

League of Women Voters of Michigan GUIDE TO FINANCIAL POLICIES & PROCEDURES

Sound financial policies and procedures increase the likelihood that:

- Financial information is reliable
- Assets and records are not stolen, misused or destroyed
- Policies, laws and regulations are followed

What “internal controls” on finances should a policies and procedures document address?

- Authorization and approval
- Proper documentation
- Physical and computer security
- Early detection

Authorization and approval:

- Segregation of duties – ideally, the same person should NOT:
 - Deposit funds AND record deposits
 - Write checks AND receive and reconcile bank statements

Income--proper documentation:

- Open mail **promptly**.
- Record, copy and endorse checks upon receipt.
- Prepare deposit and deliver to bank **promptly**.
- Deposit all cash received (don't use cash received to pay bills or replenish petty cash).
- Reconcile income with deposits.

Expenditures—proper documentation:

- Board authorizes check signers.
- Require more than one signature for checks over a certain amount.
- Obtain approval for each transaction, either through the budget or through the board.
- Provide and maintain documentation for each check written.

Physical and computer security measures:

- Checks:
 - Pre-number checks.
 - Secure blank checks with a lock.
 - Limit access to blank checks to authorized person(s).
- Computer records
 - Limit access and protect with passwords.
 - BACK UP records on a regular basis.
 - Store backups securely at another location/in the cloud.

Annual financial review--early detection:

- A financially astute person who is not part of the financial team reviews financial records
- Reviewer follows LWVMI financial review procedure

**League of Women Voters of Michigan
FINANCIAL REVIEW PROCEDURE**

1. Bank statements

- Check recorded receipts against the deposits on bank statements.
- Investigate discrepancies.
- Verify bank reconciliations.
- Account for all checks by number.

2. Dues

- Check dues collected during the year against the current membership total.
- Investigate discrepancies (life members, scholarships, discounted student members).

3. Vouchers

- Check records against vouchers.
- Are expenses backed by an invoice or voucher?
- Are items debited to the proper account?

4. Budget

- Compare income and expenses with budget.

5. Education Fund Account with LWVUS (if applicable)

- Compare deposits of tax-deductible funds with the records of LWVUS Ed Fund.
- Check transactions with the LWVUS Ed Fund.

6. Sample Month

- Verify income and expense totals.
- Verify individual categories.
- Check beginning balance and ending balance.
- Make necessary adjustments.

7. Return to bank statements

- Check beginning and ending balances in each account.
- Make necessary adjustments.

8. Prepare report

- “We/I have reviewed the books of the League of Women Voters of _____ as of _____, examined the records of revenue and expenditures and traced beginning and ending cash balances to bank statements. The books are an accurate reflection of the financial condition of the League of Women Voters of _____ as of _____ and the results of its operations and cash flows for the year.”
- Sign statement.

League of Women Voters of Michigan
YOU JUST BECAME TREASURER FOR YOUR LOCAL LEAGUE

- A. Find out which financial institutions your League uses. Work with the past president and past treasurer to add your name on all accounts. This usually involves going to the bank in person and filling out a form. Make sure you know the process for obtaining the regular bank statements.
- B. Check with the past treasurer about any policies regarding the responsibilities of the treasurer, i.e. some Leagues require two signatures for checks over a certain amount.
- C. Talk to the president and membership director to understand how money will come to you for deposit. Ask if membership checks are sent to you, or if someone else gives you the checks for deposit. Find out if your local League uses an online payment system (i.e., Paypal) and how to use it.
- D. League of Women Voters of Michigan sends checks and bills to the local League presidents. Make sure you have a system to get that material from your local League president.
- E. Find out if there are bills that can be paid routinely, and if there are bills that have to be approved by the board. Ask how you will know when it is appropriate to pay bills requiring board approval.
- F. Check the balance according to the last bank statement against your records at least monthly, and make sure the statement and your records match. If not, talk to others to get the information needed for them to reconcile.
- G. Learn whether your local League has a separate organization to receive donations to an education fund, or if your local League uses the LWVUS Education Fund.
- H. Ask the current president if the format and frequency of previous treasurer's reports are sufficient for review at each board meeting. Prepare reports that meet the needs of the board.
- I. At the end of the fiscal year for your local League, set up a peer financial review to assure the accuracy of the books and record-keeping system.
- J. Use the attached calendar to ensure you file important documents in a timely manner, including the E-file 990N postcard for the IRS, payments for Per Member Payment (PMP) to LWVUS and LWVMI, and annual financial reports for LWVMI.

League of Women Voters of Michigan
LOCAL LEAGUE TREASURER RESPONSIBILITIES BY MONTH

Monthly	Receive and deposit any income; pay bills that are submitted & approved Document revenue and expenses Reconcile bank statements Prepare and distribute financial reports for board meetings
July	Close out books for previous fiscal year; by 8/1 send to LWVMI: year-end revenue & expenses, net assets, proof of having filed 990-N by Nov. 15 Arrange for a peer financial review of financial records for the year Pay initial PMP payments to National and State League (can be paid quarterly, July, October, January, and April) Pay general liability insurance fee to State League (included in bill for PMP)
August	Work with membership chair on dues collection, according to your League's practices (annual or rolling collection) Pay LWV of Lake Michigan Region dues, as applicable
September	--
October	Pay second installment of PMP
November	E-file 990-N (postcard) with IRS by Nov. 15 (for fiscal year July 1-June 30)
January	Pay third installment of PMP
February	Work with budget committee to develop proposed budget for next year
March	Present budget to local board for approval. Publish to membership.
April	Pay final installment of PMP
May	Present financial report and proposed budget at local League's annual meeting Pay LWVMI for Directors & Officers liability insurance, if opting in
June	Receive insurance bill from State League

League of Women Voters of Michigan INSURANCE OVERVIEW

REQUIRED FOR LOCAL LEAGUES GENERAL LIABILITY INSURANCE

LWVMI carries General Liability insurance on behalf of itself and local leagues. All local Leagues must participate and thus do not need to carry their own liability insurance. Liability insurance is required because every League has the risk of a lawsuit in case of an injury or fall at any of its meetings or events.

Cost for this coverage is \$0.90 per member. The total amount is based on the number of members a local League reports to LWVUS at the end of January. LWVMI adds the charge to each local League's bill for annual Per Member Payment (PMP) to LWVMI.

The General Liability insurance policy covers all local members and local Leagues against claims by others. It is a comprehensive liability policy and covers, but is not limited to, the following situations:

BODILY INJURY AND PROPERTY DAMAGE LIABILITY (limit \$1,000,000)

PERSONAL INJURY OR ADVERTISING INJURY (limit \$1,000,000)

FIRE DAMAGE (limit \$100,000)

MEDICAL PAYMENTS (limit \$5,000)

LITIGATION COSTS

If a local League is sued, the insurance company covers all costs of defending the suit.

CLAIMS

In the event of an incident that might lead to a claim, no member or employee of the LWV should admit to any liability. The LWV member or employee should secure as many facts as possible and **immediately contact** the LWVMI office or President, who will then notify the insurance agent.

SPECIAL SITUATIONS

A local League may be asked by the city or the owner of a facility to provide an insurance rider for an event in addition to LWVMI's General Liability policy. Note: A rider is different from providing proof of General Liability Insurance. If a rider is needed, the local League must call the LWVMI office at 517-484-5383 or email office@lwvmi.org as far in advance as possible. LWVMI will then apply to the insurance agent for the rider. LWVMI needs the date, time and place of the local League event. The cost to the local League is \$100.

**League of Women Voters of Michigan
INSURANCE OVERVIEW (continued)**

**OPTIONAL FOR LOCAL LEAGUES
EXECUTIVE LIABILITY OR DIRECTORS & OFFICERS LIABILITY INSURANCE**

LWVMI carries Directors and Officers (D&O) Liability Insurance to cover decisions made by the LWVMI Board of Directors (limit \$1,000,000). Prudent nonprofit organizations carry this coverage to protect their volunteer boards.

Local Leagues may participate in LWVMI's D&O Liability Insurance for \$100 per year. Participation means each local League's board is covered by LWVMI's \$1,000,000 policy.

Currently, all local Leagues in Michigan have chosen to participate, which speaks well of the Michigan Leagues!

A local League may discontinue coverage at any time by providing notice and a signed Cancellation Request Form.

Local Leagues that wish to continue their participation in the LWVMI D&O policy will need to pay the fee when they receive an invoice in May or June of each year.

League of Women Voters of Michigan IRS Status & Obligations of Local Leagues

➤ **Nonprofit and Tax Exempt Status**

Local Leagues in Michigan derive their nonprofit and tax exempt status from the LWV of Michigan. The LWVMI is incorporated as a nonprofit with the State of Michigan, and has 501c4 tax exempt status from the federal Internal Revenue Service (IRS). LWVMI has a group exemption, which allows it to share its 501c4 tax exempt status with local Leagues, which are LWVMI's "affiliates" or "subordinates." For local Leagues to maintain their tax exempt status, each must annually e-file IRS Form 990-N (see below for details). Each Local League has its own EIN (Employer Identification Number). Any new Local League must apply for an EIN.

Three local Leagues (Dearborn-Dearborn Heights, Grosse Pointe, Kalamazoo) have Education Funds that are incorporated with the State of Michigan and have the type of IRS tax exempt status called 501c3. LWV Grosse Pointe in 2019 opted to operate entirely from its 501c3 organization. The State League also has a separate Education Fund incorporated with the State of Michigan as a nonprofit organization and with 501c3 status. These are separate from LWVMI and its affiliates (local Leagues).

What is the difference between 501c3 and 501c4 nonprofit status with the IRS?

- 501c3 status is for organizations whose primary purpose is charitable, religious, educational, scientific or literary. 501c3s may not endorse or donate to political candidates but may engage in some lobbying.* For organizations with annual expenditures of \$500,000 or less, the limit is up to 20% of the organization's expenditures. Dues and donations to these organizations are tax deductible on one's federal tax return.
- 501c4 status is for social welfare organizations and local associations of employees. A 501c4 may endorse and donate to political candidates** and engage in lobbying* to achieve its social welfare purpose. Neither dues nor donations to these organizations are tax deductible on one's federal tax return.

*Lobbying as defined by the IRS means an organization communicating with government officials or employees—or asking for such communication by members of the organization or the general public—with regard to bills, acts, resolutions, ballot measures or the like.

**The IRS allows 501c4s to endorse and donate to political candidates. Note that the League of Women Voters is a nonpartisan organization, meaning it neither endorses nor donates to political candidates or parties.

Can local Leagues without a separate 501c3 Education Fund accept donations that are deductible on donors' federal tax returns?

Yes, LWVUS (National) has an Education Fund ("Impact Fund") that accepts donations on behalf of local Leagues. The LWVUS Education Fund then awards ("grants") the donated funds to the local League upon request by the specific local League to reimburse qualified expenditures.

➤ **Required Filing with the IRS: Form 990-N**

Local Leagues are required to e-file IRS Form 990-N annually by November 15. This form is for tax-exempt organizations whose gross receipts are normally \$50,000 or less.

About filing

- All filers must register at IRS.gov prior to filing their next Form 990-N. This is a one-time registration; you won't be asked to register again when filing the next year.
- Form 990-N must be completed and filed electronically. There is no paper form.
- Use the Form 990-N Electronic Filing System (e-Postcard) [User Guide](#) while registering and filing.
- For filing system and website issues, see [How to File: Frequently Asked Questions](#). If site issues are unresolved, call TE/GE Customer Accounts Services at 877-829-5500. A representative will file your Form 990-N information.
- Organizations should continue efforts to file, even if late.

Form 990-N filing due date

Form 990-N is due every year by the 15th day of the 5th month after the close of your [tax year](#). You cannot file the *e-Postcard* until after your tax year ends.

Example: If your tax year ended on June 30, the *e-Postcard* is due November 15 of the same year. If the due date falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.

If your 990-N is late, the IRS will send a reminder notice to the last address it received.

Penalty

While there is no penalty assessment for filing Form 990-N late, organizations that fail to file required Forms 990, 990-EZ or 990-N for three consecutive years will [automatically lose their tax-exempt status](#). Revocation of the organization's tax-exempt status will happen on the filing due date of the third consecutively-missed year.

Information you will need for Form 990-N

1. [Employer identification number](#) (EIN), also known as a Taxpayer Identification Number (TIN).
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. Web site address if the organization has one
7. Confirmation that the organization's annual [gross receipts](#) are \$50,000 or less
8. If applicable, a statement that the organization has terminated or is terminating (going out of business)

Ready to file?

After you have read the information above and the User Guide, use the [Form 990-N Electronic Filing System \(e-Postcard\)](#) page to start the process.

Tip: At the 990-N page, type your League's EIN; hit enter. The name LWVMI comes up. Hit enter again. On the next page the local League's name is shown; hit enter. On the third page enter the local League's address and treasurer's name as the contact person; hit enter to submit the form.