



# Crime Stoppers Financial Compliance – Who's Watching the Money

Presented by:

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Immediate Past Chair – Crime Stoppers USA

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# Topics

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

# IRS Reporting Compliance Areas

# Forms and Deadlines

# IRS Form 990 – Which Form to Use? When?

## 990 Return

Form 990-N,  
*Electronic Notice for  
Tax Exempt  
Organizations Not  
Required to File  
Form 990 or 990-EZ*

## How Used

Most small tax-exempt organizations whose annual gross receipts are normally \$50,000 or less.

## When to File

15th day of 5th month after end of organization's tax year (May 15 for calendar year)

Form 990-EZ for Tax Exempt Organizations not required to file Form 990 and unable to file Form 990-N

An organization with gross receipts less than \$200,000 and total assets less than \$500,000 at the end of the year may use this form.

Form 990-EZ is due on the 15th day of the 5th month following the end of the organization's taxable year. For organizations on a calendar year, the Form 990-EZ is due on May 15th of the following year.

Form 990 for Tax Exempt Organizations unable to file Form 990-EZ or Form 990-N.

An organization with gross receipts more than \$200,000 and total assets of more than \$500,000 at the end of the year may use this form.

Form 990 is due on the 15th day of the 5th month following the end of the organization's taxable year. For organizations on a calendar year, the Form 990 is due on May 15th of the following year.

# IRS Risks

# Is Your IRS Status at Risk?

- Participating in political campaigns of elected officials?
- Lobbying activities?
- Allocating earnings to private inurement of an individual or board member?
- Operating a business that is not the primary tax exempt purpose?

# Is Your IRS Status at Risk?

- Any funds benefiting the organization's founder or founder's family?
- Engaging in any illegal activities for violations of public policy?
- File annual informational returns to the IRS?



# Donations - Responsibilities

- Donations of amounts greater than \$250
  - IRS Requirement to provide written substantiation to donor
  - Net of any fair value received for the donation
- Good business practice
  - Sending thank you notes to donors

# Search IRS - Status

- Search for charitable organizations status
- Search for your Crime Stoppers organization
  - IRS.gov - Type in search area: Search Charities
  - Type in your organizations demographics
  - Make sure your current as a public charity
  - Confirm your eligibility to receive deductible donations
- Example
  - [Website: www.irs.gov](http://www.irs.gov)

# Search Form 990 Info

- Utilize GuideStar
- Comprehensive Nonprofit Organization Analysis
- Search GuideStar
  - [GuideStar Website](http://www.guidestar.org/)
  - Website location:
    - <http://www.guidestar.org/>

# 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
- Check your state requirements and regulations

# Financial Statements & Reporting to the Board

# Financial Cycle



# Statistics

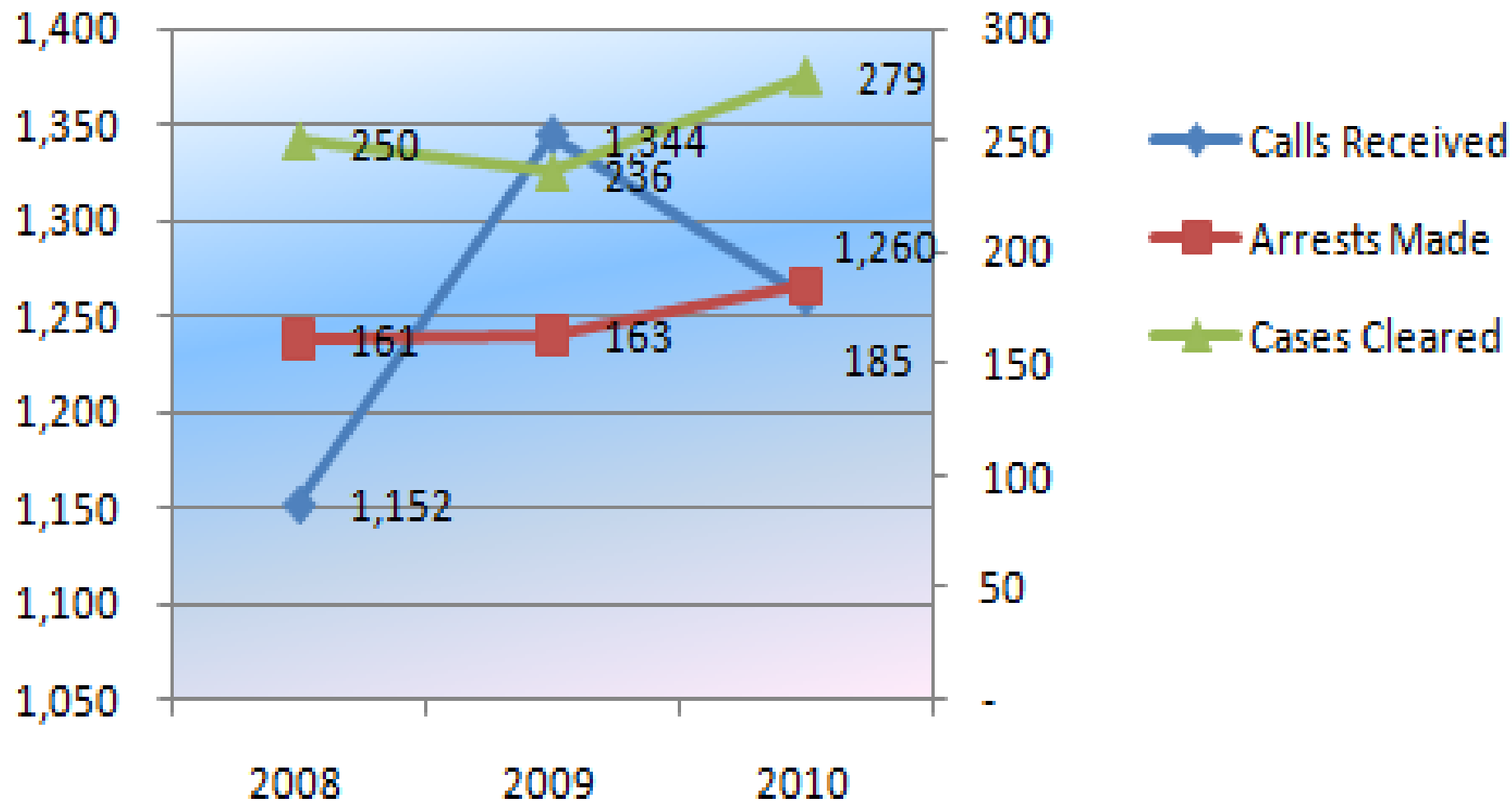
- Maintain minimum statistics as per Crime Stoppers requirements
  - Arrests made
  - Cases cleared
  - Rewards paid
  - Property recovered
  - Drugs seized
- Any additional statistic your organization may have for the program, such as calls received
- People can read graphs better than numbers



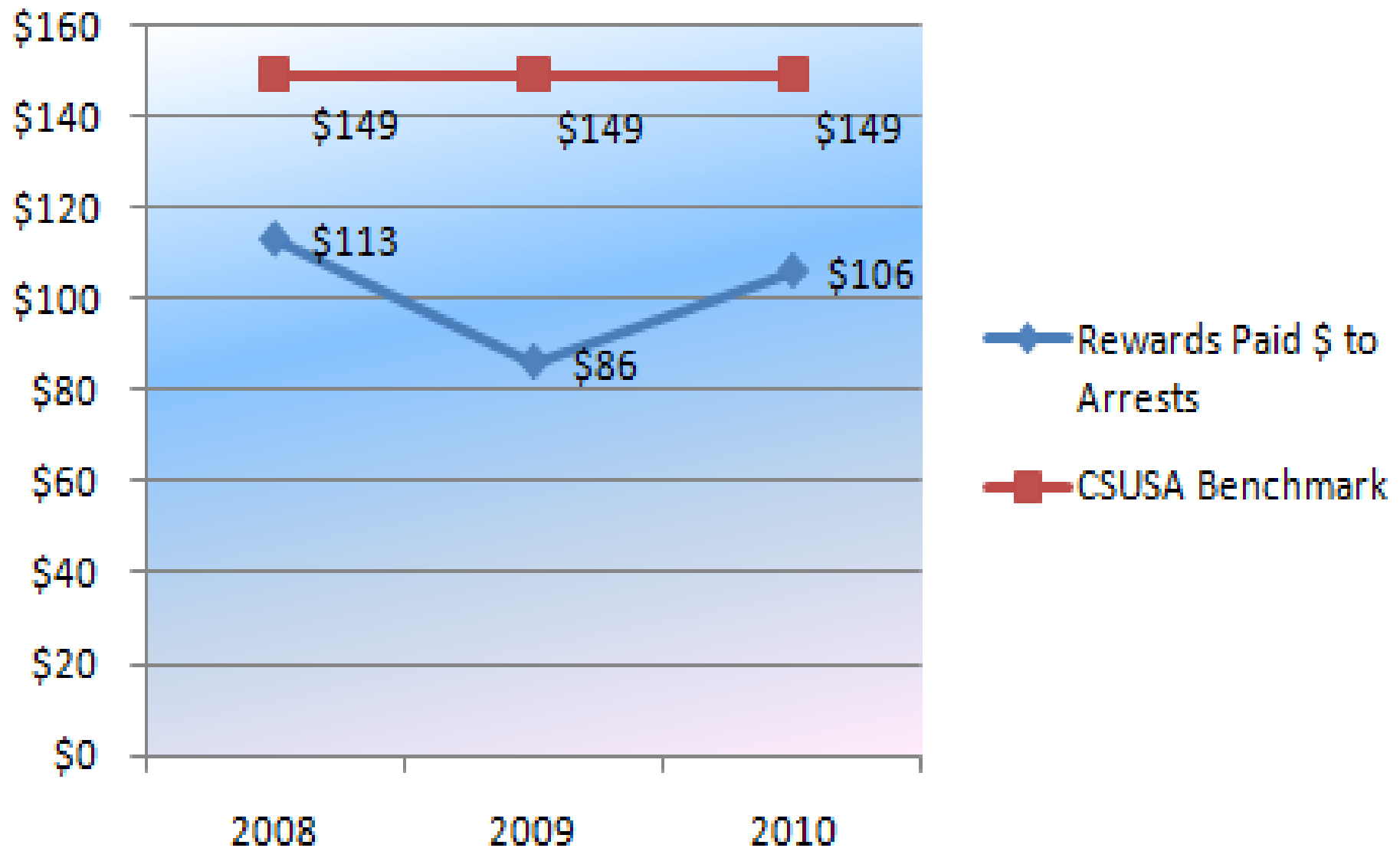
Crime Stoppers Statistics				
		2008	2009	2010
1	Calls Received	1,152	1,344	1,260
2	Arrests Made	161	163	185
3	Cases Cleared	250	236	279
4	Rewards Paid #	87	72	98
5	Rewards Paid \$	\$18,270	\$14,040	\$19,600
6	Property Recovered	\$213,325	\$296,008	\$647,500
7	Drugs Seized	\$821,905	\$1,793,326	\$1,388,610
8	Total Property and Drugs	\$1,035,230	\$2,089,334	\$2,036,110
	<sup>1</sup> Required Reporting Statistic to CSUSA/CSI			17

	Crime Stoppers Statistics					
		2008	2009	2010	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		18

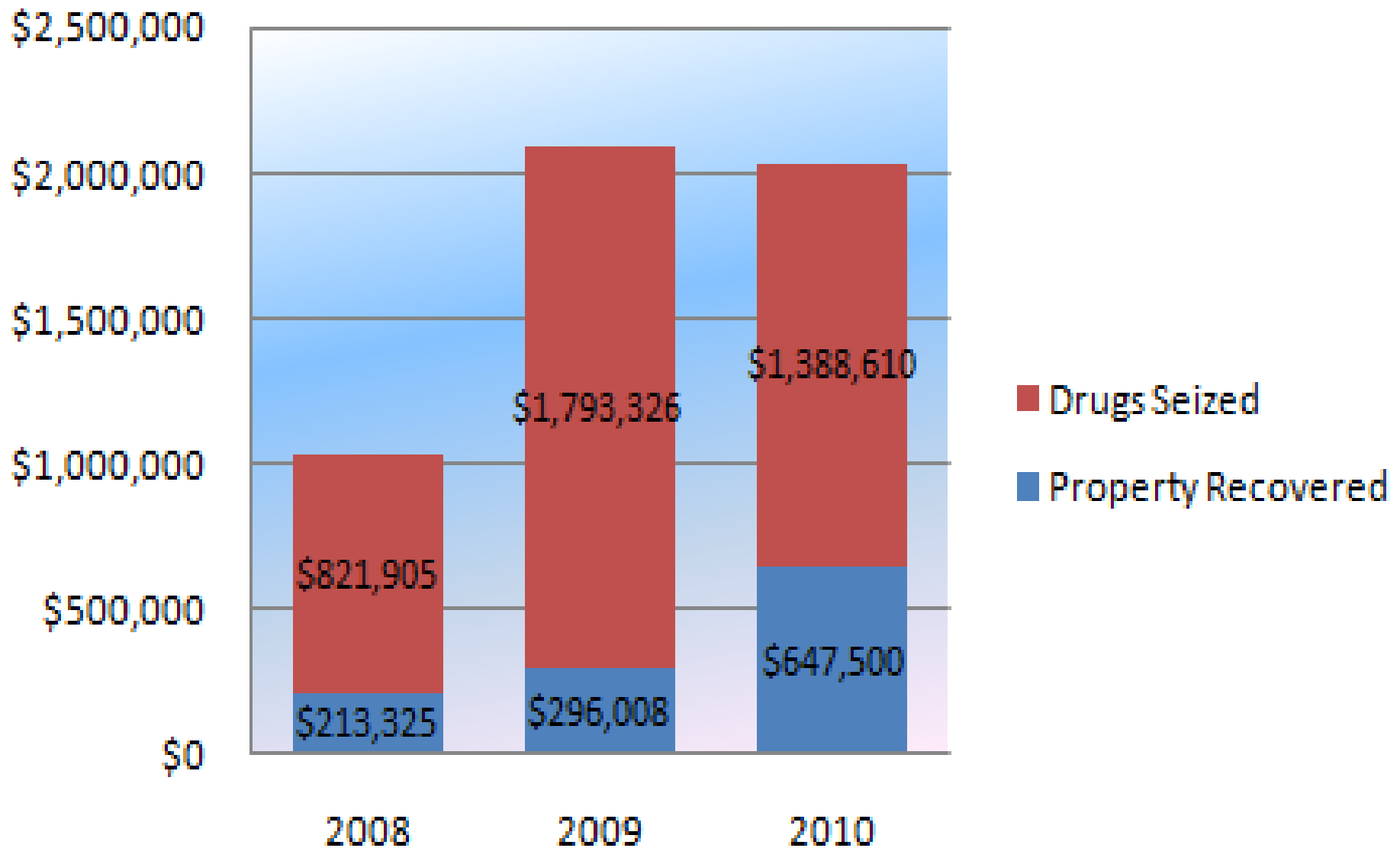
# Crime Stoppers Calls, Arrests & Cleared Cases



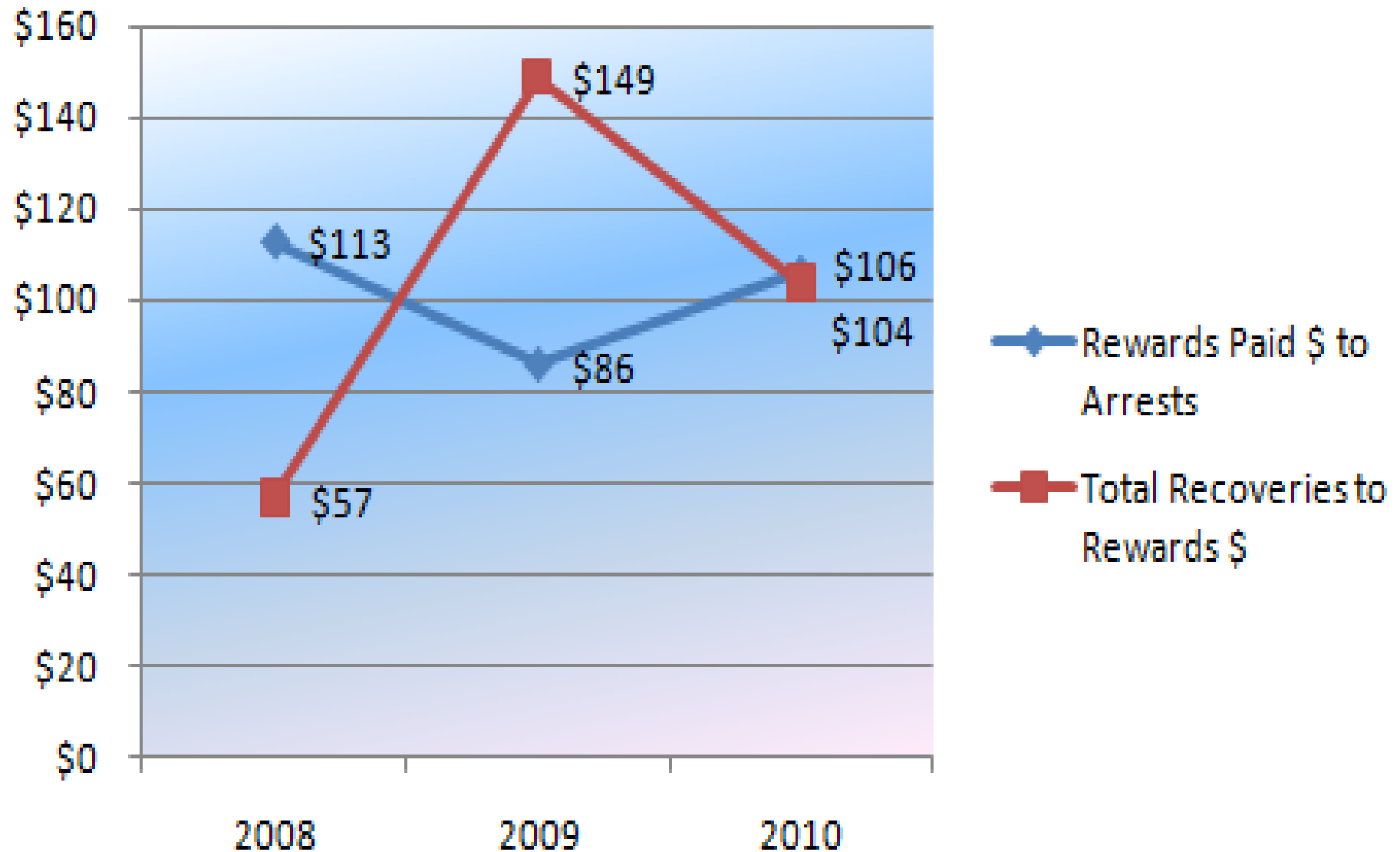
# Rewards Paid to CSUSA



# Crime Stoppers Recoveries



# Crime Stoppers Return on Investment



# 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, 2010				
		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 - 1/1/10	21,260	21,260		
	5/3/2013				27
17	Unrestricted Net Assets - 12/31/10	19,860	24,260		

	Crime Stoppers				
	Operating Statement				
	For the Fiscal Year Ended December 31, 2010				
		2010	2009	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 - 1/1/10	21,260	14,100		
17	5/3/2013 Unrestricted Net Assets - 12/31/10	19,860	21,260		28

	<b>Crime Stoppers</b>		
	<b>Balance Sheet</b>		
	<b>December 31, 2010</b>		
		<b>2010</b>	<b>2009</b>
	<b>Assets</b>		
1	Current Assets		
2	Cash	3,205	3,700
3	Investments	16,655	17,560
4	Total Current Assets	19,860	21,260
	<b>Liabilities and Net Assets</b>		
5	Net Assets - Unrestricted	19,860	21,260

# Calculate Days Cash on Hand

- A measurable liquidity ratio.
- Identifies amount of time, in days or months, the organization can sustain expenses without incoming funds.
- Calculation:
  - Cash from all sources (Balance Sheet)
  - Divided by (Annual Expenses (Operating Statement) divided by 12 months)
  - Advising 1 ½ times annual operating expenses in case of revenue shortfall

# 1. Calculate Average Expenses Per Month

	Crime Stoppers	
	Operating Statement	
	For the Fiscal Year Ended December 31, 2010	
		Actual
7	Expenses:	
8	Rewards	19,600
9	Marketing/Promotional	5,700
10	Administrative Costs	2,980
11	Fund Raising Expenses	10,120
12	Insurance	1,000
13	Miscellaneous	3,600
14	Total Expenses	43,000
	Divide by 12 Months	12
	Average Expenses per Month	3,583.33

## 2. Calculate Cash on Hand, In Months

	<b>Crime Stoppers</b>	
	<b>Balance Sheet</b>	
	<b>December 31, 2007</b>	
		<b>2010</b>
	<b>Assets</b>	
1	Current Assets	
2	Cash	3,205
3	Investments	16,655
	Total Cash, All Sources	19,860
	Divide by Average Expenses per Mo	3,583.33
	Cash on Hand, In Months	5.5



# Establish an Investment Policy

- Set of guidelines approved by the board establishing general parameters for investable funds.
- Understand risks and rewards of various investment instruments.
- Board should periodically review, revise and update investment instruments.

# Budget

# Purpose of Budget

- A financial plan or roadmap.
- 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

# Donations/Fund Raising - Responsibilities

- Donations of amounts greater than \$250
  - IRS Requirement to provide written substantiation to donor
  - Net of any fair value received for the donation
- Good business practice
  - Sending thank you notes to donors

# Fund Raising

- Grant reporting
  - May require a financial audit.
  - May need to keep track of specific receipts and expenses
- Special Fund Raising events
  - Discrete receipts and expense report should be completed determining profit or loss of event.
- Appropriate use of donated funds
  - If donor restricted, must follow wishes of donor by accepting gift.

# Financial Fiduciary Responsibilities

# Transparency/Accountability

- Review annual tax filing of Form 990, Form 990 – EZ, or Form 990-N
- 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
- Protect cash and assets
  - Segregate financial duties, i.e. cash receipts
  - Second signature on large checks
  - Track inventory
  - Bidding process, if necessary

# **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

- 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 and Monitor

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

# Internal Controls for Tip Payouts

- All rewards approved by the board
- If bank used, pay only after confirmation call with tipster
- If payout by board, two board members payout in a very public location
  - Rotate for alternate members periodically
- Set policy to have reward payouts expire if not collected within 90 days

# Internal Controls for Tip Payouts, Cont'd

- Reconcile rewards paid with bank reconciliation in rewards approved by board
- Crime Stoppers USA is developing some written guidelines on this area

# FBI/Dallas Situation

- FBI states CS are inefficient and lack internal controls over reward funds
- Establish simple process to independently verify from time to time by matching the reward to a solve from a report from law enforcement agency
- Undocumented rewards and fraudulent cases would potentially be caught sooner
- May act as deterrent as law enforcement coordinator knowing of oversight in process

# Summary

- IRS & State Reporting Requirements
- Financial Statements Reporting
- Audit or Review or Audit Committee
- Handling Donations
- Fiduciary Responsibilities
- Internal Controls



**? Questions ?**

# Copy of this Presentation?

- A copy of this presentation is included in your handout materials

# Contact Information:

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Enjoy the Remainder of your  
Conference

August 12, 2013