



Fundamentals of Financial Management for Homeschool Organizations

Part 2



Herzog Foundation

- National nonprofit committed to promoting and enhancing quality, Christ-centered education.
- A "big tent" supporting various forms of Christian education
- Resources include training (live and virtual), podcasts, and HF Homeschool (a guide for starting a homeschool program)
- <https://hfschoolbox.com/>



Carol Topp, CPA and Doreen Browning

- Founder of HomeschoolCPA.com
- Author of 15 books
- Homeschooled 14 years
- Treasurer or board member for 9 organizations
- Co-Admin of Facebook group for homeschool Leaders
- Consultant for homeschool group leaders
- Nonprofit board member





THE IRS AND YOUR HOMESCHOOL ORGANIZATION

MONEY MANAGEMENT IN A HOMESCHOOL ORGANIZATION

HOMESCHOOL CO-OPS

PAYING WORKERS IN A HOMESCHOOL ORGANIZATION

501C3 APPLICATION FOR HOMESCHOOL NONPROFITS

CREATE A NON-PROFIT FOR YOUR HOMESCHOOL COMMUNITY

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






Discount to 501c3s: TechSoup.org/Intuit

REIMBURSEMENTS

Accountable plan
Require receipts



Homeschoolcpa.com/reimbursement-policy-for-a-homeschool-group/

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

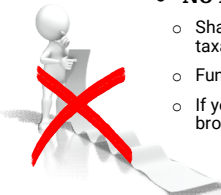
HomeschoolCPA.com/can-my-homeschool-group-collect-money-now-thats-for-next-year/

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**



Homeschoolcpa.com/the-irs-and-cooperative-fundraising/

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

Homeschoolcpa.com/can-you-discount-a-homeschool-co-op-class-in-lieu-of-paying-the-teacher/

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!



Homeschoolcpa.com/can-a-homeschool-group-deduct-tuition-from-a-teachers-pay/

Homeschoolcpa.com/are-homeschool-co-op-tuition-discounts-taxable-income-probably/

TEACHERS WHO ARE ALSO CUSTOMERS

Can teachers get tax-free discounted tuition like private school teachers?

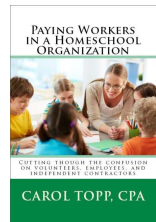
Called "Qualified Tuition Reduction"
Teacher must be an employee
Organization must be a "school" or "educational institution"



Homeschoolcpa.com/can-homeschool-groups-give-free-tuition-as-a-fringe-benefit-like-private-schools/

PAYING WORKERS


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



HomeschoolCPA.com/why-i-think-most-homeschool-teachers-should-be-paid-an-employees/

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



HomeschoolCPA.com/parents-pay-teachers-directly-in-a-homeschool-group-is-that-a-good-practice/

QUESTIONS






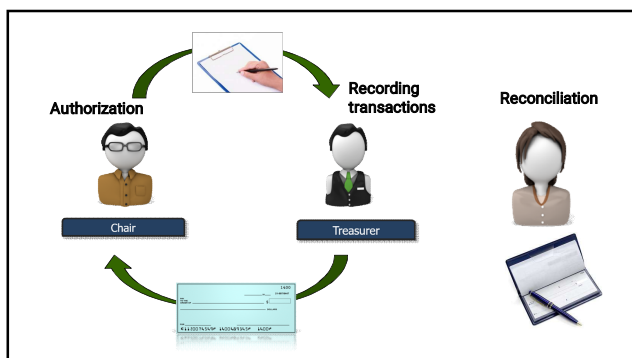
FRAUD PREVENTION

Separation of duties

- o **Authorization** or approval of expense
- o **Recording** transactions
- o **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**
 - o Check bank account activity frequently
 - o Many eyes on the money!
- **Regular reports from Treasurer**
- **Replace treasurers often-3 years maximum**



WARNING SIGNS OF EMBEZZLEMENT

The treasurer/bookkeeper


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



WARNING SIGNS OF EMBEZZLEMENT

The treasurer/bookkeeper

- o Gives no financial statements
- o Will not allow anyone else online access to the checking account
- o 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



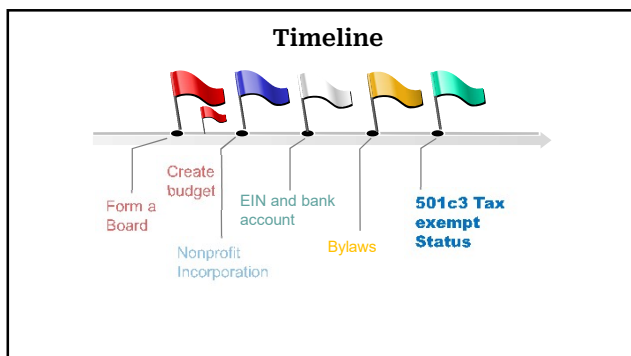
ANNUAL REPORTS TO THE IRS AND YOUR STATE



CREATE A NON-PROFIT FOR YOUR HOMESCHOOL COMMUNITY
A webinar that explains how to set up a nonprofit homeschool group!
HomeschoolCPA.com/CreateNP

501C3 APPLICATION FOR HOMESCHOOL NONPROFITS
A webinar to help homeschool nonprofits apply for 501c3 tax exempt status on their own.
HomeschoolCPA.com/501c3APP


IRS and State Filings for your Homeschool Nonprofit
A webinar that explains what reports your homeschool nonprofit organization needs to file with the IRS and your state.
HomeschoolCPA.com/Filings



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

Form 1023-EZ
Revenues < \$50,000/year
IRS fee \$275
1-4 weeks



Form 1023
Revenues > \$50,000/year
IRS fee \$600 + a professional
3-6 months




HOW TO LOSE TAX EXEMPT STATUS

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


	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

