



Dear TCS Chapter Presidents:

Where has this year gone? It's time for the annual review of TCS chapters and for the collection of information required for the TCS tax return. Like you, I'll be looking back over all the activities which occurred and writing an annual report, and asking the treasurer to create an income statement for the past year. Then we'll add your information, and send it to the accountant for the annual TCS tax return.

Why is all this information required of busy students?

Because your chapter, through its affiliation with TCS, can use the TCS tax-exempt status as a 501(c)(3) charitable organization to offer tax deductible contributions to potential donors to the chapter (like triathlon prizes and Blue Drinks kegs of beer, and maybe a travel scholarship fund).

And because TCS is saving your chapter the time and effort of filing its own annual corporate report and tax return. You would have to do this if your chapter was separately incorporated with a separately determined tax-exempt status.

To protect its charitable tax-exempt status, granted because its mission is educational, TCS constantly monitors its own actions including decisions made by the TCS Board of Directors. In the same manner, the Letter of Understanding (LOU) between TCS and each chapter helps both organizations stay within the TCS mission of education. The annual review of chapter activities leads to a renewal of the LOU and yield the information necessary for the annual tax return.

What information has to be provided to TCS?

The TCS accountant suggests that TCS requests and reviews the following information from all chapters annually:

1. statement of financial position (balance sheet) and statement of activities (statement of revenue and expenses) summary for the last calendar year, or
2. in lieu of above, a completed chapter financial report template
3. a copy of a sample of letters acknowledging donations to the chapter
4. any changes to your bylaws or other governing documents
5. list of officers/directors with addresses and phone numbers (may be two lists for a split year)
6. annual report of activities (description, intended audience, estimated attendance, flyers) What went well for the chapter?
7. Suggestions for how TCS can better support your chapter in the coming year.

The reason the IRS wants financial information is to see whether there are sums of money being collected or spent that might not be in line with the tax-exempt purposes of TCS, and should be taxed (and bring in more \$\$ for them!). Or, if you receive lots of donated merchandise which would otherwise be sold with sales tax, the IRS wants to make sure that the donor isn't giving away goods to a relative or friend or avoiding the obligation of sales tax on those unsold items, but is donating them to a bona fide organization with tax exempt purpose. And the IRS always checks to make sure that the chapter doesn't exist just to spend money on its own members.

The annual report is requested so TCS can determine whether there are activities which begin to fall outside of the regulations on tax-exempt organizations. For instance, if a chapter opened a popular kayak excursion business, using the profits to send members to conferences, the IRS would want to examine the activity to determine the ratio of profit to expense, why the members went to conferences, and

whether kayak excursions really related to the business of the chapter. Can you see the fine line between appropriate and not appropriate? (Here's what the real solution is: form a for-profit corporation for the kayak excursion, pay the tax on the profit, and take the rest of the income for chapter needs.) For similar purposes, the changes to bylaws are requested.

Getting organized

While the information itself is not hard to compile, having access to it could be. Your main organizational challenge is to find the information from the beginning of the year (the spring semester) when you might not have been in office. If you have been submitting articles to the quarterly TCS newsletter, the information for the annual report will be there, and just needs to be compiled. If the chapter has a bank account, you will have bank statements or access to the information online from which to compile your financial report.

Try these steps:

1. Determine which of the above information on the list you already have and make a copy of it to be mailed or emailed to the TCS Office.
2. Determine which of the above you do not have. Think about where the info might come from, or what could be substituted for the format requested, but still provide the info. Is there a list or ledger of money taken in? Are there receipts or written requests for reimbursements (like an email)?
3. Talk to your officers about which pieces of information they could help pull together for you.
4. If there is a real problem due to people who have left the campus, please let me know right away. We can brainstorm the easiest way to get as much info as possible by the end of the month.
5. As you go through this process, make notes about ways to make easier for next year.

I truly appreciate your efforts to understand the rationale and to help TCS. In exchange, you will get a well-managed chapter which will present itself well to any potential donor or partner in your activities. And you and your officers will have valuable experience in managing a non-profit organization which can be applied to a future job. Thank you so much for the time you've put into the chapter.

Sincerely,

Judy

Judy Tucker
Executive Director
The Coastal Society
P. O. Box 3590
Williamsburg, VA 23187-3590
PH: (757) 565-0999
FX: (757) 565-0299
EM: coastalsoc@aol.com
<http://www.thecoastalsociety.org>

The Coastal Society is an organization of private sector, academic, and government professionals and students dedicated to actively addressing emerging coastal issues by fostering dialogue, forging partnerships, and promoting communication and education.