

## 3<sup>rd</sup> Annual Crime Stoppers USA Training Conference



### Crime Stoppers Financial Compliance: Responsibilities - Maintenance, Monitoring & Controls

Presented by:

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Monday, August 8, 2011

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## Course Objectives

- Discuss typical financial year cycle
- Understanding and interpreting basic statistics and financial statements
- Ability to identify and monitor best practices basic financial targets
- Understanding the organization's financial risks
- Facilitating the strategic plan into a financial plan (budget)

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## Overview of Presentation

- Discuss course objectives
- Instruction and Demonstration of Principles, Controls and Skills
- Group Debriefing of Applications
- Other topics from attendees

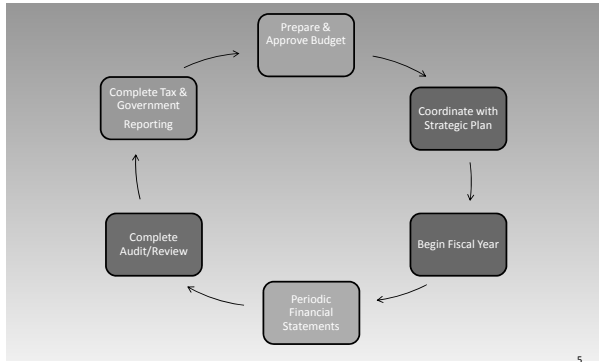
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## Course Objectives – Cont'd

- IRS risks and responsibilities
- Compliance for Crime Stoppers programs
- Internal Controls for programs
- Understanding financial fiduciary responsibilities

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## Financial Year Cycle



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## Statistics Cont'd

- Graph and trend statistics for the program
- Develop statistical relationships and trend
- Compared 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

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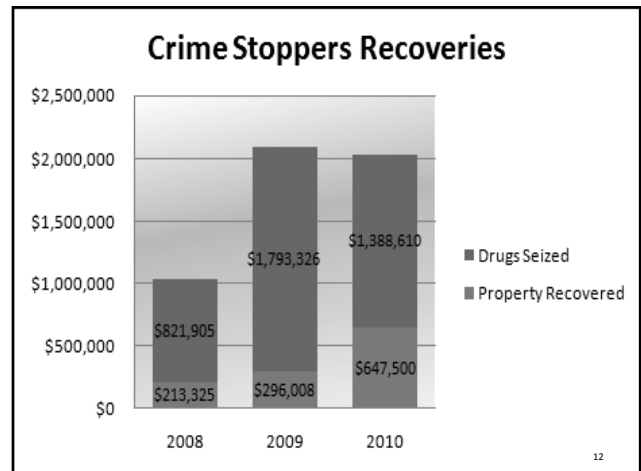
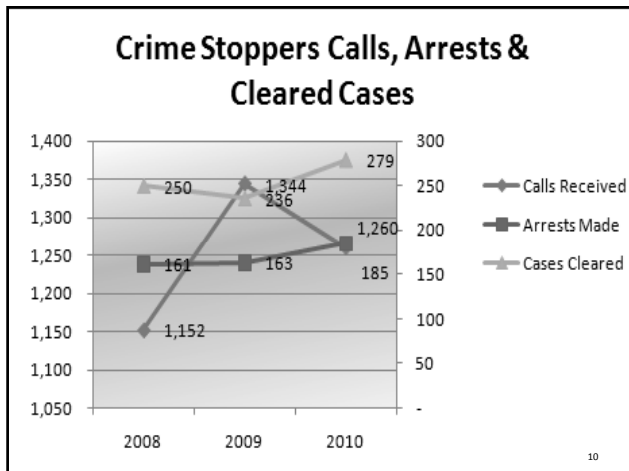
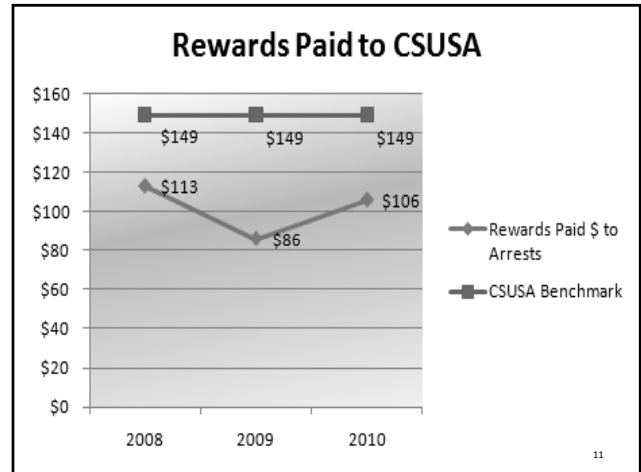
## Statistics

- 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

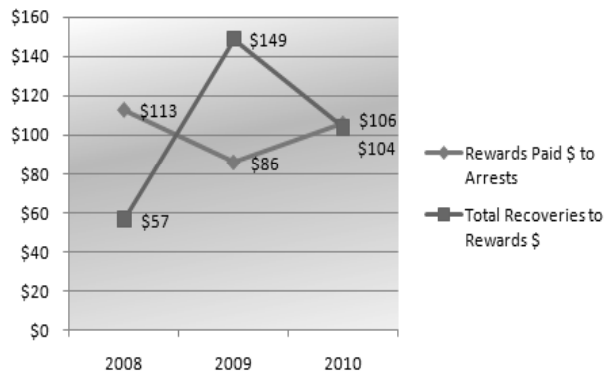
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| Crime Stoppers Statistics                              |                          |             |             |              |
|--|--------------------------|-------------|-------------|--------------|
|  |                          | 2008        | 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 |                          |             |             | <sup>8</sup> |

| 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    |         | 9           |



### Crime Stoppers Return on Investment



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### 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

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### Financial Statements

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

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### 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

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|  |               |               |                 |                   |
|--|---------------|---------------|-----------------|-------------------|
| <b>Crime Stoppers</b>                              |               |               |                 |                   |
| <b>Operating Statement</b>                         |               |               |                 |                   |
| <b>For the Fiscal Year Ended December 31, 2010</b> |               |               |                 |                   |
|  | <b>Actual</b> | <b>Budget</b> | <b>Variance</b> | <b>% Variance</b> |
| 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        |                 |                   |
| 17 Unrestricted Net Assets - 12/31/10              | 19,860        | 24,260        |                 | 17                |

|                                   |             |             |
|-----------------------------------|-------------|-------------|
| <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      |

|  |             |             |                 |                   |
|--|-------------|-------------|-----------------|-------------------|
| <b>Crime Stoppers</b>                              |             |             |                 |                   |
| <b>Operating Statement</b>                         |             |             |                 |                   |
| <b>For the Fiscal Year Ended December 31, 2010</b> |             |             |                 |                   |
|  | <b>2010</b> | <b>2009</b> | <b>Variance</b> | <b>% Variance</b> |
| 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)         | -39.0%            |
| 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 Unrestricted Net Assets - 12/31/10              | 19,860      | 21,260      |                 | 18                |

## 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)

## 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 |

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## 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.

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## 2. Calculate Cash on Hand, In Months

|   |                                   |          |
|---|-----------------------------------|----------|
|   | Crime Stoppers                    |          |
|   | Balance Sheet                     |          |
|   | December 31, 2007                 |          |
|   |                                   | 2010     |
|   | Assets                            |          |
| 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      |

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## Determine Appropriate Investment Capacity

- Based on calculation of months cash on hand
- Maintain a cash balance that is acceptable to the board for current cash requirements
  - May want to consider an additional cushion
- Remainder may be investable portion of funds
- Keep in mind any large cash requirements that may be upcoming, such as equipment or large fundraising campaigns

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### Translate Strategic Plan Goals into Financial Objectives

- Review, the organizational strategic plan and identify any financial objectives.
- Translate financial objectives into individual budget goals.
- Incorporate the budget goals into the annual budget.

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### 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

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### 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

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| Crime Stoppers USA<br>Budget Package<br>Fiscal Year 2011 |              |                            |        |        |
|--|--------------|----------------------------|--------|--------|
| Committee: _____   |              |                            |        |        |
| FY 11 Revenue Projections                                |              |                            |        |        |
|  | Revenue Area | Event or Source of Revenue | Timing | Amount |
| 1.   |              |                            |        | \$     |
| 2.   |              |                            |        | \$     |
| 3.   |              |                            |        | \$     |
| 4.   |              |                            |        | \$     |
| 5.   |              |                            |        | \$     |
| Submitted by: _____                                      |              |                            |        |        |
| Date: _____  |              |                            |        |        |

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| Crime Stoppers USA<br>Budget Package<br>Fiscal Year 2011 |              |                            |        |        |
|--|--------------|----------------------------|--------|--------|
| Committee: _____   |              |                            |        |        |
| FY 11 Expense Projections                                |              |                            |        |        |
|  | Revenue Area | Event or Source of Revenue | Timing | Amount |
| 1.   |              |                            |        | \$     |
| 2.   |              |                            |        | \$     |
| 3.   |              |                            |        | \$     |
| 4.   |              |                            |        | \$     |
| 5.   |              |                            |        | \$     |
| Submitted by: _____                                      |              |                            |        |        |
| Date: _____  |              |                            |        |        |

### Monitoring Statistical and Financial Performance

- A periodic review, monthly or quarterly, should be reported by the Treasurer on the financial performance of the organization.
- If a budget has been prepared, comparison of the budget to actual would be expected.
- Coordinator or executive director should provide periodic statistical performance and expectations.

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### Develop Cash and Investment Targets

- Based on current cash on hand requirements and investment funds as discussed previously, determine any changes to these targets.
- Consider any large cash disbursements that may be contemplated in the budget.
- Consider any increases to the investment portfolio.

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### Annual Audit/Review

- 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.

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## Annual Audit/Review (Cont'd)

- 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

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## National Taxing Authorities

- Internal Revenue Service
- <http://www.irs.gov/app/pub-78/>
- [Search for Charities, Online Version of Publication 78](#)

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## Annual Review/Audit (Cont'd)

- 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.
  - A report is made to the full board of any discrepancies uncovered.

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### FILING REQUIREMENTS

Generally, tax-exempt organizations must file an annual information return. Tax-exempt organizations that have annual gross receipts not normally in excess of \$25,000 are not required to file the annual information return, but may be required to file an [annual electronic notice \(e-Postcard\) Form 990-N](#). In addition, churches and certain religious organizations, certain state and local instrumentalities, and other organizations are exempted from the annual return filing requirement. For more information, download [Publication 557, Tax-Exempt Status for Your Organization](#). In addition, [Publications 4221-PC](#) and [4221-PF](#) explain the filing and recordkeeping rules that apply to section 501(c)(3) tax-exempt public charities and private foundations respectively.

Tax-exempt organizations, other than private foundations, must file [Form 990, Return of Organization Exempt From Income Tax](#), or [Form 990-EZ, Short Form Return of Organization Exempt From Income Tax](#). The Form 990-EZ is designed for use by small tax-exempt organizations and nonexempt charitable trusts. An organization may file Form 990-EZ, instead of Form 990, only if (1) its gross receipts during the year were less than \$200,000, and (2) its total assets (line 25, Column (B) of Form 990-EZ) at the end of the year were less than \$500,000. If your organization fails to meet either of these conditions, you cannot file Form 990-EZ. Instead you must file Form 990. All private foundations exempt under 501(c)(3) must file [Form 990-PF, Return of Private Foundation](#).

Form 990, Form 990-EZ, or Form 990-PF must be filed by the 15th day of the 5th month after the end of your organization's accounting period. The [Form 990 and Form 990-EZ instructions](#) and the [Form 990-PF instructions](#) indicate the Service Center to which they must be sent.

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## IRS Public Charity Status

501 ( c ) (3)

Schedule A; Part I

## IRS Public Support Test

501 ( c ) (3)

Schedule A; Part III

## 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?

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## 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?

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## 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

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## Search Tax Exempt Organizations USA

- Guidestar - Charitable Organization Search  
[www.guidestar.org](http://www.guidestar.org)
- Website address: <http://www.guidestar.org>

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## Compliance

- Sarbanes-Oxley (SOX) Act of 2002 for public reporting entities
- Implications for tax exempt organizations
  - Whistleblower Protection Policy
  - Record Retention Policy
  - Conflict of Interest Policy
  - Creation of Audit or Finance Committee

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## 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

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## SOX Compliance Sources for Tax Exempt Organizations

- Gaffey & Associates
- [http://gaffeycpa.com/WhitePaper/What\\_does\\_SOX\\_mean\\_to\\_a\\_not-for-profit\\_org.pdf](http://gaffeycpa.com/WhitePaper/What_does_SOX_mean_to_a_not-for-profit_org.pdf)
- Board Source
- [http://www.boardsource.org/dl.asp?document\\_id=558](http://www.boardsource.org/dl.asp?document_id=558)

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### 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

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### 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

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### Internal Controls

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



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### Review and Monitor

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

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### 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

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### General Liability Insurance

- Coverage for fund raising events, dram shop, etc.
- CSUSA offers opportunity to obtain general liability at reduced rates as member benefit

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### Outstanding Rewards

- Rewards retention policy
- Record destruction policy

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### Directors and Officers Insurance

- Insurance to cover directors and officers by decisions that are made by the board
- CSUSA offers members access to an affordable insurance carrier
- Familiarize with state/provincial statutes
  - Some jurisdictions exempt charitable organizations from legal action, although it may be untested in court
- Consider adding umbrella insurance coverage on your personal coverage

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## Maintaining Tax Exempt Status

- Significantly important with respect to accepting tax deductible donations
- Charitable organizations receive other favorable tax advantages
  - No corporate income tax
  - No sales tax
  - No property tax



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## Fiduciary Responsibilities Cont'd

- Comply with laws and regulations
  - Filing of tax returns
- Protect cash and assets
  - Segregate financial duties, ie cash receipts
  - Second signature on large checks
  - Track inventory
  - Bidding process, if necessary

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## Fiduciary Responsibilities

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

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## 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.

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## Course Objectives

- Understanding and interpreting basic statistics and financial statements
- Ability to identify and monitor basic financial targets
- Understanding the organization's financial risks
- Facilitating the strategic plan into a financial plan (budget)

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## Contact Info

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## Course Objectives – Cont'd

- IRS Risks and Responsibilities
- Basic understanding of Compliance and Internal Controls
- Understanding financial fiduciary responsibilities
- Ability to monitor organizational funds for appropriateness

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