

1.0 INTRODUCTION

The primary purposes of the *Handbook for ACS Local Section Treasurers* are to outline the responsibilities of the treasurer of an ACS local section and to offer the information necessary for efficient management of section funds. This handbook is intended to provide guidance and assistance to all local sections; however, the presentation is confined to general procedures, guidelines, and information. The handbook is not intended to be the last word on the operation of the office and duties of the treasurer. Sections that need an elaborate and sophisticated accounting system should seek additional direction from professional financial consultants.

Achieving and maintaining a sound financial basis are critical to the effective operation of a local section; determining what procedures should be followed to accomplish that aim is a vital, albeit difficult, task. It is hoped that this handbook can serve as a dependable foundation for the establishment of section fiscal policy.

If you have any comments or questions related to this handbook, please contact the

[Office of Local Section Activities](#)

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2.0 RESPONSIBILITIES OF THE TREASURER

The treasurer is responsible for the operational control of all funds for his/her local section. He/She should be fully cognizant of the duties and responsibilities of the treasurer before accepting the position. The following are the primary functions of the local section treasurer:

- Retain accurate and proper records, including bank statements, checkbooks, ledger(s) of cash revenue and expense transactions, invoices, correspondence, and tax returns in accordance with the section's record-retention policy. The ACS policy for retaining financial records generally follows a 7-year period.
- Meet with the incoming treasurer to review the financial records, tax returns, checking accounts, and investment accounts. Forward all historical and current records, upon completion of term as treasurer, to the new treasurer of the section, or to another officer, to ensure the proper retention of financial and supporting documentation.
- Ensure that proper bank signature cards are executed annually when new officers take office. Represent the section in all transactions with banks, trust companies, and brokers.
- Maintain a book of accounts (ledger) showing the details of all revenues and expenses. The ledger should reflect an itemized record of section monies received or disbursed to carry out the mission of the section.
- Maintain a checking and any investment accounts set up by the local section.

- Handle section funds in accordance with good business practices. Policies and procedures for handling section funds should be written. Written policies and procedures establish control over the receipt and disbursement of funds and provide a reference document for new treasurers to assist them with carrying out their responsibilities.
- Deposit and disburse all funds accurately, in a timely manner, and in accordance with established policies and procedures. Reconcile the section's ledger(s) to bank statements on a monthly basis.
- Prepare and submit periodic and annual financial reports. Simply stated, the treasurer is the financial officer of the section. Detailed specifications of the treasurer's duties should be enumerated in a procedures manual that is prepared and maintained by the section to ensure consistency and continuity over the section's finances.

2.1 Basic Duties

The following list outlines standard treasurer responsibilities, which may be modified or expanded as necessary to meet the needs of the section.

- Receive and deposit funds transmitted to the section as soon as possible, at least within 2 days of receiving the funds. This ensures that no receipts are misplaced or lost.
- Receive bills to be paid. Section members submitting bills for payment should properly authorize the amounts to be paid. Disburse funds that are provided for in the current budget. The section may develop a policy that allows the treasurer to disburse unbudgeted funds, but only as authorized by the Executive Committee. Pay all bills as soon as possible or in accordance with the terms established by the vendor.
- Use a standard bookkeeping method, such as a cash or running balance method of accounting, and a ledger constructed around budget lines to keep a complete record of all revenues and expenses
- Coordinate the preparation of and compile the annual operating budget for the succeeding year during the last quarter of the local section fiscal year. (See section 4.0 on expenses and financial controls.) Seek input from officers and members for planned activities and the cost of engaging in those activities. Present a final draft of the budget for consideration by the Executive Committee.
- Prepare all financial reports for the section. Reporting should include providing an overall summary of the section's financial position to the Executive Committee at their meetings: reporting on variances between actual performance and budget and other reports deemed necessary by the treasurer or section.
- Prepare the ACS annual financial report.
- Prepare and file IRS Form 990 and other necessary IRS forms.
- Ensure all allotments are received and properly accounted for. Return vouchers to national ACS requesting the local section's annual allotment for the succeeding year. (The form to request payment for the allotment is sent by ACS to section treasurers on or about November 1 for return by December 1.)

- Obtain reimbursement, as appropriate, from the Society for expenses for councilor travel to national meetings, adhering to the following schedule:

No later than:

- **4 weeks prior to the meeting** — take action on requests from the section’s councilors for seeking reimbursement for councilor travel expenses from ACS. (The section’s Executive Committee or Board of Directors must authorize requests for reimbursement.)
- **3 weeks after the meeting** — obtain records of travel expenses and the appropriate receipts from authorized councilors.
- **4 weeks after the meeting** — apply for councilor travel expense rebate from ACS.
- Arrange for examination of the section’s financial records. The examination may be conducted by an independent agency or by an internal committee composed of section members other than the treasurer. Submit financial records for examination as soon as possible after the end of the fiscal year (or at any time, if requested to do so by the chair.) Report results of the examination to the Executive Committee.

2.2 Budget Committee

In some sections, the treasurer is the chair of the budget committee (also called the finance or audit committee), which is organized as an advisory body to assist the treasurer in fiscal policy matters. Typical responsibilities to a budget committee are as follows:

- Discuss, modify, and recommend budget requests received from committees, topical groups, and subsections for executive committee approval.
- Set guidelines for categories of expenditures.
- Serve as a consulting body for formulation of investment recommendations.
- Establish a statement of the treasurer’s and the budget committee’s responsibilities for inclusion in the section’s procedures manual.

2.3 U.S. Patriot Act

To help the U.S. government fight terrorism and money laundering, federal law requires financial institutions to obtain, verify, and record information that identifies each individual, business, or entity that opens an account or establishes a relationship.

For businesses and other entities, such as corporations, trusts, *etc.*, which open an account or establish a business relationship with a financial institution, the institution will ask for the business’s or other entity’s

- official name,
- principal place of business or local business street address, and
- taxpayer identification number or other registration number.

You may also be asked for a copy of your formation documents or other related documentation. If the financial institution is unable to verify an accountholder's identity, it may not be able to open an account or establish a business relationship, or it may have to block or close the account.

3.0 REVENUES

A local section treasurer should be knowledgeable about both the status of local section finances and the sources of section funds. The following are traditional revenue sources.

3.1 Annual ACS Allotments

As stipulated in ACS Bylaw VII, Section 8, ACS provides local sections with annual allocations of funds from members' national dues for the operation of the sections. The allotments are composed of two parts:

1. a basic allotment, which is the same for each section, regardless of its size; and
2. an additional allotment, the so-called *per capita* allotment, based on the number of members and Society affiliates assigned to the section. The date of the official membership count used for calculation of the *per capita* allotment is December 31 of the second preceding year, *i.e.*, 2009 allotments are determined from section membership counts as of December 31, 2007.

For 2009, the basic allotment is \$4,560. The 2009 *per capita* allotment is calculated as follows: \$5.88 per member and Society affiliate for the first 2,000 and \$3.89 for all those over 2,000.

Both the basic and additional allotments escalate annually in proportion to the increase, if any, in national dues.

The ACS bylaws require the section treasurer to make a formal request to the Society for payment of the allotment funds. To facilitate this procedure, a formal request form (also known as a General Payment Voucher) for the succeeding year's allotment is sent from ACS to each section treasurer in early November. The treasurer need only verify contact information, sign the form, and return it to the national office by December 1.

The annual allotment is available to a local section after January 1 and after the Local Section Annual Report for the preceding year has been received by the Society. Pending receipt of the annual report, the ACS Executive Director may once annually transmit 10% of the allotment if a section submits a written statement of need for that amount.

3.1.1 Electronic Funds Transfer

Local sections may arrange to receive funds from the Society via electronic funds transfer (EFT). Society payment—such as allotments, travel reimbursements, *etc.*—are processed through a clearinghouse and transferred from one bank to another, directly into the section's account. EFT makes funds available on the third business day and eliminates the wait for mail delivery and the need to deposit checks.

The Society contracts with Automated Clearinghouse (ACH) to provide EFT services. To receive Society payments via ACH, the local section must [complete an authorization form](#) and mail the signed original to ACS Accounts Payable. Once the form is processed, all future payments will be directly deposited in the section's bank account. The section will receive an EFT Remittance Advice form for each payment. This

form verifies the amount paid and all pertinent account information.

3.2 New Member Commissions

Local sections receive a commission for each new member and Society affiliate whose membership application is forwarded to the Society by the section. The commission rate is \$15 for a new member, Society affiliate, and each reinstated member. To be eligible for the commission, a section must certify that the new membership has been obtained as a result of section effort by indicating the section name in the lower right corner of the membership application. The commission figures are compiled at year-end, and payments are remitted to the sections in February. These commissions are intended to provide strong incentives for the sections to organize or invigorate membership committees and recruiting procedures.

3.3 Local Section Dues

Approximately 60% of the local sections supplement their revenues by charging local section dues. Payment of section dues by a member or Society affiliate is strictly voluntary. However, the rate of return is generally good; for some sections, this revenue source is substantial. Local dues for members and Society affiliates can be included on the national ACS dues billing at no charge to the section for the collection service. The money, with payment records sent under separate cover, is remitted to the sections twice annually, in February and July.

Current rates per member and society affiliate for local dues collected through the national ACS dues billings range from \$2 to \$15. On average, 75% of those members and Society affiliates billed by the national office elect to pay local section dues. In March, each section treasurer receives details of the local section dues collection service. The deadline for requesting the service for the succeeding year is May 1.

Sections also obtain revenues from dues paid by the local section affiliates. In contrast to payment of section dues by members and Society affiliates, which is voluntary, payment by local section affiliates is mandatory. According to the ACS bylaws, a local section affiliate must pay at least \$2 annual section dues to retain affiliate status. In determining the amount of local section affiliate dues, a section should evaluate its services to local section affiliates and set the amount at a level sufficient to recover the costs of these services.

3.4 Local Symposia and Conferences

Many local sections organize mini-meetings, symposia, or short courses and charge registration fees that will be sufficient to produce some net revenue. Note: Sections sponsoring such activities are advised to plan carefully. Topic, location, and weather can affect attendance.

3.5 Interest and Dividends

Depending on the amount of section assets, investment possibilities range from savings accounts to certificates of deposit to investment portfolios. A few sections have formed boards of trustees, made up of members who possess some financial expertise, to manage the money.

Sections may deposit funds in the ACS Investment Pool, the return for which is similar to that of mutual funds. Participants invest funds in the Investment Pool, the funds are combined and invested, and each participant receives shares representing a *pro rata* ownership of the Pool. Interest and dividends are distributed quarterly on a per share basis, as are investment gains/losses. Questions may be directed to the [ACS Office of the Treasurer](#) at (202) 872-4415.

3.6 Donations and Contributions

Many local sections obtain financial support from companies and foundations within the local section area for specific projects and activities. Campaigns for donations from individual members have also been successful. Because ACS and its local sections are tax-exempt organizations, such gifts are charitable contributions. In order for contributions to be tax deductible to the donors, the local section must provide a written acknowledgment and a written disclosure to the donor as required by Internal Revenue Code Section 170 and Section 6115. The IRS explains the substantiation and disclosure rules for charitable contributions in its free Publication 1771, *Charitable Contributions — Substantiation and Disclosure Requirements*. (See section 6.0 for the IRS rules regarding the substantiation and disclosure requirements for donations and contributions.)

3.7 Innovative Project Grants

The Board, Council, and membership of ACS approved the Petition for Local Section and Division Funding in 2003, making available a pool of funds annually to local sections through the Local Section Innovative Projects Grants Program. Proposals are accepted by the Local Section Activities Committee (LSAC) twice each year with deadlines of March 1 and August 1. Innovative projects are those that are new to a given local section, not just those that have never been done before by any local section. Projects that support local section and division interaction are especially encouraged. While grants are intended as seed money for sections to initiate projects, LSAC will consider awarding renewal grants for sections to continue previously successful programs funded by Innovative Projects Grants.

3.8 Reimbursement of Councilor Travel Expenses

The Society provides a limited subsidy to assist sections in reimbursing their councilors for travel costs to participate in the Council sessions at national meetings. The funds are intended to ensure representation and to supplement the councilor's, employer's, and local section's contributions. The Society will reimburse the local section for 75% of the eligible travel expense for councilors, as long as 25% is paid by the local section. Travel to both national meetings can be supported, as long as the councilor attends the Council meetings at both. Each section may decide whether it will participate in this plan. A detailed explanation of the extent of reimbursement allowable and the procedures to be followed in requesting reimbursement is sent approximately 6 weeks prior to each national meeting to section councilors, secretaries, and treasurers.

3.9 Other Revenues

Hosting or participating in regional meetings is another source of section revenue. Meeting surpluses accrue primarily from registration fees and sales of exhibit booth space. Guidelines for the division of these monies among the sections in the region are established by the regional meeting steering committee, which is composed of one representative from each section in the region.

4.0 EXPENSES AND CONTROLS

Regardless of the sources and amount of its revenues, or the size of its asset base, every section must be concerned with how its money is spent. Each local section should establish guidelines for expenditures and prepare an annual budget for revenues and expenses. The net result of the annual budget should be either a break-even position or net gain to the section's assets. A section's budget should not reflect deficit spending unless the section's executive committee, after careful consideration of the long-term

implications, has decided that special circumstances warrant depletion of the section's reserves.

4.1 Guidelines for Expenditures

Local sections are exempt, except in certain circumstances, from paying federal income tax under Section 501(c)(3) of the Internal Revenue Code as nonprofit scientific and educational organizations. Local sections are granted the same federal tax-exempt status as the Society and are therefore subject to the same federal restrictions. Their activities should be in furtherance of their exempt purposes and to maintain this status, they should derive the majority of their funds from activities that support their mission. A small portion of a local section's funds, however, may be derived from activities that are unrelated to the section's mission, but the section should be advised that these funds will be subject to income tax (see section 6.0). A local section can find its exempt purpose (mission) in its governing documents. A local section's governing documents should conform to those of the Society. The Society's exempt purpose can be found in its Charter and Constitution (Article II).

To ensure the continued tax-exempt status of the Society and to assist section officers in fulfilling their responsibility to safeguard funds, local sections should develop written spending policies. Policies should be clearly stated and apply to all units of the section in developing the annual budget. The policies should clearly set forth the rules for handling all expenditure requests, including those not included in the budget. For example, a policy may require executive committee approval for all unbudgeted expenditures.

4.1.1 Appropriate Expenditures

In formulating fiscal policy, sections should evaluate their activities to be certain they are in agreement with their mission, which is the basis for their tax-exempt status. A local section's mission should be consistent with the Society's. Generally, if the activity is appropriate, the necessary expenditures to promote that activity will also be appropriate. Another general rule is that expenditures may be made at the local level to support any program carried out at the national level. The following are some examples of typical appropriate expenditures:

- Supporting local section meeting programs, including payment of speakers' expenses.
- Financing short courses, symposia, or lecture series.
- Supporting National Chemistry Week and other outreach activities.
- Communicating with members (meeting notices, newsletters, or other publications).
- Paying reasonable administrative expenses (*e.g.*, stationery, postage, or secretarial expense).
- Sponsoring science and career fairs.
- Providing awards or scholarships in recognition of scientific achievement or contribution.
- Paying for subscriptions to journals donated to educational institutions or awarded to student science fair contest winners.
- Paying all or part of councilors' expenses to participate in Council sessions at national meetings.

- Paying the registration fee and travel expenses for the chair-elect to attend the Local Section Leadership Conference.
- Supporting activities of affiliate groups (*e.g.*, technician affiliates, student affiliates, teacher affiliates).

The above list is a guide and is not intended to be complete.

4.1.2 Prohibited Expenditures

In general, the Society and its local sections are prohibited from making expenditures that benefit individuals or profit-making organizations, promote legislation, or support or oppose a candidate for public office. Other transactions that are not in accordance with the 501(c)(3) exemption and are thus prohibited are as follows:

- Making services available on a preferential basis to a select group of members.
- Making personal gifts to individuals. (Grants—such as scholarships, science fair prizes, and research grants—may be made, however, on an objective and nondiscriminatory basis pursuant to an approved procedure.)
- Participating or intervening in—including the publishing or distributing of statements—in any political campaign on behalf of, or in opposition to, any candidate for political office. If any question arises about the appropriateness of an activity or expenditure, call the [ACS Tax Office](#) at (202) 872-6027 for clarification of the matter.

4.2 Budget

Sound financial management requires not only stringent spending guidelines but also adequate controls. The most familiar control is a carefully prepared budget.

4.2.1 Review and Analysis

The first step in budget preparation is to review a local section's objectives. A section should examine its total sphere of activities and ensure that those activities support the purposes set forth in their objectives and are consistent with their mission. Priorities should be assigned to each activity, and each activity should be evaluated to determine its cost and effectiveness. It may be appropriate for a section to spend 90% of its revenue on a single item, but such decisions should be subject to annual review. No program should be guaranteed automatic renewal.

Another aspect of budget preparation is a review of past history. Section financial reports for previous years should be examined. Has the section been using its funds effectively? What trends in spending are noted? Calculate each expense item as a percentage of total expenses and of total revenues. From this data, what judgments about the relative worth of the various activities can be made? Do the judgments made from the data support the priorities assigned to the programs by the section's Executive Committee? It should be noted that the Assistance and Development Subcommittee of the ACS Committee on Local Section Activities carefully reviews each section's financial report, with its accompanying proposed budget. The subcommittee is charged with assessing the overall financial health of local sections. It looks for trouble spots and areas of concern. The evaluators cite a section's tendency to allocate a large percentage of the expense budget to meals as the most problematic area. The use of members' dues and

other section resources to provide free or heavily subsidized meals in a regular manner to section officers and their guests, for example, would appear to violate the first item of the above list of prohibited expenditures.

4.2.2 Reserves

To ensure consistency and continuity of service, a section should plan for the future. Each annual budget should include provisions for building and maintaining a reserve fund. This “planning for a rainy day” should not, however, be carried to an extreme whereby reserves are built to unreasonably high levels. A comfortable reserve level is one that enables a section to meet unexpected expenses and initiate new programs. The ACS Committee on Local Section Activities recommends that a section maintain, as a minimum, reserves equal to 1.5 times its annual allotment from members’ national dues.

4.2.3 Budget Schedule

During the fourth quarter of the fiscal year, the treasurer, in consultation with the other officers and committee chairs, should prepare a proposed budget for the succeeding year. The proposal should be submitted for review and discussion by the Executive Committee, which should make any necessary modifications to the proposal and adopt the final version no later than the last meeting of the fiscal year.

5.0 ACCOUNTING PROCEDURES

An accounting and reporting system may be simple or complex. Because of the many possible financial policies and internal requirements of the various local sections, no one system can be adequate for all sections. However, all sections do share a common need for a system that will present current information in a comprehensive and meaningful manner and facilitate year-end calculations. An effective accounting system should produce information concerning past operations and present conditions and provide guidance for future operations. It should also provide for control of expenditures. This section focuses on the procedures necessary to produce a simple set of records that meet these specifications. After deciding what additional data are needed for effective financial guidance and control, sections can then modify these procedures to meet their needs.

5.1 The Ledger

The ledger is a book containing a record of all financial transactions for a business unit. The method that will be described uses a single ledger. This method is sufficient for any local section that operates on a cash basis and whose assets include only cash, passbook savings, and certificates of deposit. The basic principle involved in this method of bookkeeping is that for every transaction having an effect on cash, there is an equal and opposite effect on some other account, such as an investment account, a revenue account, or an expense account. In effect, this method is self-balancing:

- For every increase in cash, there is a corresponding increase in revenue or a decrease in expenses.
- For every decrease in cash, there is a corresponding increase in expenses or a decrease in revenues.

It is important to note that this method operates on a cash basis, *i.e.*, revenues and expenses are recorded when they are received or paid without regard to the date of the service or purchase. Using this method requires double-entry bookkeeping to record the inflow and outflow of the section’s financial resources.

5.1.1 Account Verifications and Reconciliation

At the end of each month, the treasurer should total each of the columns. If a new ledger page is set up for each month, then the ending totals for each month must be carried forward to the next month as the first entries for the new accounting period. At year-end, however, only asset balances should be carried forward to the new year. Revenues and expenses begin each year with a zero balance. At any time, the treasurer can determine the section's financial position by simply adding the ledger columns. Periodically, the treasurer should also complete the calculations to obtain a trial balance in each of the asset, revenue, and expense categories. It shows the assets balances brought forward from the prior year, plus the total of all revenues, less the total of expenses. The result must equal the net of current assets.

Another advantage of the ledger system is the ability to verify the accuracy of records at any time during a year. This is accomplished by comparing the cash balance in the ledger (beginning cash plus cash increases less cash decreases) against the cash in the bank (bank balance plus funds not yet reflected in the bank statement less outstanding checks). If these figures do not reconcile, the error should be located as soon as possible. Reconciliation can be done as often as necessary, but it should be done at least monthly to ensure that the section's books agree with the monthly bank statement. In short, the basic guideline is that every transaction affecting cash should be entered in the ledger. If this rule is observed faithfully, the section's records will be accurate and may be verified at any time and as often as necessary.

5.2 Disbursing Funds

Before paying any bills for goods and services, the treasurer should double-check to make sure payment has not already been made. This is necessary in case a vendor has sent the section a second invoice because the section's payment has "crossed in the mail." Also, be aware that some companies send bills for unordered items hoping the unwary will pay.

Once it is determined that payment has not been made, the invoice or statement should then be reviewed by the person who ordered the goods or services to certify that the goods or services were actually received and the invoice price is in agreement with the contract or other records. Only after receiving such written authorization should payment be made. The reviewer can indicate his authorization by initialing the invoice to show his/her approval for payment

Payment may be made either by check or from petty cash, depending on the nature, size, and circumstances of the transaction. Payment by check, however, is the preferred method because the section then has a record of the transaction. The section should set a disbursement policy that establishes a dollar threshold over which payment should be made by check, not by petty cash.

Some local sections require two signatures on each check to disburse money while others require only one. Sections may also set a threshold where only one signature is needed until the expenditure exceeds an established amount. When the expenditure exceeds the threshold, two signatures are required. In those cases where only one signature is required, to the extent possible, the treasurer should not sign the checks. However, this may not be practicable. In addition, the treasurer should never sign a check that is made out to himself or herself. Either of the procedures described above is appropriate, depending on the degree of internal control preferred by the section. In all these cases, financial reporting to the Executive Committee is an essential element to maintaining control over cash and the finances of the section.

5.2.1 Payment by Check

When a check is drawn, the payee's name appearing on the check should be the same as that appearing on

the invoice; the amount of the check should also agree with the amount of the invoice. If the invoice amount must be adjusted for shortages, trade discounts, and the like, corrections should be noted on the invoice and a new “balance due” indicated. On the section copy of the invoice, the treasurer should note the payment date and check number. The treasurer should then file the invoice. Note the following:

1. Someone has approved payment of the invoice and classified the type of expense represented.
2. Payment date and the check number are written on the face of the check.
3. The disbursement has been posted to the ledger.

One method of keeping receipts orderly is to staple them to an 8.5 × 11 page and then insert them, in order by date paid, into a binder. This information should be retained in accordance with the section’s record retention policy.

5.2.2 Payment from Petty Cash

From time to time, disbursements from petty cash may be necessary. In those cases, the disbursement should be as thoroughly documented as practical. In some instances, an invoice may support the disbursement; in others, nothing more than handwritten receipts may be available as support for the transactions. An example of a handwritten receipt may be a taxicab receipt. Sometimes signed or initialed petty cash receipts are the only documentation of the expenditure. Regardless of which petty cash payment method is used, the transaction must be posted in the ledger.

6.0 INCOME TAXES

ACS is recognized by the Internal Revenue Service as a nonprofit scientific and educational organization. The Society’s local sections are entitled to the same exemption from federal income tax granted to the Society via the Society’s group exemption number. Although the Society is classified as a tax-exempt organization, it and its local sections are not exempt from complying with certain filing requirements and certain state and local sales taxes, nor are they exempt from tax on unrelated business income. If the IRS raises questions about a return or tax status, each local section must immediately notify and consult with the ACS Office of Financial Operations. Under no circumstances should a section agree to pay a tax or penalty without such consultation.

6.1 Tax-Exempt Status

ACS is exempt from paying federal income tax under section 501(c)(3) of the Internal Revenue Code. ACS local sections are included in the Society’s group exemption and maintain status as 501(c)(3) organizations. A copy of the [Society’s federal tax exemption letter](#) should be presented to anyone or any organization that requests proof of a local section’s exemption from federal tax.

In order to maintain 501(c)(3) status, local sections must pass both parts of a two-part support test (Part I, Public Support Ratio, and Part II, Gross Investment Income Ratio). To pass, local sections must normally receive more than 33⅓% of its support donations from the general public and not more than 33⅓% of its support from investment income. Sections that fail the tests for 2 consecutive years may lose their 501(c)(3) status and risk becoming a private foundation. The Public Support and Gross Investment Income ratios are automatically calculated on the local section financial report (Annual Report Part III).

6.2 Group Exemption

The tax-exempt status of the Society is extended to local sections through the **Society's group exemption number, #0945**. This number is to be used by the local sections for proving their exempt status to outside organizations and individuals and for purposes of filing their federal and state tax returns. Both IRS Form 990 and IRS Form 990T require that the group exemption number be displayed.

The Society is required to maintain its group exemption number by filing a Group Exemption Report annually. In order to file an accurate and timely report, the Society requires local sections to forward, in writing, by August 1 each year, the following information:

1. name and address of the local section treasurer;
2. the official local section name and Employer Identification Number;
3. information regarding all changes in the purposes, character, or method of operations; and
4. a copy of IRS Forms 990, 990EZ, or 990N and attachments.

This information should be sent to:

American Chemical Society
[Financial Operations, Tax Office](#)
1155 Sixteenth Street, N.W.
Washington, DC 20036
202-872-6027
202-872-6339 (fax)

6.3 Name of Local Section

It is very important to use the name of your local section on all tax filings in such a way as to avoid confusion with the Society. The full section name should be given, such as "Corning Section of the American Chemical Society." The name used to apply for an Employer Identification Number (via IRS Form SS-4) should be used as the official name of the local section.

6.4 Employer Identification Number

Each local section must have its own Employer Identification Number (EIN). This number should be used on all correspondence and returns filed with federal and state authorities. The American Chemical Society's EIN should NOT be used on any local section tax returns or correspondence. New local sections that have not yet applied for an identification number should do so by completing IRS Form SS-4 as soon as possible.

6.5 IRS Reporting Requirements

Although local sections are covered under the ACS group exemption letter, their finances are not included in the (National) ACS return filings to the IRS. ACS Local Sections operate as autonomous units of the Society, and as such, maintain independent control over their finances. **Therefore, each local section has the responsibility to file its own separate returns to the IRS in order to maintain its tax-exempt status.**

In previous years, local sections whose gross receipts were \$25,000 or less were not required to file an

information return (Form 990 or 990-EZ) with the IRS. However, because of legislative changes enacted in 2008, all local sections are now required to file one of the following information returns and the applicable attachments:

- Form 990 (Return of Organization Exempt from Income Tax),
- Form 990-EZ Short Form (Return of Organization Exempt from Income Tax), or
- Form 990-N Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required to File Form 990 or 990-EZ.

The IRS is phasing in the new returns during a three-year transition period. During the transition, local section annual filing requirements will depend on its financial activity. The charts below indicate local section filing requirements during the transition period.

<i>2008 Tax Year (Filed in 2009 or 2010)</i>	<i>Form to File</i>
Gross receipts normally \leq \$25,000	990-N
Gross receipts $>$ \$25,000 and $<$ \$1 million, and Total assets $<$ \$2.5 million	990-EZ or 990
Gross receipts \geq \$1 million, and/or Total assets \geq \$2.5 million	990

<i>2009 Tax Year (Filed in 2010 or 2011)</i>	<i>Form to File</i>
Gross receipts normally \leq \$25,000	990-N
Gross receipts $>$ \$25,000 and $<$ \$500,000, and Total assets $<$ \$1.25 million	990-EZ or 990
Gross receipts \geq \$500,000, and/or Total assets \geq \$1.25 million	990

<i>2010 Tax Year and later (Filed in 2011 and later)</i>	<i>Form to File</i>
Gross receipts normally \leq \$50,000	990-N
Gross receipts $>$ \$50,000 and $<$ \$200,000, and Total assets $<$ \$500,000	990-EZ or 990
Gross receipts \geq \$200,000, and/or Total assets \geq \$500,000	990

Although Form 990-EZ was not redesigned for 2008, some changes have been made so that certain information previously required to be submitted as attachments will now be reported on schedules. Local sections that file Form 990-EZ (2008) must review the instructions for Schedules A, B, C, E, G, L, and N

to determine whether they must report any of their activities or information on those schedules.

Form 990 has been redesigned effective for 2008 tax years (returns filed in 2009 and later). The new 2008 Form 990 consists of an 11-page, 11-part core form that is required to be completed by all organizations that file the form, and schedules to be completed by those organizations that satisfy the applicable requirements for each schedule.

All returns covering the tax period ending December 31 are due to the IRS by May 15 of the following year. Local sections that cannot meet the May 15 due date to file the Form 990 or 990-EZ, you can request an extension by filing Form 8868 to the IRS by May 15. Sections that fail to request and extension or submit inaccurate returns may face a financial penalty from the IRS.

You may obtain IRS forms, form instructions, and publications at the IRS website at www.irs.gov/formspubs/index.html or call 1-800-829-3676.

6.6 Public Inspection

A local section must allow inspection by the public of its 990 or 990 EZ annual returns. If a request is made, in person or in writing, for a copy of either of these documents, a local section must provide copies to the requester without charge, other than a reasonable fee for any reproduction and mailing costs. A requester may ask for one or more of a local section's three most recent information returns in addition to its application for recognition of exemption. If the request is made in person, the copies must be provided immediately. If the request is made in writing, the copies must be provided within 30 days. Penalties will be incurred for non-compliance.

6.7 Recordkeeping

The local section's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for three years from the date the return is due or filed, whichever is later. Keep records that verify the local section's basis in property for as long as they are needed to figure the basis of the original or replacement property. The local section should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

6.8 IRS Form 1099—MISC—U.S. Information Return for Recipients of Miscellaneous Income

Payments of \$600 or more made by a local section for services to individuals other than employees should be reported on IRS Form 1099-MISC. This form is used by all organizations to report payments made during the year to individuals or partnerships for personal services rendered to the reporting organization. Such payments include consulting fees, honoraria, awards, stipends, *etc.*, and are reported in column 7 of the form. Reimbursements of expenses are not reported on this form, and neither are any payments to corporations except payments to corporations for legal services.

A separate IRS Form 1099-MISC is prepared in triplicate for each payee to whom payments totaling \$600 or more were made during the calendar year. These should be issued to the payees on or before January 31 following the close of the calendar year. The original copy of the form accompanies the IRS Form 1096 to the IRS, the second copy is sent to the payee, and the third copy is retained by the issuing organization. The section must file one copy of each Form 1099-MISC and a summary IRS Form 1096 with the IRS on or before February 28 following the close of the calendar year being reported.

6.9 IRS Form 1096—Annual Summary and Transmittal of U.S. Information Returns

IRS Form 1096 is used to summarize all IRS Forms 1099 prepared for each calendar year and for transmitting IRS Form(s) 1099 to the IRS. Instructions for the preparation of IRS Form 1096, as well as for IRS Form 1099, are printed separately and are available from your local IRS office and the IRS website. The instructions also describe the types of payments that should be reported.

6.10 State Filing Requirements

Some state and local governments will accept a copy of Form 990 in place of all or part of their financial report forms. Local sections should consult the appropriate state or local area officials where they conduct business to determine the specific filing requirements. A local section may be considered to be doing business in a state or locality if it is:

- soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations;
- conducting programs;
- hiring employees;
- maintaining a checking account; or
- owning or renting property.

If the local section is conducting any of these activities, it should investigate legal and reporting responsibilities within each affected jurisdiction.

If your local section has unrelated business income, a state corporation income tax return may be required. The \$1,000 limit applicable to IRS Form 990T may not be appropriate in determining state filing requirements. Contact your state corporate income tax office to obtain information concerning filing requirements and due dates.

7.0 INSURANCE COVERAGE

7.1 General Liability

ACS maintains a Comprehensive Business Insurance Policy. One of the coverages included in this policy is General Liability, which protects ACS, local sections, and divisions against liability claims arising from negligent acts by ACS, or its agents, that result in bodily injury or property damage. This coverage is NOT an accident policy that pays anyone who is injured regardless of how the injury was caused or who was at fault. It is a legal liability policy that pays when the Society, or someone acting on its behalf, fails to exercise reasonable care. The resulting damage must stem from this negligence. The limits of insurance for commercial general liability coverage are:

General Aggregate	\$3,000,000
Products-Completed Operations	\$1,000,000
Personal & Advertising Injury	\$1,000,000

Each Occurrence Limit	\$1,000,000
Fire Legal Liability (per occurrence)	\$50,000
Premises Medical (per person)	\$15,000

7.2 Certificates of Insurance

A Certificate of Insurance is a document that provides evidence that ACS maintains a certain type of insurance coverage. It does not change the coverage in any way; it only provides proof of existing coverage.

Often when ACS or one of its local sections or divisions sponsors an event, the owner of the property or establishment where the event is being held may request a Certificate of Insurance. This request is often mentioned in the contract or agreement between the Society and the property owner.

If a Certificate of Insurance has been requested, a request form should be completed and submitted to the ACS Treasurer's Office at least 30 days prior to the event and should include the following information:

- event name;
- date and location;
- person to contact for further information, with their telephone number and address;
- company or individual requesting the certificate, with their telephone number and address;
- has the requesting party asked to be a "named insured"? and
- has the requesting party specified minimum coverages? types of coverage? dollar amounts?

7.3 Claims

Any incident that may result in a claim against the Society should be reported immediately to the ACS Treasurer's Office at (202) 452-2125. In addition, a full report should be sent in writing to the following address:

American Chemical Society
Office of the Treasurer, Suite 338
1155 Sixteenth Street, N.W.
Washington, DC 20036
Fax: (202) 872-4604

The report should include such items as the date and time of the incident; a comprehensive statement that details events immediately preceding and following the occurrence; and the names, addresses, and phone numbers of those present.

7.4 General Insurance Requirements for Others Doing Business with ACS

Just as the Society may be asked to provide proof that it maintains adequate insurance coverage, ACS should require the same type of proof of others. All independent contractors and service agents hired by ACS should provide a Certificate of Insurance indicating the following minimum coverage:

7.4.1 Comprehensive General Liability

- \$1,000,000 Combined Single Limit Bodily Injury and Property Damage.
- Certificate must indicate that coverage is afforded for Completed Operations and/or Products Liability and Blanket Contractual and Personal Injury.
- In addition, you should ask that ACS be added as Additional Insured and that ACS be indemnified for the independent contractor's negligent acts.

7.4.2 Comprehensive Automobile Liability

- \$1,000,000 Combined Single Limit Bodily Injury and Property Damage.
- Certificate must indicate that coverage is afforded for all owned, non-owned, and hired automobiles.

7.4.3 Worker's Compensation

- Certificate should show coverage in compliance with Worker's Compensation statutes.

7.4.4 Employers' Liability (Stop-Gap Liability in Ohio)

- \$500,000 each accident.

7.4.5 Dishonesty Bond

If the independent contractor or vendor handles ACS property or money, a bond should be required in an amount sufficient to protect the Society's interest. All certificates are to have a 30-day notice of cancellation in the Society's favor and, except for Worker's Compensation, name ACS as Additional Insured. All requests for ACS to indemnify another party should be given to the ACS Treasurer's Office for review prior to signing.

7.5 Worker's Compensation

A local section or division employing staff must provide its own worker's compensation and other insurance coverage as required by the state in which it operates.

7.6 Crime (Employee Dishonesty) Coverage

ACS has a master policy that provides crime coverage to local sections and divisions: employee dishonesty insurance. This coverage will insure all elected local section and division officers and other volunteers who are authorized to handle cash, checks, and credit cards. The ACS national office pays the annual premium.

- The limit of liability on the policy is \$500,000.
- The deductible (to be paid by the local section or division in the event of a loss) is \$2,500.

This policy covers local sections and divisions from loss of money or property resulting from the dishonest acts, including theft, of an officer or volunteer. An application for this coverage must be completed on an annual basis by the person with primary responsibility for handling local section or division funds.

7.7 Directors and Officers Liability

ACS local sections and divisions are responsible for providing their own directors and officers liability coverage if they desire to have such coverage.

Any questions concerning the Society's insurance coverage should be directed to the Office of the Treasurer at (202) 452-2125.

8.0 ACS LOCAL SECTION ANNUAL FINANCIAL REPORT

The ACS Constitution and Bylaws require that each of the 189 local sections to submit an annual report that details their programmatic and financial activities for each calendar year. As a national grassroots organization, ACS uses the annual reports to gauge the vitality of its local sections and to determine if the efforts of its local sections are meeting the strategic thrusts outlined in the Society's strategic plan. On the local level, the annual reports provide a comprehensive historical overview for each section's activities and accomplishments for the previous calendar year.

The annual financial report serves three main purposes:

- to determine that local section funds were expended in a fiscally responsible manner,
- to fulfill ACS bylaw requirements for section reporting responsibilities, and
- to provide records for tax purposes.

The discussion that follows provides an explanation of each category required on the standard report form distributed by the ACS Office of Local Section Activities (OLSA) for the ACS Committee on Local Section Activities. Specific questions should be directed to OLSA or to the section's auditors.

The section chair is responsible for ensuring that the entire report is filed and that the content accurately describes the section's activities during the year. However, completing the annual report requires a coordinated effort by various volunteer members of the local section governance (usually the Chair, Chair-elect, Councilor, Treasurer, Secretary, and others). In addition, once the annual report has been completed, the Chair, Chair-Elect and a Councilor must approve the form.

The ACS Bylaws stipulate that a local section's annual report must be filed before a local section will receive its annual ACS allotment. For those sections that are unable to submit their reports promptly, the Executive Director may transmit 10% of the allotment (after January 1) on receipt of a written statement of need from the section. A local section can request a one-month extension (until March 15) for submission of the financial report; however, this will freeze the release of the annual allotment until the financial report is received. This written extension request must be submitted with the narrative report by February 15.

9.0 TIMETABLE

A suggested section treasurer's timetable is shown below. The schedule assumes a calendar year operation.

No later than

January 1	Arrange for an examination of the previous year's financial records.
January 15	Give completed financial report form from previous year to section chair for transmittal to national ACS by February 15 deadline.
January 31	Issue IRS Form 1099-MISC to all payees (if applicable; see item 6.7).
Early February	Receive payment from national ACS for new member commissions credited to the section for previous year.
Mid-February	Receive first payment from national ACS for current local section dues.
February 28	Send IRS Form 1099-MISC and IRS Form 1096 to IRS (if applicable).
Mid-March	Receive current year allotment from members' national dues from ACS. Note: Receipt by this date is dependent on timely (by February 15) submittal of complete (financial and questionnaire) annual report to national ACS. Call section chair to inquire about reasons for delay if payment has not arrived by mid-March.
4 weeks prior to spring national meeting	Take action on requests from section's councilor(s) for "ACS reimbursement of Councilor Travel Expenses" for the spring meeting national meeting.
May 1	Complete and return form requesting next year's local section dues collection to ACS Office of Local Section Activities.
3 weeks after spring national meeting	Obtain records of expenses and appropriate receipts for travel to spring national meeting by authorized councilor(s).
4 weeks after spring national meeting	Apply for councilor travel expense rebate from national ACS.
May 15	File IRS Form 990 and any other required IRS forms.
Mid-July	Receive second payment from national ACS for current year's local section dues.
August 1	Send to ACS: Name and address of treasurer, local section name, and EIN. (See item 6.3.)
4 weeks prior to fall national meeting	Take action on requests from section's councilor(s) for "ACS Reimbursement of Councilor Travel Expenses" for the fall national meeting.
3 weeks after fall national meeting	Obtain records of expenses and appropriate receipts for travel to fall national meeting by authorized councilor(s).
4 weeks after fall national meeting	Apply for councilor travel expense rebate from national ACS.
October 1	Review current financial status and prepare and submit next year's proposed budget to section executive committee.
December 15	Sign and return next year's allotment voucher to ACS Office of Local Section Activities.