




Fundamentals of Financial Management for Homeschool Organizations

Part 2



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- Author of 15 books
- Homeschooled 14 years
- Treasurer or board member for 9 organizations


THE IRS AND YOUR HOMESCHOOL ORGANIZATION

MONEY MANAGEMENT IN A HOMESCHOOL ORGANIZATION

501C3 APPLICATION FOR HOMESCHOOL NONPROFITS

HOMESCHOOL CO-OPS

How to Start Taxes, Pay Taxes and Not Break Out

TOPP, CPA

A GUIDE TO REAL CAROL

CREATING A NON-PROFIT FOR YOUR HOMESCHOOL COMMUNITY

How to Start Taxes, Pay Taxes and Not Break Out

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CREATING A NON-PROFIT FOR YOUR HOMESCHOOL COMMUNITY

How to Start Taxes, Pay Taxes and Not Break Out

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AGENDA

<p>Part 1</p> <ul style="list-style-type: none"> ○ Funding Sources ○ Budgeting ○ Financial Reports 	<p>Part 2</p> <ul style="list-style-type: none"> ○ Financial Practices ○ Preventing Fraud ○ IRS and State Reporting
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FINANCIAL PRACTICES



TOPICS

- Record keeping
- Reimbursement
- Collecting early deposits ← Q&A
- Fundraisers
- Thanking volunteers
- Paying workers ← Q&A
- Avoiding fraud
- IRS and State Reports

RECORDKEEPING

- **Create a board member binder**
- **Use accounting software**







REIMBURSEMENTS

Accountable plan
Require receipts



COLLECTING EARLY DEPOSITS FOR NEXT YEAR

- **Simple method: Just count it as income when received**
 - And make sure your board knows it's for next year!
- **More complicated accounting method**
 - Deferred revenue a *liability account*
 - Because you owe them a class or their money back

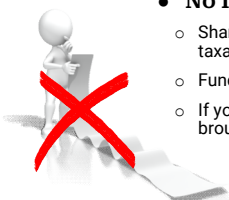
Appropriate if you use accounting software

QUESTIONS



FUNDRAISERS

- **No Individual Fundraising Accounts**
 - Sharing fundraiser proceeds with participants is taxable income to them and possible inurement
 - Fundraiser proceeds stay *with the group*
 - If you are tracking how much each participant brought in - **STOP**



THANKING VOLUNTEERS

Discounts for volunteering
Tuition discounts, if *significant*, are taxable income


Pay Board members
Board members if paid are **employees**
And they have a conflict of interest



TEACHERS WHO ARE ALSO CUSTOMERS

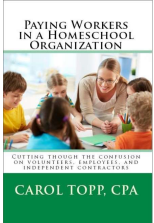
Offsetting co-op tuition with teacher pay is not a good idea!

Teacher pay is taxable income, but co-op tuition is not tax deductible!




PAYING WORKERS

- Teachers are almost always **employees**
 - You **direct and control** their work
 - Teachers offer **key activity of the business**



PARENTS PAYING TEACHERS DIRECTLY

- **Vendor Hall Model**
- **Not advised. Why not?**
 - You must **stay out of the relationship** between parent and teacher
 - But that's impossible because children are involved and you **MUST** retain direction and control over your teachers



QUESTIONS



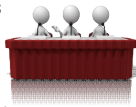
PREVENTING FRAUD



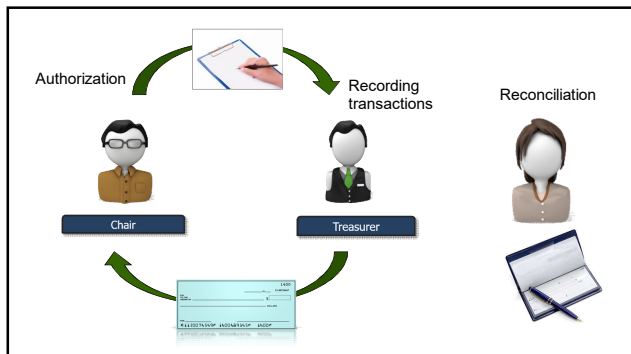
FRAUD PREVENTION

Separation of duties

- **Authorization** or approval of expense
- **Recording** transactions
- **Bank reconciliation**



- Bookkeeper does not sign checks
- Bookkeeper does not reconcile the bank account.



FRAUD PREVENTION

- **Several board members authorized to log into bank account**
 - Check bank account activity frequently
 - Many eyes on the money!
- **Regular reports from Treasurer**
- **Replace treasurers often-3 years maximum**

WARNING SIGNS OF EMBEZZLEMENT

The treasurer/bookkeeper

- Does it all; no separation of duties
- Has personal financial troubles
- Makes the checkbook inaccessible
- Is not performing expected duties

WARNING SIGNS OF EMBEZZLEMENT

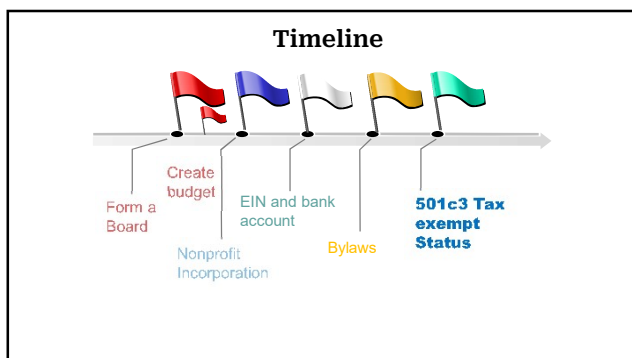
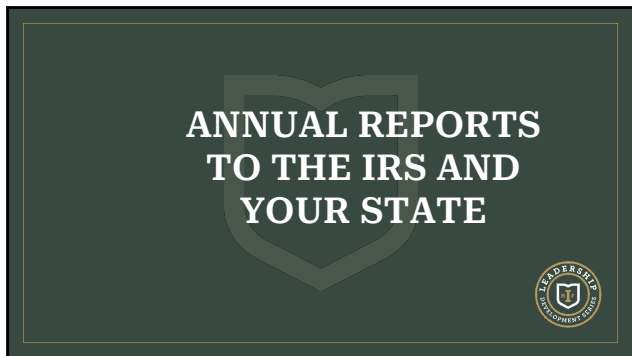
The treasurer/bookkeeper

- Gives no financial statements
- Will not allow anyone else online access to the checking account
- Will not resign and stays on for more than 3 or 4 years

WHAT TO DO


- **Do not confront the suspect**
- **Contact an attorney**, a CPA with fraud experience, or a certified fraud examiner and **your insurance**
- **Contact the police** when advised by your lawyer
- **Take steps to recover the money** and prevent theft

QUESTIONS





BEFORE APPLYING FOR TAX EXEMPT STATUS

- Board approval
- Organizing documents
- Nonprofit Incorporation (optional, but typical)
- EIN from IRS
- Money
- Patience!

 Covered in the Create a Nonprofit webinar

Filing with IRS for 501(c)(3) status

<p>Form 1023-EZ Revenues < \$50,000/year IRS fee \$275 1-4 weeks</p> 	<p>Form 1023 Revenues > \$50,000/year IRS fee \$600 + a professional 3-6 months</p> 
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HOW TO LOSE TAX EXEMPT STATUS

- Private benefit/inurement
- Substantial lobbying
- Any political campaign activity (endorsing a candidate)
- Substantial Unrelated Business Income (UBI)
- Failure to file IRS Annual reports
- Not operating in accord with exempt purpose(s)


	990-N	990-EZ	990
Eligibility	Annual gross revenues <\$50,000	Annual gross revenues \$50,000-\$200,000 and assets <\$500,000	Annual gross revenues >\$200,000 or assets >\$500,000
Size	Online only. 8 questions. No financials.	4+ pages. Financial statements.	12+ pages. Detailed financial statements.
Cost and penalty	No penalty for late filing, but can lose tax exempt status for failure to file 3 years	Late filing penalty \$20/day. Typical professional help ~\$400	Late filing penalty \$20/day. Typical professional help ~\$600+
Extension	No penalty for late or missed filings. No extension.	Can request 6 month extension	Can request 6 month extension
Where to file	IRS.gov/990N	https://efile.form990.org	https://efile.form990.org

Due 15th day of 5th month after end of fiscal year. Year end June 30, due date is Nov 15


STATE FILINGS FOR NONPROFITS



Dept of Revenue:
Corporate tax exemption. Sales tax exemption.




Secretary of State:
Nonprofit corporate status update every 1-5 years.



Attorney General:
Charitable Solicitation for donations or fundraisers

CHARITABLE SOLICITATION FILINGS



Usually Attorney General: Charitable Solicitation for donations or *fundraisers*

Typically ask for:

- Name, address, EIN
- Copy of IRS 990/990-EZ or
- Financial Statements
- Professional fundraisers

QUESTIONS

