

INTRODUCTION

The *Handbook for ACS Local Section Treasurers* provides an overview of responsibilities and resources for treasurers. Please use this handbook as a general guide to support you in your role as treasurer. The handbook is not intended to be the last word on the operation of the office and your duties as treasurer. Factors such as local section size, financial holdings, bylaw regulations and governance structure may further define your role and responsibilities. If you have any comments or questions related to this handbook or other matters, please contact the

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RESPONSIBILITIES AND DUTIES OF THE TREASURER

The treasurer is responsible for the operational control of all funds for his/her local section and should be fully cognizant of the duties and responsibilities before accepting the position.

Primary functions of the local section treasurer include:

- Retaining accurate and proper records, including bank statements, checkbooks, ledger(s) of cash revenue and expense transactions, invoices, correspondence, and tax returns in accordance with the section's record-retention policy. The ACS policy for retaining financial records generally follows a 7-year period.

Maintaining a book of accounts (ledger) showing the details of all revenues and expenses. Additionally, maintain checking and investment accounts that have been created by section.

- Depositing and disbursing all funds accurately, in a timely manner, and in accordance with established policies and procedures.
- Reconciling the section's ledger(s) to bank statements.
- Preparing and submitting periodic and annual financial reports.
- Ensuring that annual IRS information and income tax returns are prepared accurately and filed in a timely manner.
- Receiving and processing bills and invoices.
- Prepare all financial reports for the section including the ACS Local Section Annual Report Financial Form, the annual IRS Form 990, 990-EZ, or 990-N and other necessary IRS forms.
- Obtain reimbursement, as appropriate, from the Society for expenses for [councilor travel](#) to ACS Meetings, and other authorized travel for section leaders.
- Arranging for audits of the section's financial records. (The examination may be conducted by an independent agency or by an internal committee composed of section members other than the

treasurer.)

Budget Committee

In some sections, the treasurer is the chair of the budget committee (also called the finance or audit committee), which is organized as an advisory body to assist the treasurer. Typical responsibilities to a budget committee may include recommending budget actions for executive committee approval, overseeing investment accounts, setting strategic financial goals.

Establishment & Maintenance of Bank Accounts

The U.S. Patriot Act requires financial institutions to obtain, verify, and record information that identifies everyone, business, or entity that opens an account or establishes a relationship.

Opening a bank account for your local section isn't a complex process. However, it will require some preparation and the right documentation. Almost every bank will require your local section's incorporation paperwork (charter) a copy of your bylaws, tax ID number, and letter of exemption from the Internal Revenue Service (IRS). ACS will assist by providing a detailed letter with supporting documentation. Please contact olsa@acs.org for more information.

Tip: To support succession planning and ensure continuity, your local section should consider assigning multiple "signers" on your bank account.

Automated Clearinghouse Payments to Local Sections

The Society contracts with Automated Clearinghouse (ACH) to provide electronic funds transfer (EFT) services. To establish or update new EFT, please email olsa@acs.org for instructions to submit these documents through our secure portal. Additionally, local sections are required to maintain a current W-2 on file with ACS.

REVENUES

A local section treasurer should be knowledgeable about both the status of local section finances and the sources of section funds. The following are traditional revenue sources.

Annual ACS Allotments

As stipulated in ACS Governing Documents, ACS provides local sections with annual allocations for the operation of the sections. The allotments are composed of a base allotment, which is the same for each section and a *per capita* allotment, based on the year-end member count of the second preceding year. The allotments are paid each year following the submission of the local section's annual report.

Local Section Dues

Many ACS local sections supplement their revenues by charging local section dues. Payment of section dues by a member or Society affiliate is strictly voluntary. Local dues for members and Society affiliates can be included on the national ACS dues billing at no charge to the section for the collection service. The voluntary dues money collected is remitted to the sections twice annually, in February and July.

New Member Commissions

Local sections receive a \$15 commission for each new member and Society affiliate who report they were recruited by the local section when they join or reinstate their membership. When recruiting new or re-instating Members and/or Society Affiliates to ACS at the Standard or Premium package level, please instruct them to select the Local Section from the drop down on the Review Step of the online membership application. ACS will send local sections a commission check biannually. Members can join at <https://membership.join.acs.org>.

Local Symposia and Conferences

Many local sections charge registration fees for events which may produce some net revenue.

Interest and Dividends

Depending on the amount of section assets, investment possibilities range from savings accounts to certificates of deposit to investment portfolios.

Donations and Contributions

Some local sections obtain financial support from companies and foundations within the local section area for specific projects and activities. Campaigns for donations from individual members have also been successful. Because ACS and its local sections are tax-exempt organizations, such gifts are charitable contributions. For contributions to be tax deductible to the donors, the local section must provide a written contemporaneous acknowledgment and a written disclosure to the donor as required by Internal Revenue Code Section 170 and Section 6115. The IRS explains the substantiation and disclosure rules for charitable contributions in its free Publication 1771, *Charitable Contributions — Substantiation and Disclosure Requirements*.

LSAC and Other ACS Grants

The Committee on Local Section Activities administers several grant programs including, Innovative Program Grants (IPGs), Diversity Equity, Inclusion and Respect Grants, Local Section Member Engagement and Enhancement Grants, Strategic Planning Grants and Science Café mini grants.

Additional grant program opportunities may be found at <https://www.acs.org/funding.html>.

Councilor Attendance Incentive Program

Effective January 1, 2024, the Councilor Attendance Incentive Allotment will provide a single payment of \$2000 per Councilor, per meeting, directly to local sections that opt-in to the program and whose Councilors attend the Council Meeting.

Other Revenues

Hosting or participating in regional meetings is another potential source of section revenue. Meeting surpluses accrue primarily from registration fees and sales of exhibit booth space. Guidelines for the division of these monies among the sections in the region are established by the regional meeting steering committee, which is composed of one representative from each section in the region.

EXPENSES AND CONTROLS

Regardless of the sources and amount of its revenues, or the size of its asset base, every section must be concerned with how its money is spent. Each local section should establish guidelines for expenditures and prepare an annual budget for revenues and expenses. The net result of the annual budget should be either a break-even position or net gain to the section's assets. A section's budget should not reflect deficit spending unless the section's executive committee, after careful consideration of the long-term implications, has decided that special circumstances warrant depletion of the section's reserves.

Beware of Phishing Attempts

Fraudulent email (Phishing) scams targeting ACS Local Sections and Divisions persist, with reports from treasurers of fraudulent emails requesting electronic fund transfers, invoice payments, or urgent payments. These emails may appear authentic, with requests seeming to come from trusted ACS colleagues. To avoid falling victim to such scams, exercise caution when clicking links and be wary of emails requesting sensitive information or electronic fund transfers (EFT) requests. Look for clues to fraudulent requests, such as incorrect return email addresses, poor grammar, or misspellings.

As a preventative measure, it is recommended that local sections/divisions establish a two-step authorization/confirmation protocol. If you receive an email requesting a wire transfer, seek secondary confirmation of the request through another direct means of communication.

Unfortunately, such scams are expected to continue, and scammers will likely continue to evolve their methods and approaches. It is essential to remain vigilant and contact your IT security department if you suspect a fraudulent email. Do not initiate contact with the sender of an identified fraudulent email. If you receive a suspected email targeting your local section or division, forward it to abuse@acs.org.

More information about phishing and cybercrime may be found here:

- <https://www.fbi.gov/investigate/cyber>
- <https://www.ic3.gov/Home/ComplaintChoice/default.aspx>
- <https://www.cisa.gov/be-cyber-smart/report-incident>

Guidelines for Expenditures

Local sections are exempt, except in certain circumstances, from paying federal income tax under Section 501(c)(3) of the Internal Revenue Code as nonprofit scientific and educational organizations. Local sections are granted the same federal tax-exempt status as the Society and are therefore subject to the same federal restrictions. Their activities should be in furtherance of their exempt purposes and to maintain this status, they should derive most funds from activities that support their mission. A small portion of a local section's funds can be derived from activities that are unrelated to the section's mission, but the section should be advised that these funds will be subject to income tax. A local section can find its exempt purpose (mission) in its governing documents. A local section's governing documents should conform to those of the Society. The Society's exempt purpose can be found in its Charter and Constitution (Article II).

To ensure the continued tax-exempt status of the Society and to assist section officers in fulfilling their responsibility to safeguard funds, local sections should develop written spending policies. Policies should be clearly stated and apply to all units of the section in developing the annual budget. The policies should clearly set forth the rules for handling all expenditure requests, including those not included in the budget. For example, a policy may require executive committee approval for all unbudgeted expenditures.

Appropriate Expenditures

In formulating fiscal policy, sections should evaluate their activities to be certain they align with their mission, which is the basis for their tax-exempt status. A local section's mission should be consistent with the Society's. Generally, if the activity is appropriate, the necessary expenditures to promote that activity will also be appropriate. Another general rule is that expenditures may be made at the local level to support any program carried out at the national level.

Prohibited Expenditures

In general, the Society and its local sections are prohibited from making expenditures that benefit individuals or profit-making organizations, promote legislation, or support or oppose a candidate for public office. As an A501(c)(3), ACS is prohibited from allowing its income or assets to benefit insiders – typically board members, officers, directors, and important employees of an organization. If an organization benefits insiders, the insiders and the organization could be subject to penalty excise taxes and the organization could lose its tax-exempt status.

The use of members' dues and other section resources to provide free or heavily subsidized meals in a regular manner to section officers and their guests, or paying for the chair's ACS membership are examples of prohibited expenses.

Budget

Sound financial management requires not only stringent spending guidelines but also adequate controls. The most familiar control is a carefully prepared budget.

Review and Analysis

The first step in budget preparation is to review a local section's objectives. A section should examine its scope of activities and ensure that those activities are consistent with their mission. Priorities should be assigned to each activity, and each activity should be evaluated to determine its cost and effectiveness.

Another aspect of budget preparation is a review of history. Section financial reports for previous years should be examined.

It should be noted that the ACS Committee on Local Section Activities carefully reviews each section's financial report, with its accompanying proposed budget. The committee is charged with assessing the overall financial health of local sections. It looks for trouble spots and areas of concern. The use of members' dues and other section resources to provide free or heavily subsidized meals in a regular manner to section officers and their guests, for example, would violate the named prohibited expenditures.

Reserves

Each annual budget should include provisions for building and maintaining a reserve fund. This "planning for a rainy day" should not, however, be carried to an extreme whereby reserves are built to unreasonably high levels. A comfortable reserve level is one that enables a section to meet unexpected expenses and initiate new programs. The ACS Committee on Local Section Activities recommends that a section maintain, as a minimum, reserves equal to 1.5 times its annual allotment.

Budget Schedule

During the fourth quarter of the fiscal year, the treasurer, in consultation with the other officers, should prepare a proposed budget for the upcoming year. The proposal should be submitted for review and discussion by the Executive Committee, which should make any necessary modifications and adopt the final version no later than the last meeting of the fiscal year.

ACCOUNTING PROCEDURES

Because of the many possible financial policies and internal requirements of the various local sections, no one system can be adequate for all sections. However, all sections do share a common need for a system that will present current information in a comprehensive and meaningful manner and facilitate year-end calculations.

The Ledger

The ledger is a book containing a record of all financial transactions for a business unit. The method that will be described uses a single ledger. This method is sufficient for any local section that operates on a cash basis and whose assets include only cash, passbook savings, and certificates of deposit. The basic principle involved in this method of bookkeeping is that for every transaction impacting cash, there is an equal and opposite effect on some other account, such as an investment account, a revenue account, or an expense account. In effect, this method is self-balancing:

- For every increase in cash, there is a corresponding increase in revenue or a decrease in expenses.
- For every decrease in cash, there is a corresponding increase in expenses or a decrease in revenues.

It is important to note that this method operates on a cash basis, *i.e.*, revenues and expenses are recorded

when they are received or paid without regard to the date of the service or purchase. Using this method requires double-entry bookkeeping to record the inflow and outflow of the section's financial resources.

Account Verifications and Reconciliation

An advantage of the ledger system is the ability to verify the accuracy of records at any time during a year. This is accomplished by comparing the cash balance in the ledger (beginning cash plus cash increases less cash decreases) against the cash in the bank (bank balance plus funds not yet reflected in the bank statement fewer outstanding checks). If these figures do not reconcile, the error should be located as soon as possible. Reconciliation can be done as often as necessary, but it should be done at least monthly to ensure that the section's books agree with the monthly bank statement. In short, the basic guideline is that every transaction affecting cash should be entered in the ledger. If this rule is observed faithfully, the section's records will be accurate and may be verified at any time and as often as necessary.

Disbursing Funds

Before paying any bills for goods and services, the treasurer should double-check payment has not already been made and that the expense is valid.

Once this is verified, the invoice or statement should then be reviewed by the person who ordered the goods or services to confirm the invoice reflects the goods or services rendered. After confirming, payment can be made. The reviewer can indicate his authorization by initialing the invoice to show his/her approval for payment.

Payment may be made by check, petty cash, debit card or other electronic means such as Venmo or PayPal*. Whichever method used for payment, there must a record in some form. Additionally, it is encouraged to set a disbursement policy that establishes a dollar threshold over which payment should be made.

Sections may wish to provide the treasurer or other authorized users with access to a debit card. The debit card may be used for online transactions or other purchases.

*Zelle, Venmo and PayPal are also acceptable means of collecting revenue from meeting fees and other charges. The section should be aware of that these services may assess as fee on any transaction.

Payment by Check

When a check is drawn, the payee's name appearing on the check should be the same as that appearing on the invoice; the amount of the check should also agree with the amount of the invoice. If the invoice amount must be adjusted for shortages, trade discounts, and the like, corrections should be noted on the invoice and a new "balance due" indicated. On the section copy of the invoice, the treasurer should note the payment date and check number. The treasurer should then file the invoice. Note the following:

1. Someone has approved payment of the invoice and classified the type of expense represented.
2. Payment date and the check number are written on the face of the check.
3. The disbursement has been posted to the ledger.

Some local sections may require two signatures on each check as general policy or when the payment amount exceeds as set threshold. In cases where only one signature is required, to the extent possible, the treasurer should not sign the checks. However, this may not be practicable. In addition, the treasurer should never sign a check that is made out to themselves.

INCOME TAXES

ACS is recognized by the Internal Revenue Service as a nonprofit scientific and educational organization. The Society's local sections are entitled to the same exemption from federal income tax granted to the Society via the Society's group exemption number. Although the Society is classified as a tax-exempt organization, it and its local sections are not exempt from complying with certain filing requirements and certain state and local sales taxes, nor are they exempt from tax on unrelated business income. If the IRS raises questions about a return or tax status, each local section must immediately notify and consult with the ACS Office of Financial Operations. Under no circumstances should a section agree to pay a tax or penalty without such consultation.

Tax-Exempt Status

ACS is exempt from paying federal income tax under section 501(c)(3) of the Internal Revenue Code. ACS local sections that are included in the Society's group exemption maintain their tax-exempt status as 501(c)(3) organizations. Local Sections are included in the ACS group exemption if the following applies:

- a. They have made the election to be included under the ACS group exemption letter by providing the ACS written authorization that they would like to be included under the ACS group exemption. A written authorization for the election must be provided to ACS annually.
- b. Their tax-exempt status was not automatically revoked due to failure to file annual returns for three consecutive years.
- c. They have not received their own individual IRS determination letter.

Local Sections included under the ACS Group exemption letter can provide a copy of the Society's federal tax exemption letter to anyone or any organization that requests proof of a local section's exemption from federal tax. The letter is available on request from the ACS. A Local Section that is tax-exempt under an individual determination ruling should present its own individual IRS determination letter as proof of their tax-exempt status. A copy of the Society's federal tax exemption letter should be presented to anyone or any organization that requests proof of a local section's exemption from federal tax. Please contact the ACS Tax Department at tax@acs.org or 202-872-6306 for a copy of this letter.

To maintain a public charity or non-private foundation 501(c)(3) status, local sections must pass both parts of a two-part support test (Part I, Public Support Ratio, and Part II, Gross Investment Income Ratio). To pass, local sections must normally receive more than 33⅓% of its support donations from the public and not more than 33⅓% of its support from investment income. Sections that fail the tests for 2 consecutive years may lose their public charity 501(c)(3) status and risk becoming a private foundation. The public support test is applied on an average basis over a five-year testing period (including the current year and the four preceding tax years).

Group Exemption

The tax-exempt status of the Society is extended to local sections through the **Society's group exemption number, #0945**. This number is to be used by the local sections for proving their exempt status to outside organizations and individuals and for purposes of filing their federal and state tax returns. Both IRS Form 990 and IRS Form 990-T require that the group exemption number be displayed.

The Society is required to maintain its group exemption number by filing a Group Exemption Report annually. By August 1 each year, the Society requires local sections to forward, in writing, the following information:

1. name and address of the local section treasurer.
2. the official local section name and Employer Identification Number.
3. information regarding all changes in the purposes, character, or method of operations; and
4. a copy of IRS Forms 990, 990-EZ, or 990-N and attachments.

This information should be sent to:

American Chemical Society
tax@acs.org
1155 Sixteenth Street, N.W.
Washington, DC 20036
202-872-6306
202-872-6339 (fax)

Name of Local Section

Please ensure the name of your local section on all tax filings to clarify any confusion with the Society. The full section name should be given, such as “Corning Section of the American Chemical Society.” The name used to apply for an Employer Identification Number (via IRS Form SS-4) is used as the official name of the local section.

Employer Identification Number

Each local section is a separate legal entity, and each must have its own Employer Identification Number (EIN). This number should be used on all correspondence and returns filed with federal and state authorities. The American Chemical Society’s EIN should NOT be used on any local section tax returns or correspondence. New local sections that have not yet applied for an identification number should do so by completing IRS Form SS-4 as soon as possible.

IRS Reporting Requirements

Although local sections, who have elected and are not otherwise revoked are covered under the ACS group exemption letter, their finances are not included in the (National) ACS return filings to the IRS. Each ACS Local Section operates as autonomous unit of the Society, and as such, maintains independent control over their finances. **Therefore, each local section has the responsibility to file its own separate returns to the IRS to maintain their tax-exempt status.**

The following chart indicates the filing thresholds to determine which IRS Form 990 series return to file.

	<i>Form to File</i>
Gross receipts normally ≤\$50,000	990-N
Gross receipts >\$50,000 and <\$200,000, and Total assets <\$500,000	990-EZ
Gross receipts ≥\$200,000, or Total assets ≥\$500,000	990

The law requires tax-exempt organizations to file an annual Form 990, 990-EZ, or to submit a Form 990-N e-Postcard to the IRS.

Form 990- N (e-Postcard) is an electronic filing and not a paper filing. Form 990- N is due by May 15th with no extensions granted. Filing is done by accessing this [website](#).

Local sections that file Form 990-EZ must review the instructions for Schedules A, B, C, E, G, L, and N to determine whether they must report any of their activities or information on those schedules.

Local sections that file Form 990 must complete and file the return with required schedules.

All returns covering the tax period ending December 31 are due to the IRS by May 15 of the following year. Local sections that cannot meet the May 15 due date to file the Form 990 or 990-EZ can request an extension by filing Form 8868 to the IRS by May 15. Sections that fail to request an extension or submit inaccurate returns may face a penalty from the IRS.

If a local section fails to file an annual return or submit a notice as required for three consecutive years, it will automatically lose its tax-exempt status effective on the due date of the third year's return.

Organizations that lose their tax-exempt status may need to file income tax returns and pay income tax if owed but may apply for reinstatement of exemption. A Local Section whose tax-exempt status was granted through the ACS Group Exemption Letter and has lost its tax-exempt status for failure to file the required returns will be removed from the ACS Group Exemption. The Local Section must apply individually for its own tax-exempt status by filing IRS Form 1023 - Application for Recognition of Exemption Under Section 501(c) (3) of the Internal Revenue Code.

You may obtain IRS forms, form instructions, and publications at the IRS website at www.irs.gov/formspubs/index.html or call 1-800-829-3676.

Public Inspection

A local section must allow inspection by the public of its 990 or 990-EZ annual returns. If a request is made, in person or in writing, for a copy of either of these documents, a local section must provide copies to the requester without charge, other than a reasonable fee for any reproduction and mailing costs. A requester may ask for one or more of a local section's three most recent information returns in addition to its application for recognition of exemption. 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. Penalties will be incurred for non-compliance.

Recordkeeping

The local section's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for three years from the date the return is due or filed, whichever is later. The local section should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

IRS Form 1099—MISC—U.S. Information Return for Recipients of Miscellaneous Income

Payments of \$600 or more made by a local section for services to individuals other than employees should be reported on IRS Form 1099-MISC. This form is used by all organizations to report payments made during the year to individuals or partnerships for personal services rendered to the reporting organization. Such payments include consulting fees, honoraria, awards, stipends, *etc.*, and are reported in column 7 of the form. Reimbursements of expenses are not reported on this form, and neither are any payments to corporations except payments to corporations for legal services.

A separate IRS Form 1099-MISC is prepared in triplicate for each payee to whom payments totaling \$600 or more were made during the calendar year. These should be issued to the payees on or before January 31 following the close of the calendar year. The original copy of the form accompanies the IRS Form 1096 to the IRS, the second copy is sent to the payee, and the third copy is retained by the issuing organization. The section must file one copy of each Form 1099-MISC and a summary IRS Form 1096 with the IRS on or before February 28 following the close of the calendar year being reported.

IRS Form 1096—Annual Summary and Transmittal of U.S. Information Returns

IRS Form 1096 is used to summarize all IRS Forms 1099 prepared for each calendar year and for transmitting

IRS Form(s) 1099 to the IRS. Instructions for the preparation of IRS Form 1096, as well as for IRS Form 1099, are printed separately and are available from your local IRS office and the IRS website. The instructions also describe the types of payments that should be reported.

State Filing Requirements

Some state and local governments will accept a copy of Form 990 in place of all or part of their financial report forms. Local sections should consult the appropriate state or local area officials where they conduct business to determine the specific filing requirements.

If your local section has unrelated business income, a state corporation income tax return may be required. The \$1,000 limit applicable to IRS Form 990T may not be appropriate in determining state filing requirements. Contact your state corporate income tax office to obtain information concerning filing requirements and due dates.

ACS LOCAL SECTION ANNUAL FINANCIAL REPORT

The ACS Constitution and Bylaws require that each local section to submit an annual report that details their programmatic and financial activities for each calendar year. ACS uses the annual reports to gauge the vitality of its local sections and to determine if the efforts of its local sections are meeting the strategic thrusts outlined in the Society's strategic plan. On the local level, the annual reports provide a comprehensive historical overview for each section's activities and accomplishments for the previous calendar year.

The annual financial report helps determine serves local section funds were expended in a fiscally responsible manner,

- fulfills ACS bylaw requirements for section reporting and
- records for tax purposes.

The section chair is responsible for ensuring that the entire report is filed and that the content accurately describes the section's activities during the year. However, completing the annual report requires a coordinated effort by various volunteer members of the local section governance (usually the Chair, Chair-elect, Councilor, Treasurer, Secretary, and others). In addition, once the annual report has been completed, the Councilor must approve the form.

The ACS Bylaws stipulate that a local section's annual report must be filed before a local section will receive its annual ACS allotment. For those sections that are unable to submit their reports promptly, the Executive Director may transmit 10% of the allotment (after January 1) on receipt of a written statement of need from the section. A local section can request a one-month extension (until March 15) for submission of the financial report; however, this will freeze the release of the annual allotment until the financial report is received. This written extension request must be submitted with the administration report by February 15.