



Financial Policies, Illinois State Council ENA 2011

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Adapted from: ENA Reference Guide for State Council Treasurers (2008)

Prepared by Illinois State Council ENA Finance Committee, October 2010

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Refer to www.gsa.gov for current year mileage and Per diem rates.

Role of the Illinois State Council Treasurer

The Board of Directors of the Illinois State Council ENA has the responsibility to control and supervise the funds and assets of the Council.

The expectations for performance for the Treasurer of Illinois State Council ENA are:

1. Pay bills and prepare periodic reports of such disbursements to the Board of Directors.
2. Prepare monthly bank reconciliations for review by the President or others per procedures adopted by the Board of Directors.
3. Prepare quarterly financial reports on expenditures and income. If necessary, provide an accounting of items not consistent with the approved budget.
4. Prepare and submit to the Board reports and analyses of the Council's finances as needed.
5. Prepare quarterly reports on the investment performance of surplus funds and as needed.
6. Prepare a recommended budget and present it for approval according to the Budgeting Process.
7. Ensure that all federal and state filing requirements with regard to tax and incorporation status are met.
8. Ensure that the bookkeeping and financial records required as a condition of grants received are kept in the manner specified in the grant contract or other guidelines.
9. Ensure that all signature cards relating to banking and investment accounts are kept current.
10. Communicate with and work in collaboration with tax advisor/CPA and bookkeeper to ensure completion of all required financial documents.

POLICY REVISED

Federal Filing Requirements

Even though Illinois State Council is included in ENA's 501(c)(3) Group Exemption Number (GEN) 3993 and as such, has 501(c)(3) tax exempt status, Illinois State Council must still meet the following federal reporting requirements:

To retain the State Council's 501(c)(3) status:

National ENA completes an annual filing for the group exemption, which simply lists the name, address and FEIN of the Illinois State Council included in the exemption. The ENA filing confirms to the IRS that Illinois State Council is continuing to work towards the advancement of emergency nursing through education and public awareness.

To file annual information return – Form 990, 990EZ

With the Illinois State Council having annual gross receipts in excess of \$25,000, it is required to file an annual information return, *Form 990 Return of Organization Exempt from Income Tax* or *Form 990-EZ Short Form Return of Organization Exempt from Income Tax*, with the IRS. The form is due by the 15th day of the fifth month after the year-end. Because Illinois State Council works on a calendar year as fiscal year, the form is due every May 15th.

To report unrelated business income – Form 990-T

An exempt organization that has \$1,000 or more gross income from an unrelated business is subject to unrelated business income tax (UBIT) and must file *Form 990-T* whether or not it meets the threshold for filing a Form 990 or Form 990-EZ and even if it only files a 990-N. An activity is an unrelated business (and subject to UBIT) if it meets three requirements: (1) It is a trade or business; and (2) It is regularly carried on; and (3) It is not substantially related to the furtherance of the exempt purpose of the organization.

One of the most common sources of unrelated business income is advertising revenue such as advertising in a meeting or symposium program.

The IRS Code contains a number of modifications, exclusions, and exceptions to unrelated business income. For example, dividends, interest and certain other investment income are excluded when computing unrelated business income. The Code also allows certain related expenses to be deducted from the reported income.

Illinois State Filing Requirements

Illinois State Council has state filing requirements in addition to the federal requirements:

To file annual information return

Many states regulate public charities such as 501(c)(3) nonprofit organizations. The public charities office is not necessarily the same office that has the corporate report-filing requirement. For example, as we have stated, in Illinois the Secretary of State regulates corporations. However, it is the Office of the Illinois Attorney General that regulates charities.

To file sales tax return

If Illinois State Council sells items such as sweatshirts, magnets, pins, or other similar merchandise, it may be subject to state sales tax filing requirements.

POLICY REVISED

Insurance Coverage

In 2005 ENA developed an insurance program for State Councils. Illinois State Council has Directors and Officers (D&O) coverage, as well as General Liability and Fidelity Bond (GL) coverage. National ENA administers the program for Illinois State Council. National ENA can answer any questions about coverage and will assist you with claims, should any arise. National ENA can also provide certificates of coverage for meetings or events are held at a hotel or other facility.

Directors & Officers Coverage

D&O protects the organization from a claim made against the directors/officers for a wrongful act, which can be an error, misstatement, misleading statement, act or omission, neglect or breach of duty. This policy basically covers directors/officers who are acting in accordance with policies and procedures of the State Council. For D&O, there is one master policy, which includes all 50 State Councils. The coverage is provided by the Philadelphia Insurance Co.

For D&O:

- Combined liability limit - \$5,000,000 with a \$5,000 deductible per claim.
- Sublimit for antitrust - \$150,000.
- The limit of liability available to pay judgments or settlements will be reduced by amounts incurred for legal defense. Amounts incurred for legal defense will be applied against the deductible.

General Liability and Fidelity Bond Coverage

General Liability (GL) Coverage protects the organization from a claim related to bodily injury or property damage. The fidelity portion protects money and securities from mismanagement, fraud, forgery, theft, or disappearance. For GL, there are 48 separate policies (Alaska and Hawaii have different arrangements). However, the individual policies will be included in one master invoice administered by National ENA. The coverage is provided by the Hartford Insurance Co.

For GL:

- Liability limit - \$1,000,000 per state with no deductible.
- Fidelity limit - \$20,000.
- Business personal property (examples are laptops, banners, booths) - \$10,000.

State participation is required. National ENA was able to obtain underwriting for the program based on all-inclusive participation.

Investments and Reserves Policy

Generally, funds available for investment fall into two categories:

Short-term – These are funds that are not needed for operations immediately, but may be needed within this year or the next 12-36 months. Appropriate vehicles for investing short-term funds may be money market funds, certificates of deposit (CDs) and/or U.S. Treasuries. Illinois State Council has a checking account and money market account at 5/3 Bank (www.53bank.com). The Illinois State Council will have a minimum of at least three authorized signers on the 5/3 Bank accounts: the President, Treasurer and Treasurer-Elect or President-Elect.

Long-term – These are funds that will not be needed for operations for at least the next three years. Appropriate vehicles for investing long-term funds may be a combination of money market funds, CDs, U.S. Treasuries, equities (generally stocks) and fixed income securities (generally bonds). Illinois State Council has long-term investments that are managed by Marilyn Bilyak at Journey Financial Group, Inc. (www.jfgplan.com), 1110 W. Lake Cook Rd. Ste. 265B, Buffalo Grove, IL 60089, 847-229-9191. At least three authorized signatures are required for the investment account: the President, Treasurer and Treasurer-Elect or President-Elect.

Investment Policy

The goal of the Investment Policy is to direct the investments of Illinois State Council, which are designed for growth with a moderate risk tolerance, and to retain capital and safely maximize revenue to enhance and financially support membership programs.

In order to achieve the goals of the Investment Policy:

- Illinois ENA will establish a Finance Committee that will include the Treasurer, Treasurer-Elect, and a minimum of three additional members who will review the Illinois ENA investments at least bi-annually and make recommendations to the membership if any changes are necessary.
- Illinois ENA will contract with a certified investment advisor with expertise in not-for-profit organizational investing. This advisor will be compensated on a fee for service basis rather than receiving compensation based on financial instruments sold to the Illinois ENA.
- Illinois ENA will invest in financial instruments—such as stocks, mutual funds, bonds and cash equivalents—as recommended by the investment advisor and will avoid speculative or unproven financial schemes.
- Illinois ENA will seek a wide range of investments to include and support regional businesses if possible and exclude investments that directly or indirectly profit from hazardous or evidence based risks to health or the exploitation of women, children or other workers, or risks to the environment.
- Illinois ENA is, since 2001, following the investment portfolio principles of 45% growth, 25% Growth and Income, 20% Income (bonds) and 10% cash equivalents (short term).

The Board of Directors will have the authority to modify this policy based on economic factors at any time during the year.

Reserves Policy

The creation and maintenance of adequate reserves is a fundamental tenet of sound financial management. The purpose of accumulating reserves of the Illinois State Council ENA (Illinois ENA) is to assure that Illinois ENA has the financial means to continue to provide essential services to its members and the general public in both the short- and long-term future.

The specific objectives of Illinois ENA reserves are as follows:

- To sustain basic operations and core member services for a minimum of six months in the event there is a meeting cancellation or a decline in a major revenue source.
- To sustain essential member services during a transition to a long-term economic downturn.
- To cover unbudgeted and extraordinary expenditures brought about by unanticipated challenges or opportunities.
- To provide a source of capital for research and development of new products and services that have the potential to significantly benefit the emergency nursing profession.
- To fund major capital improvements to serve members better such as new information/technology systems.
- To have sufficient funds that income from investment of these funds could be used to offer member benefits at lower cost than would otherwise be possible.

It shall be the responsibility of the Illinois State Council ENA Finance Committee to recommend to the Board of Directors a target amount for the reserves in order to meet the objectives of this policy.

The objectives of this policy shall be reviewed and the target amount adjusted at intervals not to exceed three years.

As of 2011 the Illinois State Council reserve policy is \$75,000.

Budgeting Process

Purposes of the annual budget:

- A budget helps the entire State Council focus on common goals.
- A budget sets up guidelines for reaching goals.
- A budget provides a way to measure progress toward achieving goals.
- A budget can help set-aside money for short-and long-term investments.
- A budget helps prepare for emergencies or large or unanticipated expenses that might otherwise be impossible to manage.
- A budget reveals areas where too much money is being spent so that most important goals can be reached.
- A budget helps integrate injury prevention and current ENA courses (i.e. ENPC/TNCC) activities if they are accounted for in separate accounts.
- A budget can help communicate goals to the entire membership.
- A budget is the reference the Treasurer should have in order to disburse funds.

The annual budget meeting of the Board, Committee Chairs and interested SIG Chairs will occur during the fall prior to the last State Council meeting of the year to prepare a proposed budget for the subsequent year. This proposed budget will be presented at the final State Council meeting of each year and become effective January 1 of the following year. The fiscal year of the Illinois State Council is based on the calendar year.

Records Retention

Permanent Records

The Illinois State Council will maintain certain records permanently. These include:

- Tax returns
- Annual reports
- Audit reports
- Bylaws
- Articles of Incorporation
- Meeting minutes
- Property and equipment records
- Trademark registrations and copyrights
- Printer's proofs of all publications
- Legal documents
- Tax-exempt status filings and any other documents that pertain to the establishment and permanent operation of the Association

Records Retained for Seven Years

The State Council will retain certain accounting records for seven years in order to meet statutory, tax, grant and audit requirements. These include:

- Primary accounting records such as bank statements, check registers, cancelled checks and supporting documentation
- Cash receipts records
- Brokerage and/or investment account statements
- Completed grant program documents and contracts
- Expired contracts
- Form 1099 records

This is a traditional records retention policy. In the age of electronic data, a good records retention policy also should require adequate back-up and safeguarding of computerized data. For example, duplicate copies of backed-up data might be made periodically, with each stored in an offsite location.

All paper documents should be shredded by an approved records destruction process or company. If there are electronic records, then the Finance Committee may approve destruction of some hard copy versions.

Records should never be destroyed if there is knowledge of a pending government investigation or litigation.

The State Council should maintain a Destroyed Records Log on which to simply record what data was destroyed, when and by what method.

Per diem and Other Payments

Per diem Policy (Originally Approved August 11, 2006 as “Illinois State Council ENA Per diem Policy”)

Definition: ‘Per diem’ is the allowance for daily expenses paid to travelers on official business. The IRS views per diem payments as taxable income unless the payments are limited to: (1) IRS rates established for each city/region in the US; or (2) expenses for which the traveler has receipts; or (3) an ‘accountable plan’ which does not require receipts and avoids taxability.

The accountable plan of the Illinois ENA requires all members/travelers to meet the following:

- Incur the travel expense while performing services for Illinois ENA; and
- Complete a Travel Substantiation Form to verify their daily expenses (no receipts required for expenditures less than the current GSA rate); and
- Return of any excess per diem to Illinois ENA with the Substantiation Form

If the traveler does not complete these requirements within 30 days after the travel, the Per diem becomes taxable income. From September 1, 2006 to January 1, 2011, the Illinois ENA rate was \$75.00. All Per diems will be paid after the business travel when the exact amount to be paid is shown on the Substantiation Form, to avoid members having to return excess Per diem. There is a hardship provision in the event a member cannot take the trip without the per diem being paid in advance.

Per diem includes the following expenses paid by the traveler:

- All meals
- All transportation cost at the destination, such as taxis or shuttles. It also includes mileage (at the current IRS-approved reimbursement rate), tolls and parking fees to get to/from the airport. It does not include airfare, which Illinois ENA pays directly via the Illinois ENA debit card or reimburses, based on receipts.
- All incidentals including tips, snacks, laundry and other expenses

Per diem does not include the following expenses:

- Alcoholic beverages
- Actual mileage to/from destination in lieu of airfare. This expense is separately reimbursed. The maximum reimbursement is the equivalent economy airfare.

Illinois ENA will use the accountable plan and utilize the *Travel Substantiation Form* (found at www.illinoisena.org/forms).

If any portion of the traveler’s expenses are paid by their employer or other funding source, this policy will not apply and the member will be expected to reflect the source of funds on the *Travel Substantiation Form*.

The Board of Directors will utilize the GSA (government) Per diem schedule based on the location of the meeting or conference and will have the authority to modify the rate based on economic factors at any time during the year of the meeting.

Delegate Reimbursement

Each fall the ENA holds a two-day General Assembly meeting where delegates represent Illinois ENA in the business of the parent organization. In an effort to substantially support the expenses related to travel and delegate expenses, the Illinois ENA will estimate the costs involved during the annual Budget Meeting in order to reimburse the following expenses:

- Per diem as described above (either three or four days based on date of travel)
- Hotel for three (3) nights, and
- The lesser of airfare or mileage (per the IRS rate) if the meeting is held within 500 miles of Chicago.

The Treasurer will prepare an expense document for the delegates and they will be required to return original receipts within thirty days of the end of the General Assembly. If a delegate is having airfare or hotel reimbursed by their employer, they should submit only those expenses for reimbursement that are not obtained by an alternative funding source. If a Delegate chooses to use accumulated personal airline or hotel miles, the equivalent value if paid directly cannot be reimbursed. Delegate reimbursement is not able to support Scientific Assembly registration or pre-session costs.

A maximum amount for delegate reimbursement will be determined on a yearly basis.

Board Member Reimbursement for Leadership Conference Expenses

The President, President-Elect, Secretary, Treasurer and Treasurer-Elect are eligible for reimbursement for expenses related to attendance at the annual ENA Leadership conference, which is usually held in late winter. Reimbursement will occur based on the expenses related to Per diem, Hotel and Airfare/Mileage as described in the "Delegate Reimbursement" section above.

Other Payments/Stipends/Payments to Members

The terms 'Per diem' and 'other payments' such as stipends paid to ENPC/TNCC Instructors or to members to facilitate their attendance at Leadership or Annual Conference are often used interchangeably. However, these kinds of payments are not included in the term 'Per diem' and are not included in an accountable plan.

It does not matter if the payments are called fees, honoraria, stipends or something else; they still are subject to 1099 reporting requirements because they are payments for personal services. The amounts are cumulative during the year. For example, if the

State Council paid an instructor \$200 in January, \$150 in May and \$250 in September, a Form 1099 is required because a total of \$600 was paid during the calendar year.

Form 1099 Requirements

The IRS has rules about the forms an organization must file if they have paid for personal services and other forms of nonemployee compensation. The rules require filing variations of Form 1099. These rules are federal requirements and apply to the Illinois State Council regardless of its tax-exempt status.

The most common 1099 form is Form 1099-MISC. Illinois State Council is required to complete this form for all individuals, sole proprietors and partnerships to which they paid \$600 or more during the calendar for personal services rendered. The rules require that an organization send a Form 1099-MISC to payees by January 31. The forms must also be filed with the IRS by February 28. It is important to have the payee's correct taxpayer identification number or social security number, name, and address. A Form W-9 can be used for this purpose. It can be found at www.irs.gov. Click on the Form W-9 on the left hand side of this IRS home page.

The Illinois State Council expects a current Form W-9 must be on file with the Treasurer before a check can be issued to a payee.

Other Payments

Payments for travel expenses related to national conference are potentially subject to 1099 requirements if the lump sum payments total \$600 or more within a calendar year and are not based on actual expenses. It is therefore the policy of Illinois State Council to reimburse based on receipts.

Banking

Bank Signatory Cards

The first act of the Treasurer upon taking office should be to obtain and complete new bank signature cards and to return them to the bank promptly. Illinois State Council has signatory cards and debit cards for the President, President-Elect, Treasurer, Treasurer-Elect, and Spring Symposium Committee Chairperson. In the event that a former officer as previously described is no longer in that position, their debit card will be surrendered immediately.

Signatories should be authorized by Board action. The Illinois State Council will have a minimum of at least three authorized signers on the 5/3 Bank accounts. It does not mean that three signatures are needed on a check; you still may have only one or two, depending on the State Council policy, but it means that there will be three people who will be able to access the account should one or more persons leave their ENA position(s).

Direct Deposit

Illinois State Council receives their membership and course assessments via direct deposit.

If Illinois State Council changes banks, the ENA Finance Department should be contacted to complete a direct deposit form with a voided check. The instructions are located in the [ENA Reference Guide for State Council Treasurers](#).

Lobbying and Political Activity

Political Activity – no Lobbying – yes

Organizations that are 501(c)(3) tax exempt are not allowed to conduct any political activity. Potentially, any expenditure for such a purpose can result in the loss of tax-exempt status.

Political activity is an attempt to influence the selection, nomination, election or appointment of an individual to a federal, state or local public office or office in a political organization, or the election of a presidential or vice-presidential elector.

Organizations that are 501(c)(3) tax exempt are allowed to engage in lobbying within limits. There are two types of lobbying. Organizations that are 501(c)(3) exempt may do both.

Direct lobbying is an attempt to influence legislation through communication with members or employees of a legislative body or with governmental officials or employees who may participate in formulating legislation.

Grassroots lobbying is an attempt to influence legislation by affecting the opinions of the general public or any segment thereof.

Allowable Spending on Lobbying

The IRS Code states that no 'substantial part' of the activities of a 501(c)(3) organization can be devoted to lobbying. This is rather vague so in 1990 the IRS issued regulations defining the extent to which 501(c)(3) organizations can lobby without jeopardizing their tax-exempt status.

Under the regulations State Councils may file a 501(h) election with an IRS Form 5768 which then defines the 'substantiality' standard. The regulations establish spending ceilings on total lobbying expenditures and on the amount of expenses allowable for grassroots lobbying.

In general, 501(c)(3) organizations with up to \$500,000 in exempt-purpose expenditures may spend up to \$25,000 in grassroots lobbying and a total of no more than 20% of its exempt-purpose expenditures for all lobbying expenditures. A State Council's exempt-purpose expenditures are expenditures incurred to directly promote excellence in emergency nursing and emergency care. Other expenditures, such as investment management fees, unrelated business expenses and certain fundraising costs are not consider exempt-purpose expenditures by the IRS.

Political Intervention Policy

Prohibited Expenditures

Consistent with its tax-exempt status under the Internal Revenue Service Code, it is the policy of Illinois State Council that it will not incur any expenditure for political intervention. For purposes of this policy, political intervention will be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state or local level. Political intervention does not include lobbying activities, defined as the direct or indirect support or opposition for legislation, which is not prohibited under the Internal Revenue Code. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees
2. Contributions to the campaigns of individual candidates for public office
3. Contributions to political parties
4. Expenditures to produce printed materials (including materials included in periodicals) that support or oppose candidates for public office
5. Expenditures for the placement of political advertisements in periodicals

Endorsements of Candidates

It is the policy of Illinois State Council not to endorse any candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of representatives of Illinois State Council, when these individuals are acting on behalf of, or are otherwise representing, Illinois State Council.

Prohibited Use of State Council Assets and Resources

It is the policy of Illinois State Council that no assets or human resources of the State Council will be utilized for political activities, as defined above. This prohibition extends to the use of State Council assets or human resources in support of political activities that are engaged in personally by board members or any other representatives of Illinois State Council. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing that they are acting on behalf of Illinois State Council), these individuals must at all times be aware that State Council resources cannot at any time be utilized in support of political activities.

Charitable Contributions, Silent Auctions and Raffles

Illinois State Council is exempt under IRS Code Section 501(c)(3) and is eligible to accept tax-deductible charitable contributions.

Allowable charitable deduction for silent auction items

Donor

The rule is that the donor is responsible for determining the value of the silent auction item for purposes of federal tax treatment of the contribution.

Successful Bidder

The rule is that if a successful bidder pays more than fair market value for merchandise, goods, or services, the amount paid that is more than the value of the item can be a charitable contribution if the bidder paid with the intent to make a charitable contribution.

Raffle Tickets

The IRS has consistently enforced the rule that the amount paid for the chance to win a prize is equal to the market value of the chance of winning. As a result, there is no charitable contribution deduction allowed for purchase of a raffle ticket.

The committee holding a raffle is responsible for obtaining a raffle license. Licenses are specific to the location where the raffle is being held.

Policy Cycle Review

This policy will be reviewed yearly during the budgeting process.