

## **CHAPTER FINANCES**

Chapter financial records must be maintained by each chapter. The state Treasurer and the state office staff rely on chapter records to help maintain financial records of the statewide organization. Chapters have certain financial reporting obligations. Chapter financial reports must be submitted annually based on the Society's fiscal year (April 1 to March 31) and sales tax reports must be submitted quarterly.

### **Chapter treasurers have two basic responsibilities to the statewide organization:**

1. To provide the state office with an annual financial report. Financial reports are for the fiscal year and must be sent by April 20, to be included in the statewide annual financial report. These reports are also consolidated with financial data from the state organization to fulfill state (Franchise Tax Board) and federal (Internal Revenue Service) reporting requirements for non-profit organizations.
2. To provide the state office with quarterly reports on taxable sales. The chapter treasurer also calculates the sales tax and sends the amount to the state office, which combines all the figures and makes a single report and payment to the State of California. Sales tax reports are due April 20, July 20, October 20, and January 20 (20 days after each quarter). This schedule allows almost two weeks for the state office to complete the consolidated sales tax returns.

These two tasks and additional information on banking, insurance, and subventions, are described in more detail in the following sections. The state Treasurer or the state office bookkeeper should always be consulted on any financial matter that is not clearly understood by the chapter treasurer.

### **Chapter Financial Reports, Annual**

Annual chapter financial reports should include money in checking or savings accounts, certificates of deposit, or other investments.

### **Chapter Sales Tax**

Sales tax is the major tax that is applied to the activities of CNPS and its chapters. CNPS must collect the appropriate tax (calculated at the current tax rate) on the full price of every sale of tangible personal property for actual use (rather than for resale). The sales tax rate varies among counties and may change during the year. Sales tax is not expected to be paid twice. No tax is charged at any stage of the distribution process up to the final retail sale if the purchaser satisfies the vendor that the purchaser has a valid resale number and is purchasing for resale. When the chapter is purchasing items for resale, (such as t-shirts) it should use the Society's resale permit number, SR CH 26-633-655. When the chapter is selling items for resale, it should obtain the purchaser's resale number.

CNPS and the chapters are entitled to buy for resale when the primary purpose of the purchase is to acquire goods to be resold. The poster project is an example. CNPS paid for printing posters, almost all of which will be resold. Using the Society's resale number, payment of sales tax was not required. When the posters are sold wholesale to a bookstore or gift shop, the buyer's resale number is obtained and no tax is charged on the wholesale price. When posters are sold retail directly to people who are buying for their own use (or an individual without a resale number), however, the transaction is recorded as a taxable sale and sales tax is collected.

Chapters may use some of the posters (or other merchandise, such as t-shirts), to attract people to a plant sale, for a promotional event, or as donations or gifts. Here the use of the posters is a taxable transaction and the law requires that the transaction be recorded and reported as a taxable sale with sales tax due. Sales tax is calculated based on the cost of the item used.

The quarterly sales tax report to the state office should be made on the CNPS Report of Chapter Sales (see example). It must include the amount of taxable sales (segregated for each publication or type of item) and the amount of sales tax at the appropriate rate. The amount of non-taxable sales is also required. Non-taxable sales include sales to retailers for resale and out-of-state sales. State sales tax may be calculated by the following formula:

Gross receipts/(1 + tax rate) = net sales

Net sales x tax rate = sales tax collected

Example: If the tax rate is 7.25%, and your gross sales are \$10,000, then

Net Sales = \$10,000/1.0725 = \$9324.01

Sales tax collected = \$9324.01 x 7.25% (.0725) = \$675.99

The CNPS state office will combine the sums from all chapters and send a single check for sales tax to the Franchise Tax Board.

Meticulous sales records help in calculating and reporting sales tax due. Volunteer treasurers are not expected to be finance professionals, and should ask for help when needed. The California Franchise Tax Board may investigate any organization that they have reason to believe is not properly collecting and reporting sales tax. They also may do random spot checks as part of their compliance monitoring program.

## **Banking**

Since not all chapter treasurers have extensive bookkeeping experience, the report form is designed to be used as a record of cash transactions (just like a personal checkbook). A treasurer with experience in bookkeeping or accounting may choose to use an accrual basis. If so, a complete set of income statements and balance sheets should be submitted as the chapter's annual financial report.

Chapters may open bank accounts for their use. Most banks require a federal identification number when opening interest-bearing accounts. The CNPS number is 94-6116403. Be sure that the name on the account is California Native Plant Society, <Chapter>. DO NOT put the chapter name first, or the IRS computer will not recognize the number as valid. Your account will then be subject to back-up withholding. This can be straightened out, but it is easier to avoid the hassle.

It is recommended that all bank accounts must require two signatures for checks or withdrawals over a certain amount (\$250-\$1000). Some chapters require two signatures for all checks and withdrawals. A rubber stamp with the account name and number obtained from the bank should be used to endorse checks for deposit.

## **Subventions**

A portion of the membership dues paid by chapter members may be returned to a chapter yearly. Chapters may request this "subvention" of up to \$500.00 payable after submission of the Annual Chapter Activities Report, due by February 15. Each Chapter's board should decide if it wants to receive the annual subvention and indicate so when submitting the Report. New chapters may request \$100 in subvention funds when the chapter is admitted to the Society. The subvention checks will be sent after the fiscal year audit has been accomplished at the State level. This usually happens in the May/June timeframe. Be sure the State office has the current chapter Treasurer's current address.

## **THE ROLE OF THE CNPS CHAPTER TREASURER**

The minimum responsibilities of the CNPS chapter treasurer are to:

- Maintain chapter checking and saving accounts**
- File quarterly sales tax reports (if your chapter sells merchandise)**
- File annual financial statement with state office**
- Maintain appropriate business license (if your chapter sells merchandise)**

### **Chapter Checking and Savings Accounts**

The chapter checking account is used to conveniently pay for chapter expenses (newsletter, meeting expenses) and the purchase of merchandise for resale. Deposit annual subvention, donations, and sales income (if any) into the checking account.

When setting up a chapter checking account, it is recommended to have four chapter board members as signers, and it is strongly recommended that two signers be required for each check and for transferring money or closing the account. Recommended signers include the chapter President, Treasurer, and two other board members (that attend meetings and are active in the chapter). The Treasurer duties include updating the signature cards when board member titles change or if board members change. Chapters with smaller cash balances might want to have only one bank account such as an interest bearing checking account. Chapters with larger cash balances will also desire to have interest bearing saving accounts or certificate of deposit (CD). Again, four signatures are recommended with two at a time required for withdrawal or account closure. The treasurer should recommend what kind of savings account(s) depending on total cash on hand and annual chapter expenditures with the goal of maximizing interest income.

It is the chapter Treasurer's responsibility to reconcile bank statements monthly and at a minimum provide a quarterly financial report to the chapter board. Once each year, the Treasurer should present to the chapter board bank statements for all checking and saving accounts that are the basis for the annual financial report. Bank statements should be available to any board member requesting them.

### **Handling Cash**

Cash is received as donations (pass around the hat at program meetings) and as payment for books, posters, and at plant sales. Large amounts of cash (generated by plant sales) should be "double-counted," that is, have two people count the cash to independently validate the deposit. Also, a cash drawer should be used to keep bills and change secure. Some chapters maintain a "petty cash" account, which to set aside \$100-150 in cash for making small purchases; other chapters have volunteers pay for small items and then get reimbursed by submitting an expense statement with supporting receipts. To make deposits easier, it is OK for the treasurer (or others) to write a check to the chapter for the amount of the cash and change collected.

### **Filing**

Treasurers accumulate a lot of paper. Set up file folders for each checking and savings account and file each month's statement into the appropriate yearly folder. Keep statements for 5 years. For every check that is written, some form of documentation or receipt must be kept. Ideally a photocopy of each check can be made and receipts or documentation (expense statement) can be attached to each check copy. If you can't make a copy, write the check # and date paid on the receipt or documentation. A valid receipt can be as simple as a handwritten list of expenses submitted by a chapter member or volunteer, however, the best documentation includes copies of receipts with the items being charged circled.

Treasurers also need to record receipts of income, coming in the form of checks and cash. If possible, make photocopies of all checks received, and indicate what kind of income it represents (donations, plant sale, subvention, etc.). The basic categories of income are shown on the annual financial statement. Checks can be a source of mailing lists for plant sales, wildflower shows, and membership solicitation. If possible, file income records in a separate folder for each fiscal year.

To be on the safe side, keep income and expense records for 5 years. For certain expenditures records should be kept indefinitely. The publication of a book is one example of a file that should be kept indefinitely, as it might be a decade (or longer) before a book is reprinted.

## **Sales Tax**

If your chapter sells books and posters and if your chapter has a plant sale then your chapter must collect sales tax. Each county (and some cities) has its own sales tax rate. Every quarter the chapter treasurer must report the total sales tax collected to the state office accompanied by a check. (See sales tax form and instructions).

## **Permits & Licenses**

In many cities chapters will need a business license to sell books, posters, plants, etc. (The state CNPS resale permit is valid for all chapters – it is SR CH 26-633-655; however, the resale permit is not a license to sell books in your city. Contact the City Clerk to see if you need a business license). The business license type is for retail sales. Chapters with enough members to justify bulk mail will need a bulk mail permit. Get the permit at the post office for an annual fee.

## **QuickBooks**

It is highly recommended that the Treasurer use the QuickBooks accounting program to maintain the chapter's finances. Quickbooks Pro 2005 is the current software used by the State office.