

## **PNCWA Checklist for handling of annual tax reporting**

Since preparation for the tax year ending 2009, PNCWA has worked with Taylor Roth and Company (<http://www.taylorroth.com/>) to comply with our annual tax reporting. For PNCWA, that requires a Form 990 and a 990-T for federal reporting and a CT-12F for Oregon. Taylor Roth is a CPA firm that works only with nonprofit organizations. They have offices in Denver and Albuquerque but work electronically with clients in other states. Since PNCWA started working with Taylor Roth, we have worked with Janis Seuss, a CPA dedicated to the PNCWA account, which allows each year to get a bit easier as we work together and familiarize each other with need-to-know information.

Before starting the tax prep for 2009, PNCWA was asked to provide answers to the attached Form 990 Organizer. It gave the CPA a firm basis of understanding of our organization in order to get started.

Then, in 2009 and each year following, it has been PNCWA's job to provide the following information:

1. List of all Board Members during the calendar year with approximate hours per week of involvement
  - a. We generally use 2 hours/week for Exec Committee members and 1 hour/week for others
2. Notes and changes to entries on Form 990
  - a. We provide a Word doc of anything we know changed or was a new activity since the previous 990 reporting
3. 20XX Contracted Management Services – Admin vs Program Services
  - a. PNCWA makes monthly payments to a contracted management company but also makes payments to the same vendor for some specific work considered program services, e.g., webinar and standalone workshop online setup/registration and administration. Payments are broken out in an Excel sheet for CPA review and use showing what is general management and what is payment for program services.
4. Temporarily Restricted or Board Restricted Net Assets Breakdown
  - a. For PNCWA, this includes scholarship funds and bus transportation funds that have been donated by our sections for transportation to WWTP for schools.
5. Explanation of Fundraiser Activity, e.g. for scholarships or Water For People
6. 990 Organizer Info and QB Reports TY20XX
  - a. See the attached Excel file showing the different sheets – sample info from PNCWA is included on some pages. Other pages list instructions and info needed.

Before preparing the info above, PNCWA makes the following year-end adjusted journal entries. Note that the account numbers are specific to PNCWA's accounting:

### **Mgmt time/expense to newsletter**

*Multiply # of staff hours spent on newsletter editorial (no advertising) by hourly rate (use the one rate in effect for the majority of the year)*

Professional Fees:8240 · Mgmt/Admin - to reclassify staff fees allocated to the newsletter

Debit to 2000 NEWSLETTER

Credit to 9900 MGMT & GENERAL:Admin-Management Services

## **Logo Store**

*For amount of logo store items that were purchased for sale:*

Debit 1500 · Inventory - to reclassify 8020 logo store expense to EOY inventory - 1500 LOGO STORE

Credit Logo Store COGS:8020 · Logo Store Expense (with same memo/class as above)

*For amount of sales – multiply amount of sales by 90% and use that figure to:*

Debit Logo Store COGS:8020 · Logo Store Expense - to reduce inventory by cost of items sold 90% x \$XX–  
1500 LOGO STORE

Credit 1500 · Inventory (with same memo/class as above)

## **9800 Fundraising Activities transfers to Scholarship or Water For People (e.g., golf or 5K Run)**

*To transfer net profits during the calendar year – separate entries for each 9800 event*

*Sample:*

Contributions and Grants:4530 · Sponsorships - to reclassify profit in 2014 from golf tournaments to Scholarship fund

Debit to 9800 FUNDRAISING:Golf Tournament

Credit to 4000 MEMBER SERVICES:Committees:Scholarships

*Temporarily Restricted Net Assets are all funds generated from scholarship contributions and the fundraising activities of the committee – assuming promotion of the fundraising activities states that all net profits will be contributed to the scholarship fund. (The second part about fundraising activities may not be required by the letter of the law but the first part is. When people and organizations contribute to the scholarship fund, they are designating it be used for scholarship awards only.)*

*Board Designated Net Assets are funds the PNCWA Board has declared as in support of the scholarship program and expenses such as scholarship winner travel support for the conference, postage, fundraising expenses, etc., can be used from these assets. The PNCWA Board can transfer the Board Designated Net Assets from the Scholarship Fund back to general operating expenses at any time.*

## **Scholarship Temporarily Restricted Net Assets**

*In a year where the amount added by to TRNA is more than the amount of scholarships given*

Debit 3000 · Unrestricted Net Assets/RE - to reclassify temporarily restricted net assets balance for YE 2014 – no class

Credit 3100 · Temp. Restricted Net Assets (with same memo/no class)

*In a year where the amount of scholarships given amount is more than the amount added to TRNA*

Debit 3100 · Temp. Restricted Net Assets - to reclassify temporarily restricted net assets balance for YE 2014 – no class

Credit 3000 · Unrestricted Net Assets/RE (with same memo/no class)

### **Board Designated Net Assets**

*In a year where the expenses used from BDNA is more than the board added to BDNA*

Debit 3200 · Board Designated Net Assets - to reclassify board designated net assets balance for YE 2014 – no class

Credit 3000 · Unrestricted Net Assets/RE (with same memo/no class)

*In a year where the amount added by the board to BDNA is more than the expenses used from BDNA*

Debit 3000 · Unrestricted Net Assets/RE - to reclassify board designated net assets balance for YE 2014 (n/c) – no class

Credit 3200 · Board Designated Net Assets

### **Each year-end before submitting to CPA:**

Make sure Due to Water For People is zeroed out – This is our account of pass-through donations to WFP from PNCWA events

Transfer funds as needed from General Operating Funds to the Scholarship Fund

### **Each year before submitting final tax documents to the IRS:**

Have the responsible person within the organization review the drafts from the CPA and ask any questions that may arise.

Send the final drafts to the Board for review and comment. Allow a week for any responses.

### **After final tax documents are submitted:**

Schedule the tax preparation for the next year with the CPA – This will be the date that all your prep work should be handed over to the CPA for them to start the process on their end.

Update PNCWA assets list for safe deposit – This isn't for tax reporting but a good idea on an annual basis.

**How long does it take?** For PNCWA, initial prep for the tax work (after the first year) takes an average of about 15-18 hours, then Q&A and review another 3-4 for a total of 18-22 hours.