

This document provides financial best practice guidance for Student Organizations who operate off-campus bank accounts for the deposit of Self-Generated Revenues (SGR). Additional information and definitions may be found in [Policy 6000 – Student Organizations and Fiscal Policy](#).

Roles & Responsibilities

The separation of duties is critical to effectively managing your student organization’s finances; it reduces the risk of both erroneous and inappropriate actions. Ideally, no one person should: initiate the transaction, approve the transaction, record the transaction, and/or reconcile the transaction. There should be at least two sets of eyes on each transaction to ensure that errors, intentional or unintentional, cannot be made without being discovered by another person. If your student organization has just one financial officer or treasurer, then the president should be the second reviewer/approver of all financial transactions.

Due to officer turnover, it is important for your student organization to establish an officer transition plan. The time and energy that both the outgoing and incoming officers dedicate to an adequate transition of officers will play a key factor in the future success and longevity of your student organization. Some of the key financial documents that need to be passed on include: the off-campus bank account number, bank statements, financial reports, checkbook, current and future budgets, outstanding debts, invoices and receipts, contracts, tax filings/returns, donor information, funding applications, deposit slips, EIN confirmation letter, and IRS determination letter (if applicable). Outgoing officers should transfer access to the student organization’s off-campus bank account to the incoming officer and file IRS Form 8822-B (Change of Address or Responsible Party) within 60 days to let the IRS know that the “responsible party” has changed. Additional information about setting up a tax ID may be found at the end of this document under “General Tax Information.”

Critical Steps

- **Separate duties: two officers should handle all key financial duties.**
- **Establish an officer transition plan; document key duties and maintain copies of budgets, financial reports, contracts, bank statements, checkbook, paid invoices, receipts, etc.**
- **Transfer bank account access to incoming officer(s) and file IRS Form 8822-B (Change of Address or Responsible Party) within 60 days to notify the IRS of the change in “responsible party.”**

Budgeting

A budget is an estimate of income (revenue) and expenditures (expenses) for a set period of time. Budgeting is how you keep track of the organization’s revenue and expenses. Having an idea of how your student organization plans to fund its activities and spend its money is essential for its financial strength, stability, and permanence. Creating a budget helps organizations focus on their goals and mission by forcing them to answer: What is important and what’s not? A budget is the quantitative representation of what is considered important. Budgeting encourages planning and forecasting of revenue and expenses, shows accountability and leads to financial transparency.

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- **Prepare a budget at the beginning of your student organization’s fiscal year.**
 - **Set realistic targets. Revenue should equal or exceed expenses.**
 - **Seek the input and/or approval of the final budget from officers and members.**
 - **Track actual revenue and expenses and adjust your budget accordingly.**
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When creating a budget, your student organization should consider the following steps:

- Determine the length of time for the budget. We suggest that student organizations create an annual budget (in other words, a budget for each fiscal year).
- Establish your organizational goals. Where do you want the bulk of your money going?
- Review previous years' budgets to determine what was successful and what didn't work.
- Prioritize your events and then come up with a list of potential expenses.
- Decide what your available sources of income are, including membership dues, donations, and fundraising.
- Avoid overestimating your revenue and underestimating your expenses by looking at previous years' income and obtaining quotes on potential costs.
- Set aside money for unanticipated expenses.
- Allow officers and members to review the budget (prior to the start of the fiscal year) and provide input.

After your student organization has created its budget, it's important that actual revenue and expenses are tracked throughout the fiscal year (preferably at least on a monthly basis) and compared to budgeted amounts in order to make adjustments that will prevent overspending. Your student organization's budget is a living document that should be reviewed and (if needed) adjusted regularly to meet your needs.

Helpful Cost-Saving Tips:

- ✓ Ask vendors for current discounts or specials or look for free services whenever possible.
- ✓ Collaborate with other organizations to double your resources.
- ✓ Avoid listing a date or year on banners, t-shirts, or other paraphernalia so you can (re)use them.
- ✓ Try to buy bulk quantities (within your organization's storage capacity) of commonly used event supplies.
- ✓ Break food up into smaller portions when serving it at events. Choose pick up instead of delivery.

Revenue

There are several ways that your student organization may generate revenue for its activities, including: collecting membership dues, charging admission to its events, seeking out donations and sponsorships, and holding fundraisers. When collecting revenue, your student organization should keep in mind the following best practices.

Credit Cards: When accepting credits cards as a form of payment, your student organization should use only well-established third party processors to do so. You should never ask for or accept a credit card number directly from a payee.

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- **Use only established third party processors to collect credit card payments.**
 - **Don't ask for or accept credit card numbers as a method of payment.**
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Cash Handling: At events where money is being collected, the student organization should designate two people to be in charge of the cash handling process. The primary responsibility is to ensure that all money is accounted for and secured in a locked area until it can be deposited into the student organization's off-campus bank account.

Although the designated individuals may assign other members of the student organization to assist with the collection of money, the number of individuals, who participate in this process, should be limited to three or less people; errors are more likely to occur when too many people are involved in the collection process. If it is determined that change may need to be given at the event, the designated person (along with another student organization member) should count and record the starting cash amount. At the end of the event, the final cash amount should be counted and recorded and all checks should be endorsed (write "For deposit only in [bank account number]" on the back of the check) before being deposited or placed in a secure location until the deposit can be made.

Donations & Fundraisers: Unless your student organization has applied for and been granted 501(c)3 status by the Internal Revenue Service (IRS) or it is part of a national organization that allows its local chapters to use its 501(c)3 status, you cannot legally claim to be a tax-exempt, charitable organization, and donations given to your organization cannot be claimed by the donor as a charitable contribution on their taxes. Instead, you should let donors know that you're an on-campus student organization, which (like most student organizations) cannot afford to pay the costly application fee required for 501(c)3 status nor meet the stringent reporting requirements to maintain this tax status. If the donor requests proof that your group is an on-campus student organization, please contact either the Student Involvement office (registered student organizations only) or your sponsoring department to obtain a letter, verifying that you are recognized by Mason as a student organization.

When setting up a fundraiser with a local vendor, you may need to provide them with your student organization's tax identification number (TIN); student organizations are not allowed to use Mason's TIN. If your student organization uses Mason's TIN, the fundraiser check will be issued in the name of "George Mason University," and you won't be able to deposit it into your student organization's off-campus bank account.

Cash Handling

- Designate two people one person to be in charge of the cash handling process at the event.
- Count and record the starting cash amount (if change is going to be offered at the event).
- Ensure checks are made payable to the name of your student organization, which should also be the name on the bank account, and correct change is given to attendees who pay with cash.
- Issue a receipt to each person, from whom you collect money. (Receipt books are available for registered student organizations to borrow from Student Involvement.)
- Record all receipts and/or transactions.
- Count and record the final cash amount at the end of the event.
- Endorse checks "for deposit only in [bank account number]."
- Secure checks and cash in a locked area prior to deposit.
- Make frequent deposits. (Cash amounts greater than \$500 should be deposited the following business day. Lesser amounts should be deposited within the week.)

Donations & Fundraisers

- ✓ Inform potential donors of your student organization's tax status. Never claim to be a tax-exempt, charitable organization unless you have 501(c)3 status.
- ✓ Obtain a letter of recognition from Student Involvement (registered student organizations only) or your sponsoring department if you need to prove to a donor that you are a recognized on-campus student org.
- ✓ Don't use Mason's tax identification number to set up fundraisers.

Expenses

In fulfilling your student organization's goal and/or mission, you will likely incur expenses, such as catering or decorations at an event, the printing of flyers, renting equipment or event space, or even travel. To ensure the long-term financial stability of your student organization, please refer to the following best practices when handling expenses.

Paying Bills: Student organizations should establish a process and a schedule for reviewing and paying its bills. Whenever possible, expenses should be paid either via check or a debit/credit card directly linked to your student organization's off-campus bank account. Cash payments should be avoided for several reasons, including: they are more difficult to track; there is a greater chance for the misuse of funds; if lost there is no way to recover the money; and, they cannot be canceled or recalled if an error has occurred. It is also important to review invoices and receipts for accuracy prior to paying them. Vendors can make mistakes; don't assume an invoice or receipt is 100% accurate. If possible, avoid paying deposits. It is better to pay for the good or service upon receipt so that you can ensure that it meets your expectations. Only use trusted websites to place orders or to pay for items online. For tax purposes, your student organization should maintain copies of all vendor invoices and receipts for up to three years.

Bank Reconciliation: Expenses should be reconciled on a monthly basis. This means that invoices and receipts for expenses incurred during the month should be compared to the transactions listed on your bank statement. If a discrepancy is noticed, it should be addressed in a timely manner. Start by contacting the vendor to resolve the error. If the error is not corrected or the situation is not resolved quickly, consider contacting your bank to discuss your next options. If you notice a suspicious or unauthorized transaction, contact your bank or credit card provider immediately to report a possibly fraudulent charge.

Paying Bills

- **Establish a process to review and pay bills by check or via a credit/debit card tied to your student organization's off-campus bank account. Avoid paying for expenses with cash.**
- **Review vendor invoices and receipts for accuracy prior to payment.**
- **Avoid paying deposits. Try to pay for goods and services only upon receipt.**
- **Use only trusted websites to place online orders or pay for items with your student organization's credit/debit card.**
- **Maintain copies of vendor invoices and receipts for up to three years.**

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- **Reconcile invoices/receipts against the transactions listed on your monthly bank statement.**
 - **Address any discrepancies in a timely manner and contact your bank or credit card provider immediately if you notice any suspicious or unauthorized transactions.**
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Record Keeping

All student organizations should maintain accurate and complete financial records and should keep them for at least four to six years. Failure to maintain proper records may make it difficult to substantiate to tax authorities that the organization does not owe taxes, interest and penalties for prior years. During the three-year period beginning with the due date (including extensions, if any) of the Form 990 (or Form 990-EZ), the student organization must make its tax return available for public inspection without charge upon request.

General Tax Information

George Mason University is not permitted to give tax advice or assist with tax return preparation or funding of the student organization. However, we have compiled some basic guidelines to get your started. **Note:** This information is intended only for George Mason University student organizations. Although the information contained is designed to offer general organizational and tax information, it is not a substitute for advice obtained from the Internal Revenue Service, Virginia State Tax Department or a qualified tax professional. This information is subject to change or further interpretation by the Internal Revenue Service or other tax authorities.

Student Organizations are expected to:

- ✓ Comply with all applicable federal and state tax laws.
- ✓ Operate on a non-profit basis.
- ✓ File federal and state returns as required.

IRS tax forms and publications can be found at the IRS website at [irs.gov](https://www.irs.gov). Virginia state tax forms can be found on the Virginia State Tax Department website at <https://www.tax.virginia.gov/>. IRS Publication 557 *Tax-Exempt Status for Your Organization* is a valuable resource.

Employer Identification Number (EIN)

If your student organization needs an Employer Identification Number (EIN), you will be required to apply for an EIN on your own. Student organizations may need an EIN to open a bank account or for transactions with entities outside the University. To avoid the issuance of multiple EINs, it is advised that the student organization check its records before applying, in order to verify that they have not already been issued an EIN.

Applying for an EIN may be completed on-line through the Internal Revenue Service at:

<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>. Student Organizations may also refer to the [How to Apply for a TIN](#).

Please note: Applying for an EIN is **not** the same as applying for non-profit status with the IRS.

Non-Profit & Tax-Exempt Status

All student organizations should operate as non-profit organizations meaning they do not operate to generate income for individuals and/or the organization itself. Student organizations, however, are *not* automatically registered as 501(c)3 organizations, and do not, therefore, automatically receive tax-exempt status. Mason's tax-exempt status as a state governmental entity does not pass through to student organizations.

Federal Tax-Exempt Status

In order to qualify as a tax-exempt organization (i.e., exempt from federal taxation under Internal Revenue Code (IRC) Section 501(a)), a student organization must generally be a type of organization described in IRC Section 501(c). Organizations that meet the requirements of IRC Section 501(a) are generally exempt from federal income taxation. In addition, charitable contributions made to some section 501(a) organizations by individuals and corporations are deductible as charitable contributions under IRC Section 170.

Although IRC Section 501(c) includes organizations operating as title holding companies (501(c)(2)), membership organizations (501(c)(4)), trade associations (501(c)(6)), and fraternal beneficiary societies (501(c)(8)), the majority of undergraduate student organizations will qualify for tax exemption under IRC Section 501(c)(3).

An organization exempt under IRC Section 501(c)(3) is an organization organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes. Please refer to IRS Publication 557, *Tax-Exempt Status for your Organization*, for a description of the types of organizations included under IRC Section 501(c).

501(c)(3) Restrictions: Private Benefit and Lobbying

An absolute requirement for federal tax exemption under IRC Section 501(c)(3) and certain other organizations described under IRC Section 501(c) is that none of the organization's net income or profits can inure to the benefit of private interests, such as the creator or the creator's family, shareholders or other designated individuals or persons controlled directly or indirectly by such private interests. Further, an organization exempt from taxation under IRC Section 501(c)(3) is limited in its ability to attempt to influence legislation and is prohibited from intervening in a political campaign for or against any candidate for public office.

For additional information regarding federal tax-exempt status, please refer to the IRS public charities and non-profits site and IRS Publication 557, *Tax-Exempt Status for Your Organization*.

Obtaining Federal Tax-Exempt Status

The benefits of 501(c)(3) status include exemption from federal income tax and eligibility to receive tax-deductible charitable contributions. To qualify for these benefits most organizations must file an application with and be recognized as exempt under IRC Section 501(c)(3) by the IRS.

Org. with Gross Receipts of Not More Than \$5,000 Per Year

An organization that normally has gross receipts of not more than \$5,000 per year (see gross receipts test below) and which is organized and operated exclusively for tax-exempt purposes will generally be recognized as tax-exempt under Internal Revenue Service Code (IRC) Section 501(a) without applying to the IRS for approval of IRC Section 501(c)(3) status.

In order to support its entitlement to this exemption, every organization should have a written Constitution, Bylaws, and/or Article of Association which would typically include the following basic information

- **Establish a process to review and pay bills by check or via a credit/debit card tied to your student organization's off-campus bank account. Avoid paying for expenses with cash.**
- **Review vendor invoices and receipts for accuracy prior to payment.**
- **Avoid paying deposits. Try to pay for goods and services only upon receipt.**
- **Use only trusted websites to place online orders or pay for items with your student organization's credit/debit card.**
- **Maintain copies of vendor invoices and receipts for up to three years.**

Note: Although small organizations may automatically be recognized as tax-exempt under IRC Section 501(a) without applying to the IRS, they will not appear on the Tax-Exempt Organization Search list of organizations eligible to receive tax-deductible contributions nor be able to obtain a written affirmation of their exempt status from the IRS. To be included in the IRS database of exempt organizations and/or to receive a written affirmation of exemption status, these organizations should formally request recognition of exemption by filing Form 1023 or 1023-EZ.

Org. with Gross Receipts in Excess Of \$5,000 Per Year

An organization that normally has gross receipts in excess of \$5,000 per year (see gross receipts test below) and which is organized and operated exclusively for tax-exempt purposes must formally request recognition of exemption in order to be recognized as an entity exempt from federal income taxes. The request is generally made on IRS Form 1023, *Application for Recognition of Exemption under IRC Section 501(c)(3) of the Internal Revenue Code*. Where the form is timely filed, the organization will generally be treated as tax-exempt until the IRS acts on the application. In order to ensure that the Form 1023 is complete and accurate, it is strongly recommended that an organization seek professional tax assistance in completing this application.

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- **Smaller organizations with total assets of \$250,000 or less and annual gross receipts of \$50,000 or less may be eligible to file IRS Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*.**
 - **Organizations which are not described in IRC Section 501(c)(3) may be required to file IRS Form 1024, *Application for Recognition of Exemption under Section 501(a)* or for Determination under Section 120, rather than Form 1023, in order to formally request recognition of exempt status.**
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Gross Receipts Test – When Filing for Tax-Exempt Status

The gross receipts of an organization are not more than \$5,000 if: 1) during the first taxable year of the organization, the organization received gross receipts of \$7,500 or less; 2) during its first two taxable years, the aggregate gross receipts received by the organization are \$12,000 or less; and 3) in the case of an organization which has been in existence for at least three taxable years, the aggregate gross receipts received by the organization during the immediately preceding two taxable years plus the current year are \$15,000 or less.

Annual Filing Requirements – Form 990

Organizations recognized as tax exempt under IRC Section 501(c)(3) are generally required to file an annual information return. The type of annual filing is determined by the organization's annual gross receipts and assets.

The Pension Protection Act of 2006 mandates that most tax-exempt organizations must file an annual return or submit an electronic notice with the IRS. The Act also requires that any tax-exempt organization that fails to file for three consecutive years automatically loses its federal tax-exempt status.

Org. with Gross Receipts of Not More than \$50,000 Per Year

Organizations with gross receipts that are not normally more than \$50,000 per year (see gross income test below) must electronically submit IRS Form 990-N, also known as the e-Postcard, annually (unless the organization chooses to file a complete Form 990 or 990-EZ). The e-Postcard is due by the 15th day of the 5th month after the close of the organization's tax year.

Note: Organizations that were not formally granted federal tax exempt status through the filing of either Forms 1023 or 1024, but that are recognized as tax exempt (because their annual gross receipts are not more than \$5,000 and they are organized and operated exclusively for tax exempt purposes) should contact the IRS Account Services Unit prior to the initial e-Postcard filing at (877)-829-5500 to request the IRS to set up the organization's account to allow filing of the e-Postcard. Organizations that received formal IRS approval of exempt status do not need to contact the IRS prior to filing the e-Postcard.

Org. with Gross Receipts in Excess of \$50,000 per Year

Whether it has received recognition of its tax-exempt status or is awaiting notification of exempt status, an organization that normally has gross receipts in excess of \$50,000 per year (see gross income test below) must file IRS Form 990, *Return or Organization Exempt from Income Tax*, or IRS Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*, annually with the IRS. Forms 990 and 990-EZ are due by the 15th day of the 5th month after the close of the organization's tax year.

An organization that has gross receipts during the year of less than \$200,000 and total assets at the end of the year of less than \$500,000, however, may file Form 990-EZ rather than Form 990.

A Form 990 or Form 990-EZ must be filed even if the organization has little or no net income (e.g., because its expenses equal its income) or has income only from carrying on its exempt activities. If your organization is required to file an annual information return, it is strongly recommended that you consult with a tax professional to ensure that it is filed in a complete, accurate and timely manner.

Gross Receipts Test – When Filing a Tax Return

An organization's gross receipts are considered normally to be in excess of \$50,000 if the organization is: 1) up to a year old and has received, or donors have pledged to give, more than \$75,000 during its first tax year; 2) between one and three years old and averaged more than \$60,000 in gross receipts during each of its first two tax years; or, 3) three years old or more and averaged more than \$50,000 in gross receipts for the immediately preceding three tax years (including the year for which the return would be filed). If the organization's gross receipts are normally \$50,000 or less, it must submit Form 990-N.

Federal Filing Info. – Other Tax Filings

Employment Taxes

Typically, student organizations do not employ students or other individuals directly. A student organization that employs anyone directly is responsible for all related federal and state employment tax and compliance filings (i.e., payment of all taxes and the filing of all related federal and state tax returns and information returns) associated with the wages paid. If your organization plans to employ staff you should consult with a professional tax advisor.

Federal Income Taxes

If an organization qualifies for tax-exempt status under IRC Section 501(a), it may still be subject to federal income tax on income from an unrelated trade or business (UBIT). An exempt organization which has gross income from an unrelated trade or business of \$1,000 or more in any year must file Form 990-T, *Exempt Organization Business Income Tax Return*, and pay the related federal income tax. Gross income is defined as gross receipts minus the cost of goods sold. Additional information is available on the [UBI Guide](#). If you believe that your organization will generate unrelated business income, you should contact a tax professional for a complete analysis and assistance in the completion of Form 990-T, if required.