check stock safeguarded at all times. All check disbursements will require approved invoices or expense vouchers.

Guidelines should be established for requiring two signatures on checks in excess of a determined amount. For example, chapter checks processed under \$2,500 can be signed by an authorized signer not requesting the check. Checks for more than \$2,500 will be signed by two authorized signers. The same can be applied to the educational foundation.

Signed checks that have not been mailed or distributed will be secured until they are disbursed.

CHECK ENDORSEMENT/STAMP

The chapter and chapter educational foundation will immediately endorse checks with a stamp or by noting the following on all checks that are physically deposited at the bank:

<p>For Deposit Only NAME OF CHAPTER OR EDUCATIONAL FOUNDATION Account Number</p>

CHECK SIGNERS

The chapter and chapter educational foundation can provide check-signing authority to certain positions that best meet the needs for timely handling of financial obligations while maintaining as much segregation of duties and fiscal oversight as possible. For example, signers could be:

	<u>Chapter</u>	<u>Foundation</u>
Chairman of the Board	X	X
Treasurer	X	X
Vice President – Education		X
Vice President – Chapter	X	

CPA FIRMS AND AUDITED FINANCIAL STATEMENTS

An audit of the chapter and/or chapter educational foundation's financial statements is a Board decision. The financial statements and their presentation and accuracy are the responsibility of the chapter and chapter educational foundation leadership. Leaders have a fiduciary responsibility to the members of the chapter and donors to the educational foundation to prudently manage the funds entrusted to them and to use those funds to support the mission of the organization.

Audits are not mandated by AFCEA International for a chapter or chapter educational foundation. However, it is recommended that if gross revenues consistently exceed \$250,000 annually that the chapter have an independent CPA firm engaged for either an audit or a review of the financial statements.

CPA firms always look for marketing opportunities. You may want to consider having a CPA firm as a member of the chapter to assist the Treasurer in financial statement and tax return preparation.

DEFERRED REVENUES

Using the accrual method of accounting, the chapter will record revenues that have not yet been earned as deferred revenues on the Statement of Financial Position. These revenues will be recognized in the month when they are earned. Deferred Revenues are typically recorded for events or other functions when registration or ticket sales open a few months before the date of the function.

DEPRECIATION AND AMORTIZATION

If the chapter purchases capital assets of more than \$1,500 (computer, printer, etc.) they will be reported at cost on the Statement of Financial Position. The capitalized fixed assets will be depreciated using the straight line depreciation method over the estimated useful life of the asset in accordance with IRS guidelines. Fully depreciated fixed assets will remain on the organization's Statement of Financial Position until they are disposed of or otherwise deemed worthless.

DOCUMENT PROTECTION

The chapter must safeguard all sensitive and confidential documents and shred or properly destroy the documents when the time period required to keep the documents has been met. A Records Retention Policy should be adopted by the chapter and followed.

ENDOWMENT OR RESTRICTED FUNDS

If a chapter educational foundation receives a donation that is either endowed or restricted, it should be reported separately on the Statement of Financial Position with the Net Assets of the chapter educational foundation. These funds will be classified as either Permanently Restricted or Temporarily Restricted funds based on the donor's intent and executed pledge/donor agreements. The chapter educational foundation must ensure that the funds are used in accordance with the donor's directives.

FINANCE COMMITTEES

The chapter and chapter educational foundation may establish an Audit Committee consisting of three to five members of the chapter and appointed by the Chairman of the Chapter Board. The Audit Committee would assist the Board in fulfilling its oversight responsibilities related to financial reporting, annual audit, internal controls, and compliance with applicable laws and regulations.

If the chapter does not have an annual audit, the chapter should consider establishing a Budget and Finance Committee. This committee would assist the chapter leaders and Treasurer with the development of the annual budget, provide guidance and oversight over financial operations, and perform other duties as assigned by the Chairman.

HOTEL POINTS

On occasion, venues will offer reward points for contracting for services. Any reward points should be for the benefit of the chapter and not for any individual member. If an individual must be named to receive the points, it should be a chapter officer who then provides an accounting of the points to chapter leadership. Points should be redeemed for future chapter functions.

INSURANCE

AFCEA International maintains various liability insurance policies that cover the chapter officers and chapter operations. These coverages do not apply to event cancellations, speaker cancellations, or lost revenues from events. Chapters may purchase additional liability coverages on their own or purchase specific event insurance. It is recommended that the chapter work through the AFCEA International CFO to coordinate chapter coverages.

INVESTMENT POLICY

The chapter will have a separate investment policy statement for any invested assets.

IRS FORM 990 PUBLIC ACCESS

The chapter and chapter educational foundation will allow public access to IRS Form 990 and other public documents as defined in the IRS Code and in accordance with the IRS regulations. This access will be provided at a time mutually agreed to between the organization and the individual requesting the inspection. Requests for copies of these documents will be immediately forwarded to the Chapter Treasurer.

LOBBYING

AFCEA International strictly prohibits any form of lobbying or incurring any lobbying expense.

MAILING LIST SALES

The chapter will not sell, loan, or release its membership lists. Chapter officers, chairs, or members are prohibited from using any member list to solicit business for themselves personally or for their employer.

NEW VENDORS

Prior to setting up a new vendor in the chapter accounting system or paying a new vendor, an analysis will be completed to ensure the new vendor is a viable business, provides the requested goods and/or services, and is not a related party or individual.

PREPAID EXPENSES

The chapter will record payments of expenses with a future benefit as prepaid expenses on the Statement of Financial Position and expense these amounts in the period the expenses are realized.

RECORDS RETENTION AND DESTRUCTION

The chapter will retain records as required by law and IRS guidelines and properly destroy records when appropriate. A Records Retention Policy is included as a reference.

REQUESTS FOR NEW POLICIES AND PROCEDURES

The Chapter Treasurer should review and update, at least annually, this Handbook to reflect the existing policies of the chapter.

SEGREGATION OF DUTIES

The chapter will develop control procedures to ensure adequate segregation of duties exist. In cases where proper segregation of duties is not possible, alternative procedures and/or controls will be implemented to mitigate fraud risk.

VOIDED CHECKS

The chapter will document every check that has been voided, regardless of the reason. If voided checks are physically available, they will be marked as “VOID” and maintained by the Treasurer. If voided checks are not physically available, the chapter’s copy of the bank’s stop-payment order will be maintained by the Treasurer.

WRITE-OFF OF OLD CHECKS

The Treasurer will make every attempt possible to contact the payees of outstanding checks that have failed to clear the bank. If necessary, checks will be voided and re-issued.

The Treasurer should be familiar with state or national policies regarding the write off of checks and the potential requirement of turning unclaimed property over to the state or national jurisdiction charged with maintaining unclaimed property. A log of checks that have been turned over as unclaimed property should be maintained by the Treasurer.



CHAPTER AND CHAPTER EDUCATIONAL FOUNDATION
FINANCE AND ACCOUNTING POLICIES AND PROCEDURES
HANDBOOK

Revised 2023