

Crime Stoppers Financial Compliance: Go Directly to Go – Do Not Go to Jail



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Magnificent 7 of Crime Stoppers Financial ABC's

- IRS Reporting/Compliance
- State Reporting Requirements
- Financial Statement Reporting
- Annual Audit or Financial Review
- Handling Donations
- Fiduciary Responsibilities
- Internal Controls

IRS Reporting Compliance Areas

Exemption Requirements 501 (c)(3) Organizations

Let's make sure we all understand the meaning of a charitable, tax exempt organization as identified by the IRS...

Exemption Requirements:

To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, *i.e.*, it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Exemption Requirements:

Organizations described in section 501(c)(3) are commonly referred to as *charitable organizations*. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170.

Exemption Requirements:

The organization must **not** be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization managers agreeing to the transaction.

Exemption Requirements:

Section 501(c)(3) organizations are restricted in how much political and legislative (*lobbying*) activities they may conduct. For a detailed discussion, see [Political and Lobbying Activities](#). For more information about lobbying activities by charities, see the article [Lobbying Issues](#); for more information about political activities of charities, see the FY-2002 CPE topic [Election Year Issues](#).

Forms & Deadlines

Which forms do exempt organizations file?

Most tax-exempt organizations are required to file an annual return. Which form an organization must file generally depends on its financial activity, as indicated in the chart below.

<i>Status</i>	<i>Form to File</i>
Gross receipts normally \leq \$50,000 Note: Organizations eligible to file the <i>e-Postcard</i> may choose to file a full return	<u>990-N</u>
Gross receipts $<$ \$200,000, and Total assets $<$ \$500,000	<u>990-EZ</u> or <u>990</u>
Gross receipts \geq \$200,000, or Total assets \geq \$500,000	<u>990</u>
Private foundation - regardless of financial status	<u>990-PF</u>

Annual Return Due Date

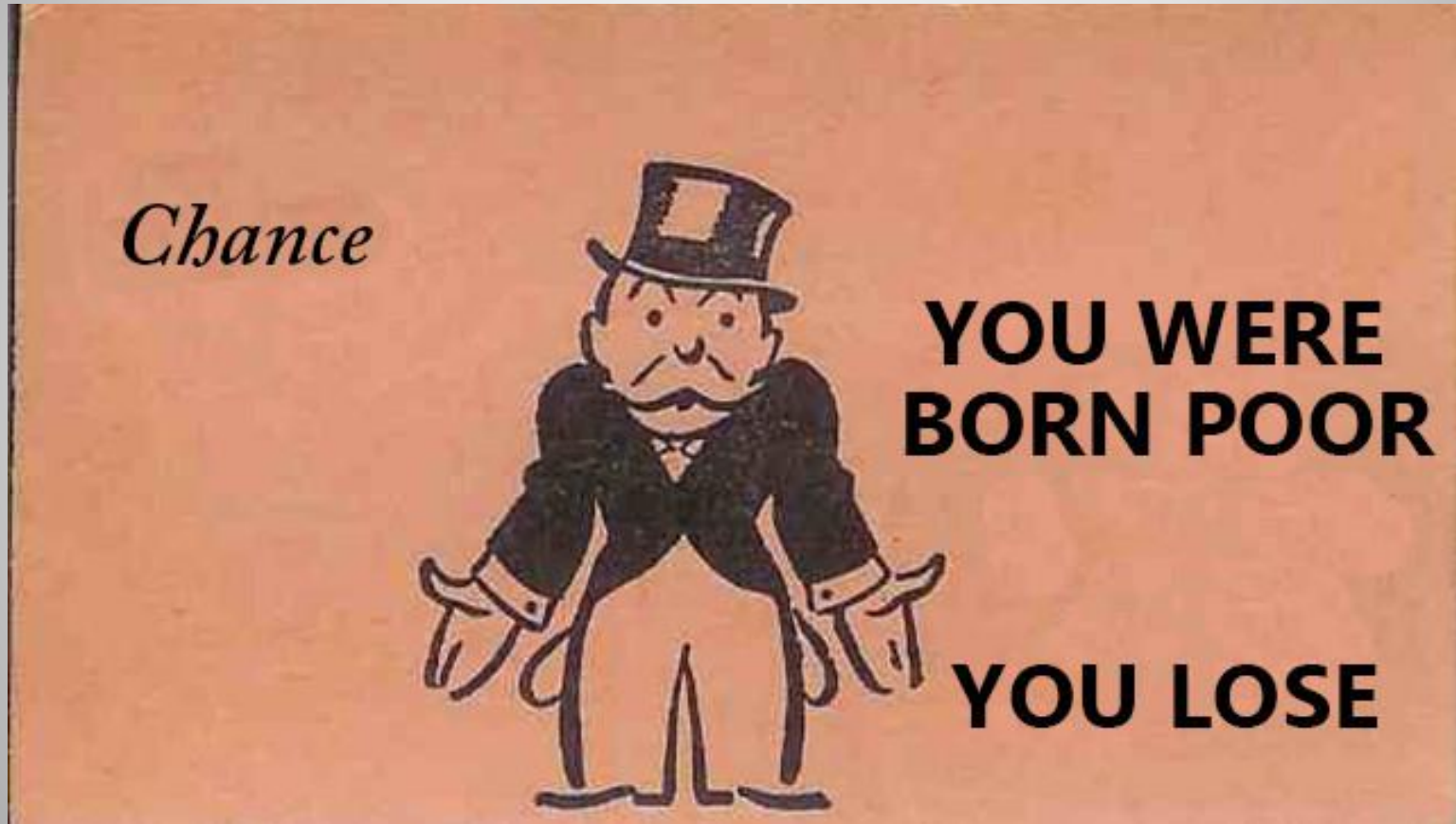
- Form 990, Form 990-EZ, Form 990 T & Form 990-N is due on the 15th of the fifth month following fiscal year end
- NEW STARTING LAST YEAR!
 - Form 8868 updated to provide for automatic six-month extension for Form 990, Form 990-EZ & 990T
 - Form 8868 Application for Automatic Extension must be filed on or before original due date
- No Extension allowed for Form 990-N
 - However, there is no penalty for late filing
- So when is your return due?

Return Due Dates for Exempt Organizations: Annual Return

Use the table below to find your due date of annual returns (Form 990, 990 EZ, 990-PF) that a tax exempt organization must file.

Ending date of tax year	Initial return due date	Auto 6-month extension due date
December 31	May 15	November 15
November 30	April 15	October 15
October 31	March 15	September 15
September 30	February 15	August 15
August 31	January 15	July 15
July 31	December 15	June 15
June 30	November 15	May 15
May 31	October 15	April 15
April 30	September 15	March 15
March 31	August 15	February 15
February 28/29	July 15	January 15
January 31	June 15	December 15

What happens if we file late or don't file?



What happens if we file late or don't file?

- Internal Revenue Service will impose a late penalty of:
 - Organizations with less than \$1 million in gross receipts = \$20 per day up to \$10,000, or a 5% of the organizations gross receipts, whichever is less.
 - Organizations with more than \$1 million in gross receipts = \$100 per day, up to a maximum of \$50,000.
- Internal Revenue Service will revoke tax-exempt certification if no annual return is submitted for three consecutive years on the date that the third annual return is due
- What impact does this have?
 - For any excess revenues over expenses, corporate income taxes may be due
 - Any other state or federal tax breaks for tax-exempt organizations would no longer be applicable, i.e. state sales taxes
 - Organization may no longer hold itself out as a charitable organization and receive tax deductible donations
 - Publicity that may arise within the community on loss of tax-exempt status

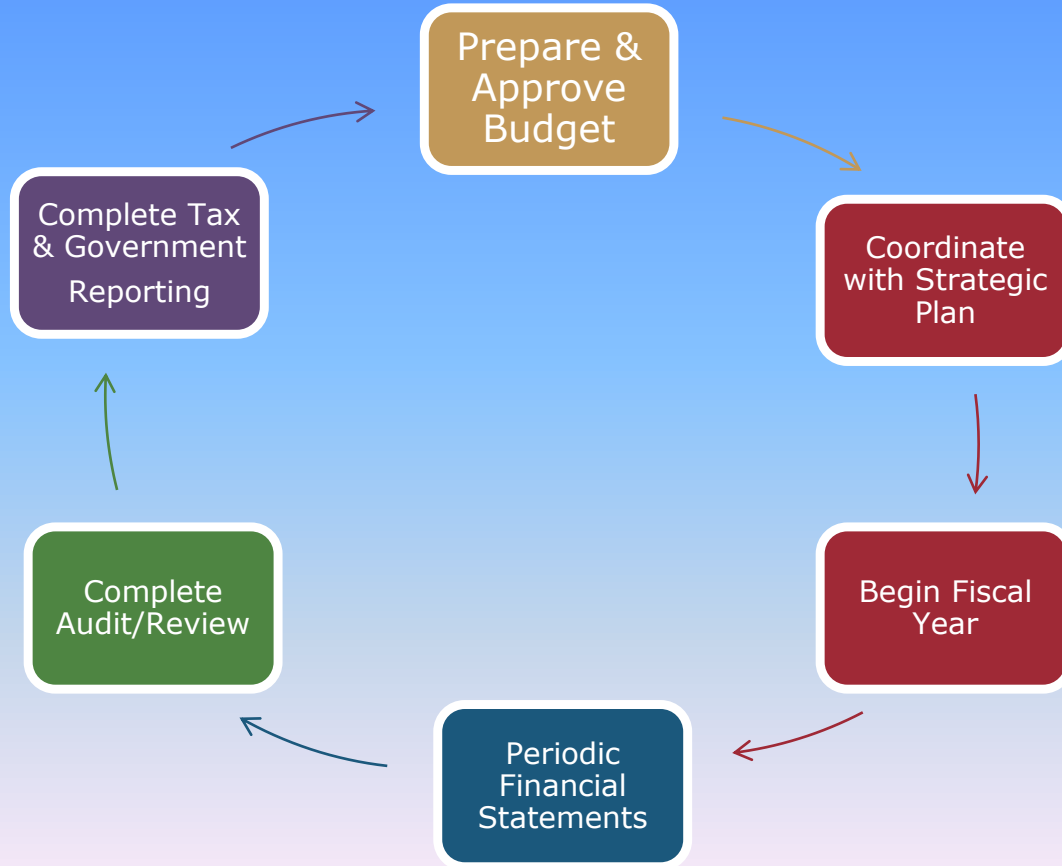
State Reporting Requirements

State Reporting Requirements

- Important to check state taxing authorities to verify registration and reporting requirements
- Most require an annual report or filing
- Maintain compliance with statutes
- Require copy of Form 990?
 - Some states may require Form 990
- Most states have charitable reporting and filing requirements
- Check your state requirements and regulations

Financial Statements & Reporting to the Board

Financial Cycle



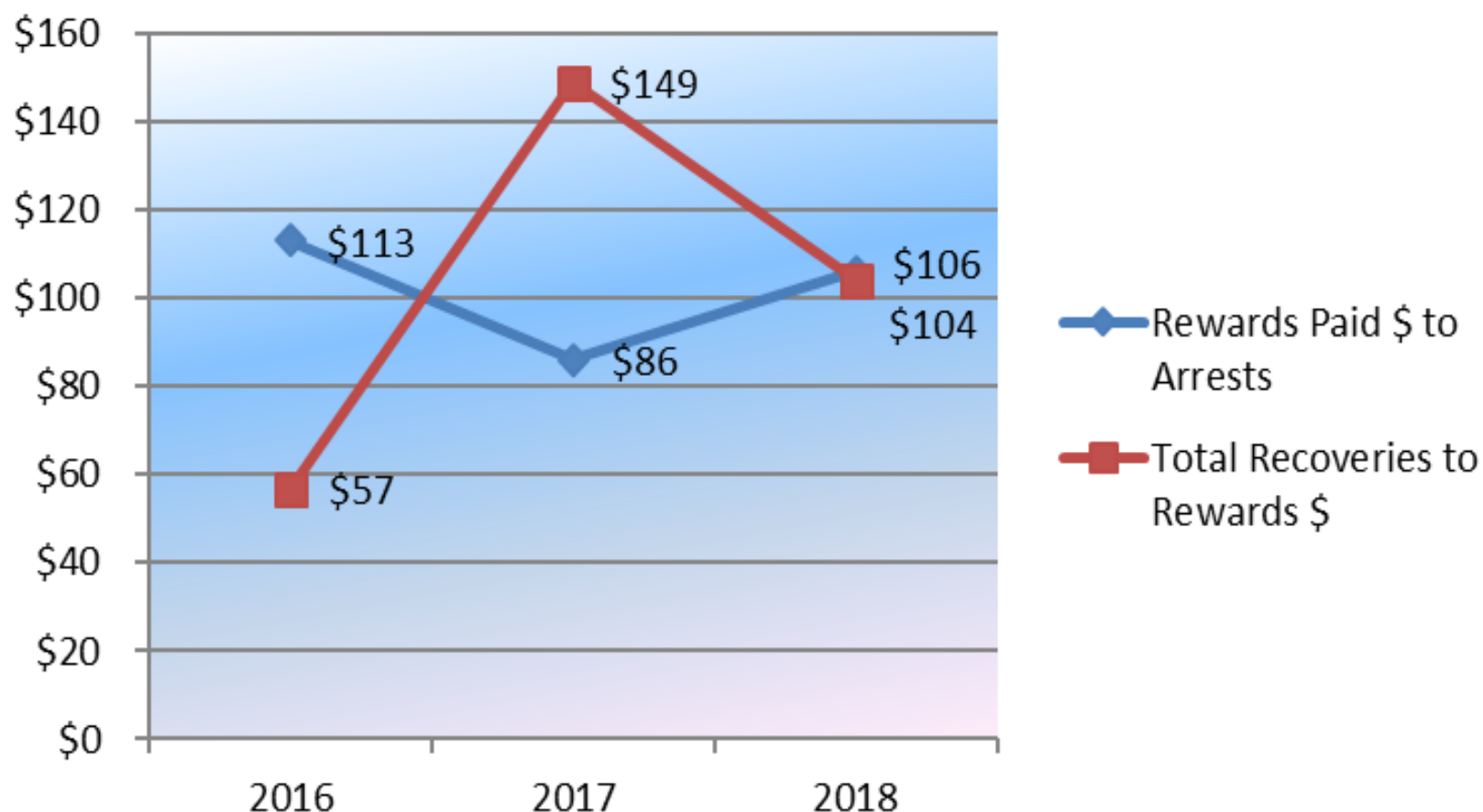
Statistics

Crime Stoppers Statistics				
		2016	2017	2018
1	Calls Received	1,152	1,344	1,260
2	Arrests Made ¹	161	163	185
3	Cases Cleared ¹	250	236	279
4	Rewards Paid # ¹	87	72	98
5	Rewards Paid \$ ¹	\$18,270	\$14,040	\$19,600
6	Property Recovered ¹	\$213,325	\$296,008	\$647,500
7	Drugs Seized ¹	\$821,905	\$1,793,326	\$1,388,610
8	Total Property and Drugs ¹	\$1,035,230	\$2,089,334	\$2,036,110
	¹ Required Reporting Statistic to CSUSA			

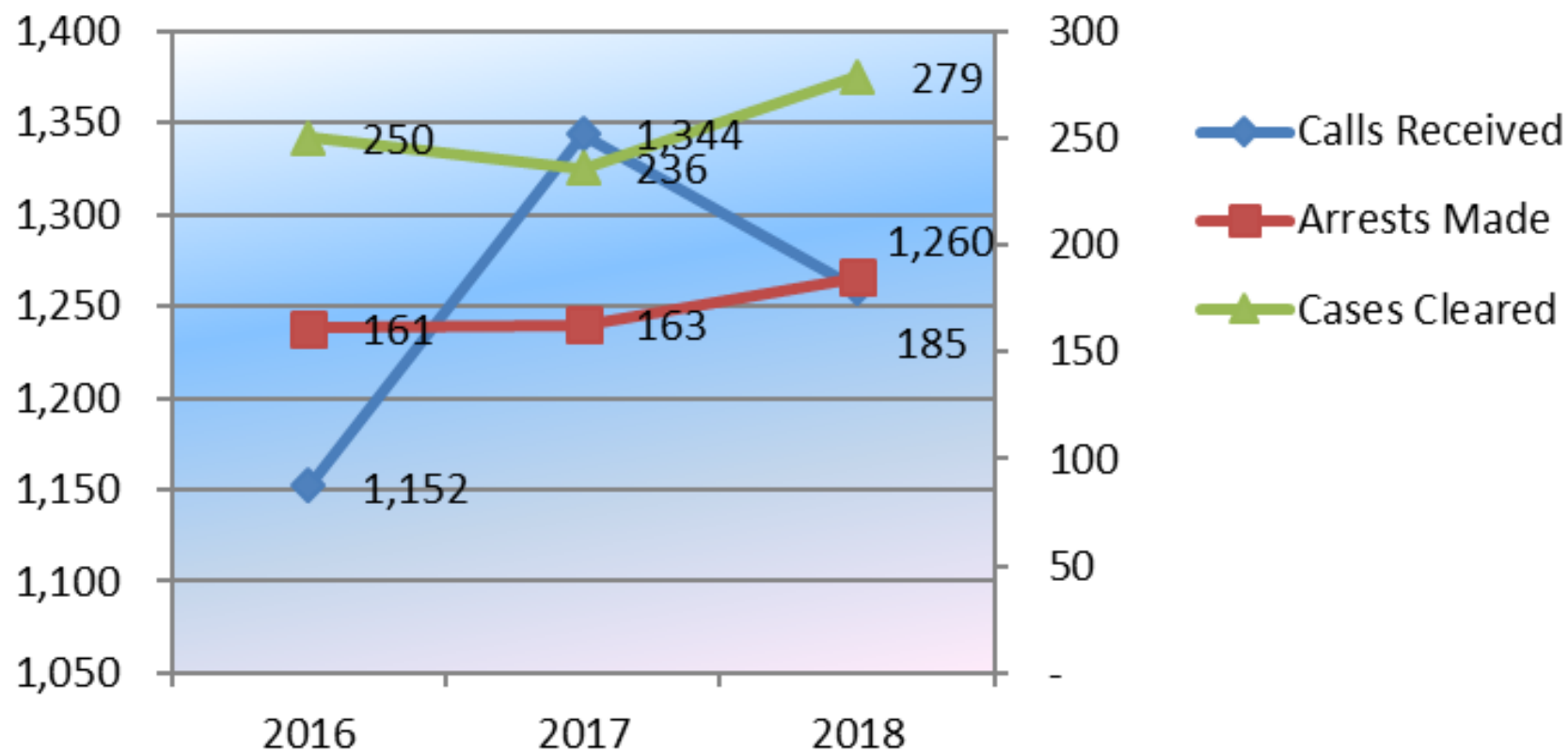
Statistics

Crime Stoppers Statistics						
		2016	2017	2018	CSUSA	Calculation
9	Calls per Day	5.2	6.1	5.7		L1/220
10	Arrests to Calls Received	14.0%	12.1%	14.7%		L2/L1
11	Cases Cleared to Arrests	1.55	1.45	1.51	1.687	L3/L2
12	Rewards Paid # to Arrests	54.0%	44.2%	53.0%		L4/L2
13	Reward \$ to Reward #	\$210	\$195	\$200		L5/L4
14	Rewards Paid \$ to Arrests	\$113	\$86	\$106	\$149	L5/L2
15	Property Recovered to Arrests	\$1,325	\$1,816	\$3,500	\$2,230	L6/L2
16	Drugs Seized to Arrests	\$5,105	\$11,002	\$7,506	\$6,514	L7/L2
17	Total Recoveries to Arrests	\$6,430	\$12,818	\$11,006	\$8,744	L8/L2
18	Total Recoveries to Rewards \$	\$57	\$149	\$104	\$59	L8/L5
	CSUSA Benchmark	\$149	\$149	\$149		

Crime Stoppers Return on Investment



Crime Stoppers Calls, Arrests & Cleared Cases



Statistics – Cont'd

- Graph and trend statistics for the program
- Develop statistical relationships and trend
- Compare to national and international benchmarks, if available
- This information is invaluable when preparing marketing materials, dealing with the media and promoting your program in the community and with law enforcement
- Can also trend potential significant issues

Financial Statements

- Income Statement or Operating Statement
- Balance Sheet
- Purpose of Budget
- Annual Audit or Review of Financial Statements

Income/Operating Statement

- Reflects the financial activities of the organization for a period of time
- Periodic report summarizing the receipts received and disbursements made for the organization
- Activity can be reported in month and year to date
- May include comparison to budget or previous year to date

Balance Sheet

- Report that provides the financial accumulation of funds, investments and property called assets
- Identifies amounts owed and outstanding debt as liabilities
- The net of the assets less liabilities is termed as net assets in tax exempt, charitable organizations

Crime Stoppers**Operating Statement****For the Fiscal Year Ended December 31, 2018**

	Actual	Budget	Variance	% Variance
1 Revenues and Support:				
2 Individual Contributions	5,600	4,000	1,600	40.0%
3 Corporate Contributions	9,600	10,000	(400)	-4.0%
4 Court Ordered Restitution	5,400	6,000	(600)	-10.0%
5 Fund Raising Events	21,000	20,000	1,000	5.0%
6 Total Revenues and Support	41,600	40,000	1,600	4.0%
7 Expenses:				
8 Rewards	19,600	18,000	(1,600)	-8.9%
9 Marketing/Promotional	5,700	4,000	(1,700)	-42.5%
10 Administrative Costs	2,980	3,000	20	0.7%
11 Fund Raising Expenses	10,120	9,000	(1,120)	-12.4%
12 Insurance	1,000	1,000	-	0.0%
13 Miscellaneous	3,600	2,000	(1,600)	-80.0%
14 Total Expenses	43,000	37,000	(6,000)	-16.2%
15 Changed in Unrestricted Net Assets	(1,400)	3,000	(4,400)	-146.7%
16 Unrestricted Net Assets - 1/1/16	21,260	21,260		
17 Unrestricted Net Assets - 12/31/10	19,860	24,260		

	Crime Stoppers				
	Operating Statement				
	For the Fiscal Year Ended December 31, 2018				
		2018	2017	Variance	% Variance
1	Revenues and Support:				
2	Individual Contributions	5,600	3,700	1,900	51.4%
3	Corporate Contributions	9,600	10,700	(1,100)	-10.3%
4	Court Ordered Restitution	5,400	6,500	(1,100)	-16.9%
5	Fund Raising Events	21,000	19,000	2,000	10.5%
6	Total Revenues and Support	41,600	39,900	1,700	4.3%
7	Expenses:				
8	Rewards	19,600	14,040	(5,560)	-39.6%
9	Marketing/Promotional	5,700	3,800	(1,900)	-50.0%
10	Administrative Costs	2,980	2,400	(580)	-24.2%
11	Fund Raising Expenses	10,120	9,600	(520)	-5.4%
12	Insurance	1,000	1,000	-	0.0%
13	Miscellaneous	3,600	1,900	(1,700)	-89.5%
14	Total Expenses	43,000	32,740	(10,260)	-31.3%
15	Changed in Unrestricted Net Assets	(1,400)	7,160	(8,560)	-119.6%
16	Unrestricted Net Assets - 1/1/16	21,260	14,100		
17	Unrestricted Net Assets - 12/31/10	19,860	21,260		

	Crime Stoppers		
	Balance Sheet		
	December 31, 2018		
		2018	2017
	Assets		
1	Current Assets		
2	Cash	3,205	3,700
3	Investments	16,655	17,560
4	Total Current Assets	19,860	21,260
	Liabilities and Net Assets		
5	Net Assets - Unrestricted	19,860	21,260

Purpose of Budget

- A financial plan or roadmap.
- Considered governance best practice
- Construct guidelines against which to measure outcomes.
- Generally covers 12 months.
- Periodically review, revise and update.
- Budget may be approved at beginning of fiscal year, allowing for orderly payment of expenses

Development of Annual Budget

- Statistics
 - Estimate volume goal calls, number of rewards
- Revenue
 - Forecast revenue sources such as donations, grants, court ordered, investment earnings
- Disbursements
 - Forecast expenses to achieve revenue goals.
 - Identify expenses to support program, such as rewards and administrative costs

Annual Reporting Audit or Review

Annual Audit

- Financial Audit
 - Follows generally accepted auditing standards.
 - Includes examining, on a test basis, evidence supporting amounts and disclosures.
 - Includes assessing the accounting principles and estimates.
 - Provides an opinion on the financial statements.
 - An audit may be required by a donor, a private or governmental grant, or other external sources.

Annual Review

- Financial Review
 - Substantially less in scope than an audit.
 - A review consists of inquiries of organizational personnel.
 - Analytical procedures are applied to financial data.
 - No opinion is rendered on the financial statements.
 - Useful in providing to donors and grantors, as requested

Review Committee

- Crime Stoppers Audit Committee
 - Some organizations utilize this committee as an oversight of the finances.
 - Periodic reviews of the bank statements, deposits, checks issued are made to the supporting documentation.
 - Match payments made to board minutes for authorization
 - A report is made to the full board of any discrepancies uncovered.

Handling Donations

Donation Disclosures for \$250 or More

- Is a donor disclosure required for donations?
 - For IRS purposes, a business or individual can claim a donation on their tax return only if they have documentation from the charity regarding the specifics of the donation.
 - The extemporaneous correspondence must include the name of the organization, date of the contribution and the cash contribution amount or description of any non-cash contributions.
 - Declare in a statement that no goods or services were provided by the organization in return for the contribution
- Example of an acknowledgment letter:
 - Thank you for your cash contribution of \$300 that Crime Stoppers received on 6/25/2018. No goods or services were provided in exchange for your contribution.
- Good/best business practice
 - Sending thank you notes to all donors!



Financial Fiduciary Responsibilities

Transparency / Accountability

- Review annual tax filing of Form 990, Form 990 – EZ, or Form 990-N
- Financial statements and Form 990 on programs website
- Ask questions
 - Board has ultimate responsibility and accountability for all financial transactions
 - Fiduciary responsibility by board for funds donated to Crime Stoppers by the community

Financial Fiduciary Responsibilities

- Crime Stoppers Board is ultimately responsible for preserving and maintaining the financial assets of the organization.
 - Community trust
- Insist on current operating statement, and read and interpret it. Ask questions.
- Periodically review policies and procedures relating to financial activities (internal audit)

Financial Fiduciary Responsibilities Cont'd

- Comply with laws and regulations
 - Filing of tax returns

Internal Controls

Risk Assessment

- Internal risks
 - Access to funds
 - Receiving adequate financial information
- External risks
 - External contract/ – access to information, confidentiality
 - Protecting tip code numbers
- Control activities
 - Development of checklists, policies and procedures establishing appropriate controls over organizational activities

Internal Controls Areas

- Controls over cash receipts
- Controls over cash disbursements
- Segregation of duties

Segregation of Duties - Examples

- Cash receipts/checks are recorded and deposited by an individual not having signing authority on checks
- Have two signatures required on checks over a stipulated amount
- Have bank statement mailed directly to President for review and approval before sending to treasurer

Review & Monitor

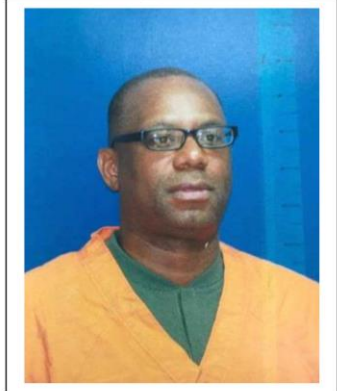
- Monthly Financial Statements
- Monthly receipts and expenditures reports
- Bank reconciliation
- Reward reconciliation

Internal Controls for Reward Payouts

- All rewards approved by the board
- If bank used, pay only after confirmation call with tipster
- Treasurer should coordinate payouts with banking facility
- Utilize bank teller system for payouts
- Reconcile rewards paid with bank reconciliation against rewards approved by board
- Set policy to have reward payouts expire if not collected within 90 days

Crime Stoppers official accused of embezzling money for Las Vegas fraternity trip

The Clarion-Ledger Published 3:30 p.m. CT June 29, 2017 | Updated 9:16 p.m. CT June 29, 2017



A Crime Stoppers official has been accused of embezzling money to take a round-trip service to Las Vegas to attend a national fraternity convention in Las Vegas.

Elijah Wilson, former coordinator of the North Central Mississippi Crime Stoppers, has been indicted on two counts of embezzlement by a Marshall County Grand Jury, according to state Auditor Stacey Pickering.

In addition to the Las Vegas trip, Wilson, 48, is accused of attending a Crime Stoppers conference in January of 2016, and received a travel advancement from the Town of Holly Springs, as well as reimbursement from NCMCS for the same trip.

"This case is egregious not just because of the embezzlement, but because a law enforcement official stole from the public he was sworn to serve," Pickering.

A formal demand totaling \$15,673.28 was served to Wilson, which included the embezzled funds, interest and costs.

"The illegal use of Crime Stopper money could have very well impeded the arrest and prosecution of other criminals," Public Safety Commissioner Marshall Fisher said. "We gladly work with our law enforcement partners on the local, state and federal level to fully prosecute individuals who abuse public money."

In May 2017, Wilson retired after having been employed by Holly Springs Police Department since 2000 and serving as coordinator of North Central Mississippi Crime Stoppers since 2006.

??Questions??



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