



2018 Annual Financial and IRS Reporting Memo

FILING OF CHAPTER AND COUNCIL ANNUAL FINANCIAL REPORTS (AFR)

The primary way our organization gauges chapter and council activity and tracks the overall financial standing of TU is to collect annual financial statements from each chapter and council. These statements are filed electronically and are available in Leaders Only Tools Section of the tu.org website for 45 days after the end of the fiscal year. For fiscal year 2018 FY18 (Oct. 1, 2017 – Sept. 30, 2018,) that filing period will be between Oct. 1 and Nov. 15. The Annual Financial Report (AFR) may be filed by: chapter president; chapter vice president; chapter treasurer; council chair; council vice chair; NLC representative; and/or council treasurer. These leaders must be listed as such in the [Leaders Only Tools section](#).

TU's fiscal year has been from Oct. 1 through Sept. 30. Please be sure to file your chapter or council financial report for FY18 based on this fiscal year.

On Oct. 1, 2018 TU will begin the process to change our fiscal year to a new fiscal year end date of March 31. Oct. 1, 2018 will begin a short, transition fiscal year ending on March 31, 2019. On April 1, 2019 TU will begin its first full new fiscal year, which will end on March 31, 2020. For details on what this transition process will involve, please reference [the Fiscal Year Change FAQ and Timeline Document](#).

Most chapters and councils will file on a cash basis. This means reporting activity based on your bank account or accounts. Accuracy and consistency are important as the numbers reported are reviewed for trends and used to determine reporting requirements. Even if your chapter has had no activity in the last year, submitting a financial statement is required.

Please be sure to familiarize yourself with [the policy on financial and property controls](#). Among other things, on question #61 of the TU Annual Financial Report, chapters and councils will be asked whether or not you have an officer (who is not authorized to write checks, otherwise withdraw or transfer money from accounts, or use chapter or council credit cards) review the bank and/or credit-card statements every month. Chapters and councils that do not have this reviewer in place will not be eligible to receive their year-end or new member rebates.

Filing an annual financial report does not satisfy filing requirements for the IRS; TU national does not file a return that includes chapters and council activity. See the following section for federal tax filing requirements.

TAX EXEMPTION RESTRICTIONS

TU's 501(c)3 status, or charitable status, is one of TU's most important assets. Among other things, this status allows donors to deduct their charitable contributions to your chapter or council, to the extent allowed by law. 501(c)(3) status is a status granted to charitable groups by the IRS. It is separate from being a not-for-profit corporation. Chapters and councils of TU come under the umbrella of TU national's 501(c)3 status. This is one of the reasons chapters and councils report their financial status to national each year and use the same fiscal year as national. In order to maintain this status, you should be sure to report any change in your status (such as incorporating) and a new Employer Identification Number to [volunteer operations staff](#) promptly.

There are four critical requirements to maintaining 501(c)3 status:

Further details are found in [the Leadership Manual](#).

1. The chapter or council may not endorse or oppose any candidate for public office.
2. The chapter or council must strictly account for the portion of its activities devoted to lobbying. The TU national office should be consulted before engaging in any lobbying activities.
3. The chapter or council cannot donate money to a non-501(c)3 organization or a 501(c)3 organization that does not further TU's mission.

4. The chapter or council must use great caution when granting scholarships to individuals and seek approval from TU national.

FEDERAL TAX FILING (FORM 990N, 990, 990T and 990EZ)

TU is a publicly supported 501(c)3 organized under a group exemption and because of this the IRS requires the following:

- Each entity (chapter and council) under the exemption has their own employer identification number (EIN.) If you can't find yours, look at the top of the Annual Financial Report in the Leaders Only Tools section of tu.org or contact [volunteer operations staff](#).
- Each entity is required to file its own tax forms with the IRS. TU national cannot file on a chapter or council's behalf.

Required forms to file with the IRS (*Questions about the correct Form 990 to file? Please visit: www.irs.gov or contact [volunteer operations staff](#) for more information.*)

Gross receipts normally ≤ \$50,000 = File Form [990-N](#)

Should you prepare it yourself? *Yes. It is a very simple form asking for basic information.*

Gross receipts < \$200,000, and Total assets < \$500,000 = [990-EZ](#) or [990](#)

Should you prepare it yourself? *These forms are long and sometimes complex, so get help (from an accountant experienced with non-profit orgs.) if you are not comfortable.*

Gross receipts ≥ \$200,000, or Total assets ≥ \$500,000 = [990](#)

Should you prepare it yourself? *These forms are long and sometimes complex, so get help (from an accountant experienced with non-profit orgs.) if you are not comfortable.*

The Forms 990N, 990, 990T or 990EZ must be filed by the 15th of the 5th month after your chapter's fiscal year end. For FY18, required forms are due to the IRS on February 15. For the short transition year, only chapters or councils that are filing a 990, 990EZ or 990T will file Forms with the IRS, and those will be due by Aug. 15, 2019. All chapters and councils, including those that file the short Form 990N will be required to file with the IRS by Aug. 15, 2020. Check with your state tax authorities for local state filing requirements, and please reference [the Fiscal Year Change FAQ and Timeline Document](#) for more information about the fiscal year timeline change.

There are additional, separate requirements for reporting "unrelated business income." If a nonprofit's gross proceeds from unrelated business income exceed \$1,000, that income must be reported to the IRS using Form 990T. If your chapter or council conducts a revenue-generating business, and the gross revenue from that business exceeds \$1,000, you should consult with your chapter's accountant regarding whether that revenue constitutes unrelated business income. The most common examples of unrelated business income include advertising income from the sale of ads in newsletters and magazines, revenue generated from fishing trips that are not educational or conservation-oriented, and fees collected for the use of facilities or land owned by the organization where the use of the property is not directly related to the exempt purpose of the organization. Revenues from raffles, banquets, auctions, and other sales of donated merchandise do not count as unrelated business income.

If you have additional questions about tax filing requirements, please contact TU's [volunteer operations staff](#).

If a chapter or council fails to file the correct form for three years running, the IRS will revoke the chapter or council's exempt status.

How to ensure compliance:

- Send a copy of your Form 990/990EZ/990T or 990N via e-mail to Jeff Yates, Director of Volunteer operations, at jyates@tu.org or to:
 - o Trout Unlimited attn: Volunteer Operations
1777 Kent St. Ste. 100
Arlington, VA 22209
- TU staff will be tracking this and will be in contact with leadership to ensure all chapters and councils file.
- Educate your future leaders about this requirement.

If your chapter or council is large enough to file a Form 990, you will be asked specific questions about your board governance, policies and practices such as whether you have a document retention policy in place, a conflict of interest policy, a whistle blower policy, if you document your meeting minutes, if you have your entire board review your Form 990 before submitting it, etc... For more information about these questions, visit: www.irs.gov/pub/irs-tege/governance_practices.pdf or visit www.tu.org/financialreporting for sample policies.

Another IRS requirement for TU chapters and councils is to be sure that you have the necessary language in your donor letters. According to the IRS, this includes:

- Written acknowledgment required to substantiate a charitable contribution of \$250 or more
- Name of the organization (i.e. your chapter or council)
- Amount of cash contribution
- Description (but not value) of non-cash contribution
- Statement that no goods or services were provided by the organization, if that is the case
- Description and good faith estimate of the value of goods or services, if any, that organization provided in return for the contribution

Sample donor letter:

Dear Name:

I am writing to thank you for your gift of \$AMT, received DATE, to Trout Unlimited. Your generous gift will help us continue our efforts to conserve, protect and restore North America's trout and salmon and their watersheds. We could not accomplish our goal without your support and that of TU's other members and contributors.

Thank you again, if I can ever be of assistance please do not hesitate to contact me.

Sincerely,
Letter Writer

Section 170 of the Internal Revenue Code, enacted in August of 1993, requires you to keep written substantiation of gifts of \$250 or greater in order to claim a deduction for your contribution. This letter hereby serves as a receipt for the above gift. No goods or services have been provided in exchange for your gift.