



# NAACP

# UNIT FINANCIAL & BOOKKEEPING GUIDE

“The Unit must use the uniform bookkeeping system provided by the National Office.”

Unit Bylaws (2014) Article V, Section 18

Revised January 2017  
Finance Department  
NAACP- National Office

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## Introduction

We, in the National Office, have acknowledged our responsibility to provide meaningful guidance in the area of Unit financial management. This guidance is a necessary element of proper governance by a parent organization.

This financial guide shall focus on several areas that are fundamental, yet critical, to the successful continuance of our organization.

The development of this financial manual was borne out of the necessity to proactively control five factors:

1. The need to minimize our audit risk by being in total voluntary compliance with all regulatory agencies, including the IRS, state and local agencies.
2. The need to limit our liability exposures by controlling the events that might impact the organization negatively, such as an absence of proper due diligence.
3. The need to attain a zero deficiency rating when we are selected for random audit by a regulatory agency.
4. The need to maintain fiscal integrity through the establishment of accounting procedures which comply with generally accepted accounting principles and income tax accounting rules.
5. The need for vital information with which management can effectively, efficiently and strategically allocate scarce resources in the ever-changing environment in which NAACP conducts business.

Note: The term “Unit” refers to NAACP Adult Units, Prison Units, College Chapter, Youth Councils, Jr. Youth Councils and High School Chapters. Much of the guidance provided herein is also applicable to State/State Area Conferences.

## **SECTION 1: CONVENTION REMINDER & ASSESSMENTS**

The 2017 Convention will be hosted in Baltimore, MD from July 22, 2017 to July 26, 2017. Convention attendees are encouraged to pre-register for this year's National Convention. Convention packages will be mailed out to all units and the packages will include the applicable convention assessment due for the respective unit. Units that intend on participating in the Annual Convention as delegates are required to pay the convention assessment; units that do not come or that intend on participating as observers do not have to pay the convention assessment.

Please see below the convention assessment table and the delegate strength table:

NAACP – National Office  
Unit Financial & Bookkeeping Guide

<b>CONVENTION ASSESSMENT</b>				
<b>State Conferences (Youth and Adult)</b>				\$100.00
<b>Units with.....</b>				
50	to	100		\$50.00
101	to	500		\$75.00
501	to	1,000		\$125.00
1,001	to	2,500		\$175.00
2,501	to	5,000		\$200.00
5,001	to	7,500		\$250.00
Over		7,501		\$300.00
<b>Youth and Young Adult Councils</b>				\$25.00
<b>College Chapters</b>				\$25.00
<b>VOTING STRENGTH</b>				
Representation of Units, Youth Councils, Young Adult Councils, and College and High School Chapters at the Annual Convention shall be on the following basis:				
<b>Voting Members</b>		<b>Delegates</b>		
25 to 49			2	
50 to 100			4	
101 to 500			6	
501 to 1,000			8	
1,001 to 2,500			10	
2,501 to 5,000			12	
5,001 to 10,000			14	
10,001 to 20,000			16	
20,001 to 25,000			18	
Over 25,000 - 1 additional vote for every 25,000 members				

## SECTION 1: ASSESSMENTS

As per the Unit Bylaws (2014) Article III, Section 4 et al, Units must remit to the National Office twenty-five percent (25%) of the net proceeds from fundraising activities, this includes all contributions/donations that a unit may have received, no later than forty-five (45) days following the close of the event or at least ninety (90) days prior to the opening day of the Annual Convention. If the Unit did not host a fundraising event for the year, a minimum assessment is still due to the National office based upon the total membership of the Unit as of December 31, 2016 and as recorded by the National office. Units are required to submit, to the National office, either the net fundraising assessment or the minimum assessment whichever is bigger but not both. For units that increased their total membership by thirty-five percent (35%) or higher between January 1, 2015 and December 31, 2015 they may submit fifteen percent (15%) of their net results from all fundraising activities instead of twenty-five percent (25%).

Fundraising assessments must be paid in full to the National Office by April 24, 2017. Units that do not satisfy, in full, their fundraising assessments (both current and prior years) will be deemed non compliant and will not be eligible to have voting delegates at the National Convention. Units that become compliant after the April 24, 2017 date will be eligible to have voting delegates but will be required to pay the non compliant registration rate.

In addition to paying assessments units are required to file an Annual Financial Report by March 1, 2017, all reports received after that date will be assessed a late filing fee of \$100.00. The National office will accept post marked envelopes as well as electronic submission (email) for the reports.

Following is the minimum assessment table for Units. The assessment table, is based on the total number of members for the Unit as of December 31, 2016:

ANNUAL UNIT MINIMUM ASSESSMENTS			
Units with less than 100 members			\$300.00
Units with 101-500 members			\$500.00
Units with 501-1,000 members			\$750.00
Units with 1,001-2,000 members			\$1,000.00
Units with 2,001-3,000 members			\$1,500.00
Units with 3,001-3,500 members			\$2,000.00
Units with 3,501-4,000 members			\$3,000.00
Units with more than 4,000 members			\$5,000.00
All youth Units			\$75.00

## SECTION 2: ROLE OF THE NATIONAL FINANCE DEPARTMENT

### Processing of Daily Transactions

- Cash receipts
- Cash disbursement

### Annual reporting

- NAACP
- NAACP – Special Contribution Fund
- CRISIS Publishing Company
- Information tax return ( IRS Form 990) for both NAACP and SCF and corporate tax return (IRS Form 1120) for Crisis
- Group Tax Return (Form 990 – filed on behalf of all NAACP units)

### Advising NAACP units

- Accepting our responsibility to provide timely service and proper guidance to the NAACP units
- *We must continue to improve our ability to deliver high quality services to NAACP units.*
- Development / evaluation of policies and procedures
- Appropriate references – internet websites: [www.genie.org](http://www.genie.org) (provides information and resources for the nonprofit community, including publications, links to other nonprofit resources, answers to frequently asked questions and provocative opinions.

## **Monitoring and Reporting**

- Year end Financial Reports – acknowledging the critical role of proper financial management and reporting on the overall operations of the NAACP.
- The Finance Department mandates strict compliance with regulations set forth by the IRS and state and local government regulatory agencies.

## SECTION 3 - UNIT ACCOUNTING, BOOKKEEPING, AND REPORTING PROCEDURES

### Books and records

- Manual v. computerized record keeping systems

Ideally, the Unit accounting system would be computerized. There are several adequate, yet relatively cheap accounting software packages available (i.e. Quicken, Quick Books, Peachtree, etc.)

If the Unit does not possess a computer, the financial records should be maintained in a ledger specifically designed for accounting purposes. Ledgers such as the *Dome Simplified Weekly Bookkeeping Record* are readily available at local stationery stores.

### Cash

- Each Unit is required to maintain a bank account in the name of the Unit. The Taxpayer Identification Number (“TIN”) on the bank account is to be that of the Unit, not the National Office. Officers and members of units are prohibited from using their personal social security numbers when establishing banks accounts in the name of the unit.

- All disbursements are to be made by check

Cash payments to vendors are not permitted. Checks should never be made payable to “cash”. A Unit may establish a Petty Cash account for minor purchases and other incidentals if conditions warrant the existence of such an account. If a petty cash fund is established, adequate records of each transaction must be retained. Units are allowed to establish and use credit cards in the name of the unit. However the use of the credit card is limited for securing travel, which is limited to air fare, hotel, and rental car for business purposes relating to the unit.

- Funds may not be withdrawn in any manner other than by check
- Two signatures are required on each check
  - Treasurer and President
  - The First Vice President may countersign in the absence of the President
- *Checks must not be pre-signed, and units are strongly prohibited from the use of signature stamps.*

- The bank should be notified each time there is a change in authorized signatories and previous signatories are to be deleted immediately.

- All transactions must be properly documented

Documentation, including vendor invoices must be retained for a period of not less than three years.

- Monetary receipts (including checks) must be deposited into the account of the Unit on a timely basis. The National Office recommends that Unit funds be deposited no later than the end of the following business day.

Under no circumstances are Unit funds to be commingled with the personal funds of Unit officers, members or other individuals or entities.

Adequate documentation should be maintained to support each item deposited into the Unit accounts, the National officer recommends a cash receipt log.

- ✓ This documentation should provide the details pertaining to the source of the funds, how they were generated and how they are to be used, if applicable.

- Unit records are to be reconciled to the bank statements on a monthly basis.

It is recommended that Units limit the number of bank accounts they maintain as follows:

- Operating (checking)
- Savings (interest bearing)
- ACT-SO, BTS-SIS (restricted funds)
- Accounts required by large donors (federal funds)

Reconciliations of Unit bank accounts should be performed by someone who is not an authorized check signer.

## **Investments and marketable securities**

- If the Unit maintains significant cash balances, excess funds should be invested in an interest bearing account or other appropriate investment vehicle. Investments are to be reasonable in the circumstances and are to be made with an appropriate business purpose.
- Investments should be short term (generally with a maturity of less than one year) so that any inaccessibility of funds does not unduly restrain Unit operations.
- Investment vehicle should carry minimum risk

- Each investment must be approved in writing by the Unit Executive Committee (approval should be documented in meeting minutes)

### **Accounts receivable**

- The extension of credit to any individual or entity must be approved in advance and in writing by the Executive Committee of the Unit
- Under no circumstances are Units permitted to extend loans
- To the extent funds are due to Units from third parties, collection efforts are to be monitored and reported to the Executive Committee

### **Fixed assets**

- Adequate records must be maintained detailing all fixed assets owned by the Unit. Records must include the original cost of each asset and any accumulated depreciation.

Vendor invoices must be retained for all purchased assets.

The Unit should maintain an inventory list of its assets and include date of purchase, serial number, model description, etc.

- It is the responsibility of the Treasurer to determine if the Unit is required to submit a Personal Property Tax return to the State.

### **Other Assets**

- Prepaid expenses with a life of less than 1 year should be expensed as incurred.
- Security deposits should be separately identified to facilitate proper tracking.

### **Liabilities**

- “Indebtedness exceeding \$300.00 per month in the aggregate shall not be incurred in the name of, or on behalf of the Unit unless by vote of the Executive Committee”. Unit Bylaws (2014), Article V Section 15b
- “No indebtedness or obligation shall be incurred by the Unit or any of its officers or agents in the name of National Association for the Advancement of Colored People, and the National Office shall not be responsible for any indebtedness or obligation

incurred by the Unit or any of its officers or agents.” Unit Bylaws (2014), Article V Section 16a

## Revenues

- All funds received by a Unit are to be identified as either “Restricted” or “Unrestricted” as to their use.

Restricted funds generally include:

- Grants from individuals, corporations, foundations
- Funds for scholarship awards
- Program funds (i.e. ACT-SO, Back-to-school / Stay-in-school)
- Bequests that are letter specific

Unrestricted funds generally include:

- Membership dues
- Funds from fundraising activities to support general operations of a unit.
- General donations/contributions from the public or any other organizations/businesses in the community of the unit.

Proceeds from fund raising activities may be either restricted or unrestricted depending upon the stated purpose of the fund raising activity. Further Units are not permitted to restrict funds for general operating expenses, i.e., post office box, rent, etc. without written approval from the National office.

- Membership dues

Membership dues structure is set forth in Unit Bylaws (2014), Article IV, Section 11

The Unit shall remit to the membership department of the National Office, the National Office’s share of all membership fees within fifteen (15) days of their receipt.

No NAACP Unit shall retain for the purposes of defraying operation expenses the National Office share of membership dues and/or fund raising proceeds without prior approval of the National Office President and CEO.

- Unrelated business income

Income generated from a trade or business that is regularly carried on, and is completely unrelated to the exempt purpose of the NAACP.

An activity will be considered an unrelated business (and subject to unrelated business income tax; UBIT) if it meets the following three requirements: (1) it is a trade or business, (2) it is regularly carried on, and (3) it is not substantially related to the furtherance of the exempt purpose of the organization.

UBIT is captured on IRS Form 990T, which must be filed by the NAACP Unit if gross income from unrelated business activities, exceeds \$1,000 for any calendar year:

- ❖ Advertising revenue
- ❖ Commercial activities (i.e. operation of a bookstore or parking facility, rental income, etc.)

Unrelated business income must be separately reported in the year end financial report filed by the Unit. However, the tax liability for unrelated business income remains with the Unit.

## Expenditures

- Salary

“Staff may be employed by NAACP Units where budgets warrant such employment, upon terms and conditions approved by the National President/CEO. Such staff shall be elected by the Executive Committee of the Unit.”

Salaries should be approved annually by the Executive Committee of the Unit.

Employee v. independent contractor

The key distinction between “employees” and “independent contractors” is the element of control. An employer-employee relationship exists when the Unit has the right to control what work an individual does and how the work gets done.

The IRS has recently audited several NAACP Units and assessed significant fines (\$10,000) upon each Unit for their failure to properly classify workers as employees.

Unit must withhold payroll taxes from employee salaries and remit the taxes, along with the employer portion, to the IRS on a scheduled basis.

Unit must also file quarterly employment tax returns (Form 941) and an annual employment tax return (Form 940). Payroll taxes are “trust fund taxes” and as such, Unit officers and directors could incur a personal liability for nonpayment to the IRS.

## Documentation

- Proper supporting documentation must be maintained for each transaction. Proper documentation includes:

### Revenues

- ❖ Member or donor correspondence
- ❖ Check remittance advice
- ❖ Check photocopy
- ❖ Conference registration / ticket sales logs

### Expenses

- ❖ Properly approved purchase requisitions
- ❖ Approval should be received in advance of placing order for goods or services
- ❖ Vendor invoices
- ❖ Payment approval
- ❖ Canceled check

## Year end financial reports

- Purpose

Annual report of Unit financial activities

Provides information needed by the National Office for the completion of the Federal group 990 tax return filed on behalf of all Units.

- ❖ Failure to submit a year end financial report will result in the Unit being omitted from inclusion in the Group Tax Return.
- ❖ Must be remitted to the Finance Department of the National Office by March 1, 2017, or units will assessed a \$100.00 late filing fee.
- ❖ The Annual Financial Report is updated each year and is made available on the Association's website at [www.naACP.org/resources](http://www.naACP.org/resources) or [www.naACP.org/field-resources](http://www.naACP.org/field-resources). This document is provided in both PDF

and MS Excel formats. Please note the National office does not mail financial reports to units.

## **SECTION 4 - TAX STATUS OF NAACP UNITS**

All Units have been designated as 501(c)(4) organizations, only the National Office is a 501(c)(3) organization

A 501 (c) (4) organization is a nonprofit corporation operated exclusively for the promotion of **social justice**. Exemption under this Section does not confer deductibility of contributions by donor to the corporation, but may enable it to avoid the restrictions of private foundation status, and the restrictions on lobbying and other political activity.

### **Definition of Social Justice**

NAACP Units are strategically designed to operate exclusively as 501 (c) (4) entities for the promotion of social justice, primarily to further the common good and general welfare of the people of their communities, such as bringing about civic betterment and social improvement. In addition, a 501 (c) (4) must benefit a community as a whole. Thus, a corporation will not qualify under 501 (c) (4) if its activities benefit only its membership or a select group of individuals.

A 501 (c) (4) corporation may not, as its primary activity, conduct business with the general public in a commercial manner. Any earnings of such an organization must be devoted exclusively to charitable, educational or recreations and for our purposes, civil rights.

A 501 (c) (4) organization may engage in some social activities, some lobbying, and some political activity. NAACP units were specifically organized as 501 (c) (4) organizations so that they can (1) seek to increase registration and voting; (2) work for the enactment of municipal, state and federal legislations designed to improve the educational , political and economic status of minority groups; (3) seek the repeal of racially discriminatory legislation; (4) work to improve the administration of justice; (5) work to secure equal enforcement of the law; (6) keep the National Office informed of all proposed legislation which affects minority groups.

NAACP Units shall be non-partisan and shall not endorse candidates for public office.

**Contributions to 501(c)(4) organizations may not be deducted as charitable contributions by the donor.**

Units must not provide acknowledgment letters for contributions made directly to them.

## **SECTION 5: FUNDRAISING ACTIVITIES**

### **General Solicitation of donations**

- When soliciting donations, Unit are required to disclose through an express statement (in a conspicuous and easily recognizable format) that contributions and gifts are not deductible as charitable contributions for federal income tax purposes, however they are deductible as an ordinary business expenses.
- Solicitations by mail, leaflet, or advertisement in a newspaper, magazine or other print medium must meet the following IRS requirements:
  - ❖ Include the statement “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes”;
  - ❖ The above statement must be in the same size type as the primary message stated in the body of the letter, leaflet or ad;
  - ❖ The statement is included on the message side of any card or tear off section that the contributor returns with the contribution; and
  - ❖ The statement is either the first sentence in a paragraph or itself constitutes a paragraph.
- Solicitations by telephone must meet the following IRS requirements:
  - ❖ Include the statement “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes.”

- ❖ The statement must be made in close proximity to the request for contributions, during the same telephone call, by the telephone solicitor; and
- ❖ Any written confirmation or billing sent to a person pledging to contribute during the telephone solicitation complies with the requirements for print medium solicitations.
- Solicitation by television must meet the following IRS requirements:
  - Include the statement “Contributions or gifts to this NAACP Unit are not tax deductible”.
  - If the statement is spoken, it is in close proximity to the request for contributions; if the statement appears on the television screen, it must be in large, easily readable type, and appears on the screen for at least five seconds.
- Solicitation by Radio must meet the following IRS requirements:
  - Include the statement “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes”
  - The statement is made in close proximity to the request for contributions during the same radio solicitation announcement.

### **Pass throughs - Corporate and Foundation Contributions**

Effective immediately, the National office will not process pass through contributions to Units or State/State Area conferences that are intended for fundraising events or any other programs. Units are encouraged to take advantage of National’s Collective Action Fund which would allow all units to pass through funds with a third party (Tides Foundation). These pass throughs are subject to Tides Foundation terms and conditions.

### ***All Fundraising events***

Unit must inform donors that contributions to the Unit are not deductible as charitable contributions.

For payments to qualify as a charitable contribution they must be a gift. Where patrons of fund raising activities (such as charity balls, bazaars, banquets, shows and athletic events) receive a privilege or benefit in connection with a payment to the unit, the presumption is that the payment was not a gift.

Organizations that give donations to Units to support fundraising events are able to deduct the total contribution as an ordinary business expense, which can be designated as advertising or promotional.

## **SECTION 6 – POLICIES & DUTIES**

### **Duties of the Treasurer**

The duties of the Treasurer shall be:

- a. To receive all monies of the NAACP Unit and promptly deposit the same in the name of the NAACP Unit in a separate account or accounts in a responsible bank or trust company. No money shall be withdrawn from any account except by check signed by the Treasurer and countersigned by the President.
- b. To act as chief financial officer of the NAACP Unit and chair of the Finance Committee.
- c. To make authorized disbursements upon requisition signed by the Secretary and countersigned by the President. Each requisition shall recite the amount and purpose of the payment requested. Any requisition exceeding one hundred dollars or more in the case of Branches, or twenty-five dollars or more in the case of College Chapters and Youth Councils, must be approved by the Executive Committee before a check therefore is issued. The NAACP Unit bylaws may require that requisitions in smaller amounts be approved by the Executive Committee.
- d. To remit through the Secretary to the Association the proportion of membership fees to which the Association is entitled, as hereinafter provided, within fifteen calendar days after their receipt.
- e. To submit reports to the NAACP Unit and the Executive Committee at all regular meetings, or whenever required by either body, covering the financial condition of the NAACP Unit showing receipts and disbursements and outstanding accounts unpaid since the last report; to submit an Annual Report to the business of his/her office at the Annual Meeting of the NAACP Unit, to which shall be appended a statement signed by the President and Secretary that all funds by the NAACP Unit have been listed in the Treasurer's report. A copy of all reports by the Treasurer, when adopted by the NAACP Unit, shall be forwarded to the National Office.

- f. All NAACP Units shall require the Treasurer to be bonded at the expense of said Unit.
- g. Submit year-end financial reports to the National Office on or before March 1, 2015.

**Propriety of financial records**

All NAACP Unit records are the property of the NAACP and must be properly filed and safeguarded. The Unit should also require that records be transferred upon change in leadership/administration.

## Record retention

Membership dues, net fundraising proceeds, fundraising assessments (as reported in the year end financial report), and convention assessments (based on membership levels)

Tax returns

State, local and payroll

Year end financial reports

- At least 6 years

Documentation supporting tax returns

General ledgers

Check registers

- At least 3 years

Purchase requisitions

Vendor invoices

Canceled checks

## Payroll taxes

- Unpaid trust fund taxes = personal liability

## Remittances to National Office

- Membership dues
- Annual assessments

### Includes donations and contributions

- Convention assessments

Based on membership levels

In an effort to minimize the mis-posting of NAACP Unit remittances, we request that NAACP Unit personnel clearly indicate the purpose of each remittance on the face of

the check, preferably in the “memo” section. The memo section should include the fiscal year the payment relates to and the number of the Unit.

## **SECTION 7 – PAST DUE ASSESSMENTS**

The National Board of Directors, at its May 19, 2012 meeting passed the following Resolution. *Please note that the suspension clause of this Resolution pertains to units failing to have paid assessments ninety (90) days prior to the Annual Convention and becomes effective January 1, 2013.*

*All units shall pay outstanding Fundraising Assessments at the same time that a completed year-end financial report of its annual financial activities is submitted to the National Office, but no later than ninety (90) calendar days before the Annual Convention (Article III, Section 4(a) Bylaws for Units). If assessments are not paid ninety (90) calendar days prior to the Convention; the unit shall be suspended and not permitted to have delegates and/or alternates during the national convention. If the assessment is not paid in full by the time of the state convention, the unit shall not be permitted to have delegates and/or alternates at the state convention.*

*The unit may request a review by the National Office of the assessment to determine its accuracy. If after the review, the unit has not paid by December 31, 2015, the National Office shall remove all Officers and Executive Committee Members and shall suspend the charter.*

*The State/State Area Conference will have an opportunity to reorganize the unit as directed by the Memberships and Units Committee. The Officers removed may not seek any elected office for one election cycle.*

## **ATTACHMENTS**

## **A1: Filing Forms 1099**

Nonprofit organizations must file with the IRS a Form 1099 for any individual or unincorporated business to whom they paid \$600, or more, for any type of service (but not for the purchase of goods.) Typical examples are payments for accounting, legal and computer consultant fees; prizes, awards, and honoraria; rent, maintenance, and contract labor.

A three-tier penalty applies for failing to file correct information returns with the IRS. The penalty system applies to any (1) failure to file on or before the required filing date, (2) failure to include required information on the form, and (3) reporting of incorrect information. To encourage prompt filings and to remedy errors or omissions, the per return penalties become progressively higher as time passes.

Typical questions asked:

- Q. *We paid \$1,000 to a consulting firm during the past year. Should a Form 1099 be filed?*  
R. A Form 1099-MISC should be filed for payments of \$600 or more, unless the consulting firm is a corporation.
- Q. *We purchased office supplies from a business that is not incorporated. Should we issue a 1099?*  
R. No. Payments for goods and merchandise are exempted.
- Q. *What do we do when we don't have a Social Security or Employer ID number?*  
R. Send the payee a Form W-9 requesting the identification number. Meanwhile, file the 1099's without the ID number and amend the returns as soon as the number is received to minimize the penalties. Finally, adopt a policy that no payments will be made in the future until a payee provides an identification number.
- Q. *Does the IRS really try to match up the amounts reported on 1099's with those reported on recipients' returns?*  
R. Yes. The 1099 copies sent to the IRS are entered into the IRS's compliance computer system for tracing to recipients' returns. Recipients receive notices if the matching is not successful.

## **A2: Unit Audits**

- Absolute right of National Office
- Basis of selection

Random

Targeted - Discretion of the President / CEO and Board of Directors of the National Office

Size of Unit – including amount of revenue earned, expenses incurred and number of members.

Delinquency in filing Annual Financial Reports and errors or inconsistencies in Annual Financial Reports filed

- Policy pertaining to Unit audits has been adopted by the Board of Directors of the National Office

### **Consistent audit findings and violations are as follows:**

Documents supporting cash receipts and disbursements are missing.

Cash receipts are not deposited timely.

Bank reconciliations are not prepared timely.

Units maintain an excessive number of bank accounts.

Variances exist between amounts reported on the Annual Financial Report and internal Unit records.

Units do not maintain a list of property and equipment owned.

Membership dues are not properly accounted for.

Units do not properly disclose their tax status as a 501 (c) 4 entity when soliciting contributions from donors.

Units do not timely remit annual assessment to the National office.

Expense vouchers do not exist to support cash disbursements.

Checks are made payable to cash.

Expenses are paid with a Unit credit card.

Checks are disbursed without the signature of the Treasurer.

Checks are signed by the Secretary.

Funds disbursed from restricted ACT-SO and BTS/SIS accounts which do not relate to the programs.

No uniform filing system exists for storing Unit records.

**A3 – Unit Audit Guide**

Per the Bylaws, Article V, Section 19 (2014). The books of the Unit shall be audited annually by an auditing system acceptable to the National office.

**NAACP-NATIONAL OFFICE  
Agreed Upon Procedures for Review of Unit Operations  
Financial Reports/Cash**

**Objectives:**

- A. Determine that the financial reports are in agreement or reconciled with Unit records.
- B. Determine whether the financial report items are properly classified.
- C. Determine whether cash balances properly reflect all cash and cash equivalents on hand.
- D. Determine whether cash balances are properly classified in the financial report and adequate disclosure is made of restricted funds.

**Audit Procedures:**

	Performed By	Date
1) Compare prior year ending cash balance to current year beginning cash balance.		
2) Request bank statements from all banks with which the Unit conducted business during the year.		
3) Obtain bank reconciliations of all bank accounts at the end of the year.  (a) Test clerical accuracy. (b) Compare book balance to general ledger.		
4) Consider performing alternative procedures to ensure that cash balances are accurate as of year-end.		
5) Verify the numerical sequence of checks.		

**NAACP-NATIONAL OFFICE  
Agreed Upon Procedures for Review of Unit Operations  
Revenues**

**Objective:**

- A. Determine that all receipts are properly recorded by the Unit.
- B. Determine whether the Unit properly reported membership revenues and contributions to the National Office in accordance with the terms and provisions of the Constitution and Bylaws for Units.
- C. Determine whether the National Office received its appropriate share of Unit revenues.

**Audit Procedures:**

<b>Membership Revenue – Obtain Unit membership records for the year under review and perform the following procedures:</b>		
1) Recalculate membership dues by category based upon the number of members in each category multiplied by the appropriate dues rate.		
2) Select a sample of ___ members and verify receipt of appropriate dues amount by examining cash receipt records and tracing receipt to deposit in unit bank account.		
3) Examine documentation to determine whether the National Office received its appropriate share (60%) of membership dues on a timely basis. Verify receipt with National Office.		

**Contribution Revenue – Obtain a listing of all contributions received during the year by the unit, including name of contributor, amount contributed, date of contributions, restrictions, if any, on the use of proceeds contributed and perform the following:**

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Unit Financial & Bookkeeping Guide

1) Select _____ contributions and trace the receipt to deposit in Unit bank account.		
2) Review correspondence with the contributor and determine what representations may have been made by the Unit with regard to the deductibility of the contribution.		
3) Ascertain whether donor restrictions and/or reporting requirements, if any, have been complied with.		
<b>Fundraising Revenue – Obtain a list of fundraising activities undertaken by the Unit during the year and perform the following:</b>		
1) Select a representative sample of receipts and trace to deposit in Unit bank account.		
2) Review for reasonableness the methodology used by the Unit in determining net proceeds from each fund raising activity.		
3) Ascertain that the National Office received the appropriate portion (25%) of net fundraising proceeds. Review correspondence, tickets and all other solicitation materials distributed in connection with fund raising activities and ascertain that the Unit has made the proper disclosures regarding the deductibility of contributions or the cost of tickets purchased. Obtain copies of all solicitation materials and tickets used in fund raising activities for submission to the National office.		
<b>Other income – Obtain a listing of other income and ascertain the reasonableness of the amount based upon an understanding of the Unit’s operations. Ascertain that amounts have been properly recorded and that proper disclosures, if required, have been made.</b>		
Select _____ additional deposits posted to the unit’s bank statement and ascertain that the receipt was properly recorded.		

**NAACP-NATIONAL OFFICE  
 Agreed Upon Procedures for Review of Unit Operations  
 Costs and Expenses**

**Objective:**

Determine whether costs and expenses are valid, properly documented and reasonable with regard to the level of unit operations.

**Audit Procedures:**

	<b>Performed By</b>	<b>Date</b>
1) Select a representative sample of transactions to be tested. <ul style="list-style-type: none"> <li>(a) Review vendor invoices and other supporting documentation.</li> <li>(b) Review vendor invoices for proper account distributions.</li> <li>(c) Compare invoices to entries in the cash disbursements journal and cancelled checks; observe date, amount, payee and signatures.</li> <li>(d) Examine payment voucher for proper approval in accordance with unit Bylaws.</li> </ul>		
2) If applicable, select a sample of restricted expenses to be tested. (ACT-SO, Back-to-School/Stay-in-School or grant expenditures)		
3) Examine voided checks for proper cancellation.		

**NAACP-NATIONAL OFFICE  
 Agreed Upon Procedures for Review of Unit Operations  
 Salaries and Wages**

**Objective:**

Determine whether salaries and wages are properly recorded.

**Audit Procedures:**

	<b>Performed By</b>	<b>Date</b>
1) Obtain a list of all Unit employees during the year under review. Ascertain that each unit staff member was employed under terms and conditions approved by the National President/CEO.		
2) Review the general ledger accounts for salaries and wages and note any unusual entries.		
3) Review the employee personnel file and determine the authorized rate of pay.		
4) Select a representative sample of transactions to be tested. (a) Test accuracy of gross to net pay. (b) Compare information on cancelled checks. (c) Agree salaries and wages to payroll reports filed: 941 W2/W3 1099/1096		
5) Ascertain that Unit staff members are not members of the Executive Committee.		

**NAACP-NATIONAL OFFICE**  
**Agreed Upon Procedures for Review of Unit Operations**  
**General Matters**

	Performed By	Date
1) Meet with appropriate Branch representatives, including President, Treasure and/or other paid staff, if any. Discuss the nature of Unit activities, including programs, fund raising activities, membership campaigns, etc. Inquire as to the roles of each Committee established by the unit.		
2) Request copies of minutes of all committee meetings.		
3) Request copies of Unit-specific By-laws adopted by the Unit under review.		
4) Determine whether a recent audit of the unit has been performed by an independent accounting firm, the IRS or any state or local regulatory agency. Obtain copies of any audit reports or other reports of findings.		
5) Request copies of any IRS documentation received by the Unit, including IRS letters of determination if so requested by the Unit.		
6) Obtain Unit accounting records, including general ledgers, trial balances, subsidiary records, bank statements and membership reports.		
7) Obtain a copy of the year-end financial report for the Unit.		
8) Obtain copies of any tax returns filed by the unit with the IRS or state tax authorities, including payroll tax returns.		
9) Obtain a listing of all Unit bank accounts and signatories on each account.		
10) Request documents from paid preparer of Annual Financial Report.		

**NAACP-NATIONAL OFFICE**  
**Agreed Upon Procedures for Review of Unit Operations**  
**Fixed Assets**

**Objectives:**

- A. Determine whether additions and disposals have been properly recorded.
- B. Determine whether depreciation expense and accumulated depreciation is reasonable and the method consistently applied.
- C. Determine whether amounts shown as fixed assets are recorded at cost and properly represent capitalized items.

**Audit Procedures:**

	<b>Performed By</b>	<b>Date</b>
1) Obtain a list of fixed assets purchased during the year.		
2) Verify existence and location.		
3) Trace additions and disposals to financial report.		
4) Agree purchase amount to cancelled check/bank statement.		

## A4 – Effective Fundraising Tips

### **BASIC GUIDE TO EFFECTIVE FUNDRAISING FOR A NAACP UNIT**

#### **INTRODUCTION**

It is impossible for NAACP Units to carry out an effective civil rights program without adequate funding. The information below is designed to provide you with simple, clear and concise strategies for generating revenue.

#### **PLAN YOUR WORK AND WORK YOUR PLAN**

The key to successful fund-raising is planning. A good plan that is properly executed will produce memorable and successful events. Here are some of the basics of fund-raising:

1. A budget is a map to where we are going: The Finance Committee must prepare a budget at the end of each year for the following year. The budget is the basis of the Freedom Fund Committee fund-raising goal for the year.
2. Failure to plan is a plan for failure: Every fund-raising activity must be well planned. The earlier we plan, the better our chance for success. The Freedom Fund Banquet or event must have at least six (6) months of planning.
3. Don't forget to POP: Plan on Paper: The banquet must be planned on paper starting with preparing a budget.
4. No More \$10 Dinners: We must charge an appropriate ticket price. There should be no NAACP dinners with less than a \$25 ticket, **\$50** is even better. It is impossible to raise money with cheap tickets and it also cheapens the Association.
5. There must be a division of labor: The Freedom Fund Committee or Banquet Committee must not become a one woman/man show. Everyone can do something and no one can do everything. Appoint sub-committees in charge of **Corporate Solicitations, Logistics, Program, Souvenir Journal Ads, Tickets, Non-profit Solicitations, Church Solicitations, and Public Relations**. The **Finance Committee** must work closely with the Freedom Fund Committee.

6. Big Names attract Big Bucks! Ask corporate and community leaders with credibility to serve as Honorary Chairpersons and Co-Chairpersons. Tell them you want to use their names on the letterhead. Also ask the Honorary Chairs if they will sign letters, make phone calls and assign someone from their company to the corporate sub-committee.
7. Get free professional help with marketing and solicitations: Ask Honorary Chairs or other corporate leaders for cooperation of their marketing and publicity departments for help in designing special letterhead and writing effective letters. Make sure to include the local television station owners or general managers among the Honorary Co-chairpersons.
8. The first impression is the lasting impression: Never send a letter or announcement without having it proofed by someone other than the author. Get someone who knows English and grammar (teacher, professor, editor, press person or marketing expert) to review ALL correspondence before it is sent!
9. Remember the Blind Bartimaeus Rule: “Ask for what you want!” We must ask the right people for the right amount of money. Solicitation letters must be well written, grammatically correct, and sent in a timely manner to the decision maker in the business, organization or company. Never, ever send a “Dear Sir” or “To whom it may concern” letter.
10. No shortcuts, do the research: Don’t half step, do the necessary research to build a comprehensive data base of companies and individuals to solicit from. Ask corporate friends for their “hot lists” of contributors who give big money. Buy a copy of the chamber directory.
11. Make giving user friendly: Solicitation letters and response form(s) must be designed to be easily used by the recipient and potential contributor. Make sure all necessary information about date, time and place of the event, the amount requested and deadline are included in letters and response form(s).
12. Communicate early and often: Solicitation letters must be sent at least ninety (90) days before the event. Follow up letters should be sent 60 days and 30 days out.
13. Outreach means to reach out: We must reach out to businesses, community groups, organizations and individuals to solicit

support for the event. Unit officers should make presentations to churches, chamber of commerce, club meetings, and community meetings.

14. Spread the word: The Public Relations committee must set up radio and television interviews at least 30 days out. Public Service Announcements (PSA) and church announcements must be sent at least 30 days out.
15. Program must end the night it starts! The one NAACP tradition we must end is the all night program! An Awards Reception before the banquet to present the less prestigious awards would make the program shorter. A few major awards could be presented at the end of the dinner hour. No banquet should last more than 2 ½ hours.
16. Only one keynote speaker! Give every program participant a written script and a time limit. The entire program should be timed from start to finish. Never wait on the speaker to start the program. At the appointed hour, start!
17. Technology makes it look good: If there is a Woman of the Year or Mother of the Year contest as part of the banquet, consider having the contestants presented on large screen video.
18. Thank everybody: Within seven (7) days after the banquet, send thank you letters to all participants.
19. A few good fund-raisers is better than many smaller poorly planned ones: We must not nickel and dime the community year round. We are in the civil rights business, not the fund-raising business. Other good fund-raisers are **auctions, celebrity server dinners or luncheons, Life Membership Luncheons or Breakfasts, Tribute to Black Women/Men, private movie screenings and fashion shows.**
20. Our event must become THE event: Whatever fund-raiser we have, it must be so well done that it becomes THE event to attend annually.
21. Our goal is never to “Break even”: If we just want to break even; it would be better to hold a mass meeting!