



SECTION FINANCIAL MANUAL

For the Fiscal Year Ending 9/30/21

(Revised October 2021)

CONTENTS

	<u>Page</u>
<u>General</u>	
<u>Introduction</u>	1
<u>Complexity and Level of Effort</u>	1
<u>Insurance Coverage</u>	1
<u>Resources – ASCE Collaborate</u>	2
<u>Resources – QuickBooks Accounting Software</u>	2
<u>Structure</u>	
<u>Form of Business</u>	3
<u>Subsidiary Organizations</u>	3
<u>Student Chapters</u>	3
<u>Banking and Investment Arrangements</u>	3
<u>Reserves</u>	4
<u>ASCE Annual Allotment</u>	4
<u>The Treasurer</u>	
<u>Treasurers’ Qualifications</u>	5
<u>Section Treasurers’ Responsibilities</u>	5
<u>Subsidiary Organization Treasurers’ Responsibilities</u>	6
<u>Important Tasks for Treasurers</u>	6
<u>Accounting and Budgeting</u>	
<u>Section Accounting Requirements – Based on IRS Rules</u>	8
<u>Accounting 101</u>	9
• <u>Cash Basis of Accounting</u>	9
• <u>Writing Checks</u>	9
• <u>Accepting and Recording Cash Receipts</u>	9
• <u>Maintaining Accounting Records & Transaction Documentation</u>	9
• <u>Combining Financial Information for Subsidiary Organizations with Section</u>	9
• <u>Transfers and Payments Between Cash and Investment Accounts</u>	10
<u>Structure of Accounting Records</u>	10
• <u>Accounting System</u>	11
• <u>Creating a Chart of Accounts</u>	11
<u>Budget Practices</u>	
• <u>Function of a Budget</u>	13
• <u>Steps for Preparation</u>	14
• <u>Responsibility for Preparation</u>	15
<u>Audit and Review</u>	16
<u>Tax Requirements</u>	
<u>General Federal Tax Information</u>	17

CONTENTS - Continued

	<u>Page</u>
<u>Dealing with Federal Tax IDs (EINs)</u>	17
<u>Determining if My Section has Normal Gross Receipts < \$50,001</u>	18
<u>Sections with Normal Gross Receipts Over \$50,000</u>	19
Special Tax Matters:	
• <u>Golf Outings and Other Fund-Raising Events</u>	19
• <u>Lobbying</u>	20
• <u>Unrelated Business Income</u>	20
<u>IRS Forms 1099 and W-9</u>	21
<u>State Tax Reporting and Registration</u>	21
<u>Credit Card Processing</u>	21
<u>ASCE Contacts</u>	22
<u>Appendices</u>	
1 <u>Checklist for Sections with Normal Gross Receipts < \$50,001</u>	23
2 <u>Checklist for Sections with Normal Gross Receipts > \$50,000 and < \$200,001</u>	24
3 <u>Completing the Form 990-EZ Worksheet</u>	26
4 <u>Insurance Coverage</u>	32

GENERAL

INTRODUCTION

The American Society of Civil Engineers (the Society) has local organizations called Sections that have their own boards and operate, for the most part, independently from ASCE's National office, subject to the Bylaws and Rules of Policy and Procedure of the Society. With the approval of Region Governors, Sections are allowed to establish and maintain Subsidiary Organizations (branches, younger member groups, technical committees, Institute branches, endowments, trusts, scholarship funds, etc.) all to provide Section members better opportunity for mutual acquaintance and greater participation in Section activities. Some branches also establish Subsidiary Organizations as well. All of the Subsidiary Organizations are subject to control by the Section and to Bylaws and Rules of Policy and Procedure of the Society.

This handbook provides important information for Section treasurers, other treasurers, other officers and board members regarding financial management and accounting requirements for Sections and their Subsidiary Organizations. The Society's Finance, Legal and Geographic Services Departments are always available to assist Sections with finance, accounting and other matters.

COMPLEXITY AND LEVEL OF EFFORT

There are many variations in size and complexity of our Sections. Some are very small and only require maintenance of a checkbook and simple accounting records, usually using Excel. Others are larger and have multiple Subsidiary Organizations with their own leadership and financial records. Then there is the issue of tax-exempt status and IRS regulations, which requires a higher level of accounting detail and documentation for larger Sections. Many of the larger Sections use association management companies and CPAs to organize and manage their activities and finances. This comes at a cost but provides professional support to volunteers who may not have the time necessary to manage the details.

If you have a larger Section, you may want to consider having a treasurer and assistant treasurer to spread some of the workload.

INSURANCE COVERAGE

All Sections and Subsidiary Organizations are covered under the ASCE general liability, directors & officers, and errors & omissions insurance policies. These provide liability protection to the organizations and their volunteers. The policies have deductibles that may be substantial in relation to an individual Section's finances. Lower deductibles are not maintained due to cost. [Appendix 4](#) contains more information on insurance coverage.

RESOURCES – ASCE Collaborate

Sections will have access to the ASCE Collaborate “Sections Finance” community. Each Section treasurer will have access to this general resource folder.

The “Sections Finance” >Library > General Documents > Fiscal yyyy” folder contains information and spreadsheets that can be used to facilitate accounting work and tax compliance and filing.

Click here to access the Sections Finance community “General Documents” folder [URL link](#).

The folder contains the following:

- Form 1099 and 1096 instructions
- Form W-9 example
- Letter to IRS for tax ID – See “[Dealing With Federal Tax IDs](#)” that follows
- Spreadsheet – Larger Section, Branch, Other.xlsx – Example of spreadsheet that might be used for a larger organization with project accounting (functional) – not necessary to use if you already use accounting software
- Spreadsheet – Simple Sections, Branches, Others.xlsx -- Example of spreadsheet that might be used for small organizations
- Subsidiary Orgs Finances.xlsx – Spreadsheet that can be used to obtain financial information from Branches and other Subsidiary Organizations for combination with the Section’s for tax purposes
- 2021 Section Finance Manual – this manual
- [Checklist for small Sections with Gross Receipts of \\$50,000 or less](#)
- [Checklist for larger Sections](#)

RESOURCES – QUICKBOOKS ACCOUNTING SOFTWARE

ASCE maintains an Enterprise version of QuickBooks on its servers in Reston, VA. Sections, Branches and their subsidiary organizations may use this software to maintain their accounting records. There are important advantages to using this software as follows:

- Each Section, Branch or subsidiary organization has access to the accounting system and their accounting records 24/7 via a secure internet connection
- The data is maintained and backed up on ASCE’s servers
- If Branches and subsidiary organizations use QuickBooks, combination of the groups’ books with the Section’s for tax reporting purposes is a simple process
- Treasurers stepping down just need to pass along a link, username and password to the new treasurer
- Efficiencies from more uniformity in accounting and reporting
- Online help and tutorials from QuickBooks
- No cost to ASCE affiliated organizations

If you are interested in using QuickBooks, please contact Jennie Grant, jgrant@asce.org, for further information.

STRUCTURE

FORM OF BUSINESS

Most Sections are unincorporated associations unless you have filed to be incorporated in your state. Subsidiary Organizations are not separate entities and are divisions of the Sections.

SUBSIDIARY ORGANIZATIONS

Many Sections have Subsidiary Organizations (branches, younger member groups, technical committees, Institute branches, endowments, trusts, scholarship funds, etc.) that maintain their own accounting records. Some of these organizations have obtained federal tax IDs or are using the ASCE tax ID (13-1635293) and have used them in opening their bank accounts. Some have reported their financial activity through their Section and others have not. Certain of these arrangements do not comply with IRS requirements and must be modified.

The Sections have the only tax IDs that are registered as tax exempt (except in Texas); thus, all Subsidiary Organizations must use their Section's tax ID for establishing banking and investment accounts. See "[Dealing with Federal Tax IDs](#)" below for instructions for cancelling tax accounts with the IRS.

Since Subsidiary Organizations operate under their Sections, their financial activity must be combined with the Section's for tax reporting purposes. This requires communication and coordination between the Section and Subsidiary Organization treasurers.

STUDENT CHAPTERS

Student chapters generally are associated with their universities/colleges, operate under their control, and use their federal tax ID. As such, they do not need to be combined with a Sections records for tax reporting purposes. Student chapters that use the Section's tax ID must report their finances to their Section each year. Treasurers should encourage the chapters to report through their university/college instead.

BANKING AND INVESTMENT ARRANGEMENTS

Section federal tax IDs have been established with the IRS with the naming format: American Society of Civil Engineers – X Section. X being the Section's name, e.g., Virginia Section.

When Branches and other Subsidiary Organizations use the Section's federal tax ID to establish bank or investment accounts, the name used for the account must be "American Society of Civil Engineers – X Section" possibly with addition of Y Branch at the end. If

this is not done, when the bank sends a form 1099 to the IRS, the IRS may identify the tax ID as incorrect, based on the name.

The Sections need to work with their Subsidiary Organizations to comply with this format. Also see “[Dealing with Federal Tax IDs](#)” below.

RESERVES

The term “reserves” refers to the amount of uncommitted money held by an organization at the end of its fiscal year. ASCE does not have a reserve requirement for its Sections and each Section has its own financial situation. The reason for a Section or Subsidiary Organization to hold reserves is to maintain financial stability in the event of unforeseen catastrophic events, economic downturns, uninsured claims, or to provide seed money for important new initiatives. Since Sections generally do not have employees and large fixed annual expenses, the level of reserves can usually be modest.

ASCE ANNUAL ALLOTMENT

Each Section receives an annual allotment from ASCE. The total amount of the allotment for all Sections is determined by the ASCE Board of Direction each year during the budget process and does not change significantly from year to year. Individual Section allotments are determined based on the ratio of the number of Assigned Section Members, less Student Members, to total Section members as of the end of the preceding fiscal year.

ASCE pays the allotments to the Sections by check or direct ACH deposit to the Section’s bank account (preferred method).

THE TREASURER

TREASURERS' QUALIFICATIONS

Treasurers of Sections and Subsidiary Organizations should be familiar with basic accounting principles and how to maintain simple accounting records. Treasurers will use Excel or accounting software, such as QuickBooks, to maintain records. For those who use software, it may take time to learn how to use it. QuickBooks has tutorials and help functions. Treasurers must also reconcile their book transactions to those recorded by their bank. ASCE's Finance Department is also available to assist.

The Section treasurer is also required to prepare financial information for the Section's IRS Form 990-N, 990-EZ or 990. For Sections that meet IRS requirements for Form 990-N, there is little to do other than normal simple bookkeeping. For Sections that must file Form 990, a qualified CPA should be used. For those filing Form 990-EZ, ASCE Finance will provide instructions and assistance. Larger Sections filing Form 990-EZ should consider using a CPA firm to compile financial records and prepare the return.

SECTION TREASURERS' RESPONSIBILITIES

Section treasurers have responsibilities that are very important to their organizations. These responsibilities require a time commitment that depends on the size of the Section and its Subsidiary Organizations. A treasurer's general responsibilities include the following:

- Working with Section officers and board to plan activities and prepare an annual budget
- Maintaining the Section's bank and investment accounts and safeguarding those assets
- Paying bills processed through an approval process
- Promptly depositing money received in bank accounts
- Maintaining the Section's accounting records on an accurate and timely basis, using outside assistance where necessary
- Reconciling the accounting records to the bank statement monthly
- Preparing accurate periodic financial reports for presentation to the Section's board, comparing budget to actual
- Coordinating with Subsidiary Organizations to ensure they are properly maintaining their accounting records
- Ensuring Subsidiary Organizations are using the Section's federal tax ID for all bank and investment accounts
- Combining the year-end financial information of the Section with its Subsidiary Organizations
- For larger Sections, preparing or having a CPA prepare and file the annual IRS Form 990-EZ or Form 990 tax return, as appropriate (ASCE Finance assists with the 990-EZ filings)

- Coordinating federal tax return efforts with ASCE Finance staff when Form 990-EZ is required
- Arranging for others to audit or review financial statements, including a review of internal accounting controls

SUBSIDIARY ORGANIZATION TREASURER'S RESPONSIBILITIES

Branch and other Subsidiary Organization treasurers also have responsibilities that are very important to their organizations. These responsibilities usually require a lesser time commitment than for Section treasurers. A treasurer's general responsibilities include the following:

- Working with Subsidiary Organization officers, board and/or committee members to plan activities and prepare an annual budget
- Maintaining bank and investment accounts and safeguarding those assets
- Paying bills processed through an approval process
- Promptly depositing money received in bank accounts
- Maintaining accounting records on an accurate and timely basis, using outside assistance where necessary
- Reconciling the accounting records to the bank statement monthly
- Preparing accurate periodic financial reports for presentation to the organization's leadership, comparing budget to actual
- Coordinating with the Section treasurer to provide for year-end consolidation with the Section's accounting records
- Providing a year-end financial report to the Section treasurer in an agreed-upon format by October 31 for September 30 year end organizations
- Arranging for others to audit or review accounting records annually, including a review of internal accounting controls
- When opening new bank or investment accounts using the Section federal tax ID

IMPORTANT TASKS FOR TREASURERS

- Determine if your Section and its Subsidiary Organization's collectively have "Normal Gross Receipts" greater than \$50,000 for the fiscal year.
- Understand the federal tax filing requirements for your Section.
- Maintain your accounting records monthly. Don't put it off until the end of the year.
- Make sure your Subsidiary Organizations have accounting systems and are doing their accounting work.
- Verify that all Subsidiary Organizations are using the Section's federal tax ID.
- After year end, combine Subsidiary Organization records with the Section's
- Check with your state to determine if they have filing requirements and, if so, comply with them.

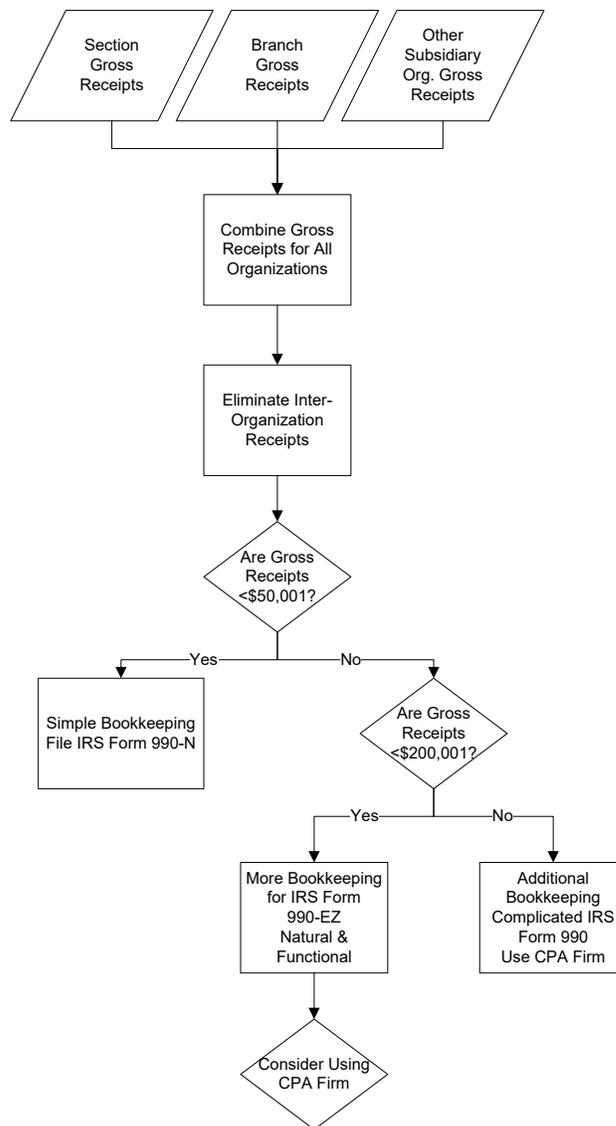
- For Sections with Normal Gross Receipts over \$50,000, ensure that you are accumulating receipts and disbursements in a manner that facilitates preparation of the required federal tax return.
- Contact your Section president and arrange for help if you realize you will not be able to get the treasurer's work done.
- Contact Jennie Grant at ASCE Finance if you need help. Phone 703-295-6189, email jgrant@asce.org.
- Consider hiring a qualified CPA to do your taxes if you are a larger Section.

ACCOUNTING AND BUDGETING

SECTION ACCOUNTING REQUIREMENTS -- BASED ON IRS RULES

The size of Section, including its Subsidiary Organizations, is one of the main factors in determining how to keep your accounting records and the IRS tax reporting that is required. Sections with annual Normal Gross Receipts (as defined below) of \$50,000 or less do not have to report financial details to the IRS via Form 990-EZ or Form 990, so simple accounting is adequate.

The following flowchart describes the process for determining the required complexity of accounting and the IRS tax return requirements:



ACCOUNTING 101

The following basic accounting practices are suggestions. Based on the size of the Section or Subsidiary Organization, availability of other officers and possible use of an outside bookkeeper, the organization will need to come up with what works well. Since most Sections just have a treasurer, it is important that others review the accounting records and supporting documents (invoices, copies of checks received, etc.) on a periodic basis. Please see the “[Audit and Review](#)” section of this document.

Cash Basis of Accounting – Sections and Subsidiary Organizations should use the cash basis of accounting. This means reflecting only transactions where cash has been involved. No attempt is made to record unpaid bills owed by the organization or amounts due to the organization. The reasons for using the cash basis are simplicity and everyone has had experience keeping a checkbook.

Writing Checks – One of the jobs of the treasurer is to pay bills. This involves the treasurer receiving invoices or payment requests and writing and signing checks. All payments should be made by check. The best controls for check writing are:

- An officer approves the submitted payment request in writing.
- Member business expense reimbursement requests must have receipts attached for all items over \$25.
- The treasurer prepares the check, codes the disbursement to the proper accounting system account and makes the accounting entry.
- A second officer signs the check. For small organizations this can be cumbersome, so the only practical solution may be for the treasurer to sign.
- Two signatures should be required for checks over \$500 or less, if practical.

Accepting and Recording Cash Receipts – Receiving money, whether in the form of cash, check or credit card requires careful control. This is sometimes difficult in small organizations, especially when there is only a treasurer. It is important that cash, check and credit card receipts be recorded in the accounting records and be matched with the corresponding bank deposits on a regular basis. You should never maintain credit card numbers in your files since they may not be secure.

Maintaining Accounting Records and Transaction Documentation – It is very important that accounting records and supporting documentation be maintained for five years, especially for IRS purposes. The difficult part is that treasurers change. All organizations need to have a process for maintaining their accounting records and documentation – that’s invoices, payment requests, bank statements (with reconciliation to the accounting records), cash receipt documents, and any other important financial information. Excel spreadsheets and accounting software are easy to pass along since they are electronic. Documents are a bit more difficult. Document scanning is a good option.

Combining Financial Information for Subsidiary Organizations with Section --
*Always remember that Sections must compile the accounting records for all its related Subsidiary Organizations, **excluding** student chapters that report to their university or college.*

You can find an Excel spreadsheet ASCE Collaborate Sections Finance community “Sections Finance” >Library > General Documents > Fiscal yyyy > Subsidiary Orgs Finances.xlsx” folder that you can use to compile Subsidiary Organization financial data.

Click here to access the Sections Finance community “General Documents” folder [URL link](#).

If you have Subsidiary Organizations that have their own bookkeeping, you need to add their amounts to your Section’s to come up with totals. Here’s a simple example:

	Cash*		Disburse-	Cash*
	10/1/2020	Receipts**	ments**	9/30/2021
Section	30,000	25,000	24,000	31,000
Branch 1	8,000	7,000	7,000	8,000
Branch 2	7,000	5,000	6,000	6,000
Forum	500	2,000	2,200	300
Offsets	0	(3,000)	(3,000)	0
Totals	<u>45,500</u>	<u>36,000</u>	<u>36,200</u>	<u>45,300</u>

* Cash = Total of all bank accounts and investments for each entity

** Receipts and disbursements = amounts for each entity less **offsets**

Transfers and Payments Between Cash and Investment Accounts

When combining your checking, savings and investment accounts for your Section and its Subsidiary Organizations, there may be transfers between accounts, e.g., you move \$1,000 from checking to savings. That would create a cash receipt in savings and a cash disbursement in checking. When combining the balances and activity for the checking and savings accounts, you should **offset** these receipts and disbursements, since they are all within your “Cash, savings and investments”, as defined above.

Also, your Section may make dues or other payments to Branches. Similarly, the receipt for the Branch should be offset against the disbursement for the Section.

STRUCTURE OF ACCOUNTING RECORDS

It is very important that Sections and their Subsidiary Organizations structure their accounting records properly to provide information to aid in management of the organizations and for preparation of tax returns. All the Section’s Subsidiary

Organizations should use consistent ways of categorizing receipts and disbursements so their records may be logically combined for tax reporting – consistency is the key. The following is intended to assist treasurers in establishing and maintaining accounting records.

Accounting System – The Section and its Subsidiary Organizations need to select an accounting system for maintaining their books. Smaller organizations may use an Excel spreadsheet. The Society provides a sample spreadsheet designed for this purpose. (See “Spreadsheet - Simple Sections, Branches, Others.xls” in the ASCE Collaborate Sections Finance community “Sections Finance” >Library >General Documents.

Click here to access the Sections Finance community General Documents folder [URL link](#).

Larger organizations should use an accounting system such as QuickBooks. ASCE provides QuickBooks on-line for Sections requesting that service. The software is maintained on the Society’s servers in Virginia and can be accessed through a secure Internet connection via Citrix. Sections using this service should consider having all its Subsidiary Organizations use the software. This will allow easier consolidation of financial data for the IRS Form 990-EZ. Contact Jennie Grant if you are interested in using QuickBooks.

Creating a Chart of Accounts -- Accounting systems use a Chart of Accounts, which is a listing of accounts, with identifiers and names. Accounts are where transactions are stored and accumulated in a logical manner.

There are two ways to categorize receipts and disbursements in accounts as follows:

- By receipt and disbursement **Natural** accounts
 - Receipts – meeting registration, interest & dividends, contributions from ASCE, contributions from others, golf outing fees, Section dues paid by members
 - Disbursements – travel, meeting costs, consultants, management company fees, food, supplies, printing, contributions, scholarships, grants
- By **Function** (project) – educational seminar, Report Card effort, board meetings, monthly member meetings, conference, newsletter, meetings with legislators, golf outing, ASCE meeting, scholarship program.

Regarding functions, you need to keep in mind the requirements of IRS Form 990-EZ. That form requires Sections to report on their three major activities, including a description and the amount spent.

To keep accounting records for management and tax reporting purposes you should use a combination of the Natural and Functional methods. The following is an example of Natural accounts for a Section or Subsidiary Organization:

Acct No	Name	Acct No	Name
	Assets & Net Assets:		Disbursements:
100	Checking Account	611	Scholarships
101	Savings Account	612	Cash Awards and Grants
180	Investments	621	Facility Rental
320	Net Assets	622	Catering / Food
	Receipts:	623	Other Event Expenses
411	Contributions (Ind & Corp)	631	Member Travel
412	ASCE Allotment	632	Officer Travel
413	Sponsorships	641	Meeting Expense-Room Fees
414	Section Allotment	642	Meeting Expense - Food
415	SPAG Grant	643	Meeting Expenses - Other
421	Meeting Reimbursement	651	Management Fees
422	Registration	652	Honoraria
431	Special Events Income	653	Accounting Fees
432	Special Events Contributions	654	Consultant Fees
433	Miscellaneous Revenue	661	Books, Subscriptions, Reference
441	Interest-Savings, Short-term CD	662	Postage, Mailing Service
442	Sale of Securities/Investments	663	Printing and Copying
451	Membership Dues	664	Supplies
		665	Telephone, Telecommunications
		666	Payroll
		667	Benefits
		671	Purchase of Investments
		672	Banking Fees
		673	Other Costs
		681	Branch Allotments
		682	Contributions -Student Chapter
		683	Pmts to Subsidiary Organization

You need receipts and disbursements broken down in this manner for the IRS Form 990-EZ, Part I.

The **Functional** style is different in that it provides a total for spending of a project or program – like cost accounting for an engineering project. You may have a function such as Board Meetings. For that you may have member travel, food, room and supplies costs as shown below. The accumulation of those accounts is the amount spent on a project. For purposes of Form 990-EZ, Part III, you need to accumulate program services by major categories with descriptions of the programs and amounts. Functional accounting will provide you with this information.

The list below shows an example of Functional categories with various Natural accounts below them. The project code, e.g., GEN, BOA, identifies the function and the number identifies the natural account type. In the end, if you are using accounting software such as QuickBooks you will be able to easily summarize your receipts and disbursements by Natural and by Function.

Acct No	Name	Acct No	Name
General Revenue:		Educational Seminar:	
GEN 411	Contributions	EDU 422	Registration
GEN 412	ASCE allotment	EDU 631	Member travel
GEN 413	Sponsorships - general	EDU 641	Meetings -- room
GEN 414	Section allotment	EDU 642	Meetings -- food
GEN 451	Member dues	EDU 652	Honoraria
GEN 441	Interest & dividends	EDU 664	Supplies
GEN 442	Sale of investments		
Board Meetings:		Office Costs:	
BOA 632	Officer travel	OFF 632	Officer travel
BOA 641	Meetings -- room	OFF 651	Management fees
BOA 642	Meetings -- food	OFF 653	Accounting fees
BOA 664	Supplies	OFF 654	Consultant fees
		OFF 672	Banking fees
		OFF 664	Supplies
		OFF 665	Telephone, telecommunications
		OFF 663	Printing and copying
		OFF 662	Postage
		OFF 666	Payroll
		OFF 667	Benefits
Monthly Meetings:		Golf Outing:	
MON 421	Meeting reimbursement	GOL 413	Sponsorships
MON 631	Member travel	GOL 431	Special event income
MON 632	Officer travel	GOL 432	Special event contributions
MON 641	Meetings -- room	GOL 622	Catering/food
MON 642	Meetings -- food	GOL 623	Other event expenses
MON 664	Supplies		
		Scholarships:	
		SCO 612	Cash awards and grants

BUDGET PRACTICES

Function of a Budget

A budget is a “plan of action.” It represents the organization’s blueprint for the coming months, or years, expressed in monetary terms. This means the organization must know what its goals are before it can prepare a budget. If it doesn’t know where it is going, obviously it is going to be very difficult for the organization to do any meaningful planning. All too often the process is reversed, and it is in the process of preparing the budget that the goals are determined.

So, the first function of a budget is to record, in monetary terms, what the realistic goals or objectives of the organization are for the coming year (or years). The budget is the financial plan of action which results from the board’s decision as to the program for the future.

The second function of a budget is to provide a tool to monitor the financial activities throughout the year. Properly used, the budget can provide a benchmark or comparison point which will be an early warning to the board that their financial goals may not be met. For a budget to provide this type of information and control four elements must be present:

1. The budget must be well-conceived and have been prepared or approved by the board.
2. The budget must be broken down into periods corresponding to the periodic financial statements.
3. Financial statements must be prepared on a timely basis throughout the year and a comparison made to the budget, right on the statements.
4. The board must be prepared to take action where the comparison with the budget indicates a significant deviation.

Each of these four elements will be discussed below.

Steps for Preparation

It was noted above that a budget should represent the end result of a periodic review by the board or by the membership of the organization's objectives or goals, expressed in monetary terms. Often the budget process is a routine "chore" handled by the treasurer to satisfy the board that the organization has a budget, which the board, in turn, routinely ratifies. Frequently, such budgets are not looked at again until the following year, at the time next year's budget is prepared. This type of budgeting serves little purpose. A budget, to be effective, must be a joint effort of many people. It must be a working document which forms the basis for action.

Here are the basic steps that, in one form or another, should be followed by an organization in order to prepare a well-conceived budget:

1. A list of objectives or goals of the organization for the following year should be prepared. For many organizations this process will be essentially a re-evaluation of the relative priority of the existing programs. Care should be taken, however, to avoid concluding too hastily that an existing program should continue unchanged. Our society is not static and the organization that does not constantly re-evaluate and update its program is in danger of being left behind.
2. The cost of each objective or goal listed above should be estimated. For continuing programs, last year's actual expense and last year's budget will be helpful in estimating this cost. For new programs or modifications of existing programs, a substantial amount of work may be necessary to accurately estimate the costs involved. This estimating process should be done in detail since

elements of a particular goal or objective may involve many categories of expenses and salaries.

3. The expected revenue of the organization should be estimated. With many organizations, contributions from members or others will be the principal revenue and careful consideration must be given to the expected economic climate in the community. A year when unemployment is high, or the stock market is down is a poor year to expect “increased” contributions. With other organizations the amount of revenue will be dependent on how successful they are in selling their program. Possibly some of the programs can be expanded if they are financially viable or contracted if they are not. Organizations are often overly optimistic in estimating revenue. This can prove to be the organization’s downfall if there is no margin for error, and realism must be used, or the budget will have little meaning.
4. The total expected revenue should be compared to the expense of achieving the objectives or goals. Usually the expected expenses will exceed revenue, and this is where some value judgments will have to take place. What programs are most important? Where can expected costs be reduced? Can some additional revenue be found? This process of reconciling expected revenue and expenses is probably the most important step taken during the year because it is here that the program’s blueprint for the coming year is fixed.

It is important that consideration be given to the reliability of the estimated revenue and expense figures. It is possible that expenses have been underestimated or that revenue has been overestimated? If expenses have been underestimated by 15 per cent and revenue has been overestimated by 10 per cent, there will be a deficit of 25 per cent, and unless the organization has substantial cash reserves it could be in serious difficulty. If the organization has small cash reserves or has little likelihood of getting additional funds quickly, then a realistic safety margin should be built into the budget.

5. The final proposed budget should be submitted to the appropriate body for ratification. This may be the full board, or it may be the entire membership. This should not be just a formality but should be carefully presented to the ratifying body so that, once ratified, all persons will be firmly committed to the resulting plan of action.

The steps listed above may seem so elementary that there is no need to emphasize them here. But elementary as they are, they are often not followed, and the resulting budget is of very little value to the organization.

Responsibility for Preparation

There has been very little said about who should follow these steps in preparing the budget. The preparation of a budget involved policy decisions. The treasurer may be the

person best qualified to handle the figures, but it is often not the person to make policy decisions. For this reason, a “budget committee” should consist of persons responsible for policy decisions. Usually this means that either the board should itself act as the budget committee, or it should appoint a subcommittee of board members.

AUDIT AND REVIEW

Sections and Branches come in many shapes and sizes, some with Subsidiary Organizations. Generally, because treasurers are the primary bookkeepers, one individual handles most of the accounting functions. It is prudent to have a mechanism through which the work of the bookkeeper is reviewed by other volunteers or reviewed or audited by a CPA firm, depending on the size and complexity of the organization. The auditors or reviewers should report to an audit committee and to the board.

Many Sections and Subsidiary Organizations do not have the resources to pay for a professional audit or review. Audits by accounting firms are the most expensive and involve rigorous procedures. Reviews are less expensive, require less effort and are appropriate for most of our larger Sections and Branches. Sections and Branches with \$250,000 or more of combined (a) annual cash receipts and (b) total assets (excluding assets managed by ASCE National), should strongly consider retaining an independent certified public accountant to review or audit their financial statements and possibly prepare their federal tax return. Independent auditors should not provide non-audit (other than tax return preparation) services to the Sections and Branches, unless approved by the Section or Branch Board of Directors.

Smaller Sections, Branches and other Subsidiary Organizations should have an individual or committee charged with reviewing the accounting records and comparing them to supporting documentation, including bank statements, cash receipt documents and invoices and payment requests. In looking at the accounting records the reviewer should check documentation for transactions and look at the numbers to evaluate whether they make sense based on their knowledge.

Volunteer reviewers must be free from financial ties to the Sections or Subsidiary Organization and free from any other relationship that would interfere with their independent judgment.

TAX REQUIREMENTS

GENERAL FEDERAL TAX INFORMATION

ASCE Sections are 501(c)(3) tax-exempt organizations for federal income tax purposes and have federal tax IDs (EINs) registered as tax-exempt with the IRS. The Sections have their tax-exempt status under a group exemption filed by ASCE with the IRS (exemption number 2676). Branches (other than in Texas) and other Section Subsidiary Organizations have not been registered with the IRS as tax-exempt organizations and, therefore, must operate under their respective Section's tax exemption. Because the Sections are tax-exempt, they must file an annual information return (Form 990-N, Form 990-EZ or Form 990, depending on size) with the IRS that includes financial information for the Sections, including all Subsidiary Organizations. Returns are due to the IRS by the 15th day of the fifth month after year end – February 15 for Sections with a September 30 year end. Extensions can be obtained from the IRS through August 15.

If a Section or Branch forms a new Subsidiary Organization, that organization must use the Section's federal tax ID when opening their bank and/or investment accounts. They should never establish a separate federal tax ID with the IRS.

DEALING WITH FEDERAL TAX IDs

If a Subsidiary Organization has a federal tax ID different than the Section's, you will need to contact the IRS to cancel the tax account. **If they are using the ASCE tax ID (13-1635293), DO NOT contact the IRS to cancel the account, just do steps 3 and 4 below.** To cancel an account, do the following:

Mail a letter to the IRS asking that they cancel the account for the tax ID, using the "Letter to IRS for Tax ID.doc" in the ASCE Collaborate Sections Finance community "Sections Finance" >Library >General Documents.

Click here to access the Sections Finance community General Documents folder [URL link](#).

1. On the template, include your name and address (so that the IRS can respond to you) and the Subsidiary Organization's full name and tax ID number.
2. Contact your bank and investment account managers and request that the tax ID on your account be changed to that of your Section. Some institutions may just require that you file a new form W-9, while others may ask for affirmation of validity of your tax ID. **Be sure to follow the naming convention described in the "[Banking and Investment Arrangements](#)" section of this document.**
3. If your financial institution requires affirmation of the validity of your tax ID, you may request that ASCE Finance provide the IRS-approved tax ID list directly to them. Please provide us with an email address for submission of this document to your financial institution.

DETERMINING IF MY SECTION HAS NORMAL GROSS RECEIPTS < \$50,001

Sections with Normal Gross Receipts of \$50,000 or less require a lower level of detail for tax reporting purposes. The Section still needs to keep accounting records so that it can manage cash receipts and disbursements in relation to a budget. This can be accomplished by using an Excel spreadsheet or accounting software such as Quicken or QuickBooks.

If your Section, including its Subsidiary Organizations, has **Normal Gross Receipts** (as defined below) of \$50,000 or less, the Section may file IRS Form 990-N, which is an electronic postcard. (ASCE Finance will do this filing for the Section.) This is a simple process that requires minimal information. To determine if you qualify to file this form and to see what information is required, see below. Remember, in determining if your Normal Gross Receipts are \$50,000 or less, you need to include all Subsidiary Organizations that are related to your Section, excluding student chapters that use university/college tax IDs.

How do I determine “Gross Receipts”? -- Gross receipts are the total amounts the Section and its Subsidiary Organizations received from all sources during its **annual accounting period** (usually years ended September 30), without subtracting any costs or expenses. This includes all money received from members, ASCE, sale of investments, sale of products, sale of educational seminars, reimbursements from members for meeting costs, and any other money you have received. If you have Subsidiary Organizations, amounts received by the Subsidiary Organizations from the Section (or vice versa) should be excluded from gross receipts, so as to not count them twice.

How do I determine if our “Normal Gross Receipts” are \$50,000 or less? – Normal Gross Receipts are the average Gross Receipts for the last 3 years, including the year for which the calculation is being made.

Tax Reporting for Small Sections – If you qualify as a small nonprofit organization and do not have to report numbers to the IRS, your accounting can be simple. You can use Excel or software such as Quicken or QuickBooks. You should keep your books on the cash basis, i.e., beginning bank and investment balance, plus receipts, minus cash disbursements, equals the ending bank and investment balance.

Depending on the needs of your Section, you may keep your records simply based on the types of receipts and disbursements you have (Natural Accounts), e.g., ASCE allocation, dues, seminar registration receipts, travel expense, meeting expense, telephone expense. Or you may want to expand this to include accounting for functions – like project accounting. See “[Structure of Accounting Records](#)” and the sample Excel spreadsheets for more information.

SECTIONS WITH NORMAL CASH RECEIPTS OVER \$50,000

Larger Sections have more detailed federal tax reporting requirements. For fiscal 2021, Sections with Normal Gross Receipts in excess of \$200,000 need to file IRS Form 990, which is an extensive form. These Sections should use the services of a qualified CPA firm to organize their accounting and prepare their returns.

For Sections with Normal Gross Receipts greater than \$50,000 and less than \$200,001, a less complicated IRS Form 990-EZ is required. Several larger Sections in this group use CPA firms to assist in preparation of the form. Otherwise, Sections work with ASCE Finance to prepare and submit the tax form.

For instructions for preparing IRS Form 990-EZ, please see Appendix 3.

SPECIAL TAX MATTERS

Golf Tournaments and Other Fund-Raising Events

Fund raising events such as golf outings have special tax reporting requirements if the total receipts for the event exceed \$15,000. Participants in the event pay to attend and a determination needs to be made as to what part of their payment is for something that they receive, i.e., golf, food, awards, etc. and what part can be considered a contribution to the Section or Subsidiary Organization. Organizations need to keep track of event expenditures to capture this information. Here is an example of an outing with 100 participants:

	<u>Total</u>	<u>Per Golfer</u>
REVENUE (Receipts)		
Registration fee (100 x \$150)	\$15,000	\$150
Sponsorships (2 @ \$500)	1,000	
Total Revenue	<u>16,000</u>	<u>150</u>
EXPENSE (Disbursements)		
Benefits to Golfers:		
Green & cart fees (100 x \$45)	4,500	45
Food (100 x \$20)	2,000	20
Prizes	1,000	10
T-shirts (100 x \$10)	1,000	10
Other:		
Signs	100	
Advertising	400	
Range balls	100	
Total Expense	<u>9,100</u>	<u>85</u>
Net Revenue	<u><u>\$6,900</u></u>	<u><u>\$65</u></u>

There are 100 participants paying \$150 each. Each participant receives an \$85 benefit for their participation. The remainder of \$65 can be considered a charitable contribution by

the participant. The Section/Branch should make the participants aware of this allocation if the participants want to take a charitable deduction. Events have other expenses that do not provide a direct benefit to the participants and do not enter into this calculation.

Regarding the sponsorships, if the contributors only receive recognition of their contribution, e.g., a sign “Sponsored by ABC Corporation” their sponsorship may be considered a contribution to the Section/Branch by the IRS. The sponsor should check with their tax advisors.

Lobbying

501(c)(3) organizations are allowed to do a limited amount of lobbying (as defined by the IRS). The amount spent for Lobbying must be disclosed on a Schedule attached to IRS Form 990-EZ or Form 990, as appropriate. For a definition of lobbying refer to the following IRS Web page: <http://www.irs.gov/instructions/i990sc/ch01.html>. If you think your Section does lobbying, please contact Tara Hoke, Assistant General Counsel, for assistance in determining federal return filing requirements.

Unrelated Business Income (UBI)

Some Sections and Branches sell advertising space in paper and/or electronic newsletters or other publications. This could be considered taxable UBI by the IRS. If a Section or Branch (if not combined with the Section) has UBI, (net of associated expenses) in excess of \$1,000, it is required to file a federal Form 990-T income tax return and pay federal income taxes. The IRS definition of UBI is on the following Web page: <https://www.irs.gov/charities-non-profits/unrelated-business-income-defined>.

Briefly, the activity must be considered by the IRS as a trade or business (advertising meets this definition), regularly carried on (monthly or quarterly newsletter), and not substantially related to furthering the exempt purpose of the Section (selling ads to engineering firms or others is not substantially related). An important exclusion is: If 85% or more of the labor to produce the publication (paper or electronic) is from volunteers, the activity does not create UBI. UBI may also trigger a requirement to file a state income tax return and payment of state income taxes, depending on state laws.

If you have net advertising receipts over \$1,000, you must keep a record of how much time was spent by volunteers and outside parties if you want to use the 85% volunteer exclusion. If you do not meet this exception, you need to have a method for determining how much expense will be offset against the UBI in filing your form 990-T.

If you think you have Unrelated Business Income or are not sure, ASCE Finance will assist you in making the determination and with the federal filing, if required.

IRS FORMS 1099 AND W-9

For Payments to Vendors and Others

Nonprofits are required by the IRS to obtain federal tax IDs for and send Form 1099-Misc to certain organizations or individuals to which the nonprofit pays \$600 or more during a calendar year. 1099-Misc must also be sent to the IRS with a cover Form 1096. You should use IRS Form W-9 to obtain tax IDs. You generally do not have to send 1099s to the following:

- Individuals reporting business expenses to you and being reimbursed for them, e.g., member travel expenses
- Payments to corporations
- Payments for merchandise, telephone, postage & delivery
- Payments to tax-exempt organizations

The IRS imposes penalties for non-compliance with these rules.

For more information please visit the following links (see IRS Form 1099 and 1096 Instructions in the ASCE Collaborate Sections Finance community “Sections Finance” >Library. Click here to access the Sections Finance community General Documents folder [URL link](#).

[IRS Form 1099 and Instructions](#)

[IRS Form 1096 and Instructions](#)

For Payments Received

Organizations making payments to your Section or Subsidiary Organization may require that you complete a form W-9. The IRS requires that you provide them with a completed form. An example is included in the ASCE Collaborate Sections Finance community “Sections Finance” >Library.

STATE TAX REPORTING AND REGISTRATION

Some states require that tax-exempt organizations file a state information tax return, possibly with a copy of their federal return. In addition, some require registration to do business in the state. Also, depending on your state, you may be able to apply to receive state tax-exempt status for your purchases. You should check with your state regulators to ensure you are in compliance and maintain – and pass along to subsequent treasurers – your state registration information.

CREDIT CARD PROCESSING

Many Sections and Branches accept payments via credit card. PayPal has a relatively inexpensive credit card processing solution at a rate of 2.2% plus \$0.30 per transaction for 501(c)(3) nonprofit organizations.

You can find information on PayPal's nonprofit service at <https://www.paypal.com/webapps/mpp/donations>.

To establish your organization as eligible for nonprofit rates, you will need documentation from the ASCE Finance Department. Please contact Jennie Grant at jgrant@asce.org.

ASCE CONTACTS

ASCE Finance Contact Information

Mark Geiger
Accounting Manager
mgeiger@asce.org
Phone: 800-548-2723 x6173
703-295-6173

Jennie Grant
Controller
jgrant@asce.org
Phone: 800-548-2723 x6189
703-295-6189

Peter Shavalay
Chief Financial Officer
pshavalay@asce.org
Phone: 800-548-2723 x6109
Cell: 703-774-5280

ASCE Legal Contact Information

Tara Hoke
General Counsel
thoke@asce.org
Phone: 800-548-2723 x6151

Tom Smith
Executive Director
tsmith@asce.org
Phone: 800-548-2723 x6061

APPENDIX 1

ACCOUNTING & TAX CHECKLIST FOR ASCE SECTIONS WITH NORMAL GROSS RECEIPTS OF \$50,000 OR LESS

<u>DESCRIPTION</u>	<u>Done</u>
<hr/> General <hr/>	
Banks and investment managers have the proper Section tax ID associated with accounts. This includes all Branches, other Subsidiary Organizations of Sections and Branches, and scholarship and awards funds.	
Sections check with state authorities to determine if state registration and/or tax filings are required.	
Section files annual registration form with state, if required.	
Ensure that new Branches or other Subsidiary Organizations use the Section federal tax ID when establishing new bank and investment accounts.	
Encourage student chapters to work with their universities/colleges relating to finances. They should use the university/college tax ID.	
<hr/> Accounting <hr/>	
All transactions have been recorded in our accounting system using the cash basis.	
The accounting records have been reconciled to the bank and investment statements.	
Arrangements have been made with Branches and other Subsidiary Organizations to send annual financial information to the Section for roll up with the Section's. This should be completed no later than November 30.	
When adding Subsidiary Organization finances to the Section's, eliminate payments between organizations and accounts.	
Determine that Normal Gross Receipts for the Section plus its Subsidiary Organizations total \$50,000 or less.	
A process is in place to pass along accounting records and associated documentation to the next treasurer.	
Notify Sections Finance; Mark Geiger or Jennie Grant in ASCE Finance that cash receipts for the Section and all Subsidiary Organizations have been accumulated and total \$50,000 or less. Authorize her to file IRS Form 990-N for the fiscal year.	
<hr/> Budgeting <hr/>	
The treasurer has worked with the board to prepare a fiscal 2021 budget	
<hr/> Audit and Review <hr/>	
The Section and all of its Subsidiary Organizations have established a review or audit process for accounting records.	

APPENDIX 2

ACCOUNTING & TAX CHECKLIST FOR ASCE SECTIONS WITH NORMAL GROSS RECEIPTS > \$50,000 AND < \$200,001

DESCRIPTION

Done

General

Banks and investment managers have the proper **Section tax ID** associated with accounts. This includes all Branches, other Subsidiary Organizations of Sections and Branches, and scholarship and awards funds.

Sections check with state authorities to determine if state registration and/or tax filings are required.

Section files annual registration form with state, if required.

Ensure that new Branches or other Subsidiary Organizations use the Section federal tax ID when establishing new bank and investment accounts.

Encourage student chapters to work with their universities/colleges relating to finances. They should use the university/college tax ID.

Accounting

The Section and Subsidiary Organization accounting systems have been structured to promote preparation of the IRS Form 990-EZ tax return. See corresponding sections of this memo.

All transactions have been recorded in the Section's and Subsidiary Organizations' accounting systems using the cash basis.

The accounting records have been reconciled to the bank and investment statements.

Arrangements have been made with Branches and other Subsidiary Organizations to send annual financial information to the Section for roll up with the Section's. This should be completed no later than November 30.

When adding Subsidiary Organization finances to the Section's, eliminate payments between organizations and accounts.

Determine that Normal Gross Receipts for the Section plus its Subsidiary Organizations total \$200,000 or less. **If over \$200,000 you may engage a CPA firm to prepare the federal Form 990 or contact ASCE Finance to review options.** Sections using a CPA firm must forward a copy of their tax return, as filed with the IRS, to Jennie Grant in ASCE Finance.

A process is in place to pass along accounting records and associated documentation to the next treasurer.

The treasurer has compiled information for the Form 990-EZ tax return and has input data into the tax return Excel spreadsheet provided by ASCE Finance (990EZcalcV19r1.xls).

The treasurer has provided the above Excel spreadsheet to [Sections Finance](#); [Mark Geiger](#) or [Jennie Grant](#) in ASCE Finance for preparation of the federal Form 990-EZ. Also, forward copies of financial reports used to prepare the spreadsheet.

The treasurer has reviewed, signed and sent the Form 990-EZ to Jennie Grant in ASCE Finance.

Budgeting

The treasurer has worked with the board to prepare a fiscal 2021 budget

Audit and Review

The Section and all of its Subsidiary Organizations have established a review or audit process for accounting records.

APPENDIX 3

COMPLETING THE FORM 990-EZ WORKSHEET

For Sections with Normal Gross Receipts Over \$50,000

How to Classify Cash Receipts and Disbursements for your Return

For the tax return, your receipts need to be broken down in a few categories as follows:

- Line 1 – Contributions, gifts, grants, and similar amounts received (include allocations and SPAG grants received from ASCE)
- Line 2 – Program service revenue including government fees and contracts (money received for your programs)
- Line 3 – Membership dues and assessments (dues you charge your members – may be collected for you by ASCE)
- Line 4 – Investment income (interest, dividends and gains or losses on sale of investments received)
- Line 8 – Other revenue (any other cash receipts not classified above)

These must add up to the total of your cash receipts. That total will show on Line 9.

Disbursements are a little more complicated. Your disbursements need to be broken down in two ways for the tax return as follows:

(1) For Lines 10 to 16

- Line 10 – Grants and similar amounts paid
- Line 11 – Benefits paid to or for members (should be zero)
- Line 12 – Salaries, other compensation and employee benefits (zero for most), does not include reimbursed business expenses (e.g., travel) documented by expense receipts
- Line 13 – Professional fees and other payments to independent contractors
- Line 14 – Occupancy, rent, utilities and maintenance
- Line 15 – Printing, publications, postage and shipping
- Line 16 – Other expenses (travel, meetings, supplies, honoraria, other cash disbursements not covered above)

These must add up to the total of your cash disbursements. That total will show on Line 17.

(2) For Lines 28 to 31 – Program Services

You may have to estimate these if you have not maintained your accounting records this way. Going forward, you should structure your accounting records to capture this information.

This is a breakdown of your expenses (cash disbursements) for three major programs (if you have three), for example, continuing education, conferences, newsletter, awards program, technical meetings on local civil engineering issues. This is how much your Section and its related entities spend on each major program activity (as defined) with a

description of what the program is. Line 31 is a total for your **other** program activities. The total of these (Line 32) does not have to equal your total cash disbursements since you have other expenses, such as general administration.

Opening and Saving the Excel Worksheet

We will provide you with an Excel worksheet you should use to provide information for your Form 990-EZ. The folder containing the Excel worksheet contains other files that you should not open or use. Please copy the Form 990 folder to your computer so that you may access and save the spreadsheet.

To open the Excel worksheet, open the **990EZcalcV19r1.xls** Excel file. The worksheet will begin to open. Click on “Continue”, then on “I ACCEPT”, and then click on the **2019 tab** on the bottom left. This will take you to the entry worksheet.

After making your entries, make sure you save the worksheet on your computer. You will need to email the completed Excel worksheet to ASCE Finance for review and conversion to the IRS tax form.

Headings

Heading Items, A – F – Check entries for accuracy. We are using the National Office address and phone number, so that we are not changing them frequently.

Heading Item G – Use the cash method of accounting to prepare your return. Check the appropriate box.

Heading Item H – If you **do not** have donors who contributed \$5,000 or more to your section check the box. If you do, please do not check the box and see the “Contributions Received” section below. Please note that ASCE Allotments are contributions and need to be disclosed.

Heading Item, I – If you have one, fill in your Website URL.

Heading Item J – All ASCE Sections are 501(c)(3) organizations.

Part I - Revenue, Expenses and Changes in Net Assets or Fund Balances

Revenue – Enter your **cash receipts** (revenue for accrual basis) on the appropriate lines. Click on the <?> if you have a question as to what should be included on a line. Most likely you will have entries for lines 1-4 and 8. Line 9 in this section must total to the amount of your cash receipts (revenue for accrual basis) from your accounting records – reconciled to your bank account(s).

If you have “other revenue” for line 8, click on the [Schedule 1](#) and briefly describe the items and enter amounts that make up other revenue. The total from the schedule will carry forward to Line 8.

Expenses – Enter your cash disbursements (expenses for accrual basis) on the appropriate lines. Click on the <?> if you have a question as to what should be included on a line. Most likely you will have entries for lines 13-16. Some larger sections may have entries on Lines 10 & 12.

If you have made grants, click on the [Schedule 2](#) link and describe each grant and enter its amount. The total will carry forward to Line 10.

If you have “Other expenses” for Line 16, click on the [Schedule 3](#) and briefly describe the items and enter amounts that make up other expenses. The total from the schedule will carry forward to Line 16.

Line 17 in this section must equal the total amount of your cash disbursements (expenses for accrual basis) from your accounting records – reconciled to your bank account(s).

Definition: Program service revenue and expense – A Program Service is a major (usually ongoing) objective of an organization, such as newsletter to inform members about civil engineering issues; educational seminars to enhance the abilities of civil engineers; and committee meetings to discuss state infrastructure issues. Program revenue is asked for on Line 2. Program expense information is required in Part III.

Net Assets:

Line 18 is the computed net of cash receipts and disbursements (or revenue and expense for accrual basis) for the fiscal year. This must be equal to the net from your accounting records.

Line 19 – Fill in the Net Asset balance at the beginning of the year. For cash basis Sections, this is the beginning-of-year total of your cash, checking, savings and investments. For accrual basis Sections, this is your beginning-of-year total net assets.

Line 20 – Most likely, you won’t have an entry for this line. Please call ASCE Finance if you think you need an entry on this line.

Line 21 – Net assets at end of year will compute automatically. For cash basis, this will be equal to the total for your cash, checking, savings and investment balances at the end of the fiscal year. For accrual basis, this will be the net of total assets and total liabilities at the end of the fiscal year.

Part II - Balance Sheets

To complete balance sheet information, click on the [Go to Worksheet](#) link on the line that starts with Part II Balance Sheets. This will take you to worksheet areas where you can put the details that make up the values for the lines. For example, for Line 22 (Cash, savings, and investments) on the worksheet you can enter Checking account on line 1 and Savings account on line 2 with beginning and ending balances for the fiscal year. The totals will carry forward to Line 22. You must enter beginning and end of year balances for your balance sheet accounts.

Lines 22-24 & 26 – For cash basis, line 22 should be the total of your cash, savings and investments at the beginning and end of the year for columns A and B, respectively. You should not have any items on lines 23, 24 and 26. For accrual basis, you may have other assets on line 24 and liabilities on line 26 with a very brief description as to what they are. Use the [Go to Worksheet](#) function to get to the corresponding spreadsheet. Line 27 for the beginning of the year must be equal to Line 19. Line 27 for the end of the year must equal Line 21.

Part III - Statement of Program Service Accomplishments

We have included a very brief description of the exempt purpose for Sections on the Excel worksheet (max. 46 characters). This corresponds to the tax exemption documents filed with the IRS.

When you keep your accounting records in the future, you will have to capture your cash receipts and disbursements (revenue and expenses for accrual basis) by the types of program services that you do. For example: newsletter to inform members about local civil engineering issues; educational seminars to enhance the abilities of civil engineers; and committee meetings to discuss state infrastructure issues. For fiscal 2021, you may estimate the portion of your expenses that are attributable to your three largest program services.

Under this area, on Lines 28-30 describe what you have achieved for the three largest program services with corresponding amounts. For each line (28-30) there are three 84-character lines you can use to provide information. If you received grants for these, include the amount in the appropriate box. Describe the program services and enter the amounts in the column to the right.

Complete line 31 for the amount of other program expenditures. The total on line 32 must be less than Total Expenses on Line 17 of Part I, since you have other, non-program, cash disbursements such as administrative costs.

Part IV – List of Officers, Directors, Trustees and Key Employees

In this area, you need to list your officers, directors and key employees, their addresses, their titles and how much time they devote to the Section (e.g., 1 Hr/Week), how much

they are paid (usually -0-), how much they are paid in benefits if their paid (usually -0-), and any expense allowance they receive. Note: The expense allowance does not include reimbursement for business expenses (e.g., travel) for which they submit receipts to the Section. It only includes payments to them that are beyond documented business expenses.

If there is compensation paid, check the box for Option 1 (Form W-2 Method) and use the amount of compensation for the calendar year that falls within the Section's fiscal year, e.g., for the fiscal year ended September 30, 2021, use calendar 2020 W-2 compensation.

Part V – Other Information

This is a series of questions you need to answer for your section. The following information should help you select the correct answer:

Lines 33 & 34 – Answer should be No.

Line 35a – If the Section had unrelated business income of \$1,000 or more, check Yes and contact ASCE Finance to discuss. You are required to file a Form 990-T and possibly pay federal income taxes. We will assist you in filing that form.

Line 35b – If you answered Yes to 35a answer Yes, since you will file a Form 990-T. Otherwise leave the boxes blank.

Line 36 – Answer should be No.

Line 37a – The answer for this should be -0-. 501(c)(3) organizations are not allowed to make political expenditures.

Line 37b – The answer for this should be No.

Line 38 – The answer should be No.

Line 39 – No entry required.

Line 40a – Enter zeros.

Line 40b – The answer should be No.

Line 40c – The answer should be zero.

Line 40d – The answer should be zero.

Line 40e – The answer should be No.

Line 41 – If your state requires a copy of Form 990-EZ to be filed, enter the state name.

Line 42a – Enter the name, address and phone number where the records will be maintained. If the records are passed on from year to year, enter the latest information available.

Line 42b – The answer should be No.

Line 42c – The answer should be No.

Line 43 – No entry required.

Line 44 & 45 – The answers should be No.

Part VI – Section 501(c)(3) organizations only

Line 46 – The answer should be No. As 501(c)(3) organizations, Sections should not be involved in direct or indirect political campaign activities.

Line 47 – If you believe your section has been involved in lobbying activities at the federal, state or local level contact ASCE Finance to discuss. If you lobby, you will have to file Schedule C of Form 990-EZ.

Line 48 – The answer should be No.

Line 49 – If your section made a transfer to such an organization, please contact ASCE Finance.

Lines 50 & 51 – Check the boxes for NONE if your section had no employees earning over \$100,000 for the year.

Filing Information – Fill in the name of the Section officer signing the return. This should be the President or Treasurer.

Contributions received

To complete your tax return, we need to have a list of contributions of \$5,000 or more received from any one contributor, including ASCE. That includes Section allotments and SPAG grants from ASCE. Provide ASCE Finance with a list of contributor names, addresses and amounts.

Fundraising Event (Golf Tournament)

To complete your tax return, we need to have the worksheet completed for any event with excess gross receipts of \$15,000 or more received. A copy of the worksheet can be found in ASCE Collaborate Sections Finance community “Sections Finance” >Library > General Documents. That includes all fundraising events in the Section. Click here to access the Sections Finance community General Documents folder [URL link](#).

APPENDIX 4

INSURANCE COVERAGE

ASCE includes all Sections, Branches and Other Subsidiary Organizations, under its Liability Insurance coverage for the purpose of providing protection against claims for Bodily Injury and Property Damage arising from the usual activities of each of the ASCE units of membership throughout the United States, as well as coverage for pro-bono work done on community service projects under the auspices of ASCE. There is no cost to our local units for this service.

General Liability

This coverage is similar to the liability insurance in force on behalf of ASCE National Headquarters.

Policy coverage: a limit of \$1,000,000 general liability and \$10,000,000 excess coverage protecting each section, subsidiary organization, committee and members thereof should they become legally obligated to pay damages due to bodily injury or property damage claims arising from the usual activities of the society units.

Medical costs or damages arising from job-related illnesses or injuries are not covered. These should be insured separately through Workers Compensation insurance if the entity has employees.

In the case of a function where alcoholic beverages are served, our policy includes coverage for claims made under various states' host liquor laws, however, our policy will only apply if alcoholic beverages are served at a social function by a trained professional such as a bartender or waiter employed by the facility at which the event takes place. Our coverage will not apply if ASCE organizations share in the profits from the sale of alcoholic beverages. It is advisable to caution the facility where alcoholic beverages will be served that they should check identification to ensure that all drinkers are of minimum legal age.

Athletic activities are not covered under our liability insurance. These include events such as golf outings, walkathons, fun-runs, ball games, etc.

If a hotel or other facility wants proof of coverage or to be named as an additional insured under our current policy, we will need at least two weeks advance notice in order to provide a certificate for the specific event.

In addition, we cover directors and officers of sections (not branches) from claims arising as a result of negligent act. Further information concerning this service is available upon request.

Professional Liability

This insurance covers damages from claims arising due to the negligence of those people who are actively involved in a pro-bono project. The policy defines these projects as

being public service/educational engineering projects conducted by the association or its member chapters. It covers ASCE National as well as its sections and Subsidiary Organizations. It also covers employees or directors of these entities.

Policy Coverage: the limit of the insurance coverage is \$5,000,000 per occurrence/annual aggregate, which includes the cost of defense. There is a deductible of \$50,000 per wrongful act.

As long as this policy is in effect, members can be assured that their work on these kinds of projects is covered. However, it is suggested that when a Section or Branch considers undertaking a project that you contact Sandy Mills at ASCE Headquarters (1-800-548-2723, ext. 6165) in order to discuss the matter. If necessary, ASCE will get an opinion from its insurance broker as to whether the project will be covered.

The policy does contain some exclusions from coverage, among which are: dishonesty or fraud; infringement of patent copyright or trademark; bodily injury or property damage liability; and contractual liability.

There are several other exclusions as well and for this reason it is important to be sure that the policy does cover the proposed project prior to making a commitment to undertake it.