



**League of Women Voters of California**

**How To...**

**Manage the Money**

**in the**

**Twenty-first Century**



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## LOCAL LEAGUE CALENDAR

### TREASURER'S JOB AT A GLANCE

Date	Tasks
Monthly	<ul style="list-style-type: none"> <li>• Deposit checks and cash promptly</li> <li>• Pay bills promptly</li> <li>• Reconcile the bank statement when available</li> <li>• Prepare financial report for the Board of Directors</li> <li>• If using an anniversary system for dues renewal, notify members at least a month prior to their renewal date and send follow-up notices per local League policy</li> <li>• <b>Be sure necessary changes are made by your League to the LWVUS membership roster</b></li> </ul>
July	<ul style="list-style-type: none"> <li>• Close the previous fiscal year accounting records and prepare a final annual financial statement for review with the Board of Directors</li> <li>• Begin a new fiscal year in the accounting system</li> <li>• <b>Pay first quarter Per Member Payments (“PMP”) to the LWVC and the LWVUS.</b></li> </ul>
September	<ul style="list-style-type: none"> <li>• Publish the previous fiscal year financial statements for the League members, preferably in the League’s Voter, but consider presentation so that sensitive information is not disclosed</li> </ul>
October	<ul style="list-style-type: none"> <li>• <b>Pay second quarter PMP to the LWVC and the LWVUS</b></li> </ul>
November	<ul style="list-style-type: none"> <li>• <b>File IRS Form 990-N or 990-EZ; FTB Form 199-N or 199; and Registry of Charitable Trusts Form RRF-1 by the 15<sup>th</sup> (see Page 11)</b></li> </ul>
January	<ul style="list-style-type: none"> <li>• <b>Pay third quarter PMP to the LWVC and the LWVUS</b></li> </ul>
February/ March	<ul style="list-style-type: none"> <li>• Begin preparation for the next fiscal year's budget with the League’s Budget Committee</li> </ul>
April/May	<ul style="list-style-type: none"> <li>• Board reviews/adopts proposed budget for next fiscal year for presentation at League's Annual Meeting</li> <li>• <b>Pay fourth quarter PMP to the LWVC and the LWVUS</b></li> </ul>
May/June	<ul style="list-style-type: none"> <li>• If the fiscal system of dues renewal is used, send dues notices to all members</li> <li>• Prepare to close books and arrange for review</li> <li>• Prepare the most current financial statement for presentation at the Annual Meeting</li> </ul>

There are tasks which are dependent on each local League’s year-end or date of formation. These include the filing of IRS Form 990-N or 990-EZ; FTB Form 199-N or 199; Registry of Charitable Trusts Form RRF-1; and **Form SI-100, Statement of Information, with the California Secretary of State (see Page 11)**; the filing of sales and use tax reports and related deposits; and the filing of payroll reports and related deposits of taxes and withholdings.

## **ROLE OF THE BOARD OF DIRECTORS**

Financial accountability is the responsibility of the entire board of directors. Trust but verify. Ideally an organization should have more than one person involved in depositing funds, paying bills and reconciling the bank account. But this separation of duties is difficult to achieve in a small local league. Therefore, it is important that the board carefully review the treasurer's financial statements before acceptance. Don't be afraid to ask questions about the financial statements. Do you understand variances from the budget? Is there adequate cash on hand to pay current bills and to meet long-term obligations? Are excess funds earning interest in some type of savings account?

On an annual basis, an internal review should be done by one or more board and/or off-board League members. This is further discussed on page 7.

In addition, each year the board will be presented with the budget for the next year by the budget committee. By recommending the budget for adoption by the membership at the annual meeting, board members are using the knowledge gained throughout their year of service to attest that the assumptions for income and expense categories are reasonable and can be implemented by the incoming board.

## **ROLE OF THE TREASURER**

As the League's chief financial officer, the treasurer serves as an active member of the board and as an active member of the budget committee. (The treasurer cannot chair the budget committee.)

The treasurer's primary responsibility is to maintain and monitor an accounting system that provides for accurate and meaningful reports to the board and the membership. For the board in particular, good financial reporting must produce information that is useful in managing the affairs of the organization.

Most board members do not have a financial background, so financial reports involving lengthy lists of numbers are not going to result in meaningful communication to them about the financial affairs of your League. Rather, information can and should be presented in summary form, with accompanying verbal or written comments about specific items the board needs to focus on and/or may need to be concerned about.

Financial information is also more meaningful if it is presented with a reference to compare to, such as the League's budget for the year. Actual items of income or expense cannot be judged in isolation—by also presenting the related budgeted amount, the board can see how the actual results compare to what was planned for.

As a member of the budget committee, based on the League financial records, the treasurer will supply information for those budget items not submitted by other directors to help build the next year's budget.

# OVERVIEW OF ACCOUNTING AND FINANCIAL MANAGEMENT

## Financial Statements

Financial statements allow the board of directors, League members and other interested persons to see the financial position of a League at a specific point in time and over a specific period of time.

- **Balance Sheet (also known as the Statement of Financial Position):** This is a “snapshot” of what an organization owns (its assets) and what an organization owes (its liabilities or commitments). Assets normally include bank accounts and possibly investments; Leagues with offices may also have furniture, computers, etc. Liabilities might include obligations for things like sales tax which has been collected. The difference between what the organization owns and what it owes are termed its reserves.
- **Income Statement (also known as the Statement of Activities):** This shows the reader how an organization has performed over a specific period of time. The statement shows the amount of money generated (receipts or revenues) and the amount spent (or its expenses). (See *Appendix A* for an example.)

In addition to financial reporting for internal management purposes, a League must be able to produce information to satisfy other needs, such as reporting to the Internal Revenue Service, the Franchise Tax Board, etc. Specifically, Leagues must be able to generate financial information in the form required by reports due to the federal and state tax or other authorities. See “*GOVERNMENT REPORTING*” below.

## Separate Local League Education Funds

More than half of the local Leagues in California have chosen and been approved as tax-exempt under §501(c)(3) and no longer need to have an account at the LWVC Education Fund. The remaining local Leagues are qualified as tax exempt under IRC §501(c)(4), whereby the League itself is tax exempt, but member dues and contributions are not tax deductible.

## Accounting for Local League Funds at the LWVCEF or Other Organizations

In “*ROUTINE TRANSACTIONS WITH THE LWVC*” below, there is a discussion of accounts a local League can establish with the LWVC Education Fund in order to be able to benefit from tax deductible contributions. Some local Leagues have established such accounts with local community foundations which are similarly tax exempt. It is important to note that such accounts are not technically an asset of a local League, but rather represent restricted gifts made for the benefit of that League. Therefore, contributions made to these accounts should not be recorded as contributions by a local League at the time they are received from the donors, and the balance in such accounts should not be shown as an asset of a local League on its balance sheet. Rather, the local League should record a contribution from the LWVCEF or other similar entities when an amount is distributed to the local League to reimburse educational expenditures, or when an amount is applied by LWVCEF to pay an obligation of the local League (e.g., PMPs or contributions to Voters’ Edge or payment of League MyLo fees).

## **The Basic Accounting System**

Most Leagues use accounting software like QuickBooks or Quicken to maintain their financial records, although it is also possible to use Excel spreadsheets for this purpose. QuickBooks is definitely the software with the greatest functionality, and is preferred by many accountants for that reason; it is even possible to use QuickBooks as an online service and not actually install it on a local computer. In particular, Leagues with employees may want to consider using QuickBooks in order to use its payroll module.

On the other hand, QuickBooks either online or installed on a computer is more expensive than Quicken. Purchased QuickBooks software normally has to be upgraded more frequently than Quicken. And because QuickBooks is a more complex system, it requires more front-end training for those who have never used it before. In deciding which method to use, consideration should also be given to how the treasurer's job can be handed on to your successor. Many more people are familiar with Quicken than with QuickBooks, and have their own copy of Quicken software to maintain their personal financial records. This can make it easier to find a new treasurer when the time comes.

It is also extremely important to frequently backup accounting and other important files, and to keep backup copies in a location other than where the original files are located.

## **Bank Accounts**

Many banks have focused on the fact that maintaining checking accounts for individuals or small organizations cost them more money than the services are worth on a stand-alone basis, and are becoming more aggressive in charging fees for such services. Such fees can usually be reduced if relatively high minimum cash balances are maintained in such accounts, but frequently this is just not possible for a local League. Fees may also be reduced if monthly statements are received online rather than getting paper statements. Some banks will also reduce fees if the account owner uses a bank debit card at least once a month. These matters change from time to time, so it may become necessary to shop around to find the best way to reduce or avoid costly bank charges. In some instances, community credit unions offer a much lower fee structure, as well as possibly higher rates of interest on certificates of deposit.

## **Online Credit Card Transactions**

There are a number of organizations which will facilitate the online payment of a local League's membership dues, contributions, event payments and other transactions--one of the most prominent of such organizations is PayPal. Such arrangements make it very convenient for members or donors to make credit or debit card payments to a League online, and then for the local League to transfer these funds online to the League's designated bank account. Of course, such organizations charges fees for these services, typically 2.5-3.0% of the dollar amounts involved.

## **Fixed Assets and Depreciation**

Fixed assets are property like computers, software or furniture..

At the time of purchase, the cost is recorded on the balance sheet and should be written off (depreciated) over their useful lives, normally five years for furniture, and three years for computers. If your League has to file tax returns such as IRS Form 990-EZ or 990, it is usually simplest to follow the depreciation method used for tax purposes.

### **Coordination of Data**

Good financial management also requires the coordination of information among various databases or systems because many transactions require multiple data inputs. For example, when a membership dues payment is received, it must be deposited into the bank; recorded in the accounting system; updated into the LWVUS and local membership database; and notification sent to the membership director.

### **Basic Internal Financial Controls**

Each League should maintain a written record of the policies, procedures and other matters related to the handling of its financial transactions. Copies of this information should be regularly provided to one or more other officers of a League so that the information is a shared resource. It will also be very useful when it comes time to transition to a new treasurer in your League. See *Appendix B* for a discussion of the types of information which might be included.

Each League should have a minimum of three persons with signatory authority over its financial accounts (bank accounts, investment accounts, PayPal accounts, etc.), and the ability to access the accounts in person or online. Normally the signatories for each account are revised each year after the annual meeting, when new officers and directors are elected. The League secretary will have to certify a copy of the Board of Directors' minutes identifying who the new signatories will be, and this will have to be provided to the financial institution when the signature cards are turned in, along with copies of the individuals' driver licenses. The board will also have to determine if there should be a check signing limit.

Procedures should also be in place to cover transactional requirements whenever the treasurer is unavailable because of work, vacation or illness. The other signatories should always have a number of checks in their possession to handle invoices, etc. Some Leagues use post office boxes so that other members can access receipts and deposit them if the treasurer is unavailable.

It is a good practice for a League to have an expense reimbursement form or expense voucher for League members to use to submit their expenses for reimbursement, including space for indication of any needed approval and a description of the nature of the expense(s). See *Appendix C* for a sample of such a form.

### **Review of Financial and Accounting Practices**

Because of the few individuals normally available to handle the financial affairs of a local League, many of the traditional policies and procedures for establishing adequate internal controls are just not feasible in the local League environment. Therefore, alternative methods must be used to monitor a League's financial affairs and reporting.



One alternative often suggested is to have an audit of a League by a certified public accountant. However, such an audit is very expensive, and therefore generally is beyond the budget of any local League.

A very viable alternative for financial oversight is to have a regular, periodic internal review by one or more board and/or off-board League members. These members should be individuals who are not directly involved in the financial management of a League but are active enough to be familiar with general League activities. Such a review can be broadly or narrowly focused to address either the entire financial management of a League, or areas of particular importance or concern. Some sort of internal review should be implemented at all Leagues, preferably on an annual basis.

### **Procedures for a Review**

An internal review does not have to test every financial transaction, but rather a sample of transactions or perhaps a sample month or two to determine that proper accounting procedures have been used and that all reporting and filing requirements have been met. Part of the review process may consist of accessing the League's bank accounts online and reviewing the transactions for unusual items. The following are sample steps for periodic reviews:

- Determine that bank statements are accurate and reconciled on a timely basis.
- Determine whether deposits have been made in a timely fashion, large receipts have been deposited promptly, and bills paid in full when due.
- Review procedures for, and implementation of, timely billing of membership dues under the League's policies, and for collection of past due items.
- Review a sample of financial reports to confirm that they properly represent the detailed activities found in the accounting records.
- Review the treasurer's calendar for timely completion of scheduled payments or tasks, particularly governmental filings.

## **ROUTINE TRANSACTIONS WITH THE LWVC**

### **Dues**

Local Leagues are responsible for billing and collecting their membership dues, and for maintaining their own accurate membership records. Each League may adopt either a fiscal year or an anniversary system for dues collection; each system is further described in the following paragraphs. The LWVUS has developed a membership database on its website that is designed to provide each League with an online roster (<https://lwwus.force.com/s/login/>) that can serve as its sole database. (Instructions for use of this database are included on the website).

Membership dues that are erroneously sent to the LWVC office will be immediately transferred to the local League serving the person's home address.

## **Fiscal Year Dues System**

This dues billing system assumes that all membership dues are owed on the first month of each fiscal year or on another date specified in the local League bylaws. (A local league's fiscal year may not necessarily coincide with the state and national Leagues, which both use June 30 year ends.) Membership renewal notices for the next fiscal year should be mailed before the last month of the current year. Most Leagues now have the facility on their League websites to accept dues payment online. Members who do not respond to the first notice should be sent an additional notice. A grace period of two or three months is usually allowed before a member is dropped. The membership director should be informed so that a personal contact can be made to try to retain each member. Some Leagues reduce or prorate the amount of dues when a new member joins late in the fiscal year. **Note:** If a change in dues is to be considered at the Annual Meeting, be prepared to send the notices immediately after that meeting.

## **Anniversary Dues System**

In an anniversary dues billing system, dues are payable on the first of the month that coincides with the month in which the member originally joined the League. Renewal notices are sent to each member one to two months before the due date. The same procedure as described in the paragraph above is used for delinquent membership renewal. This system allows a full year of membership privileges.

## **Per Member Payments**

Each local League must provide financial support to the national, state and regional levels of the League. This is called the per member payment (PMP). The amounts of the PMPs due to the LWVUS, the LWVC and any regional ILO are determined by delegates to the respective conventions or councils. Each June/July local Leagues receive their first invoices from the LWVC and the LWVUS for the PMPs that are owed for the year. The timetable for ILO invoicing varies.

Remember that the accuracy of the LWVUS membership database records will determine the accuracy of the amount of PMPs that will be owed to the LWVUS, the LWVC and regional ILOs by each local League. The PMPs to the national, state and regional leagues for each fiscal year are based upon your membership in the LWVUS database as of the January 31 prior to the start of each fiscal year.

State and national PMPs are due on the first day of each quarter—July 1, October 1, January 1 and April 1. Be sure to clearly mark on the check that it is for the PMP and note the quarter being paid. Prompt payment of the installments is very important to the cash flow for each organization. If a local League is experiencing financial difficulties, making it impossible to meet its PMP obligation on time, the Local League Coach for that League should be contacted immediately. Every effort will be made to help solve the problem.

Local Leagues with funds in the LWVCEF have the option of paying a portion of their PMPs to the state and national Leagues from that account

## **LWV California Education Fund**

The League of Women Voters of California Education Fund (LWVCEF) is a separate tax exempt organization qualifying as tax exempt under IRC §501(c)(3). Donations to the Education Fund are tax-deductible and must be used for educational purposes. The LWVCEF is also available to local Leagues that wish to raise and use tax-deductible contributions for appropriate educational or voter service activities. Contributions generated by a local League may be deposited in the LWVC Education Fund and held for the local League's use. This is appropriate when a contributor wishes to make a tax-deductible contribution or when the League plans a project consistent with Ed Fund standards and wants to create an account to accept donations.

## **Depositing into a Local League Education Fund Account**

To deposit money into an Ed Fund account, the local League must send the original donor's check(s) to the LWVC Education Fund with the current LWVCEF Deposit Slip (EF1) (available on the LWVC Member's Only page) for the initial and subsequent donations. Always send the donors' checks—do not deposit them into a local bank account. Maintain a record of the check number, payer, amount, and date that the check is mailed.

If a donor mistakenly writes a check to the local League rather than to the LWVCEF, the check should not be deposited (or stamped for deposit) into the local League's bank account. Be sure to provide a written statement authorizing its deposit into the LWVCEF account when it is forwarded to the state league office. If such a check is mistakenly deposited into a local League's bank account, a check to the LWVCEF for the amount of the contribution may be submitted, accompanied by a written statement that the funds should be transferred to the LWVCEF, preferably from the donor. In either case, another type of evidence such as a form the donor has submitted with "Ed Fund Donation" checked off is also acceptable.

When collecting tax-deductible contributions to a local League's Education Fund or specifically for payment of PMP, it is the local League's responsibility to keep a record showing the donor's name, date received, and amount of donation, and to provide tax receipts to its contributors on LWVCEF letterhead, which is available on the LWVC members-only web site. Donors who itemize their deductions are required to have receipts for all donations of \$250 or more.

If the local League raises money for the Education Fund through a special event with the admission price of more than \$75, the League must give the donor an estimate of the value of the goods or services. It must also tell the donor in writing that only the excess of the contribution over the value of the goods or services received is tax-deductible.

For example, if a donor contributes \$90 to a local League Education Fund to attend a fundraising dinner and the dinner has a fair market value of \$50, \$40 would be deductible. Because the contribution received exceeds \$75, the League would need to disclose to the donor that only the excess over the \$50 value of the dinner is tax-deductible. This would usually be accomplished by printing the disclosure on the dinner ticket or invitation. The disclosure rule for quid pro quo donations does not apply to token items of insubstantial value provided to donors.

## **Accessing a Local League Education Fund Account**

When a local League is confident that a project to be funded by Education Fund monies would qualify, they may forgo submitting the Local League Education Fund Project Proposal form, EF2 (available on the LWVC Member's Only site) to the state office in advance. Please submit this form in advance if your project is a new voter education endeavor. It should show anticipated expenses and expected sources of funding, both Ed Fund and other. If approval is requested after a project is started and, for some reason, the project is not deemed by the LWVCEF to be eligible for reimbursement, the local League would be required to cover any expenses from other funds.

Upon completion of an Ed Fund project, submit the Local League Education Fund Project Reimbursement form, EF3. Receipts must be attached to document expenses. Enter the amount for reimbursement on the line labeled "From Local League Ed Fund (Amount to be reimbursed)". For ongoing operating expenses, transaction reports from your general ledger may be attached. Submit reimbursement requests for ongoing operating expenses (e.g. rent, telephone) no more than twice a year.

When a local League wants to use Ed Fund monies to pay for educational items or services provided by the LWVC or the LWVCEF, sign and return the invoice. The transfer will be completed without having to submit the form EF3.

Remember that when making an Education Fund donation to satisfy a portion of your PMP (see Per Member Payment below), the request must be made at time of payment of the PMP. The local League may not request a reimbursement of PMP from the Education Fund for payments already made to the LWVC or the LWVUS.

## **Insurance Policies**

The League of Women Voters of California maintains a blanket general liability policy for all Leagues, personal property insurance for Leagues that maintain an office, directors and officers liability insurance for the LWVC and the LWVCEF boards of directors only, and liability insurance for the LWVC and the LWVCEF print and electronic publications. Each League **MUST** maintain a general liability insurance policy. However, each League has the option to purchase its own insurance if it provides a verification of insurance coverage to the LWVC and executes a Hold Harmless Agreement.

As for directors and officer's liability insurance, the LWVC has researched and could not find an insurance company willing to do this coverage due to the risk factor. California and federal laws shield volunteer directors of nonprofit corporations from personal liability for their actions on behalf of the corporation as long as they serve in good faith and in the best interest of the corporation. However, even with this protection, it does not stop others from suing and the corporation incurring unplanned legal costs. The cost of the insurance will vary based on annual revenues, and if you employ any personnel. Another option to consider is covering certain members of your local League under an umbrella policy. Each member would need to be covered separately and cost is around \$300. However, be sure to understand the provisions of the coverage since insurance coverage can vary.

## **Leagues in Formation**

New Leagues in formation in California (MAS or ‘Members Around the State’ Units) are legally part of LWVC, so a MAS Unit cannot legally open a business account. Because of this, LWVC has set some policies and procedures so MAS Units can still hold money in an account and conduct business. The policy is in the [LWVC Policies and Positions document](#) on page 73 (section MS-3).

All MAS Unit members should pay dues through LWVC. [Online payments](#) and check payments are acceptable. (The MAS Units are at the bottom of the drop-down list of League names) Their dues are \$85 for an individual and \$125 for a household. For every \$85 dues payment received, \$20 is transferred to the MAS Unit GF account. For every \$120 household dues payment received, we will transfer \$25 to the MAS Unit GF account.

The LWVC pays the LWFVUS PMP dues for each MAS Unit.

Any time someone pays membership dues from the MAS Unit area, LWVC will send the MAS Unit an email notification of that new member/membership renewal. At any given time, MAS units can request a membership roster.

If a Unit decides to do additional fundraising, which is highly recommended, checks should be made payable to LWVC and add the MAS Unit’s name in the memo line. Please complete [this deposit slip](#), form and all checks to the LWVC.

If you have paid from something out of pocket and would like to be reimbursed with the MAS Unit funds, please submit a reimbursement and include receipts for the expenses.

The MAS Unit treasurer should be keeping track of the MAS Unit account balance. To reconcile, please request an account balance report from LWVC

## **GOVERNMENT REPORTING**

All Leagues have regular reporting obligations to the Internal Revenue Service and various California governmental agencies. These are briefly summarized in the following paragraphs; for a much more detailed discussion, see the Government Filings page which is available under “Local League Management” at <https://my.lwv.org/california/lwvc-members-only/local-league-management>. It is strongly recommended that at least one person other than the preparer of these returns, preferably an officer or director, review more complex returns or reports prior to filing (e.g., IRS Form 990 or 990-EZ, FTB Form 199).

If a League’s annual gross receipts normally exceed \$50,000, or its total assets at year-end exceed \$250,000, it must file Federal Form 990-EZ; under that level of receipts, a League must file an online e-Postcard, Form 990-Nan online e-Postcard, Form 199-N. The deadline for filing the applicable forms, online or paper copy, is the 15th day of the fifth month following the end of a League’s fiscal year. Extensions are available under specific conditions

A League must also file Form RRF-1: Annual Registration Renewal Fee Report, with the Registry of Charitable Trusts, together with a copy of Form 990-EZ (if filed). This is due not later than the 15th day of the 5th month following the end of the fiscal year, but the Registry will honor extensions granted by the Internal Revenue Service for filing the Form 990-EZ. If gross annual revenue exceeds \$25,000, a sliding scale filing fee (\$25 and up) is due with the Form RRF-1.

There is an additional annual form which may have to be filed with the Registry of Charitable Trusts—the Annual Treasurer’s Report, Form CT-TR-1. Currently, if a League files a Form 990-EZ or Form 990, it must file a copy of such return with the Registry each year. The new Form CT-TR-1 must be filed by a League which is eligible to file a Form 990-N.

The Form RRF-1 can now be filed online—go to <https://oag.ca.gov/charities/renewals#online> to view a webinar presenting information on how to register to file online and other related issues. If a League registers and files its Form RRF-1 online, it is possible to upload its Form CT-R-1 or Form 990-EZ to be included with that filing.

In California, any nonprofit organization that intends to conduct a raffle during an annual period (September 1 through August 31) must register for this purpose with the Registry of Charitable Trusts, and then must file a report reflecting the actual results of any raffle held during that twelve month period by October 1. For more information and forms, go to <https://oag.ca.gov/charities/raffles>

Biennially the California Secretary of State requires nonprofit corporations to file Form SI-100: Statement of Information—Domestic Nonprofit Corporation. This form is due by the end of the month a League is incorporated, in an odd or even-numbered year depending on whether it was incorporated in an odd or even-numbered year. The form is available at <http://www.sos.ca.gov/business/be/forms.htm>.

## **Sales and Use Tax**

Each League which sells publications or merchandise must collect sales tax. If your League sells or intends to start selling these or similar items, you may contact the state League office or visit this website for detailed information about what is required: <https://www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-returns-filing-dates.htm>

**APPENDIX A**  
**SAMPLE INCOME STATEMENT (STATEMENT OF ACTIVITIES)**

**League of Women Voters of XXXXXXX**  
**July - December 20XX Actual vs. Budget**

<b>Category Description</b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Difference</u></b>
<b>INCOME</b>			
Membership Dues	3,600	3,500	100
Member Contributions	1,695	1,700	(5)
Non-Member Contributions	1,000	800	200
Sale of Merchandise	40	-	40
Interest Income	95	100	(5)
<b>TOTAL INCOME</b>	<b><u>6,430</u></b>	<b><u>6,100</u></b>	<b><u>330</u></b>
<b>EXPENSES</b>			
Operating			
1. General Supplies	10	50	(40)
2. Telephone	180	180	-
3. Bank Charges	30	60	(30)
	<u>220</u>	<u>290</u>	<u>(70)</u>
Board & Admin			
1. President	-	100	(100)
2. Fundraising Drive	45	-	45
	<u>45</u>	<u>100</u>	<u>(55)</u>
Per Member Payments			
1. Nat'l PMP	1,050	1,050	
2. State PMP	805	805	
	<u>1,855</u>	<u>1,855</u>	
VOTER	10	40	(30)
Community Involvement	800	1,000	(200)
Misc. Expense	40	50	(10)
<b>TOTAL EXPENSES</b>	<b><u>2,970</u></b>	<b><u>3,335</u></b>	<b><u>(365)</u></b>
<b>NET INCOME</b>	<b><u>3,460</u></b>	<b><u>2,765</u></b>	<b><u>695</u></b>

**Balance Sheet at December 31, 20XX**

Checking Account	\$ 2,540.00
Savings & Investments	14,260.00

Total Assets

\$ 16,800.00

## **APPENDIX B**

### **BASIC CORPORATE FINANCIAL DATA**

*The following describes the kind of basic corporate information which should be documented by the treasurer or others on a current basis, and frequently updated. Copies of this information should be regularly provided to one or more other officers of a League so that the information is a shared resource.*

This documentation should start with information about the League's bank accounts and investments—the name and location of financial institutions where they are located; the League members who are signatories for the account(s); any limits on checking signing amounts; user names and passwords for accessing the accounts online; password for debit card, etc.

Other types of information which should be maintained:

- Credit card accounts, including limits, username and passwords for online access, method of payment (e.g., debit to checking account).
- Similar information about accounts like PayPal.
- Membership records so that member dues may be invoiced on a timely basis.
- Username and password to access the LWVUS membership database.
- Summary of recurring payment obligations such as Per Member Payments, insurance premiums, rent, website fees.
- Members of the Budget Committee, including names, telephone numbers, email addresses; and copies of recent budgets.
- Governmental filings.
- Calendar of important due dates.
- Username and password to access accounting software.



**APPENDIX C**  
**SAMPLE EXPENSE VOUCHER**  
**LEAGUE OF WOMEN VOTERS**  
**EXPENSE VOUCHER**

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

League Position: \_\_\_\_\_

**EXPENSES:**

Date	Description	Event or Expense Category	Amount

Total Expenses \$ \_\_\_\_\_

**In lieu of reimbursement, I wish to donate this amount to LWV** \$ \_\_\_\_\_

**Reimbursement requested (Total Expenses less Donation)** **\$ \_\_\_\_\_**

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Approved: (Board member or Committee Chair):

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

Submit to Treasurer for reimbursement. Attach bills or receipts.

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*For internal use only:*

Paid by check # \_\_\_\_\_ Signed by: \_\_\_\_\_ Date: \_\_\_\_\_

## APPENDIX D

### FORMATION OF A NEW LEAGUE

This appendix is addressed to the situation of new local Leagues in the process of transitioning from being a unit of LWV California (MALs) to becoming an independent League organization. (The discussion of legal issues is largely drawn from the California Attorney General's Guide for Charities, at [http://oag.ca.gov/sites/all/files/pdfs/charities/publications/guide\\_for\\_charities.pdf?](http://oag.ca.gov/sites/all/files/pdfs/charities/publications/guide_for_charities.pdf?))

#### Legal Forms Available for a New League

New Leagues are initially formed as a “unit” of LWV California, sometimes described as a “Members-at-Large” unit or a “Members-around-the-State” unit, and are legally part of that corporate entity. As such, they do not need a new “Employer Identification Number” (“EIN”) from the IRS, and any checking account they set up would be in the name of the state League.

When a new League is finally approved by LWV California and the League of Women Voters of the United States to be a stand-alone League with a League number in the LWVUS system, this does not immediately impact their legal status. Each new League must address the issue of what legal form they wish to use on a going-forward basis.

First, with the agreement of LWV California, a new League could choose to remain as a unit for as long as desired. It still would not have to obtain an EIN or file annual Federal or state income tax returns.

However, almost all new local Leagues choose to operate either as a nonprofit public benefit corporation or a nonprofit unincorporated association. It is important to realize that, contrary to the situation of a corporation, the League members who operate and manage an unincorporated organization may be exposed to greater risk of personal liability if the organization is sued. The officers and directors of a prospective League should consult with their Local League Coach about the relative costs and benefits of the organizational structures available to them.

California laws provide strict guidelines governing nonprofit organizations (like a local League), to be sure that its operations are for public or charitable purposes and not for the private gain of any person. Any individual or organization soliciting funds and representing that such funds will be used for charitable purposes may be held accountable for the appropriate use of such funds.

Whether nonprofit corporations or unincorporated associations, Leagues can always qualify as being exempt from Federal or state income tax. Such organizations must also register with, and annually report to, the California Attorney General's Registry of Charitable Trusts. (See further discussion about these topics in the following sections).

## **Formation of a Public Benefit Corporation**

A League deciding to operate as a California nonprofit public benefit corporation, as most California local Leagues do, must complete the following steps, in addition to the more general steps:

1. Draft and file articles of incorporation with the CA Secretary of State. See the Secretary of State’s directions about the drafting of articles, which may be downloaded from their website at: <http://www.sos.ca.gov/business-programs/business-entities/forms/> Articles of incorporation are not legally in effect, and the corporation is not legally in existence, until the Secretary of State has registered the articles in its official register. Certified copies of the filed articles should be requested by the filing League. At the present time, this process usually takes about 30 days. The Secretary of State will also assign the League a corporation number in connection with its certification of these articles.

In drafting a League’s articles, consideration must first be given as to how the League intends to apply for Federal and state exemption from income tax—under §501(c)(4) or §501(c)(3)—as different provisions are required for each. See discussion below.

2. Draft the bylaws of the corporation. There are model League bylaws available under “Managing Your League” at <http://ca.lwv.org/lwvonly/>. Bylaws set out the overall structure and basic rules for operating the corporation, including how directors and officers are elected and how the governing board operates. These rules are limited by California laws and are very important to the governance of the corporation. A League’s bylaws must also be reviewed by its state League prior to adoption, as there are certain provisions which must be included in the bylaws of every League based on the rules of the League of Women Voters of the United States.

Once again, consideration must be given as to how the League intends to apply for Federal and state exemption from income tax—under §501(c)(4) or §501(c)(3)—as different provisions in the bylaws are required for each.

3. Draft an action of the incorporators (the individuals forming the League, typically the first directors) and have it signed by all incorporators. The incorporators may also take other actions at the same time, including adopting the bylaws, appointing the initial officers, and authorizing the opening of bank accounts.

4. File a Statement of Information (Form SI-100) with the CA Secretary of State. This form is normally sent by that office to an organization within 90 days of its filing articles of incorporation. The form is online at <http://www.sos.ca.gov/business-programs/business-entities/forms/>

The Form SI-100 also must be filed every other year during the life of the League.

## **Formation of an Unincorporated Association**

A League intending to operate as an unincorporated association must complete the following steps, in addition to the more general steps described below:

1. Draft the bylaws and/or other organizing documents. As noted above, the general provisions which are in the articles of incorporation and bylaws of a public benefit corporation are needed in such documentation. The model League bylaws available under “Managing Your League” at <http://ca.lwv.org/lwvonly/> could provide a sound foundation for bylaws here. They should set out the overall structure and basic rules for operating the League, including how directors and officers are elected and how the governing board operates. An unincorporated League’s bylaws must also be reviewed by its state League prior to adoption, as there are certain provisions which must be included in the bylaws of every League based on the rules of the League of Women Voters of the United States.

Once again, consideration should be given as to how the League intends to apply for Federal and state exemption from income tax—under §501(c)(4) or §501(c)(3)—as different provisions in the articles of association are required for each.

2. It is possible to “register” an unincorporated association with the CA Secretary of State by filing a Form LP/UNA 128, a copy of which is attached, with instructions; it is also available online at <http://www.sos.ca.gov/business-programs/business-entities/forms/#misc>

This kind of registration is generally done to protect the rights to a name or insignia.

3. It is also possible to file with the CA Secretary of State a Form UA-100, Statement by Unincorporated Association; it is also available online at <http://www.sos.ca.gov/business-programs/business-entities/forms/#misc>. The Secretary of State will return a copy of this filing, together with a file number for the organization. Such statements expire five years from the December 31<sup>st</sup> following the initial date of filing, unless superseded by the filing of a new Statement.

## **Steps Required for All Legal Forms of League Organizations**

There are certain steps which a League must complete, whatever its legal form, but generally after its form has been established.

1. Hold a first meeting of the board of directors, which typically involves organizational issues, such as adopting bylaws or articles of association, electing officers, authorizing a bank account and its signatories, setting the accounting year and basic accounting procedures, planning a budget for the first year, and adopting procedures for safekeeping of minutes, bylaws, and other League records. It is extremely important for the League secretary to record and keep minutes of all meetings (and unanimous written consents) of the board of directors and board committees.

2. File a federal application for an employer identification number (EIN) with the IRS. The IRS website at <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online> explains how to apply for an EIN either online, or by toll-free telephone service (800-829-4933), fax or mail. If done online, the EIN will be assigned during the online process.
3. File the appropriate applications for exemption from federal income taxes with the IRS and state income taxes with the California FTB. (See discussion below.)
4. Register with the CA Attorney General's Registry of Charitable Trusts, which has legal oversight over charities of all kinds. Registration with the Registry must be done within 30 days after initial receipt of assets, by filing the following:
  - a. Form CT-1, Initial Registration Form at <http://oag.ca.gov/charities/forms>
  - b. Founding documents, such as certified Articles of Incorporation and bylaws; or articles of association; etc.
  - c. Copy of IRS determination letter if applied for and received
  - e. \$25 registration fee.

It should be noted that registered Leagues must renew this registration and file financial reports annually thereafter.

5. Review the League's need for state and local permits and licenses and establish procedures to meet deadlines for required periodic filings with the IRS, FTB, Secretary of State and Attorney General. This is extremely important, to keep the organization in good standing and avoid the need to pay delinquency fees. See the LWVC publication Government Filings at <http://ca.lwv.org/lwvonly/> for more details.

### **Establishing Tax Exempt Status under §501(c)(4) or §501(c)(3)**

In the formation of a League organization, there are differences in how their articles of incorporation (if incorporated) and bylaws (all Leagues) must be written depending on which tax-exempt status they decide to use. The differences relate to two provisions. First, articles of incorporation and bylaws typically describe the "purpose" of the organization, and this must be done differently for each status. Also, such documents also must provide what happens to the assets of any organization if it is terminated or dissolved, identifying what type of organization may receive these assets--the permissible recipients vary for each status.

Historically, all state and local Leagues qualified as tax exempt under §501(c)(4), although some state and local Leagues also have had a paired §501(c)(3) entity. However, in recent years more than one-half of California local Leagues have successfully converted to a qualification under §501(c)(3) (no League which applied to the IRS to do this has ever failed to successfully qualify). The significant differences between these two qualifications are that (a) dues and contributions paid directly to a §501(c)(4) organization are not tax deductible while those to a §501(c)(3) organization are tax deductible; and (b) there are no limits on the amount of lobbying activities a §501(c)(4) organization can conduct, while a §501(c)(3) organization's lobbying activities cannot be a "substantial part" of its overall activities. Further, §501(c)(3) organizations cannot support or oppose candidates for public office, but that limitation is a moot point because League organizations are prohibited from this activity under core LWV policies.

Whereas a League must apply to the IRS to be recognized as qualifying under §501(c)(3), it is possible for a League to just “self-declare” that it qualifies under §501(c)(4). Under the latter situation, it must only file with the IRS a Form 8976, Notice of Intent to Operate Under Section 501(c)(4) (<https://services.irs.gov/datamart/login.do>). (This form can only be filed electronically, with payment of a \$50 fee.) This is not a request of any kind, but just a notice to the IRS. If desired, it is possible to formally establish a League’s qualification under §501(c)(4) by filing an application with the IRS on Form 1024-A, with a filing fee of \$600, but such an application is not required. However, Leagues would have file a Form 3500A application with the Franchise Tax Board (FTB) to achieve a similar California tax exempt status.

A new League can qualify as tax exempt under §501(c)(3) by filing the online IRS Form 1023-EZ and paying an application fee of \$275. ([https://www.irs.gov/site-index-search?search=Form+1023-EZ&field\\_pup\\_historical\\_1=1&field\\_pup\\_historical=1](https://www.irs.gov/site-index-search?search=Form+1023-EZ&field_pup_historical_1=1&field_pup_historical=1)) This application is fairly automatic, as so far there has not been much review by the IRS. But it must be done immediately upon ceasing its existence as a state League unit.

If a League first establishes a tax-exempt status under §501(c)(4), but then decides to convert to §501(c)(3), it must file the full Form 1023 application, with a \$600 filing fee, a process which involves much more work than the Form 1023-EZ. The application is typically carefully reviewed by the IRS, which review could take six to nine months to complete. But again, all Leagues which have taken this approach to date have been successful.

Leagues interested in qualifying under §501(c)(3) should contact Tom Carson from LWVUS (323-746-5250) or [tpcarson@outlook.com](mailto:tpcarson@outlook.com) prior to initiating its organizational activities as described in these pages.

If successful with the IRS under either of the two approaches, a League should file a Form 3500A with the FTB, which will automatically follow the IRS precedent.

Whatever its Federal tax status, a League must register with the Registry of Charitable Trusts, filing Form CT1 (<https://oag.ca.gov/sites/all/files/agweb/pdfs/charities/charitable/ct1-form.pdf>) within 30 days of initially receiving assets.

### **Ongoing Filing Requirements**

On an ongoing basis, local Leagues (incorporated or not) must file annual returns with the IRS, the FTB and the Registry of Charitable Trusts. If incorporated, they also must file biennially with the California Secretary of State. See more information in the main body of this publication.