

N A A C P

UNIT FINANCIAL

AND

BOOKKEEPING

GUIDE

*Modified January 2006
Finance Department
NAACP-National Office*

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INTRODUCTION

Guide Objectives

The National Office of the NAACP is charged with the fiduciary responsibility of ensuring that all NAACP Units conduct their activities in an efficient and effective manner. In executing this responsibility, the National Office provides guidance to each Unit in the form of consultation, memoranda and training. The National Office acknowledges its responsibility to provide meaningful guidance to our Units in the area of financial management. This guidance is a necessary element of proper governance by a parent organization.

Recent legislation affecting governance, such as the American Competitiveness and Corporate Accountability Act of 2002, commonly referred to as Sarbanes-Oxley Act, imposes stiff penalties for certain violations to the act. As a result the importance of sound financial management cannot be overlooked. This guide outlines established financial and accounting policies to be followed by each unit. Non-compliance with these policies and procedures jeopardizes the fiscal integrity of the Unit as well as the National Office tax-exempt status

This manual focuses on several areas that are critical to sound management practices and to the successful continuance of our organization.

This manual and the resulting manual were developed to proactively control five risk factors:

1. The need to minimize our **audit risk** by being in total voluntary compliance with all regulatory agencies, including the IRS, state and local government agencies.
2. The need to limit our **liability exposure** by controlling the events that might impact the organization negatively, such as an absence of proper due diligence.
3. The need to maintain pertinent records in accordance with an established record retention and destruction policy.
4. The need to maintain **fiscal integrity** through the establishment of accounting procedures that comply with generally accepted accounting principles and income tax accounting rules.
5. The need for **vital information** with which management can effectively, efficiently and strategically allocate scarce resources in the ever-changing environment in which the NAACP conducts business.

Note: The term “**NAACP Unit or Units**” consist of duly organized State/State-Area Conferences, Branches, Prison Branches, Young Adult Councils, College Chapters, Youth Councils, Junior Youth Councils, High School Chapters, and Authorized Committees of the Association.

SECTION 1: CONVENTION REMINDER

2006 National Convention Washington, D.C. July 15-20, 2006

Pursuant to Article III, Section 4 of the Constitution and By-Laws for Units, Units must remit to the National Office twenty-five percent (25%) of the net proceeds from contribution, entertainment or fundraising efforts within forty-five (45) days following the date of the event. If the Unit did not host a contribution, entertainment or fundraising effort for the year, a minimum assessment is due to the National Office based upon the membership status of the Unit as of December 31, 2005. If the division of funds from the total contribution, entertainment or fundraising efforts is less than the minimum assessment, the Unit must submit the difference. Unit Freedom Fund and other assessments for the support of the Association must be remitted to the National Office ninety (90) days before the Annual Convention (April 16, 2006) for delegates to be eligible to vote. In addition, Unit Annual Financial Reports for 2005 must also be submitted to the National Office for delegates to be eligible to vote at the Annual Convention.

The following are the minimum Unit assessments for the current year. The assessment formula, which is based upon membership status of Units as of December 31, 2005, as recorded by the National Office is as follows:

ANNUAL UNIT ASSESSMENTS

| | |
|---------------------------------------|------------|
| Branches with less than 100 members | \$300.00 |
| Branches with 101-500 members | \$500.00 |
| Branches with 501-1,000 members | \$750.00 |
| Branches with 1,001-2,000 members | \$1,000.00 |
| Branches with 2,001- 3,000 members | \$1,500.00 |
| Branches with 3,001-3,500 members | \$2,000.00 |
| Branches with 3,501-4,000 members | \$3,000.00 |
| Branches with more than 4,000 members | \$5,000.00 |
| | |
| All Youth Units | \$75.00 |

CONVENTION ASSESSMENTS

State Conferences (Youth and Adult) \$100.00

Branches with...

| | | | |
|-------|----|---------------|----------|
| 50 | to | 100 members | \$50.00 |
| 101 | to | 500 members | \$75.00 |
| 501 | to | 1,000 members | \$125.00 |
| 1,001 | to | 2,500 members | \$175.00 |
| 2,501 | to | 5,000 members | \$200.00 |
| 5,001 | to | 7,500 members | \$250.00 |
| Over | | 7,501 members | \$300.00 |

Youth and Young Adult Councils \$25.00

College Chapters \$25.00

VOTING STRENGTH

Representation of Branches, Youth Councils, Young Adult Councils and College and High School Chapters at the Annual Convention shall be on the following basis:

| | Voting Members | Delegates |
|----------------------------------|---------------------------|------------------|
| Youth Units of From | 25 to 49 | 2 |
| Branches and Youth Units Members | 50 to 100 | 4 |
| | 101 to 500 | 6 |
| | 501 to 1,000 | 8 |
| | 1,001 to 2,500 | 10 |
| | 2,501 to 5,000 | 12 |
| | 5,001 to 10,000 | 14 |
| | 10,001 to 20,000 | 16 |
| | 20,001 to 25,000 | 18 |

Over 25,000 – 1 additional vote for every 2,500 members

SECTION 2: ROLE OF THE FINANCE DEPARTMENT

Processing of Daily Transactions

- Cash receipts
- Cash disbursements

Annual Reporting

- NAACP
- NAACP-Special Contribution Fund
- CRISIS Publishing Company
- Information tax return (IRS Form 990) for both NAACP and SCF and corporate tax return (IRS Form 1120) for Crisis
- Group Tax Return (Form 990 – filed on behalf of all NAACP Units)

Advising NAACP Units

- Accepting our responsibility to provide timely service and proper guidance to the NAACP Units
 - We must continue to improve our ability to deliver high quality services to NAACP Units.
- Development / evaluation of policies and procedures
- Appropriate references
 - Internet websites:

www.genie.org - provides information and resources for the nonprofit community, including publications, links to other nonprofit resources, answers to frequently asked questions and provocative opinions

www.guidestar.org – provides information on informational returns - IRS Form 990 – for all non-profit organizations that filed such a return.

Monitoring and Reporting

- Year end Financial Reports
 - Acknowledging the critical role of proper financial management and reporting on the overall operations of NAACP Units.
- The Finance Department mandates strict compliance with regulations set forth by the IRS and state and local government regulatory agencies

SECTION 3: ACCOUNTING AND REPORTING PROCEDURES

Books and Records

- Manual v. computerized record keeping systems

NAACP Units must maintain a general ledger system to record activities.

Ideally, the NAACP Unit accounting system should be computerized. There are several adequate, inexpensive accounting software packages available (i.e. Quicken, Quick Books, etc.) In order to standardize reporting across all Units, Quick Books is the recommended software. Proper utilization of a computerized system would reduce the probability of recording errors and simplify the reporting process.

If the NAACP Unit does not possess a computer, a manual record keeping system, should be utilized. The Finance Department has designed a monthly bookkeeping format that could be utilized by the NAACP Unit for summarizing its monthly activities (***See Attachment 1***). Please note, that if this format is utilized, it easily computes balances that are to be reflected in the Annual Financial Report of the Unit. **NAACP Units should not remit copies of the monthly or quarterly format to the National Office.**

Cash

Each NAACP Unit is required to maintain a bank account in the name of the NAACP Unit. **The Taxpayer Identification Number (“TIN”) on the bank account is to be that of the NAACP Unit and not the National Office or Group Tax Return.** The improper use of the Group Tax Return and National Office’s tax identification number is a clear violation of IRS regulations as well as NAACP’s policies and procedures governing Unit operations. This violation is taken quite seriously by the IRS and could result in substantial fines to both the Unit and the National Office. In addition, the improper use of the National Office’s TIN number could result in the revocation of the National Office 501(c) (3) status. Please contact the National Office if the Unit needs a taxpayer identification number.

- All disbursements are to be made by check (NAACP Unit Bylaws, Article VII, Section 4 paragraph 1)

Cash payments to vendors are not permitted.

Checks should never be made payable to “cash”. NAACP Units may establish a Petty Cash account for minor purchases and other incidentals if conditions warrant the existence of such an account. If a petty cash fund is established, adequate records of each transaction, including receipts, must be retained.

- Funds may not be withdrawn in any manner other than by check.

ATM cards of the Unit should not be used to withdraw funds.

Charges should not be made to credit cards in the Unit’s name and subsequently paid by check.

Counter checks and payments to vendors via telephone are also not permitted.

Automatic payments from Unit account(s) are not permitted.

- Two signatures are required on each check

Treasurer and President

- The First Vice President may countersign in the absence of the President

Checks must not be pre-signed, i.e., authorized signer should not sign blank checks.

- The bank should be notified each time there is a change in authorized signatories and previous signatories must be deleted immediately. The only authorized signatures are the President, Treasurer and First Vice President. The Secretary is not an authorized signatory on bank accounts. The Secretary signs vouchers only.

- All transactions must be properly documented and recorded in the Unit’s book of record.

Documentation, including vendor invoices, must be retained for a period of three to five years. The absence of records puts the Unit at risk, since it will not be able to justify and support disbursements if it were subject to an IRS audit. All Unit records should be filed in a systematic and logical manner independent of any Unit leadership/administration and should be kept in a secured location with restricted access. ***The records must be transferred upon change in administration.*** The transition period for the administrations should not exceed sixty (60) days.

- Monetary receipts (including checks) must be deposited into the account of the NAACP Unit on a timely basis. The National Office recommends that NAACP Unit funds be deposited no later than the end of the following business day.

Under no circumstance are NAACP Unit funds to be commingled with the personal funds of NAACP Unit officers, members or other individuals or entities.

Adequate documentation should be maintained to support each item deposited into the NAACP Unit accounts.

- This documentation should provide the details pertaining to the source, contact information, amount and purpose of the funds. Any restrictions by the donor should also be identified.
- NAACP Unit records, including recorded cash balances, are to be reconciled to the bank statements on a monthly basis. Timely preparation and review of bank reconciliations assists the Unit in identifying any suspicious or unauthorized transactions. It also helps the Unit manage its cash flow by identifying current cash balances.

It is recommended that NAACP Units limit the number of bank accounts they maintain as follows:

Operating (checking)
Savings (interest bearing)
ACT-SO, BTS-SIS (restricted funds)
Accounts required b large donors (federal funds)

An excessive number of bank accounts increase the complexity of the reconciliation process as well as overall cash management.

Someone who is not an authorized check signer should perform the reconciliation of NAACP Unit bank accounts. The balance reported by the bank should be compared to the balance maintained by the Unit and any differences should be investigated and explained.

Investments and Marketable Securities

- If the NAACP Unit maintains significant cash balances, excess funds should be invested in an interest bearing account or other appropriate investment vehicle. Investments are to be reasonable and made with an appropriate business purpose.
- Investments should be short term (generally with a maturity of one year or less) so that funds are easily accessible for Unit operations.

- Investment vehicles should carry minimum risk.
- Each investment must be approved in writing by the NAACP Unit Executive Committee. (approval should be documented in Executive Committee meeting minutes)

Accounts Receivable

- The extension of credit to any individual or entity must be approved in advance and in writing by the Executive Committee of the NAACP Unit.
- *Under no circumstances are NAACP Units permitted to extend loans.*
- To the extent funds are due to NAACP Units from third parties, collection efforts are to be monitored and reported to the Executive Committee.

Fixed Assets

- Adequate records must be maintained detailing all fixed assets owned by the NAACP Unit. Records must include the original cost of each asset and any accumulated depreciation.

Vendor invoices must be retained for all purchased assets.

The NAACP Unit should maintain an inventory list of its assets and include original cost, date of purchase, serial number, model description and location. The absence of a comprehensive list of property and equipment increases the risk of assets being stolen, or in the event of a natural disaster, reduces the likelihood that the Unit will be appropriately indemnified.

- It is the responsibility of the Treasurer to determine if the NAACP Unit is required to submit a Personal Property Tax return to the State.
- In the case of donated assets, the Unit should obtain from the donor the fair market value of the asset at the time of donation.
- ***Since NAACP Units are 501(c) (4) organizations, donated assets for ACT-SO or Back-to-School Stay-in-School must be processed through the National Office if the donor intends to report the donation as a charitable contribution.***

Other Assets

- Prepaid expenses with a life of one year or less should be expensed as incurred.
- Security deposits should be separately identified to facilitate proper tracking.

Liabilities

- “Indebtedness exceeding \$25.00 or \$300.00 per month (Youth & College and Adult Units respectively) in the aggregate shall not be incurred in the name of, or on behalf of the NAACP Unit unless by vote of the Executive Committee”. (NAACP Unit Bylaws, Article V Section 15b and 16d).
- “No indebtedness or obligation shall be incurred by the NAACP unit or any of its officers or agents in the name of National Association for the Advancement of Colored People, and the National Office shall not be responsible for any indebtedness or obligation incurred by the NAACP unit or any of its officers or agents.” (NAACP Unit Bylaws, Article V Section 15a and 16c).

Revenue

- All funds received by a NAACP Unit are to be identified as either “Restricted” or “Unrestricted” as to their use.

Restricted funds generally include:

- Grants from individuals, corporations, foundations, government agencies
- Funds for scholarships
- Program funds (i.e. ACT-SO, Back-to-school / Stay-in-school)
- Bequests that are letter specific

Unrestricted funds generally include:

- Membership dues
- Direct Contributions to the NAACP Units

Proceeds from fund raising activities may be either restricted or unrestricted depending upon the stated purpose of the fund raising activity.

- Membership dues

Membership dues structure is set forth in ***Attachment 2***.

The NAACP Unit shall remit to the National Office, the National Office's share of all membership fees within fifteen (15) days of their receipt. (NAACP Unit Bylaws, Article IV, Section 12).

No NAACP Unit shall retain for the purposes of defraying operating expenses the National Office's share of membership dues and/or fund raising proceeds without prior approval of the President and CEO and/ or the CFO.

Other

- Unrelated business income

Unrelated business income is income from a trade or business, regularly carried on, which is not substantially related to the performance by the organization of its exempt purpose or function.

An activity will be considered an unrelated business (and subject to UBIT) if it meets the following three requirements: (1) it is a trade or business, (2) it is regularly carried on, and (3) it is not substantially related to the furtherance of the exempt purpose of the organization.

The activities that generate the income must contribute importantly to the accomplishment of the organization's exempt purposes (other than providing profits to maintain the operations of the organization) to be substantially related.

Unrelated Business Income Tax is captured on IRS Form 990T, which must be filed by the NAACP Unit if gross income from unrelated business activities, exceeds \$1,000 for any calendar year.

Examples include:

- Advertising revenue
- Commercial activities (i.e. operation of a bookstore or parking facility, rental income, etc.)

Unrelated business income must be separately reported in the year-end financial report filed by the NAACP Unit. However, the tax liability for unrelated business income remains with the NAACP Unit at the applicable corporate tax rate.

Expenditures

- Salary

“Staff may be employed by NAACP Units where the budget warrants such employment, upon terms and conditions approved by the National President and CEO. Such staff shall be elected by the Executive Committee of the NAACP Unit.” (NAACP Unit Bylaws, Article VI, Section 1b)

The Executive Committee of the NAACP Unit should approve salaries annually.

Employee v. independent contractor

The key distinction between “employees” and “independent contractors” is the element of control. An employer-employee relationship exists when the NAACP Unit has the right to control what work an individual does and how the work gets done **(See Attachment 3)**.

The IRS has audited several NAACP Units and assessed significant fines (\$10,000) upon each NAACP Unit for their failure to properly classify workers as employees.

NAACP Units must withhold payroll taxes from employee salaries and remit the taxes, along with the employer portion, to the IRS on a scheduled basis.

NAACP Units must also file quarterly employment tax returns (IRS Form 941) and an annual employment tax return (IRS Form 940). Payroll taxes are “trust fund taxes” and as such, NAACP Unit officers and directors could incur a personal liability for nonpayment to the IRS.

Form W-2 (issued to employees) and W-3 (summary sheet) must be sent to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

Form W-2 must be issued to each employee no later than January 31st.

IRS Form 1099 (issued to non-employees) must also be filed by January 31st. The summary sheet (IRS Form 1096) must be postmarked to the local IRS Processing Center no later than February 28th. **(See Attachment 4)**

Documentation

- Proper supporting documentation must be maintained for each transaction. Proper documentation includes:

Revenue

- Member or donor correspondence
- Check remittance advice
- Check photocopy
- Conference registration / ticket sales logs

Expenses

- Approved purchase requisitions signed by President and Secretary
- Approval should be received in advance of placing order for goods or services
- Vendor invoices
- Payment approval
- Canceled check

Year End Financial Reports

- Purpose

Annual report of NAACP Unit financial activities provides information needed by the National Office for the completion of the Federal group tax return filed on behalf of all NAACP Units.

- Failure to submit a year-end financial report will result in the NAACP Unit being omitted from the Group Tax Return.
- Review of Annual Financial Report (***See Attachment 5***)
 - Must be remitted to the Finance Department of the National Office by March 1 following the fiscal year end. Failure to submit the annual financial report will result in a \$100.00 late fee.

The Annual Financial Report can be obtained from the NAACP website.

Section 4: TAX STATUS OF NAACP UNITS

All NAACP Units have been designated 501(c) (4) organizations

Only the National Office is a 501 (c) (3) organization

A 501(c) (4) organization is a nonprofit corporation operated exclusively for the promotion of **social justice**. Exemption under this Section **does not** confer deductibility of contributions by donors to the corporation, but may enable the non-profit corporation to avoid the restrictions of private foundation status, and the restrictions on lobbying and other political activity.

Definition of Social Justice

NAACP Units are strategically designed to operate exclusively as 501(c) (4) entities for the promotion of social justice, primarily to further the common good and general welfare of the people in their communities, such as bringing about civic betterment and social improvement. In addition, a 501(c) (4) must benefit a community as a whole. Thus, a corporation will not qualify under 501(c) (4) if its activities benefit only its membership or a select group of individuals.

A 501(c) (4) corporation may not, as its primary activity, conduct business with the general public in a commercial manner. Any earnings of such an organization must be devoted exclusively to charitable, educational or recreational and for our purposes, civil rights.

A 501(c) (4) organization may engage in some social activities, some lobbying, and some political activity. NAACP units were specifically organized as 501(c)(4) organizations so that they can (1) seek to increase registration and voting; (2) work for the enactment of municipal, state and federal legislation designed to improve the educational, political and economic status of minority groups; (3) seek the repeal of racially discriminatory legislation; (4) work to improve the administration of justice; (5) work to secure equal enforcement of the law; (6) keep the National Office informed of all proposed legislation which affects minority groups.

NAACP Units shall be non-partisan and shall not endorse candidates for public office.

Contributions to 501(c) (4) organizations are not deductible for Federal income tax purposes as charitable contributions

See Attachment 6 (Letter from President and CEO, Bruce Gordon, dated December 2005)

SECTION 5: FUNDRAISING

General Solicitation of Donations

- When soliciting donations, **NAACP Units are required to disclose** through an express statement (in a conspicuous and easily recognizable format) **that contributions and gifts to the NAACP Unit are generally not deductible as charitable contributions for federal income tax purposes.**
- Solicitations by mail, leaflet, or advertisement in a newspaper, magazine or other print medium must meet the following IRS requirements:
 - Include the statement **“Contributions or gifts to this NAACP Unit are generally not deductible as charitable contributions for Federal income tax purposes”**;
 - The above statement must be in the same size type as the primary message stated in the body of the letter, leaflet or ad;
 - The statement is included on the message side of any card or tear off section that the contributor returns with the contribution; and
 - The statement is either the first sentence in a paragraph or itself constitutes a paragraph.
- Solicitations by telephone must meet the following IRS requirements:
 - Include the statement **“Contributions or gifts to this NAACP Unit are generally not deductible as charitable contributions for Federal income tax purposes.”**
 - The statement must be made in close proximity to the request for contributions, during the same telephone call, by the telephone solicitor; and
 - Any written confirmation or billing sent to a person pledging to contribute during the telephone solicitation complies with the requirements for print medium solicitations.
- Solicitation by television must meet the following IRS requirements:
 - Include the statement **“Contributions or gifts to this NAACP Unit are generally not tax deductible”**
 - If the statement is spoken, it should be in close proximity to the request for contributions; if the statement appears on the television screen, it must be

in large, easily readable type and must appear on the screen for at least five seconds.

- Solicitation by Radio must meet the following IRS requirements:
 - Include the statement “Contributions or gifts to this NAACP Unit are generally **not** deductible as charitable contributions for Federal income tax purposes”
 - The statement is made in close proximity to the request for contributions during the same radio solicitation announcement.

Corporate and Foundation Contributions

- Corporate and foundation contributions should be directed to the National Office if the donor wants an acknowledgment for income tax purposes. Otherwise, contributions or gifts made directly to a NAACP Unit generally do not qualify as charitable contributions.

The National Office will facilitate the receipt of contributions made by corporations and or foundations for specific qualifying programs such as ACT-SO, BTS / SIS and Board approved Scholarships.

Contributors must specify in the award letter that the use of the funds is restricted to the designated (approved) program as administered by the NAACP Unit in a specific geographical area.

*The National Office **will not** provide letters of acknowledgement for a contribution or gift given directly to a NAACP Unit. Such contributions may not be treated as charitable contributions.*

Whenever in doubt, please call the National Office for further directions.

- Freedom Fund Dinner and all fundraising events

NAACP Units must inform donors that contributions to the NAACP Units are **not** deductible as charitable contributions

Only the portion that is remitted to the National Office qualifies as a charitable deduction by the donor

Calculation of portion, which qualifies as a charitable deduction (i.e. 25% of net proceeds):

- Cost of ticket to fundraising event

- Less “per person cost” of event (includes cost of meal, entertainment, facility rental, etc.)
- Multiplied by 25%

Organizations that contribute donations to Units to support fundraising events are able to deduct the total contribution as an ordinary business expense, which can be designated as advertising or promotional.

“Advertising” versus “Sponsorship” Payments

See Attachment 7

Section 6: POLICIES

I. Duties of the Treasurer

- **See Attachment 8** (NAACP unit Bylaws, Article VII, Section 4)

II. Propriety of Financial Records

All NAACP Unit records are the property of the NAACP and must be properly filed and safeguarded. The Unit requires the records to be transferred upon change in leadership/administration. The records should be transferred within sixty (60) calendar days. This requirement is critical to ensuring that records are retained in accordance with applicable laws and regulations. Failure to respond and return the aforementioned documentation to the Unit within the stipulated timeframe will result in suspension of the offending officer(s) membership until the Unit receives a response.

The Sarbanes-Oxley Act imposes significant fines and penalties, including imprisonment, if records are not adequately maintained. This law, passed in 2002, requires each entity to adopt a record retention and destruction policy that incorporates sound business practice as well as guidelines set by federal and local government agencies.

III. Record Retention

- Annual Financial Reports

Documents Supporting

- Convention assessments
- Disbursements
- Fixed Assets
- Fund raising activities
- Personnel records
- Receipts

In an effort to minimize the mis-posting of NAACP Unit remittances, we request that NAACP Unit personnel clearly indicate the purpose of each remittance on the face of the check, preferably in the “memo” section. The memo section should include the fiscal year the payment relates to, the appropriate payment code (see below), and the NAACP Unit number. Payment codes should be reflected as follows:

- MD = Membership Dues (include life, regular, youth, corporate and all others)
- BA = NAACP Unit Assessments (include specific year's board approved assessment)
- YA = Youth Assessments (include specific year's board approved assessment)
- FF = Freedom Fund Assessments (include all fundraising assessments)
- OL = Organizational Literature (includes all payments for literature)
- BQ = National's Portion of Bequests
- CA = Convention Assessments (if sent with other payment types attach a letter)
- GD = General Donation (any contribution into the National Treasury)
- AU = All Unclassified remittances (if your remittance does not indicate any of the above categories, the National Office will put it into this category)

Sample Remittance Check to the National Office for NAACP Unit Assessments

| | | |
|--|-----------|------------------|
| | 7-163/520 | 101 |
| Big Unit-NAACP 123 Main Street Any Town, USA 11111 | | _____20__ |
| Pay to the Order of _____ NAACP-National Office | | \$ _____ |
| _____ Dollars | | |
| YOUR STATE | | _____ |
| | | First signature |
| For 20XX/BA/1000 | | _____ |
| | | Second signature |
| Ⓜ 052001633 1 | 206 694 | 4372 1229 |

IV. NAACP Unit Audits

- Absolute right of National Office (NAACP Unit Bylaws – Article V, Section 19)
Mandate by the National Board of Directors

- Basis of selection

Random

Targeted - Discretion of the President and CEO, National Board of Directors and the National Office

Size of Unit – Including amount of revenue earned, expenses incurred and number of members

Delinquency in filing Annual Financial Reports and errors or inconsistencies in Annual Financial Reports filed

- Policy pertaining to NAACP Unit audits has been adopted by the Board of Directors of the National Office and the Committee on Branches.

There have been several audits performed to date including Branches and State Conferences. **Consistent audit findings and violations are as follows:**

- Documents supporting cash receipts and disbursements are missing.
- Cash receipts are not deposited timely.
- Bank reconciliations are not prepared timely.
- Unit maintains an excessive number of bank accounts
- Variances exist between amounts reported on the Annual Financial Report and internal Unit records.
- Unit does not maintain a list of property and equipment owned.
- Membership dues are not accurately maintained.
- Unit does not properly disclose their tax status as a 501 (c) 4 entity when soliciting contribution from donors.
- Unit does not timely remit annual assessments to the National Office.
- Expense vouchers do not exist to support cash disbursements.

- Checks are made payable to cash.
- Expenses are paid with a Unit ATM or credit card.
- Checks are disbursed without the signature of the Treasurer.
- Checks are signed by the Secretary.
- Funds disbursed from restricted ACT-SO and BTS/SIS accounts which do not relate to the programs.
- No uniform filing system exists for storing Unit records.

V. Grant Proposals and Requests for Approval by the National Office

- National Office must approve all grants for which the grantor will seek to claim a tax deduction for a charitable contribution prior to NAACP Unit acceptance.
- Procedures for obtaining National Office adoption of local program (pertains to all programs for which restricted funds are to be used):
 - ACT-SO and Back-to-School/Stay-in-School (formally adopted by the National Office)
 - Scholarships (must be formally adopted)
 - Other community based programs (must be formally adopted)
- Written proposals must be submitted to the National Office to the attention of the Chief of Field Operations.

Proposals must include:

- Objectives and goals of program must demonstrate how the program will further the tax exempt purpose of NAACP (i.e. promotion of civil rights)
- Targeted beneficiaries of the program
- Program sponsor
- Period of program duration
- Method by which program is to be implemented

- Name, address and qualification of individuals responsible for the implementation of the program
- Projected annual program expenditures (also total expenditures for non-recurring programs)
- Proposed program funding sources-must include proforma financial statements.
- Reporting requirements and individual responsible for preparing and filing reports.

ATTACHMENTS

INCOME:

| | | Month 1 | Month 2 | Month 3 | Q-T-D Totals |
|------------------------------------|----|---------|---------|---------|--------------|
| MEMBERSHIPS: | | | | | |
| Corporate | \$ | | \$ | | \$ |
| Life | \$ | | \$ | | \$ |
| Regular | \$ | | \$ | | \$ |
| WIN | \$ | | \$ | | \$ |
| Youth | | | | | |
| Contributions | | | | | |
| Contributions | \$ | | \$ | | \$ |
| Bequests | \$ | | \$ | | \$ |
| Interest on Deposits | \$ | | \$ | | \$ |
| Grants | \$ | | \$ | | \$ |
| Voter Empowerment | \$ | | \$ | | \$ |
| ACT-SO | \$ | | \$ | | \$ |
| BTS/SIS | \$ | | \$ | | \$ |
| Scholarships | \$ | | \$ | | \$ |
| Rental Income | \$ | | \$ | | \$ |
| Advertising | \$ | | \$ | | \$ |
| FUND RAISING: | | | | | |
| Freedom Fund Banquet/Gala | \$ | | \$ | | \$ |
| Youth Banquet/Gala | \$ | | \$ | | \$ |
| MLK Breakfast/Banquet | \$ | | \$ | | \$ |
| Picnic/Bake Sales/Raffles/T-Shirts | \$ | | \$ | | \$ |
| Jubilee | \$ | | \$ | | \$ |
| Mother/Woman-of-the-Year | \$ | | \$ | | \$ |
| Membership Banquet/Gala | \$ | | \$ | | \$ |
| State Conference Fundraisers | \$ | | \$ | | \$ |
| Other fundraising events: | | | | | |
| | \$ | | \$ | | \$ |
| | \$ | | \$ | | \$ |
| Other income: | | | | | |
| | \$ | | \$ | | \$ |
| | \$ | | \$ | | \$ |
| | | | | | |
| TOTAL INCOME | \$ | | \$ | | \$ |

SPECIAL EVENT EXPENSES:

| | Month 1 | Month 2 | Month 3 | Q-T-D Totals |
|--------------------------------------|---------|---------|---------|--------------|
| NATIONAL CONVENTION | | | | |
| 2005 National Convention Assessment | \$ | \$ | \$ | \$ |
| Event Tickets | \$ | \$ | \$ | \$ |
| Registration Fees | \$ | \$ | \$ | \$ |
| Delegate Travel Expenses | \$ | \$ | \$ | \$ |
| Delegate Ground Transportation | \$ | \$ | \$ | \$ |
| Delegate Lodging | \$ | \$ | \$ | \$ |
| ACT-SO Competition Expenses | \$ | \$ | \$ | \$ |
| National Convention Hosting Expenses | \$ | \$ | \$ | \$ |
| Total National Convention Expenses | \$ | \$ | \$ | \$ |
| REGIONAL CONFERENCE | | | | |
| 2005 Regional Conference Assessments | \$ | \$ | \$ | \$ |
| Event Tickets | \$ | \$ | \$ | \$ |
| Registration Fees | \$ | \$ | \$ | \$ |
| Delegate Travel Expenses | \$ | \$ | \$ | \$ |
| Delegate Ground Transportation | \$ | \$ | \$ | \$ |
| Delegate Lodging | \$ | \$ | \$ | \$ |
| ACT-SO Competition Expenses | \$ | \$ | \$ | \$ |
| Regional Conference Hosting Expenses | \$ | \$ | \$ | \$ |
| Total Regional Conference Expenses | \$ | \$ | \$ | \$ |
| STATE CONFERENCE | | | | |
| 2005 State Conference Assessments | \$ | \$ | \$ | \$ |
| Event Tickets | \$ | \$ | \$ | \$ |
| Registration Fees | \$ | \$ | \$ | \$ |
| Delegate Travel Expenses | \$ | \$ | \$ | \$ |
| Delegate Ground Transportation | \$ | \$ | \$ | \$ |
| Delegate Lodging | \$ | \$ | \$ | \$ |
| ACT-SO Competition Expenses | \$ | \$ | \$ | \$ |
| State Conference Hosting Expenses | \$ | \$ | \$ | \$ |
| Total State Conference Expenses | \$ | \$ | \$ | \$ |
| TOTAL SPECIAL EVENTS | \$ | \$ | \$ | \$ |

| FUNCTIONAL EXPENSES: | | Month 1 | Month 2 | Month 3 | Q-T-D Totals |
|-----------------------------|--|----------------|----------------|----------------|---------------------|
| 1 | Salary | \$ | \$ | \$ | \$ |
| 2 | Payroll Taxes | \$ | \$ | \$ | \$ |
| 3 | Other Taxes | \$ | \$ | \$ | \$ |
| 4 | Facility Rent | \$ | \$ | \$ | \$ |
| 5 | Insurance | \$ | \$ | \$ | \$ |
| 6 | Facility Repairs & Maintenance | \$ | \$ | \$ | \$ |
| 7 | Post Office Box Rent | \$ | \$ | \$ | \$ |
| 8 | Office Supplies | \$ | \$ | \$ | \$ |
| 9 | Office Equipment | \$ | \$ | \$ | \$ |
| 10 | Equipment Rental | \$ | \$ | \$ | \$ |
| 11 | Equipment Repairs & Maintenance | \$ | \$ | \$ | \$ |
| 12 | Postage/Stamps/Messenger/Shipping | \$ | \$ | \$ | \$ |
| 13 | Telephone/Message Service/Internet | \$ | \$ | \$ | \$ |
| 14 | Bank Service Charges | \$ | \$ | \$ | \$ |
| 15 | Advertisement | \$ | \$ | \$ | \$ |
| 16 | Utilities (include gas/electric/water) | \$ | \$ | \$ | \$ |
| 17 | City Business Licenses and Fees | \$ | \$ | \$ | \$ |
| 18 | Finance Charges/Interest Expense | \$ | \$ | \$ | \$ |
| 19 | Legal Fees/Court Costs | \$ | \$ | \$ | \$ |
| 20 | Other Professional Fees | \$ | \$ | \$ | \$ |
| 21 | Membership Drive | \$ | \$ | \$ | \$ |
| 22 | Community Services | \$ | \$ | \$ | \$ |
| 23 | Voter Education/Registration | \$ | \$ | \$ | \$ |
| 24 | Printing/Publications/Subscriptions | \$ | \$ | \$ | \$ |
| 25 | Awards/Grants/Gift/Floral/Cards | \$ | \$ | \$ | \$ |
| 26 | ACT-SO | \$ | \$ | \$ | \$ |
| 27 | BTS/SIS | \$ | \$ | \$ | \$ |
| 28 | Scholarships | \$ | \$ | \$ | \$ |
| 29 | Contributions and Donations | \$ | \$ | \$ | \$ |
| 30 | Youth Oriented Services | \$ | \$ | \$ | \$ |
| 31 | Clerical & Other Temporary Help | \$ | \$ | \$ | \$ |
| 32 | Depreciation Expense | \$ | \$ | \$ | \$ |
| 33 | Fundraising Expenses | \$ | \$ | \$ | \$ |
| 34 | Employee Related Benefits | \$ | \$ | \$ | \$ |
| 35 | Transportation/Local Car Allowance | \$ | \$ | \$ | \$ |
| 36 | Executive Committee Expenses | \$ | \$ | \$ | \$ |
| 37 | Mandatory Training | \$ | \$ | \$ | \$ |
| 38 | Miscellaneous Expenses: | | | | |
| 39 | | \$ | \$ | \$ | \$ |
| 40 | | \$ | \$ | \$ | \$ |
| 41 | | \$ | \$ | \$ | \$ |
| 42 | TOTAL FUNCTIONAL EXPENSES | \$ | \$ | \$ | \$ |

NAACP Membership Dues Sharing Formula with Codes

| Membership Type | Amount Paid | To Unit | To National | Code |
|------------------|-------------|---------|-------------|------|
| Regular | \$30.00 | \$11.90 | \$18.10 | R |
| Youth w/ Crisis | \$15.00 | \$4.80 | \$10.20 | T |
| Youth w/o Crisis | \$10.00 | \$3.00 | \$7.00 | U |

| Membership Type | Payment Plan | Amount Paid | To Unit | To National | Code |
|---|--------------|-------------|------------|-------------|------|
| Junior Life (Ages 13 and under) | Full | \$100.00 | \$40.00 | \$60.00 | K |
| | 4 Years | \$25.00 | \$10.00 | \$15.00 | L |
| Teen Life (Ages 14 to 20) (old rate) | Full | \$250.00 | \$100.00 | \$150.00 | Y |
| | 5 Years | \$50.00 | \$20.00 | \$30.00 | Z |
| Bronze Life (Ages 14 to 20) | Full | \$400.00 | \$160.00 | \$240.00 | 0 |
| | 5 Years | \$80.00 | \$32.00 | \$48.00 | 1 |
| Life Membership (old rate) | Full | \$500.00 | \$200.00 | \$300.00 | G |
| | 5 Years | \$100.00 | \$40.00 | \$60.00 | H |
| | 10 Years | \$50.00 | \$20.00 | \$30.00 | H |
| Silver Life | Full | \$750.00 | \$300.00 | \$450.00 | 3 |
| | 5 Years | \$150.00 | \$60.00 | \$90.00 | 4 |
| | 10 Years | \$75.00 | \$30.00 | \$45.00 | 4 |
| Golden Heritage (old rate) | Full | \$1,000.00 | \$400.00 | \$600.00 | A |
| | 5 Years | \$200.00 | \$80.00 | \$120.00 | B |
| | 10 Years | \$100.00 | \$40.00 | \$60.00 | B |
| Gold Life | Full | \$1,500.00 | \$600.00 | \$900.00 | 5 |
| | 5 Years | \$300.00 | \$120.00 | \$180.00 | 6 |
| | 10 Years | \$150.00 | \$60.00 | \$90.00 | 6 |
| Diamond Life | Full | \$2,500.00 | \$1,000.00 | \$1,500.00 | 7 |
| | 5 Years | \$500.00 | \$200.00 | \$300.00 | 8 |
| | 10 Years | \$250.00 | \$100.00 | \$150.00 | 8 |

THE IRS'S 20 FACTORS USED TO DETERMINE EMPLOYMENT STATUS

The traditional tests to determine whether a worker is an employee or independent contractor involve the concept of control: Are the services of the worker subject to the Taxpayer's will and control over what must be done and how it must be done? In *Revenue Ruling 87-41, 1987-1 CB 296*, the IRS developed 20 factors used to determine whether a worker is an independent contractor under the common law. Remember: the burden of proof is on the taxpayer; therefore, in general, at least 11 of these factors must show independent contractor status under the common law tests.

For the following questions, a "yes" answer means the worker is an employee.

1. Does the principal provide instructions to the worker about when, where, and how he or she is to perform the work?
2. Does the principal provide training to the worker?
3. Are the services provided by the worker integrated into the principal's business operations?
4. Must the services be rendered personally by the worker?
5. Does the principal hire, supervise and pay assistants to the worker?
6. Is there a continuing relationship between the principal and the worker?
7. Does the principal set the work hours and schedule?
8. Does the worker devote substantially full time to the business of the principal?
9. Is the work performed on the principal's premises?
10. Is the worker required to perform the services in an order or sequence set by the principal?
11. Is the worker required to submit oral or written reports to the principal?
12. Is the worker paid by the hour, week, or month?
13. Does the principal have the right to discharge the worker at will?
14. Can the worker terminate his or her relationship with the principal anytime he or she wishes without incurring liability to the principal?
15. Does the principal pay the business or traveling expenses of the worker?
16. Does the worker furnish significant tools, materials and equipment?
17. Does the worker have a significant investment in facilities?
18. Can the worker realize a profit or loss as a result of his or her services?
19. Does the worker provide services for more than one firm at a time?
20. Does the worker make his or her services available to the general public?

Filing Forms 1099

Non profit organizations must file with the IRS a Form 1099 for any individual or incorporated business to whom they paid \$600, or more, for any type of service (but not for the purpose of goods.) Typical examples are payments for accounting, legal, computer consultant fees; prizes, awards, and honoraria; rent maintenance, and contractual labor.

A three tier penalty applies for failing to file correct information returns with the IRS. The penalty system applies to (1) failure to file on or before the required filing date, (2) failure to include required information on the form, and (3) reporting of incorrect information. To encourage prompt filings and to remedy errors or omissions, the per return penalties become progressively higher as time passes.

Frequently Asked Questions:

Q: We paid \$1,000 to a consulting firm during the past year. Should a Form 1099 be filed?

A: A Form 1099-Misc should be filed for payments of \$600 or more, unless the consulting firm is a corporation.

Q: We purchased office supplies from a business that is not incorporated. Should we issue a 1099?

A: No. Payments for goods and merchandise are exempted. However, you are required to obtain a Form W-9 on record for the vendor.

Q: What do we do when we don't have a Social Security or Employer ID number?

A: Send the payee a Form W-9 requesting the identification number. Meanwhile, file the 1099's without the ID number and amend the returns as soon as the number is received to minimize the penalties. Finally, adopt a policy that no payments will be made in the future until a payee provides an identification number.

Q: Does the IRS really try to match up the amounts reported on 1099's with those reported on recipients' returns?

A: Yes. The 1099 copies sent to the IRS are entered into the IRS's compliance computer system for tracing to recipients' returns. Recipients receive notices if the matching is not successful.

NAACP (GROUP)

2005 ANNUAL FINANCIAL REPORT

(Must be filed with National Office by March 1, 2006)

(Group Tax Return due to be filed by the National Office to the IRS by May 15, 2006)

CHECKLIST OF THE ITEMS TO BE SUBMITTED TO THE NATIONAL OFFICE BY EACH UNIT

- Cover Letter (Do not return to the National Office)
- Annual Financial Report Instructions (Please read and follow very carefully). Keep in the Unit's files for reference. Do not return to the National Office.
- Unit Information and Attestation (Please complete with appropriate signatures). The President and Treasurer of every Unit must sign the Report to be submitted, even when a Paid Preparer is used to complete the Annual Financial Report. Paid Preparers should sign Part V.
- Schedule A & Questionnaire for related income (Support Part I and must be completed before completing Part I)
- Schedule B & Questionnaire for related expenses (Support Part II and must be completed before completing Part II)
- Part I - Income (must be categorized as the form indicates)
- Part II - Remittances to the National Office (list by category)
- Part III - Special Event Expenses (captures National Convention, Regional & State Conferences)
- Part IV - Functional Expenses (captures administrative and program expenses)
- Part V - Net Asset/Fund Balance Analysis

MAIL COMPLETED ANNUAL FINANCIAL REPORT TO:

**NAACP - NATIONAL OFFICE
4805 MT. HOPE DRIVE
BALTIMORE, MARYLAND 21215
ATTN: FINANCE DEPARTMENT (AFR)**

**FINANCE DEPARTMENT
NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE
4805 MOUNT HOPE DRIVE BALTIMORE, MARYLAND 21215 TEL # 410-580-5716**

**Re: 2005 ANNUAL FINANCIAL REPORT
(Must be filed with the National Office by March 1, 2006)**

Dear Sir/Madam:

The National Office of the NAACP is charged with the fiduciary responsibility of ensuring that all NAACP Units conduct their activities in an efficient and effective manner. In executing this responsibility, the National Office provides guidance to each Unit in the form of consultation, memoranda and training. In addition, a "Unit Financial Bookkeeping Guide" is prepared and disseminated annually to each Unit. This guide outlines established financial and accounting policies to be followed by each unit. Non-compliance with these policies and procedures jeopardizes the fiscal integrity of the Unit as well as the National Office tax-exempt status. To ensure compliance with policies and procedures and assist the National Office in preparing the Group Information Return (IRS Form 990) to be filed annually with the **Internal Revenue Service, each Unit must complete and submit an Annual Financial Report by March 1, 2006.**

The Annual Financial Report is formatted to meet generally accepted accounting principles and income tax accounting requirements. This format allows us to capture all aspects of the Unit's activities when preparing the Annual Group Tax Return. It also impels Units to maintain complete and accurate records.

According to the Internal Revenue Service instructions on preparing the Group Information Return (Form 990) "*every year, each local organization must authorize the central organization in writing to include it in the group return and must declare, under penalty of perjury, that the authorization and the information it submits to be included in the group return are true and complete.*"

We strongly advise every preparer to read and follow the instructions provided because any incomplete or improper categorization shall result in the report being returned to the Unit and the Unit excluded from the Group Information Return.

We thank you for your consideration and look forward to your full cooperation. Remember that we are here to serve you, please call us if assistance is needed.

Sincerely,

J. Linloy Cox
Chief Financial Officer

N A A C P (GROUP)

2005 ANNUAL FINANCIAL REPORT INSTRUCTIONS

ALL SEGMENTS OF THIS ANNUAL REPORT MUST BE COMPLETED

STEP #1

PLEASE VERIFY THAT YOU HAVE RECEIVED ALL THE REQUIRED SHEETS. THE SIGNATURE PAGE, SCHEDULES A&B AND PARTS 1 THROUGH 5 MUST BE RETURNED TO THE NATIONAL OFFICE.
IF YOU DO NOT RETURN THE ANNUAL REPORT IN THIS FORMAT WE WILL BE UNABLE TO ACKNOWLEDGE THE RECEIPT OF YOUR UNIT'S 2005 ANNUAL FINANCIAL REPORT. THIS MAY AFFECT YOUR PARTICIPATION PRIVILEGES AT THE NATIONAL CONVENTION.

PLEASE MAKE A COPY OF ALL THE ATTACHED SHEETS BEFORE YOU BEGIN THE PROCESS.

USE A PENCIL TO COMPLETE THE PHOTOCOPY, THIS WILL ENABLE YOU TO CORRECT MISTAKES.

STEP #2

PLEASE START BY COMPLETING THE ATTACHED SCHEDULES A & B

SCHEDULE A HAS FIVE (5) SECTIONS.

SECTION 1 is requesting information regarding Grant Receipts. Please complete as needed if the Unit received any grant(s) in 2005. If not, please go directly to Section 2.

SECTION 2 is requesting information about Scholarship or program funds received by the Unit. If an individual or an organization made a contribution that was specifically designated for Scholarships, the Unit needs to complete this part. This type of contribution to an organization is known as restricted income. Therefore, it is program specific income and must be spent on that program's activities only. Additionally, recordkeeping for such funds is different from funds received for general unrestricted support.

SECTION 3 is requesting information from Rental activities. We are trying to capture activities that may be considered unrelated to the NAACP's exempt purpose. If the Unit had any rental income other than space rental on the day of a fundraising affair, please complete this section.

SECTION 4 is requesting information about Advertising income. Our intention here is to capture, as above, activities that might be considered unrelated to the NAACP's exempt purpose. There are particular tax consequences for such income. The National Office would like to capture our tax liability exposures on such activities and submit the necessary Form 990T along with the taxes due. ***Please remember that the ultimate tax liability for such unrelated business income tax lies on the Unit.***

SECTION 5 is requesting information about fundraising activities. The National Office wants to track fundraising affairs by its Units. We would like to gather for statistical purposes Unit compliance records. Moreover, we want to be able to track the exact net proceeds for the National Office's 25% assessment on the Unit.

Please follow the instructions very carefully. Report the amount raised and all related expenses on Schedule A. The Unit can report gross income from fundraising on Part I lines 12(a) through 12(k). The expenses can be reported on Part IV line 33 of the 2004 Annual Financial Report.

STEP #3

Schedule B has Five (5) sections just as Schedule A. The purpose of Schedule B is to capture the Unit's functional expenses for the year which might carry additional liability, particularly in the areas of payroll, independent contracting and compliance matters if undetected.

SECTION 1 captures all payroll activities to ensure that Units are in compliance with all reporting agency requirements. Therefore, if this Unit has employees, you must complete and submit all of the copies requested on Schedule B. If you have problems with the required filings, please feel free to call the National Office for instructions.

SECTION 2 captures every Unit's Scholarship Awards. If there were donations or contributions specifically given for Scholarship Awards, the National Office would like to be able to track the expenses awards) against the income. This does not mean that funds which were not designated as Scholarship funds can not be used to award scholarships to deserving students. We are merely tracking the Unit's restricted funds to ensure that they are not used for activities other than the donor's expressed purpose.

SECTION 3 is designed to capture the indebtedness of each Unit. For all Units that reported rental income, the National Office would like to have accurate balance sheet information, especially if there is a mortgage involved. For example, the cost of the building and the purchase date and depreciation schedule should be disclosed here.

SECTION 4 If the Unit's answer is yes, please itemize all Depreciable Property in Section 5. The National Office is trying to find out if Units with depreciable property should and/or are required to file Personal Property Tax Returns with their State Agencies. ***Please see depreciation calculation examples for further instruction.***

N A A C P (GROUP)
2005 ANNUAL FINANCIAL REPORT INSTRUCTIONS

ALL SEGMENTS OF THIS ANNUAL REPORT MUST BE COMPLETED

LINE 7>>>>Unit's Net for the Year, you simply need to subtract Line 6 from Line 2.

LINE 8>>>>Enter Unit's depreciation expense for the year if recorded on Part IV Line 32.

LINE 9>>>>Cash Balance on Hand as of December 31, 2005, is the sum of LINES 1 ,7 & 8.

LINE 10>>>> Provide the composition of line 9 - (Is any part of line 9 restricted for ACT-SO, Back to School/Stay-in-School, Voter Empowerment, etc?)

IF A PAID PREPARER WAS USED TO COMPLETE THIS REPORT, THE PREPARER MUST SIGN THE ANNUAL REPORT IN THE SPACE PROVIDED. THIS DOES NOT ELIMINATE THE NECESSITY FOR THE PRESIDENT'S AND TREASURER'S SIGNATURES.

FINALLY, PLEASE TAKE THE TIME TO REVIEW THE ENTIRE ANNUAL REPORT FOR ERRORS AND CORRECT THEM BEFORE TRANSCRIBING TO THE ORIGINAL.

WHEN THE REPORT IS FINALLY READY, PLEASE MAKE TWO (2) COPIES OF THE REPORT; RETAIN ONE ON FILE, SEND ONE TO YOUR STATE CONFERENCE OFFICE AND SEND THE DULY SIGNED ORIGINAL BY CERTIFIED MAIL TO THE FINANCE DEPARTMENT OF THE NATIONAL OFFICE FOR PROCESSING.

N A A C P (GROUP) 2005 ANNUAL FINANCIAL REPORT SCHEDULE C INSTRUCTIONS

ALL SEGMENTS OF THIS SCHEDULE MUST BE COMPLETED

STEP # 1

PLEASE VERIFY THAT YOU HAVE RECEIVED ALL THE REQUIRED SHEETS. THE SIGNATURE PAGE, SCHEDULE C PARTS 1 AND 2 MUST BE RETURNED TO THE NATIONAL OFFICE. IF YOU DO NOT RETURN SCHEDULE C IN THIS FORMAT WE WILL BE UNABLE TO ACKNOWLEDGE THE RECEIPT OF YOUR UNIT'S 2005 ANNUAL FINANCIAL REPORT. THIS MAY AFFECT YOUR PARTICIPATION PRIVILEGES AT THE NATIONAL CONVENTION.

PLEASE MAKE A COPY OF ALL THE ATTACHED SHEETS BEFORE YOU BEGIN THE PROCESS.

USE A PENCIL TO COMPLETE THE PHOTOCOPY, THIS WILL ENABLE YOU TO CORRECT MISTAKES.

STEP #2

PLEASE START BY COMPLETING THE ATTACHED SCHEDULE C PART 1 & 2

SCHEDULE 1 LIST ALL CONTRIBUTION TYPES - **Greater than \$ 5,000**

PART 1 is requesting information regarding the type of contribution, name and address of contributor, and amount of the contribution.

SCHEDULE 2 LIST ALL NONCASH CONTRIBUTION TYPES - **Greater than \$ 5,000**

PART 2 is requesting information describing the type of noncash contribution, fair market value, and date of contribution.

Please complete as needed if the Unit received any contribution(s) in 2005. If not, please sign the Unit Information sheet and place N/A in part (a) of Part 1 & 2.

***** Contributor - includes individuals, fiduciaries, partnerships, corporations, associations, trusts and exempt organizations.**

Report the value of noncash contributions at the time of the donation. **For example**, report the gross value of a donated car at the time the car was received as a donation.

Do not include as a contribution(s) the value of services donated to the Unit, or items such as the free use of materials, equipment or facilities.

N A A C P (GROUP) 2005 ANNUAL FINANCIAL REPORT (INSTRUCTIONS)

FUNDRAISING ACTIVITIES CALCULATION EXAMPLE

| | |
|---|-----------------|
| INCOME | \$ 10,000 |
| EXPENSES | 5,000 |
| NET INCOME | <u>\$ 5,000</u> |
| | |
| NATIONAL OFFICE PORTION (25%) PROFIT | \$ 5,000 |
| NATIONAL OFFICE (25%) | 0.25 |
| AMOUNT DUE NATIONAL OFFICE | <u>\$ 1,250</u> |

PLEASE INCLUDE ALL PURCHASE DATES FOR PROPER CALCULATION

DEPRECIATION CALCULATION

| | |
|---|-----------------|
| Office Automobile | |
| PURCHASE PRICE | \$ 14,000 |
| TOTAL YEARS TO DEPRECIATE | 7 |
| DEPRECIABLE AMOUNT PER YEAR | <u>\$ 2,000</u> |
| ***Office automobile(s) is depreciated over 7 years only | |

| | |
|---|-----------------|
| Office Building | |
| PURCHASE PRICE | \$ 30,000 |
| TOTAL YEARS TO DEPRECIATE | 30 |
| DEPRECIABLE AMOUNT PER YEAR | <u>\$ 1,000</u> |
| ***Office buildings are depreciated over 30 years only | |

| | |
|---|---------------|
| Office Computer | |
| PURCHASE PRICE | \$ 1,000 |
| TOTAL YEARS TO DEPRECIATE | 3 |
| DEPRECIABLE AMOUNT PER YEAR | <u>\$ 333</u> |
| ***Office computer(s) is depreciated over 3 years only | |

| | |
|--|---------------|
| Office Equipment and Furniture | |
| PURCHASE PRICE | \$ 500 |
| TOTAL YEARS TO DEPRECIATE | 5 |
| DEPRECIABLE AMOUNT PER YEAR | <u>\$ 100</u> |
| ***Office equipment, furniture and others are depreciated over 5 years only | |

**FINANCE DEPARTMENT
NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE
4805 MOUNT HOPE DRIVE, BALTIMORE, MARYLAND 21215 TEL #410-580-5716**

**2005 ANNUAL FINANCIAL REPORT
(Must be filed with National Office by March 1, 2006)**

| REGION I | REGION II | REGION III | REGION IV | REGION V | REGION VI | REGION VII |
|----------|-----------|------------|-----------|----------|-----------|------------|
| | | | | | | |

Unit Name (Branch, Youth and Young Adult Council, College Chapter or State Conference)

Federal Identification Number _____ **Unit Number** _____
 (* DO NOT USE FEDERAL IDENTIFICATION NUMBER OF NATIONAL OFFICE)

Unit Address _____

City _____ **State** _____ **Zip Code** _____

Name of Bank: _____
 (*operating account*)

Bank Address: _____

Telephone Number: _____

Please attach a listing of all additional bank accounts maintained by the Unit along with copies of all bank statements for the period 1/1/05 through 12/31/05.

(PLEASE READ CAREFULLY)

The _____ Branch, Youth and Young Adult Council, College Chapter or State Conference of the National Association for the Advancement of Colored People, hereby requests and authorizes the National Office of the NAACP to include the income and expenses of the Unit for calendar year 2005 in the Annual Group Return of all chartered Units of the NAACP, filed by the National Office.

We hereby declare under penalties of perjury that the 2005 Annual Financial Report has been examined by us and to the best of our knowledge and belief is true, correct and complete and made in good faith.

 President's Signature

 Treasurer's Signature

 Print Name

 Print Name

 Address

 Address

 City, State/Zip Code

 City, State/Zip Code

() _____
 Telephone Number

() _____
 Telephone Number

IMPORTANT NOTICE:

Please complete all sections as requested. Any part or line which is not completed will cause the Unit's Annual Financial Report to be returned to the Unit. If you have any questions about this form, please call us at (410) 580-5716 and ask for Ajene A. Atkins.

SCHEDULE A & QUESTIONNAIRE

2005

SECTION 1

GRANTS (Part I Lines 5 & 6)

DID THIS UNIT RECEIVE ANY GRANTS FOR THE TAX YEAR 2005?
(If no, go to section 2)

CHECK ONE

YES NO

WAS THE GRANT FOR PROGRAMS THAT BENEFIT THE GENERAL PUBLIC?

DID THE GRANTOR BENEFIT DIRECTLY FROM THE PROGRAM(S)? (If yes, explain)

WHAT/WHO WAS THE SOURCE OF THE GRANT? (Complete if Yes)

AMOUNT

\$ _____
\$ _____
\$ _____

TOTAL GRANT FUNDS RECEIVED (Please enter on Lines 5 & 6 of Part 1)

SECTION 2

SCHOLARSHIPS (Part I Lines 7, 8 & 9)

DID THIS UNIT RECEIVE SPECIFIC MONIES DESIGNATED FOR SCHOLARSHIPS? If no, go to Section 3

YES NO

Explain (If yes)

TYPE

ACT-SO
BTS/SIS
GENERAL
OTHER

\$ _____
\$ _____
\$ _____
\$ _____
\$ _____

TOTAL SCHOLARSHIPS RECEIVED (Please enter on Lines 7, 8 & 9 of Part 1)

SECTION 3

RENTAL INCOME (Part I Line 10)

DID THIS UNIT RECEIVE ANY RENTAL INCOME? (If No, Go to Section 4)

YES NO

WAS THE RENTAL INCOME DEBT-FINANCE? (Call the National Office if yes)

SECTION 4

ADVERTISING INCOME (Part I Line 11)

DID THIS UNIT RECEIVE ADVERTISING INCOME NOT RELATED TO SOUVENIR BOOKLET?

YES NO

WAS THE ADVERTISING INCOME PART OF A FUNDRAISING EFFORT? (if yes, identify fundraising type below)

SECTION 5

FUNDRAISING ACTIVITIES

| | FF BANQUET | YOUTH BANQUET | MLK BANQUET/ BREAKFAST | PICNIC/BAKE/ RAFFLES/OTHER | OTHER FUNDRAISERS | |
|--|---------------|------------------|---------------------------|-------------------------------|----------------------|--|
| TOTAL RAISED | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | |
| TOTAL EXPENSES | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | |
| NET PROCEEDS | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | |
| Report Total Raised on Part I Line 12 (a) | Line 12 (b) | Line 12 (c) | Line 12 (d) | Line 12 (e thru k) | | |
| Report Total Expenses on Part IV Line 33 (Please include all fundraising expenses as reflected above) | | | | | | |

YES NO

WAS ANY PORTION OF THE NET PROCEEDS SENT TO NATIONAL OFFICE?

YES NO

IF SO, HOW MUCH?

Enter Amount Here \$ _____ \$ _____ \$ _____ \$ _____ \$ _____

The above amount(s) should represent only remittances intended to satisfy 25% assessment of 2005 Fundraising Net Proceeds.

WAS ANY STATE OR FEDERAL TAXES PAID FOR THE ABOVE AFFAIRS?

YES NO

IF SO, HOW MUCH? \$ _____ \$ _____ \$ _____ \$ _____ \$ _____

SCHEDULE B & QUESTIONNAIRE

2005

SECTION 1

SALARY & PAYROLL TAXES

DID THIS UNIT REPORT ANY AMOUNT AS SALARY FOR THE TAX YEAR 2005?

CHECK ONE
YES NO

HOW MANY EMPLOYEES DID THE UNIT HIRE?

(If no, go to section 2 | if yes, complete Section 1 and enter your information on Part IV Lines 1,2)

DID THIS UNIT PAY ALL PAYROLL TAXES & FILE ALL PAYROLL RELATED REPORTS FOR 2005?

YES NO

ATTACHMENTS 941 940 W-3 W-2 OTHER

(If no, please call the National Office | if yes, please submit copies of 941, 940, W-3 & W-2)

DID THIS UNIT PAY ANY OTHER TAXES? (If yes, explain & ENTER amount on Part IV Line 3)

YES NO

DID THIS UNIT PAY ANY INDIVIDUAL WHO IS NOT AN EMPLOYEE MORE THAN \$600?

YES NO

DID THIS UNIT PROVIDE TIMELY 1099 FORMS TO QUALIFIED INDEPENDENT CONTRACTORS?

YES NO

DID THIS UNIT RETAIN W-9 ON ALL VENDORS? If no, please explain your Independent Contractor list?

AMOUNT

ATTACHMENTS 1099 1096

\$ _____

TOTAL PAYMENTS TO SUCH INDIVIDUALS (Please enter on Part IV Line 29)

\$ -

LIST ALL SALARIED EMPLOYEES THAT RECEIVED \$50,000 OR MORE DURING THE TAX YEAR 2005.

SECTION 2

SCHOLARSHIPS (Part IV Lines 26, 27 & 28)

DID THIS UNIT GIVE SCHOLARSHIP AWARDS TO STUDENTS THIS YEAR? If no, go to Section 3

YES NO

Explain (If yes and enter total amounts awarded for each scholarship type)

TYPE

| | | | |
|--|---------|----|--|
| | ACT-SO | \$ | |
| | BTS/SIS | \$ | |
| | GENERAL | \$ | |
| | OTHER | \$ | |

TOTAL SCHOLARSHIPS PAID / AWARDED TO STUDENTS (Please enter on Part IV Lines 26, 27 & 28)

\$ -

SECTION 3

DEBT-INSTRUMENTS (Part IV Line 18)

DOES THIS UNIT HOLD A MORTGAGE OR ANY OTHER DEBT-INSTRUMENTS? (If No, Go to Section 4)

YES NO

HAS THE UNIT EVER REPORTED ANY RENTAL INCOME FROM THE ABOVE?

YES NO

SECTION 4

DEPRECIATION (Part IV Line 32)

DOES THIS UNIT HAVE ANY DEPRECIABLE PROPERTY? (If yes, please itemize below on Section 5)

YES NO

SECTION 5

FIXED ASSETS (DOES THIS UNIT HAVE ANY OF THE FOLLOWING)?

If yes, please complete Section 5

| | | | | | | | |
|--|-----------------|------------------|------------------|-------------------|------------|------------------------------|-----------------------------|
| | OFFICE BUILDING | OFFICE EQUIPMENT | OFFICE FURNITURE | OFFICE AUTOMOBILE | ALL OTHERS | YES <input type="checkbox"/> | NO <input type="checkbox"/> |
|--|-----------------|------------------|------------------|-------------------|------------|------------------------------|-----------------------------|

DATE PURCHASED _____

BASIS/AMOUNT PAID _____

DEPRECIATION* \$ _____ \$ _____ \$ _____ \$ _____ \$ _____

*Report Total Amount on Part IV Line 32)

If this Unit reported an amount on Part IV line 32 as instructed above, please add back same amount on Part V Line 8.

WAS THE UNIT REQUIRED TO FILE ANY STATE PERSONAL PROPERTY TAX REPORT?

YES NO

If so, what State?

Enter Amount PAID \$ _____ \$ _____ \$ _____ \$ _____ \$ _____

Attach a copy of the Report and enter the Total Amount paid on Part IV Line 3

Does this Unit have other peculiar circumstances, of which the National Office needs to be aware?

YES NO

If so, please explain _____

SCHEDULE C LIST OF CONTRIBUTORS

2005

Unit Name (Branch, Youth and Young Adult Council, College Chapter or State Conference)

Federal Identification Number _____ Unit Number _____

| Part I | | | |
|--------------|-----------------------------------|--------------------------------|----------------------------------|
| Contributors | | | |
| (a) No. | (b) Name, Address, and Zip + 4 | (c) Amount of Contributions | (d) Type of Contribution |
| — | | | Person <input type="checkbox"/> |
| | | \$ _____ | Payroll <input type="checkbox"/> |
| | | | Noncash <input type="checkbox"/> |
| — | | | Person <input type="checkbox"/> |
| | | \$ _____ | Payroll <input type="checkbox"/> |
| | | | Noncash <input type="checkbox"/> |
| — | | | Person <input type="checkbox"/> |
| | | \$ _____ | Payroll <input type="checkbox"/> |
| | | | Noncash <input type="checkbox"/> |
| — | | | Person <input type="checkbox"/> |
| | | \$ _____ | Payroll <input type="checkbox"/> |
| | | | Noncash <input type="checkbox"/> |
| — | | | Person <input type="checkbox"/> |
| | | \$ _____ | Payroll <input type="checkbox"/> |
| | | | Noncash <input type="checkbox"/> |
| — | | | Person <input type="checkbox"/> |
| | | \$ _____ | Payroll <input type="checkbox"/> |
| | | | Noncash <input type="checkbox"/> |

PART I

INCOME

2005

1 MEMBERSHIPS:

| | | | | |
|-----------------|--|----|--|---|
| a. | Corporate | \$ | | |
| b. | Life | \$ | | |
| c. | Regular | \$ | | |
| d. | Youth | \$ | | |
| e. | WIN | \$ | | |
| f. | Refund from National Office | \$ | | |
| g. | Total Membership (Add lines a-f)..... | \$ | | - |
| 2 | Contributions | \$ | | |
| 3 | Bequests | \$ | | |
| 4 | Interest on deposits | \$ | | |
| 5 | Grants (please complete Schedule A)* | \$ | | |
| 6 | Voter Empowerment (please complete Schedule A)* | \$ | | |
| 7 | ACT-SO and BTS/SIS (please complete Schedule A)* | \$ | | |
| 8 | Scholarships (Others-please complete Schedule A)* | \$ | | |
| 9 | Rental Income (please complete Schedule A)* | \$ | | |
| 10 | Advertising (please complete Schedule A)* | \$ | | |
| a. | Add lines 2 through 10..... | \$ | | - |
| 11 | Fund Raising: (must complete Questionnaire & Schedule A)* | | | |
| a. | Freedom Fund Banquet/Gala* | \$ | | |
| b. | Youth Banquet/Gala* | \$ | | |
| c. | Martin Luther King Breakfast/Banquet* | \$ | | |
| d. | Picnic/Bake Sales/Raffles/T-Shirts* | \$ | | |
| e. | Jubilee* | \$ | | |
| f. | Mother-of-the-Year/Woman-of-the-Year* | \$ | | |
| g. | Membership Banquet/Gala* | \$ | | |
| h. | State Conference Fundraisers* | \$ | | |
| i. | Other fundraising events (please specify)* | \$ | | |
| j. | Other income (please specify) | \$ | | |
| k. | | \$ | | |
| l. | | \$ | | |
| m. | | \$ | | |
| n. | Total Fund Raising and Other Income | \$ | | - |
| 12 | Total Income (Add lines 1{g}, 10{a}& 11{n})..... | \$ | | - |

TIP

*PLEASE PREPARE SCHEDULE A & THE QUESTIONNAIRE FOR ANY AMOUNT REPORTED ON LINES 5 THROUGH 12(k). PLEASE REMEMBER THAT EVERY ASPECT OF THIS REPORT IS IMPORTANT, THEREFORE MUST BE COMPLETED AS REQUIRED.

PART II

REMITTANCES TO NATIONAL OFFICE:

| |
|-------------|
| 2005 |
|-------------|

MEMBERSHIPS:

1

| | | | |
|-----------|--------------------------------------|----|---|
| a. | Corporate | \$ | |
| b. | Life | \$ | |
| c. | Regular | \$ | |
| d. | Youth | \$ | |
| e. | WIN | \$ | |
| f. | 2005 Freedom Fund Assessment | \$ | |
| g. | 2005 Unit Assessment | \$ | |
| h. | Total lines (Add lines 1a-1g) | \$ | - |

2

| | | | |
|-----------|--|----|--|
| 2 | OTHER... (Do not include Convention related remittances to National Office) | | |
| a. | Prior Years Freedom Fund Assessment Pd in 2005 | \$ | |
| b. | Membership Literatures (Envelopes etc.) | \$ | |
| c. | Late Filing Fee (\$100) | \$ | |
| d. | Membership Banquet/Gala | \$ | |
| e. | Youth Banquet/Gala | \$ | |
| f. | Martin Luther King Breakfast/Banquet | \$ | |
| g. | Picnic/Bake Sales/Raffles/T-Shirts | \$ | |
| h. | Jubilee | \$ | |
| i. | Mother-of-the-Year/Woman-of-the-Year | \$ | |
| j. | Other fundraising events: | \$ | |
| k. | | \$ | |
| l. | | \$ | |
| l. | | \$ | |

3

| | | | |
|----------|---|----|---|
| 3 | Total Other Remittances Itemized(add 2a through 2l)..... | \$ | - |
|----------|---|----|---|

4

| | | | |
|----------|--|----|---|
| 4 | Total Remittances to National Office (please add 1h & 3)..... | \$ | - |
|----------|--|----|---|

IMPORTANT NOTICE:

PLEASE NOTE THAT YOU ARE REQUIRED TO PUT IN THE PROPER CATEGORY ALL REMITTANCES TO THE NATIONAL OFFICE. FOR TAX PURPOSES, THE NATIONAL OFFICE NEEDS TO RECONCILE WHAT IT ACTUALLY RECEIVED AGAINST THIS REPORT. THEREFORE, WE SUGGEST THAT ANYONE PREPARING THIS REPORT MUST VERIFY ALL REMITTANCE CLAIMS. NOTE THAT LINE 4 ABOVE MUST EQUAL WHAT THE UNIT ACTUALLY SENT TO THE NATIONAL OFFICE.

PART III

2005

SPECIAL EVENT EXPENSES (CONVENTION & CONFERENCES):

1 NATIONAL CONVENTION

| | | | | |
|----------|---|----|----|---|
| a | 2005 National Convention Assessments | \$ | | |
| b | Registration Fees and Event Tickets | \$ | | |
| c | Delegate Travel Expenses | \$ | | |
| d | Delegate Ground Transportation (please include Parking & Tolls) | \$ | | |
| e | Delegate Lodging (please include meals).. | \$ | | |
| f | National Convention Hosting Expenses | \$ | | |
| g | ACT-SO Competition Expenses | \$ | | |
| h | Total National Convention Expenses (add 1a through 1h) | | \$ | - |

2 REGIONAL CONFERENCE

| | | | | |
|----------|---|----|----|---|
| a | 2005 Regional Conference Assessments | \$ | | |
| b | Registration Fees and Event Tickets | \$ | | |
| c | Delegate Travel Expenses | \$ | | |
| d | Delegate Ground Transportation (please include Parking & Tolls) | \$ | | |
| e | Delegate Lodging (please include meals).. | \$ | | |
| f | Regional Conference Hosting Expenses | \$ | | |
| g | ACT-SO Competition Expenses | \$ | | |
| h | Total Regional Conference Expenses (add 2a through 2h) | | \$ | - |

3 STATE CONFERENCE

| | | | | |
|----------|---|----|----|---|
| a | 2005 State Conference Assessments | \$ | | |
| b | Registration Fees and Event Tickets | \$ | | |
| c | Delegate Travel Expenses | \$ | | |
| d | Delegate Ground Transportation (please include Parking & Tolls) | \$ | | |
| e | Delegate Lodging (please include meals).. | \$ | | |
| f | State Conference Hosting Expenses | \$ | | |
| g | ACT-SO Competition Expenses | \$ | | |
| h | Total State Conference Expenses (add 3a through 3h) | | \$ | - |

| | | | | |
|----------|--|--|----|---|
| 4 | TOTAL SPECIAL EVENTS (Add Lines 1h, 2h & 3h)..... | | \$ | - |
|----------|--|--|----|---|

PART IV

2005

FUNCTIONAL EXPENSES:

| | | | | |
|----|---|----|--|------|
| 1 | Salary (complete Schedule B)** | \$ | | |
| 2 | Payroll Taxes (complete Schedule B)** | \$ | | |
| 3 | Other Taxes (please specify on Questionnaire)** | \$ | | |
| 4 | Facility Rent | \$ | | |
| 5 | Insurance | \$ | | |
| 6 | Facility Repairs & Maintenance | \$ | | |
| 7 | Post Office Box Rent | \$ | | |
| 8 | Office Supplies | \$ | | |
| 9 | Office Equipment (must complete Schedule B) | \$ | | |
| 10 | Equipment Rental | \$ | | |
| 11 | Equipment Repairs & Maintenance | \$ | | |
| 12 | Postage/Stamps/Messenger/Shipping | \$ | | |
| 13 | Telephone/Message Service/Internet | \$ | | |
| 14 | Bank Service Charges | \$ | | |
| 15 | Advertisement | \$ | | |
| 16 | Utilities (include gas/electric/water) | \$ | | |
| 17 | City Business Licenses and Fees | \$ | | |
| 18 | Finance Charges/Interest Expense | \$ | | |
| 19 | Legal Fees/Court Costs | \$ | | |
| 20 | Other Professional Fees (Do not include Event Speakers if related to Fundraising) | \$ | | |
| 21 | Membership Drive | \$ | | |
| 22 | Community Services | \$ | | |
| 23 | Voter Education/Registration | \$ | | |
| 24 | Printing/Publication/Subscriptions | \$ | | |
| 25 | Awards/Grants/Gift/Floral/Cards etc paid to others) | \$ | | |
| 26 | ACT-SO and BTS/SIS Scholarship Expenses | \$ | | |
| 27 | Scholarships (Other) | \$ | | |
| 28 | Contributions and Donations paid to others | \$ | | |
| 29 | Youth Oriented Services | \$ | | |
| 30 | Clerical & other Temporary Help (specify on Schedule B)** | \$ | | |
| 31 | Depreciation Expense (please complete Schedule B)** | \$ | | |
| 32 | Fundraising Expenses (Enter Section 5 Schedule A-Total Expenses-include all categories) | \$ | | |
| 33 | Employee Related Benefits (Please explain type _____) | \$ | | |
| 34 | Transportation-Local Car Allowance | \$ | | |
| 35 | Executive Committee Meeting Expenses | \$ | | |
| 36 | Mandatory Training | \$ | | |
| 37 | Miscellaneous Expense (Enter total on this line, explain below)..... | \$ | | |
| 38 | | \$ | | |
| 39 | | \$ | | |
| 40 | | \$ | | |
| 41 | Total Functional Expenses...(Add Lines 1 through 40) | | | \$ - |

**MUST COMPLETE SCHEDULE B & QUESTIONNAIRE

PART V

2005

NET ASSET/FUND BALANCE ANALYSIS

STEPS

1 CASH BALANCE ON HAND AS AT THE END OF 2004 (I.e. Dec. 31, 2004 balance)
(There must be an entry on this line, please check your 2004 Annual Financial Report for this amount)

| | | |
|----|--|--|
| \$ | | |
|----|--|--|

ADD :

2 2005 ANNUAL FINANCIAL REPORT INCOME (ENTER Part I Line 12)

| | | |
|----|--|--|
| \$ | | |
|----|--|--|

SUBTRACT:

3 2005 ANNUAL FINANCIAL REPORT EXPENSES (ENTER Part II Line 4)

| | | |
|----|--|--|
| \$ | | |
|----|--|--|

4 2005 ANNUAL FINANCIAL REPORT EXPENSES (ENTER Part III Line 4)

| | | |
|----|--|--|
| \$ | | |
|----|--|--|

5 2005 ANNUAL FINANCIAL REPORT EXPENSES (ENTER Part IV Line 41)

| | | |
|----|--|--|
| \$ | | |
|----|--|--|

6 TOTAL EXPENSES (Add Lines 3, 4 & 5 of this sheet)

| | | |
|----|--|--|
| \$ | | |
|----|--|--|

7 NET INCOME/(LOSS) FOR 2005 (please subtract line 6 from line 2 above)

| | | | |
|----|---|----|---|
| \$ | - | \$ | - |
|----|---|----|---|

8 DEPRECIATION ADD BACK (Only if depreciation expense was taken on Part IV line 32)

| | | |
|--|----|--|
| | \$ | |
|--|----|--|

9 CASH BALANCE ON HAND AS OF DECEMBER 31, 2005 (Add Lines 1, 7 & 8 of this page)

| | | |
|--|----|--|
| | \$ | |
|--|----|--|

10 COMPOSITION OF CASH BALANCE AS OF DECEMBER 31, 2005.(Provide a Breakdown of Line 9)

| | | |
|--|------------|--------------|
| | RESTRICTED | UNRESTRICTED |
|--|------------|--------------|

*PLEASE ATTACH A COPY OF ALL BANK STATEMENTS FOR THE PERIOD 01/01/05 - 12/31/05.

| | | | |
|----|--|----|--|
| \$ | | \$ | |
|----|--|----|--|

IMPORTANT NOTICE

PLEASE TAKE A FEW MINUTES TO REVIEW THE ENTIRE REPORT BEFORE SENDING IT TO THE NATIONAL OFFICE.
IF YOU HAVE QUESTIONS, PLEASE FEEL FREE TO CALL AJENE A ATKINS (410) 580-5716.

ADDITIONAL INFORMATION:

Please provide the following information of the Unit's Secretary.

Name: _____

Address: _____

Telephone Number: _____

REMARKS:

ALL PAID PREPARERS MUST COMPLETE BELOW

Paid Preparer's Signature _____

Date _____

Firm's Name _____

Print Name _____

() Telephone # _____

Address _____

AMOUNT PAID BY UNIT \$ _____

To NAACP Unit Officers and Directors:

As you are aware the IRS has determined that NAACP Units are treated as 501(c)(4) organizations under the Internal Revenue Code. As 501(c)(4) organizations, Units are generally exempt from Federal income taxes. However, donations to Units may not be deducted as charitable contributions. Under the Internal Revenue Code only donations made to 501(c)(3) organizations such as the NAACP National Office qualify as charitable contributions.

We are aware that Units may solicit donations from individuals and organizations that seek letters of acknowledgment stating that their contributions are tax deductible. Solicitations by Units must disclose that the contributions are **not** deductible for income tax purposes or the individual Unit could incur significant penalties. The National Office will **not** provide its tax identification number to Units to facilitate general fund raising efforts.

Individuals and organizations wishing to make tax-deductible gifts to the NAACP must make their checks payable to the NAACP or NAACP Special Contribution Fund and send them to the National Office in Baltimore. Donors wishing to direct the use of their contribution by the National Office must include a letter detailing how the funds are to be utilized. Restricted donations to Units will be facilitated by the National Office **only** for programs that have been formally adopted by the National Office such as the ACT-SO and Back-to-School/Stay-in-School programs. Donors should be instructed to send their contributions directly to the National Office and specifically indicate the program (ACT-SO or BTS/SIS) where the funds are to be used.

Units may continue to seek contributions in support of their Freedom Fund banquets, memberships or other local fund raising activities. However, only that portion of the donor's contribution which is remitted to the National Office may be deducted as a charitable contribution. Guidelines developed by the Office of General Counsel of the NAACP are enclosed for review and implementation. Specific questions regarding this issue should be addressed in writing to Mrs. Paula Brown-Edme, Chief of Field Operations.

The IRS previously performed an audit of Unit fund raising activities and has assessed penalties upon several Units for their failure to comply with the Internal Revenue Code. We expect the IRS to conduct future audits of Unit fund raising activities and recognize that the continued failure to comply with IRS guidelines could result in adverse actions taken by the IRS against the local Units.

Finally several units have recently received correspondence from the IRS regarding their failure to file a tax return. The National Office has made every effort to address such correspondence to the satisfaction of both the IRS and the Unit. However, please be mindful that if your Unit does not submit an Annual Financial Report the National Office will not be able to include your Unit in the group return. Further, your Unit will be required to file its own IRS Form 990 and failure to file such a return will result in significant fines and penalties. It is therefore imperative that each NAACP Unit file its Annual Financial Report by the deadline date.

As always we appreciate your continued assistance and cooperation in ensuring that the Association and all its Units comply with the rules and regulations to which we are bound.

Sincerely,

Bruce S. Gordon
President & CEO

ADVERTISING VERSUS QUALIFIED SPONSORSHIP PAYMENTS

The reverberations of the Taxpayers Relief Act of 1997 will further challenge the long standing NAACP tradition of soliciting sponsorships to underwrite the printing costs for “Event Brochures.” Units are particularly susceptible to liability exposures if the **IRS** reclassifies revenue from “**sponsorships**” to “**advertising**” revenue. The National Office strongly recommends that acknowledgments of contributing sponsors specifically avoid the following:

- Commercial language
- Promotion of products
- Qualitative or comparative language concerning the sponsor’s product or service
- Pricing information
- Indication of savings by using the product
- Direct endorsement of product
- Call to action or inducement to buy, sell or use a sponsor’s product or service

Furthermore, the sponsorships may not be contingent upon providing acknowledgment of the contribution in the organization’s regular publication, such as a monthly newsletter.

Sponsorships may be contingent upon the actual occurring of the event and may be contingent upon acknowledgement in a publication directly related to the sponsored event. Such acknowledgment may include the sponsor’s logo or motto.

The following language is deemed appropriate for acknowledgment of a sponsorship:

XYZ Company, Inc.
777 Main Street
Any Town, USA Zip

XYZ Company, Inc. is a proud Platinum-\$5,000 Corporate Sponsor
of the 95th Annual Freedom Fund Banquet

The (name) Branch NAACP is grateful for your sponsorship.

**DISCLOSURE OF NON-DEDUCTIBILITY OF CONTRIBUTIONS
“THE SAFE HARBOR”**

In an effort to show organizations what constitutes an acceptable disclosure notice, the Treasury Department has set out the following guidelines.

For solicitation by mail, leaflet, or advertisement in a newspaper, magazine or other print medium, there are four requirements.

- The solicitation includes whichever of the following statements the organization deems appropriate:
 - “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes.”
 - “Contributions or gifts to this NAACP Unit are not tax deductible.”
 - “Contributions or gifts to this NAACP Unit are not deductible as charitable contributions.”
- The statement is in at least the same size type as the primary message stated in the body of the letter, leaflet or ad.
- The statement is included on the message side of any card or tear off section that the contributor returns with the contribution.
- The statement is either the first sentence in a paragraph or itself constitutes a paragraph.

For solicitation by television, if the statement is spoken, it must be in close proximity to the request for contributions; if the statement appears on television screen, it must be in large, easily readable type and appears on the screen for at least five seconds.

**FUNDRAISING ACTIVITIES:
501(c) 3 Organizations – Overview**

A payment to a qualified charitable organization, such as the NAACP parent organization, must be a gift in order to be deductible as a charitable contribution. Where patrons of fund raising activities such as charity galas, bazaars, banquets, and shows receive a privilege or benefit in connection with a payment to the organization, the presumption is that the payment is not a gift. To over ride this presumption, the taxpayer needs to show that the payment was in excess of the fair market value of the item or admission purchased; this excess can then be construed as a gift.

The charitable organization is responsible for notifying contributors whenever a gift is being solicited in connection with a fund raising event. The organization is also responsible for notifying the contributor of the amount of the gift being solicited.

DUITES OF THE UNIT TREASURER
(Unit Bylaws, Article VII, Section 4)

The duties of the Treasurer shall be the following:

- To **receive all monies** of the Unit and **promptly deposit** the same **in the name of the Unit** in a **separate account or accounts** in a responsible bank or trust company. **No money shall be withdrawn from any account except by check signed by the Treasurer and countersigned by the President,** or in the absence, unavailability or disability of the President, by the First Vice President.
- To act as chief financial officer of the Unit and chair person of the Finance Committee.
- To make **authorized disbursements** upon **requisitions signed by the Secretary and countersigned by the President**. Each requisition shall recite the amount and purpose of the payment requested. Any requisition in the amount of **\$100 or more** must be approved by the Executive Committee before a check therefore is issued. The Unit bylaws may require that requisitions in smaller amounts be approved by the Executive Committee.
- To remit through the Secretary to the National Office the portion of membership fees to which the National Office is entitled, as hereinafter provided, within **15 days** after their receipt (Article IV, Section 12).
- To **submit reports** to the Unit and the Executive Committee **at all regular meetings**, or whenever required by either body, covering the financial condition of the Unit showing receipts and disbursements and outstanding accounts unpaid since the last report; to submit **an annual report to the business of his/her office at the annual meeting of the Unit**, to which shall be appended a statement signed by the President and Secretary that all funds by the Unit have been listed in the Treasurer's report. A copy of all reports by the Treasurer, when adopted by the Unit, shall be forwarded to the National Office.
- The Unit may require the Treasurer to be bonded at the expense of the Unit.