

# Mammoth Lakes Recreation

## Compliance with Federal, State and Local Regulations

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### PROLOGUE:

This document was created by Board Members who reviewed the California Attorney General's online information and relevant IRS publications. If any information looks erroneous to the reader or if requirements have been inadvertently omitted, it should be reported to an officer so the Handbook can be corrected and updated.

MLR has also adopted a Governance Handbook which contains related information. These two documents and the Articles of Incorporation, Bylaws, and Board Policies may all need to be referenced. Rather than include all of those references here, Appendix C has been added in order to note specific references and to answer related questions.

### FEDERAL:

#### *EXEMPT STATUS:*

Federal laws require the Corporation to file a tax return annually with the Internal Revenue Service in order to continue qualifying for the 501(c)(3) status. The letter from the IRS, bestowing the status is to be held in the Treasurer's permanent file. That status is filed under the federal employer I.D. 47-1070284.

All donations should be honored with a letter response indicating how much, if any, of the donation covered a benefit received by the donor. However, if the donation is \$250 or more, the law requires the donor to produce that letter. It is incumbent on the Treasurer to ensure that the letters are sent in a timely manner. This may also be delegated to any committee involved in fundraising efforts. (An example of benefit to donor would be a fund raising luncheon or dinner whereby the donor may receive a \$17 lunch for a \$50 donation.)

If the corporation receives property other than traded securities that exceeds \$500 in value, additional filings may be needed.

#### *INTERNAL REVENUE SERVICE:*

The Treasurer must see that a tax return on Form 990-EZ (or Form 990) is filed with the IRS each year, by four and one half months after fiscal year end or November 15. Two three-month extensions are available.

Before beginning the current tax return, the Treasurer should ensure that the accounting firm has balanced the bank accounts as of year-end, reviewed accounts payable, counted any inventory on hand, put records into files and verified that no entries have been made to the prior year balances as shown on the latest filed tax return.

The appropriate version of the Form 990 or 990 EZ asks if any changes were made to the organizing or governing documents but not reported to the IRS. If the Articles of Incorporation

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or Bylaws have been changed during the period, the conformed copy of the changes must be attached to the return. The Treasurer should work with the Secretary to see that all such changes are attached.

### *RECORDS RETENTION:*

#### *Type of records retained:*

The Treasurer is responsible for maintaining adequate tax records. Section 501(c)(3) organizations that are eligible to receive tax-deductible contributions must keep sample copies of their fundraising materials, such as:

- ❑ Fundraising solicitations,
- ❑ Tickets,
- ❑ Receipts, or
- ❑ Other evidence of payments received in connection with fundraising activities
- ❑ If organizations advertise their fundraising events, then they must keep samples of the advertising copy.
- ❑ If organizations use radio or television to make their solicitations, then they must keep samples of (a) Scripts, (b) Transcripts, or (c) Other evidence of on-air solicitations.
- ❑ If organizations use outside fundraisers, then they must keep samples of the fundraising materials used by the outside fundraisers
- ❑ For each fundraising event, organizations must keep records to show that portion of any payment received from patrons that is not deductible; that is, the retail value of the goods or services received by the patrons.

The tax records are to include a register for all income and expense items. MLR is using an accounting firm to meet all accounting requirements. Receipts and expenditures should have appropriate supporting documentation. Files shall be kept according to the records retention schedule in Appendix A.

The Corporation's Secretary should keep an updated copy of the bylaws and should send a conformed copy of all bylaws changes to the Treasurer for attachment to the Form 990-EZ or Form 990 to be filed with the Internal Revenue Service. The Secretary in coordination with the Treasurer should keep a log of the bylaws changes, the date the changes were approved by the organization and the date they were sent to the IRS. See Appendix A also.

#### *Length of retention:*

MLR is required to keep tax documentation for each of the three most recently filed tax returns. E.g., Records for the year ended June 30, 2014 must be kept until the tax return for the year ended June 30, 2018 is filed. If the organization qualified for filing extensions, this could be extended. Accordingly, a rule of thumb is to keep tax records for four years.

See the Records Retention Schedule in Appendix A to this Handbook for other required retentions.

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#### *SUBSTANTIATION AND DISCLOSURE REQUIREMENTS FOR CHARITABLE CONTRIBUTIONS*

##### *Acknowledgement to substantiate charitable contributions.*

An organization (donee) should be aware that a donor of a charitable contribution of \$250 or more cannot take an income tax deduction unless the donor obtains the organization's acknowledgment to substantiate the charitable contribution.

The organization's acknowledgment must:

1. Be written.
2. Be contemporaneous.
3. State the amount of any cash it received.
4. State whether the organization gave the donor any goods or services in return for the donor's contribution (a quid pro quo contribution).
5. Describe good or service the organization:
  - a. Received (no valuation needed).
  - b. Gave (good faith estimate needed).

Exception: An organization need not make a good faith estimate of a quid pro quo contribution if the goods or services given to a donor are:

- Insubstantial in value (e.g. logo stickers)
- Certain goods or services given to the donor's employees or partners.

See General instructions for Form 990 and Form 990-EZ for further information on disclosure statements for quid pro quo contributions if the above does not answer all your questions. Such instructions are available on the internet. Also see Publication 1771 Charitable donations – Substantiation and Disclosure Requirements.

(See also requirements by the State of California Department of Justice)

##### *Noncash charitable donations:*

If noncash charitable donations are received, the donor must file a Form 8283 with the IRS. We are not involved in the filing, but must supply the appropriate acknowledgement.

**Failure to comply with federal laws may result in taxes due and/or loss of tax exempt status.**

## STATE OF CALIFORNIA:

### *FRANCHISE TAX BOARD:*

MLR must file an annual information return on Form 199 with the Franchise Tax Board. Check the current form and instructions for applicability. The Corporate number is 3669816;

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and the charitable trust number is CT-0209485. The deadlines and record retention rules parallel the IRS rules. If an extension is obtained from the IRS, the Franchise Tax Board automatically accepts it.

#### *SECRETARY OF STATE:*

##### Initial filing:

The Articles of Incorporation of MLR were accepted by the Secretary of State of California on April 24, 2014. The organization is a Public Benefit Corporation governed by Sections 5000 of the State Corporations Code and bears the Corporation number of C3669816.

The agent for service of process effective is Jo Bacon, at PO Box 8562, Mammoth Lakes, Ca 93546. Should the principal office location or agent for service of process change, the Secretary of State must be notified.

##### Periodic filings:

Form SI-100 was filed July 1, 2014 and is due biennially thereafter during the filing period which is the end of the month the original articles of incorporation were filed and the five months preceding. A fee of \$20 is required with the filing. If the name or address of the agent listed for service of process is changed in the interim, a complete filing is also due.

#### *DEPARTMENT OF JUSTICE (ATTORNEY GENERAL)*

##### Available information on internet:

The Attorney General's Guide for Charities is a 60 page document covering definitions, starting a charitable organization and operating one. It is very informative and contains information in addition to the summarizations below.

##### Initial filing:

Form CT-1, Charity Registration Form, was filed July 1, 2014 with The Registry within 30 days of receipt of MLR's first assets.

##### Annual filing:

Form RRF-1 must be filed by the Treasurer 4 ½ months after our fiscal year end. Based on total assets reported, must accompany the form. IRS extensions will be honored, but the web site would show delinquent status during the interim period so this is not advised.

##### Publication site:

The registry of charitable trusts is kept by the Attorney General's Registry of Charitable Trusts. The annual tax information returns filed by the organization are kept on the AG's internet site for public perusal,

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### Raffles—Initial filing:

All raffles where tickets are sold to the public must be pre-registered with The Registry on form CT-NRP-1. There is a fee of \$20 to file. If a raffle is projected, a filing should be made by the MLR Treasurer as soon as possible. Raffle filings run from September 1 through August 31 of each year.

### Raffles—Wrap up filing:

A separate report of the financial results must be filed on form CT-NRP-2, for each raffle conducted during a reporting year. They are due on or before October 1 following the raffle.

### Charitable Solicitations:

California Business and Professions Code Sections 17510 – 17510.95 covers solicitations. During a campaign, the Treasurer is responsible for compliance. Particular attention should be paid to Section 17510.3 (c) and 17510.4. Generally, volunteers can solicit by:

- Providing the name and address of the Corporation
- Stating the charitable purposes for which the solicitation is made, and
- Stating that information about revenues and expenses of the corporation, including its administration and fundraising costs, may be obtained by contacting the organization's office at the address disclosed.

This information must be supplied to the person solicited within seven days after receipt of the request.

If the initial solicitation is made by radio, television, letter, telephone, including over the Internet, or any other means not involving direct personal contact with the person solicited, this solicitation shall clearly disclose the above information. This disclosure requirement does not apply to any radio or television solicitation of 60 seconds or less.

## *SALES TAX*

MLR will pay sales tax should retail sales be considered. This section will be expanded if such activities are to occur. is exempt from sales tax.

## *FAIR POLITICAL PRACTICES COMMISSION*

MLR Board Members will file Form 700 on an annual basis.

## LOCAL REQUIREMENTS

### *BUSINESS LICENSE:*

MLR is a business licensed by the Town of Mammoth Lakes. The initial application was filed in August 2014. Annually in December, the town mails a renewal application to the Corporation,

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who is responsible for the filing. The license bears no fee, as the organization is a non-profit. When the application is approved and the license is received, it must be posted prominently in the Corporation offices.

### FINANCIAL INSTITUTIONS:

The Corporations legal name, Mammoth Lakes Recreation, should appear on all forms.

### Exhibits

- 1 IRS - 501(c)(3) exempt status letter Dated August 4, 2014
- 2 OAG - Registration Form, Registry of Charitable Trusts, CT-1
- 3 FTB – Code 23701d Charitable exemption status letter dated August 20, 2014

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### APPENDIX A: RECORDS RETENTION SCHEDULE

Description	Length
Account payable ledgers	7 years
Accounts receivable ledgers	7 years
Advertising for fund raising events	4 years
Bank reconciliations	2 years
Bank statements	3 years
Cash books	Permanently
Charts of accounts	Permanently
Checks (canceled – see exception below)	7 years
Check (canceled for important payments, i.e., taxes, special contracts,. Checks should be filed with the papers pertaining to the underlying transaction)	Permanently
Contracts, leases (expired)	7 years
Contracts, leases (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters only)	Permanently
Correspondence (with donors, vendors)	2 years
Department of Justice Form CT-1 Charity Registration Form	Permanently
Department of Justice Form RRF-1 Registration Renewal	4 years
Department of Justice Forms NRP-1 and NRP-2 for Raffles	4 years
Depreciation schedules	Permanently
Donation solicitations	4 years
Donor lists	4 years
Deposit slips	2 years
Financial statements (year-end)	Permanently
Franchise Tax Returns Form 199	Permanently
Fundraising (Analyses of benefits received by participants)	4 years
Fundraising solicitation samples	4 years
General ledgers, year-end trial balance	Permanently
Insurance policies (expired)	3 years
Insurance records, current policies, claims	Permanently
Internal Revenue Service annual filings (Form 990 or 990-EZ)	Permanently
Invoices from vendors	7 years
Journals	Permanently
Minute books of directors, stockholders, bylaws and charter	Permanently
P.O. Box Application – Latest filed	Permanently
Property records, including costs, depreciation, year end balances	Permanently
Radio or television solicitations (samples of a) Scripts, b) transcripts, or c) other Evidence of on-air solicitations	4 years
Receipts 4 years	
Secretary of State Form SI-100	5 years
Tax returns and worksheets, revenue agents' reports, and other documents Relating to determination of income tax liability	Permanently
Ticket samples (for events or raffles)	4 years

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#### APPENDIX B: PERPETUAL DATE CALENDAR:

Date	Entity	Assigned Responsibility	Item
July	Insurance Agent	Board	Review insurance policies
July	Board	Treasurer	Prepare budget for the year
July	Board	All Board Members, and key employees	Sign Annual Conflict of Interest Statement
July	Board	All Board Members	Sign Annual Statement of Values and Code of Ethics
July or as occurs	Secretary of State	Treasurer	Determine if raffles are planned and file an Application for Registration of Non-profit Raffle Program, if necessary.
August	Board	Treasurer	Present the budget at the regular meeting.
October 1	Secretary of State	Treasurer	Deadline for filing any raffle reports for the prior year's raffles.
October Meeting		Board	Elect Officers
October meeting		Former President	Report Past Year Activities at Annual Meeting
October		Former President	Complete Board Review and Evaluations (see Governance Handbook).
October	Financial Institutions	Treasurer	File new signature cards for new signers for all accounts.
October, Every 5 years		Board	Review all organizational and governing instruments.
November 15	Internal Revenue Service	Treasurer	Filing deadline federal tax return. Requires prior review of forms by Board.
November 15	Franchise Tax Board	Treasurer	Filing deadline for state tax return
November 15	Dept. of Justice	Treasurer	Filing deadline for RRF-1.
December	Town of Mammoth Lakes		Renew business license. Expires each December 31
April	USPS	Secretary/Treasurer	Renew PO Box
April – September of even years	Secretary of State	Secretary	File SI-100 <b>Warning: If name or address for agent for service of process is changed, Form SI-100 must be filed at an interim date.</b>
June 30		Treasurer	Close fiscal year financial statements

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## APPENDIX C: CROSS-REFERENCES TO OTHER MLR DOCUMENTS

In order to provide a quick cross-reference to pertinent questions noted in the California Attorney General's Guide for Charities, the following specific references are included. When reviewing any section of the Legal Handbook, a perusal of the other documents should also be completed.

1. A system requiring two signatures on all the corporation's checks is an important control measure. **Accounting Standards Policy**
2. ...it is very important to separate the function of recording cash receipts from responsibility for access and control over the receipts. Assigning different people to the separate tasks of recording receipts and making bank deposits minimizes the risk of fraud. **The accounting firm will ensure this.**
3. Directors should continually monitor the budget and anticipated revenue sources and amounts during the year, and compare expected revenues to the actual revenues reported during the year. Any sizable differences between expected and actual revenue should be carefully investigated by directors or designated officers to obtain a full explanation. **Bylaws Section 5.12**
4. The directors or their designee should review quarterly the charity's bank account statements, check reconciliations, and the books of account for any obvious irregularities. **Bylaws Section 6.10**
5. A good alternative [to an annual audit] is to retain an independent accountant to conduct a review of the charity's financial statements, and issue a review report to the directors.

#### **Q: What if our charity cannot afford an annual independent audit or review?**

**A: As of January 1, 2005 charitable organizations with gross revenue of \$2,000,000 or more must have independent audits and must appoint an audit committee. (Government Code § 12586, subd. (d)) At minimum, the board of directors of organizations which are below this threshold should review the charity's financial records regularly. An audit committee could be created to review the charity's finances and watch for irregularities.**

6. In addition to an accurate system for recording fiscal data, a charity needs a filing system that allows easy access to various business documents and helps the accountant when preparing periodic financial statements, tax returns, and management reports. **Permanent Files will be kept at the Corporation's Offices or with the assigned Officer.**
7. ...ask that a report-filing calendar be established for the charity to assist directors in complying with all the required filings. **Perpetual Dates Calendar.**