

So you are now managing a 501(c)(6), now what? You have joined the ranks of business leagues, boards of trades and professional football leagues, but do you know what that means? Does your board?

Many chamber professionals join the chamber world from the private sector, never having been directly responsible for a non-profit organization and its financials. This trial by fire approach while common gets many new chamber executives into trouble. Don't despair, with a little knowhow, some common sense and a great network you will be fine.

A little knowhow on the basics of non-profit accounting will bode well for your organization. If you haven't taken a class on non-profit management through Institute or some other training provider, find one and take it. Here are few quick rules to keep in mind:

1. 501(c)(6) organizations work to improve business conditions of their members. This typically includes activities such as presenting statistics and industry data and expressing the group's opinion on business issues. Networking events and business training are also common. If your activities are outside of your mission, you may have made yourself subject to Unrelated Business Income Tax (UBIT). Check with your financial advisor if you believe this to be the case.
2. Contributions by your members to your organization are a deductible business expense and listed under their Dues and Subscriptions expense account. They are not charitable contributions.
3. For your purposes, only contributions to a 501(c)(3) organization are deductible for charitable purposes. Many chamber's have formed an affiliated 501(c)(3) educational foundation for their training programs.
4. If you have a 501(c)(3) charitable foundation and fundraise for your programs via raffles, drawings, etc – you must file for a Charitable Gaming License. You do not qualify as a 501(c)(6) to do this.
5. While you are non-profit and therefore don't pay corporate taxes, you are required to file a 990 informational tax return annually with the IRS. Failing to file for three years in a row will cause your non-profit status to be revoked.
6. If you process your own payroll, or even if you outsource, make sure all your withholdings are correct and are timely remitted.

Common sense, particularly business sense should be applied regularly to your organization. Here are a few tips for ensuring a healthy organization:

1. Being a non-profit does not mean you should not have a positive bottom line, you can't sustain yourself without one. It merely means that your net income cannot inure to the benefit of you board or your members – you can't pay them like a corporation would through dividends. Your net income is merely used to sustain your programming going forward. A good rule of thumb for chambers is to have six months worth of operating expenditures in reserves for a rainy day. You never know when the next economic event or natural disaster may strike your community, don't let it be the end of your organization – those times are when your members need you the most.

2. I hail from the Sunshine State where the Sunshine Law has shed light on many unfavorable acts committed by non-profits. If you wouldn't want your activity (whatever it is) to be in the headlines of tomorrow's paper, don't do it.
3. If your office has at least four people in it, you don't have to accept the "lacks proper segregation of duties" comment on your audit. You have enough people to separate your functions properly.
4. The size and complexity of your chamber dictates how frequently you should be audited. Even if you are small and can't afford a full audit, I highly recommend an annual review be performed of your books by and Certified Public Accountant.

Create a network of rock stars. Two pieces of advice have always stuck with me:

*True knowledge does not mean knowing all the answers; it is knowing where to find them.*

*Ignorance is not a legal defense. Just because you don't know, doesn't get you off the hook in times of trouble if it is something your position should know.*

Know yourself well enough to know your weaknesses and surround yourself with people that have strengths in those areas. On your board at all times ensure you have:

- A qualified CPA, one familiar with non-profit organizations. Not all CPAs deal with non-profits and should not be insulted if you ask. If they are, you don't need them.
- A corporate lawyer, with non-profit knowledge. Most interaction with your attorney will be contract related which is why you want one with corporate knowledge.
- A banker, particularly if their bank is heavily involved in small business banking.

Use their expertise, ask them questions and encourage them to question you. You should be actively seeking their input and responding promptly to their inquiries. We have all been in a situation where we have read our prepared report so many times we now read what "should" be there versus what "is" there. Having another set of eyes, especially the eye of an expert is always a good thing.

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