Important Affiliate Information

Affiliate Name: ________________________________

Employer Identification Number (EIN): ________________________________

Fiscal Year End: ________________________________

Type of Annual Audit Required: ________________________________

Audit Due to Education Minnesota by: ________________________________

Affiliate Files IRS Form [990-N(e-Postcard), 990-EZ or 990]: ________________

which is due by: ________________________________
Dear Treasurer,

You serve a key role in your affiliate. As an elected guardian of the affiliate’s funds, you will be making important decisions and contributions that will impact the success of your organization to carry out its programs and achieve its goals. This office requires much of your time to ensure accuracy and timeliness of reporting the financial position of your organization. Because of your fiduciary responsibilities, you should be familiar with sound financial procedures and legal obligations pertinent to your affiliate.

The Treasurer’s Handbook focuses on common needs and questions for treasurers and is simply a resource for you to use as a guide. It may not address every situation, but it does address the majority of the financial situations you will encounter while serving in this capacity to your organization.

We encourage you, along with any of your local leaders, to attend the following professional development opportunities at your earliest convenience. These learning opportunities provide good information on using financial best practices and give you a chance to network with your peers who serve in like roles.

1. Financial and Fiduciary Responsibilities for Local Leaders
2. Internal Audit Committee Training
3. Treasurers’ Forum (Summer Seminar Only)

You can also count on us for personal assistance any time you are feeling overwhelmed and out of sorts, don’t worry. You have friends who are just a phone call or an email away. Please do not hesitate to reach out to us at any time with your questions or concerns.

Sincerely,

Rodney Rowe
Education Minnesota Secretary-Treasurer
41 Sherburne Ave., St. Paul, MN 55103-2119
rodney.rowe@edmn.org
651-292-4857
1-800-652-9073

Michael Roehl, CPA
CFO/Controller
mike.roehl@edmn.org
651-292-4810
1-800-652-9073

Rose Tuiyott-Lewis
Compliance Coordinator
rose.tuiyott-lewis@edmn.org
651-292-4899
1-800-652-9073
Sample Treasurer Calendar

Based on a local union with the fiscal year of Sept. 1 to Aug. 31

**Ongoing:**

- Pay local bills
- Print the billing statement at [https://ims.nea.org/ebilling](https://ims.nea.org/ebilling)
- Reconcile bank statements monthly
- Prepare and present financial reports to the Executive Board at regularly scheduled meetings

<table>
<thead>
<tr>
<th>SEPTEMBER</th>
<th>OCTOBER</th>
<th>NOVEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>New dues structure is effective Sept. 1.</td>
<td>Check district dues deductions.</td>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
</tr>
<tr>
<td>Record the names of members who pay dues by personal checks.</td>
<td>Notify if corrections are needed.</td>
<td></td>
</tr>
<tr>
<td>Dues arrears from previous year must be paid.</td>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
<td></td>
</tr>
<tr>
<td>Plan for the annual audit due Feb. 28.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DECEMBER</th>
<th>JANUARY</th>
<th>FEBRUARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine if you will have individuals receiving $600 or more from the local in the calendar year (Jan.-Dec.).</td>
<td>Form 990-N(e-Postcard), 990-EZ or 990 due to the IRS on Jan. 15.</td>
<td>For local delegates to be seated at the April Education Minnesota Representative Convention, local must have paid 50% of state and national dues to Education Minnesota by Feb. 25.</td>
</tr>
<tr>
<td>Order for IRS forms 1099-MISC and 1096 by calling 1-800-TAX-FORM (1-800-829-3676) or submit request online.</td>
<td>Complete and send Form 1099-MISC (Copy B) to individuals who received $600 or more by Jan. 31.</td>
<td>Audit report due to Education Minnesota by Feb. 28.</td>
</tr>
<tr>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
<td>Form 1099-MISC (Copy A) and 1096 due to the IRS (last business day of January).</td>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
</tr>
<tr>
<td></td>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MARCH</th>
<th>APRIL</th>
<th>MAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>JUNE</th>
<th>JULY</th>
<th>AUGUST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
<td>Transmit state and national dues to Education Minnesota by the 25th of the month.</td>
<td>Adopt a budget and operating policies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prepare folders and files for the new fiscal year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>You will receive via email the new dues structure.</td>
</tr>
</tbody>
</table>

Depending on the size of the local, determine the budgeting process timeline to ensure that the budget is approved by the governing board before Sept. 1.
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I. General Financial

Accountability is essential for your organization and you are accountable to a number of constituencies. Your organization is responsible to its members. Having a tax-exempt status carries a much broader responsibility. Because of this broad population of stakeholders, and because your organization depends heavily on dues from members, it is vital that your financial affairs be conducted above reproach. The relationship between your organization, its members, and community as a whole is a relationship based on trust. Once that trust is lost, it is difficult, if not impossible to regain.

Financial mismanagement can destroy your greatest asset, the reputation of a not-for-profit organization and, in the process, tarnish the image of other local, state and national affiliates. In an environment in which confidence in many institutions is eroding, your organizations must clearly demonstrate the best financial practices.

Fiduciary Duties of All Officers

• Safeguard the assets of the organization.
• Ensure resources of the organization are utilized to the maximum benefit of the members.

Responsibilities of The Treasurer

• Act for the good of the organization and exercise reasonable care in all decision-making.
• Understand basic financial terminology.
• Maintain complete, accurate and timely financial records.
• On a monthly basis, present complete and meaningful financial reports to the governing board and members of the organization for their review and approval.
• Comply with federal, state and local reporting requirements including tax filings and political expenditure reports.
• Collect membership dues and maintain accurate membership records.
• Compare the actual income and expenses of the organization with the approved budget. Note any variances and recommend budget adjustments as necessary.
• Coordinate and assist with an annual financial audit of the organization funds.
• Assist in the preparation of annual budgets and serve as financial advisor to the governing board.
• Monitor the cash flow and cash needs of the affiliate to maximize investment income and minimize borrowing.
Code of Ethics
Definition: A set of principles of right conduct, a theory or a system of moral values, the rules or standards governing the conduct of a person or the members of a profession.

In fulfillment of this obligation you are committed to:
• Exercise appropriate fiduciary responsibilities over affiliate resources.
• Fully and fairly disclose and act appropriately in avoiding actual or apparent conflicts of interest.
• Comply with applicable rules and regulations of the affiliate and government agencies.
• Respect confidentiality of information acquired in the course of your work.
• Provide organization constituents with information that is complete, accurate and appropriate.
• Carry out activities professionally, with honesty and integrity.
• Not knowingly be a party of any illegal activity or breach of fiduciary responsibility.
• Report violations in accordance with all applicable rules of procedure.
• Institute due process policies for violations.
• Be accountable for adhering to this code.

Conflict of Interest
Conflict of Interest is difficult to define. Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedents. Conflict of interest arises whenever the personal or professional interests of a member are potentially at odds with the best interests of the organization. For example, a member may propose that a relative or friend be considered as a vendor. Such a transaction is perfectly acceptable if it benefits the organization and if the decision is made in an objective and informed manner. However, even if it does meet these standards, it may still be vulnerable to legal challenges and public misunderstandings.

It is the responsibility of the affiliate governing board and officers to act in the best interest of the affiliate, rather than in furtherance of personal interests or the interests of third parties (See sample policy on page 87).

Transitioning The Treasurer
At the beginning of the new membership year, it is the outgoing treasurer’s responsibility to transition this vital role to the incoming treasurer. Although the handbook discusses roles and responsibilities, the outgoing treasurer’s expertise regarding local membership and financial information is invaluable:

Outgoing treasurer: Pass along all membership and financial records and data such as:
• Duties and responsibilities
• Constitution and bylaws
• Policy and procedure manuals
• Committee information
• How-to manual (if available)
• Contact lists (phone numbers, emails, etc.)
• Due dates
• Annual events
• Meeting requirements
• Mail
• Electronic and paper files
• Budget
• Bank statements
• Bank account signature and access changes
• Checkbook and register
• Cash receipts and disbursement records
• Treasurer reports and financial statements
• Tax and other regulatory filings
• Change of address for statements
• A “walk about” to introduce the new officer to contacts

Incoming treasurer: Ask lots of questions, such as the following:
• What has worked well?
• What has been a challenge?
• Who to “go to”?
• What do I do when…? (i.e. IRS letters)
• What tools have been most useful?
• What training/workshops should I consider?
• What meetings will give me the best information?
• What seems to work for managing my calendar and time?
• When you became an officer, what was the greatest challenge you faced and why?
• What is the most helpful thing someone did for you to help you be a better officer?
II. Internal Revenue Service Requirements

Affiliates are generally organized and operated as both not-for-profit and tax-exempt. Not-for-profit status refers to incorporation status under state law; tax-exempt status refers to federal income tax exemption under the Internal Revenue Code.

Not-for-profit organizations are permitted to generate more income than expenses but cannot distribute their net earnings to members. These organizations undertake programs to benefit members rather than private individuals. Therefore, earnings by law must be dedicated to furthering the purposes of the organization. Not-for-profit organizations have no shareholders and pay no dividends. All earnings are reinvested or held in the organization to further its not-for-profit purposes.

To maintain exempt status, affiliates must comply, at all times, with the strict guidelines for both not-for-profit status and tax exemption detailed below.

**Tax-Exempt Status**

A nonprofit organization is not automatically exempt from Federal Income Tax. In order to be exempt, an organization must be officially recognized by the IRS as a Tax Exempt Non-Profit Organization under Section 501(c)(5) of the Internal Revenue Code.

A 501(c)(5) labor organization is an association of workers who have combined to protect and promote the interests of the members by bargaining collectively with their employers to secure better working conditions, wages and similar benefits. The official evidence of your tax-exempt status is a determination letter granted by the IRS. The determination letter must be kept as a permanent record.

Affiliates granted exemption under the American Federation of Teachers (AFT) Group Exemption will not have an individual determination letter. These affiliates are added to the roster identifying AFT affiliates with the IRS. This will apply to new affiliates.

Affiliates that were granted tax-exempt status by the IRS after completing IRS Form 1024 "Application for Recognition of Exemption" when the affiliate was formed, were issued an individual determination letter.

If you have any questions regarding your local’s tax-exempt status, please contact us.

**What Does Tax-Exempt mean?**

Federal tax-exempt status granted to affiliates means that affiliates are exempt from paying corporate federal income tax on income generated from activities that are substantially related to the purposes for which the affiliate was organized. However, these affiliates are required to pay other taxes such as unrelated business income, federal payroll, state and local unemployment, real estate, personal property, sales and use, lobbying activities, business license, etc. In addition, contributions or donations to affiliates are not deductible as charitable contributions for federal income tax purposes.
Jeopardizing Exemption

An organization may be in jeopardy of losing its tax-exempt status for non-compliance or other prohibited activities. Examples include:

- Failure to file a required annual return or notice for three consecutive years.
- Private inurement which may result when the organization’s assets or earnings are used for the benefit of an insider rather than for the good of the organization. For instance:
  - Compensation paid to officers that is disproportionately high compared with their duties and responsibilities.
  - Excessive travel or entertainment expenses.
  - Procuring merchandise or services from vendors who are relatives or friends of insiders at higher than market rates or for other inappropriate reasons.

Transactions with insiders should be closely scrutinized because of the inherent conflict of interest that may exist. The affiliate should set and follow very strict standards concerning compensation and benefits, travel, entertainment and other expenses.

Not only can the IRS revoke a not-for-profit’s tax-exempt status as a penalty for private inurement, it can now force “disqualified persons” (generally directors, officers or key employees) benefiting from inappropriate transactions, to pay an excise tax.

Employer Identification Number

The IRS keeps track of organizations through the Employer Identification Number (EIN) that is akin to the Social Security number for individuals. The EIN, sometimes called a Tax I.D. number (TIN), is required:

- When the organization has employees.
- When filing information returns (i.e. IRS Form 990, 1099, etc.).
- When opening a checking and/or savings account.
- When making other investments through banks or brokerage firms.

All affiliates have an EIN except for newly formed affiliates.
**Internal Revenue Service Required Returns**

All affiliates must file one of the following three forms annually, depending on your affiliate’s annual gross receipts*:

- Form 990-N: Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required to File Form 990 or 990-EZ
- Form 990-EZ: Short Form Return of Organization Exempt From Income Tax
- Form 990: Return of Organization Exempt From Income Tax

*Gross receipts do not include any money you may have collected on behalf of Education Minnesota (EM), the National Education Association (NEA), American Federation of Teachers (AFT) or Intermediate Organization (IO). Although the money is collected by you and temporarily deposited into your affiliate bank account, the affiliate is collecting these funds merely as an agent for EM, the NEA, AFT and IO. Your affiliate does not derive any benefit from collecting these funds nor do you assert any right to use these funds.

The following table shows which form you are required to file:

<table>
<thead>
<tr>
<th>Annual Gross Receipts</th>
<th>Form to file</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross receipts normally ≤ $50,000</td>
<td>990-N (e-Postcard)</td>
</tr>
<tr>
<td>Gross receipts &gt; $50,000 and &lt; $200,000, and Total assets &lt; $500,000</td>
<td>990-EZ or 990</td>
</tr>
<tr>
<td>Gross receipts ≥ $200,000, or Total assets ≥ $500,000</td>
<td>990</td>
</tr>
</tbody>
</table>

Affiliates must prove that they have filed one of the above returns each year. A signed statement by the affiliate’s president certifying a return has been filed must be included with the affiliate’s annual audit report filed with the state affiliate.

The e-Postcard is filed electronically and is due every year by the 15th day of the fifth month after the end of your fiscal year. You cannot file the e-Postcard until after the end of your fiscal year. (See instructions for filing on page 8)

Form 990-EZ and 990 must be filed by the 15th day of the fifth month after the end of your fiscal year. Failure to file a timely return could mean a penalty of $100 per day, up to $50,000 for the affiliate and/or $10 per day, up to $5,000 for its treasurer and potentially a loss of the affiliate’s tax-exempt status.

**The following are examples of fiscal years and due dates:**

<table>
<thead>
<tr>
<th>Fiscal or tax period ends</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 31</td>
<td>on or before May 15</td>
</tr>
<tr>
<td>June 30</td>
<td>on or before November 15</td>
</tr>
<tr>
<td>Aug. 31</td>
<td>on or before January 15</td>
</tr>
</tbody>
</table>
If you are unable to meet the filing deadline for Form 990-EZ and 990, request for an automatic six-month extension by filing IRS Form 8868 prior to the deadline date. There are no extensions for the 990-N filing.

An organization that fails to file the required return for three consecutive years will automatically lose its tax-exempt status. This means that local dues received will be taxable by the IRS.

**Form 990-T: Exempt Organization Business Income Tax Return**

If an affiliate has unrelated business income in excess of $1,000, they must file an annual tax return Form 990-T, “Exempt Organization Business Income Tax Return.” Not-for-profit organizations often conduct activities that generate income that is unrelated to their tax-exempt purpose. The IRS imposes an unrelated business income tax (UBIT) on income generated from these activities. Although the definition of unrelated business income is sometimes subject to interpretation, it generally means income from activity unrelated to the affiliate’s exempt purpose. Advertising income from advertisements in newsletters is an example of unrelated business income. Interest income from checking and/or savings accounts and other investments, if not a significant part of total income, is not considered unrelated business income and is not taxable.

Form 990-T must be filed and taxes paid by the 15th day of the fifth month after the end of your fiscal year. Failure to file a timely return could mean a penalty of 5% of the unpaid tax for each month or part of the month the return is late, up to a maximum of 25% of the unpaid tax.

**Form 1099-MISC: Statement for Recipients of Non-Employee Compensation**

Used to report remuneration of $600 or more paid to those persons during the calendar year, for which no withholding of Social Security taxes and income tax was made over the year. A 1099 form must be issued to each person receiving such remuneration on or before Jan. 31. Reportable payments include payments for services such as honorariums or stipends, forgiveness of dues in lieu of payment and other unvouched payments. These forms are also generally used to report payments for accounting services, legal services, consultants etc. (See sample on page 10)

**Form 1096: Annual Summary and Transmittal of U.S. Information Returns**

Summary form to be forwarded to IRS along with a copy of all 1099 forms issued by the organization. File on or before Jan. 31. (See sample on page 11)

**Form 1120-POL: Income Tax Return for Certain Political Organizations**

If the affiliate made political expenditures during the fiscal year, they must file Form 1120-POL, “U.S. Income Tax Return for Certain Political Organizations” and pay income tax. A political expenditure is defined by the IRS as an expenditure for the “function of the influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, State or Local public office or office in a political organization.”

You are not required to file Form 1120-POL if taxable income before the specific deduction of $100 is $100 or less. Form 1120-POL must be filed and taxes paid by the 15th day of the fourth month after the end of your fiscal year.
Filing Form 990-N (e-Postcard)

Completing the e-Postcard requires the items listed below:

1. Employer identification number (EIN)
2. Tax year
3. Legal name and mailing address
4. Any other names the organization uses
5. Name and address of a principal officer
6. Website address if the organization has one
7. Confirmation that the organization's annual gross receipts are $50,000 or less

How to file:

2. Read and review the steps outlined on the User Guide
4. Sign Up to create an account if you are filing for the first time
5. Log In if you are a returning user
6. Complete and submit the filing
7. Print a copy of the filing confirmation
The example above applies to an affiliate under the American Federation of Teachers (AFT) Group Exemption.

- Enter the name of the affiliate in the Doing Business As (DBA) name field.
- Principal Officers are usually president, vice president or treasurer (as specified in your affiliates bylaws).

**Confirmation**

Your form 990-N (e-Postcard) has been submitted to the IRS

- **Organization Name:** American Federation of Teachers
- **EIN:** 12-3456789
- **Tax Year:** 2017
- **Tax Year Start Date:** 09-01-2017
- **Tax Year End Date:** 08-31-2018
- **Submission ID:** 10000987654321
- **Filing Status Date:** 11-19-2018
- **Filing Status:** Accepted

MANAGE FORM 990-N SUBMISSIONS
Sample Form 1099-MISC

You can order for the forms from the IRS by calling 1-800-TAX-FORM (1-800-829-3676), online at https://www.irs.gov/forms-pubs/order-products or obtain the forms from your local IRS office.

Instructions to complete the form:

• Fill in the boxes as shown above.
• Mail Copy A of this form along with Form 1096 by Jan. 31 to:
  Department of the Treasury
  Internal Revenue Service Center
  P.O. Box 219256
  Kansas City, MO 64121-9256

• Copy 1: The State of Minnesota does not require copies of the 1099-MISC Form.
• Furnish Copy B and Copy 2 to the individual(s) being issued the 1099 by Jan. 31.
• Copy C: For local records.
Sample Form 1096

You can order for the forms from the IRS by calling 1-800-TAX-FORM (1-800-829-3676), online at https://www.irs.gov/forms-pubs/order-products or obtain the forms from your local IRS office.

Instructions to complete the form:

• Fill in the affiliate name, address and contact information.
• Complete box 1, 3 and 5
• Enter “X” on box 95 to indicate 1099-MISC
• Check box 7 for Nonemployee compensation (NEC)
Internal Revenue Service Audits

Normally the main reasons for an audit by the Internal Revenue Service are to determine:

- Whether the organization is operating in accordance with its exempt purpose.
- Whether any income generated by an organization may be subject to the unrelated business income tax.
- Whether disbursements were made for prohibited political expenditures. (Refer to Form 1120-POL for political expenditures)
- Whether the organization is complying with federal regulations related to employee payroll (withholding tax, Social Security tax, unemployment taxes, W-4’s). In this area, the IRS also looks for employers that circumvent employment tax laws by classifying an employee as an independent contractor/consultant.
- Whether all compensation to officers or staff has been reported to the IRS. In addition to salary, the IRS considers certain travel reimbursements and allowances (including meals) and some fringe benefits as reportable compensation subject to Federal Income Tax. If travel expenses are undocumented (e.g. missing backup receipts, not included in an expense voucher describing business purpose of expense) or are non-business related, they should be treated as compensation and reported to the IRS.

During the course of the audit, any or all of the following records for the year(s) covered by the audit may be examined:

- Organizing documents (Constitution and Bylaws, tax exempt determination letter)
- Minutes of governing board and committee meetings
- All books and records of your affiliate’s assets, liabilities, receipts and disbursements
- Payroll records
- Check register, checks and bank statements
- Copies of any federal tax or information returns filed
- Correspondence files

The need to keep adequate records to support an audit is obvious. Where the record keeping or accounting is deficient, or where the supporting documentation is lacking, the IRS agent will arrive at his or her own conclusions. It is unlikely that the IRS will give your organization the benefit of doubt in close-call situations that cannot be supported by appropriate records and documentation. Establish a Document Retention Policy in accordance with local, state and federal regulations. (Refer to Section IX. - Record Retention Guidelines) The consequences of a negative audit could be taxes, fines and penalties to the organization and/or payment of individual income tax (possibly retroactive) by officers or employees. At worst, the IRS could revoke your status as a tax-exempt organization.

If you receive a notice from the Internal Revenue Service, please do not ignore it. Open, read and contact us as soon as possible. We will guide you on how to respond. This will not only ensure that your issue is handled properly, but will also help us assist other affiliates that may receive similar notices.
Glossary of Federal Forms

This is a short glossary of tax returns. There may be other returns which your affiliate is obligated to file. Instructions and forms are available at https://www.irs.gov/forms-instructions

W-2: Wage & Tax Statement
A W-2 form showing taxes withheld should be completed for each employee on or before Jan. 31. Travel and other expense allowances for which the employee has submitted no voucher should also be reported on the W-2 form in the space listed as “other compensation.”

W-3: Reconciliation of Income Tax Withheld and Transmittal of Tax-Statements
Reconciliation statement filed with all forms (W-2) issued for the year to employees. Must be forwarded to the IRS on or before Feb. 28. Must be accompanied by a list of the amounts of income tax withheld as shown on the W-2’s.

W-4: Employee’s Withholding Allowance Certificate
Upon hiring an employee, the affiliate should have the individual complete a W-4 and record the employee’s name, address and Social Security number on the affiliate’s permanent records.

W-9: Request for Taxpayer Identification Number (TIN) and Certification
The form is used by persons required to file information returns with the IRS to get the payee’s correct name and TIN. For the affiliate it is the employer identification number (EIN) and for individuals it is the Social Security number (SSN). This form is not submitted to the IRS.

940: Employer’s Annual Federal Unemployment Tax Return
On or before Jan. 31, every employer-affiliate must file an unemployment tax return to IRS if it had either (a) paid wages of $1,500 or more in any calendar quarter or (b) had one or more employees at any time in each of 20 calendar weeks.

941: Employer’s Quarterly Federal Tax Return
Every employer-affiliate must file a quarterly return (941) by April 30, July 31, Oct. 31 and Jan. 31, if it withholds income tax from wages or is liable for Social Security taxes.

990 or 990-EZ: Return of Organization Exempt from Income Tax
This form must be completed and filed by tax-exempt organizations whose gross receipts are more than $50,000. Must be filed with IRS on or before the 15th day of the fifth month following the close of the fiscal year.

990-N: Electronic Notice (e-Postcard)
The e-Postcard is filed by tax-exempt organizations whose gross receipts are normally $50,000 or less. Must be filed electronically with IRS on or before the 15th day of the fifth month following the close of the fiscal year.

990-T: Exempt Organization Business Income Tax Return
Must be filed if an organization has gross income of $1,000 or more from an unrelated trade or business. The term “unrelated trade or business” means one that is not substantially related to the exercise or performance of the function constituting the basis for the tax exemption.
1096: Annual Summary and Transmittal of U.S. Information Returns
Summary form to be forwarded to IRS along with a copy of all 1099 forms issued by the affiliate. File on or before Jan. 31.

1099: MISC Statement for Recipients of Non-employee Compensation
Used to report remuneration of $600 or more paid to those persons during the calendar year, for which no withholding of Social Security taxes and income tax was made over the year. A 1099 form must be issued to each person receiving such remuneration on or before Jan. 31. These forms are generally used for accounting services, legal services, consultants, etc.

1120-POL: Income Tax Return for Certain Political Organizations
This form must be completed and filed by a political organization whose net investment income exceeds $100 in any tax year. Must be filed with the IRS by the 15th day of the fourth month after the end of the tax year.
III. Education Minnesota Affiliate Standards and Financial Responsibilities

1. Preamble

One of the core values identified as a key component for Education Minnesota to achieve its mission to become the preeminent source of excellence in teaching and learning in Minnesota is integrity. To embrace this core value fully, Education Minnesota and all of its affiliates and intermediate organizations must conduct their business in full compliance with all applicable local, state and federal laws, rules and regulations, as well as the governing documents and policies of our national affiliates, the American Federation of Teachers and the National Education Association. This is a fidelity to integrity that our members and the public expect and deserve.

Affiliate leaders have a tremendous responsibility to live up to the trust given them by the members they serve. Leaders must follow standards that promote both accountability and the highest ethical behavior by all parties. Leaders have a fiduciary obligation to carry out their responsibilities with the utmost degree of good faith, honesty, integrity, loyalty and undivided service of the interest of the members.

2. Affiliate Guidelines

Conflict of Interest

It is the responsibility of each affiliate governing board and officer to act in the best interest of the affiliate, rather than in furtherance of personal interests or the interests of third parties.

Membership Information

Affiliates are obligated to timely submit membership information of sufficient quality to enable Education Minnesota, the NEA, AFT and AFL-CIO to communicate with and provide direct benefits to members as well as determine the total affiliate dues obligation.

Dues Formula/Calculation

Education Minnesota calculates the dues for the Active Professionals/Teachers/Faculty membership categories using the data reported by the Minnesota Department of Education on Feb. 28 of each year on the average teacher salary. Education Minnesota calculates dues for the Active Education Support Professionals (ESP) membership categories utilizing data reported from local affiliates on the average starting teacher salary.

Dues Transmittal

Affiliates have the option to choose between 10-month or 12-month dues transmittal schedules. Payments are due by the 25th of each month in the selected schedule. Locals must have remitted a minimum of 50% of the state and national dues obligation by Feb. 25, in order for local delegates to be seated at the annual Representative Convention.
**New Affiliates**

Newly certified affiliates will begin submitting dues no less than one year from the date the affiliate is certified as the exclusive representative for the bargaining unit by the Minnesota Bureau of Mediation Services or the National Labor Relations Board. Current Education Minnesota local units that restructure and continue as affiliates are not “new affiliates.” Any exceptions to this require approval by the secretary-treasurer.

**Audits**

Affiliates are subject to the following audit/review requirements:

**Locals**

<table>
<thead>
<tr>
<th>Number of Members</th>
<th>Minimum Type of Audit/Review Required</th>
<th>May Choose to Have</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fewer than 300 members</td>
<td>Review by an Internal Audit Committee of at least 2 members</td>
<td>Audit or Review by an Independent CPA</td>
</tr>
<tr>
<td>At least 300 members but fewer than 1,000 members</td>
<td>Review by an Internal Audit Committee of at least 3-5 members</td>
<td>Audit or Review by an Independent CPA</td>
</tr>
<tr>
<td>At least 1,000 members but fewer than 2,500 members</td>
<td>Review by an Independent CPA</td>
<td>Audit by an Independent CPA</td>
</tr>
<tr>
<td>2,500 members or more</td>
<td>Audit by an Independent CPA</td>
<td></td>
</tr>
</tbody>
</table>

**Intermediate Organizations (IO)**

<table>
<thead>
<tr>
<th>Revenue and Assets</th>
<th>Minimum Type of Audit/Review Required</th>
<th>May Chose to Have</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100,000 in revenue and less than $100,000 in assets</td>
<td>Review by an Internal Audit Committee at least 3-5 members</td>
<td>Audit or Review by an Independent CPA</td>
</tr>
<tr>
<td>Revenue or assets of $100,000 or more</td>
<td>Audit by an Independent CPA</td>
<td></td>
</tr>
</tbody>
</table>

A copy of the applicable report must be filed annually with Education Minnesota within six months of the close of the affiliate/IO fiscal year. It must include a statement, signed by the affiliate’s principal officer/president and at least one other elected general officer, certifying that the audit has been presented at a specified meeting of the affiliate’s governing body and published and made available to the members.

**IRS Required Returns: Form 990, 990-EZ or 990-N (e-Postcard)**

All affiliates are required to file Form 990, 990-EZ, or 990-N. Affiliates must prove that they have filed one of the returns each year. A signed statement by the affiliate’s president certifying the return has been filed must be included with the affiliate’s annual audit report filed with Education Minnesota.
3. Affiliate Support

Successful implementation of the Affiliate Guidelines requires that we have an organized support system for persons involved with affiliate finances. To fulfill this obligation to our affiliates, Education Minnesota will:

• Upgrade and expand the content and distribution of the Treasurer Handbook.
• Improve the communication system with affiliate treasurers to make it more periodic and formal.
• Provide ongoing and uniform financial and fiduciary training for local leaders.
• Provide training for affiliate leaders and members who serve on audit committees.
• Expand training to include field staff.
• Expand training to include intermediate organizations.
• Identify CPA firms for use by affiliates required to have an audit performed by an Independent Certified Public Accountant.
• Coordinate and consolidate financial and fiduciary training programs offered by the AFT and NEA.

4. Enforcement

Membership Information

For purposes of Representative Convention seating, continued participation in liability insurance programs, legal defense coverage, and continued participation in programs that include staff and financial assistance from Education Minnesota, the AFT, NEA and AFL-CIO, affiliates have the following requirements:

• Timely payment of dues.
• Timely submission of current audit.
• Timely submission of names, addresses and phone numbers of officers and executive board.
• Timely submission of current membership roster.
• Timely submission of current constitution as revised/updated.

Dues Transmittal

Affiliates that fail to submit dues in accordance with the agreed-upon dues transmittal schedule will be subject to the following arrearage notices:

<table>
<thead>
<tr>
<th>Length of Arrearage</th>
<th>Notice sent to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two months or $150,000</td>
<td>Affiliate President and Treasurer</td>
</tr>
<tr>
<td>Three months</td>
<td>Affiliate President, Vice President, Treasurer and Membership Contact</td>
</tr>
<tr>
<td>Past Due Account/Final Bill</td>
<td>Affiliate Executive Board</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Representative Convention 50% Obligation</th>
<th>Notice sent to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>Affiliate President and Treasurer</td>
</tr>
<tr>
<td>April</td>
<td>Affiliate Field Staff</td>
</tr>
</tbody>
</table>

The Education Minnesota Secretary-Treasurer receives notification of all arrearage notices that are sent out to any affiliate.
**Dues Transmittal (NEA)**

An affiliate delinquent in its dues transmittal schedule by more than 30 days is assessed an NEA penalty of 2% per month on the overdue balance. Unless waived by the NEA Executive Committee, delegates to the NEA Representative Assembly of an affiliate that fails to transmit dues in accordance with the dues transmittal schedule have no right to participate in the NEA Representative Assembly at the annual meeting other than to participate in elections for officers and vote on dues increases.

**Audits**

If an affiliate/IO fails to conduct and submit the applicable audit/review within six months of the close of the affiliate/IO fiscal year, Education Minnesota is authorized to conduct the applicable audit/review at the affiliate/IO’s expense. Education Minnesota will notify the membership of the affiliate/IO that an audit/review is underway and will report the results of the audit/review to the membership of the affiliate/IO.

**Guiding Principles**

In cases where further action is required and in recognition of our dual affiliation with AFT and NEA, Education Minnesota will be responsible for monitoring affiliate compliance with state and national policies. In doing so, Education Minnesota will be guided by the following principles:

1. Whenever possible, consequences should be positive rather than punitive.
2. Whenever possible, consequences should apply to the affiliate rather than to the member.
3. Whenever possible, consequences should be progressive.
4. Whenever possible, include intermediate organizations in the process.
5. Whenever possible, consequences imposed will align with those required by the national organizations.
6. Provide reasonable opportunities to correct deficiencies prior to implementing consequences.

If affiliates are not in compliance, the Education Minnesota Executive Committee will authorize the Education Minnesota President and Executive Director to enter into discussions with both the AFT and NEA regarding additional actions to be taken in order to bring the affiliate into compliance. Such actions will be consistent with the above principles and pursuant to national and state constitution and bylaw provisions. Actions taken by the Executive Committee to bring the affiliate into compliance are subject to the approval of the Education Minnesota Governing Board.
IV. Internal Audit Committee Guidelines

Internal Audit Committee Annual Audit

Locals of fewer than 1,000 members and intermediate organizations with less than $100,000 in revenue and less than $100,000 in assets are subject to an annual audit performed by either an Independent Certified Public Accountant (CPA) or an Internal Audit Committee. Such affiliates may decide they cannot afford a CPA and must instead annually establish an Internal Audit Committee of two to five members (depending on the size of the local) to review the affiliate’s finances.

The audit committee plays a critical role in maintaining the integrity of the affiliate’s financial reporting. Members should be selected from the governing board or general membership and should exhibit the following qualities:

• A familiarity with how affiliate activities are reflected in financial statements.
• Some understanding of the auditing process.
• Lacking the above, at least a natural curiosity and an inquiring mind.

The audit committee should not include the treasurer, president or any other individual who is responsible for bookkeeping, signing of checks, handling cash, etc. We need the audit committee to be separated from these functions, so we have proper review of bookkeeping processes. The treasurer will work with the audit committee to provide documents and answer questions.

The audit committee should review all payments made during the year to verify that expenditures were made for properly approved purposes. Each payment should be checked for an authorization signature by an officer or designee, and for adequate supporting documentation that clearly indicates what the payment represents. The audit committee should also examine bank reconciliations, payroll records, bookkeeping records and procedures, and all other financially related areas. Upon completion of the internal audit, the committee should file a written report to be approved by the governing board and included with the permanent records.

The audit committee should be concerned with the following things, at a minimum:

• The determination of the physical existence of assets.
• The accuracy of the records and the reports to the governing board.
• Ascertaining that payroll taxes, licenses, sales taxes, other taxes and corporate reports are properly filed in a timely manner.
• The adequacy of internal control (a system in which the operating or recording function can be broken down into elements that are performed by different people, each checking the work of others).
• The proper authorization of activities and expenditures.
• A review of the tax-exempt status and identification of any activities that may endanger it.
Tasks to be completed by the Internal Audit Committee

Part 1 - Planning
- Internal Audit Committee Chair to meet with the Treasurer
- Determine the date for the audit
- Decide where the review of the records will take place
- Treasurer to prepare all documents needed for the audit
- Internal Audit Committee to review the guidelines

Part 2 - Meet to review financial documents and processes
- Review internal controls
- Review cash receipts (income)
- Review cash disbursements (expenditures)
- Balance the checkbook
- Balance other accounts
- Examine supporting documentation
- Verify the accuracy of financial statements

Part 3 - Write, sign and submit the internal audit committee report to the Executive Board
- Internal Audit Committee Report
- Statement of Financial Position
- Statement of Activities
Financial records provided to the Internal Audit Committee by the Treasurer

The following list is meant to be all inclusive depending on the size of the affiliate. The affiliate treasurer should provide to the internal audit committee all the applicable financial documents.

- Last year’s audit report
- Checkbook/Checking account register
- Savings account register
- Certificates of deposit
- Cash receipts journal
- Cash disbursements journal
- Bank statements for all accounts for the fiscal year, plus one month prior to the beginning of the fiscal year and one month after the end of the fiscal year (14 months).
- Bank reconciliations for that same period
- Budget
- Monthly financial statements for the fiscal year
- Supporting documents, i.e. checkoff lists, vouchers, receipts, invoices, dues billing statements, etc.
- Canceled Checks
- Savings deposits and withdrawal slips
- Payroll records
- All meeting minutes for the fiscal year
- Copies of written financial policies, i.e. financial operating policies, credit card policy, etc.
- Copy of the Constitution and Bylaws
- IRS forms filed
Step 1: Review Internal Controls

- Examine canceled checks, financial reports and executive board minutes to perform the tasks listed below. If your bank or credit union does not return canceled checks, examine the duplicate copies of the checks.

- Determine where the checkbooks and financial records are kept. Are the checkbooks and permanent financial records kept in a secure location, accessible only to those who have the authority to write checks? If not, the audit committee should recommend changes in those practices.

- Examine the front side of each check written during the period. Do two officers sign all the transactions? Are signature stamps used on checks? Signature stamps generally have a thicker signature than a ballpoint pen and the signature always looks the same. Examine the signature card for the bank or credit union that authorizes the signers on the account. Does the signature card say that two signatures are required? If not, the audit committee should recommend corrective action.

- Examine the endorsement on the back of each check. Did the person or firm endorse the check that it was written to? If not, further investigation should be made.

- Determine the starting and ending check numbers for checks written during the period. Look for missing check numbers. Are those checks voided or properly accounted for? Voided should be marked “VOID” across the front of the check and kept in the checkbook or other secure place.

- Look at the blank checks in the checkbook. Are there any blank checks that have already been signed by one officer so that another officer can use the check without having to wait for another signature? If so, the audit committee should require that this practice be discontinued.

- Checks should rarely, if ever, be made payable to “Cash.” Even checks to reimburse petty cash should be made payable to an individual responsible for petty cash, such as “Mary Jones - Petty Cash.” While examining the front side of each check, look at the payee to determine that it is made payable to an individual or company. Closely examine any checks made payable to cash and recommend corrective action, as necessary.

- Review the executive board minutes for the year. Are financial reports made at every regularly scheduled meeting? These reports should be in writing and attached to the executive board minutes.

- Examine your constitution. Does it have requirement for a budget and assign the responsibility for preparing and adopting the budget? Examine the governing board minutes to see if a budget was adopted for the year. This may have been done at the end of the previous year and may be included in the minutes for that year. Are budgets approved within the financial means of the affiliate? Was any action taken during the year to amend the budget?

- Examine the governing board minutes to see if governing board authorizes expenditures not included in the budget. Most expenditures usually are included in the budget and will not require special approval of the governing board. Expenditures not included in the budget, leases, contracts, loans or new bank accounts, or investments should be approved by the governing board and included in the minutes.
• Examine insurance policies to determine that the affiliate is adequately insured. These policies should include a liability policy, hazard insurance for fire or theft, and workers compensation insurance, if there are employees. A Fidelity Bond insuring affiliates against employee dishonesty is available through Education Minnesota. Affiliates with members in the private sector are required to be insured against employee dishonesty in an amount equal to 10% of the previous year’s total income.

• Is there a written accounting manual or written procedure to ensure proper internal controls? If not, the audit committee should recommend the adoption of such procedures.

• Does the local have Political Action Committee funds? If yes, are the funds transmitted on a timely basis (within 10 days of receipt if contribution is $50 or more, otherwise within 30 days of receipt)? Are the PAC funds segregated from the general fund or kept in a non-interest bearing account?
**Sample Internal Control Checklist**

**Authorization and Cash Control**

- [ ] All disbursements are made by issuing checks.
- [ ] Approval and verification is done before checks are issued.
- [ ] No checks have been issued payable to “cash.”
- [ ] Checks are signed by two officers.
- [ ] Bank reconciliations are prepared monthly.

**Done by (initials):**

**Date:**

**Reporting**

- [ ] A regular accounting is made to the affiliate officers.
- [ ] A regular accounting is presented to the membership.
- [ ] A budget is established and reported with projections vs. actual expenditures.
- [ ] Substantial variances are reviewed and explained.

**Safeguarding of Assets**

- [ ] Accounting records are stored in a secure, safe area.
- [ ] A financial records retention plan has been established.
- [ ] There are detailed records of property and equipment.
- [ ] Including the date purchased and cost.
Step 2: Review Cash Receipts (Income)

Examine deposit tickets, cash receipts journals and bank statements to verify the following practices. Some affiliates with only a few transactions each month may not have a cash receipts journal. If your local does not maintain a cash receipts journal, examine the references to deposits on the check stubs.

**Timeliness of Deposits**

It is important that funds be deposited immediately after they are received to guard against misplacing checks before they are deposited and to ensure that the maximum amount of interest is earned on interest-bearing accounts. Verify that deposits are made promptly after funds are received. This is done by comparing the date on the documents that were received with the deposit date in the cash receipts journal, and the date of the deposit on the bank statement. If deposits are made by mail, there may be a few days difference between the date that the funds were listed in the cash receipts journal and the date the bank listed the deposit on the statement.

**Accuracy of Dues Deductions**

Verify the receipt of payroll deductions from the employer to ensure that all deposits were made and are shown on the bank statements. The number of checks to be deposited will vary according to the employer’s system for remitting dues.

Some employers send checks monthly, while others remit dues following each pay period. If the funds are to be saved for later use, a check should then be written for the deposit to the savings account or other investment. Payroll deduction checks should not be deposited directly to the savings account or other investment.

Also, check the accuracy of the employer’s calculations. The employer will usually include a listing of all members from whom dues were deducted and the amount deducted from each member, along with the payroll deduction check.

If the deduction amount is the same for all members, simply count the number of members on the list and multiply by the dues amount to make sure that the employer sent the correct total to the affiliate. Count the actual names on the list rather than relying on the employee totals that may be provided on the employer’s list.

If the deduction amounts are different for two or more classes of employees, you will have to count the number of members at each dues rate and multiply that number for each class of employees. Then add the totals for each class of employees to verify the total dues amount. Check the dates of employer deductions and be certain that no pay period was omitted. The audit committee should report any discrepancies to the treasurer so that they may take corrective action with the employer.

**Comparison with Affiliate’s Records**

The affiliate should have a copy of each dues deduction authorization submitted to the employer showing the date that it was submitted. Check the employer’s payroll deductions against the affiliate’s membership records to verify that all deductions were made for members who were enrolled for payroll deductions.
Direct Dues Payments

Not all members will sign an authorization for payroll deduction and those who do not will pay their dues directly to the affiliate. The affiliate must maintain records to track the dues payment status of direct dues members. Is there a process in place for billing these members for unpaid dues? Trace all deposits of direct dues paying members through the members’ dues records, the cash receipts journal and the bank statement. This will verify that the payment status of members is correct and that all receipts were deposited.

Other Income

Trace the deposit of any miscellaneous receipts through the cash receipts journal and the bank statement. Compare the amounts shown in the cash receipts journal or on the check stubs and make sure that all of those amounts are listed on the bank statements.

Grants

If your affiliate is receiving grants, make sure that the grant money has been received and that funds are being used in accordance with agreements. Misuse of grants can hurt in future requests for grants. Also ensure that financial or narrative reports are prepared on a timely basis as required by grant agreements.

Non-Cash Items

Verify that all deposits shown on the bank statements are included in the cash receipts journal or checkbook. The primary cause for differences here will be items for which no deposit was made by the affiliate, such as interest on the account or corrections to deposit amounts made by the bank. Because no deposit was made for these transactions, the treasurer may have overlooked them on the bank statements.
Sample Checklist for Review of Cash Receipts (Income)

Obtain the cash receipts journal (a detailed record of all monies received) and perform the following:

☐ (a) Scan the entries for the fiscal year and look for any unusual receipts.

Purpose: To identify and review any unusual transactions. An unusual transaction differs in nature from the common activities of the organization, or in the amount from the common activities or any item that based on the judgment of the reader warrants further review.

☐ (b) Obtain supporting documentation for entries noted in (a) above.

Purpose: To obtain support for items identified in (a) in order to validate the transaction.

☐ (c) Trace the total of each month’s cash receipts journal to the cash transaction summary prepared by the Treasurer.

Purpose: To compare the bookkeeping records to an independent internal source to verify that the amounts recorded are accurate.
Step 3: Review Cash Disbursements (Expenditures)

Examine checks, check stubs, cash disbursements and bank statements to verify the following practices. Some affiliates with only a few transactions each month may not have a cash disbursements journal.

• Are all expenditures paid by check?
• Are all checks authorized by the appropriate affiliate officers?
• Are checks pre-numbered and written in numerical order? Make sure that all check numbers are accounted for.
• Review canceled checks for proper payee and endorsement. Voided checks must never be destroyed, but should be clearly marked “VOID” across the face of the check and the check should be retained.
• Verify that each check disbursed is supported by adequate documentation in the form of an original invoice, voucher or receipt. Compare paid invoices, vouchers and receipts with canceled checks. A lease or a contract, instead of a monthly invoice, may support some disbursements, like rent.
• Verify that all disbursements are entered in the cash disbursements journal.
Sample Checklist for Review of Cash Disbursements (Expenditures)

Obtain the cash disbursements journal (a detailed record of all checks issued) and perform the following:

- (a) Scan the checks listed for the fiscal year and look for any unusual items or payees as well as high dollar amounts.  
  
  \[ \text{Done by (initials): } \quad \text{Date: } \]

- (b) Obtain supporting invoices for each item noted in (a) above.
  
  \[ \text{Purpose: To obtain support for items identified in (a) in order to validate the transaction.} \]

- (c) Examine the check numbers to determine that they were listed in sequence and no check numbers were skipped in each month as well as between months. Verify the retention of void checks.
  
  \[ \text{Purpose: To account for all pre-numbered checks.} \]

- (d) Examine a few checks at random from each month to determine that the appropriate officers signed them and that the amount, date and payee agree with the disbursement journal.
  
  \[ \text{Purpose: To determine that proper procedures were followed in the disbursement of funds.} \]

- (e) Examine unused checks and determine that the next check available is in sequence with the last check entered in the disbursement journal.
  
  \[ \text{Purpose: To account for all pre-numbered checks, in association with (c).} \]

- (f) Trace the total of each month’s cash disbursement journal to the cash summary prepared by the treasurer.
  
  \[ \text{Purpose: To compare the bookkeeping records to an independent source.} \]

- (g) Verify that paid invoices/bills comply with the minutes of the affiliate.
  
  \[ \text{Purpose: To determine that proper procedures were followed in the disbursement of funds.} \]

- (h) Scan the bills paid in the fiscal year to determine that they were disbursed in accordance with the Bylaws and Constitution.
  
  \[ \text{Purpose: To determine that proper procedures were followed in the disbursement of funds.} \]
Step 4: Balance the Checkbook

The treasurer should have reconciled the checking account every month shortly after the statement was received from the bank. The principle behind balancing the checkbook is that there may be deposits that were mailed or checks that were written that have not yet cleared the bank as of the date of the statement. The bank statement has to be reconciled to the affiliate’s financial records. This reconciliation can be done as of the last day of each month, no matter what date during the month the statement is received. Simply list transactions dated between the statement date and the end of the month as outstanding. If your affiliate’s treasurer has been balancing the checkbook at the end of each month, your job is that much easier. You will only have to review their work. The process is the same as that which you may use to balance your personal checkbook at home.

Step 5: Balance Other Accounts

Your affiliate may have other cash accounts in addition to the checking account such as savings accounts or other investments. The procedures for reconciling those accounts will be the same as for the checking accounts, with a few exceptions. There will be fewer transactions and there won’t be any checks written on the account.
Sample Checklist for Review of the Balances on the Checking Account and Other Accounts

☐ Obtain the checkbook and verify that the balance for each month agrees to the cash summary prepared by the treasurer.

*Purpose:* To compare the bookkeeping records to an independent source.

Obtain a bank reconciliation for each month in the fiscal year and perform the following:

☐ (a) Compare the checkbook balance on the bank reconciliation to the checkbook for each month.

*Purpose:* To determine that the amounts used in reconciling the bank statements are accurate.

☐ (b) Compare the bank balance on the bank reconciliation to the bank statement for each month.

*Purpose:* To determine that the amounts used in reconciling the bank statements are accurate.

☐ (c) Review every reconciling item for each month. Check the following month’s bank statement and/or cash disbursements to verify that the items were resolved.
Step 6: Examine Supporting Documents

Each transaction should have a document that supports it. This is true for receipts, disbursements and transfers between accounts. The purpose of this step is to ensure that all transactions have such justification.

Verify that each receipt (income item) has documentation to support it. This may be in the form of a letter that accompanied the check, a check stub or a voucher from the firm that sent the check. If cash was received, a receipt should have issued to the payer. Make sure that the amount in documentation agrees with the amount deposited.

Verify that each disbursement has documentation to support it. This will usually be in the form of an invoice, an expense voucher, a receipt issued by the payee or a similar document. All invoices should be original copies so as to avoid duplicate payments. Make sure that the amount in the documentation agrees with the amount deposited.

If a payment is a recurring payment, the documentation may be in the form of a long-term lease or contract. For example, monthly rent payments are not usually invoiced, but there should be a lease in the file to document the amount of the payments and the due dates.

If a payment is an unusual one, it may be supported by a copy of the appropriate governing board minutes. All transactions that are not included in the budget, all new bank accounts or investments, and all long-term leases or contracts should be approved by the governing board and reported in the minutes.

Has an investment policy been adopted? For example, must all deposits be in banks insured by the Federal Deposit Insurance Corporation (FDIC)? Careful attention should be paid to FDIC limits (currently $250,000) to protect the affiliate’s funds.

Keep a list of all transactions that are not documented and discuss them with the treasurer.
Step 7: Verify the Accuracy of the Financial Statements

In steps 1 through 5, you have verified the totals in the financial records and reconciled those totals to the bank statements. The financial statements are a summary of the financial records and, therefore, should reflect the totals that you have already verified.

The same income and expense categories should be used as in the affiliate’s budget:

- Verify that the total of each of the categories in the cash receipts records is listed as income on the Statement of Activities.
- Verify that the total of each of the categories in the cash disbursements records is listed correctly on the Statement of Activities.
- Verify that the totals of income and expenditures are correct, and that the difference between the two (surplus or deficit) is correct.
- Verify that the checking account balance and the balances of all other assets and liabilities are listed correctly on the Statement of Financial Position.
- Verify that the totals of the assets and liabilities are correct.
- Verify that the beginning Net Assets is the same as the ending Net Assets for the previous year.
- Verify that the Change in Net Assets is the same as the surplus or deficit for the current year.
Sample Statement of Activities
For Period Ending August 31, (year)

<table>
<thead>
<tr>
<th></th>
<th>ANNUAL BUDGET</th>
<th>CURRENT YEAR-TO-DATE 9/1 TO 8/31</th>
<th>BUDGET BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dues From Members</td>
<td>31,000</td>
<td>30,861</td>
<td>139</td>
</tr>
<tr>
<td>Interest Income</td>
<td>263</td>
<td>272</td>
<td>-9</td>
</tr>
<tr>
<td>Misc. Income</td>
<td>750</td>
<td>695</td>
<td>55</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>32,013</td>
<td>31,828</td>
<td>185</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>5,400</td>
<td>5,400</td>
<td>0</td>
</tr>
<tr>
<td>Telephone</td>
<td>1,500</td>
<td>1,527</td>
<td>-27</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,200</td>
<td>1,098</td>
<td>102</td>
</tr>
<tr>
<td>Postage</td>
<td>600</td>
<td>580</td>
<td>20</td>
</tr>
<tr>
<td>Insurance</td>
<td>575</td>
<td>578</td>
<td>-3</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,500</td>
<td>2,609</td>
<td>-109</td>
</tr>
<tr>
<td>Executive Board Meetings</td>
<td>500</td>
<td>480</td>
<td>20</td>
</tr>
<tr>
<td>Other Meetings</td>
<td>1,500</td>
<td>1,350</td>
<td>150</td>
</tr>
<tr>
<td>National Conferences</td>
<td>1,500</td>
<td>1,725</td>
<td>-225</td>
</tr>
<tr>
<td>Officer Stipends</td>
<td>2,000</td>
<td>2,000</td>
<td>0</td>
</tr>
<tr>
<td>Conventions</td>
<td>1,500</td>
<td>1,500</td>
<td>0</td>
</tr>
<tr>
<td>Newsletter</td>
<td>1,800</td>
<td>1,669</td>
<td>131</td>
</tr>
<tr>
<td>Legal &amp; Arbitration</td>
<td>2,500</td>
<td>2,000</td>
<td>500</td>
</tr>
<tr>
<td>Contributions</td>
<td>500</td>
<td>500</td>
<td>0</td>
</tr>
<tr>
<td>Negotiations</td>
<td>2,500</td>
<td>2,333</td>
<td>167</td>
</tr>
<tr>
<td>Membership Recruitment</td>
<td>2,500</td>
<td>2,123</td>
<td>377</td>
</tr>
<tr>
<td>Misc. Expenses</td>
<td>750</td>
<td>1,199</td>
<td>-449</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>29,325</td>
<td>28,671</td>
<td>654</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>2,688</td>
<td>3,157</td>
<td>-469</td>
</tr>
</tbody>
</table>
## Sample Statement of Financial Position
### As of August 31, (year)

### ASSETS
- Cash – Checking: 5,049 (Note 1)
- Cash – Savings: 11,790 (Note 1)

**TOTAL ASSETS:** 16,839

### LIABILITIES AND NET ASSETS

#### LIABILITIES
- Accounts Payable: 0

**TOTAL LIABILITIES:** 0

#### NET ASSETS
- Fund Balance, September 1, (year): 13,682 (Note 2)
- Changes in Net Assets: 3,157 (Note 3)

**TOTAL NET ASSETS:** 16,839

**TOTAL LIABILITIES AND NET ASSETS:** 16,839

*Note 1: Reconciled bank balance at the end of the fiscal year*

*Note 2: Fund balance at the beginning of the fiscal year*

*Note 3: Changes in net assets – (refer to the Statement of Activities)*
Step 8: Write the Audit Committee Report

Now that you have verified the totals contained in the financial records, reconciled them to the bank statements and traced them through the financial reports, you are ready to write the Audit Committee Report. The report should be written on the affiliate’s letterhead and contain the following information:

- The full name of the organization.
- The dates encompassed by the review.
- Whether or not the books were found to be in good order.
- Any deficiencies uncovered.
- The live signatures of all committee members to show that all concur with the report.
- Footnote any items that are important to the affiliate’s financial position but are not clearly explained in the financial statements.
- Attach a copy of the affiliate’s Statement of Financial Position and Statement of Activities to the Audit Committee’s Report or Financial Report (option for locals with less than 50 members) to the Audit Committee Report.
- Submit the internal audit committee report to the Executive Board.

Step 9: Audit presentation and submission to Education Minnesota (by treasurer)

Attach a signed letter by the affiliate’s principal officer and at least one other elected general officer certifying that the audit has been presented at a specified meeting of the affiliate’s governing body and published and made available to the members.

**Send the report (choose one of the following two options)**

**Email:**
Scan and save your report as a PDF document and send to auditreports@edmn.org. Ensure that all copies are legible.

**OR**

**Mail to:**
Education Minnesota
41 Sherburne Ave.
St. Paul, MN 55103-2196
Attn: Accounting Department/Audit Reports
Sample Internal Audit Committee Report #1

Date

We have examined the financial records of the (Affiliate) for the period Sept. 1, (year) through Aug. 31, (year), and found them to be in good order. This examination was performed by a committee made up of members from (Affiliate).

Based upon our examination, we consider the attached financial statements for period Sept. 1, (year) through Aug. 31, (year), to be an accurate summary of transactions conducted during that period.

Sincerely,

(signature of the member)
Name of Member

(signature of the member)
Name of Member

(signature of the member)
Name of Member
Sample Internal Audit Committee Report #2

Date

We have examined the financial records of the (Affiliate) for the period Sept. 1, (year) through Aug. 31, (year), and found them to be in good order. This examination was performed by a committee made up of members from (Affiliate).

During the course of our examination we discovered that (List concerns below):

1. While there was adequate documentation maintained for all expenditures, documentation was not available for all income. This was primarily due to checks that were received that were not accompanied by letters or other documentation. In the future, if a check is received without documentation, a copy of the check will be made before the check is deposited.

2. The dues deposits check from the school district for the month of April was deposited in June. In the future, any funds should be deposited immediately to guard against misplacing of checks and a negative bank balance.

3. 

4. 

Based upon our examination, we consider the attached financial statements for period Sept. 1, (year) through Aug. 31, (year), to be an accurate summary of transactions conducted during that period.

Sincerely,

(signature of the member)
Name of Member

(signature of the member)
Name of Member

(signature of the member)
Name of Member
Sample Audit Reports

**Sample#1**
1. Statement signed by the local president and at least one other elected general officer
2. Internal Audit Committee report signed by all committee members
3. Statement of Financial Position
4. Statement of Activities

**Sample# 2 (local with less than 50 members)**
1. Statement signed by the local president and at least one other elected general officer
2. Internal Audit Committee report signed by all committee members
3. Financial Report
ABC Education Association, Local #1234
5678 Union St.
Minneapolis, MN 56000

Feb. 12, 2019

Education Minnesota
41 Sherburne Ave.
St. Paul, MN 55103

Please find attached the audit committee report for ABC Education Association, Local #1234 for the fiscal year ending Aug. 31, 2018. The audit committee report was presented to the ABC Education Association Executive Board on Jan. 11, 2019 and to the general membership on Feb. 11, 2019. The report has been published and is available to our members.

ABC Education Association has filed IRS Form 990-N (e-Postcard). The filing confirmation is attached.

Sincerely,

Jane K. Smith,
President, ABC Education Association

Matthew Adams,
Vice President, ABC Education Association
ABC Education Association, Local #1234
5678 Union St.
Minneapolis, MN 56000

Dec. 18, 2018

Education Minnesota
41 Sherburne Ave.
St. Paul, MN 55103

We have examined the financial records of the ABC Education Association, Local #1234 for the period Sept. 1, 2017 through Aug. 31, 2018, and found them to be in good order. This examination was performed by a committee made up of members from ABC Education Association, Local #1234.

Based upon our examination, we consider the attached financial statements for the period Sept. 1, 2017 through Aug. 31, 2018, to be an accurate summary of transactions conducted during the period.

Sincerely,

Ruth Jones
Ruth Jones, Chair

Eric Anderson
Eric Anderson, Member

Dave C. Johnson
Dave Johnson, Member

Nancy Lee
Nancy Lee, Member
Sample #1: Statement of Financial Position

ABC Education Association, Local #1234  
Statement of Financial Position  
As of August 31, 2018

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash – Checking</td>
<td>$ 6,625</td>
</tr>
<tr>
<td>Cash – Savings</td>
<td>10,080</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 16,705</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$ 0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance, September 1, 2017</td>
<td>$ 14,426</td>
</tr>
<tr>
<td>Changes in Net Assets</td>
<td>2,279</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$ 16,705</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS** | $ 16,705|
ABC Education Association, Local #1234  
Statement of Activities  
For Period Ending August 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Year-To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9/1 to 8/31</td>
<td></td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dues From Members (excludes pass through dues)</td>
<td>$ 19,500</td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Misc. Income</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>$ 21,013</td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Board Meetings</td>
<td>$ 1,035</td>
<td></td>
</tr>
<tr>
<td>Other Meetings</td>
<td>2,450</td>
<td></td>
</tr>
<tr>
<td>Officer Stipends</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Negotiations</td>
<td>3,130</td>
<td></td>
</tr>
<tr>
<td>Audit Committee</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>Conventions/Conferences</td>
<td>2,712</td>
<td></td>
</tr>
<tr>
<td>Professional Development</td>
<td>1,929</td>
<td></td>
</tr>
<tr>
<td>Membership Recruitment</td>
<td>1,002</td>
<td></td>
</tr>
<tr>
<td>Teacher of the Year</td>
<td>643</td>
<td></td>
</tr>
<tr>
<td>Scholarships</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>Public Relations</td>
<td>650</td>
<td></td>
</tr>
<tr>
<td>Office Supplies</td>
<td>136</td>
<td></td>
</tr>
<tr>
<td>Retirement &amp; Gifts</td>
<td>648</td>
<td></td>
</tr>
<tr>
<td>Misc. Expenses</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$ 18,734</td>
<td></td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>$ 2,279</td>
<td></td>
</tr>
</tbody>
</table>
ABC Education Support Professionals, Local #1235
5679 Union St.
Minneapolis, MN 56000

Feb. 12, 2019

Education Minnesota
41 Sherburne Ave.
St. Paul, MN 55103

Please find attached the audit committee report for ABC Education Support Professionals, Local #1235 for the fiscal year ending Aug. 31, 2018. The audit committee report was presented to the ABC Education Association Executive Board on Jan. 11, 2019 and to the general membership on Feb. 11, 2019. The report has been published and is available to our members.

ABC Education Support Professionals has filed IRS Form 990-N (e-Postcard). The filing confirmation is attached.

Sincerely,

Jane K. Smith
Jane K. Smith,
President, ABC Education Association

Matthew Adams
Matthew Adams,
Vice President, ABC Education Association
ABC Education Association, Local #1235
5679 Union St.
Minneapolis, MN 56000

Dec. 18, 2018

Education Minnesota
41 Sherburne Ave.
St. Paul, MN 55103

We have examined the financial records of the ABC Education Support Professionals, Local #1235 for the period Sept. 1, 2017 through Aug. 31, 2018, and found them to be in good order. This examination was performed by a committee made up of members from ABC Education Support Professionals, Local #1235.

Based upon our examination, we consider the attached financial statements for the period Sept. 1, 2017 through Aug. 31, 2018, to be an accurate summary of transactions conducted during the period.

Sincerely,

Ruth Jones
Ruth Jones, Chair

Eric Anderson
Eric Anderson, Member

Dave C. Johnson
Dave Johnson, Member

Nancy Lee
Nancy Lee, Member
ABC Education Support Professionals, Local #1235  
Financial Report  
For Period Ending August 31, 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH – Checking as of September 1, 2017</td>
<td>$1,610.00</td>
</tr>
<tr>
<td>INCOME</td>
<td></td>
</tr>
<tr>
<td>Membership Dues</td>
<td>$18,753.50</td>
</tr>
<tr>
<td>Misc. Income</td>
<td>0.00</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>18,753.50</td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
</tr>
<tr>
<td>Dues to Education Minnesota (State and National)</td>
<td>$17,522.30</td>
</tr>
<tr>
<td>Membership Meetings</td>
<td>126.40</td>
</tr>
<tr>
<td>Misc. Expenses</td>
<td>17.84</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>17,666.54</td>
</tr>
<tr>
<td>CASH – Checking as of August 31, 2018</td>
<td>$2,696.96</td>
</tr>
</tbody>
</table>
V. Financial Procedures and Accounting Concepts

Affiliates are organized to provide services to its members and are dependent upon them for financial support. Thus, an affiliate is committed to a custodial and fiduciary role in the handling of funds. Every effort should be made to provide internal controls and procedures as well as external reports to create awareness that the funds are managed properly. The membership should also be informed as to the financial position and the operating results of the affiliate.

Financial Policies

There are four major sources of financial policies for an affiliate:

1. Many policies are stated in the constitution or by-laws:
   • Definition of roles (president, vice president, secretary-treasurer)
   • Dues assessment (calculation of amount and due dates)
   • Fund balance/reserve restrictions (amount, how to use)
   • Authority to conduct business (investments, borrowings)

2. Policies are also established through governing board actions:
   • Preparation of reports (who makes, frequency)
   • Conflict of interest (roles with other bodies, honorariums)
   • Payment policies (who, limitations, timing, discount)
   • Banking (who can sign, co-signatures, which bank)
   • Audit/review (frequency, scope, books to be maintained, who does the audit/review)
   • Bills paid by authorization only (governing board approval, receipt voucher, etc.)

3. Another source is the budget committee:
   • Budget development and responsibility (variances, approval of changes)
   • Capitalization policies (equipment replacement, separate funds)

4. And finally federal, state and local authorities:
   • Internal Revenue Service (IRS)
   • Department of Labor (DOL)
Financial Statements

Financial statements should provide the affiliate members with a summary of the financial status and operation results. Basic financial reports should include:

- Statement of Financial Position often referred to as the Balance Sheet or Statement of Financial Condition.
- Statement of Revenue and Expense often referred to as the Statement of Activities or Income Statement that compares budget to actual results.
- Statement of Change in Financial Position is designed to present information on the financing and investing activities of an affiliate. It is often referred to as the Statement of Cash Flows.
- Statement of Changes in Net Assets or Changes in Fund Balances shows the increases and decreases in net assets over a given period of time.

Each statement should include comparative numbers from the prior year.

Accounting Terminology and Concepts

Basic Terminology:

This information is not intended to be a complete accounting text. However, common understanding of some basic accounting terminology will help in communicating certain concepts. The following definitions apply to the terms generally used in accounting texts and in this handbook:

Assets
The amount the affiliate owns or is owed that has a positive value. Examples include cash, dues receivable and office furniture. In accounting assets are generally debit items.

Liabilities
The amounts the affiliate owes to others such as an office supply company, the utility company, national dues, state dues, organizing for settlement fund, the bank or mortgage holder, lease obligation or other creditors. In accounting liabilities are generally credit items.

Net Assets
The difference (net) between the total assets and total liabilities. This is sometimes called Fund Balance or Net Worth.

Current Assets
The portion of the total assets that is cash or will be converted to cash within one year. The convertible items usually include short-term investments and payments due from members for dues.

Fixed Assets
The portion of total assets that is tangible and unlikely to be converted to cash such as land, buildings, furniture and equipment.
Other Assets
The remaining portion of total assets that does not fit into either of the other two asset categories. Typical inclusions are long-term (beyond one year) or restricted investments and long-term notes receivable.

Current Liabilities
The portion of total liabilities that the affiliate owes within one year. Included are such items as office expenses incurred but not yet paid, national dues and state dues accrued or collected from members and owed to the state, mortgage principal payments due within the next 12 months, withholding taxes collected but not paid, and the cost of staff vacation leave earned but not yet taken.

Long Term Liabilities
The portion of total liabilities that the affiliate owes beyond one year. The major inclusions are the mortgage balance, severance pay earned by long time employees, long-term notes and capital lease commitments.

Statement of Financial Position (often called the Balance Sheet)
The report includes assets, liabilities and net assets. The balance is arrived at as follows:

\[ \text{Total Assets} - \text{Liabilities} = \text{Net Assets} \]

Or

\[ \text{Total Assets} = \text{Liabilities} + \text{Net Assets} \]

\[ (1) = (2) + (3) \]

Balance Sheet

| (1) Assets | (2) Liabilities |
| What is owned | What is owed |
| (3) Net Assets | Difference between assets and liabilities |

Left hand side (Debit items) | Right hand side (Credit items)

Receipts
Includes all cash received, whether it is “revenue” for the affiliate or not. Non-revenue items can include national and state dues, security and damage deposits for rental space and expense reimbursement from outside sources.

Revenue
Receipt of cash (or a promise to pay) in exchange for an item or a service delivered to someone within a fiscal year. Typical items included are affiliate dues, national and state projects, and related funds and interest earned on investments. Please note that national and state dues are “pass through” amounts that are recorded as revenue at the organizational level where the dues are owed, not at the local.
Disbursements

Includes all cash paid out, whether it is an expense for the affiliate or not. Non-expense items include transmittal of national and state dues, purchase of fixed assets (land, buildings, furniture and equipment), and advances to staff or leaders.

Expenses

Disbursements of cash (or a promise to pay) for an item or a service received, used or consumed within the fiscal year. Typical items included are salaries, benefits, paper and other office supplies, mileage reimbursement, meals, lodging, office rent, etc.

Current Ratio

This is a measure of financial liquidity and ability to pay obligations as they become due. The ratio is the current assets divided by the current liabilities. This represents the number of dollars of current assets that are available to pay current liabilities. A ratio of 1.0 to 1.5 is minimal. It should never be less than 1. A ratio of at least 1.5 to 1.0 is an indicator of a desirable financial position.

Internal Control

The procedures, practices and systems that provide assurance of the completeness and accuracy of the accounting data used in decision-making. According to the American Institute of Certified Public Accountants Statement on Auditing Standards, it is “…the plan of an organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, promote operational efficiency, and encourage adherence to prescribed managerial policies.”

Depreciation

An accounting technique for allocating the cost (expense) of a fixed asset over its estimated useful life. Auditors typically use the “straight line” method for determining the amount to allocate. The annual amount is determined by dividing the cost (total cost including taxes, freight etc.) of the item by the number of years it is expected to last and then transferring that amount to a depreciation expense account each year. (e.g. a computer that costs $3,000 and has a useful life of three years would be depreciated at a rate of $1,000 per year.) This recognizes a depreciation expense of $1,000 each of the three years and reduces the value of the asset (accumulated depreciation) by the same amount each of the three years.

Accrual

The process of recognizing income in the fiscal year in which it is “earned,” regardless of when the cash is received or of recognizing expense when it is “incurred,” regardless of when the bill is paid. An example would be the recording of the annual dues obligation as income when a membership form (or group of forms) is processed rather than just recognizing the amount of cash received. On the expense side, it means recording the expenses that have been incurred at the end of each month even if the payments have not yet been made.

Chart of Accounts

The list of all accounts used in the accounting system, including account codes (e.g. Account 101 – Checking Account, Account 210 – Accounts Payable, Account 301 – Dues Income, Account 410 – Travel Expense).
Double Entry Bookkeeping

Every transaction must have both a debit and credit totaling an equal value. For example, a debit to cash would be offset by a credit to an income account, a liability account or another asset account. A checkbook is a single entry bookkeeping system.

Cash, Bank Balance and Checkbook Balance

- Cash: Use of this term includes coins, currency and checks (e.g. petty cash fund, checking account).
- Bank Balance: The amount remaining at a given date in a checking or savings account shown on the monthly bank statement. This is to be reconciled with the cash/checking account balance shown on the affiliate’s books.
- Checkbook Balance: The checkbook balance is equal to funds deposited less checks issued and bank charges.

Cash Accounting

Cash accounting is a system whereby income and expense are recognized in the fiscal period only when cash is actually received or expended.

Accrual Accounting

As distinguished from cash accounting, accrual accounting is a system whereby income and expense are recognized in the fiscal period in which they belong, regardless of the time cash is received or expended.

Accrual accounting requires additional accounts not found in a cash system. These additional accounts include:

Accounts receivable: (a) Recognizes income (a credit) before cash is received. The debit, as the offsetting (double) entry, goes to the receivable account. (b) When cash is received, cash is debited and the receivable is credited.

<table>
<thead>
<tr>
<th>CASH</th>
<th>ACCOUNTS RECEIVABLE</th>
<th>INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) $500</td>
<td>(a) $500</td>
</tr>
<tr>
<td>(b) $500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accounts payable: (a) Recognizes expenses (a debit) before cash is disbursed. The credit, as the offsetting (double) entry, goes to the payable account. (b) When cash is disbursed, cash is credited and the payable is debited.

<table>
<thead>
<tr>
<th>CASH</th>
<th>ACCOUNTS PAYABLE</th>
<th>EXPENSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200 (b)</td>
<td>$200 (a)</td>
<td>(a) $200</td>
</tr>
<tr>
<td>(b) $200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Prepaid expense: Recognizes that a disbursement of cash is for expense in a future period (future benefit). (a) A prepaid expense (asset) is debited and cash is credited when the disbursement is made. (b) In a future period when the expense is recognized, the prepaid expense account is credited and the expense account is debited.

<table>
<thead>
<tr>
<th>CASH</th>
<th>PREPAID EXPENSE</th>
<th>EXPENSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>($300 (a)</td>
<td>(a) $300</td>
<td>$300 (b)</td>
</tr>
<tr>
<td></td>
<td>(b) $300</td>
<td></td>
</tr>
</tbody>
</table>

Deferred income: Recognizes that receipt of cash is for income in a future period. (a) A deferred income account (liability) is credited and cash is debited when cash is received. (b) In a future period when the income is recognized, the deferred income account is debited and the income account is credited.

<table>
<thead>
<tr>
<th>CASH</th>
<th>DEFERRED INCOME</th>
<th>INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) $400</td>
<td>(b) $400</td>
<td>$400 (b)</td>
</tr>
</tbody>
</table>

The key to interpreting a statement based on accrual accounting is to recognize that reported income may not yet be reflected in cash received and reported expense may not yet be reflected in cash expended. Receivables and payables should be examined as well to get a complete picture of the financial health of the affiliate.

The value of accrual accounting is that it gives you a more complete picture of your financial status than does the cash method. Accrual accounting, however, does assume there will be total collection of all receivables, which is seldom true.
VI. Budgeting

The Process

A budget is a written document that expresses the goals and objectives of the affiliate in terms of dollars. It is a method of establishing priorities for the allocation of available resources. It represents the financial plan for the organization. It is a guideline for spending and should not be considered absolute or inflexible. It is based on the best information available at that time. It is a combination of value judgments, choices and compromises. Combined with a financial report, it becomes a valuable program evaluation tool.

A budget should not be considered either a minimum or a maximum spending commitment. It should be based on reasonable, attainable goals. There should be wide participation during its development, especially by those responsible for its implementation. It should be completed before the date it is to become effective.

If the definitions are too vague or the appropriate participation is not included in the development phase, the budget may be ignored. It may become easy to lean on the “flexibility” arguments. If it is a plan, a statement of goals and objectives and an expression of priorities, then it should be followed, unless changed by the appropriate governing body.

Strategic budgeting provides answers to the following questions:

- What do we want to achieve?
- How do we plan to pursue our goals?
- What will it cost?
- What resources are available and when will they be received?
- What did it cost?
- Did we achieve our goals?
- Are we on track? If not:
  - Was the goal unrealistic?
  - Should an alternate plan be adopted?
  - Should we re-evaluate the allocation of our resources?
  - Should we seek additional resources?
  - Was our time and money diverted to other, more critical goals?

The follow-up or evaluation process is one of the most important parts of budgeting. This is achieved through variance analysis which compares the budget to the actual expenses and attempts to identify the reasons for the differences.

Budgeting cannot be effective in a poorly structured organization, or where leadership and members are not communicating effectively. The budget-building process can help strengthen the organization and provide meaningful internal, two-way communication.
**Budget Development**

The steps and organizational setup that follows are suggestions for your consideration. Evaluate them as they relate to your affiliate and the needs of your members.

- Select a budget committee. The committee should include the treasurer, president and one or two at-large members. Keep this committee fairly small, even if your affiliate is large, since later steps in the budget process will involve the rest of your members.

- Establish a timetable for completing the various stages of the development process. Work back from the date the budget must be adopted by your adopting body. The body authorized to adopt the budget should be specified in your affiliate bylaws (total membership representative assembly, governing board, etc.).

The following is a sample calendar:

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 8</td>
<td>Budget committee begins work on a new budget.</td>
</tr>
<tr>
<td>Jan. 29</td>
<td>Membership survey completed by budget committee and prepared for distribution to membership.</td>
</tr>
<tr>
<td>Feb. 4</td>
<td>Surveys sent to membership.</td>
</tr>
<tr>
<td>Feb. 15</td>
<td>Surveys due back from membership.</td>
</tr>
<tr>
<td>Feb. 20</td>
<td>Survey details given to program committees by budget committee.</td>
</tr>
<tr>
<td>Feb. 24</td>
<td>Deadline for program committees to submit budget recommendations to the budget committee.</td>
</tr>
<tr>
<td>March 4</td>
<td>Proposed budget sent to representative council by budget committee.</td>
</tr>
<tr>
<td>April 7</td>
<td>Representative council reviews proposed budget and makes recommendations to membership.</td>
</tr>
<tr>
<td>April 14</td>
<td>Recommended budget distributed and discussed with general membership.</td>
</tr>
<tr>
<td>April 30</td>
<td>Membership meeting to adopt budget and dues.</td>
</tr>
</tbody>
</table>

- Develop a method for identifying members’ requirements and/or requests. This may be accomplished through a general membership meeting, building meeting, a member questionnaire, a small sample questionnaire, informal meetings, etc. See pages 57-59 for a list of questions to ask when building a budget.

- Gather the requests, requirements and surveys if used. Distribute to the appropriate officers and chairpersons of affiliate committees for development of programs that reflect the results. Submit budget requirements to the budget committee within the timetable established.

- Compile the results as submitted by the program committees and categorize under headings as suggested by the Chart of Accounts (e.g. Negotiations — Committee Meeting Expenses). See sample budget worksheets included at the end of this section.

- Submit the compiled results to the officers and governing board for consideration and evaluation. Realistic income
projections must be developed as it determines your affiliate’s ability to finance the proposed program. Since the proposed budget will ultimately be the president-elect’s responsibility to administer, it would be advisable for the president-elect to chair the budget committee and for the governing board to chair the evaluation session.

- Present the proposed budget to the members, advising them of any dues increases if applicable.
- Following approval of the budget, submit it to the treasurer for implementation to ensure the budget format conforms to the affiliate’s bookkeeping system (e.g. new accounts).

**Budget Implementation**

- Begin by including the current, year-to-date income and expenses plus projected income and expenses for the remainder of the fiscal year. This may be used as a basis of comparison and reasonableness.
- The proposed budget will determine how much your affiliate will spend on each program. Estimate the amount your affiliate will spend for individual items within major accounts. Disregard items that do not apply to your affiliate and add items as needed.
- An assigned number can identify the major programs. Coding will make it easier to refer to programs on checks and the affiliate books.

**Variance Analysis**

Variance analysis should accompany the treasurer’s report. The “rules” for this analysis are a) it should only address the line items that are above or below budget by a meaningful amount, b) the reason for the variance and planned corrective actions should be included, and c) the analysis must be presented in a readable form.

If the budget is forecast to be over budget (expenses exceed revenue) for the year, a decision will have to be made as to how to balance the budget. This may include a) reallocating budget dollars among various programs and services; b) raising revenue (i.e. by increasing dues); c) cutting back on certain programs during the current year; or d) continuing scheduled programs for the year and using reserves to fund them.

A popular format for variance analysis is tabular. For example:

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Budget</th>
<th>Actual</th>
<th>Difference</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newsletter Printing</td>
<td>$500</td>
<td>$700</td>
<td>-$200</td>
<td>Needed to publish an extra issue, due to the strike. Will eliminate an issue at the end of the year to compensate.</td>
</tr>
</tbody>
</table>

An alternative is to use a narrative format. If you use this system, we suggest that you devote a separate paragraph to each variance. For example:

“Newsletter Printing was over budget by $200 (40%). We had to publish an extra issue in October due to the strike. At this time, we plan to eliminate the April issue of the newsletter to get the cost back in line with the budget.”

**Cash Reserves - How Much Money Should a Local Have?**

This is a common question. Generally, local leaders ask this because they are afraid of somehow running afoul with the IRS by stockpiling too much money. They sometimes feel that if they carry over “too much” money from year-to-year, they will invite scrutiny of their operations.
Under normal circumstances, the IRS is not going to take an interest in the size of your bank balance. They are more concerned with how you spend your money than how much you accumulate.

It is always prudent to accumulate funds for an unexpected opportunity or emergency. How much you accumulate depends on factors such as the volatility of your membership level, the different types of activities that you engage in, your relationship with your employer, and your members’ acceptance of the need for maintaining “extra” funds. We suggest that you have a plan in terms of accumulating funds. This will make it easier to explain to your members.

Part of the plan could involve brainstorming about a possible “worst case scenario” and estimating how much money it would take to deal with it. Maybe this scenario would involve a sudden drop in membership, coupled with a protracted strike. You also should think about having funds in reserve in case an unexpected opportunity develops. Maybe you find that for $500 you can send some of your leaders to a great educational session that will help them run your local better. If this isn’t in the current year budget, and you have no reserve fund, you might have to pass up this opportunity.

After arriving at a goal for a reserve fund, you should build this into the budget process. It may be that you need to accumulate a significant amount of funds, in which case you might want to raise dues over a period of a few years in order to minimize the “pain” in any one year.

See the following section for suggestions on how to handle your excess funds.

Investments

Another common misconception is that locals or regions should not earn interest on their funds. While this is true of your political action funds, it is not true of your general operating funds. Every dollar that you earn in interest is a dollar that does not need to be collected in dues. In terms of what types of accounts to invest in, we recommend that you stay away from anything outside of federally-insured banks or credit unions, unless you are a very large local and have investment expertise available. Your normal alternatives are checking accounts, savings accounts, money market accounts, and certificates of deposit.

For your extra funds that may be needed at any time, your basic alternatives are savings accounts and money market accounts. In general, savings accounts pay very little interest these days. However, for some locals this is the only available “investment” choice because they don’t have enough funds to open a money market account. If you have enough excess funds to qualify for a money market account, at least once a year, your governing body should designate someone to look around for alternatives. They should look at savings accounts and money market accounts at various institutions to make sure that your excess funds are earning the highest possible rate.

Certificates of deposit allow you to earn a higher rate of interest. The price that you pay is that you must “lock up” your funds for a period of time or incur a significant penalty. Generally, certificates of deposit are appropriate as a means of setting aside funds for a specific event that will take place in the future. For example, if you have set aside money as a strike fund and your contract is up for negotiation in two years, you might purchase an 18-month certificate of deposit in order to maximize your interest during the period.

Some locals may have set aside money as an “endowment fund” for a specific purpose. For example, they might have $5,000 that has been designated as an endowment fund for scholarships. The investment earnings on the $5,000 would be used for scholarships, while the fund itself stays intact. If you are fortunate enough to be in this situation, it might be appropriate to invest the fund in several certificates of deposit with varying maturity dates.
Questions For Locals to Ask When Building a Budget

REVENUE

1. TOTAL Annual Local Dues Collected:
   (Obtain the amount from your local membership chair and/or treasurer.)
   = ____________

2. Revenue from other sources:
   = ____________

TOTAL REVENUE (1 + 2)
   = ____________

EXPENSES

1. What programs do you want to provide?
   a. Negotiations
   b. Member Rights
   c. Education Issues
   d. Government Relations
   e. Member Benefits
   f. New Member Orientation
   g. Local Contract Action Team (LCAT)
   h. TEACH/ER&D
   i. Other: ________________________________
   = ____________

2. What stipends do you want to pay?
   a. President/Release time
   b. Vice President
   c. Treasurer
   d. Secretary
   e. Negotiator(s)
   f. Executive Council
   g. Membership Contact
   h. Education Issues Contact
   i. Member Rights Advocate
   j. Building Reps
   k. Relicensure committee
   l. Local Contract Action Team (LCAT) chair
   m. Webmaster/newsletter editor
   n. Other: ________________________________
   = ____________
3. What conventions will the local attend?
   a. Education Minnesota RC
   b. NEA Rep Convention
   c. AFT Convention
   d. AFL-CIO convention
   e. Other: ____________________________

4. What conferences do you want to send local leaders?
   a. EdMN Collective Bargaining Conference
   b. EdMN Summer Seminar
   c. EdMN Political Conference
   d. Other: ____________________________

5. What other organizations will the local belong to?
   a. Intermediate Organization
   b. Central Labor Council
   c. Area Labor Council
   d. Other: ____________________________

6. What other member activities?
   a. Membership meetings
   b. Scholarships
   c. Membership rallies
   d. Retirement recognition
   e. Sunshine fund
   f. Teacher or ESP of the Year activities
   g. Social functions
   h. Union leave
   i. Organizing activities
   j. Lobbying activities
   k. School Board election activities
   l. Public Relations activities
   m. Member awards
   n. Other: ____________________________
7. What are the other general and administration costs?

a. Office supplies =

b. Rent =

c. Insurance =

d. Computers/software =

e. Printing =

f. Postage =

g. Misc. professional fees (e.g. accountant) =

h. Local election ballots =

i. Board meeting expenses =

j. Other: ________________________________ =

Total Expenses (sum of 1-7) =

Total Revenue – Total Expenses =

(This indicates whether budgeted revenue covers the budgeted expenses for the year.)
### Sample Budget Worksheet A

For Period Beginning __________ and Ending __________

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>Category Name</th>
<th>Description</th>
<th>Budget Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Governance &amp; Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.1 Executive Board</td>
<td>Meetings of Board</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>1.2 Supplies &amp; Mileage</td>
<td>Supplies for activities</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>1.3 Officers</td>
<td>Expenses</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>1.4 Officers’ Stipends</td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>2</td>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.1 Newsletter</td>
<td>Four times per year</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>2.2 Your Community Schools</td>
<td>YCS activities</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>2.3 Committee</td>
<td>Committee meetings</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>2.4 External</td>
<td>Newspaper, radio, etc.</td>
<td>400</td>
</tr>
<tr>
<td>3</td>
<td><strong>Legislative Activity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.1 Legislative Screenings</td>
<td>Legislators</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>3.2 Legislative Meetings</td>
<td>Meetings w/legislators</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>3.3 Committee</td>
<td>Meeting expenses</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td><strong>Professional Development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.1 Member Development</td>
<td>Misc. workshops, etc.</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>4.2 Committee</td>
<td>Committee meetings</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td><strong>Membership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.1 Committee</td>
<td>Committee meetings</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>5.2 New Member</td>
<td>Recruitment</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>5.3 Elections</td>
<td>Cmte. Mtgs./Materials</td>
<td>100</td>
</tr>
<tr>
<td>Budget Category</td>
<td>Category Name</td>
<td>Description</td>
<td>Budget Amount</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------</td>
<td>----------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>6</td>
<td>Member Rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Grievance/Arbitration</td>
<td>$5 per member</td>
<td>850</td>
</tr>
<tr>
<td>6.2</td>
<td>Committee</td>
<td>Committee expenses</td>
<td>350</td>
</tr>
<tr>
<td>7</td>
<td>Negotiations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>Committee</td>
<td>Committee expenses</td>
<td>500</td>
</tr>
<tr>
<td>7.2</td>
<td>Negotiations Stipends</td>
<td></td>
<td>2,500</td>
</tr>
<tr>
<td>7.3</td>
<td>Settlement Committee</td>
<td>Committee meetings</td>
<td>1,000</td>
</tr>
<tr>
<td>7.4</td>
<td>Negotiators Expenses</td>
<td>Expenses of negotiators</td>
<td>400</td>
</tr>
<tr>
<td>8</td>
<td>Conventions/Conferences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Institutes, Leadership, etc.</td>
<td>Teaching, learning, dev.</td>
<td>700</td>
</tr>
<tr>
<td>8.2</td>
<td>Area meetings</td>
<td>Meals, misc.</td>
<td>500</td>
</tr>
<tr>
<td>8.3</td>
<td>EdMN Rep. Convention</td>
<td>Meals, lodging, misc.</td>
<td>500</td>
</tr>
<tr>
<td>8.4</td>
<td>NEA &amp; AFT Conventions</td>
<td>Meals, lodging, misc.</td>
<td>1,000</td>
</tr>
<tr>
<td>9</td>
<td>Contingency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.1</td>
<td>Misc.</td>
<td>For unexpected expense</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>PROJECTED EXPENSE</td>
<td>TOTAL</td>
<td>13,600</td>
</tr>
<tr>
<td></td>
<td>PROJECTED REVENUE</td>
<td>170 Members @ $80</td>
<td>13,600</td>
</tr>
</tbody>
</table>
### Sample Budget Worksheet B

For Period Beginning ____________ and Ending ____________

<table>
<thead>
<tr>
<th>Description</th>
<th>Account #</th>
<th>Prev. Year Actual</th>
<th>Current Year Budget</th>
<th>Current Year Actual</th>
<th>Current Year Projected</th>
<th>Next Year Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Dues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>___ members @ ___</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimb./Grants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest – Checking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest – Savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraisers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent/Mortgage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate Taxes</td>
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<td></td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copy Machine Supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies (Other)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Rental</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Purchase</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Subscriptions - Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Office Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Administration - Stipends &amp; Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Officer Stipends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committee Chair Stipends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Account #</td>
<td>Prev. Year Actual</td>
<td>Current Year Budget</td>
<td>Current Year Actual</td>
<td>Current Year Projected</td>
<td>Next Year Projected</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------</td>
<td>------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Outside Office Support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Release Time</td>
<td></td>
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<td><strong>TOTAL EXPENDITURES</strong></td>
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<td>Excess Revenue Over Expenses</td>
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</table>
Sample Budget Summary  
(for Worksheet B) 
For Period Beginning _________ and Ending _________

**INCOME**

<table>
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<tr>
<th>Code. No</th>
<th>Description</th>
<th>Budgeted</th>
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<td>310</td>
<td>Local Dues: _____ Members @ $ _____</td>
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<tr>
<td>320</td>
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<td><strong>Total Income</strong></td>
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</table>

**EXPENDITURES (By major accounts)**

<table>
<thead>
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<th>Code. No</th>
<th>Description</th>
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</tr>
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<td>Office Maintenance</td>
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<td>420</td>
<td>Administration – Stipends &amp; Expenses</td>
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</tr>
<tr>
<td>430</td>
<td>Governance Meeting Expenses</td>
<td></td>
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<tr>
<td>440</td>
<td>Negotiations</td>
<td></td>
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<tr>
<td>450</td>
<td>Professional Issues</td>
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<tr>
<td>460</td>
<td>Legislative</td>
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<tr>
<td>470</td>
<td>Public Relations</td>
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<tr>
<td>480</td>
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<td>500</td>
<td>Social Activities</td>
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<td>510</td>
<td>Contributions</td>
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<td>520</td>
<td>Scholarships</td>
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<td>520</td>
<td>Contingency Fund</td>
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<td><strong>Total Expenditures</strong></td>
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</tbody>
</table>
VII. Accounting Systems

The accounting function can be described as a system for collecting, classifying, reporting and interpreting financial information that is relevant to the operation of the organization. A major purpose of accounting is to provide information about the operational effectiveness of an organization during a period of time and its financial condition at a particular date. The system itself will depend on many factors including:

- Size of the organization
- Size of the budget
- Number of transactions
- Number and detail of account categories
- Informational needs
- Organizational policy

Accounting systems in use by affiliates range from manual systems, which use a checkbook register and/or special journals to sophisticated computer systems which maintain accounting records in electronic format. The latest version of QuickBooks is recommended for affiliates. In this section, a basic manual accounting system will be discussed with a check register, cash receipts journal and cash disbursements.

Checkbook Register

The simplest form of single-entry bookkeeping is the check register included with a regular checking account. This register is used for recording deposits and checks written. If the number of entries during your reporting period is small (fewer than 10 transactions), then the checkbook may be adequate.

The format available from your particular bank may vary from the following, but should include the following:

<table>
<thead>
<tr>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
<th>(f)</th>
<th>(g)</th>
<th>(h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check #</td>
<td>Check Date</td>
<td>Description of Transaction/Invoice #</td>
<td>Payment/Debit $</td>
<td>Payment/Credit $</td>
<td>Bank Charges $</td>
<td>Balance $</td>
<td></td>
</tr>
</tbody>
</table>

a. Enter the number of the check used.
b. Enter the date the check is written.
c. Write the name of the payee and the purpose or nature of the bill being paid or deposit made. Include invoice number and/or invoice date.
d. Enter the amount of the payment.
e. Enter the amount of the deposit.
f. This column is used to note that a check has been returned or the bank has credited a deposit when the bank account is reconciled. Place a check mark by checks and deposits that have “cleared” the bank.
g. Enter bank service charges and/or credits in this column.
h. Enter the amount of the transaction on the upper line and subtract (if a check or a bank service charge) or add (if a deposit or a bank credit) to the prior balance. Enter the new balance on the lower line.

At the close of the reporting period, the transactions can be listed in a report exactly as they appear in the checkbook record. This system is applicable to affiliates that have a small number of transactions in any given period.

**Expanded Check Register**

This form of bookkeeping can handle a greater volume of transactions than the checkbook register, but presumes a limited number of account categories. It assumes only one asset account, the bank balance. It is based on the most elementary form of double-entry bookkeeping, in that each transaction is entered twice, once showing its impact on the bank account and once distributing it to the proper income or expense category.

The accounting form might be designed as follows:

<table>
<thead>
<tr>
<th>(a)</th>
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<th>(e)</th>
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<th>(g)</th>
<th>(h)</th>
<th>(i)</th>
<th>(j)</th>
<th>(k)</th>
<th>(l)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Check #</td>
<td>Desc.</td>
<td>Check Amount</td>
<td>Deposit Amount</td>
<td>Bank Balance</td>
<td>Dues</td>
<td>Other</td>
<td>Office</td>
<td>Admin</td>
<td>Conf</td>
<td>Other</td>
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<tr>
<td>(m) Total this month</td>
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<td>(n) Total year to date</td>
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</table>

a. Enter the date of the transaction.
b. Enter the check number.
c. Write a brief description of the transaction, including name of the payee and invoice number and/or invoice date for a check or the source of income for a deposit.
d.-f. Enter the full amount of the check in column d, the full deposit in column e and record the new bank balance in column f (previous balance plus deposits, minus checks).
g.-h. For each deposit, enter the amount again in either column g or h depending on the nature of the income.
i.-l. For each check, enter the amount again in one of the columns (i) through (l).
m.-n. Monthly reports can be drawn from the totals shown at the end of the page.

**Cash Receipts Journal**

The Cash Receipts Journal provides the accounting record and distribution of all receipts by the affiliate. A Cash Receipts Journal can be used to record cash receipts from the following sources:

- Dues
- Interest – Savings account
- Donations – Financial assistance
- Income from dinners, etc.
- Grants from Education Minnesota
- Miscellaneous
A Cash Receipts Journal may be set up with separate columns for the various sources as described below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account #/ Description</th>
<th>Total</th>
<th>Dues</th>
<th>Interest</th>
<th>Donations</th>
<th>Income from dinners</th>
<th>Local Time Enhancement Grants</th>
<th>Misc.</th>
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</thead>
<tbody>
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<td>300</td>
<td>310</td>
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<td>330</td>
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</tbody>
</table>

**Column 1: Dues**
Dues received are recorded in this column.

**Column 2: Interest**
Affiliates will frequently deposit “excess” cash (not needed for current obligation) in a savings account. Any interest earned on a savings account is recorded in column 2 and must agree with amounts recorded by the bank in the savings account passbook/statement.

**Column 3: Donations**
Affiliate may receive financial assistance/donations from the state affiliate and/or other organizations to defer unexpected or unusually large obligations involving the legal and professional rights of members. This type of receipt is recorded in column 3. A receipt should be issued to the party making a donation.

**Column 4: Income from social dinners, etc.**
Affiliates may conduct professional activities such as social dinners. Cash/checks received from these activities should be recorded in column 4. It is important that all payments received from a specific activity are deposited intact. No expenses should be paid out of receipts. Expenses should be paid by check upon receipt of approved bills. A receipt should be issued upon receipt of cash. The treasurer should be provided with a breakdown of dinner receipts, etc.

**Column 5: Local Time Enhancement Grants**
Affiliates may receive grants from the state to support additional release time and union leave days for leaders or where time during the day isn’t an option or stipends for members to do union work outside the duty day.

**Column 6: Miscellaneous**
Any miscellaneous sources of cash receipts should be recorded in column 6. The nature of miscellaneous cash receipts is not self-explanatory, therefore, an explanation should be provided.
There may be other sources that will be applicable to your affiliate. This is an example of some of the sources that may be relevant to you.

Normally, the monies received under column 1 and columns 3-6 are deposited in the general purpose checking account. The total deposit must be recorded in the checkbook for the general purpose checking account.

**Cash Disbursement Journal**

The Cash Disbursement Journal gives a treasurer a complete picture of all of the money that has been spent by the affiliate. The Cash Disbursement Journal can facilitate the preparation of financial reports. For instance, if you were preparing a report of bills paid through Dec. 15, you would put a line under all bills paid as of Dec. 15 and total each column. The totals would provide a summary of the bills to date by category and may be used for reporting purposes.

Note: All affiliate journals should be reconciled to the bank statements every month. Banks generally charge service fees. These fees may be identified as “SC” items on your bank statement. A bank service fee should be reconciled in the same manner as other expenditures. A voucher is prepared and recorded in the cash disbursement journal.

**General Purpose Checking Account**

The General Purpose Checking Account is used to pay the bills of an affiliate. This checking account is increased by deposits and interest earned, if applicable, and decreased by checks and bank service charges. Except for petty cash, all bills should be paid by check. The treasurer should remember the following when writing checks:

- Checks should be written only when authorized approvers have approved bills.
- Never sign a blank check (one without the payee and amount filled in).
- Checks should require dual signatures.
- Checks should be pre-numbered. Checks should be used in sequential order. Every check number should be accounted for. Voided checks should be mutilated by writing VOID across the check and filed in order.
- Before writing a check, the check stub should be filled out.
- After writing a check, the bill should be marked paid with the check number, check amount and date of payment attached to the voucher so that it is not erroneously paid a second time. A policy should be established so that payments are made against original invoices only. Paying from a copy or a statement could result in duplicate payment.
- If possible, someone other than the treasurer should reconcile the General Purpose Checking Account to the bank statement on a monthly basis.

When the treasurer receives a bill, an expense voucher should be filled out and attached to the bill. All vouchers should follow this process with the exception of petty cash transactions and bank service charges. An Expense Voucher should include the following:

- Voucher number: Vouchers should be pre-numbered and used in sequential order.
- Check number: The check number used to pay the bill.
- Amount: The amount paid on the bill and the check amount if different (e.g. paying multiple invoices with one check).
• Approved for payment: The appropriate approval level based on authorization levels (ideally the president and treasurer).
• Received by: The person receiving the check should sign for it unless the check is being mailed.
• The bottom half of the voucher references the type of expense.

**Bank Statement Reconciliation**

The treasurer should receive a bank statement every month for each bank account. The balance on the bank statement may not agree with the checkbook balance. The following items usually account for the differences between the bank statement balance and the checkbook balance:

1. Outstanding checks
2. Deposits in transit
3. Bank service charges
4. Interest income/other credits
5. Errors by the bank and/or the treasurer

A bank reconciliation should be prepared monthly to verify that the two independent sets of records (bank statement and checkbook) are in agreement.
### Sample Bank Statement Reconciliation Form

#### Bank Reconciliation

<table>
<thead>
<tr>
<th>Bank Statement Balance</th>
<th>$ 1</th>
<th>Checkbook Balance</th>
<th>$ 2</th>
</tr>
</thead>
</table>

**Plus: Deposits in Transit**

<table>
<thead>
<tr>
<th>$ 3</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
</table>

**Total Deposits in Transit**

<table>
<thead>
<tr>
<th>$</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
</table>

**Subtotal**

<table>
<thead>
<tr>
<th>$</th>
<th>Total Additions</th>
<th>$</th>
</tr>
</thead>
</table>

**Less: Outstanding Checks**

<table>
<thead>
<tr>
<th>Number</th>
<th>Amount</th>
<th>$ 7</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td></td>
<td></td>
<td>$ 6</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td></td>
<td></td>
<td>$ 8</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

**Total Outstanding Checks**

<table>
<thead>
<tr>
<th>$</th>
<th>Total Deductions</th>
<th>$</th>
</tr>
</thead>
</table>

**Adjusted Bank Statement Balance**

<table>
<thead>
<tr>
<th>$ 9</th>
<th>Adjusted Checkbook Balance</th>
<th>$ 9</th>
</tr>
</thead>
</table>

*Adjusted Bank Statement Balance and Adjusted Checkbook Balance Total Amounts Must Agree*
Instructions for the Bank Statement Reconciliation Form

- Complete the heading with the applicable month and year. Enter bank account name if more than one bank account is used.

- Enter the ending bank statement balance at (1) and the ending (month-end) balance of your checkbook at (2).

- Compare the deposits listed on your bank statement with the record of deposits. The record of deposits may be found in the checkbook or the Cash Receipts Journal. Any deposits in the checkbook/Cash Receipt Journal that the bank has not recorded should be listed as a Deposit in Transit (3). Any deposits that may not have been recorded in the checkbook but are included in the bank statement should be listed under “Plus: Correction” (4) with a brief description.

- Compare the amounts of the “Paid or Canceled” checks returned with the bank statement with entries on the bank statement and entries in the checkbook. Any difference(s) must be recorded as a correction (5) and/or (6). This does not include outstanding checks. If the check amount in the checkbook is greater than the check amount in the bank statement, add the difference (5). If the check amount is less than the check amount in the bank statement, the difference should be listed under “Less: Service Charge & Corrections” (6). Include the check number as a description. These differences must be recorded in the checkbook/Cash Disbursement Journal if the checkbook amount is incorrect. If the bank amount is incorrect, note this on the bank reconciliation and notify the bank of the error immediately.

- Checks that have been written but have not yet cleared the bank by the end of the month are called “outstanding checks.” Compare the checkbook/Cash Disbursement Journal listing of checks written with the canceled/cleared checks from the bank. Any checks written which are not returned, are “outstanding” and should be listed under (7) including check amount and check number.

- Identify the amount of service charge included in the bank statement that has not deducted in the checkbook. This should be deducted at (8) with a description. The charge should also be recorded in the checkbook/Cash Disbursement Journal.

- Review the bank statement for additional charges/credits not recorded in the checkbook. List these items at (7). Additional credits should be listed at (5)

- Total the two sides of the bank reconciliation. The adjusted bank balance and the adjusted checkbook balance (9) should agree. The checkbook balance must be corrected to reflect the adjusted balance. Adjustments would include service charges, other bank charges and credits, and errors made in the checkbook. Bank errors should not be included in the checkbook balance.
VIII. Internal Control and Banking Relationship

Basic Controls

Internal control refers to a system of financial checks and balances designed to minimize errors or misappropriation of assets, maximize the detection if it occur and protect the affiliate overall. It is the treasurer’s responsibility to safeguard the assets of the affiliate.

One of the basics of good internal control is that no one person handles all aspects of any financial transaction. This creates the system of “checks and balances.” An example would be the person who approves a bill to be paid should not be the same person who signs the check to pay it. However, it is likely that your affiliate does not have paid staff support, there are only one or two bank accounts (checking and savings) and there is only one person handling everything - the treasurer. It may not be easy or practical to involve several people in all financial transactions and therefore you may assume that your affiliate will have poor internal control. In spite of this situation, there are some possible safeguards to alleviate this potential problem.

Listed below are some basic internal controls applicable to most affiliates:

1. Cash Receipts:
   - Incoming mail should be opened and listed by persons other than those with access to cash receipts journals and accounts receivable records. The purpose of making a list of all checks and cash received is to insure that a record is made of the amount that was received.
   - A person with no access to cash should compare cash receipts records to deposit slips.
   - The person opening the mail should stamp receipts/checks “For Deposit Only.”
   - Pre-numbered receipts should be given for contributions, gifts etc.
   - Persons other than those opening mail and listing receipts should enter cash receipts in the journal daily.
   - The receipts of checks and cash should be deposited intact daily with the date of the deposit indicated on the journal sheet. The bank deposit slip totals should match log sheet totals.
   - Individuals handling cash should be bonded.

2. Cash Disbursements:
   - All disbursements, except petty cash items, should be made by checks. Supporting documents should be attached. This is to ensure that there will be a permanent record of how much and to whom money was paid.
   - Checks should always be payable to a specific person/company including petty cash disbursements. This makes it more difficult to fraudulently disburse funds.
   - Persons other than those approving invoices should prepare checks.
   - Checks should be paid from original vendor invoices. Copies of purchase orders, invoices and receiving reports should be attached when presented for signature.
   - Checks should be entered in the disbursements journal exactly as they have been prepared.
   - Signing of blank checks should never be permitted.
• Annually, the board should authorize bank accounts and signers of checks.

• Two signatures are recommended on all checks. Two-party signatures reduce the possibility of an unauthorized disbursement. The governing board should authorize all check signers.

• Pre-printed check numbers should be used. Checks should be pre-numbered and used in sequence to control the checks used and to identify missing checks.

• If an error is made in writing a check and/or a check is returned due to duplicate payment, write “VOID” across the face of the check and stub to indicate that the check and stub are not to be used.

• Keep supply of checks in a secure place. There should be adequate controls over supplies of blank checks. This control is to ensure that checks are protected against loss by fire or theft.

• A person other than the person preparing the bank reconciliation should receive bank statements directly from the bank. This control prevents one from fraudulently issuing a check for personal use and or covering up this disbursement in the books.

3. Other:

• Monthly bank reconciliations are required. In order to prove the accuracy of both the affiliate records and those of the bank, it is necessary to reconcile and account for any differences between the two balances.

• One of the most effective controls is the use of a Budget Status Report which compares budgeted figures to actual figures on a monthly basis. If unusual or material deviations are identified and researched, the likelihood of large misappropriations not being detected fairly quickly is reduced considerably. This type of analysis can uncover problems on a timely basis.

• All vendor’s invoices and expense vouchers should be checked for quantities received, services performed, prices charged and clerical accuracy. Without a review of invoices, errors may be overlooked and payments could be paid in the wrong amount. Payments should be paid from original invoices only.

• All banks or other institutions where funds are deposited should be instructed not to accept withdrawals payable to cash. Any electronic fund transfer or automatic debit account arrangements should be established with the authority of at least two officers of the affiliate.

• By providing monthly reports, the detection of errors or misappropriation is more likely. A list of deposits and withdrawals should be made available for review at every regularly scheduled business meeting. This may be as simple as photocopying the affiliate’s check register with notes.

• The budget and the governing board’s minutes are an excellent source of verification of financial activities in a broad sense. Additionally, the charter and bylaws should be reviewed to determine that all activities comply and that the designated individuals are performing their proper functions.

• Determine the physical existence of assets by verifying bank balances, counting securities owned and reviewing equipment. An examination of deeds and tax assessments is another procedure for verifying the existence of real property owned.

• File all tax reports on time. Failure to comply with these requirements will expose the affiliate to possible fines or penalties.
4. Technology:

As affiliates become more technologically driven and the speed of information delivery becomes paramount, both general computer and financial controls are critical to ensure information is processed correctly. These controls are needed to ensure the accuracy and completeness of your financial information, reduce the risk of unplanned business interruptions, ensure your information is secure from outside intruders and catch invalid information at the source. Consider the following questions. Do you have:

- Virus protection software to prevent destruction of programs and data?
- A disaster recovery plan?
- Proper backup and data storage procedures?
IX. Record Retention Guidelines

U. S. Government Retention Requirements

The following retention requirements refer to those issued under the Internal Revenue Code of 1954 and the United States Code of Federal Regulation.

1. Income Tax – General

Any person or entity subject to, or required to file a return of information with respect to income shall keep such permanent books of account of records, including inventories, as are sufficient to establish the amount of gross income deductions, credits, or other matters required to be shown by such person in any return of such tax or information.

2. Income Tax – Exempt Organizations

In addition to the books and records required by the “Income Tax – General” paragraph with respect to the tax imposed on unrelated business income, every organization exempt from tax under section 501(c) of the code, which includes sections 501(c) 5) and 501(c)(6), shall keep such permanent books of account or records as are sufficient to show specifically the items of gross income, receipts, and disbursement, and other required information.

3. Tax – Exempt Organizations – General

The general “materiality” rule applies to keeping records and books of account pertaining to information including items of gross income, receipt, disbursements, and contributions and gifts received, and to keeping other pertinent information which will enable the district director to inquire into the organization’s exempt status. An organization claiming an exemption from the filing of an information return must maintain adequate records to substantiate such claim.

The Internal Revenue, in fear that they might forget something, has imposed a general requirement that has become known as the “Materiality Rule” to cover everything that is not assigned a specific retention period. The general requirement is that records must be kept “so long as the contents thereof may become material in the administration of an internal revenue law.”

Some books and records of business may be “material” for tax purposes so long as the business remains in existence, and there may be reasons other than the federal tax consequences to the individual taxpayer for retaining certain records for an indefinite period.

To be more precise, we can separate records into two categories as follows:

i. Records of property from which a basis must be determined to compute gain or loss upon disposition (and depreciation, amortization or depletion is made). Thus, if property is given a substitute basis, i.e., the basis it had in the hands of the prior owner adjusted as required by the code or regulations, all records pertaining to that property must be retained. After a taxable disposition, the specific and/or general record retention rules as listed elsewhere will apply.

ii. Records of income, deductions and credits (including gains and losses) appearing on a return should be kept, at a minimum, until the statute of limitations for the return expires (three years after return was filed for IRS assessment).
There is a six year period of limitations for assessment if there has been a substantial omission of income. The period of limitations may be extended by mutual agreement for any length of time, and no statutory period applies if fraud is established or if no return was filed.

It should be pointed out the failure to retain records for a sufficient length of time could result in the assessment of additional tax because of determining gain or loss on the disposition of property. Common sense and realism should prevail when defining the retention periods.

**Document Retention Policy**

The policy sets forth the rules that are to be followed by officers, employees and other representatives of the affiliate with regard to the retention and disposal of documents that are produced or received by the affiliate in the course of its operations.

The existence of the policy serves important purposes:

1. It ensures that records are kept long enough to satisfy statutory requirements, thereby eliminating the premature or random destruction of certain documents.

2. It also ensures that out-of-date records are destroyed when no longer needed, thereby saving storage space.

We recommend that your affiliate formally adopt a document retention policy. Refer to the sample document retention schedule listing retention periods for records applicable to your affiliate.
## Sample Document Retention Schedule

<table>
<thead>
<tr>
<th>File Category</th>
<th>Record</th>
<th>Recommended Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Union Records</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constitution and Bylaws (including all amendments)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Conflict-of-interest disclosure forms</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Correspondence (legal and important matters)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Meeting minutes (board and committee meetings)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td><strong>Tax Records</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax-exemption documents and related correspondence</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Tax returns and worksheets, revenue agents’ reports and other documents relating to determination of income tax liability</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td><strong>Finance and Administration Records</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable ledgers and schedules</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Accounts receivable ledgers and schedules</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Approved budget</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Audit reports (internal)</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Audit reports (external) including work papers and other documents that relate to the audit</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Bank statements and reconciliations</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Chart of accounts</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Canceled checks (except as noted below)</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Canceled checks (for important payments, such as taxes, purchase, property, special contracts, etc.). Checks should be filed with the papers pertaining to the underlying transaction.</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Check registers and books</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Contracts and leases (expired)</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Contracts and leases (still in effect)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Depreciation schedules</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Financial statements (end of year)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Financial operating policies</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>General ledgers and end of year trial balance</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Invoices to customers</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>File Category</td>
<td>Record</td>
<td>Recommended Retention Period</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------------------------------------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td></td>
<td>Invoices from vendors</td>
<td>7 years</td>
</tr>
<tr>
<td></td>
<td>Membership rosters</td>
<td>7 years</td>
</tr>
<tr>
<td></td>
<td>Membership applications and renewal forms (prior to 2017-18)</td>
<td>7 years</td>
</tr>
<tr>
<td></td>
<td>Membership applications and renewal forms (beginning 2017-18 and going forward)</td>
<td>Permanently</td>
</tr>
<tr>
<td></td>
<td>Payroll records and summaries</td>
<td>7 years</td>
</tr>
<tr>
<td></td>
<td>Vouchers for payments to vendors, employees, etc. (includes reimbursement of employees, officers, etc. for meals, travel expenses)</td>
<td>7 years</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Employee personnel records (after termination)</td>
<td>Permanently</td>
</tr>
<tr>
<td></td>
<td>Employment applications (if not hired)</td>
<td>3 years</td>
</tr>
<tr>
<td></td>
<td>Employment tax records (withheld income taxes, FICA, unemployment, etc.)</td>
<td>7 years</td>
</tr>
<tr>
<td></td>
<td>Time sheets and activity reports</td>
<td>7 years</td>
</tr>
<tr>
<td>Insurance Records</td>
<td>Accident reports and claims</td>
<td>7 years</td>
</tr>
<tr>
<td></td>
<td>Current accident reports, claims, policies etc.</td>
<td>Permanently</td>
</tr>
<tr>
<td></td>
<td>Insurance records</td>
<td>7 years</td>
</tr>
<tr>
<td></td>
<td>Insurance policies (expired)</td>
<td>3 years</td>
</tr>
<tr>
<td>Property/Real Estate</td>
<td>Deeds, mortgages and bills of sale</td>
<td>Permanently</td>
</tr>
<tr>
<td></td>
<td>Property records – including costs, depreciation reserves, end of year trial balances, depreciation schedules, blueprints, and plans</td>
<td>Permanently</td>
</tr>
<tr>
<td></td>
<td>Property appraisals by outside appraisers</td>
<td>Permanently</td>
</tr>
</tbody>
</table>

Please contact us if you have a question regarding a document not listed on the above table.
### Sample Document Retention Schedule for a Small Local

<table>
<thead>
<tr>
<th>File Category</th>
<th>Record</th>
<th>Recommended Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Union Records</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constitution and Bylaws (including all amendments)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Conflict-of-interest disclosure forms</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Meeting minutes (board and committee meetings)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td><strong>Tax Records</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax-exemption documents and related correspondence (Determination letter, letter assigning Employer Identification Number)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>IRS Form 990-N (e-Postcard) filing confirmation</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>IRS Form 1099-MISC and Form 1096</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Correspondence with the IRS</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td><strong>Finance and Administration Records</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approved budget</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Audit reports (internal)</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Bank statements and reconciliations</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Contracts and leases (still in effect)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Canceled checks (except as noted below)</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Canceled checks (for important payments, such as taxes, purchase, property, special contracts, etc). Checks should be filed with the papers pertaining to the underlying transaction.</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Check registers and books</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Deposit records</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Disbursement records, including check request forms with invoices, receipts, etc.</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Financial operating policies</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Financial statements (end of year)</td>
<td></td>
<td>Permanently</td>
</tr>
<tr>
<td>Membership rosters</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Membership applications and renewal forms (prior to 2017-18)</td>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Membership applications and renewal forms (beginning 2017-18 and going forward)</td>
<td></td>
<td>Permanently</td>
</tr>
</tbody>
</table>

Refer to the detailed sample document retention schedule on pages 79-80 for records not listed above.
**X. Dues Transmittal**

**Dues Billing Statement – “e-Billing”**

The membership year for Education Minnesota is from Sept. 1 through Aug. 31. Membership dues are for this 12-month period. The yearly total obligation billed to a local is determined by adding the total national and state dues fees for each individual. To ensure accuracy of the billing the local membership contact and treasurer must work closely to ensure the membership roster accurately reflects each individual’s obligation.

The local treasurer, membership contact and president will receive a monthly email notification to let you know that the next billing statement is available to download.

The billing statement is an account summary of obligation and payments processed to date with a current amount due based on the transmittal schedule. The transmittal schedule is based on a 10-month payment schedule with 10% of the Total Net Obligation due by the 25th of the corresponding month. The first statement as of September with payment due by Oct. 25.

**First-Time Access**

- Type this in your browser: [https://ims.nea.org/ebilling](https://ims.nea.org/ebilling)
- Enter your user name. Enter your email address.
- Don’t enter anything in the password field.
- Select “forgot password.”
- Enter your email address. Locate your temporary password in this email account.
- If the temporary password email is not in your mail box, check your junk/spam folder.
- Go to the log in site.
- Enter your user name. Enter your email address.
- Enter the temporary password in the password field.
- You will be asked to create a new password.

If you receive an error message, check the following:

- Extra spaces at the beginning or end of email or password.
- Entering the email in the user ID field and password field and then selecting “forgot password.”
- Not checking the junk or spam folder for temporary password.

In addition to the billing statement, the new system contains several reports and prior year billing statements. The new system gives locals a one-stop shop for membership dues oversight.

The membership/dues reports are:

- Membership dues roster – PDF or Excel option.
- Membership dues change roster – a detailed list of membership changes processed during the selected statement period.
• YTD obligation summary — a breakdown of the national and state membership level counts and their corresponding obligation.
• YTD payment transactions — the YTD payments processed through the end of the selected statement period.

**Due Per Transmittal Schedule**
Transmittal schedule is based on a ten month payment schedule with 10% of the Total Net Obligation due by the 25th of the corresponding month. The first statement is as of Sept. 30 with payment due by Oct. 25.

**Transmittal Schedule:**
• 10% of net obligation due Oct. 25
• 20% of net obligation less payments processed to date = minimum amount due Nov. 25
• 30% of net obligation less payments processed to date = minimum amount due Dec. 25
• 40% of net obligation less payments processed to date = minimum amount due Jan. 25
• 50% of net obligation less payments processed to date = minimum amount due Feb. 25*

*Locals must have remitted a minimum of 50% of the state and national dues obligation by Feb. 25 in order for local delegates to be seated at the Annual Representative Convention (Education Minnesota Financial Policies for Governance and Members, amended 8/7/19)
• 60% of net obligation less payments processed to date = minimum amount due March 25
• 70% of net obligation less payments processed to date = minimum amount due April 25
• 80% of net obligation less payments processed to date = minimum amount due May 25
• 90% of net obligation less payments processed to date = minimum amount due June 25
• 100% of net obligation less payments processed to date = minimum amount due July 25
Example of the Billing Statement

Local e-billing statement details

1. Remittance coupon: Cut on dotted line and include the remittance coupon with the payment.
2. Statement Period: The beginning and end date for the billing period.
3. Dues Obligation section: Displays the total dues obligation as of the statement period beginning and end dates separately.
   “Current period net change” is the obligation change from the previous invoice to the current invoice. If the net change is zero, there were no membership changes processed during this statement period. If the net change is not zero, membership changes were processed during this statement period. For a detailed list of the changes, download the “Membership Dues Change Roster” report.
4. Aged Dues Balance – Past Due Amount section: Shows the amount and length of time the account is past due.
5. Payment Received section: Displays the total payments processed through the statement period end date.
   For a list of individual payments processed through the current statement period end date, download the “YTD Payment Transaction” report.
6. Summary section: Shows the statement transmittal percentage and how the current amount due has been calculated.

YTD dues billed

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues obligation as of 5/31/2019</td>
<td>$ 26,199.75</td>
</tr>
<tr>
<td>Transmittal schedule percentage</td>
<td>90.0%</td>
</tr>
<tr>
<td>Obligation x percentage</td>
<td>$ 23,579.78</td>
</tr>
<tr>
<td>YTD payments received</td>
<td>($15,705.39)</td>
</tr>
<tr>
<td>Amount due</td>
<td>$ 7,874.39</td>
</tr>
</tbody>
</table>
**Dues Obligation**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues Obligation as of 05/01/2019</td>
<td>$26,175.65</td>
</tr>
<tr>
<td>Dues Obligation as of 05/31/2019</td>
<td>$26,199.75</td>
</tr>
<tr>
<td>Current Period Net Change</td>
<td>$24.10</td>
</tr>
</tbody>
</table>

**Payment Received**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments Received as of 05/01/2019</td>
<td>$13,087.83</td>
</tr>
<tr>
<td>Current Month Payments</td>
<td>$2,617.56</td>
</tr>
<tr>
<td>YTD Adjustments (Credits Applied)</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**Total Payments**

$15,705.39

**Summary**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>*YTD Dues Billed</td>
<td>$23,579.77</td>
</tr>
<tr>
<td>Other (90.0%)</td>
<td>$23,579.77</td>
</tr>
<tr>
<td>YTD Payments Received</td>
<td>($15,705.39)</td>
</tr>
<tr>
<td>YTD Adjustments (Credits)</td>
<td>($0.00)</td>
</tr>
<tr>
<td>Penalty Balance</td>
<td>$0.00</td>
</tr>
<tr>
<td>Amount Due</td>
<td>$7,874.38</td>
</tr>
</tbody>
</table>

*YTD dues billed is calculated based on YTD obligation as of 05/31/2019*
Statement second page

7. Account Summary: Displays the year-to-date summaries for each fund. Funds include dues and assessments.
   a. The obligation as of the statement period beginning date.
   b. The year-to-date obligation as of the end of the statement period.
   c. The current period changes in obligation.
   d. The year-to-date adjustments as of the end of the statement period.
   e. The year-to-date payments as of the end of the statement period.
   f. The year-to-date balance as of the end of the statement period. This is the pay-off amount.

8. Amount Due This Period section: Displays the amounts just for this statement period for each fund.
   a. The obligation as of the statement period beginning date.
   b. The year-to-date obligation as of the end of the statement period.
   c. The current period changes in obligation.
   d. The year-to-date adjustments as of the end of the statement period.
   e. The year-to-date payments as of the end of the statement period.
   f. The year-to-date balance as of the end of the statement period.
   g. The current due is determined by the dues obligation as of the statement period end date amount, multiplied by the transmittal percentage, minus year-to-date payments received. Refer to number 6 on page 85.
XI. Accounting for Political Contributions

Federal Political Action Committee Fundraising

Part I

The Budget Reconciliation Act of 1987 requires that tax-exempt organizations must provide standard disclosure language on all written communications that solicit funds. This language is required because any contributions made to a tax-exempt organization are not deductible for income tax purposes as charitable contributions.

The required language reads:

“Dues payments and contributions to Federal PAC, State PAC, and Local PAC, if applicable, are not deductible as charitable contributions for federal income tax purposes. Dues payments may be deductible as a miscellaneous, itemized deduction.”

In addition, IRS Notice 88-120 provides detailed guidelines on the format of the disclosure language. The format requirements are:

1. The required language must be in at least the same size type as the primary message of the printed material.
2. The required language must be included on the message side of the printed material or on the portion of the material that is returned with a contribution.
3. The required language must either be a paragraph itself or be the first sentence of a paragraph.

Failure to disclose this language in a proper format could result in significant fines being levied on your local.

Part II

The Federal Election Commission (FEC) also requires additional disclosure on solicitation for PAC contributions.

The required language reads:

“The National Education Association Fund for Children and Public Education (NEA Fund) and American Federation of Teacher Committee on Political Education (AFT-COPE) collect voluntary contributions from Association members and uses those contributions for political purposes, including, but not limited to, making contributions to and expenditures on behalf of friends of public education who are candidates for federal office. Only U.S. citizens or lawful permanent residents may contribute to the NEA Fund or AFT-COPE. Contributions to either the NEA Fund or AFT-COPE are voluntary; making a contribution is neither a condition of employment nor membership in the Association, and members have the right to refuse to contribute without suffering reprisal. Any member may contribute more or less than the suggested amount, or may contribute nothing at all, without affecting his or her membership status, rights, or benefits in the AFT, NEA or any of its Affiliates.

Contributions or gifts to the NEA Fund or AFT-COPE are not deductible for federal income tax purposes. Federal law requires us to use our best efforts to collect the name, mailing address, occupation, and the name of the employer for each individual who contributions aggregate in excess of $200 in a calendar year. Federal law prohibits the NEA Fund or AFT-COPE from receiving donations from persons other than members of NEA and its affiliates, AFT and its affiliates, and their immediate families. All donations from persons other than members of NEA and its affiliates, AFT and its affiliates, and their immediate families will be returned forthwith.”
*Reminder! Federal PAC contributions must be kept in a separate non-interest bearing account and must be transferred to the appropriate federal PAC account within 30 days.

Note: Education Minnesota has the necessary language developed to help you establish payroll deduction for PAC.

**Local School District Elections**

While it is important for locals to get involved in local school district elections, it is critical that they follow the state campaign finance laws. Below is an outline of some of the most important provisions in law including filing reports, contributions and disclaimers that a local must pay attention to when campaigning on a local district issue.

A local may use its dues dollars for school election activities; however a motion should be passed, according to your constitution, which permits the local to spend money for this political activity. Please contact the Education Minnesota public affairs department or your field staff if you will be politically active in a local school district.

**Campaign Finance Reports**

Locals involved in local school district elections, bond, levy or school board, **must** file a report with the clerk of the school board if the local has collected or spent (in-kind or actual) $750 or more in a calendar year. You may obtain the form from the Education Minnesota public affairs department. The reports must be filed according to state law as listed below.

- The initial report must be filed within 14 days of receiving or spending (in-kind or actual) more than $750.
- Additional reports must be filed:
  - 10 days before the primary, general and/or special election
  - 30 days after a general or special election
  - Every Jan. 31 after the initial report is filed
- A final report may be filed once all debts are paid and all assets in excess of $100 in aggregate are disposed of.

**It is important to check whether any local ordinances apply to local elections.**

If a local spends or collects $750 or less, there is no requirement to file a campaign finance report with the local school board clerk. However, the local must keep a record of all expenditures and contributions received so that in the event there is a challenge to the local’s political financial activity, the activity can be verified.

**Contributions to local school district campaign activities**

1. **School board candidates:** A local may contribute $600 per candidate in an election year; $250 in a non-election year. Local dues may be used for these contributions. If your district’s population is over 100,000, the figures are: $1,000 in an election year, $250 in a non-election year.

2. **Levy/bond referendum:** There is no limit to the amount a local can contribute, however the local is subject to filing a report with the school board clerk if they spend or receive (in-kind or actual) more than $750.

**Disclaimers**

Disclaimers are required on all campaign material and will vary according to the type of election. Please contact the Education Minnesota public affairs department for the correct use of disclaimers on any type of political material.
XII. Sample Policies and Forms

- Sample financial operating policies
- Sample conflict of interest policy
- Credit card policy guidelines
- Sample expense reimbursement form #1
- Sample expense reimbursement form #2
- Sample financial statement
Sample Financial Operating Policies

The following are suggested sample financial operating policies every local should have in place. These samples/suggestions can be used as a guideline in developing your local’s financial policies. Contact Education Minnesota Secretary-Treasurer Rodney Rowe for clarification or with further questions on establishing these policies at the local level.

Expense Reimbursements and Payment of Bills

It shall be the policy of the (name) local that the treasurer be authorized to pay all bills upon receipt of an expense reimbursement form (with all receipts attached) that is properly completed and signed by the member. The local will not advance member’s money. All original receipts (i.e. airfare, parking, food, hotel, taxi) where reasonably possible, shall be attached to the expense reimbursement form when a member is requesting reimbursement of expenses. Our guideline is: “No Receipt - No Money!” If a receipt is lost, an explanation must be provided on the expense reimbursement form. Expense reimbursement beyond or not delineated in these policies must have prior approval from the local.

Signatures on Checks/Expense Reimbursement Forms

It shall be the policy of the (name) local that both the treasurer and president shall sign expense reimbursement forms and that the local shall further require two signatures on all checks. The two signatures shall be the treasurer and president or their designee. Both signers shall sign the check at the same time.

Payment of Stipends

It shall be the policy of (name) local to pay stipends annually on June 30. Upon written request to the treasurer, received no later than Dec. 20, one-half may be paid by Jan. 20. If there is a resignation in a position for which a stipend is paid, the fee will be prorated for the time served.

(Note: If a local pays all or a portion of the dues for a member and pays a stipend, and the total amount of the two exceeds $599, it will require the local to file Form 1099-MISC with the IRS for that money)

Payment of Dues

It shall be the policy of the (name) local that to maintain membership in good standing, the following payment of dues shall be in effect:

Option I: Payment of dues through payroll deduction.
Option II: Payment of dues in cash in full prior to Nov. 1 of the fiscal year.

Meal Allowance

It shall be the policy of the (name) local to reimburse meal expenses up to the following maximum rates:

Breakfast: $_______  Lunch: $_______  Dinner: $_______  Special Events: $_______
(or approve a maximum daily allowance)
Donations and Charitable Contributions
It shall be the policy of the (name) local to hold membership in and/or contribute to charities and organizations, which advance the cause of public education, children and members. The (name) local budget and finance committee shall review and make recommendations for donations/contributions to the full Board for approval. An annual report of money spent on donations and membership shall be provided to the full membership.

Attendance at Conventions, Conferences and Workshops
It shall be the policy of the (name) local that members must submit a completed reimbursement expense form, accompanied by original receipts. Individuals will only be reimbursed for actual expenses incurred. No reimbursements will be made without the actual receipts. When possible, the treasurer will pay in advance the member’s registration fees, airline tickets and hotel deposits directly to the agencies involved. The (name) local will pay for one-half of the room rate and all meals except those paid for by the sponsoring organization. Itemized miscellaneous and extraordinary expenses will also be reimbursed. The (name) local encourages participants to attend all business sessions and to provide an oral or written report to the local.

Mileage Rate
It shall be the policy of the (name) local to set the mileage rate at the current IRS rate on Sept. 1. Once established, the reimbursement rate will remain in effect until the following Aug. 31. The reimbursable rate will not be higher than the IRS rate.

or

It shall be the policy of the (name) local to set the mileage rate at the current IRS rate (or school district rate or whatever rate the local chooses).

Investments
It shall be the policy of the (name) local that the treasurer and president be authorized to invest monies whenever it seems reasonable to do so and to report this to the membership.

Conflict of Interest
It shall be the policy of the (name) local’s officers and executive board to act in the best interest of the local. Any conflict of interest shall be disclosed. The policy shall be reviewed annually.

Annual Local Audit
It shall be the policy of the (name) local to annually appoint an internal audit committee (or auditor) to conduct the annual audit. The audit will be presented to the executive board (or local governing body). The report will be published and made available to membership. A copy of the audit report will be submitted to Education Minnesota by the sixth month after the end of the fiscal year.

IRS Form 990
The local is required to file IRS Form ________ (insert 990-N, 990-EZ or 990 depending on the local’s gross receipts) by the 15th day of the fifth month after the close of the fiscal year.

Budget
A local budget shall be adopted annually.
Sample Conflict of Interest Policy

As an officer or governing member of the ________________ (local name), I will perform my duties with honesty and integrity, and act in the best interest of the local. I will not participate in:

1. Any action or transaction which is in conflict or gives the appearance of conflict with the best interests of the local.
2. Any action or transaction for the gain of personal interest.
3. The acceptance of third party gifts, compensation or loans.
4. The disclosure of confidential information pertaining to the members of the ________________ (local name).

Print Name: ______________________
Signature: ______________________
Date: ______________________
Credit Card Policy Guidelines

Union credit cards offer convenience to those officials who are issued one. However, unless properly managed with clearly written policies and procedures for the credit card use and payment, union credit cards may pose threat for abuse.

The following are the details/issues that will need to be addressed:

**Authorized users: Who is authorized to have and use the credit card?**
- Will the card have multiple users?
- How will the credit card be safeguarded and who will have access to it?
- How will the PIN associated with the credit card be safeguarded and who will have access to it?

**Authorized uses: What type of expenses may be charged to the union credit card and under what circumstances?**
- Is the credit card use limited to meals at meetings or lodging and transportation when traveling on union business?
- Can the credit card be used to purchase office equipment and, if so, is pre-authorization of each purchase required?
- Who must pre-authorize use of the credit card to purchase the equipment and how?

**Prohibited uses: What types of expenses are prohibited?**
- Are there clear restrictions written into the policy?
- Does the policy prohibit the use of union credit cards for ATM cash withdrawals, cash back at point of purchase, cash access checks or other cash withdrawals?
- Does the policy prohibit use of union credit cards for personal expenses?
- Is there an established policy for addressing the consequences of prohibited card use?

**Expenditure amount limits**
- Does the policy establish dollar limits for types of expenses?
- What is the limit on the card?

**Documentation requirements**
- Does the policy specify exactly what documentation the credit card user is required to submit to support all charges?
- Does the policy specify that the union will not reimburse credit charges unless adequate documentation is provided by the card holder?
Monitoring compliance with the established credit card policies and procedures

- The established credit card policies and procedures will need to be regularly monitored to ensure that it is consistently followed. Who will monitor?
- The credit card statement should be thoroughly reviewed regularly by someone independent of those who have the card(s). Who will it be?
- Detailed receipts must be retained and attached to the credit card statements. These should be submitted on a timely (monthly) basis.
- For example, in the case of meals, each receipt must include the names of all persons involved in the purchase and a brief description of the business purpose of the expense.

Click on https://www.dol.gov/olms/regs/compliance/CompTipCreditCard.htm for additional information.
Sample Expense Reimbursement Form #1

Date Submitted: ____________________

Name: ____________________________________________________________

Address: __________________________________________________________

City/state/ZIP: ________________________________________________________

INCOMPLETE OR INACCURATE INFORMATION VOIDS PAYMENT

<table>
<thead>
<tr>
<th>Date of Meeting</th>
<th>Place</th>
<th>Purpose/Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>________________</td>
<td>____________</td>
<td>________________</td>
<td>______</td>
</tr>
<tr>
<td>________________</td>
<td>____________</td>
<td>________________</td>
<td>______</td>
</tr>
<tr>
<td>________________</td>
<td>____________</td>
<td>________________</td>
<td>______</td>
</tr>
<tr>
<td>________________</td>
<td>____________</td>
<td>________________</td>
<td>______</td>
</tr>
</tbody>
</table>

Total to be paid: $ ____________

All receipts must be attached.

“I hereby certify that this is a true and correct statement of the expenses I am claiming.”

Signature of Person Requesting Reimbursement: ________________________________

DO NOT WRITE IN THIS SECTION

Date paid: ________________________________

Check #: ________________________________

Amount: ________________________________

Signature/Authorization of president: ________________________________

Signature/Authorization of treasurer: ________________________________
Sample Expense Reimbursement Form #2

Remit to:
Name: 
Address: 
City/state/ZIP: 
Date of meeting: 
Purpose of meeting: 
Place of meeting: 

<table>
<thead>
<tr>
<th>Amount</th>
<th>Budget Code</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mileage</strong></td>
<td>$ __________________</td>
</tr>
<tr>
<td>_____ x _____ /mile</td>
<td></td>
</tr>
<tr>
<td><strong>Other transportation (attach receipts)</strong></td>
<td>$ __________________</td>
</tr>
<tr>
<td><strong>Taxi or Parking</strong></td>
<td>$ __________________</td>
</tr>
<tr>
<td><strong>Hotel (attach receipt)</strong></td>
<td>$ __________________</td>
</tr>
<tr>
<td><strong>Meals (attach itemized receipts)</strong></td>
<td>$ __________________</td>
</tr>
<tr>
<td><strong>Postage &amp; Telephone</strong></td>
<td>$ __________________</td>
</tr>
<tr>
<td><strong>Other (include description &amp; attach receipts)</strong></td>
<td>$ __________________</td>
</tr>
<tr>
<td><strong>Total charges:</strong></td>
<td>$ __________________</td>
</tr>
</tbody>
</table>

I hereby certify that this is a true and correct statement of the expenses I am claiming.

Signature of person requesting reimbursement: ________________________________

DO NOT WRITE IN THIS SECTION

Check #: ________________________________
Date paid: ________________________________
Amount paid: ________________________________
Authorized by (president): ________________________________
Authorized by (treasurer): ________________________________

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## Sample Financial Statement

This sample is provided as a form to use when reporting affiliate finances to the membership.

Date submitted: __________________

### Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual Budget</th>
<th>Amount Earned YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues from Members – excluding State &amp; National</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Income</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual Budget</th>
<th>Amount Earned YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stipends: President</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Stipends: Vice President</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Stipends: Secretary</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Stipends: Treasurer</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Stipends: Negotiators</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Committees (list below):</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Mileage Reimbursement</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other Travel Reimbursement – conferences, conventions, etc.</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Executive Board/Meetings</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Negotiations</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Postage &amp; Supplies</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Memorials &amp; Donations</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

List checks written this period.

<table>
<thead>
<tr>
<th>Check #</th>
<th>Date</th>
<th>To whom</th>
<th>For</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

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