



Chapter Annual Financial Report Forms Instructions

8735 W. Higgins Rd, Ste 300
Chicago, IL 60631

Phone: 847.375.4724
Fax: 847.375.6436

E-mail: info@aphon.org
Website: www.aphon.org

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Reporting Deadlines

The following annual forms/items are due to the APHON National Office by the dates shown below. All forms are downloadable from the APHON Website under the Local Chapter Resources link.

Form/Item	Due Date	Purpose
IRS Form 1099 - Miscellaneous	January 16	Form reports taxable compensation to an individual or business for amounts > \$600. Certain trades / services are reportable.
IRS Form W-9 - Request for Tax Id. Number and Certification	January 16	Form requests a taxpayer's identification number for those engaged in certain trades / services with the Chapter. Details provided will be used to prepare the 1099-Miscellaneous .
Group Exemption Authorization Form	February 28	Chapter's authorization to be included in the annual APHON group exemption roster submitted to IRS.
December 31st Financial Reports <ul style="list-style-type: none"> • Balance Sheet • Income Statement • Federal 990 Details • Unrelated Business Income Tax Worksheet • Copy of year-end bank / investment statements 	February 28	Contain relevant financial data that will be used to create group tax return. <u>Must</u> be completed in full.
Activity Report	February 28	Summary of Chapter's activity for immediate past year.
Chapter Officer Report	February 28	Provides current contact information. If this form is not submitted annually, APHON cannot complete automatic deposit of chapter dues.
Chapter Membership Roster	February 28	A Roster of all current members of the local chapter.

Did you know....?

- **Failure to submit annual Financial Reports could result in revocation of your Chapter's Tax-exemption status?**

Individual Chapters that do not submit completed financial data in a timely manner could be in jeopardy of having their exemption status revoked. Concerning this serious matter, the IRS has stated the following:

Organizations that have failed to file an annual 990 return or notice for three consecutive years will automatically lose their tax-exempt status. That includes group ruling holders and their subordinate organizations.

An organization that does not file its required, annual information form for three consecutive years AUTOMATICALLY loses its tax-exempt status. That means it must file Form 1120, U.S. Corporation Income Tax Return, and may need to pay income taxes.

- **Disbursements made to certain Independent Contractors/Vendors for certain trade/services require that the IRS 1099-Miscellaneous be filed?**

Certain types of income may be taxable to certain U.S. individuals or businesses who conduct business with the Chapter. Taxable income is reportable to the IRS. The tax form 1099-Miscellaneous must be prepared and given to Independent Contractors/Vendors who are compensated by the Chapter for amounts greater than \$600, and would apply to certain types of fees and services.

Please see section **1099 – Miscellaneous** for further instructions and details.

- **The IRS requires the Chapter to collect and maintain records of tax identification numbers for certain Independent Contractors/Vendors?**

To report taxable income on the **1099-Miscellaneous** form to the IRS, it is necessary to collect a tax identification number (TIN) for U.S. individuals or business. The IRS requires that we obtain and maintain a W-9 for each individual or entity for our records.

The individual/business is required by the IRS to provide a correct TIN. Their failure to furnish the correct TIN, and our failure to request/collect one, is subject to penalties or back-up withholdings.

Please see section on **W-9 Request for Information** for further instructions and details.

- **State law requires that your Chapter apply for a business permit and pay Sales Tax if you sell products and other goods?**

A Chapter may sell products and other goods to generate income. State law requires that sales tax be collected from the consumer. This liability is subsequently paid to your local Department of Revenue (DOR) of the state where the Chapter has a nexus or presence. In most cases it is illegal to conduct this type of business without having first registered for a sales tax permit. The Chapter is responsible for the registrations, tax collection, and reporting and payment of this liability.

Laws and rates vary by state, so please contact your state's DOR for specific instructions.

- **State law requires registration and other reporting requirements for your Chapter to conduct Raffles / Fundraising?**

Even though APHON is a nonprofit organization, the Chapter may be required to register with the local state's Attorney General's office (AG) prior to conducting a raffle or fundraising event. Filing and financial disclosure reports may be required to be submitted for each event.

Laws vary by state, and in most cases it is illegal to conduct this activity without having first registered. Please contact your state's local AG's office for specific instructions.

APHON Financial Annual Reporting Package

- **Group Exemption Authorization and Fee**

To have the APHON National Office file the **Federal forms 990 and 1099-Miscellaneous** with the IRS on behalf of a local Chapter, the **Authorization to Be Included in the Group Exemption Form** must be signed by an officer of the APHON Chapter.

- **Financial Forms**

Financial forms are formatted in Microsoft Excel. Each form must be completed and submitted electronically (emailed); **handwritten forms will not be accepted.**

There are five financial forms:

- Balance Sheet (formerly called Statement of Financial Position) **Due February 28**
- Income Statement (formerly called Statement of Activities) **Due February 28**
- UBIT (unrelated business income tax) **Due February 28**
- Federal 990 Details **Due February 28**
- 1099-Misc Details **Due January 16**

Directions for Input

Please input amounts in yellow cells of each form. The shaded gray shaded areas of the Excel spreadsheets contain formulas which automatically calculate. The gray cells are secured to preserve formulas.

The Balance Sheet and Income Statement are on one workbook and each form can be accessed by clicking on the tabs at the bottom of the Excel file.

• **Balance Sheet**

The **Balance Sheet** reports the Assets, Liabilities, and Chapter Equity on a specific date. The report date is APHON's fiscal year-end, which is December 31.

The basic equation for the Balance Sheet is $Total Assets = Total Liabilities + Total Chapter Equity$. This will be important for when Input of all forms is complete.

Following is a glossary of terms on each form.

Assets

Assets are any item of economic value owned by the Chapter, especially items that can be converted to cash.

Checking Account

Enter your checking account balance as of December 31 in the field. A copy of the Chapter's bank statement showing the account balance at the end of the year must accompany the financial statements.

Savings Account

If the Chapter has a savings account, enter the balance as of December 31 in the corresponding field.

Inventory (*Requires Sales Tax Registration and Reporting*)

Inventory is the value of merchandise or stock on hand that the Chapter intends to sell.

Examples:

1. Logo Pens
2. Lapel Pins
3. T-Shirts
4. Publications

Investments

Examples of investments include CD or money market accounts the Chapter purchases or invests through a bank. A copy of the Chapter's complete investment statement(s) showing the account balance at the end of the year must accompany the financial statements.

Prepaid Expenses

These are items that are prepaid or advance deposits paid within the current fiscal year, for a product or service that will occur in a future fiscal year. (e.g., the Chapter pays a Speaker fee in 2015, and the event the Speaker is scheduled to attend is in 2016.)

Other Assets (*rarely used*)

These are Assets that would not fall into any of the above categories. Those might include Petty Cash, Accounts Receivable (items due from others), or Deposits/Retainers Held on Account. Other Assets are not Total Revenue.

Liabilities and Chapter Equity

Liabilities are debts that the Chapter is obligated to pay, and the item was unpaid at the end of the reporting period.

Accounts Payable

Accounts payables are amounts due to Vendors for products and services that have not yet been paid. Disbursements related to the current fiscal years that are paid *after* December 31 should be recorded in this area.

Deferred Income

Income received for a future year's event is considered deferred income. The income is deferred until the event takes place. A common example would be 2014 annual Membership Dues payments received prior to December 31, 2013. The 2014 income cannot be recognized as Revenue until the start of 2014.

Other Liabilities (*rarely used*)

These would be Liabilities that would not fall into one of the above categories. Those might include Loans to Members or Notes Payable.

Other Liabilities are not Total Expenses.

Chapter Equity

Chapter Equity is the cumulative total of Net Income / (Losses) at the end of each fiscal year from the time of the Chapter's inception until now.

Example – the South Chapter began operations in 2007:

(\$400) = 2007 Net Income / (Deficit)

(\$750) = 2008 Net Income / (Deficit)

\$394 = 2009 Net Income / (Deficit)

+\$ 86 = 2010 Net Income / (Deficit)

(\$670) = 2010 Ending Chapter Equity / 2011 Beginning Chapter Equity

+ \$23 = 2011 Net Income / (Deficit)

(\$647) = 2011 Ending Chapter Equity / 2012 Beginning Chapter Equity

The current year's beginning Chapter Equity is the Ending Equity balance from the immediate prior year. In order for the basic equation for the Balance Sheet to work, it is important that the correct Beginning Year Chapter Equity is input on the sheet.

- **Income Statement (formerly Statement of Activities)**

The **Income Statement** shows the total of Revenue and Expense activities incurred during the 12 month fiscal year. It reveals whether the Chapter generated a profit or a loss within a fiscal period.

Please note that several lines require additional action or details.

Revenue

Revenue is income received from business activities.

Advertising *(reportable to IRS as UBIT – unrelated business income)*

Advertising income is collected when other unrelated businesses are allowed to promote their products or services on the Chapter's website or within a newsletter.

Fundraising / Raffles Income

(requires registration with the Attorney General and reportable to IRS on Federal 990)

Fundraising solicitations for donations are made. Raffles are contests to purchase numbered tickets to win a prize. The intent of both would be to raise money for a cause, however, proceeds must be devoted to a charitable or public service activity.

Interest Income

Interest income is money eAPHONed on Investments or Cash within a bank.

Meeting Fees

This line contains revenue from fees that are charged to registrants for attending Chapter meetings.

Membership Dues

Rebates for APHON Chapter Dues for the current year should be recorded on this line.

Membership Lists *(reportable to IRS as UBIT)*

Sales/rental to outside organizations of the Chapter's membership lists belong on this line.

Product Sales *(requires State Sales Tax Registration and Reporting)*

Revenue generated from inventoried product sales (pens, t-shirts, etc.) are reported here. Please refer to the Inventory section of the Balance Sheet.

Royalty / Commissions *(reportable on Federal 990)*

In the event that a Chapter develops a product, another party may be allowed to promote or sell the product on behalf of the Chapter. The Chapter then receives a fee for Royalty or Commissions.

Example - A book developed by the East Chapter is sold by a store in a local mall and a percentage of sales are returned to the Chapter on a quarterly basis.

Sponsorship (*reportable on Federal 990*)

Income received to support an event, activity or organization financially.

Subscription Sales

Fees collected from subscribers to a Chapter's newsletter.

Other Revenue (*please state purpose*)

Income which would not fall into the above categories should be reported here. An example might be Certification Fees or Exhibit Fees.

Total Revenue is the sum of all Revenue items above, and is automatically calculated.

Expenses

Expenses are costs incurred for doing business resulting from the Chapter's revenue-generating activities.

Bank Charges / Fees

Expenses incurred for the Chapter to maintain its checking account. This would include fees to stop-payment, ATM fees, overdrafts, monthly account fees, send electronic wires, etc.

Donations/Contributions/Awards/Scholarships Expense

(reportable on 1099-Miscellaneous)

Monetary and In-kind disbursements made for the above should be reported here.

Insurance

Insurance is financial protection against loss or harm.

Interest Expenses

Interest expenses are costs incurred to borrow funds.

Membership Dues / Subscription Expense

Costs *paid* by the Chapter to belong to a member organization or to subscribe to an organization or publication.

Meetings & Seminars

Any expenses associated with a Chapter meeting or seminar should be recorded on this line. This would include room rental fees, catering, audio/visual, etc.

Occupancy

Rental or storage fees paid to house Chapter records or other materials are examples of occupancy.

Office Supplies

Office supplies purchased for use by the Chapter should be recorded here.

Postage

These are costs associated with mailings, shipments, deliveries, messenger services, etc.

Printing (*reportable on 1099-Miscellaneous*)

This activity would include duplication costs, newsletter printing, invitations, signage, etc.

Professional Fees (*reportable on 1099-Miscellaneous*)

These fees are paid for professional services rendered to the Chapter. The APHON group exemption fee should be recorded on this line. Other common Professional Fees would include legal, tax, audit, or consulting.

Promotions/Public Relations/Marketing/Advertising Expense

(*reportable on 1099-Miscellaneous*)

Costs related to promoting a Chapter event, product, or service.

Telephone / Fax

All telephone and fax expenses should be recorded here.

Travel

Travel expenses would entail car rental, hotel lodging, airfare, mileage, etc. paid by the Chapter to for the APHON Conference or committee meetings are recorded here.

Web /Internet (*reportable on 1099-Miscellaneous*)

Expenses and fees associated with maintaining a Chapter's website.

Other Expenses (*please state purpose*)

These are expenses that would not fall into the categories above. Some examples would be refunds, subscriptions.

Total Expenses is the sum of all Expense items above, and is automatically calculated.

Net Income / (Loss) = Total Revenues less Total Expenses

Net Income can also be referred to as Net Profit, Net Revenue, or Net Surplus. Net Loss is also known as Net Deficit.

This section represents the current fiscal year's net results. This total field is automatically calculated on the **Income Statement (Statement of Activities)**. It also populates on the Current Year line of the Chapter Equity section of the **Balance Sheet (Statement of Financial Position)**.

If amounts are not entered accurately on the first two pages of this package, an error message will appear at the very bottom of the **Balance Sheet**. In the business/finance world, the Balance Sheet and the Income Statement are congruent with one another, so it is important that errors are corrected. If you receive an error message, please verify input.

If after verifying you still receive an error message, please contact your APHON staff liaison at APHON Headquarters.

Supplemental Schedules

Recently submitted Chapter financials made it apparent that there was more activity being done at the Chapter level requiring special reporting to federal and state governments. Additionally, the IRS recently changed the Form 990 tax reporting requirements, which now requires additional disclosures. These changes resulted in longer forms and additional schedules.

- **Unrelated Business Income Tax (UBIT) Worksheet**

APHON and its Chapters are exempt organizations as approved by the IRS. An exempt organization is not federally taxed on its income from activity substantially related to the organization's mission. However, if an exempt organization regularly carries on business unrelated to its exempt purpose, the organization is subject to tax on the income unrelated to business. This activity is defined as Unrelated Business Income Tax, or UBIT.

Revenue generated from Advertising or Mailing List sales would fall into the category of UBIT. For a fee, other businesses and organizations are allowed to promote, solicit, advertise or market its products or services within an APHON chapter's periodical or to the chapter's membership. That income is not "substantially related to APHON's mission", and is therefore, considered taxable. APHON or the Chapters must pay federal and most likely state taxes on this income.

An example would be when a company advertises in your Chapter's newsletter or on the Chapter's Web site. Monies generated from those transactions are unrelated to the Chapter's purpose. The IRS considers this income as taxable. This revenue typically includes advertising (print or online) or Mailing List sales.

If your Chapter was involved with these types of transactions, please complete the **UBIT** worksheet.

- **Federal 990 Details**

The IRS requires that we provide the names, addresses of individuals or organizations who have provided financial support to any APHON Chapter by means of Sponsorship, Donations, Contributions, Royalty, Commission, In-Kinds, Fundraising and Raffles.

Likewise, the IRS wants to know what parties received disbursements or In-Kinds from the Chapter from an APHON Chapter for Contributions, Gifts, Grants, Awards, Scholarships, etc. Please provide detail on the worksheet labeled Address Info. Please input details within worksheet labeled **Federal 990 Details**.

All amounts entered on this worksheet must agree with the associated line items found on the Income Statement.

- **IRS Form 1099 – Miscellaneous**

The Chapter is required to supply details that will be needed to complete a **1099-Miscellaneous** form for each Independent Contractor/Vendor meeting the criteria. The tax form is prepared for individuals who are U.S. citizens, or an organization that is not a corporation for combined amounts paid of \$600.00 or greater for taxable services within the calendar year.

Compensation for taxable services would include speaker fees/honoraria, editorial stipend, attorney fees, consulting services, audit/tax services, web services, photography, entertainers, and scholarship/awards recipients.

Expenses such as out-of-pockets, reimbursements and allowances are not reportable (travel allowance, hotel, office supplies, telephone, etc).

The **1099-Miscellaneous** form must be post-marked and mailed to the Independent Contractor/Vendor by January 31st of the following year. To meet this IRS deadline, the Chapter is asked to submit a few details to the National Office by the due date (see Reporting Deadlines on page 3).

Fill in details within **1099-Miscellaneous Details** worksheet.

The taxpayer must complete an **IRS Form W-9 Request for Tax Identification Number**.

- **IRS Form W-9 Request for Tax Identification Number and Certification**

Independent contractors and Vendors need to report and pay taxes on compensation that is paid to them by the Chapter. The **W-9 form** is used to collect important information that will be reported to the IRS. They must supply an accurate federal identification number (FEIN), social security number (SSN) or an employee identification number (EIN).

The taxpayer will need to complete Parts I and II on page 1.