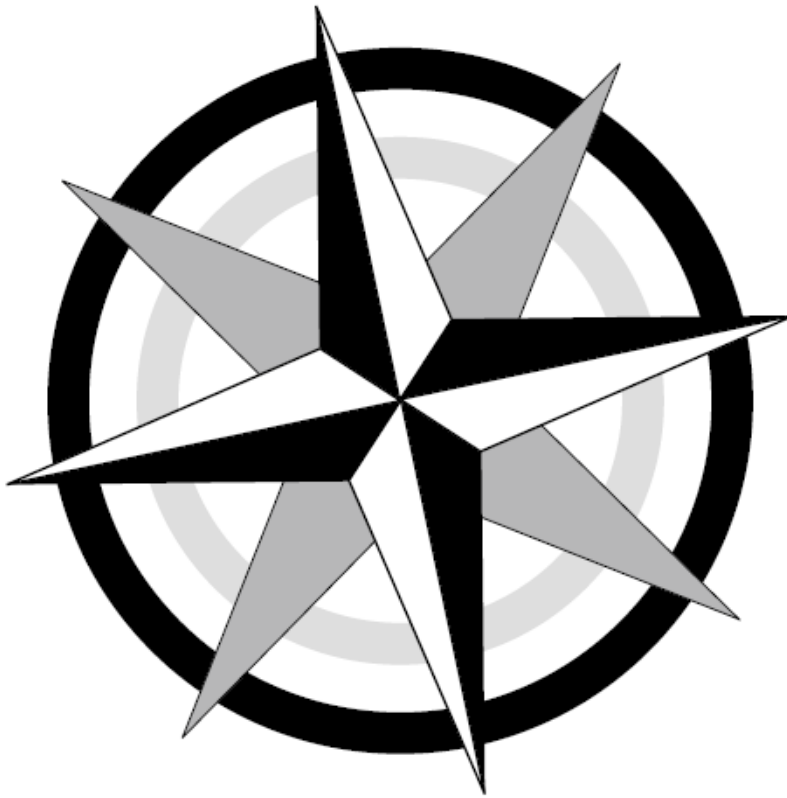


Barbershop Harmony Society Chapter Treasurers Manual



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For the most up-to-date version, please visit www.barbershop.org > *Resources* > *Business & Finance* > *Chapter Business Documents*.

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1 The chapter treasurer

1.1 What he does and why

The treasurer holds the chapter funds in trust. It is his responsibility to keep accurate financial records and to offer sound financial advice to the chapter board. The treasurer should be organized, detail-minded and have a rudimentary knowledge of bookkeeping practices.

The treasurer must keep up-to-date records, in clearly understandable form, of all income and expenditures. He should collaborate with the chapter secretary, officers and chapter committee members in the collection of all money. In addition, he should indicate on his records, under various classifications, who, what, where, when, why and how money is used.

1.1.1 Main duties

The main duties of the treasurer are to:

- Prepare, in conjunction with the president, an anticipated chapter income and expense budget for the year.
- Keep an accurate set of financial records.
- Pay all bills promptly on receipt of billing from the Society office, district or businesses.
- Function as an active, voting member of the chapter board of directors.
- Work closely with the secretary to collect chapter dues (Canadian chapters only.)
- Prepare monthly reports of cash receipts and disbursements.
- Attend the district Leadership Academy (LA).
- Prepare and file on behalf of the chapter governmental, regulatory and tax returns and forms which, for U.S. chapters, is based on instructions received from the Society office.
- Present financial records to the chapter financial review committee for annual review as required by the Society office.
- Submit treasurer's report to chapter board at each monthly board meeting.
- Offer advice and make recommendations to the board regarding financial matters.
- Perform such other financial assistance to the chapter as required.

This manual provides an outline of various chapter treasurer tasks and contains copies of frequently used forms and documents for reference.

1.2 Treasurer's annual list of things to remember

Upon election to office

- Read this manual, the related resources and familiarize himself with all accounting procedures.
- Meet with the current treasurer to review books and estimate the chapter's yearend financial position.
- Plan to attend the district Leadership Academy.

December

- Meet with the chapter president-elect. Review goals and program estimate costs desired by newly elected officers. Schedule a meeting with the chapter president-elect to prepare the annual budget.
- Review the past two years' records to find costs of comparable items to be included in the budget.
- Obtain the necessary papers to handle all banking for chapter (signature cards, corporation resolutions, etc.). Your present treasurer or banker will help with these details.
- Meet with the secretary-elect to coordinate handling of chapter purchases. Sometimes it will be necessary to modify the initial goals of a new administration or incorporate fundraising shows and activities to prepare a realistic annual budget.

January

- Submit budget to board for any modifications and approval. Submit the final form to chapter for approval and adoption.
- Read into minutes of board meeting the names of persons authorized to handle money for chapter (ticket chairmen, Pay-As-You-Sing, etc.).
- Have president appoint a financial review committee to review previous year's books.
- Pay the invoices as reflected on the chapter's monthly Society statement and all other outstanding bills by month's end.
- Complete monthly financial report forms.
- Appoint an assistant treasurer (e.g., could be the show treasurer), who is directly responsible to the treasurer's office.

- If any individual or quartet received \$600 or more from the chapter during the previous year, file Form 1099-MISC (U.S. chapters) with the recipient by January 31.

February

- Check manual for IRS filing information.
- Plan information program or article for chapter bulletin concerning tax treatment of personal expenses related to the Society. When in doubt, quote the treasurer's manual, request assistance from a recognized tax consultant or refer questionable items to the Society office.
- Pay the invoices as reflected on the chapter's monthly Society statement by month's end.
- (U.S. chapters only) File Forms 1096 (together with IRS copies of Forms 1099-MISC) with IRS by February 28 (see section 5.15.4).

March

- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.
- Review previous year's IRS tax form.

April

- Review budget for current year with chapter board, noting variation from anticipated expenditures.
- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.

May

- File IRS Form 990-N or Form 990EZ or Form 990 (U.S. chapters) with the IRS by the May 15 deadline.
- Must send a copy to the Society office and retain a copy for the chapter. Chapters filing Form 990-N with the IRS (receipts under \$25,000) should send notification to the Society office by May 15. (See section 5.15.1).
- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.
- Submit a copy of the chapter financial review and year-end financial statements (Statement of Assets and Liabilities, and either a Balance Sheet or a cash account reconciliation report for chapters using the Cash Basis of accounting) to the Society office by May 15.

June

- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.

July

- Review the budget and financial condition of chapter. You may have to make adjustments. Present this semi-annual report to the chapter board of directors.
- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.

August - September

- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.

October

- Review budget for current year with chapter board in preparation for new budget for following year.
- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.

November

- Review books with treasurer-elect and begin ground work for new year.
- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.

December

- Assist treasurer-elect as outlined at beginning of this schedule.
- Complete monthly financial report forms. Pay the invoices as reflected on the chapter's monthly Society statement by month's end.

1.3 Treasurer's year at a glance

	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Finance Committee. Appointed	X												
Prepare Budget	X												
Bank Signature Card	X												
Budget Approval		X											
Appoint Financial Review Committee		X											
U.S. 1099s and 1096s		X	X										
Monthly Treasurer's Report to Board		X	X	X	X	X	X	X	X	X	X	X	X
Review Budget					X			X			X		
U.S. IRS Form 990 / 990EZ / 990-N and copy to Society						X							
Financial Review and copy to Society						X							
Review Books with New Treasurer												X	
Pay Bills	X	X	X	X	X	X	X	X	X	X	X	X	X
Check with Secretary	X	X	X	X	X	X	X	X	X	X	X	X	X
Deposit Receipts	X	X	X	X	X	X	X	X	X	X	X	X	X
Participate in Board Meetings	X	X	X	X	X	X	X	X	X	X	X	X	X

1.4 Working with the secretary

Because the chapter treasurer works closely with the chapter secretary, let's look at his duties, to see where they overlap. The secretary is responsible for all the paperwork related to the operation of the chapter. His efforts keep the chapter organized and current in correspondence and report filing. While his work is not on display at every chapter meeting, a chapter will feel the effects of a poor secretary just as much as of a poor music director or other officer.

The secretary:

- Maintains accurate membership records.
- Reports member address changes.
- Reports new chapter officer names and addresses to district and Society offices.
- Takes all board meeting minutes.
- Orders chapter supplies.

- Maintains chapter legal files (including laws and regulations, charter and incorporation documents, bond and insurance certificates, etc.).
- Is an active chapter board member.

1.4.1 Chapter Secretary Schedule of Things to Remember

Monthly

- Check with treasurer to ensure that chapter billings are correct.
- Around the middle of the month, membership renewal notices will be sent from the Society office*. Advise members they will be receiving membership renewal notices. Forward new, dual and reinstated membership information to the Society office. Establish time table for following up on nonpaying members.

January

- Make sure the president appoints the nominating committee for next year's officers.

February

- February 28 is the deadline for the treasurer to file the 1096/1099-MISC forms with Internal Revenue Service. Make sure the treasurer complies.

March

- Use Chapter Development VP for help in reminding members about renewals. Forward new, dual and reinstated membership information to the Society office.
- Check state incorporation rules and file your statement of continued existence, if it is necessary. Each U.S. state may have a different filing deadline.

May

- For U.S. chapters, check with treasurer to ensure that he files the appropriate Internal Revenue Service Form 990 and sends a copy to the Society office.
- Check with president and treasurer to ensure that a copy of the financial review has been sent to the Society office.
- Forward new, dual and reinstated membership information to the Society office.

June

- Use Chapter Development VP for help in reminding members about renewals. Forward new, dual and reinstated membership information to the Society office.
- Be sure chapter has information on the international convention.

July-August

- Make sure the nominating committee is functioning.

September

- Forward new, dual and reinstated membership information to the Society office. Use Chapter Development VP for help.
- Set the date for the annual chapter meeting and election of officers (before October 15). Send notice of this meeting to all members at least two weeks prior to the annual meeting. Schedule meeting and election for early October, or before.
- Order past president and past secretary pins.

October

- Complete and submit New Officer Reports to Society office and district secretary. Do this immediately after the election.

November

- Forward new, dual and reinstated membership information to the Society office.
- Advise members they will be receiving membership renewal notices. Per time schedule, follow up on non-paying members.
- Arrange for new chapter officers to attend the district Leadership Academy.
- Make sure the Christmas party/ladies' night plans are proceeding well.

December

- Use Chapter Development VP for help in reminding members about renewals. Forward new, dual and reinstated membership information to the Society office.

- If you are not reelected, help your successor get started on the right foot. Keep working on nonpaying renewals, and have a happy holiday season.

***NOTE:** First notices for membership renewal are sent via email only, if the member has an email address on record with the Society. Second notices, issued about a month later, are sent via regular mail. Members have the option of either renewing online or printing the notice and mailing it in with a check.

1.4.2 Secretary's year at a glance

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Check with Treasurer	x	x	x	x	x	x	x	x	x	x	x	x
Submit Membership Data to Society	x	x	x	x	x	x	x	x	x	x	x	x
Nominating Committee (Check on Appointment and Function)	x							x				
At first board meeting of the year, cover proper individuals under fidelity bonds	x											
Look for Dues Renewal Info (Use Society Web site)	x	x	x	x	x	x	x	x	x	x	x	x
Check with your Resident Agent to make sure your "Statement of Continued Existence" has been filed with your Secretary of State			x									
Check on Renewals	x	x	x	x	x	x	x	x	x	x	x	x
State Incorporation Renewal			x									
Set Annual Meeting Date									x			
Complete Next Year's Officer Report										x		
Arrange for Next Year's Officer(s) to attend LA										x		
Order Past Officers' Pins										x		
Check on Progress of Special Events	x	x	x	x	x	x	x	x	x	x	x	x
Assist New Secretary											x	x
Convention Information			x			x			x			x
Check with President and Treasurer on Financial Review and IRS Form 990 / 990EZ / 990-N					x							

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2 General accounting practices

2.1 General principles

2.1.1 Be sure to document all expenditures

The treasurer documents all expenditures with an expense voucher and includes backup receipts and invoices. Expense vouchers should have an approval signature authorizing payment. Specific actions should have authorization from the board of directors. Expenditures should always be in the form of bank checks. However, when necessary, the treasurer obtains receipts for all cash transactions.

2.1.2 Submit financial reports

The treasurer submits complete financial reports at each chapter board of directors meeting and at other times as called for by the president or board. Reports must include financial status compared to budget and explain how the chapter has used the money. The secretary retains a copy of the reports for the minutes.

2.1.3 Maintain the chapter's bank account

Typically, a chapter has a checking and savings account with its local bank. The treasurer should:

- Reconcile bank statements, both checking and savings accounts, promptly and efficiently on a monthly basis.
- Retain all bank statements and canceled checks for verification and financial review purposes.

2.2 Accounting guidelines for basic banking transactions

2.2.1 Check signature procedure

The chapter must update all appropriate documents when a new treasurer takes office. A new officer or change in a chapter bank account requires a resolution by the chapter board to approve the men who can sign checks. The chapter's bank will assist with the proper documents.

The treasurer should examine the chapter's policy concerning the number of signatures required on checks — one signature is convenient, but two signatures provide a safeguard.

2.2.2 Issue receipts

The treasurer should issue a pre-numbered receipt for all money received.

2.2.3 Make deposits

The treasurer should promptly deposit all monies.

2.2.4 Pre-numbered checks and receipts

When issuing checks or receipts, the treasurer should use only pre-numbered checks and receipts.

2.2.5 Expense voucher

The treasurer attaches receipts and invoices to the chapter expense voucher when making payments. If the treasurer does not have a receipt or invoice from a member for reimbursements of miscellaneous expense items, he must explain these items on the expense voucher. The treasurer records the check number and the date of the check on the expense voucher.

2.2.6 Unbudgeted items

If the treasurer has an item that is not covered in the budget, or he feels uncomfortable about an expense, he should obtain approval from the chapter board of directors or another chapter officer before he disburses the funds.

2.3 Make monthly payments

2.3.1 Monthly statements

The Society issues monthly statements directly to the chapter treasurer. A summary of all chapter invoices and related payments appears on the statement. The statement shows the balance due by category.

Categories include:

- Current
- 31 to 60 days
- 61 to 90 days
- More than 90 days

There are separate invoices for merchandise purchases, the Society's toll-free telephone charges, and insurance premiums.

2.3.2 Direct Dues Billing Plan

All chapters are on the Direct Dues Billing Plan. U.S. members pay the Society office directly for their Society, district and chapter dues. The Society remits the district and chapter dues on a monthly basis.

Canadian chapters collect their own chapter dues directly from their members. Canadian members may remit their Society and district dues directly to the Society office in Canadian funds, using the exchange rate that is established each quarter. The local Canadian chapter may also collect all of the renewal money from members and forward payment to the Society. Special dues prepayment plans are available for both Canadian and U.S. members.

2.3.3 Types of payments

Payment on receipt

Although the chapter's payment must reach the Society office by month's end, the treasurer should establish a policy to pay bills immediately upon receipt. If the chapter secretary has obtained board approval as he orders materials, the monthly statement will need no further action by the chapter board. All other Society charges do not require board action. This practice will avoid misunderstandings concerning the statement and reduce the chances of chapter suspension for not paying the bill. The treasurer should pay all bills from other vendors upon receipt.

Statements are issued monthly; a detailed invoice is included for new purchases or charges. When the Society receives the chapter payment, it is applied to the outstanding invoice. If the payment is received during the month following the statement, the payment will be recorded and these invoices will not appear on the next monthly statement. Confusion can occur if the payment is not received by the Society prior to issuing the next statement; the prior invoices will be listed on the statement as well as any new invoices. The new invoices will have an invoice included, but there will not be an invoice included for charges made the prior month.

Payment for Society merchandise

The Society office puts the chapter's merchandise and supplies purchases on the same chapter statement. The treasurer makes one monthly payment to the Society office to cover Society fees and purchases.

This service is normally intended to cover chapter purchases, but the chapter may charge purchases for individual members in the same manner as long as the member places the order through the chapter secretary. In this case, the treasurer or the secretary should collect from the member when he places the order and then forward payment to the Society office upon receipt of the monthly billing. The secretary must order and approve all purchases that use the chapter account.

2.3.4 Chapter suspension

The Society has a standard procedure for suspension, member notification and automatic charter revocation for chapter noncompliance. The Society can suspend a chapter for the following reasons:

Late bill payment

The Society will suspend a chapter if it does not receive a statement remittance by month's end of the month the statement was received. When a chapter is suspended, all voting privileges are denied, The Harmonizer mailing to chapter members is halted, and the chapter chorus is prohibited from participating in contests.

Late filing of annual financial review

The chapter must supply the Society office with a copy of the chapter's annual financial review postmarked by May 15 each year.

Late filing of a copy of the chapter's IRS Form 990 tax return (U.S. only)

The chapter must provide the Society office with a copy of the chapter's Form 990, 990EZ or 990-N tax return postmarked by May 15 each year.

If concerted efforts by the Society office, assisted by district officers, fail to rectify the situation(s) within sixty (60) days from the suspension date, the Society office will automatically begin steps to revoke the chapter charter. It will transfer all current members to the Frank H. Thorne Chapter-at-Large for the remainder of each individual's membership year unless a member requests transfer to another chapter.

Even though the Society gives chapters advance warning of a suspension by including special notices with past due statements, it suspends a few chapters every month. The main reasons for nonpayment appear to be:

- The treasurer became inactive.
- The chapter did not report the new treasurer to the Society office.
- The chapter did not report the treasurer's new address.
- The treasurer did not understand the billing procedure.
- The treasurer sent the check too late to be received on time.

In addition to paying bills on time, the best way to avoid suspension is to report any changes to the Society office immediately. Changes can be made on the Society Web site in the ebiz (Members Only) section.

2.4 Interaction with various chapter committees

These committees can include:

2.4.1 Finance committee

Because the chapter board is far more familiar with the overall operation of the chapter than any other group of individuals in the chapter, it is good practice to have the chapter board serve as the finance committee. Some larger chapters, like large corporations, have a separate finance committee to advise the chapter board of directors about financial matters. The chapter board has the final say on all financial matters concerning the chapter.

2.4.2 Pay-As-You-Sing committee

This usually is a one-man committee who collects membership dues on the installment plan. He should be able to urge members to participate without becoming a nuisance. He should announce as often as possible that he will accept any regular payment (through the chapter, not the Society office) toward the member's dues.

2.4.3 Chapter show committee

The treasurer works closely with the show committee to help it establish a show budget.

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3 Barbershop Harmony Society chapter accounting system

3.1 Purpose

The Society has developed a bookkeeping system for its chapters that conforms to the requirements of Section 501(c)(3) of the Internal Revenue Code. This system is explained in this manual. The necessary forms and instructions are available from the Society office. They are included in the *Chapter Treasurer Exhibits Manual*, available in electronic format on the Society Web site. It is recommended that all chapters follow the methods detailed in this section of the treasurer's manual. This will be very helpful for U.S. chapters when completing the chapter IRS forms. Licensed chapters also must keep financial records, and it is recommended they use Forms 1, 2, 3 and 4, or their equivalent.

Quicken and Excel starter files are available to download from the Society Web site.

The cash basis of accounting is used. As cash is received or expended, a record is made. No other entries are necessary.

3.1.1 Chart of accounts

The accounts as shown are the recommended accounts to use. The proper use of each account is explained. More detail in an account may be achieved by using suffix letters, e.g., A-B-C, etc.

3.1.2 Instructions

Instructions in the use of the recordkeeping forms are illustrated, with step-by-step procedures set out in sample forms.

3.1.3 Sample forms

Form 1	Cash receipts
Form 2	Cash disbursements
Form 3	Summary of gross receipts and summary of receipts, disbursements and cash balances
Form 4	Summary of disbursements
Form 5	Pay-As-You-Sing member's record
Form 6	General utility form - auxiliary data which is not required (invested funds, insurance policies, fixed assets, etc.)
Form 3105	Chapter annual report form

3.2 BHS chapter chart of accounts

3.2.1 Cash accounts

Account Name	Uses and purposes
100 Operating fund	All earned receipts, monies that come to the chapter through its stated purposes (show receipts, performance fees, fundraising activity and donations), must be put into Cash Account 100 from the various Receipts Accounts (310, 320, 340 and 350).
Account Name	Uses and purposes
	Account 100 operating funds are restricted funds and are only used for recognized chapter expenses. They may not be used for parties, regular meeting refreshments, payment of members' dues or used in any way that would benefit any member. [Required by IRS regulations for 501(c)(3) corporations.]
	Receipts Accounts 310, 320, 340 and 350 add to this account
	Expenditure Accounts 401, 411, 412, 413, 421, 422, 432 through 438, 440 through 450, 470, and 471 subtract from it.
	All receipts from members (chapter portion of dues, collections from members for refreshments or parties) may be used without restrictions and should be kept in Account 360. It may be desirable or necessary to transfer funds from Cash Account 360 to Cash Account 100, but under no circumstances may funds be transferred to Cash Account 360 (or any extension of it) from Cash Account 100.
220 Pay-As-You-Sing	A trust fund held for the members' dues. Balance is total partial dues payments received to date less the fully paid dues. The total of all members records on Form 5 should agree with this cash balance at all times.
	Receipts Account 220 adds to, or subtracts from, the balance of this account. Refund and payment of these dues through Expenditure Account 220 will subtract from the balance.
360 Social activities and chapter dues	Social activities and chapter dues. All 360 funds are unrestricted funds.
	Receipts Accounts 300, 360, (and 360A, B, C, D etc.) add to this account.
	Expenditures recorded in Account 460 subtract from this account.
	Please refer to Receipts account 360 below.

3.2.2 Receipt accounts

All revenues accounts are used to record gross receipts undiminished by any expense, cost or expenditure (except for corrections).

Receipt accounts

Account Name	Uses and purposes
220 Pay-As-You-Sing	Collections from members for Society, district and chapter dues. See accounting instructions for detailed handling.
	Adds to Cash Account 220
300 Chapter dues	Chapter dues that are a formal part of the dues structure. See also Account 360. The funds are not restricted as to how they may be used.
	Adds to Cash Account 360

Account Name	Uses and purposes
---------------------	--------------------------

310	Gross receipts from shows	<p>Receipts from chapter annual show or shows: Ticket sales, Advertising receipts.</p> <p>Do not deduct expenses from these receipts. All expenses are to be entered in the proper expense accounts. See accounts 360 and 460 relating to cast parties or similar social events held in connection with the show.</p> <p>This account may be subdivided to separate two shows, advertising receipts, etc., by adding suffix letters, e.g., 310A, B, C, D, etc.</p> <p>Adds to Cash Account 100</p>
320	Performance fees	<p>Receipts from package shows and performances (do not include charitable contributions includable in Receipt Account 340). If there are expenses in connection with these activities, they must be entered in the proper expense accounts and not used to reduce these receipts.</p> <p>Adds to Cash Account 100</p>
330	Singing Valentines	<p>Receipts from Singing Valentines program. If there are expenses in connection with these activities, they must be entered in the proper expense accounts and not used to reduce these receipts.</p> <p>Adds to Cash Account 100</p>
340	Charitable contributions received from non-members	<p>Any donation made to the chapter as a charitable gift;</p> <p>It has been traditional in the Society to forward all such receipts to a charity, either through Harmony Foundation or as otherwise decided by the chapter board of directors.</p> <p>Contributions from sponsors/grants, etc., may be used for chapter operations.</p> <p>Adds to Cash Account 100</p>
350	Other revenues - earned from the public	<p>Receipts from all public activities (bake sales, raffles, cabaret nights, afterglows, white elephant or rummage sales, candy sales, etc.)</p>
	May be "non-related" income for tax purposes.	<p>Enter bank interest and investment income here as well as proceeds of bank loans.</p> <p>This account may be divided to separate various activities by adding suffix letters, e.g., 350A, B, C, D etc.</p> <p>Adds to Cash Account 100</p>
360	Other revenues - from members only	<p>Cast party charge, attended solely by chapter members, their wives, or significant others.</p> <p>Collections to finance social activities attended solely by chapter members, their wives, or significant others.</p> <p>Contributions from members.</p> <p>Fundraising projects conducted solely among the chapter members.</p> <p>These are the only funds (along with chapter dues) that are unrestricted as to use. All other receipts may be used only for the purposes stated in the chapter bylaws and may not in any way be used to benefit any chapter member.</p> <p>This account may be divided to separate various activities by adding suffix letters. Examples might be 360A cast party, 360B barber pole collections, etc.</p> <p>Adds to Cash Account 360</p>

[Note: All revenue accounts are used to record gross receipts undiminished by any expense, cost or expenditure,

except for corrections of errors.]

3.2.3 Disbursement accounts

Disbursement accounts

Account	Name	Uses and purposes
220	Pay-As-You-Sing	Payment to the Society office for members' renewal dues on the Pay-As-You-Sing payment plan and refunds to members who do not wish to renew their memberships are charged to this account. (See instructions under Receipts <small>Account 220 above.</small>) Subtracts from Cash Account 220.
<p><i>NOTE: All 400 Accounts subtract from Cash Account 100 except Account 460, which subtracts from Cash Account 360.</i></p>		
401	Meeting place	Charge rent, utilities (not telephone), upkeep (cleaning expense and/or supplies), and any other costs relative to having a place for chapter meetings.
411	Chorus director's fees	Charge payments to chorus directors, including Society and district dues paid for them by the chapter. If such fees total \$600 or more to any individual in a calendar year, IRS forms 1096 and 1099 must be filed. (See the tax section for details.)
412	Contributions to district chorus and quartet fund	Contributions or assessments paid by the chapter for district chorus and/or quartet funds.
413	Costs of attending schools, clinics and seminars	Include registration fees, transportation, meals and lodging for such things as Leadership Academy, Harmony University, Chorus Director's schools, district schools, and coaching expenses. Charge only the necessary expenses incident for the purpose sent. (See Account 438 below)
420	Singing Valentines	Costs incurred to run a Singing Valentines program.
421	Travel and expense - participation in shows and contests	Charge travel, meals, lodging, registration and entrance fees of any participant. Charge only the necessary expenses incident for the purpose sent. (See Account 438 below)
422	Uniform expense	Include all costs of purchasing, cleaning, repairing and altering chapter-owned uniforms.
432	Office supplies and expense	Include expenditures for stationery, postage, telephone, reproductions, software or bookkeeping help and all similar expenses. Include the service charges from the Society office for their toll-free telephone line.
433	Publications, bulletins, directories	This account is for the regular and general publications of the chapter. Use Account 444 for expenses in connection with the show.
434	Purchase of music	Includes costs of special arrangements or original music as well as music purchased from the Society office.
435	Program expense for regular meetings	Includes cost of supplies used for badges, name stickers for visitors, guest registers, and special programming supplies.
436	Insurance	Include any special insurance policies carried by the chapter as well as the annual bonding and liability policy carried through the Society office.
437	Public relations expense	Charge for all public relations expenses including newspaper ads, Auditions for Admission kits, Introducing BHS pamphlets, etc. Do not include show publicity; use Account 447.

Account	Name	Uses and purposes
438	Travel and expense - delegates to district meetings	Charge all transportation, meals, lodging and registration fees necessary to accomplish the purposes for which attendance is required. Do not include meals, lodging or fees, for instance, for the delegate to attend other convention events. If the chapter pays for these additional expenses for the delegate to enjoy himself, they should be charged to Account 460. Refer to Account 413 and 421 above.
<i>Accounts 440—449 relate to chapter shows and hosted conventions</i>		
440	Miscellaneous show expense	Charge any show expense not covered by other show account numbers.
441	Auditorium rentals	Charge auditorium rent and deposit expense.
442	Scenery and props	Charge show props and scenery expense. Use this account for any special show costumes.
443	Lighting, auditorium	Charge lighting expense and any other auditorium expense such as stage hands, ushers, security, etc.
444	Printing programs, tickets, etc.	Charge printing expense for show program and tickets. Use suffixes A, B, C, D, etc., to separate program printing expense from ticket printing expense.
445	Transportation of chorus and quartets to show site	Charge expenses for transporting local chorus members to the show site and other valid chorus member expenses. Charge expenses for local chapter quartets.
446	Fees and expense - out-of-chapter quartet and chorus talent	Charge talent fees, travel expenses, meal and lodging expenses for out-of-chapter quartet and chorus talent. [If talent fees and unsubstantiated expenses total \$600 or more to any quartet - whether paid to individuals or as a unit - in a calendar year, IRS Forms 1099 and 1096 must be filed. (See the tax section for details.)
447	Publicity expense	Charge all publicity expenses associated with chapter shows including printing cost of publicity material.
448	ASCAP, BMI/SESAC or SOCAN fees	Charge for annual show ASCAP, BMI/SESAC or SOCAN license obtained from the district secretary.
449	City and state taxes	Charge city and state taxes including admission tax, if applicable.
450	Charitable contributions	Charge all charitable contributions to Harmony Foundation (the Society's charitable mission) and local charities. Also see the explanation for Receipt Account 340.
460	Social activities	Charge all costs related to personal services to members where the public is not involved: show parties, gifts, delegate's extra expense not necessary for attendance at district meeting or school or seminar, payment of any member's Society or district dues (when given as an honorarium for service rendered or life membership presentation), wives' expenses to attend any function and all similar expenses. Expenditures under this classification may not exceed receipts added to Cash Account 360. Subtracts from Cash Account 360

Account	Name	Uses and purposes
470	Miscellaneous	Charge for all public activities undertaken to support chapter operations

expense (e.g., bake sales, white elephant or rummage sales, etc.) where the public is involved. Record purchases of items not classified in other accounts.

471 Show afterglow Charge annual show afterglow expenses if the public is expense invited to attend.

[NOTE: 400 accounts may be expanded by adding suffixes A, B, C and D, etc. For instance, if your chapter holds two shows during a year or hosts a convention in addition to the annual show, use accounts 440A through 449A for the second event to keep it separate from the first.]

3.3 Using the chapter chart of accounts

It is recommended that only the account numbers as detailed on the previous pages be used. Collections from members for uniforms (or other projects such as travel to a convention) should go through Receipts Account 360 so the treasurer will have complete freedom of use of such funds. For purposes of separation, the treasurer may use 360, 360A, 360B, 360C and 360D, etc. All 360 Receipt Accounts are added to Cash Account 360. Expenditures of these funds for uniforms will be charged to account 422, which reduces Cash Account 100. A cash transfer from the 360 Cash Account to the 100 Cash Account may be in order. You may find it appropriate to transfer the funds as you receive them rather than when you spend them. The choice is yours.

The following chart will help you visualize how some accounts affect others:

Receipts Account	...transfers to	Cash Account	...transfers from	Expenditures Account
220	⇒	220	⇐	220
300 360	⇒	360	⇐	460
310 320 340 350	⇒	100	⇐	401 through 450 470 471

To correct errors, you may make cash transfers from any cash account to any other. However, document the reasons to explain your action.

In the absence of error, you may make only these transfers:

	From any account to another		From any account to another	
Unrestricted Funds	360	⇒	100	Restricted Funds
	↑↓ 360A	Note: ONE WAY ONLY!	↑↓ 100A	
	↑↓ 360B		↑↓ 100C	
	↑↓ 360C		↑↓ 100D	

3.4 Recording transactions

Following are examples of typical receipts and disbursements transactions.

3.4.1 Balance sheet

Use the January forms and the fund balances shown in column 5, Form 3. This is a statement of the cash balance condition at December 31 of the previous year for the chapter:

BALANCE SHEET		Dec. 31, 2XXX
	ASSETS	
Cash		<u>\$3,089.53</u>
	LIABILITIES	
Pay-As-You-Sing		<u>97.00</u>
Total Liabilities		97.00
Fund Balances		
Acct. 100 Operating Fund		879.43
Acct. 100A Uniform Fund		2,000.00
Acct. 360 Social Activities		<u>113.10</u>
Total Fund Balances		<u>\$2,992.53</u>
Total Liabilities & Fund Balances		<u>\$ 3,089.53</u>

3.4.2 Recording receipts and disbursements

There are two steps to the accounting process:

- Record receipts and disbursements as they happen during the month (Forms 1 & 2).
- Summarize these transactions into year-to-date reporting (Forms 3 & 4).

How to record Forms 1 & 2 (Refer to the examples in the Treasurer's Exhibits Manual)

There are guidelines for treasurers to complete Forms 3 and 4.

- On Forms 1 & 2, the totals of columns 5 through 11 must equal the total in column 4.
- February Cash Receipts Form 1:
 - Notice the method shown to transfer cash from Cash Account 360 to Cash Account 100. All cash fund transfers (100 & 360 funds) appear on Form 1 only.
 - The refund of ad sales to Bill Gower is handled as a negative receipt. The return of a cash receipt is handled as a negative receipt, which is actually a reduction in income. This method results in an accurate record of actual income for an activity.
 - This chapter's policy is to transfer all interest income into a Uniform Fund Account 100A. Interest is received in account 350, which automatically adds to Cash Account 100. To include the interest in the Uniform Fund Account 100A, a transfer from Cash Account 100 into Cash Account 100A must be made.
 - Negative receipts are actually cash disbursements. An adjustment to the bank deposit must be made. The total bank deposit is actually \$5 more than shown on Form 1.
- February Cash Disbursements Form 2

- Head Mann refund of delegate expense and Anytown High School return of security deposit are negative disbursements. Refunds of cash disbursements are handled as negative disbursements which are actually reductions in expenses. This method results in an accurate record of actual expense for an activity.
 - The refund of prepaid dues to Bill Gower is handled as a regular disbursement. This money was collected as a Pay-As-You-Sing collection and is being returned to Bill Gower. Also, the treasurer records this transaction on the Pay-As-You-Sing Form.
 - Negative disbursements are actually cash receipts and an adjustment to the bank deposit must be made. The total bank deposit must include any negative disbursements recorded on Form 2.
- Form 5 is used to record all transactions for Pay-As-You-Sing partial dues collections. One column may be used as a total column. If many members use this service, the treasurer will require several sheets. Note that he should total each member's account every month and the grand total must agree with the total amount in the summary portion of Form 3. (Line 14, Column 8). Members may also participate in the EasyDues program.
 - Interest added to a savings account is shown as a Cash Receipt in account 350. The treasurer must obtain such data at each yearend before closing the records for the year. If the savings are kept in a separate cash account (e.g., 100A), make a cash transfer from Cash Account 100 to Cash Account 100A for the amount of the interest.
 - Some chapters maintain a separate set of records to record all transactions relating to the Annual Show until all money is in and expenses paid. At that time, the treasurer can transfer the gross receipts and gross expenditures to the chapter records in summary form (one entry for receipts and one entry for expenditures). If a chapter uses this method, the treasurer must carefully review the show financial records.

How to summarize transactions on Forms 3 and 4

- Column totals on Forms 1 and 2 are transferred to Forms 3 and 4 as shown. The data in Column 11 must be summarized by account number before transfer.
- Note that all Forms 1, 2, 3 and 4 have source and destination guide posts to assure proper transfers and postings.
- Total cash receipts are the same on Form 1, Column 4, as on Form 3, Line 10, Column 1 and Line 23, Column 6. Total Cash Disbursements are the same on Form 2, Column 4, as on Form 4, Line 33, and Column 1 and on Form 3, Line 11, Column 1, and Line 3, Column 7.
- Year-to-date figures for Column 2 on Forms 3 and 4 come from Column 3 on the previous month's report (except January).

3.4.3 Quicken example reports

Refer to the *Treasurer's Exhibits Manual* showing the example filled out forms 1-6 for January and February. Following these pages are examples of the reports generated by Quicken, designed to match, as closely as possible, the reports shown by forms 1-6.

Quicken starter files, for both the PC and Macintosh platforms, are available on the Society Web site for downloading at *Run Your Chapter > Chapter business > Chapter Treasurer Templates – Quicken.* When you have downloaded the Quicken file (and other support files), just open it with Quicken, and you will be ready to start entering your financial data and generating reports.

3.5 Donations to U.S. Chapters: Social funds vs. Operating funds

Because of the Society's tax exempt status, treasurers of U.S. chapters must be clear on what income can be used for the operating fund (restricted) and what can be used for the social fund (unrestricted).

If the money, including grants, comes from non-member sources, it can only be used for the operating fund. None of it may be used for social funds nor benefit any member. So, money earned through performances, bake sales, etc., or that comes in as a gift from a nonmember, cannot be used for social funds.

However, there is one exception to this: If a nonmember makes a contribution and also states - *in writing* - that

he will not take a deduction for the gift on his personal income tax return, then that money can be used in a non-restricted sense (i.e., for social funds). If the statement from the contributor is not specific, then you must assume the worst, and use the money for operational purposes only. If the statement is verbal only, then write a letter to the donor, state that you intend to use the money for non-deductible purposes and weave in the fact that the donation is not deductible to the donor. Express your sincere thanks—and keep a copy the letter with your tax records.

Any money that comes in from a member can go in social funds, as long as the member doesn't claim it as a deduction on his personal tax return.

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4 Fiscal planning, budgets, financial review and accountability

4.1 The philosophy of a budget and its preparation

A chapter is a business. It should, as part of its organizational structure, adopt a proven financial practice of developing a budget. A budget is the financial guideline for a year or more of chapter operations. Without it, a chapter has no financial sense of direction.

4.1.1 What is a budget?

A budget is a plan which categorizes the various elements of expected income and proposed expenditures. Preferably, the treasurer should design a budget so that the expected total income exceeds the anticipated total expenditures. This difference can be referred to as "unallocated income" and is really a cushion to facilitate the handling of unexpected operating expenses.

A budget is of very little value unless a concerted effort is made to work within it. *Obviously, when a budget is approved, it becomes a sort of "financial bible." It is a guideline set up by the chapter for its proposed financial plans.* When submitting regular reports, the chapter treasurer should make comparisons to the budget for informational purposes. The chapter board of directors should carefully analyze and compare the total income or expenditures to date with the annual budget.

4.1.2 The finance committee

Some larger chapters have a finance committee that works with the president and treasurer to determine the financial needs of the chapter and aids in formulating the annual budget. In most chapters, the president and treasurer construct a budget with input from other officers and committee chairmen. The board of directors approves the final budget.

4.2 Developing an annual budget

4.2.1 Research past financial activity

- To develop a realistic budget, the treasurer should research the chapter's financial history and prepare a spreadsheet showing:
 - The previous two years' actual income by account numbers.
 - A comparison of the previous year's actual incomes to the budgeted income.
 - Projected income for the new year for each account using the actual historical data gathered (be conservative).
 - A listing of the previous two years' actual expenses by account numbers.
 - A comparison of the previous year's actual expenses to the budgeted expense.
 - A projection of expenses for the new year for each account using the actual historical data gathered, known fixed expenses and any planned special activities. Select a reasonable inflation factor to increase each budgeted expenditure.
 - A summary of the budgeted income and expenses; plan for a surplus of income over expenses; revise projections until there is an income surplus, or at least a balanced budget.
 - An allocation of any surplus for a purpose (i.e., unexpected operating expenses, uniforms, competition fund).

The treasurer-elect should discuss the preceding year's chapter finances with the current board to understand the reasoning that went into their projections.

4.2.2 Analyze the research

The chapter president-elect should establish a general plan of direction for the upcoming year. He and the treasurer-elect should perform the analysis together to establish a solid base for a budget in conjunction with the president-elect's plan. The two should ask for additional assistance from the other chapter officers, the show chairman and other committee chairmen. They should arrange a meeting with these men to gain insight into the chapter's financial structure.

With this information, the president-elect, the treasurer-elect and the finance committee members (if the chapter has a committee) can prepare a proposed budget for the-incoming board of directors.

4.2.3 Determine budget items

The treasurer should determine the various budget items on the basis of expected or proposed activities for the upcoming year. In general, a basic budget should detail two areas:

Income

- Chapter dues from all members
- Annual show
- Performance fees
- Other revenue earned from the public: Singing Valentines, rummage sales, etc. List each separately.
- Revenue from chapter social activities. List each separately.
- Charitable donations made to the chapter

Expenses

- Sending chapter officers to the District Leadership Academy
- Sending music director(s) to schools
- Sending chapter director(s) to district house of delegates meeting(s)
- Postage, stationery, telephone and other supplies
- Publishing chapter bulletins and other internal communications
- Costs of maintaining a chapter Web site
- Annual show
- Insurance
- Chapter social activities. List each separately.
- Miscellaneous operational expenses where the public is involved. List each separately.
- Miscellaneous printing
- Music purchases
- Rent of meeting or rehearsal facilities
- Publicity
- Charity
- Music director's fee
- Chapter equipment and property
- Special entertainment at meetings
- Uniform replacement
- Chorus travel
- Unclassified
- Percentage budgeted to reserve fund (not to exceed one year's operating requirements)

The chapter ledger sheets will serve as a guide for planning your next year's budget. Once the treasurer prepares the proposed budget, he presents it to the chapter board. The board, acting as the finance committee, should study and adopt it with the understanding that the budget is a guideline within which they hope to conduct the financial operations of the chapter.

4.3 Accountability: quarterly reviews

A budget, which is merely numbers on paper, has no meaning if it is not used as a guide to compare income to expenditures. A quarterly review of the budget by the chapter board should become standard operating procedure. The chapter president and treasurer should review the accounts to see which areas need tightening and which income areas need to be addressed, and then present their findings to the board.

4.4 Financial review guidelines

The Society Board of Directors requires that every BHS chapter perform a complete financial review every year. See the Exhibit manual for the financial review form. The treasurer must send a report to the Society office postmarked by May 15 of the following year.

4.4.1 Financial review committee

The chapter president must appoint a financial review committee (one or more members). Preferably chapter officers or board members for the year in review should not be a part of the financial review committee. The chapter should conduct its financial review in January, as soon as all financial data is available. If a new treasurer takes office in mid-year, it is recommended that a financial review be performed.

Prior to the financial review the committee should obtain:

- Preceding year's treasurer's records
- Cash receipts and cash disbursements (Forms 1, 2, 3 and 4)
- Supporting documents for receipts and disbursements
- Bank statements, checkbook, savings and loan statements, certificates of deposits, etc.
- Minutes of meetings for the period of the financial review plus any previous minutes which may have a bearing on any cash disbursement authorizations
- Copy of budget for the year under financial review
- Chapter Statements of Policy
- Any and all of the above as they may pertain to separate funds (annual shows, convention funds, special events, etc.)

When conducting the financial review, note any approval authorization given by the chapter board, compliance with budget and a statement of policy which may be applicable to the treasurer's function.

4.4.2 Suggested Chapter financial review procedure

In January, obtain following records for the prior year:

- Budget
- Monthly financial reports to the Chapter Board
- Journals of Cash Receipts and Disbursements
- Bank statements
- Bank reconciliations
- Checkbook/check stubs
- Vouchers and supporting documents for receipts and disbursements

Perform adequate procedures to:

- Assure that there were monthly reports to the Chapter Board that show month, year-to-date and budget totals for each applicable financial account set forth in the Treasurer's Manual and Exhibits plus beginning and ending bank balances.
- Assure that monthly bank reconciliations are documented.
- Review cash receipts and disbursements journals to assure proper recording procedures including account distribution plus check and cash receipt numbers where applicable.
- Review any adjusting journal entries.
- Review check stubs to assure that voided or missing checks are accounted for.
- Assure that cash receipts and disbursements vouchers are properly supported by documents and filed sequentially.
- Review Secretary's minutes to assure that Board financial directives are properly carried out.
- Assure that budget preparation procedures were followed.
- Assure that records were kept to show compliance with the IRS requirement that chapter members' benefits (social) do not exceed chapter member's proceeds to the chapter.
- Assure retention of annual financial reports with those of prior years.
- Assure that financial records are retained in accordance with IRS requirements.
- Assure all tax reporting and Society reporting has been completed.

4.4.3 Financial review report

The financial review committee prepares a financial review report (see exhibits for suggested format). The committee should note in the report any transfer of funds which may occur during the year due to a change in chapter treasurer. Also, the report may include comments such as recognition of good work, constructive suggestions, etc. The chapter does not need an independent auditor to do this report. A past treasurer or anyone with accounting experience may prepare the report.

4.5 A job well done...

The treasurer can officially close the books on a successful year as chapter treasurer if:

- The chapter budget adopted for the past year was reasonable and served as a financial guide.
- He submitted financial reports to the chapter board each month in an effort to keep the board of directors financially informed.

- The financial review committee reviewed the recorded receipts and disbursements and completed both the annual reconciliation of receipts and disbursements and summary of funds account.
- The treasurer submitted the chapter annual financial review with accompanying reconciliation of bank accounts and summary of funds to the Society office along with a copy of the chapter's Form 990 Federal Tax Return postmarked by May 15.

5 The law: Income tax exemptions and IRS audits

In the United States, the Internal Revenue Service (IRS) has ruled that chapters of BHS are "educational and charitable" and qualified to receive tax exemption under Section 501(c)(3) of the Internal Revenue Code, as long as the chapter continues to meet the requirements of the exemption.

This section deals with the Society's exemption from payment of income taxes as provided for under Section 501(c)(3) of the Internal Revenue Code.

Included in the exhibits is a copy of a letter dated August 27, 1965, from J.R. Barber, Chief of Ruling Section Exempt Organizations Branch, Internal Revenue Service

5.1 Four tests of exemption

In order to be exempt under Section 501(c)(3), the IRS requires that an organization meet four tests:

- It must be organized and operated exclusively for one or more of the specified purposes.
- Its net income must not inure in whole or in part to the benefit of private shareholders or individuals.
- It must not by any substantial part of its activities attempt to influence legislation by propaganda or otherwise.
- It must not participate, or intervene, in any political campaign on behalf of any candidate for public office.

5.2 History of the Society's federal income tax exemptions

From 1952 to 1965, the Internal Revenue Service held the chapters and districts of the Society exempt from federal income tax as social clubs: "Clubs organized and operated exclusively for pleasure, recreation and other non-profitable purposes" under Sec. 501(c)(97) of the Internal Revenue Code.

In 1964, the IRS informed the Society that organizations operating with this exemption must receive all of their income from dues, and it was aware that most Society chapters received substantial portions of their income from profit made from shows and other public appearances. They depended heavily on this income for financing chapter activities.

From the standpoint of both financial and public relations advantages, it is very desirable for chapters to be exempt from federal income tax. Since the IRS made it clear that classification as social clubs would not be allowed much longer to chapters wishing to finance activities from profit, conferences were initiated to investigate the possibility that chapters and districts might receive a different exemption as "corporations organized and operated exclusively for charitable ... not inured to the benefit of any private shareholder or individual" under Section 501(c)(3) of the Internal Revenue Code. This same exemption had been granted to the Society several years earlier. The increasing activities and charitable projects, including the Institute of Logopedics (now known as Heartspring), have pointed toward this classification.

After lengthy negotiation, the IRS advised Society attorneys that, if certain steps were taken, chapters and districts also might be classified as "charitable and educational organizations" and exempt from tax. With this classification, qualifying groups are allowed to continue financing their activities with profit made from shows and other activities so long as they used this income in line with the Society's professed aims and purposes.

In June 1965, the Society Board of Directors decided that qualification under this different exemption was highly desirable and should be sought. They made changes in the Society Bylaws, the Standard Chapter Bylaws and the Standard District Constitution to meet the IRS requirements, allowing chapters and districts to qualify for exemption from federal income tax under Section 501(c)(3). In particular, they adopted new language in the "Aims and Purposes" sections of those governing documents, making it perfectly clear that our chapters and districts, like the Society, are organized to operate as "charitable and educational organizations."

In addition, the Society Board directed Society attorneys to amend the Society's Articles of Incorporation, and it was agreed to inform chapters and districts that their articles of incorporation should be amended to conform to the IRS requirements for this class of exempt organizations.

On August 18, 1965, the Society's executive director, at the direction of the Society Board, notified all chapters and districts of the procedure to follow in amending their bylaws and articles of incorporation (charters). (In certain states the term "charter" is used in place of "articles of incorporation.") At that time, chapters and districts were given the option of making these changes or operating as business corporations. But, in 1966, the Society Board adopted a policy that required all chapters and districts to organize and operate as "charitable and educational" organizations. The option no longer exists. If chapters and districts do not make these changes and operate in conformity with them, they may not continue as Society units.

5.3 Purpose of exemption

The Internal Revenue Code expressly provides as a requisite for exemption under Section 501(c)(3) that a chapter must be "organized and operated exclusively for one or more of the specified purposes."

The most important purposes of a Society chapter as stated in the Society Bylaws and the standard chapter bylaws are:

- To perpetuate the old American institution, the barbershop quartet.
- To promote and encourage vocal harmony and good fellowship among its members.
- To encourage and promote the education of its members and the public in music appreciation.
- To promote public appreciation of barbershop harmony.
- To initiate, promote and participate in charitable projects and to establish and maintain music scholarships and charitable foundations.
- To initiate and maintain a broad program of musical education, particularly in the field of vocal harmony and the allied arts.

From the standpoint of this tax-exempt classification, IRS is most interested in these specific areas:

- Education of its members and the public in the field of barbershop harmony
- Initiation and promotion of charitable projects
- The statements in its articles of incorporation and bylaws
- The actual objects motivating the organization and its subsequent conduct. The actual operation of the chapter will be the significant test.

In judging whether a chapter is "organized and operated exclusively" for one or more of the specified purposes, IRS will look to: Chapters that want to qualify for tax exemption under Section 501(c)(3) must operate strictly in accordance with the purposes stated in these documents. Each case will be judged on its own merits.

5.4 Educational purposes: legitimate chapter expenses

What constitutes "education of our members and the public in the field of barbershop harmony?" IRS regulations state that an educational organization is one designed primarily for the "improvement or development of the capabilities of the individual." Under exceptional circumstances, it may also be one of whose primary purpose is the "instruction of the public." Educational organizations may not distribute controversial or partisan propaganda, but it is not expected that the IRS will ever characterize our staunchly partisan support to the virtues of the barbershop quartet as violations of this principle.

Obviously, the main part of a chapter's activity is directed toward improving and developing the capability of the individual to sing barbershop harmony. Related chapter expenditures may include:

5.4.1 Meeting place costs

- Rent
- Utilities
- Cost of constructing a meeting place (if the building's primary use is as a chapter meeting place), plus interest on any loan for this purpose

5.4.2 Technical assistance to members

- Chorus director's fee or salary
- Expenses incurred during participation in clinics, seminars, etc.
- Contributions to district chorus or quartet funds or district assessment fee
- Musical training and coaching

5.4.3 Public appearances

Includes contests, shows and other public appearances, and attendance at inter-chapter, area and district meetings which are not social, but directed toward singing more proficiently, specifically:

- Expenses connected with travel; bus or other transportation
- Cost of uniforms, provided uniforms remain chapter property
- Lodging (where appearance requires overnight stay)

If chorus members are not making an appearance, but are purely on the scene as observers, then travel and lodging costs are not educational in character and should not be paid out of profit made from chapter shows or public appearances. An example of this situation is a convention at which the chorus members are not competing.

5.4.4 Administrative expenses

Expenses that make the chapter operate more efficiently and are directed toward the Society's aims and purposes, specifically:

- Training of officers and music director(s)
- Office supplies (stationery, postage)
- Telephone
- Publication of a chapter bulletin and other printed announcements
- Purchase of music
- Supplies for chapter use which are purchased from the Society office
- Programming expenses for regular meetings
- Premiums for chapter insurance and blanket position bond
- Publication of chapter directory
- Public relations expense
- Supplies for chapter historian
- Expenses for delegate to attend district meetings
- Clerical assistance for chapter officers
- Refreshments for male guests (i.e., prospective members) at regular chapter meetings

5.4.5 Staging expenses, shows and concerts

- Rental of auditorium
- Scenery and properties (construction costs, rentals, fees to consultants and technicians)
- Lighting (fees to technicians, rental of special lights, fees to auditoriums)
- Printing of program, tickets, leaflets
- Transportation of chapter chorus and quartets to show location
- Fees and expense payments to out-of-chapter quartets
- Publicity expenditures (newspaper, radio and TV advertising, other similar expenses)
- ASCAP, BMI/SESAC or SOCAN fees
- City and state taxes, if required

5.4.6 Public education

The IRS will accept public singing of any type directed toward "education of the public" in the area of barbershop singing and music appreciation. However, it is most interested in appearances made without charge and in appearances of a community character in which the charge is minimal. It may be argued that appearances of a purely commercial variety (e.g., singing for clubs, conventions, banquets, etc., where the singing is offered purely for its entertainment value) have educational value. Regarding barbershop performances, there is educational character when the charge is free or minimal, and when the performers stress the Society, its aims and purposes, its history, and its music and how it is sung.

Any chapter may place emphasis on the special characteristics of barbershop music and may "educate" its audience by preparing a program feature which explains the Society, its music, and how it is sung. The chorus or one or more of the chapter's quartets may present this feature.

5.5 Non-educational expenses

The following chapter expenditures are not directed toward improving and developing the capabilities of the individual:

- Refreshments for members at regular chapter meetings
- Refreshments for wives on Ladies' Nights
- Expenditures incurred in connection with chapter banquets, picnics, parties and social occasions not directly connected with chapter's singing activities
- Gifts for officers and other members

These expenditures are not prohibited, but the chapter must pay this out of income received from sources other than chapter profits (social or non-restricted funds); preferably chapter dues.

5.5.1 Out-of-pocket expenses

Some chapters pay members for their out-of-pocket expenses incurred on behalf of a chapter with subsequent contribution back to the chapter's "social fund." The chapter should do this only if:

- The treasurer pays individuals and payment back to the chapter is by check, and the treasurer retains all canceled checks in the chapter files for complete documentation.
- The treasurer gives individuals written notice that they must report such receipts as income for federal income tax purposes.
- The treasurer must clearly establish the intent of the chapter and the individuals in question, and both must be capable of providing proof at anytime.

5.6 Charitable purposes

The income tax regulations define charitable organizations as "organizations for the relief of poverty, distress or other conditions of similar public concern." Charity is defined as "a gift, act or service for the benefit of an indefinite number of persons. The essential element of a charitable institution is that exclusively public, rather than private, interests are served."

The treasurer should always enter contributions of cash in the chapter treasurer's books of account and include the amount contributed, the name and address of recipient, and (if there is any doubt) a statement describing the nature and activities of the recipient.

5.7 Harmony Foundation service projects

The majority of chapters make cash contributions to Harmony Foundation for transmittal to the Society's various projects. A description of Harmony Foundation and its service projects is found in the *Chapter Management Guide* and the *Chapter Harmony Foundation Chairman Manual*.

Donations to Harmony Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Send all contributions to Harmony Foundation.

Chapters that contribute to local charitable projects establish and award scholarships, and stage shows for causes of their own choosing should keep careful records of these contributions.

5.8 Harmony Foundation donations

5.8.1 Harmony Foundation Annual Fund

The Harmony Foundation coordinates an Annual Fund Campaign to support special projects of the Barbershop Harmony Society. These projects include Directors' College scholarships, Harmony Explosion Camps, Heritage Hall Museum of Barbershop Harmony and other worthwhile projects.

5.8.2 The Endowment Fund

The Endowment Program was initiated in 1990 to ensure the future of the Barbershop Harmony Society. Endowed gifts are held in perpetuity. The Foundation invests the initial gift and spends only a portion of the average annual investment return. The remaining income is reinvested with the principal as protection against the eroding effects of inflation. Thus, the benefactor who makes an endowment gift today finds gratification in knowing that it will grow and continue to support its intended purpose far into the future.

While people can contribute to the endowment fund at any time for any reason, there are four main programs currently available.

- Unrestricted endowment fund—Gifts of any amount given at any time.
- Memorial Fund—Gifts given in someone's memory. When gifts in memory of an individual reach \$1,000, that person's name is inscribed on a beautiful plaque.
- The Founder's Club—A program established in memory of O.C. Cash for those who share his dream of spreading barbershop harmony throughout the world. Membership is extended to those who make a gift of at least \$1,000. The Founder's Club provides a way for thousands to join in Cash's dream in a way that is, in reality, a living memorial. The quiet satisfaction of helping perpetuate something meaningful is a rich reward. Founder's Club members have made planned gifts that ensure a legacy of barbershop music. Made during life or through estate plans, these gifts strengthen the Society and its programs. Current Founder's Club membership levels are:

- Gold Level: Gift commitments of \$100,000 or more
- Silver Level: Gift commitments of \$10,000 to \$ 99,999
- Bronze Level: Gift commitments of \$1,000 to \$ 9,999
- President's Council—The Annual Leadership Giving Program of Harmony Foundation. It is an honor to accept an invitation to join as a member of the President's Council and help make it possible to fund the vital programs that change young lives through singing.
 - Chairman level membership - \$25,000 or more
 - Director level membership - \$10,000-\$24,999
 - Advisor level membership - \$5,000 - \$9,999
 - Counselor level membership - \$2,500 - \$4,999
 - Partner level membership - \$1,000 - \$2,499

5.8.3 Checks to Harmony Foundation

- Make checks payable to: Harmony Foundation.
- Write the name of the fund(s) (Annual Fund or Endowment Fund) to which the donation should be applied in the "memo" line on the check. Be sure your chapter number is noted somewhere on the check.
- When making a donation in memory of someone, note this either on the check or on a separate note that accompanies the check. Include the name of the person to be memorialized and the name and address of someone to whom the Foundation can send an acknowledgment of the chapter's donation.
- Send the check to: Harmony Foundation, 111 7th Avenue N, Nashville, TN 37203-3704.

The chapter may want to provide a copy of the check to the chapter Harmony Foundation chairman so he can keep a record of this donation for his files.

Within a few weeks, the chapter will receive a thank-you letter on Harmony Foundation stationery that also serves as a receipt.

5.8.4 Credit for donations to local charities

When the chapter makes a contribution to a local charity, the treasurer makes a note of this in a separate record specifically for chapter donations to local charities. He should include the name of the organization to which the donation was made, the date and the amount of the donation.

Near the end of the year (in early December), the chapter treasurer will receive a form from the Foundation which may be used to report donations to the local charities. Note on this form all of the donations which the chapter made to local, non-Foundation charities. This form is to report donations for chapter credit in receiving awards *only*. **DO NOT** include donations which the chapter made to Harmony Foundation throughout the year. These donations have already been attributed to the chapter. **DO NOT** include non-monetary donations.

The treasurer should complete the form and send it back to Harmony Foundation by the deadline specified on the form. If it is not received by the deadline, the chapter **will not receive credit** for its donations to local charities.

5.9 Reserve funds

The chapter should avoid accumulations of large money reserves. It is wise to limit reserves to equal the operating budget for one year. One way to hold to this rule is to make charitable contributions to worthy community enterprises and Harmony Foundation. The chapter may also demonstrate charity by reserving a section of the auditorium, whenever staging a show, for a group of handicapped individuals, students, with transportation underwritten or provided by the chapter. The community will admire the chapter for this measure of charity.

5.10 Non-acceptable activities

5.10.1 No net income to members

The Internal Revenue Code expressly provides as a requisite for exemption under Section 501(c)(3) that "net income must not inure in whole or in part to the benefit of private shareholders or individuals." This is a test, independent of other tests, operative regardless of the fact that the purpose of the organization is charitable, educational or otherwise. By the words "private shareholder or individual," IRS means individuals who have a personal and private interest in the activities of the organization. In the case of the Society and its chapters, it means our members.

Earnings may not inure to the members, or a group of the members, or a single member, through the distribution of money, or commodities or valuable services.

- Thus, the declaration of a "dividend" from cash reserves of the chapter, whereby the entire membership of the chapter receives money without regard to its use in accordance with the aims and purposes of the Society, clearly would constitute inurement to these members.
- The distribution of gifts to all or selected members, without regard to the Society's aims and purposes, would constitute such a prohibited inurement.
- Finally, the furnishing of refreshments, or a chapter dinner either stag or with women, or the presentation of entertainment having no relationship to barbershop quartet singing, would constitute such an inurement.

Expenditures falling within any of these three classes may **not** be made from the chapter's net earnings, i.e., the profit made from chapter shows or public appearances. Yet, it is clear that the presentation of gifts to deserving members and valuable services to all members might be in the best interest of the chapter.

5.10.2 Chapter dues

Expenditures dealing with "dividends" from cash reserves, distribution of gifts to members or furnishing of refreshments must be made from income received from dues or assessments paid by members. The Society does not dictate what a chapter's dues shall be, but it strongly recommends that such dues be sufficient to "support" all members. Every chapter should know the costs that do not have any connection with barbershop singing.

Example: Chapter X has 100 members who pay dues of \$10.00 per year. It costs the chapter \$25.00 per member annually to provide a free ladies' night, free chapter officers' installation dinner, free golf party, free beach party, etc. The \$15.00 differential is paid by the chapter out of its treasury into which its \$2,000.00 show profit has gone. This means that the chapter member is paying only 40% of the cost of providing these non-barbershop services.

In this case, \$1,500.00 per year is inuring to the benefit of "private shareholders or individuals." In the view of IRS, this would be grounds for disqualifying the chapter from exempt status.

Each chapter should constantly survey this "support" figure if it wishes to retain its exempt status. A comparison of Receipts Account 360 with Expenditures Account 460 and Cash Balance Account 360 will provide a control on this type of expenditure.

5.10.3 Legislation influence

The Internal Revenue Code also states for exemption under Section 501(c)(3) that the chapter *"must not by any substantial part of its activities attempt to influence legislation by propaganda or otherwise."*

For the Society's purposes, the key word in this provision is "substantial." Few chapters have attempted or will wish to attempt to influence legislation by propaganda, and it is doubtful that any of them will make this kind of endeavor a "substantial" part of their activities.

The term "propaganda" has been defined as *"any planned or concerted attempt to influence public opinion."* According to IRS regulations, the fact that an organization has a particular viewpoint, or takes a particular position, will not of itself operate to deny the exemption. If the individual listening to or reading this presentation has sufficient facts to form independent opinions or conclusions, then the presentation is "education" and not "propaganda."

This would seem important in the few cases where the Society and its chapters have attempted to influence legislation. On the silver anniversary of the Society's organization, chapters successfully persuaded members of Congress to enact a resolution calling for the President of the United States to commemorate the occasion. A full exposition of the facts was presented. As long as this occurs, there will be no danger of loss of the exemption under this prohibitory provision.

5.10.4 Political campaigns

The Internal Revenue Code states for exemption under Section 501(c)(3) that the chapter *"must not participate or intervene in any political campaign on behalf of any candidate for public office."*

As a charitable and educational organization, appearances, paid or non-paid, by Society quartets and choruses at political functions in support of a candidate, or candidates, for elective public office are prohibited.

In order to be exempt as a "charitable and educational" organization, an organization must be a "corporation." Under the general definition section of the Internal Revenue Code, the term "corporation" includes "associations."

5.10.5 Donkeys, Elephants, and Barbershoppers

Here is the official response from the Society Laws and Regulations Committee regarding participation in political activities by barbershop chapters.

“Chapters may not accept political advertisements in their show programs or other publications. Organizations (such as the Society) which are tax exempt under Section 501(c)(3) of the Internal Revenue Code are specifically prohibited by IRS laws, rules and regulations from engaging, in any substantial manner, in activities for carrying on propaganda, or attempting to influence legislation, or participating in any political campaign. (The Society's chapters, districts and other officially recognized subordinate units are included under the Society's exemption by virtue of a 'blanket exemption' ruling issued by the IRS to the Society.) Many state laws applicable to nonprofit organizations have similar—and in some cases more restrictive—provisions.

“Paragraph 7e of the Society Statements of Policy specifically prohibits paid or unpaid appearances (performances) at political functions in support of a candidate. It is our opinion that including political advertising in a show program is a similar activity, in that it may give the appearance of an endorsement of the candidate, and (even if it is identified as a paid political advertisement) it may be deemed to be 'participating' in a political campaign. L&R is of the opinion, however, that a chapter may accept an ad from someone who happens to be a political candidate, using his/her name, but with no reference to any political contest—just like an ad (or 'best wishes,' 'compliments of...,' etc.) from any non-candidate.

“In addition, Canon 8 of the Society's Code of Ethics prohibits 'the introduction of political, religious or other similar controversial issues into the affairs of the Society.' It might be argued that the mere inclusion of a political ad in a show program does not 'introduce political issues into the affairs of the Society'—particularly if the opportunity was open to all candidates—but L&R believes that Canon 8 also supports its position on show program ads—particularly in light of the tax exemption limitations.

“By contrast (and for your information), L&R has given its opinion that a chapter chorus (or quartet) may make an appearance at the opening ceremony for a political convention to sing the National Anthem (as a paid or unpaid civic activity), and/or to provide entertainment as paid performers (being careful not to include any material which could be considered to be partisan). We cautioned the chapter that its members (in uniform or otherwise identified as chapter/chorus members) should also enter and leave the hall as a unit, avoiding any appearance of being participants in the official convention activity—other than as performers/entertainers. In this case, L&R believes the activity is permitted, so long as there is no suggestion of 'endorsement' of candidate(s), party, or issue(s), and no favoritism is shown.

“One final related caution: As previously noted, organizations (such as the Society, its chapters, districts and other subordinate units) holding an exemption under Section 501(c)(3) of the IRS Code are also generally prohibited from engaging, in any substantial manner, in activities for carrying on propaganda, or attempting to influence legislation. For that reason, great care should be taken to avoid any activities such as participating as an identifiable group in letter writing campaigns, circulation of petitions, or other activities which might be considered to be lobbying in favor of, or in opposition to legislation, or otherwise to fall within that prohibition.”

5.11 Personal income tax deductions

Section 170(a) of the Internal Revenue Code allows as a deduction any "charitable contribution" where payment is made within the taxable year. Such contributions are allowable only if verified or capable of verification. Contributions are "charitable contributions" if they are made to corporations, among others, which have been declared by the IRS to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Society, its districts and chapters fall in this category.

The Income Tax Regulations (Section 1.170-2) provide that, in general, a deduction is allowable only for charitable contributions actually paid during the taxable year, regardless of when pledged and regardless of the method used by the taxpayer in keeping his books and records. It is important that a true and accurate record, with all possible receipts and vouchers, be kept if a taxpayer intends to claim a charitable contribution as a deduction.

5.12 Out-of-pocket expenses

According to the IRS, contributions to the Society, its districts and chapters, are deductible for the individual taxpayer, and that non-reimbursed out-of-pocket expense incurred in rendering service to any of these units fall in this category. Also, a portion of amounts paid for sponsors' or patrons' tickets is recognized as a deductible contribution.

5.12.1 Contribution of services not deductible

There are no deductions allowed for contribution of services. However, non-reimbursed expenditures made as services to an organization, contributions to which are deductible, may constitute a deductible contribution. The regulations specifically provide, for example, that the cost of a uniform without general utility which is required to be worn when performing donated services for such an organization is deductible.

Similarly, the regulations hold that out of-pocket transportation expenses necessarily incurred in rendering donated services for such an organization are deductible. Also, reasonable expenditures for meals and lodging reasonably incurred while away from home in the course of rendering donated services are deductible.

5.12.2 Travel expenses

Another provision of the Income Tax Regulations (Section 1.162.2) defines travel expenses as travel fares, meals and lodging, and expenses incident to travel. Only traveling expenses, as are reasonable and necessary in the discharge of the taxpayer's duty in the Society, district or chapter, and directly attributable to his duty, may be deducted.

If the taxpayer travels to a destination where he engages in both Society and personal activities, travel, meals and lodging may only be deducted if there *is no significant element of personal pleasure, recreation or vacation* in the trip. The traveling expense to and from such a destination is deductible only if the trip is related primarily to the taxpayer's Society duties. If his activities are not primarily Society in nature while at his destination, the travel expenses are not deductible. Whether his activities are primarily personal or primarily Society depends on the facts in each case. The actual amount of time spent in each type of activity is an important factor in making this determination.

5.12.3 Non-deductibles

Activities in which a Barbershopper engages solely as the result of membership in the Society are not "duties," in the IRS sense of this word. Expenses incurred in traveling to and from Harmony Education Program (HEP) schools which he attends not as an official, but as a general Barbershopper, or in traveling to and from shows or conventions in which he is solely a spectator, are not charitable contributions and are not deductible.

Remember—to be deductible as a non-reimbursed expenditure, the expense must occur "incident to the rendition of a service" to the Society, a district or a chapter. A Barbershopper is not rendering a service when, as an individual, he sits in the audience at a contest or show or sits in a classroom at a Society school. If he sits in such a meeting as an elected or appointed official, however, his expenses become deductible (if non-reimbursed), for he is now rendering a service.

As in so many other tax situations, the intent of the taxpayer becomes of great importance. If he attends a meeting primarily to serve his chapter, district, or Society as the result of being elected or appointed, he falls in one category. If he attends primarily for his own enjoyment, he falls in another category.

5.12.4 Partial reimbursement

In many cases, a chapter, district or Society official is reimbursed for part, but not all, of his expenditures while rendering service in his official capacity. Under certain conditions he may deduct (as a charitable contribution) the excess over what he is reimbursed in this case.

If he is reimbursed, the official should keep a careful record of these payments. If he wishes to do so, he may report them as income, showing his total expense and showing the excess of actual expense over reimbursed expense as a deduction. If he prefers, however, he may use the income information only if required to do so during an audit by the IRS. In this case, the "income" in the form of reimbursement from his chapter, district or Society will now show on this tax return. He should show, as deduction, the expenses toward his duties as an official which are over and above the reimbursed amount.

The official must be very careful in documenting all expenses which he claims as a deduction. It is always possible for a taxpayer to be involved in an IRS audit.

5.13 Apply the law to the facts: specific cases

A Barbershopper may deduct as a charitable contribution any non-reimbursed expenditure for expenses incurred in carrying out an official duty. Such duties may arise out of having been elected to office or appointed as a chapter, district or Society official. They may arise from singing in a quartet or chorus in a public appearance if his services are donated.

Based on IRS regulations and relevant laws, the following expenses (incident to the discharge of duty for the chapter, district, or Society and not reimbursed to the chapter, district, or Society officer incurring them) are considered charitable contributions and deductible items *provided they are fully documented and evidence of their nature is retained by the official*:

5.13.1 Chapter officials: president, chapter development vice president, music and performance vice president, secretary and treasurer

- Travel to and from chapter meetings

5.13.2 Chapter board of directors

- Travel to and from meetings of the board

5.13.3 Chorus directors

- Travel to and from district chorus directors' workshops and craft workshops and Society music education schools
- Travel to and from chapter meetings

5.13.4 Chapter, district and Society officials

- Telephone
- Stationery
- Postage
- Other supplies incident to the discharge of the official duty
- Travel, meals, lodging and other reasonable and necessary expense incurred when away from home while attending the following:
 - Meetings of official bodies, such as Society Board, district board, district house of delegates
 - Leadership Academy
 - Administrative and music education schools
 - Contest and judging workshops
 - Tuition or enrollment fees at Leadership Academies, education schools, or contest and judging sessions

5.13.5 Chapter members

- Out-of-pocket expenditures for uniforms and performances
- Travel, meals, lodging to contest where no significant element of personal pleasure was derived
- Travel to performances where services were donated
- In computing cost of automobile travel, refer to the IRS informational packet for current and accurate mileage allowances or list actual cost of gas and oil. If travel is by public transportation, use the actual cost of fare.

5.14 Reporting contributions

In completing a Personal Income Tax Form 1040, the total amount claimed as a deduction should be entered in "Itemized Deductions," under the classification "Contributions, other than cash." Your "contribution" has been made by virtue of your electing not to claim these expenditures for reimbursement by a Society chapter. Therefore, your contribution has been "other than cash."

You should attach to your personal income tax return a sheet, headed "Contributions other than cash." It should begin with a statement that you have incurred expenses, incident to performance of your duty as a chapter, district or Society officer or official, for which you have not been reimbursed. Give the full name and address of the Society unit for which the services have been performed, and state that this unit is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. *The statements in this paragraph are all very important and are required by law.*

In a second paragraph, you should show the general classifications of expenditures into which the total deduction figure on your return breaks down, giving the dollar amount for each classification. Appropriate general classifications include:

- Travel
- Lodging
- Meals away from home
- Tuition at Society training sessions
- Supplies
- Telephone
- Other expenditures

5.14.1 Show tickets/contributions

Many chapters sell more than one type of ticket for their shows. They sell a standard or regular ticket, in which the price is based only on admission; the value of the seat for the purpose of seeing the show.

They also sell a sponsor's or patron's ticket which includes an additional charge intended by the seller and the buyer as a gift or contribution to the chapter. A regular ticket may sell for \$10.00, while a patron's ticket entitling the buyer to a seat in the same location may sell for \$20.00.

The Internal Revenue Service has noted that patrons or sponsors who buy tickets to functions given by tax-exempt organizations are not always advised correctly. They sometimes are told the entire amount of their patron's or sponsor's ticket is deductible as a contribution. This is not correct. *Only the amount over and above the price charged for an equivalent regular ticket is deductible.* This is the amount of their contribution, whether they actually occupy the seat or not. Using the example above, \$10.00 would be the amount of the deduction.

The IRS ruling is that where a fundraising activity is designed to solicit payment intended to be in part a gift and in part the purchase price of admission or other participation in an event, separate amounts should be stated in the invitation, and clearly indicated on any ticket or other evidence of payment furnished to the contributor.

5.14.2 Show program advertisements

Chapters sometimes sell advertisements in their show programs, also called "journals," scaling these charges to the size of the ad and, perhaps, to the location in the program where the ad appears. The merchant who buys such an ad may regard his expenditure, for tax purposes, as a cost of doing business.

The individual or company who does not identify himself or his business in the ad, but simply notes that the space is purchased with the "compliments of a friend," does not have the privilege of deducting this as a business expense. However, recent IRS rulings have made it clear that this person, or this company, has made a charitable contribution.

5.14.3 Reporting contributions: trips

Keep these factors in mind when considering whether to claim an expenditure as a deduction on your personal income tax return:

- To qualify as "on duty" you must have been elected or appointed as an officer or official of your chapter, your district or your Society.
- The expenditures must have been made incident to performance of your duty as an official.
- If performance of your duty involves a trip away from home, your activity at your destination must be "primarily Society" in nature before you may claim travel expenses as a deduction.
- All expenditures claimed as deductions must be fully documented and verifiable.

5.15 The Internal Revenue Service exemption

All U.S. chapters enjoy an exemption from the payment of income tax under Section 501(c)(3) of the Internal Revenue Code as nonprofit, charitable, educational organizations.

The basis for this classification is that none of the chapter's "earned money" is used for the individual benefit of any member. Earned money can be best defined as profits from any fundraising activity involving other than chapter members. Any money that comes from the public is restricted in its use.

Chapter dues and other collections direct from the members are unrestricted and available for the "fun" things. You may not use earned money for:

- Entertainment of members and/or wives

- Gifts and awards for members
- Refreshments for regular chapter meetings
- Society and district dues for chapter members as awards or honorariums (note that payment of dues for the chorus director is to be treated as part of his pay and may be paid from earnings).

The treasurer should inform the board of directors of the basic facts regarding the exemption, so that the chapter's program of activity, which is proposed to be supported by "earned monies," does not violate the exemption.

5.15.1 Who needs to file?

U.S. chapters must file annual IRS information returns. The treasurer furnishes information to the IRS on Form 990, Form 990EZ or Form 990-N and, possibly, an additional Schedule A (990), Schedule B (990) and Form 990T. These forms must be filed with the IRS no later than May 15 of the year following the year for which the report is being filed.

On any forms filed with the Society office, IRS, or any bank accounts, the treasurer must use the official chapter name. This is the name on the chapter's charter, not the chorus name.

Identification numbers

All U.S. chapters must have an IRS identification number. Each IRS form requires the IRS identification number be used to identify the chapter filing the form.

Chapters that do not have an identification number must file for it on U.S. Treasury Department Internal Revenue Service Form SS4 (Rev July 2007), which may be obtained from the local post office, IRS Office or IRS Web site.

5.15.2 Which forms do you file?

In March of each year, the Society initiates a letter to all U.S. chapters reminding them of their obligation to file a Form 990 or variant with the IRS, and detailing the procedures for the chapter treasurer to follow.

Chapters that are permitted to submit tax Form 990-N, please note that it can only be filed electronically through the IRS Web site.

Chapters that have gross receipts of more than \$25,000 (\$50,000 in 2010 and beyond) are required to submit tax Form 990EZ and Schedule A (Form 990) or tax Form 990 and Schedule A (Form 990), depending on the information in the table below. Form 990T is required if the chapter has \$1,000 or more of unrelated income.

The Society bylaws require chapters to file a copy of their IRS returns with the Society office, upon penalty of revocation of the chapter license or charter.

Chapter gross receipts	File these forms with IRS	Send to Society
2008 Tax Year, filed in 2009 or later		
\$0 - \$24,999	Form 990-N (electronic filing only)	File a copy of the electronic receipt with the Society office
\$25,000 - \$999,999, and total assets under \$2,500,000	Form 990EZ, Schedule A and Schedule T (if unrelated income is more than \$1,000)	File a copy of these forms with the Society office
\$1,000,000 and over, or total assets over \$2,500,000	Form 990, Schedule A and Schedule T (if unrelated income is more than \$1,000)	File a copy of these forms with the Society office

2009 Tax Year, filed in 2010 or later

\$0 - \$24,999	Form 990-N (electronic filing only)	File a copy of the electronic receipt with the Society office
\$25,000 - \$499,999, and total assets under \$1,250,000	Form 990EZ, Schedule A and Schedule T (if unrelated income is more than \$1,000)	File a copy of these forms with the Society office
\$500,000 and over, or total assets over \$1,250,000	Form 990, Schedule A and Schedule T (if unrelated income is more than \$1,000)	File a copy of these forms with the Society office

2010 Tax Year and later, filed in 2011 or later

\$0 - \$49,999	Form 990-N (electronic filing only)	File a copy of the electronic receipt with the Society office
\$50,000 - \$199,999, and total assets under \$500,000	Form 990EZ, Schedule A and Schedule T (if unrelated income is more than \$1,000)	File a copy of these forms with the Society office
\$200,000 and over, or total assets over \$500,000	Form 990, Schedule A and Schedule T (if unrelated income is more than \$1,000)	File a copy of these forms with the Society office

- **Returns filed with the IRS must be postmarked by May 15.**
- **Copies sent to the Society office must be postmarked by May 15.**

Treasurers *must* meet the filing date for these returns. Every tax exempt organization must file the necessary forms. The IRS is authorized to charge a penalty for noncompliance of \$20.00 per day for every day the return is late, not to exceed the lesser of \$10,000.00 or 5% of gross receipts for the year.

All U.S. chapters must send a copy of the chapter's return to the Society office.

5.15.3 How to receive IRS forms

The IRS automatically sends blank forms to chapters that have filed Form 990s in previous years. They send them to the individual and address that appeared on last year's return. The Society also distributes blank forms. However, the chapter should use the mailing label sent by the IRS because it has the chapter identification included on the label. This identification is not to be confused with the requirement for installation of the chapter identification number on the Form 990 itself. Note that, if the chapter receives a mailing label from the IRS, you should use that label, even if it describes a different return than you will file (e.g., you filed a 990EZ last year, but need to file a 990 this year) and/or has the incorrect address. Strike out any incorrect information on the label, and write in the correct data on the return itself.

In the past, some individuals have had problems with the IRS in getting their contributions to the Society, district or chapter allowed as a charitable contribution deduction. The problem arose when the taxpayers were called in for audit of their individual tax return and the examining agent was unable to locate our organization in the printed version of IRS publication *Cumulative Internal Revenue Code — Publication 78*. That information is now available online at www.irs.gov/app/pub-78 or by searching for "Publication 78" on the IRS home page.

5.15.4 Form 1099-MISC and 1096

Form 1099-MISC serves the same purpose for the U.S. chapter as does Form W2 for an employer. It identifies the recipient as a "contractor" performing a service for the chapter. The chapter is not required to withhold Social Security or income tax funds. Whether or not the recipient adds his income from the chapter to his personal tax return is of no concern to the chapter. But he will be made aware, for his own protection, that the chapter is required to file Form 1096 and 1099-MISC because a copy of the 1099-MISC must be sent to him on or before January 31.

Regardless of the amount paid to a chorus director or guest quartet, a revenue ruling states a chapter must withhold 30% of the payment if a tax reporting number is not provided. The tax reporting number can be a Social

Security number or an Employer Identification Number (EIN). When no tax reporting number is provided, the chapter is obligated to withhold 30% of the payment to the chorus director or guest quartet. That 30% needs to be paid to a bank or other recognized depository by the chapter. Contact the Society office concerning the specific procedure. At the end of the year, the chapter will be required to file both a 1099 and 1096 in accordance with federal regulations.

Forms 1096 and 1099-MISC also require that the recipient's Social Security number be entered when filing such reports. The instructions for preparation of Forms 1096 and 1099-MISC refer to penalties which may be imposed for noncompliance of the requirement for the installation of the chapter identification number and the recipient's tax identification number. The amount of such penalty is not specified.

Forms 1096 (together with the IRS copies of the 1099-MISC forms you prepared) are required to be sent (postmarked) by February 28 of the year following the year for which the report is being filed. Again, the reporting form is furnished by IRS and may be received from IRS, the Society office, or from both sources. Instructions for preparation accompany both forms.

The basic purpose of Form 1096 is to provide IRS with information regarding the chapter's expenditure of "earned monies" and to identify the person or persons to whom the monies were paid.

5.16 Guidelines for satisfying public disclosure requirements as to the tax exempt status of Society subordinate organizations

The Society and its districts, chapters and officially recognized subsidiaries have been recognized as tax exempt organizations under §501(c)(3) of the US Internal Revenue Code. A Group Exemption Letter dated October 7, 2007 (the "Exemption Letter") has been issued to the Society by the IRS. Annually, the Society submits to the IRS a list or directory of its districts, chapters and officially recognized subsidiaries which are covered by the Exemption Letter (the "Group Exemption List").

As of July 8, 1999, IRS rules and regulations [26 U.S.C.S. §6104(d) and 26 C.F.R. §301.6104(d)] require the Society's districts, chapters and officially recognized subsidiaries to furnish to the public, upon request, copies of certain information (detailed below) relating to their tax exempt status.

These Guidelines are specifically designed for use only by the Society's districts, chapters and officially recognized subsidiaries. The IRS rules and regulations contain additional requirements which would apply to other tax exempt organizations, including Society registered quartets (if tax exempt). For further information or guidance, contact the Director of Finance and Administration at the Society headquarters. Requests for information as to the Society's tax exempt status should also be directed to the Director of Finance and Administration for response.

5.16.1 Request/Response

The request must be made in person or in writing

- If the request is made in person, the copies must be provided immediately.
- If the request is made in writing, the copies must be provided within 30 days.

5.16.2 Application for tax exemption

While the IRS regulations generally provide that in response to a request, a tax exempt organization must furnish copies of its application for tax exemption and any supporting documents filed with the IRS, the Society's districts, chapters and officially recognized subsidiaries are exempt from that requirement because the Society's exemption was granted prior to July 15, 1987, and the Society annually submits the Group Exemption List to the IRS. If a member of the public requests a copy of the application for tax exemption for any Society district, chapter or officially recognized subsidiary, the response should state that the tax exemption was granted prior to July 15, 1987, under a group exemption for the Society and its subordinate organizations, and a copy of the Exemption Letter and of the page from the current Society Group Exemption List on which the responding Society district, chapter or recognized subsidiary is listed must be furnished with the response. (The Exemption Letter may be copied from the exhibits provided to chapter treasurers with the Chapter Treasurers Manual; contact the Society Director of Finance and Administration to obtain a copy of the applicable Group Exemption List page.)

5.16.3 Annual information return

Annual Information Returns must be made available for a period of three years beginning on the date the return is required to be filed or is actually filed (which ever is later). Annual Information Returns must be furnished only

if specifically requested. If a request is made in general terms, however, the Annual Information Returns should be furnished. It is not required that more information be furnished than is requested, but if in doubt, furnish the returns.

The Annual Information Return which is required to be furnished **INCLUDES** the following:

- The exact copy of the return filed.
- Forms 990, 990EZ or 990-N, as well as all schedules and attachments filed with the IRS.
- Any amended return filed with the IRS after the date the original return is filed.

The Annual Information Return **DOES NOT INCLUDE** the following:

- Form 990T
- Exempt Organization Business Income Tax return

Any parts of any return that identify the names and addresses of contributors are not required to be disclosed.

5.16.4 Permitted charges

Reasonable charges may be made only for reproduction and postage, as follows:

- Reproduction charge not to exceed \$1.00 for the first page and \$0.15 for each additional page
- Actual postage costs

The requester should be required to pre-pay the charges. Consent must be obtained from the requester before charging more than \$20.00 for the copies and postage. If no copies are requested (or if a requester does not wish to pay reproduction and postage charges), a requester must be permitted to inspect the documents in person, without charge.

5.16.5 Exception to disclosure requirements

There is no obligation to provide copies of the documents if the IRS determines that the request is part of a harassment campaign and that compliance with the request is not in the public interest. Circumstances that may indicate a harassment campaign include: (i) a sudden increase in the number of requests; (ii) an extraordinary number of requests made through form letters or similarly worded correspondence; and (iii) requests that contain language hostile to the organization.

To obtain a determination that a request is part of a harassment campaign, application must be made to the IRS within 10 business days after the organization first suspends compliance with the request. In the event any Society district, chapter or officially recognized subsidiary believes that it is being subjected to a harassment campaign, it should immediately contact the Society Director of Finance and Administration for guidance as to the specific procedures which must be followed.

5.16.6 Penalties

Penalties for failure to comply with these disclosure requirements are:

- \$20 per day for each day the organization fails to furnish the Exemption Letter and the Group Exemption List page.
- \$20 per day for each day the organization fails to furnish any Annual Information Return (maximum penalty - \$10,000).
- \$5000 for each willful violation of the requirements.

Failure to comply with the requirements may result in severe penalties. Responses must be made promptly. Written records of each request should be carefully maintained, including the date each request is received and the date each response is made, and all correspondence.

6 Canadian chapters

Chapters in Canada belong to Districts based on their geographic location: Ontario is a District unto itself except for the Windsor, Sault Ste. Marie and Thunder Bay chapters. Canadian chapters east of Ontario are part of the Northeastern District (NED); the Windsor and Sault Ste. Marie chapters are part of the Pioneer District (PIO); chapters in Manitoba, Saskatchewan and Thunder Bay are part of the Land O' Lakes District (LOL), and chapters in Alberta and British Columbia are part of the Evergreen District (EVG).

6.1 Tax status

The Barbershop Harmony Society office has completed negotiations with the Canadian government for tax exemptions for all Canadian chapters. All Canadian chapters are recognized as not-for-profit corporations.

The Ontario District Association of Chapters of SPEBSQSA (doing business as Ontario District of the Barbershop Harmony Society) is recognized as a Canadian charitable organization within the meaning of paragraph 149(a)(f) of the Income Tax Act.

6.1.1 Tax filings and annual review

While the Ontario District Association of Chapters has charitable status, no individual chapter in Ontario has charitable status. All chapters in Canada, as not-for-profit corporations, are not required to pay income taxes, but they ARE required to file annual information returns, Forms T2 *Short Return* and T1178 *General Index of Financial Information - Short*, with the Canada Revenue Agency (CRA). In addition, chapters incorporated in Ontario must file an annual T2SCH546 *Corporations Information Act Annual Return for Ontario Corporations*. Other provinces have similar information act filing requirements. Chapter treasurers are encouraged to review the Government Acts of their respective provinces. Detailed guidance on the preparation and filing of these forms is available from the Ontario District Vice-President, Finance or District Treasurer.

Some individual chapters in other Districts have obtained status as a registered Canadian charity with their own charitable registration numbers. For these chapters, additional annual tax and information returns, such as Form T3010, must be filed to maintain the charitable registration.

Canadian chapters must also prepare and send any CRA forms T4A *Statement of Pension, Retirement, Annuity, and Other Income*, to any person, quartet or unincorporated business who received \$500 or more in the previous calendar year. This does NOT include reimbursement of expenses, such as travel expenses, for which valid receipts are provided.

6.2 Social vs. operating funds

The distinctions between Social (unrestricted) and Operating (restricted) funds (see Section 3.2.1, accounts 100 and 360) are slightly less rigid in Canada compared to requirements for U.S. chapters. However, the concept does still apply, with each province having slightly different wording; e.g., from Manitoba: "Any profits made must not be used by the individuals involved for their own personal financial gain." Canadian chapters are encouraged to follow the guidance in Section 3.2.1 and 3.5.

6.3 Annual financial review

Canadian chapters are subject to the same requirement as all other Society chapters, and must arrange for an annual financial review and send that review to the District and Society offices by May 15 of the following year.

6.4 SOCAN licensing

Clearance for shows produced by barbershop chapters must be applied for by the Chapter Secretary through the Society of Composers, Authors and Music Publishers of Canada (SOCAN) by completing the first part of the Application for Show Clearance and SOCAN Licence form and sending it to the Secretary of your District who will provide show clearance. Information and forms can be obtained at: <http://www.socan.ca/>. Immediately upon completion of the show, the chapter must complete a "SOCAN Concert Logging Report" and forward it, together with a fully completed copy of the "Application for Show Clearance and SOCAN Licence" and a cheque made payable to SOCAN for the fee amount (plus applicable taxes) in Canadian funds. The forms and cheque are to be mailed to: SOCAN, 41 Valleybrook Drive, Toronto, ON M3B 2S6.

6.5 Dues remittances

Canadian members may send payment for Society and district dues directly to the Society office in Canadian or U.S. dollars. An easier procedure to pay dues is through the Society web site by logging in to the Members Only (ebiz) site, and clicking on the “Renew Now” button to renew using your credit card.

6.6 Canadian/U.S. exchange rates

Canadian chapters are able to pay for merchandise purchases and other charges from the Society in Canadian or U.S. dollars.

The Society establishes the exchange rate quarterly to reflect the U.S. dollar equivalent. The current rate can be found on the Society web site, under Document Center in the Membership Documents section.

6.7 Sing Canada Harmony

The Sing Canada Harmony Scholarship Fund, also legally known as Sing Canada Harmony or Sing Canada, was established in 2000; Incorporated in 2007 and registered as a Canadian Charity in 2008. Sing Canada is a charity registered with the CRA, Registration Number 85470 3014 RR0001. Sing Canada Harmony is the official charity of the Barbershop Harmony Society in Canada, and allows Canadians to receive the benefit of an income tax deduction for donations that support barbershop activities as well as youth festivals, music scholarships and education programs related to music.

In order to benefit from scholarships and awards from Sing Canada Harmony, it is recommended that every BHS chapter and other singing organizations in Canada have a Sing Canada Harmony Chapter (Choir) Liaison. Within BHS, the Sing Canada Harmony Chapter Liaison must be listed as an Officer of the Chapter on the ebiz site. The Chapter Liaison recommends individuals for scholarships and awards, and acts as a liaison to the Chapter for Sing Canada. For details visit www.SingCanadaHarmony.ca

The Ontario District, as a registered Canadian charity, also supports its Harmonize for Speech service project, for which donations from members and the general public are tax deductible. Some Canadian chapters also support other service projects, such as local hospitals, universities, research, endowments or specific events. The appropriateness of contributions by Canadian chapters, or the deductibility by Canadian members for donations to these other projects, depends on the charity status of the project. However, contributions made to a chapter that is not a registered charity that will be passed on to a registered charity in the chapter’s name are not eligible for a personal charitable contribution tax deduction by members of that chapter.

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