

ARCHAEOLOGICAL INSTITUTE *of* AMERICA

SOCIETY RESOURCE GUIDES



SOCIETY FINANCE GUIDE

With contributions from:

Jeffrey Lamia, New York Society

Revised August 2017

TABLE OF CONTENTS

SECTION

I. FINANCIAL MATTERS.....4

- A. Society Bank Account..... 4
- B. State Nonprofit and Federal Tax Exempt Status: United States 4
- C. New IRS Regulations 5
- D. Societies in Canada 9
- E. Societies outside USA and Canada 9
- F. Local Fundraising for Operations 10
- G. AIA Development Office..... 11
 - 1. Gifts for Current Programs11
 - 2. Endowments.....11
 - 3. Planned Giving.....11
- H. How to Get Tax Savings for Your Volunteer Work 12
 - 1. Car Expenses.....12
 - 2. Overnight Travel.....12
 - 3. Giving a Party12

I. Financial Matters

A. Society Bank Account

To open or maintain a bank account the AIA requires a society to adhere to recent federal legislation and use an EIN (federal Employee Identification Number).

Accounts should not be opened or maintained using an individual's social security number, which is now actively discouraged by recent federal legislation and which may expose that individual to financial reporting requirements on personal income tax returns.

Filing for an EIN is simple and free: go online to www.irs.gov and type EIN in the search box, or telephone (800) 829-4933 to receive form SS-4. You will receive an EIN immediately if you file online. Use this number and the nomenclature "AIA—[Name of Society]" - when filling out the bank account signature card. Of course, when society officers change positions, the financial institution will require new signature cards for those officers authorized to access the society's account. The account, however, will remain in place and will facilitate ongoing transfers of funds from the AIA office in Boston to the society's account.

You may wish to contact several financial institutions in your community to see if any would reduce or waive any account management fees. You could certainly recognize a supportive bank as a sponsor in society mailings or at public event announcements.

Special note to society officers with uncashed AIA checks: If for some reason you cannot deposit the checks previously issued to your society's new bank account, please let the Finance Department know. To avoid issuing an expensive stop order on the uncashed checks, the AIA can issue replacement checks to the society when you send the uncashed checks back to the AIA.

An EIN is not a determination of federal or state status; it is only a reporting number for the financial institution that holds the society's funds. A society may also want to be considered a non profit organization under applicable state law and may also want to be considered as a charity allowed to receive gifts that the donors may deduct from their federal income taxes.

B. State Nonprofit and Federal Tax Exempt Status: United States

State law varies regarding the requirements for being recognized as a nonprofit and regarding the requirements to be tax exempt under state law or purposes of sales or property tax. Some states follow the federal guidelines outlined in the next paragraph while others require additional registration with the state's corporation office or attorney general's office. Society officers should ensure that they are compliant with the nonprofit registration requirements, if any, of their state (See Section II on society structure).

With regard to federal law, a society with both (1) annual revenue of less than \$5000 and (2) either an organizing document such as corporation bylaws or an unincorporated association agreement which states the society's charitable purposes will be assumed to be a non profit organization operating for federal tax

exempt charitable purposes without having to file for a determination of tax-exempt status under IRS regulation 501 (c) (3). Thereafter, these societies will not have to file federal income tax reports (a “990” return).

[Societies that have already secured federal income tax 501(c) (3) designation will continue to operate under their own determination letters but should inform Headquarters of this designation].

C. New IRS Regulations

Tax Exemption for Not-for-profit Organizations

(Information as of January 2014)

1. Reason for the new IRS and State Regulations

- a. In response to: a general tightening of the money laundering rules, a desire to combat possible fraud among non-profit organizations, and the Patriot Act (this in part attempts to cut off aid to terrorist organizations), the IRS created new regulations regarding the activities of non-profit organizations. In addition many states are currently passing legislation with respect to non-profit organizations that are incorporated in their states.
- b. **AIA national tax exemption – no longer available to the local societies**
In the past a number of societies have utilized the national AIA’s tax-exempt ID number for the receipt of donations to their local society. For example, the donor would make out a check payable to the “AIA” and indicate in the lower left corner of the check that the donation was “for XXXX local society”. The national AIA office would cash the check, send the funds to the local society and then include the donation within the national office’s audited financials and for reporting to the IRS. This “pass-through” is no longer available for two reasons:
 - i. Within the new IRS regulations such a “pass-through” arrangement would classify the national office as a “Fiscal Sponsor” and hence require tremendous oversight, approval, monitoring and reporting of any local society activity before, during and after any event (see below for more extended discussion). This is not practical for the limited Boston staff and not an arrangement that reflects the relationship between the national office and local societies. The IRS regulations have more of a parent-subsiary assumption and this is not the AIA’s structure – see the next point.
 - ii. The local societies form themselves and only thereafter do they petition the national office for recognition. This recognition does come with both benefits and responsibilities/requirements, but the local society is still an independent entity. Indeed, should the local society wish to end its affiliation with the AIA, it can do so and continue to exist – albeit without using the AIA name or having a vote on Council etc. The key point is that the national - local society relationship is not one of “Fiscal Sponsorship”.
So, what are the new IRS regulations and what filing requirements now exist or not, as the case may be?

2. IRS Filing Requirements, Registration, Process and Donor Acknowledgements

- A. **Filing Requirements** are determined by Gross receipts/revenue/income which are actual dollars received from any source that pays for the costs of the local societies’ events, programs, and/or activities. Gifts in-kind, e.g., provision of housing, volunteer time and/or transportation, making available a venue, etc. are not included. This gross receipts

measure relates to actual dollars received. Only revenue, not spending, is measured for determining filing requirements. Some examples of Gross Receipts are:

- AIA rebates to the local society;
- AIA Outreach Grant; raffle proceeds;
- Admission charges for special events (lectures are free and open to the public but special events are different);
- Local or state grants;
- Direct cash donations to the local society to pay for events or any part of an event, meeting, etc. (see above as to no longer permitting “pass through” money);
- Interest on bank deposits;
- Interest and/or dividends on a local society endowment, if applicable

B. Gross Receipts Fluctuation: The local society should consider whether it expects significant fluctuation of its gross receipts for whatever reason causing a change of IRS category as shown below and hence its need to seek its own tax exemption or rather to wait with possible attendant delays.

C. Process:

- a. First, file form # SS-4 for the local society to receive its tax ID number
- b. If the local society has gross receipts in each taxable year that are normally not more than \$5,000 you are not required to proceed to steps 3-5, they are optional.
- c. Once the local society receives its own tax ID number, then file Form 1023 to receive tax exemption under code 501(c)(3)
- d. The IRS will review the Form # 1023 and send back the IRS Determination Letter
- e. Once the IRS Determination Letter is received, then the local society, if necessary, should file with appropriate state tax authorities.

D. IRS Thresholds: Assuming that the local society receives directly all its monetary revenue/receipts/income (i.e., no monies passed through the AIA national in any manner), then:

2010 Tax Year and later (Filed in 2011 and later)	Tax ID	Form to File
Gross receipts normally ≤ \$50,000 Note: Organizations eligible to file the <i>e-Postcard</i> may choose to file a full return	Required Form SS-4	990-N
Gross receipts < \$200,000, and Total assets < \$500,000	Required Form SS-4	990-EZ or 990
Gross receipts ≥ \$200,000, or Total assets ≥ \$500,000	Required Form SS-4	990
Private foundation		990-PF

Source: [http://www.irs.gov/Charities-&-Non-Profits/Form-990-Series-Which-Forms-Do-Exempt-Organizations-File%3F-\(Filing-Phase-In\)](http://www.irs.gov/Charities-&-Non-Profits/Form-990-Series-Which-Forms-Do-Exempt-Organizations-File%3F-(Filing-Phase-In))

E. Receipts less than \$5,000: Certain organizations do not have to apply for tax exemption (Form 1023, Application for Recognition of Exemption) but still have an *e-Postcard* filing requirement. If your organization did not file an application for tax exemption (Form 1023) because it is a section 501(c)(3) organization whose gross receipts in each taxable year are normally not more than \$5,000, an officer of the organization should call

the IRS Customer Account Services at 1-877-829-5500 (a toll-free number) and ask that the organization be set up to allow filing of the *e-Postcard*.

F. Application for Recognition of Exemption under section 501(c)(3) of the Code:

- i. To apply for recognition by the IRS of exempt status under section 501(c)(3) of the Code, use Form 1023, Application for Recognition of Exemption, and its instructions. The application must be complete and accompanied by the appropriate user fee. See Application Process for a step-by-step review of what an organization needs to know and to do in order to apply for recognition by the IRS of tax-exempt status. Frequently asked questions about applying for exemption generally, and Form 1023 specifically, are also available. You may also want to take the IRS [on-line mini-course](#) about applying for exemption.
- ii. The organization should also request an employer identification number, even if it does not have any employees. See Form SS-4, Application for Employer Identification Number, and its related instructions to learn how to obtain an EIN. You may also obtain an EIN via telephone, by calling 1-800-829-4933, or by applying online.
- iii. Except for churches, their integrated auxiliaries, and public charities whose annual gross receipts are normally less than \$5,000, organizations will not be treated as described in section 501(c)(3) unless they notify the IRS by applying for recognition of section 501(c)(3) status. Generally, organizations required to apply for recognition of exemption must notify the Service within 27 months from the date of their formation to be treated as described in section 501(c)(3) from the date formed. When the IRS determines that an organization qualifies for exemption under section 501(c)(3), it will also be classified as a private foundation, unless it meets the requirements to be treated as a public charity.
- iv. The IRS maintains an on-line list of registered public charities at: <http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check>

3. Suggested acknowledgment letters:

A. If the gross receipts/income/revenue of the local society are/is less than \$5,000:

On behalf of the AIA- insert Local Society name, we would like to thank you for your contribution of \$-----. We acknowledge that there were no goods or services provided for this contribution. The AIA-insert Local Society name engages in only non-profit activities related to its mission to promote the professional practice of archaeology and to disseminate the results of that practice, hence your contribution is tax deductible. The AIA- insert Local Society name's tax ID # is -----.

Yours truly,
Name of authorized local society officer

For your information, the AIA-insert Local Society name has gross receipts less than \$5,000 annually and according to IRS regulations, contributions are tax deductible even though the society is not required to register as a 501(c) (3).

Note: Exclude Tax ID# if your organization does not have one.

B. If the gross receipts/income/revenue of the local society are/is greater than \$5,000 and \$50,000:

On behalf of the AIA- insert Local Society name, we would like to thank you for your contribution of \$-----. We acknowledge that there were no goods or services provided for this contribution. The AIA-insert Local Society name is a registered 501(c) (3) non-profit, tax exempt entity and your contribution is tax deductible to the full extent of the law. The AIA-insert Local Society name('s) tax ID # is -----.

Yours truly,
Name of authorized local society officer

4. Of the categories above, how do they relate, if at all, to receiving a formal 501(c) (3) designation?

a. “Fiscal Sponsorship”

According to a recent paper “Fiscal sponsorship begins when one entity agrees to accept and manage charitable funds for another. A fiscal sponsor (sponsoring organization) commits to supporting the charitable activities of individuals or unincorporated groups by extending its tax-exempt status to include them, thus enabling donors to make tax-exempt contributions to support their work. The fiscal sponsor accepts financial and legal liability for the charitable work being done by the group or individuals, thus relieving them from having to formalize any new organizational structures for their work and incurring the expense of applying for 501(c)3 status from the Internal Revenue Service.

In accordance with legal requirements, a fiscal sponsor may sponsor only projects with a charitable purpose consistent with the sponsor’s own mission. The fiscal sponsor must exercise control over the financial resources it receives on behalf of the project, including monitoring that the funds are spent only for the purposes for which they are given. An organization that serves as a fiscal sponsor accepts significant legal and financial risk in doing so.”

b. There are two areas in which the issue of fiscal sponsorship arises:

i. Use of the AIA national’s Tax ID number:

- A. If a local society uses the national office’s tax ID number then the national office is entering into a fiscal sponsorship with the local society. This sponsorship would then require the national office to exercise evaluation and control over the activities for which the tax ID is being used. This might entail, among other things: i. Local society filing with the national office an explanation of the event/program/purpose for which the tax ID is being used;
- B. Formal approval of the event/program/purpose
- C. Reports/monitoring of any financial resources used, whether provided or not by the national office

- ii. If the local society does NOT use the national office’s tax ID number then there is NO fiscal sponsorship
- c. If a local society uses the AIA national office to “pass-through” monies to the local society
 - i. The local society has its own tax ID number and its own 501 (c) (3) registration:
 - i. Legally the monies are not required to be sent to H.Q.
 - ii. Monies are donated to the AIA and sent to H.Q., i.e. a “pass through” back to the local society. In this case, even if the local society has its own tax exempt status, there is still a Fiscal Sponsorship for IRS purposes because the funds are using the AIA national as a “pass through” account.
- d. If the local society has an endowment it can be sent at the discretion of the local society to H.Q. for investment purposes. The local society should receive at least quarterly the value of the endowment invested on behalf of the local society.

5. Other Issue Regarding State/Local Filing Requirements

Each local society may have filing requirements with its home state or local governmental entities. For example, the AIA-New York Society, once it receives the IRS Determination Letter after filing Form # 1023 will need to go to: <http://www.charitiesnys.com> in order to file with the New York State tax authorities. The AIA-New York Society should be able to claim an exemption from part of the filing requirements – see Form CHAR410 Schedule E at the same link. In any case, again, each local society will need to investigate its own state regulations.

6. Other Help, Life Cycle of a Public Charity:

During its existence, a public charity has numerous interactions with the IRS – from filing an application for recognition of tax-exempt status, to filing the required annual information returns, to making changes in its mission and purpose. The IRS provides information, explanations, guides, forms and publications on all of these subjects – they are available through this IRS Web site. The site below provides an easy-to-use way of linking to the documents most charities will need as they proceed through the phases of their “life cycle.” <http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Life-Cycle-of-a-Public-Charity>

D. Societies in Canada

Societies in Canada should follow applicable federal and provincial laws regarding the establishment of society bank accounts and the determination of non-profit status.

Canadian societies receive the same financial support (membership rebates, payment in lieu of the third lecture, and opt-out payments) from the Headquarters as US Societies.

E. Societies outside USA and Canada

Chartered societies outside the USA and Canada will receive annual membership rebates based on the number of members in the society. When first chartered, societies will receive one payment of \$500 to organize local programs. The AIA will not provide a lecture. Going forward societies with membership AIA Society Finance Guide (Revised August 2017)

between 25 and 34 will receive \$500 annually and societies with membership above 35 will receive \$1000 in addition to the annual membership rebates.

F. Local Fundraising for Operations

The AIA encourages members and friends to support the Institute's mission of the preservation and study of the record of the human past through contributions at the national level.

In addition, donors may want to make charitable contributions to a society in support of that society's local operations.

Some organizations, such as museums or local businesses, may offer "in-kind" support to a society through free use of lecture halls or provision of free advertising or refreshments. These underwriting opportunities are often seen as a marketing expense and may not require such contributions to be recognized as federally tax-exempt.

Many societies have been very successful in soliciting funds and in-kind gifts from their members and other local entities for their societies' activities. If you decide to help solicit funds locally for your society, it is a good idea to suggest a gift amount; otherwise, people who would like to give may not make a gift, because they do not know what is considered an appropriate amount. Gift amounts vary widely from community to community around the country, and only you and your fellow society officers can decide what is appropriate for your community. You might say something like, "A gift of \$— or \$— would be of tremendous help in meeting our goal. But no gift is too small—or too large. I hope that you will join your fellow members of the XYZ Society in making this special activity possible."

Garnering support for your society can take many forms besides asking for outright cash contributions. In-kind gifts are an important resource and may include a wide range of goods and services such as:

- Printing services for meeting announcements
- Accommodating a lecturer in a member's home
- Providing refreshments for the reception following a lecture
- Legal services for incorporating your society or obtaining non-profit status

Special events are a good way to involve people in your society and to raise funds for your program. Special events are limited only by your imagination. Several societies have set up innovative development programs. For example, the Orange County Society developed the "Excavators' Circle" as a way to raise money to fund speakers other than those provided by the Institute. The program has three contribution levels: for a \$150 contribution a plaque with a gold trowel is presented; a \$100 contribution receives a silver trowel; and a \$50 contribution earns a bronze trowel. Each contributor receives recognition in the Orange County Society monthly newsletter as a supporter of a particular lecture and is invited to a special reception to honor the speaker. The contributor is presented with the trowel/plaque and is recognized before the audience at the lecture. These funds are managed locally.

The New York City Society has a program known as "Friends of the Society." Members in the society who contribute \$125 or more are enrolled in the program. Friends are invited to exclusive tours of museum exhibitions. The money raised by the program is used to fund additional lectures and the publication of the newsletter.

United States

For donors who want annual contributions for operating support of societies to be eligible for federal tax-deductibility, please refer to the IRS regulations regarding donations that are available through the Documents link on the Society Officer section of the AIA website: www.archaeological.org/officers. This is a password-protected portion of the site. Please contact Headquarters to create an account.

Donors who are interested in establishing perpetual endowments, making gifts of stock or making provision in their estate plans should in all cases be referred to AIA office in Boston, since the unique nature of these gifts must be handled in a consistent fashion over long periods of time.

Be certain to thank all donors for their gifts!

G. AIA Development Office

The AIA Development Office is responsible for all of the Institute's fundraising activities and associated special events with the purpose of generating income necessary for both the maintenance and enrichment of existing programs, as well as the establishment of new endowment programs.

1. Gifts for Current Programs

The AIA Annual Fund is the lifeblood of the organization. Annual Fund gifts are used to supplement the Institute's operating income, supporting programs such as the Lecture Program, fellowships, the website, and other initiatives, which are not fully covered by membership dues.

In addition to general support the AIA solicits support for a number of specific programs, such as the "Society for the *American Journal of Archaeology*," the Annual Meeting (speakers and special programs such as the archaeology fair), Jane C. Waldbaum Archaeological Field School Scholarships, the Site Preservation Program, and more.

2. Endowments

The endowment funds are restricted to the support of a variety of activities, including lectures, fellowships, publications, student memberships, and others. Although many of these funds were established long ago, the AIA gladly accepts gifts to augment existing funds, and contributions to new funds are gratefully accepted.

3. Planned Giving

Donors who have included the AIA in their estate plans or who have made the AIA a beneficiary of another form of planned gift (such as an annuity, trust, or retirement or insurance plan), are eligible for membership in the Charles Eliot Norton Legacy Society. Members of the Norton Society are publicly recognized for their generosity, are given a silver pin available only to Norton Society Members, and are invited to attend an exclusive reception held every year at the Annual Meeting. Currently, there are more than 60 members of the Norton Society.

H. How to Get Tax Savings for Your Volunteer Work

Your volunteer efforts on behalf of the AIA are crucial to our success and the law allows you take some tax deductions. Although the value of your donated time is not tax deductible, you can deduct out-of-pocket expenses you incur while working for the Institute and your society. Make sure you take into account the following tax deductions—commonly overlooked by many volunteers—when doing your next tax return:

1. Car Expenses

You can deduct such car expenses as gas and oil, parking fees, and tolls you incur doing charitable work or take an easy government-approved alternative to detailed record keeping. Check the IRS website for more information and current rates. However, you cannot deduct any amount for general repairs, insurance, or depreciation. You must keep detailed records of your car expenses to get a tax deduction. See www.irs.gov for more information.

2. Overnight Travel

If you travel out of town for the AIA you can take a deduction for non-reimbursed travel expenses. These include lodging, airfare, telephone, and meals. But there cannot be a “significant” element of personal recreation or vacation to the trip for it to be a charitable deduction.

If you attend the AIA Annual Meeting you can take the same travel expense deductions as long as you're officially designated as a delegate to the Council, or participating in Committee or Board Meetings.

3. Giving a Party

If you sponsor a party in order to raise funds for the AIA you can claim a charitable deduction for all of the party-related expenses.