



NAACP

UNIT FINANCIAL & BOOKKEEPING GUIDE

“The Unit must use the uniform bookkeeping system provided by the National Office.”

Unit Bylaws (2010) Article V, Section 18

Revised January 2012
Finance Department
NAACP- National Office

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Introduction

We, in the National Office, have acknowledged our responsibility to provide meaningful guidance in the area of Unit financial management. This guidance is a necessary element of proper governance by a parent organization.

This financial guide shall focus on several areas that are fundamental, yet critical, to the successful continuance of our organization.

The development of this financial manual was borne out of the necessity to proactively control five factors:

1. The need to minimize our audit risk by being in total voluntary compliance with all regulatory agencies, including the IRS, state and local agencies.
2. The need to limit our liability exposures by controlling the events that might impact the organization negatively, such as an absence of proper due diligence.
3. The need to attain a zero deficiency rating when we are selected for random audit by a regulatory agency.
4. The need to maintain fiscal integrity through the establishment of accounting procedures which comply with generally accepted accounting principles and income tax accounting rules.
5. The need for vital information with which management can effectively, efficiently and strategically allocate scarce resources in the ever-changing environment in which NAACP conducts business.

Note: The term “Unit” refers to NAACP Adult Units, Prison Units, College Chapter, Youth Councils, Jr. Youth Councils and High School Chapters. Much of the guidance provided herein is also applicable to State/State Area Conferences.

SECTION 1: CONVENTION REMINDER

The 2012 Convention will be hosted in Houston, TX from July 7, 2012 to July 12, 2012. Convention attendees are encouraged to pre-register for this year’s National Convention. Units that pre-register are eligible for a 5% discount on all ticket sales only. The 5% discount does not apply to registration fees or Unit Assessments. Convention packages will be mailed out to all units and the packages will include the applicable convention assessment due for the respective unit. Units that intend on participating in the Annual Convention as delegates are required to pay the convention assessment; units that do not come or that intend on participating as observer do not have to pay the convention assessment. Advance registrations must be received by the National Office no later than May 24, 2012. The National Office will accept post marked envelopes.

Please see below the convention assessment table and the delegate strength table:

NAACP – National Office
Unit Financial & Bookkeeping Guide

CONVENTION ASSESSMENT				
State Conferences (Youth and Adult)				\$100.00
Units with.....				
50	to	100		\$50.00
101	to	500		\$75.00
501	to	1,000		\$125.00
1,001	to	2,500		\$175.00
2,501	to	5,000		\$200.00
5,001	to	7,500		\$250.00
Over		7,501		\$300.00
Youth and Young Adult Councils				\$25.00
College Chapters				\$25.00
VOTING STRENGTH				
Representation of Units, Youth Councils, Young Adult Councils, and College and High School Chapters at the Annual Convention shall be on the following basis:				
Voting Members			Delegates	
25 to 49			2	
50 to 100			4	
101 to 500			6	
501 to 1,000			8	
1,001 to 2,500			10	
2,501 to 5,000			12	
5,001 to 10,000			14	
10,001 to 20,000			16	
20,001 to 25,000			18	
Over 25,000 - 1 additional vote for every 25,000 members				

SECTION 1: ASSESSMENTS

As per the Unit Bylaws (2010) Article III, Section 4 et al, Units must remit to the National Office twenty-five percent (25%) of the net proceeds from fundraising activities, this includes all contributions/donations that a unit may have received, no later than forty-five (45) days following the close of the event or at least ninety (90) days prior to the opening day of the Annual Convention. If the Unit did not host a fundraising event for the year, a minimum assessment is still due to the National office based upon the total membership of the Unit as of December 31, 2011 and as recorded by the National office. Units are required to submit, to the National office, either the net fundraising assessment or the minimum assessment whichever is bigger but not both. For units that increased their total membership by thirty-five percent (35%) or higher for the calendar year 2010 they may submit fifteen percent (15%) of their net results from all fundraising activities instead of twenty-five percent (25%).

Fundraising assessments must be paid in full to the National Office by April 9, 2012. Units that do not satisfy, in full, their fundraising assessments (both current and prior years) will be deemed non compliant and will not be eligible to have voting delegates at the National Convention. Units that become compliant after the April 9, 2012 date will be eligible to have voting delegates but will be required to pay the non compliant registration rate.

In addition to paying assessments units are required to file an Annual Financial Report by March 1, 2012, all reports received after that date will be assessed a late filing fee of \$100.00. The National office will accept post marked envelopes for the reports. Units should submit reports via certified mail and are prohibited from electronic submission, i.e., fax or email.

Following is the minimum assessment table for Units. The assessment table, is based on the total number of members for the Unit as of December 31, 2011:

ANNUAL UNIT MINIMUM ASSESSMENTS			
Units with less than 100 members			\$300.00
Units with 101-500 members			\$500.00
Units with 501-1,000 members			\$750.00
Units with 1,001-2,000 members			\$1,000.00
Units with 2,001-3,000 members			\$1,500.00
Units with 3,001-3,500 members			\$2,000.00
Units with 3,501-4,000 members			\$3,000.00
Units with more than 4,000 members			\$5,000.00
All youth Units			\$75.00

SECTION 2: ROLE OF THE NATIONAL FINANCE DEPARTMENT

Processing of Daily Transactions

- Cash receipts
- Cash disbursement

Annual reporting

- NAACP
- NAACP – Special Contribution Fund
- CRISIS Publishing Company
- Information tax return (IRS Form 990) for both NAACP and SCF and corporate tax return (IRS Form 1120) for Crisis
- Group Tax Return (Form 990 – filed on behalf of all NAACP units)

Advising NAACP units

- Accepting our responsibility to provide timely service and proper guidance to the NAACP units
- *We must continue to improve our ability to deliver high quality services to NAACP units.*
- Development / evaluation of policies and procedures
- Appropriate references – internet websites: www.genie.org (provides information and resources for the nonprofit community, including

publications, links to other nonprofit resources, answers to frequently asked questions and provocative opinions.

Monitoring and Reporting

- Year end Financial Reports – acknowledging the critical role of proper financial management and reporting on the overall operations of the NAACP.
- The Finance Department mandates strict compliance with regulations set forth by the IRS and state and local government regulatory agencies.

SECTION 3 - UNIT ACCOUNTING, BOOKKEEPING, AND REPORTING PROCEDURES

Books and records

- Manual v. computerized record keeping systems

Ideally, the Unit accounting system would be computerized. There are several adequate, yet relatively cheap accounting software packages available (i.e. Quicken, Quick Books, Peachtree, etc.)

If the Unit does not possess a computer, the financial records should be maintained in a ledger specifically designed for accounting purposes. Ledgers such as the *Dome Simplified Weekly Bookkeeping Record* (see Attachment 1) are readily available at local stationery stores.

Cash

- Each Unit is required to maintain a bank account in the name of the Unit. The Taxpayer Identification Number (“TIN”) on the bank account is to be that of the Unit, not the National Office. Officers and members of units are prohibited from using their personal social security numbers when establishing banks accounts in the name of the unit.

- All disbursements are to be made by check

Cash payments to vendors are not permitted. Checks should never be made payable to “cash”. A Unit may establish a Petty Cash account for minor purchases and other incidentals if conditions warrant the existence of such an account. If a petty cash fund is established, adequate records of each transaction must be retained. Units are allowed to establish and use credit cards in the name of the unit. However the use of the credit card is limited for securing travel, which is limited to air fare, hotel, and rental car for business purposes relating to the unit.

- Funds may not be withdrawn in any manner other than by check
- Two signatures are required on each check
 - Treasurer and President

- The First Vice President may countersign in the absence of the President
- *Checks must not be pre-signed, and units are strongly prohibited from the use of signature stamps.*
- The bank should be notified each time there is a change in authorized signatories and previous signatories are to be deleted immediately.
- All transactions must be properly documented
Documentation, including vendor invoices must be retained for a period of not less than three years.
- Monetary receipts (including checks) must be deposited into the account of the Unit on a timely basis. The National Office recommends that Unit funds be deposited no later than the end of the following business day.

Under no circumstances are Unit funds to be commingled with the personal funds of Unit officers, members or other individuals or entities.

Adequate documentation should be maintained to support each item deposited into the Unit accounts, the National officer recommends a cash receipt log.

- ✓ This documentation should provide the details pertaining to the source of the funds, how they were generated and how they are to be used, if applicable.
- Unit records are to be reconciled to the bank statements on a monthly basis.

It is recommended that Units limit the number of bank accounts they maintain as follows:

- Operating (checking)
- Savings (interest bearing)
- ACT-SO, BTS-SIS (restricted funds)
- Accounts required by large donors (federal funds)

Reconciliations of Unit bank accounts should be performed by someone who is not an authorized check signer.

Investments and marketable securities

- If the Unit maintains significant cash balances, excess funds should be invested in an interest bearing account or other appropriate investment vehicle. Investments are to be reasonable in the circumstances and are to be made with an appropriate business purpose.
- Investments should be short term (generally with a maturity of less than one year) so that any inaccessibility of funds does not unduly restrain Unit operations.
- Investment vehicle should carry minimum risk
- Each investment must be approved in writing by the Unit Executive Committee (approval should be documented in meeting minutes)

Accounts receivable

- The extension of credit to any individual or entity must be approved in advance and in writing by the Executive Committee of the Unit
- Under no circumstances are Units permitted to extend loans
- To the extent funds are due to Units from third parties, collection efforts are to be monitored and reported to the Executive Committee

Fixed assets

- Adequate records must be maintained detailing all fixed assets owned by the Unit. Records must include the original cost of each asset and any accumulated depreciation.

Vendor invoices must be retained for all purchased assets.

The Unit should maintain an inventory list of its assets and include date of purchase, serial number, model description, etc.

- It is the responsibility of the Treasurer to determine if the Unit is required to submit a Personal Property Tax return to the State.

- Donated assets must be processed through the National Office if the donor intends to report the donation as a charitable contribution.

Units must not provide acknowledgment letters for contributions made directly to them.

Other Assets

- Prepaid expenses with a life of less than 1 year should be expensed as incurred.
- Security deposits should be separately identified to facilitate proper tracking.

Liabilities

- “Indebtedness exceeding \$300.00 per month in the aggregate shall not be incurred in the name of, or on behalf of the Unit unless by vote of the Executive Committee”. Unit Bylaws (2010), Article V Section 15 a,b
- “No indebtedness or obligation shall be incurred by the Unit or any of its officers or agents in the name of National Association for the Advancement of Colored People, and the National Office shall not be responsible for any indebtedness or obligation incurred by the Unit or any of its officers or agents.” Unit Bylaws (2010), Article V Section 15 a,b

Revenues

- All funds received by a Unit are to be identified as either “Restricted” or “Unrestricted” as to their use.

Restricted funds generally include:

- Grants from individuals, corporations, foundations
- Funds for scholarship awards
- Program funds (i.e. ACT-SO, Back-to-school / Stay-in-school)
- Bequests that are letter specific

Unrestricted funds generally include:

- Membership dues
- Funds from fundraising activities to support general operations of a unit.
- General donations/contributions from the public or any other organizations/businesses in the community of the unit.

Proceeds from fund raising activities may be either restricted or unrestricted depending upon the stated purpose of the fund raising activity. Further Units are not permitted to restrict funds for general operating expenses, i.e., post office box, rent, etc. without written approval from the National office.

- Membership dues

Membership dues structure is set forth in Unit Bylaws (2010), Article IV, Section 10 & 11 a,b,c,d,e

The Unit shall remit to the membership department of the National Office, the National Office's share of all membership fees within fifteen (15) days of their receipt.

No NAACP Unit shall retain for the purposes of defraying operation expenses the National Office share of membership dues and/or fund raising proceeds without prior approval of the National Office President and CEO.

- Unrelated business income

Income generated from a trade or business that is regularly carried on, and is completely unrelated to the exempt purpose of the NAACP.

An activity will be considered an unrelated business (and subject to UBIT) if it meets the following three requirements: (1) it is a trade or business, (2) it is regularly carried on, and (3) it is not substantially related to the furtherance of the exempt purpose of the organization.

Unrelated Business Income Tax is captured on IRS Form 990T, which must be filed by the NAACP Unit if gross income from unrelated business activities, exceeds \$1,000 for any calendar year:

- ❖ Advertising revenue
- ❖ Commercial activities (i.e. operation of a bookstore or parking facility, rental income, etc.)

Unrelated business income must be separately reported in the year end financial report filed by the Unit. However, the tax liability for unrelated business income remains with the Unit.

Expenditures

- Salary

“Staff may be employed by NAACP Units where budgets warrant such employment, upon terms and conditions approved by the National President/CEO. Such staff shall be elected by the Executive Committee of the Unit.”

Salaries should be approved annually by the Executive Committee of the Unit.

Employee v. independent contractor

The key distinction between “employees” and “independent contractors” is the element of control. An employer-employee relationship exists when the Unit has the right to control what work an individual does and how the work gets done.

The IRS has recently audited several NAACP Units and assessed significant fines (\$10,000) upon each Unit for their failure to properly classify workers as employees.

Unit must withhold payroll taxes from employee salaries and remit the taxes, along with the employer portion, to the IRS on a scheduled basis.

Unit must also file quarterly employment tax returns (Form 941) and an annual employment tax return (Form 940). Payroll taxes are “trust fund taxes” and as such, Unit officers and directors could incur a personal liability for nonpayment to the IRS.

Documentation

- Proper supporting documentation must be maintained for each transaction. Proper documentation includes:

Revenues

- ❖ Member or donor correspondence
- ❖ Check remittance advice
- ❖ Check photocopy
- ❖ Conference registration / ticket sales logs

Expenses

- ❖ Properly approved purchase requisitions
- ❖ Approval should be received in advance of placing order for goods or services
- ❖ Vendor invoices
- ❖ Payment approval
- ❖ Canceled check

Year end financial reports

- Purpose

Annual report of Unit financial activities

Provides information needed by the National Office for the completion of the Federal group tax return filed on behalf of all Units.

- ❖ Failure to submit a year end financial report will result in the Unit being omitted from inclusion in the Group Tax Return.
- ❖ Must be remitted to the Finance Department of the National Office by March 1, 2012, or units will assessed a \$100.00 late filing fee.

- ❖ The Annual Financial Report is updated annually and is made available to all units by December 1, 2011; they can be obtained from the NAACP website at: www.naacp.org/pages/financial-reports. This document is provided in both PDF and Excel formats. Please note the National office does not mail financial reports to units.

SECTION 4 - TAX STATUS OF NAACP UNITS

All Units have been designated as 501(c)(4) organizations, only the National Office is a 501(c)(3) organization

A 501 (c) (4) organization is a nonprofit corporation operated exclusively for the promotion of **social justice**. Exemption under this Section does not confer deductibility of contributions by donor to the corporation, but may enable it to avoid the restrictions of private foundation status, and the restrictions on lobbying and other political activity.

Definition of Social Justice

NAACP Units are strategically designed to operate exclusively as 501 (c) (4) entities for the promotion of social justice, primarily to further the common good and general welfare of the people of their communities, such as bringing about civic betterment and social improvement. In addition, a 501 (c) (4) must benefit a community as a whole. Thus, a corporation will not qualify under 501 (c) (4) if its activities benefit only its membership or a select group of individuals.

A 501 (c) (4) corporation may not, as its primary activity, conduct business with the general public in a commercial manner. Any earnings of such an organization must be devoted exclusively to charitable, educational or recreations and for our purposes, civil rights.

A 501 (c) (4) organization may engage in some social activities, some lobbying, and some political activity. NAACP units were specifically organized as 501 (c) (4) organizations so that they can (1) seek to increase registration and voting; (2) work for the enactment of municipal, state and federal legislations designed to improve the educational , political and economic status of minority groups; (3) seek the repeal of racially

discriminatory legislation; (4) work to improve the administration of justice; (5) work to secure equal enforcement of the law; (6) keep the National Office informed of all proposed legislation which affects minority groups.

NAACP Units shall be non-partisan and shall not endorse candidates for public office.

Contributions to 501(c)(4) organizations may not be deducted as charitable contributions by the donor.

SECTION 5: FUNDRAISING ACTIVITIES

General Solicitation of donations

- When soliciting donations, Unit are required to disclose through an express statement (in a conspicuous and easily recognizable format) that contributions and gifts are not deductible as charitable contributions for federal income tax purposes.
- Solicitations by mail, leaflet, or advertisement in a newspaper, magazine or other print medium must meet the following IRS requirements:
 - ❖ Include the statement “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes”;
 - ❖ The above statement must be in the same size type as the primary message stated in the body of the letter, leaflet or ad;
 - ❖ The statement is included on the message side of any card or tear off section that the contributor returns with the contribution; and
 - ❖ The statement is either the first sentence in a paragraph or itself constitutes a paragraph.
- Solicitations by telephone must meet the following IRS requirements:
 - ❖ Include the statement “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes.”

- ❖ The statement must be made in close proximity to the request for contributions, during the same telephone call, by the telephone solicitor; and
- ❖ Any written confirmation or billing sent to a person pledging to contribute during the telephone solicitation complies with the requirements for print medium solicitations.
- Solicitation by television must meet the following IRS requirements:
 - Include the statement “Contributions or gifts to this NAACP Unit are not tax deductible”.
 - If the statement is spoken, it is in close proximity to the request for contributions; if the statement appears on the television screen, it must be in large, easily readable type, and appears on the screen for at least five seconds.
- Solicitation by Radio must meet the following IRS requirements:
 - Include the statement “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes”
 - The statement is made in close proximity to the request for contributions during the same radio solicitation announcement.

Corporate and Foundation Contributions

Effective immediately, the National office will not process pass through contributions to Units or State/State Area conferences that are intended for fundraising events or any other programs that are not sponsored by the National office.

All Fundraising events

Unit must inform donors that contributions to the Unit are not deductible as charitable contributions.

For payments to qualify as a charitable contribution they must be a gift. Where patrons of fund raising activities (such as charity balls, bazaars, banquets, shows and athletic events) receive a privilege or benefit in

connection with a payment to the unit, the presumption is that the payment was not a gift.

Organizations that give donations to Units to support fundraising events are able to deduct the total contribution as an ordinary business expense, which can be designated as advertising or promotional.

SECTION 6 – POLICIES & DUTIES

Duties of the Treasurer

The duties of the Treasurer shall be:

- a. To receive all monies of the NAACP Unit and promptly deposit the same in the name of the NAACP Unit in a separate account or accounts in a responsible bank or trust company. No money shall be withdrawn from any account except by check signed by the Treasurer and countersigned by the President.
- b. To act as chief financial officer of the NAACP Unit and chair of the Finance Committee.
- c. To make authorized disbursements upon requisition signed by the Secretary and countersigned by the President. Each requisition shall recite the amount and purpose of the payment requested. Any requisition exceeding one hundred dollars or more in the case of Branches, or twenty-five dollars or more in the case of College Chapters and Youth Councils, must be approved by the Executive Committee before a check therefore is issued. The NAACP Unit bylaws may require that requisitions in smaller amounts be approved by the Executive Committee.
- d. To remit through the Secretary to the Association the proportion of membership fees to which the Association is entitled, as hereinafter provided, within fifteen calendar days after their receipt.
- e. To submit reports to the NAACP Unit and the Executive Committee at all regular meetings, or whenever required by either body, covering the financial condition of the NAACP Unit

showing receipts and disbursements and outstanding accounts unpaid since the last report; to submit an Annual Report to the business of his/her office at the Annual Meeting of the NAACP Unit, to which shall be appended a statement signed by the President and Secretary that all funds by the NAACP Unit have been listed in the Treasurer's report. A copy of all reports by the Treasurer, when adopted by the NAACP Unit, shall be forwarded to the National Office.

- f. All NAACP Units shall require the Treasurer to be bonded at the expense of said Unit.
- g. Submit year-end financial reports to the National Office on or before March 1, 2012.

Propriety of financial records

All NAACP Unit records are the property of the NAACP and must be properly filed and safeguarded. The Unit should also require that records be transferred upon change in leadership/administration.

Units Reporting to State/State Area Conference

Units shall provide a copy of the Yearend Financial Report to their respective State/State Area Conference, pursuant to Article IV, Section 3(a) *“All Units in the State/State-Area Conference’s jurisdiction are automatically members of the State/State-Area Conference, and are required to pay annually the prescribed assessment fee established by the Legislative Session of the State/State-Area Conference and approved by the Board of Directors. In order to be a Unit in good standing of the State/State-Area Conference, a Unit shall have paid its yearly assessment fee to the State/State-Area Conference and the per capita tax on each membership sent to the Association, and shall have at least fifty adult (50) adult members in good standing of a Branch; at least fifty (50) members of a Prison Branch; and at least twenty-five (25) of a Young Adult Council, College Chapter, Youth Council, High School Chapter, Junior Youth Council; and at least seven members of an Authorized Committee, at least sixty (60) days prior to any meeting of said Conference. All Units must be in good standing; pay all annual assessments; and, file all annual year-end reports as required by the Association to participate in meetings of the Conference. Only members of Units in good standing as defined above are members of the State/State-Area Conference.”*

Record retention

Membership dues, net fundraising proceeds, fundraising assessments (as reported in the year end financial report), and convention assessments (based on membership levels)

Tax returns

State, local and payroll

Year end financial reports

- At least 6 years

Documentation supporting tax returns

General ledgers

Check registers

- At least 3 years

Purchase requisitions

Vendor invoices

Canceled checks

Payroll taxes

- Unpaid trust fund taxes = personal liability

Remittances to National Office

- Membership dues
- Annual assessments

Includes donations and contributions

- Convention assessments
Based on membership levels

In an effort to minimize the mis-posting of NAACP Unit remittances, we request that NAACP Unit personnel clearly indicate the purpose of each remittance on the face of the check, preferably in the “memo” section. The memo section should include the fiscal year the payment relates to and the number of the Unit.

ATTACHMENTS

A1: Filing Forms 1099

Nonprofit organizations must file with the IRS a Form 1099 for any individual or unincorporated business to whom they paid \$600, or more, for any type of service (but not for the purchase of goods.) Typical examples are payments for accounting, legal and computer consultant fees; prizes, awards, and honoraria; rent, maintenance, and contract labor.

A three-tier penalty applies for failing to file correct information returns with the IRS. The penalty system applies to any (1) failure to file on or before the required filing date, (2) failure to include required information on the form, and (3) reporting of incorrect information. To encourage prompt filings and to remedy errors or omissions, the per return penalties become progressively higher as time passes.

Typical questions asked:

- Q. *We paid \$1,000 to a consulting firm during the past year. Should a Form 1099 be filed?*
- R. A Form 1099-MISC should be filed for payments of \$600 or more, unless the consulting firm is a corporation.
- Q. *We purchased office supplies from a business that is not incorporated. Should we issue a 1099?*
- R. No. Payments for goods and merchandise are exempted.
- Q. *What do we do when we don't have a Social Security or Employer ID number?*
- R. Send the payee a Form W-9 requesting the identification number. Meanwhile, file the 1099's without the ID number and amend the returns as soon as the number is received to minimize the penalties. Finally,

adopt a policy that no payments will be made in the future until a payee provides an identification number.

- Q. *Does the IRS really try to match up the amounts reported on 1099's with those reported on recipients' returns?*
- R. Yes. The 1099 copies sent to the IRS are entered into the IRS's compliance computer system for tracing to recipients' returns. Recipients receive notices if the matching is not successful.

A2: Unit Audits

- Absolute right of National Office
- Basis of selection

Random

Targeted - Discretion of the President / CEO and Board of Directors of the National Office

Size of Unit – including amount of revenue earned, expenses incurred and number of members.

Delinquency in filing Annual Financial Reports and errors or inconsistencies in Annual Financial Reports filed

- Policy pertaining to Unit audits has been adopted by the Board of Directors of the National Office

Consistent audit findings and violations are as follows:

Documents supporting cash receipts and disbursements are missing.

Cash receipts are not deposited timely.

Bank reconciliations are not prepared timely.

Units maintain an excessive number of bank accounts.

Variances exist between amounts reported on the Annual Financial Report and internal Unit records.

Units do not maintain a list of property and equipment owned.

Membership dues are not properly accounted for.

Units do not properly disclose their tax status as a 501 (c) 4 entity when soliciting contributions from donors.

Units do not timely remit annual assessment to the National office.

Expense vouchers do not exist to support cash disbursements.

Checks are made payable to cash.

Expenses are paid with a Unit credit card.

Checks are disbursed without the signature of the Treasurer.

Checks are signed by the Secretary.

Funds disbursed from restricted ACT-SO and BTS/SIS accounts which do not relate to the programs.

No uniform filing system exists for storing Unit records.

A3 : Grants

Grant proposals and requests for approval by the National Office

- National Office must approve all grants for which the grantor will seek to claim a tax deduction for a charitable contribution prior to Unit acceptance
- Procedures for obtaining National Office adoption of local program (pertains to all programs for which restricted funds are to be used):
 - ACT-SO (formally adopted by the National Office)
 - Back-to-school / Stay-in-school (formally adopted)
 - Scholarships (must be formally adopted)
 - Other community based programs (must be formally adopted)
- Written proposal must be submitted to National Office to the attention of the Senior Development Director, Mrs. Monesse DeLara
- Proposal must include:
 - ✓ Objectives and goals of program
 - ✓ Targeted beneficiaries of the program
 - ✓ Program sponsor
 - ✓ Period of program duration
 - ✓ Method by which program is to be implemented
 - ✓ Names, addresses and qualifications of individuals responsible for the implementation of the program
 - ✓ Projected annual program expenditures (also total expenditures for non-recurring programs)
 - ✓ Proposed program funding sources
 - ✓ Reporting requirements and individual responsible for preparing and filing reports.

A4 – Unit Audit Guide

Per the Bylaws, Article V, Section 19, p.27 “The books of the Unit shall be audited annually by an auditing system acceptable to the National office.

NAACP-NATIONAL OFFICE Agreed Upon Procedures for Review of Unit Operations Financial Reports/Cash

Objectives:

- A. Determine that the financial reports are in agreement or reconciled with Unit records.
- B. Determine whether the financial report items are properly classified.
- C. Determine whether cash balances properly reflect all cash and cash equivalents on hand.
- D. Determine whether cash balances are properly classified in the financial report and adequate disclosure is made of restricted funds.

Audit Procedures:

	Performed By	Date
1) Compare prior year ending cash balance to current year beginning cash balance.		
2) Request bank statements from all banks with which the Unit conducted business during the year.		
3) Obtain bank reconciliations of all bank accounts at the end of the year. (a) Test clerical accuracy. (b) Compare book balance to general ledger.		
4) Consider performing alternative procedures to ensure that cash balances are accurate as of year-end.		
5) Verify the numerical sequence of checks.		

NAACP-NATIONAL OFFICE
Agreed Upon Procedures for Review of Unit Operations
Revenues

Objective:

- A. Determine that all receipts are properly recorded by the Unit.
- B. Determine whether the Unit properly reported membership revenues and contributions to the National Office in accordance with the terms and provisions of the Constitution and Bylaws for Units.
- C. Determine whether the National Office received its appropriate share of Unit revenues.

Audit Procedures:

Membership Revenue – Obtain Unit membership records for the year under review and perform the following procedures:		
1) Recalculate membership dues by category based upon the number of members in each category multiplied by the appropriate dues rate.		
2) Select a sample of ___ members and verify receipt of appropriate dues amount by examining cash receipt records and tracing receipt to deposit in unit bank account.		
3) Examine documentation to determine whether the National Office received its appropriate share (60%) of membership dues on a timely basis. Verify receipt with National Office.		

<p>Contribution Revenue – Obtain a listing of all contributions received during the year by the unit, including name of contributor, amount contributed, date of contributions, restrictions, if any, on the use of proceeds contributed and perform the following:</p>		
1) Select _____ contributions and trace the receipt to deposit in Unit bank account.		
2) Review correspondence with the contributor and determine what representations may have been made by the Unit with regard to the deductibility of the contribution.		
3) Ascertain whether donor restrictions and/or reporting requirements, if any, have been complied with.		
<p>Fundraising Revenue – Obtain a list of fundraising activities undertaken by the Unit during the year and perform the following:</p>		
1) Select a representative sample of receipts and trace to deposit in Unit bank account.		
2) Review for reasonableness the methodology used by the Unit in determining net proceeds from each fund raising activity.		
3) Ascertain that the National Office received the appropriate portion (25%) of net fundraising proceeds. Review correspondence, tickets and all other solicitation materials distributed in connection with fund raising activities and ascertain that the Unit has made the proper disclosures regarding the deductibility of contributions or the cost of tickets purchased. Obtain copies of all solicitation materials and tickets used in fund raising activities for submission to the National office.		
<p>Other income – Obtain a listing of other income and ascertain the reasonableness of the amount based upon an understanding of the Unit’s operations. Ascertain that amounts have been properly recorded and that proper disclosures, if required, have been made.</p>		
Select _____ additional deposits posted to the unit’s bank statement and ascertain that the receipt was properly recorded.		

**NAACP-NATIONAL OFFICE
 Agreed Upon Procedures for Review of Unit Operations
 Costs and Expenses**

Objective:

Determine whether costs and expenses are valid, properly documented and reasonable with regard to the level of unit operations.

Audit Procedures:

	Performed By	Date
1) Select a representative sample of transactions to be tested. (a) Review vendor invoices and other supporting documentation. (b) Review vendor invoices for proper account distributions. (c) Compare invoices to entries in the cash disbursements journal and cancelled checks; observe date, amount, payee and signatures. (d) Examine payment voucher for proper approval in accordance with unit Bylaws.		
2) If applicable, select a sample of restricted expenses to be tested. (ACT-SO, Back-to-School/Stay-in-School or grant expenditures)		
3) Examine voided checks for proper cancellation.		

**NAACP-NATIONAL OFFICE
 Agreed Upon Procedures for Review of Unit Operations
 Salaries and Wages**

Objective:

Determine whether salaries and wages are properly recorded.

Audit Procedures:

	Performed By	Date
1) Obtain a list of all Unit employees during the year under review. Ascertain that each unit staff member was employed under terms and conditions approved by the National President/CEO.		
2) Review the general ledger accounts for salaries and wages and note any unusual entries.		
3) Review the employee personnel file and determine the authorized rate of pay.		
4) Select a representative sample of transactions to be tested. (a) Test accuracy of gross to net pay. (b) Compare information on cancelled checks. (c) Agree salaries and wages to payroll reports filed: 941 W2/W3 1099/1096		
5) Ascertain that Unit staff members are not members of the Executive Committee.		

**NAACP-NATIONAL OFFICE
Agreed Upon Procedures for Review of Unit Operations
General Matters**

	Performed By	Date
1) Meet with appropriate Branch representatives, including President, Treasure and/or other paid staff, if any. Discuss the nature of Unit activities, including programs, fund raising activities, membership campaigns, etc. Inquire as to the roles of each Committee established by the unit.		
2) Request copies of minutes of all committee meetings.		
3) Request copies of Unit-specific By-laws adopted by the Unit under review.		
4) Determine whether a recent audit of the unit has been performed by an independent accounting firm, the IRS or any state or local regulatory agency. Obtain copies of any audit reports or other reports of findings.		
5) Request copies of any IRS documentation received by the Unit, including IRS letters of determination if so requested by the Unit.		
6) Obtain Unit accounting records, including general ledgers, trial balances, subsidiary records, bank statements and membership reports.		
7) Obtain a copy of the year-end financial report for the Unit.		
8) Obtain copies of any tax returns filed by the unit with the IRS or state tax authorities, including payroll tax returns.		
9) Obtain a listing of all Unit bank accounts and signatories on each account.		
10) Request documents from paid preparer of Annual Financial Report.		

NAACP-NATIONAL OFFICE
Agreed Upon Procedures for Review of Unit Operations
Fixed Assets

Objectives:

- A. Determine whether additions and disposals have been properly recorded.
- B. Determine whether depreciation expense and accumulated depreciation is reasonable and the method consistently applied.
- C. Determine whether amounts shown as fixed assets are recorded at cost and properly represent capitalized items.

Audit Procedures:

	Performed By	Date
1) Obtain a list of fixed assets purchased during the year.		
2) Verify existence and location.		
3) Trace additions and disposals to financial report.		
4) Agree purchase amount to cancelled check/bank statement.		