

Treasurers of All-Volunteer Organizations: Eight Key Responsibilities

By Dennis Walsh, CPA

More than half of the nonprofits in the United States are estimated to be all-volunteer organizations. Here is a wonderful, succinct guide for the 600,000 + treasurers of such organizations:

My time as treasurer of a faith-based nonprofit was a labor of love. Starting out as an all-volunteer organization with a \$20,000 budget, we developed financial systems, workable budgets, and demonstrated accountability. We served families affected by incarceration and there's no greater personal reward than seeing people realize they have real hope for a better life. In just three years the budget grew to over \$330,000.

However, there was stress as well. As a CPA I found myself the recipient of unnerving deference at times. I frequently fell short in communicating financial information to board and staff. But the outcomes made it all worthwhile.

This experience helps me appreciate one of the many unsung heroes of our time: the treasurer of the all-volunteer organization (AVO). AVOs are among the most important *and* most invisible building blocks of our communities. Members of all-volunteer organizations read to children, care for the dying, get clean water legislation passed, serve as volunteer fire departments, help people overcome alcoholism, bring music into prisons, and help refugees get settled.

To do this and so much other important work, all-volunteer organizations raise and use substantial funds. And each organization has at least one volunteer leader counting the cash, writing checks, safeguarding financial integrity, and managing funds soundly. This guide is for you, Super Treasurer!

What do we mean by "all-volunteer organization (AVO)"? While AVOs range from small, relatively informal nonprofits to larger, more formal, affiliated organizations, in AVOs volunteers do most or all of the work. Following are some common attributes of AVOs:

- Most AVOs are managed by a board of directors or a core group, of which one member is a "hands on" Treasurer who writes checks, makes deposits, and provides financial reports to the board.

- Most AVOs don't have employees, although they may pay people for some non-managerial work such as refereeing at a youth soccer league, square dance calling at a dance club, or handling the distribution of books for a poetry society. These people are typically classified as independent contractors rather than employees.
- Although some AVOs have permanent locations (such as in the back room of a historical home or at the library for a Friends of the Library), many do not, and meetings and documents move from home to home as officers change.

Because most AVOs have an informal air about them, it's easy for finances to be treated in a casual way. But when money matters are treated casually, it can become too easy for money to get lost, or for some people to question how money has been spent, or even for individuals to take advantage of the informality and pilfer cash or other assets.

So as an AVO treasurer, what accountability and transparency issues should you be most concerned with?

1. Handle the money with high standards and set a tone of integrity.

In an AVO, close treasurer oversight of cash, checks, and deposits is vital. If you can't always be present when money is changing hands, be visible enough that others know that you're engaged. Be especially scrupulous about keeping personal funds (yours and others') completely separate from organizational funds.

Given the limited personnel resources in most AVOs, it may not be possible to divide up financial duties as part of an internal control system, particularly since you can't always exert the same degree of control with volunteers as paid staff. However, a few essential rules should be followed:

- The Treasurer should receive and reconcile the bank statements, OR write checks, but not both.
- Incoming checks should receive immediate restrictive endorsement (preferably a bank stamp, or handwritten "For deposit only, ABC Bank, Account # 123445") and be deposited within a week, with no cash back.
- Outgoing checks must be supported by an approved invoice, receipt, or a voucher prepared by the volunteer if a receipt or invoice isn't available. If a fellow volunteer asks for a reimbursement but doesn't have a receipt, respond "I wouldn't be doing my job as Treasurer if I didn't insist on receipts from everyone."
- Checks should require two signatures and never be signed in advance. Alternatively, the board might set a policy that permits one signature for small checks below a certain amount, say \$50, in order to help discourage checks from being signed in advance.

2. Manage the filings

- Keep a **calendar** of filing requirements and assign responsibility. Late fees and penalties can be very costly and diminish stakeholder confidence.
- **File Form 990** - Except for churches and certain religious organizations, all nonprofits must file an IRS Form 990 annually. For fiscal years beginning in 2010, organizations with income less than \$50,000 (\$25,000 for 2009) need only file the online "e-Postcard," Form 990-N.

- **File Form 1099** - Obtain an IRS Form W-9 from those providing paid services who are not your employees.
- **File Form 1099-MISC** to report payments totaling more than \$600 per calendar year to such persons. Forms and related instructions are available at the IRS website. Otherwise, if the individual is an employee be sure to contact an accountant or other person experienced in employment matters and take all steps required for a new hire. See "[Downsizing from Employees to Independent Contractors?](#)" for more on these issues.
- **Register with charitable solicitation agencies** - Register, when required, with the charitable solicitation office in your home state as well as any state in which you regularly fundraise, including by email. Go to the Unified Registration Statement (URS) website for a summary of state by state requirements to determine if you must register as a charity, provide a copy of IRS Form 990, have a CPA audit or review, and whether the state accepts the streamlined URS application.
- **Obtain permits and Licenses** - Check on regulatory requirements before undertaking activities such as serving liquor at a special event, conducting a raffle, or starting a bingo night. Such laws vary from state to state. It may be helpful as a starting point to talk to another nonprofit leader whose organization is engaged in the same activity. Most state nonprofit associations have helplines or publish FAQs and other guides covering these types of issues. If you're uncomfortable asking for help, get over it quickly!

3. Identify and manage risk

Take the lead in safeguarding your organization's assets, data, and personal information. Risks associated with volunteer screening, vehicle use, and special events are often of particular concern to AVOs. The [Nonprofit Insurance Alliance Group](#) and the [Nonprofit Risk Management Center](#) provide free introductory articles on ways to manage these and other risks.

4. Confirm contributions

A prompt thank you letter that includes what donors need for tax purposes is an effective way to keep your contributors up to date on the great work you're doing. The IRS says it's okay to send this information by email. When different financial duties are assigned to a variety of people, the chances increase that any misappropriated donations will be detected more readily.

Here's a sample of the essential information to include in your thank you letter:

"Date

"Name and address of nonprofit

"Donor name and address

"We wish to thank you for your 2010 contribution of cash in the amount of \$500.00. We did not provide any goods or services in exchange for this contribution. XYZ Nonprofit is an organization exempt under Section 501(c)(3) of the Internal Revenue Code and contributions are deductible to the extent allowed by law."

Remember to separately list any single contribution of \$250 or more. If the donation is other than cash, describe the property but do not indicate a value.

If you provided the donor with goods or services as part of the contribution, you could delete the second sentence in the above example and substitute the following:

"We provided you with two theater tickets with a fair market value of \$50. Your tax deduction is limited to the amount of cash and value of any property contributed, reduced by the value of any goods or services received in return. Accordingly, the amount eligible for a federal income tax deduction is \$450."

There are exceptions for items of minimal value such as pens and mugs. See the discussion regarding "quid pro quo" donations in [IRS Publication 1771](#).

5. Track volunteer time

In many AVOs volunteer effort represents the majority of resource inflow. Tracking volunteers can help protect volunteers and the nonprofit from certain forms of liability and provide helpful data for planning future programs and events. And if you intend to seek grants you'll want to reflect the value of your volunteers in your budget and grant proposals. Otherwise, your board and other stakeholders may not know if you have the people in place to get the job done well. See "[Tracking Volunteers to Boost Your Bottom Line](#)" for more information along with sample volunteer tracking forms.

6. Plan and evaluate with a budget

Expressed in financial terms, a budget is a map that shows what you plan to do and how you plan to get there. It's a key tool for getting everyone to agree on what your group will and won't do in the coming year. And in informal AVOs where internal controls are often lacking, the budget is your canary in the coal mine. An unexplained variance between a budgeted and actual line item of revenue or expense, for example, may be the first red flag signaling a more serious problem.

Preparing an effective budget starts with asking leaders to estimate what they'll need and to provide specific proposals for financing it. Reviewing last year's budget is a key part of the process. Cost and revenue estimates need to be reasonable and attainable. Avoid the temptation to 'wing' estimates or to be overly optimistic about contribution increases. At the same time, don't act like a watchdog at the gate of the treasury, opposing all new funding proposals with knee-jerk resistance.

7. Prepare timely financial reports

Timely and reliable financial information is the underpinning of good stewardship and sound financial decision making. Without this information there's no way to track budget performance.

For AVOs with minimal cash flow or whose finances revolve around a single event, paper-based record keeping may be acceptable. A template treasurer's report with blanks for handwritten amounts can be just as effective as a computer-based system if the figures can be easily traced to supporting documents and are presented clearly. For such organizations, a simple monthly reconciliation of bank account activity classifying receipts and disbursements and reconciling beginning to ending cash balances may be enough to form the basis for a summarized quarterly financial report to the board.

As the organization grows, a switch to commercial accounting software such as QuickBooks(r) may be the best next step. It is vital at this juncture that you get set up with a proper chart of accounts and get the necessary training from someone with nonprofit accounting experience.

8. Recruit the next treasurer

Like other volunteers, the treasurer will not serve indefinitely. Unfortunately, some AVO treasurers entrench themselves and resist transfer of control. Throughout their term of service, effective treasurers encourage and equip fellow volunteers to participate in financial management duties. When it's time for the treasurer to pass the baton, these AVOs will enjoy the least disruption.

Indeed, all board members share equal responsibility for the financial health of your organization. Officer titles vary, but those typically described as President, Vice President, and Secretary form a core board leadership group alongside the Treasurer. The Secretary should be diligent in taking complete and concise minutes that reflect filing of the treasurer's report and all board decisions.

All-volunteer organizations constitute a huge economic and social force, helping communities of all types work better. As a front-line volunteer, the AVO treasurer plays a critical role in sustaining the organization, maintaining essential stakeholder confidence and supporting overall mission effectiveness.

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