Social & Environmental Entrepreneurs (SEE)
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SOCIAL & ENVIRONMENTAL ENTREPRENEURS (SEE)

Part 1 INTRODUCTION AND OVERVIEW

This manual covers the Social and Environmental Entrepreneurs program, including all policies and procedures. If there are issues that confront your project that are not covered here, please call the office for clarification.

This manual will provide a basic understanding of the policies and procedures of the SEE Program. It is designed to familiarize you with SEE and its policies as they affect projects SEE functions as an "incubator" or a "home" to assist new educational and charitable initiatives. Its purpose is to nurture competently managed, innovative, and progressive nonprofit activities until they can become independent organizations or naturally run their course.

This manual is also intended to acquaint you with the structural and management issues affecting nonprofit organizations. Both the project director and an additional project staff person should read through the complete manual. It is important that the materials and procedures described in the manual are thoroughly understood in order to avoid mistakes or misunderstandings, which will be time-consuming to correct.

As SEE evolves, undoubtedly some of its policies and procedures will, as well. Revisions to this document will be sent as addendums, and will carry the full weight of this Operations Manual.

A. SEE: Conceptual Description

Social and Environmental Entrepreneurs (SEE) was initiated in 1994 as a nonprofit administrative structure for grassroots projects. In addition to providing necessary financial and administrative services at a low cost, this structure is a model of activist empowerment and mutual support. SEE exists as a means of encouraging creative nonprofit and philanthropic activity, both nationally and internationally. SEE is a public charity exempt from Federal income tax under Section 501[c](3) of the Internal Revenue Code. Contributions to a public charity may be accepted from individuals, foundations, organizations and corporations as deductible federal income tax items.

Nonprofit projects typically have three major components. By far the most important is the work in the field. This is what gives the project its mission, vision and purpose. The second component is fund raising, which is an essential and consuming activity. Administration and office work comprise the third major component. Maintaining a formal office, exemption-related filings, and similar activities are serious burdens that are likely to reduce the energy necessary to be effective in the field.

SEE frees attention for the project work and improves its effectiveness. In the start-up phase, projects are buffered from the issues and questions that any nonprofit organization must face. Throughout a project's tenure at SEE, consultation and support are provided. SEE staff work with project directors and their staff on organizational structure and technical assistance. The goal is to help projects develop their own tools for effective, independent work in the nonprofit world.

B. Purpose Statement

Activists who have initiated a project in the field are faced with bureaucratic requirements and office expenses that can drain time and resources required for activism. For many, applying for tax-exempt status and establishing an office and administrative structures presents major obstacles to their efforts.

A proposed solution to this circumstance is the Social & Environmental Entrepreneurs (SEE). SEE is an organization of projects whose purpose is to encourage and facilitate activism from both local and global perspectives. It is a 501[c](3) nonprofit public charity providing tax-exempt status, start-up guidance and other services to member groups.

Each member group will contribute to the general operating expenses via a percentage of project-related revenue. These funds are used to maintain the SEE office and general operations, along with bookkeeping, filings, and year-end tax preparation.

In addition to providing needed services at a shared cost, SEE is also an important network of social and environmental activists. Often, small efforts become isolated and the work is done in relative obscurity. These groups benefit from the cross-pollination and mutual support that SEE provides. In a broader context, the SEE concept is a model to bridge the work of social justice and environmental projects.

C. Types of Participants

SEE welcomes the following types of groups for membership:

- Experienced projects in the process of becoming fully independent organizations
- New efforts needing start-up assistance
- International groups who need a part-time U.S. based office

Many of our current projects have interests in the following areas:

- Education
- Social Justice
- Women's Empowerment
- Community Affairs
- Environmental Preservation
- Animal Rights
- Ecological Protection
- Peace, Justice and Tolerance
- Indigenous Affairs
- Media Distribution and Production
- Youth Development
- Recreational/Sports
- Informational Gathering
- Medical

D. SEE Functions

SEE is comprised of new groups as well as projects with a significant operating history. Some groups have operated for years using a nonprofit organization as a temporary fiscal sponsor to satisfy their tax-exempt status. Others have operated without a fiscal sponsor entirely, relying on a director or other committed individual to handle administrative duties. SEE can be a permanent administrative structure for such projects or an intermediate configuration on the road to a completely independent organization.

Upon joining SEE, the project becomes responsible for garnering its own revenue, and for providing SEE with accounting and IRS reporting information. The SEE office will assist in these functions by providing the appropriate tax filing documentation to eligible donors. Every project is independent within a community of peer groups, characterized by mutual encouragement and networking, with SEE making the administrative overhead affordable.

There are many benefits of utilizing the services of a fiscal sponsor:

- All accounting is done in house for minimal fee of 6.5% of all donations received.
- Recognition as a nonprofit entity under SEE's fiscal sponsor umbrella.
- Updated financial reports (profit & loss statements) available as requested.
- Handle all federal and state tax filings (990s and 1099s).
- Thank you letters to donors for donations of $50 and more.
- Ability to accept donations by check, cash, credit card, or electronic wires.
- Audited financial statements as requested by grants and foundations.
- Donations reduce out of pocket expenses for Project Directors.
- Use your time with SEE to ensure the success of your non-profit.

E. SEE Funding

The expenses involved in becoming a member project in SEE are significantly less than that charged by a typical fiscal sponsor. Indirect costs, e.g., office, staff and phone are covered by dues. Direct costs, such as filing fees, are paid by the particular group requiring the service. All payments by the projects to SEE are used for expenses that directly benefit the member groups.

The bulk of SEE's operational revenue is generated from the fiscal sponsorship fees. The rate for our standard fiscal fee is calculated at 6.5% of every project's revenue for normal services. This fee is levied on all forms of revenue, e.g., donations, grants, fellowships, memberships, registration fees, sales of merchandise, and loans. However, the fiscal fee is not taken from in-kind donations, i.e., non-dollar donations.

The 6.5% fiscal fees are absolutely necessary in maintaining the SEE office, and to pay for such infrastructure costs as salaries, equipment, telephone, etc. Projects also pay for any fees assessed by banks on credit card revenue (currently 3%) and the worker's compensation insurance fee on payments to consultants (currently 2.57%, which is subject to change by the State of California).

1. Minimum Annual Fee

SEE requires that each project pay a minimum of $225 per calendar year in fiscal sponsorship fees, which are credited from the fiscal fees. There is no maximum amount each project will pay. Financial activity and communication are the primary means of assessing each group's contribution to the SEE organization.

The normal fiscal sponsorship fees will be credited to this fee. Any project contributing at least $225 in fiscal fees is exempt from any further fees. Therefore, any project raising approximately $3,460+ in a fiscal (calendar) year will not be subject to any further fees other than the normal fiscal fees.

Several examples will serve to illustrate this policy:

Project A raises $2,800 in a year. At 6.5%, this results in $182 in fiscal fees. They would need to pay an additional $43 to stay active.

Project B raises $400 in a year, resulting in a $26 contribution to SEE. They would need to come up with an additional $199 to stay active.

Project C raises $45,000 in a year. This results in $2,925 towards SEE operations. They have more than satisfied the minimum contribution. Nothing further is required.

Project D has been on the active roster, but went an entire year without raising any funds at all. This project needs to contribute $225 to SEE to stay on the active roster.

The minimum fee only applies to groups in a full year with SEE. Any group joining mid-year will not be subject to the fee during the remainder of that calendar year. This policy has been in effect since FY2000.

Projects are required to contribute 6.5% of all revenue to SEE, regardless of how large or small these amounts may be.

2. Extra Services Fee

The following services are covered by the normal fiscal fees, thus all active projects can expect SEE to perform these services without any interruption in the normal flow of daily routine:

- Report of project finances, e.g. balance financial reports with cash flow and donor names (including addresses for donations above $50), when requested.

- All federal and state filings (including 990 annual return and 1099 consultant forms), as well as the signing of grant and vendor service contracts.

- Advice and consultation regarding financial and administrative management, much of which is already located in the SEE Operations Manual and supporting documents.

- Acknowledgement thank-you letters for all donations $50 or more. This includes in-kind, i.e., material non-cash donations, provided we receive detailed information on the nature of the donation.

- Processing of credit card revenue (Visa, MasterCard, Discover, and Diner's Club only). Projects receiving credit card donations will have the requisite merchant fees debited from their available balance (currently 3% of each transaction) in addition to the normal fiscal fees. Projects also have the responsibility of alerting SEE every month (via email, fax, or mail) if there are recurring monthly pledges.

- Disbursement of project funds. This includes via regular mail, electronic wires, Western Union, and any priority courier services, e.g., FedEx, DHL, and USPS. In addition, if there are not adequate project funds on hand to cover a requested disbursement, funds can only be sent after the checks have cleared the bank. <u>All banking transactions generally take a week</u>.

- Review of all legal documents, grant proposals, and other documentation that affects SEE and on which SEE is a signer.

Services requested outside of the basic services listed in this manual could be charged to the project at the rate of $60 / hour in increments of 10 minutes (the minimum charge is $10). This includes any requests that require trips outside the office other than regular trips to the bank and post office. Projects need to provide SEE with accurate record keeping, including information about deposits, receipts, invoices, and budgets. If we have to contact you because the information is inadequate (for example, whether donations are from grants or whether disbursements made to individuals are consultant fees or reimbursements) this service could fall under our schedule of additional fees.

Each participating group does its own fund raising and sends the funds to SEE to be deposited. This assures the tax deductibility of the donation for your contributors. Each group also takes responsibility for project accounting, including budgets and appropriate receipts, which they provide to SEE for a combined IRS reporting [Form 990] with the other members.

Part 2 SEE MEMBERSHIP BENEFITS AND RESPONSIBILITIES

SEE's first fiscal responsibility as a public charity is to the Internal Revenue Service (IRS), as a result receipts are required for all monies that are disbursed.

It is important to keep in mind that when a Project joins SEE, that Project is responsible for running their own day-to-day operations. SEE will provide the appropriate financial assistance, in regards to donations/payables, including all privileges accorded a tax-exempt organization.

A. Criteria for SEE membership

SEE welcomes groups or individuals that are seeking new ways of approaching progressive social change. SEE provides a place where people can explore creative ideas and strategies while learning to effectively manage their finances and administration. There is a $100 activation fee for any project that has been approved for sponsorship by SEE staff and Board. This sign up cost ensure that Project Directors are dedicated to working towards their stated cause.

Projects span a broad array of issues and are at various stages of development. Some are all-volunteer efforts. Others have substantial budgets. Each project evolves its own developmental path with its advisory committee. The road to independent operations depends on the length of time it takes to construct a strong program and organization as well as to achieve a stable financial situation.

Not all projects spin off into independent entities. Certain programs have specific life spans while other projects decide to merge with existing organizations. Still others will wish to remain with SEE indefinitely and take advantage of the services and contacts. This reflects the flexibility of the various options possible within SEE.

B. Project Responsibilities

Responsibilities of the project include:

- Project's activities must be charitable in purpose and contribute to their mission.
- Project's activities must have a need for and the potential to benefit from the services provided by SEE.
- Projects must be willing to work in collaboration with SEE.
- Projects are required to track and submit all receipts and invoices to receive disbursements.
- Projects are required to raise their own funds.
- Financial contribution for operations through fiscal fees.
- Accurate record keeping, including deposits, invoices, budgets and receipts.
- Open communication between the Project and the SEE office. This includes any changes in the address, contact information and status of the project.

C. SEE's Responsibilities

SEE provides the following services for its Projects:

- Depositing all donations of the Project and tracking the information in an accounting software package. This ensures tax-deductibility of eligible donations.
- Acknowledgement/thank you letters will be mailed for all donations exceeding $50. This includes in-kind thank you letters for material non-cash donations.
- Disbursement of Project funds when receipts have been submitted.
- All federal and state tax filings (including 990 annual tax returns and 1099 consultant income reporting forms).
- Review of all legal documents, grant requests or other contracts or documentation that affects SEE as the fiscal umbrella or on which SEE is a signer.
- Provide financial updates (profit and loss statements) to the Project upon request.
- Provide letters of support and other pertinent material when a Project is applying for grants and donations.

Part 3 FINANCIAL PROCEDURES

A. Money Matters: An Overview

Some of the most frequently asked questions from groups have to do with the movement of money. That is, once funds have been raised, how is it forwarded to the SEE office, how quick can it be turned around, what to do about receipts for project expenses, etc. This memo should clear up many of these questions.

DEPOSITS

Once funds have been procured, whether through outreach, a fundraiser, or a grant, they need to be sent to the SEE office. **Do not deposit funds in any bank account prior to sending to SEE, no matter how the check is made out. This will instantly lose the tax deductibility for the donors.** If the amount is large, sending certified and/or to the Post Office Box may be preferable. It is always desirable to follow up with a phone call or email to ensure that the checks have arrived safely. There has never been a batch of checks lost or stolen in the history of the organization. Unless it is completely obvious, enclose a note with the checks explaining their nature and for which project they are intended. You may want to photocopy checks, prior to sending them in, for your records.

The most important detail to be explicit about when sending revenue to SEE is how said revenue was garnered. Aside from tax-deductible donations, funds may originate from event registrations, memberships and fees for services the project is providing. Revenue generated from any of the latter must be unambiguously stated as such. These types of revenue are not tax-deductible to the client and are treated in a different manner than tax-deductible donations. SEE needs to remain apprised of the source of all funding, as this is needed for tax reporting purposes.

In addition to checks, SEE accepts credit cards (Visa, MC, Discover and Diners' Club only), electronic wires and stock donations. If you have an opportunity to bring in revenue via other means it is possible to receive donations on the SEE website: www.saveourplanet.org.

For any other types of donations please contact the SEE office and we'll discuss the feasibility.

Once the funds have arrived at the SEE office, they will be photocopied, deposited and entered into our accounting database. At that point, they are available for project use, although not immediately. Which brings us to . . .

DISBURSEMENTS

Now the funds are at SEE, and they've been deposited. How do you access the funds for project purposes? There are several scenarios that can be followed, all of which are quick and efficient if done properly. If there are individual bills that need to be paid, you may forward them to the SEE office. We will pay them out of your available project funds. There is no debt financing -- there needs to be funds on hand before we will process any payments for a project.

The next option is to submit a budget for a portion of the funds that are needed now. Let's say you've just completed a fund raising event and have associated costs to clear up. The budget should show what the expenses would be used for, in a line-item fashion. Mail to the SEE office, and we will mail a check to you. Subsequent to any further funds being sent, we would need to obtain receipts that correspond to the original budget.

There are times when a Project Director or volunteer will advance the money for an event or task. These people can be reimbursed by submitting a form (with receipts) to the SEE office. There is a form entitled Disbursement for Goods and the Disbursement for Services included in the information packet you received when joining SEE. This is the form to be utilized for this. Receipts and/or invoices do need to be pasted up on an 8-1/2" x 11" piece of paper and attached to the disbursement forms.

See Section I.E.2. for a clarification of extra services provided.

Note: If the funds requested exceed the amount currently allocated to your project, we will only be able to release said funds after the checks have cleared the bank. This generally takes several business days.

RECEIPTS AND INVOICES

This is a very important issue. In general, SEE needs all receipts and invoices for project work. If SEE is sending a bill for you, or if you request payment for piecemeal expenses, there must be a receipt or invoice for every item accompanying the payment. If project expenses are being paid for using one of the budgeted methods listed above, receipts and invoices for all expenses (even small ones) are to be sent to SEE in a timely manner after the completion of the particular event or program.

In the event that SEE is ever audited or investigated, it will be absolutely imperative to have these records. Please consider the seriousness of this. **There is no reason to endanger the work of every project in SEE by neglecting this exceedingly vital portion of nonprofit work.**

SYNOPSIS

Deposits:
1. Send checks to SEE office via regular or certified mail; and
2. Attach note explaining origin and purpose of funds and for which project; and
3. Follow up with phone call / email to the SEE office.

Disbursements:
1. Submit a reimbursement request with receipts attached; or
2. Submit budget for portion of funds needed for an advance; or
3. Submit detailed budget for full amount of funds to be disbursed.

Receipts and Invoices:
1. All payments for actual expenses to be accompanied by receipts / invoices;
2. All disbursements for future expenses to be accompanied by budget, followed by receipts / invoices when program is complete.

B. Chart of Accounts

A chart of accounts is a bookkeeping tool that functions like a map, identifying and describing financial transactions. Each category of activity, whether a form of income or expense, has its own unique designation.

It is important that all projects become familiar with the chart of accounts since it will be the primary tool for ensuring that the SEE office properly codes revenues and expenses. This coding is extremely important when SEE prepares its annual tax return and financial statements; therefore, it is imperative that revenue and expenses be coded as accurately as possible.

REVENUE

Category	Description
Foundation grants	Donations
Organization grants	Donations
Individual donors	Donations

Government grants	Donations
Registration fees	Conferences, symposia, etc.
Memberships	Income
Sale of Merchandise	Project-related only
Litigation reward	Lawsuits
Interest	Other income
Loans	To be reimbursed
Refund-reimbursement	Other income
Bank credits	Other income
Redeposit	Returned checks

EXPENSES

Category	Description
Accounting fees	Project-related
Legal fees	Attorneys, lawsuits
Consultant fees	Salaries, stipends
Travel	Airfare, lodging, gas, etc.
Equipment & Maintenance	Purchase, lease, repair
Office supplies	Office expenses
Materials	Non-office supplies (gear, etc.)
Postage	Includes shipping
Printing	Copying
Telephone	Includes fax
Internet-email	Server charges, etc.
Publications	Books, tapes, subscriptions
Conferences-Meetings	Space rental, etc.
Licenses & Permits	Events
Meals	Project-related only
Research & Documentation	Project-related
Education-Outreach	Website development, newsletter, etc.
Fund raising	Professional
Insurance	Events, premises
Rent	Project office
Storage	Project-related only
Utilities	Water; gas, electric (project office only)
Membership dues	Joining other groups
Donation-Tithe	Charitable donations
Registration fee refund	Events
Loan repayment	Project-related only
Return of deposited item	NSF, etc.
Bank charges	Check charges, wire fees, etc.
Undistributed	Void, lost, etc.

Note: Not every project will use all of these accounts. Please contact the SEE office for clarification or if your project needs to track other kinds of activity.

C. Budgets

SEE requires that you submit a budget so that your financial statements will reflect not only your actual activity, but also your planned activity. In addition to its function as a template upon which a project bases its activity, budgets are also a mandatory aspect of nonprofit existence. In the case of an audit by the IRS, SEE needs to show fiscal responsibility and control. Having budgets for every project meets this goal.

There are several different types of budgets that are used:

Program Budget – Often an organization creates a budget for each program to be initiated. The total of the individual program budgets is the budget for the organization. If an organization has one program, i.e., one specific focus of work, then the program budget will also be the organizational budget.

Grant Budget – All foundations require budgets for the portion of work that they will be funding. However, as most projects have multiple sources of revenue, this budget will be a subset of your full organizational budget.

Cash Flow Budget – As an essential planning tool, it tracks your expected inflows and outflows of cash. This type of budget is helpful during a project's "downtime," i.e., periods in between major programs when a project still has basic office expenses and other financial commitments.

D. Revenue

1. Basic Procedures

This section outlines the way in which SEE handles different types of revenue and explains the rationale behind these methods. A few general comments on basic procedures will hold true across all the various categories of revenue that the project might generate. **A reminder: all revenue must be sent to the SEE office for deposit into the SEE Projects bank account.** This is how donors will receive their tax deduction. Any project funds that are deposited into non-SEE bank accounts are not considered viable donations to the project, and donors will not be eligible for the tax deduction.

SEE projects are allowed to accept contributions from individuals, organizations, businesses, and foundations. These are generally tax-deductible to the full amount of the donation, i.e. the face value of the check. However, there are instances when this is not the case. This is discussed below under "Tax-Deductible Contributions."

<u>How to prepare checks</u>:

All checks should be made out to: SEE / Project Name. It is important that both SEE and the project name appear on each and every check.

SEE's name must appear on all checks so that the donors' contributions will be tax-deductible, and they can be deposited into the SEE Projects bank account. If the checks are not made out to SEE, the bank may send them back. If checks are received made payable to the project without the SEE name (as long as they are not grants from foundations) they may be endorsed on the back by writing "pay to SEE/project name."

Overseas donors need to know that their donations to SEE-sponsored projects may not be tax-deductible in their own countries. Every country has its own income tax laws, so donors from outside the United States will have to find out what laws apply to them.

2. Contributions

a. Tax-Deductible Contributions

One item that is particularly important for the project -- and for donors -- is recognizing what portion of a contribution is tax-deductible. Although the SEE Program may record the full amount of a donor's check as a contribution, under certain circumstances the whole contribution may not be tax-deductible. In recent years, the IRS has been especially attentive to this issue with regard to nonprofits. This means that if donors are receiving something in return, e.g. food at a dinner they attend, or a t-shirt or some other promotional item, it is the responsibility of the project director to inform them of the value of the goods or services they received.

How is "value" defined? For small promotional items, such as a t-shirt, value can be defined as the cost of the goods. For larger benefits, such as a $1,000 benefit dinner with a celebrity, call the SEE office to discuss how to define "value." **The only tax-deductible portion of a contribution is the amount over and above the value of what a donor receives in return.**

b. Acknowledgement Letters

All tax-exempt organizations are required by IRS rules to send an acknowledgement letter for every contribution of $250 or more. SEE's policy is to send a letter for all donations of $50 or more. The letter informs the donor of the date of the donation, the amount, and the particular project that was funded. It thanks them for their support and provides them with the SEE tax ID number [FEIN] that they will need for their own tax return. These letters are sent to individuals, foundations, organizations, and businesses. Projects are welcome to send an additional note to their donors thanking them for the contributions. However, they should not include FEIN or make any mention of tax-deductibility. Any communication with tax implications needs to be sent by the SEE office only, so that we can be sure that IRS regulations are followed.

c. Stock Contributions

SEE is able to accept stock donations as contributions. We have an active brokerage account to facilitate these transactions. The easiest, quickest and most effective way to accept stock as a contribution is to instruct the donor to transfer the stock to SEE.

Our account information is as follows:

Brokerage firm:	Charles Schwab & Co.
Account name:	Social & Environmental Entrepreneurs
Account number:	8328-4415
DTC number:	0164, Code 40

With this information, the transaction can proceed smoothly. Once the shares of stock are safely in this account, SEE will proceed to sell the stock. SEE does not play the market. Whatever the price may be on the day they arrive is the price at which they are sold. Once the stock is sold, the funds are automatically transferred to the SEE Projects bank account. The entire process takes approximately one week to ten days to complete.

A stock transaction is treated as a straight cash donation, i.e., the donor is eligible to receive a tax deduction for his / her donation as if he or she had written a check. Please keep in mind that there are transaction and SEC fees assessed by Schwab, as well as SEE's normal fiscal sponsorship fee.

If your project is in line for a stock contribution, please contact the office for assistance. It is also essential to contact the office if there will be a donation arriving. We do not check this account unless there is reason to expect a forthcoming transaction.

d. Credit Card Donations (MC, VISA, Discover and Diner's Club Only)

Please note: If Projects will be collecting donations via credit card, donors need to be made aware that "Social and Environmental Entrepreneurs"(or some variant such as SEE) will show up on their credit card statement, not the Project name.

3. Other Income

Other income is any income that is not an outright cash donation to the project. Examples include sales, in-kind donations, expense reimbursements, loans, registration fees, and memberships.

a. In-Kind Contributions

In-kind contributions are services or material goods given to the project. The tax laws governing in-kind contributions and deductions are quite complicated. A few general guidelines are as follows:

- Personal services are not tax deductible.
- If the value of the contributed item exceeds $500, please notify the SEE office because certain tax forms must be filed.
- If the value of the contributed item exceeds $5,000, the item must be appraised.
- If an individual donates the material, the value of the contribution is the fair market value of the goods.
- If a company donates the material, a different set of rules applies.

Please contact the SEE office for answers to specific questions.

b. Reimbursement Income

An example of reimbursement income would be if a project is overcharged on an invoice and the vendor corrects this error by sending a check. There may be situations when a project receives compensation for monies that were advanced, e.g. renting a hall for a conference. This is also coded as reimbursement income. When depositing income that reimburses project expenses, please make sure to note the category to which the expenses were originally coded.

c. Loans

Receiving money from a loan implies that the monies are to be paid back to the lender when they exist. **Therefore, this is not a donation** in the true sense and needs to be reported as loan income. Please notify the SEE office when securing any loan.

d. Registration Fees

Many projects conduct conferences, symposia, trainings, speaking tours, etc and charge the public for these events. This is perfectly acceptable; however, there needs to be a clear understanding by the project and the public that registration fees are not tax-deductible. The reason lies in the fact that registrants are receiving something for their money – an event. Registration fees are generally mandatory to enter an event, therefore are not a voluntary contribution given free and clear. Remember, any time the public receives something in return for their contribution and/or such a fee is mandatory, said contribution is not tax deductible.

When sending in checks or credit cards, let the SEE office know if these are registration fees.

e. Memberships

As with the previous item, projects may solicit memberships. These payments are also not tax-deductible for those people who join as members. As above, membership in a group generally confers that the person is getting something for their contribution – a newsletter, t-shirt, reduced admission to events, etc. Because of this membership is not tax deductible.

As above, please indicate if contributions are memberships when sending checks or credit card numbers to the SEE office.

4. Returned Checks

Occasionally, the bank for reasons such as insufficient funds, stop payments or foreign checks that have not been converted to U.S. dollars will return checks that have been sent for deposit. When this happens, the bank sends the original check and a bank advice to the SEE office. The bank advice usually shows a handling fee that is then charged to the project. It is the project's responsibility to contact the payer for a replacement check.

E. Expenses

Back up for **all** expenditures is one of the most important obligations of the project to SEE. It is the project director's, or their designated staff person's, responsibility to obtain a receipt or invoice for **all project-related expenses.**

<u>SEE needs all receipts and invoices for project work.</u> If SEE is sending a bill for you, or if you request payment for expenses, there must be a receipt or invoice for every item accompanying the payment. If project expenses are being paid for using a budgeted method, receipts and invoices for all expenses (even small ones) are to be sent to SEE in a timely manner after the completion of the particular event or program.

In the event that SEE is ever audited or investigated, it will be absolutely imperative to have these records. Please consider the seriousness of this. Do not endanger the work of every project in SEE by neglecting this exceedingly vital portion of nonprofit work.

1. Cash Flow Management

Most nonprofit organizations experience cash flow troubles at least once in their lives. In fact, many experience them on a cyclical basis. One of the best ways to deal with this trouble is to plan for it in advance. In addition to budgeting for revenue and expenses over the life of one grant and/or one program, it also makes sense to calculate general cash flow needs for a least one-year into the future. This will identify periods in which programs may need to be altered to allow for the amount of money available or will show the project when it needs to have grant money come in.

Another sensible precaution is to keep fund-raising plans current. This means knowing how many proposals have been submitted and to whom. A worksheet detailing the foundation, dollar amount requested and date decision is to be made will aid in calculating cash flow resources over a period of time.

a. All income that is deposited into your project account must first be photocopied. These should be forwarded to the SEE office and at that time SEE will accurately code the nature of the donations, as well as to send acknowledgement to the donors. We also need to keep each project's financial pictures up-to-date. If there is anything occurring that is contrary to the 501[c]3 rules, we can correct it quickly.

b. All checks that are written out of this account must have the "memo" section at the bottom of the check coded. Everyone will be furnished with a list of categories that SEE uses to code expenses. This is what will be used to fill in the memo section. We need this for the same reasons as above.

Projects are expected to operate without debt financing. For example, if a project plans a major printing job and does not have enough project funds to cover it, the project may not make a commitment with the vendor until such funds exist. SEE is ultimately responsible for project expenses to vendors, and we must be apprised of all liabilities. Failure to respond to vendors could harm the credit rating of SEE and all of the projects.

Reminder: While projects may enter into service contracts – providing the funds exist to pay for these services – neither SEE's name nor tax ID number [FEIN] shall be used to sign a lease or contract. An individual associated with the project needs to take legal and financial responsibility for the lease / contract.

2. Reimbursement of Out-Of-Pocket Expenses

Projects may reimburse expenses that are directly related to the furtherance of that project's objectives. All expenses are subject to review prior to reimbursement. **No personal or family expenses shall ever be paid with project funds.**

In the event that a staff person or volunteer advances personal funds for project expenses for which he/she wishes to seek reimbursement, such requests should be submitted using the "Request for Reimbursement / Check Request" Form. Original receipts – or photocopies – must accompany any request for reimbursement. The SEE office needs these receipts to track program expenditures. Receipts are required in the event of an audit by the IRS. It is imperative that all receipts be kept, even those for small expenses.

As described in Part 4, Section A., you may either submit a budget (proactive) or receipts (retroactive) for the release of available project funds. If a budget is submitted, 100% of related receipts from that budget must be remitted before additional funds will be disbursed. We must receive a receipt and/or invoice for every expenditure that is to be paid with a project's funds, even small, out-of-pocket expenses that are to be reimbursed later. Expenditures must be tallied on a Reimbursement Form that is attached to receipts (originals or copies). Only project-related expenses can be covered with these funds, never personal expenses. The IRS is constantly vigilant about nonprofit activities.

3. Invoices

An invoice is a demand for payment of goods or services. This demand can come from an individual, company, incorporated entity or partnership. If an employee is seeking reimbursement for out-of-pocket expenses, see section 2 above. If a business entity or independent contractor is requesting reimbursement, that entity should submit an invoice.

Invoices from commercial vendors or independent contractors/consultants need to be on their own letterhead. The invoice includes the name and address of the payee, a clear description of goods or services rendered, and the dollar amount due. The project director signs off on every invoice. This signifies the approval for payment of each expense.

It is also very important to know whether or not a vendor is incorporated. **If the vendor is not incorporated, any services rendered by this entity are taxable.** SEE will need to send a Form 1099 to these vendors and to the IRS at the end of the fiscal year. Information on Form 1099 can be found in Section 5.

If a consultant wishes, he/she may submit two invoices, one for services rendered and one for reimbursement of expenses. Usually only small independent contractors will avail themselves of this option. During the audit, SEE is required to supply invoices with all of the appropriate back up to substantiate any payments made.

4. Independent Contractors

It is perfectly acceptable for project directors to pay themselves a salary or stipend. This goes for staff and interns as well. However, it is usually not appropriate for a project's entire expenses to be directed toward salaries. SEE monitors the paying of salaries to be sure that it is commensurate with the project work.

From time to time, projects may also need to secure special services from professional consultants or casual labor. The following guidelines are to be utilized in determining whether an individual should be considered an independent contractor or an employee.

In general, a consultant provides technical and/or professional services, e.g. fund raising, facilitating, or training.

Casual labor refers to those who are not on payroll and not part of a business, but who operate as independent contractors performing, for example, clerical duties e.g. filing or stuffing envelopes for a large mailing.

Other parties that must, by law, be subject to a 1099 form are: lawyers, accountants, and landlords. Thus, it is necessary to obtain their information when arranging to pay for services rendered.

Persons receiving compensation for any services, including individuals and vendors, will be paid as independent contractors. This means two things:

a. Taxes will not be withheld by SEE, but instead paid by the recipient directly to the IRS. Independent contractors who earn over $600 in a calendar year will receive from SEE a Form 1099, which are issued in January of the following year. A 1099 is an IRS form used to report income paid to non-employees. Because 1099s must be prepared on behalf of SEE as a whole, **all payments to 1099-eligible vendors / individuals must be documented with a Consultant Timesheet for individuals or an invoice for vendors, not via the Reimbursement Form.** In short, projects need to obtain for SEE the address and Social Security Number [SSN] or Employer Identification Number [EIN] of each individual or vendor, respectively.

b. By law, SEE must provide Workers' Compensation Insurance to all employees and independent contractors residing and/or doing business in the State of California. Because of this, projects will be charged an additional 2.57% fee on all payments made to contractors and consultants that meet this criterion. This is the fee charged to SEE for outside consultants, which we are simply passing along. This fee is subject to change.

5. Form 1099

A Form 1099 is an Internal Revenue Service form used to report income such as rent, royalties, commissions, fees, prizes and awards, consultant payments, honoraria, etc., to unincorporated recipients. A 1099 is the independent contractor version of a W-2 form. Because 1099s must be prepared through the computerized accounting system on behalf of SEE as a whole, all payments to independent contractors, e.g. consultants and casual labor, must be through invoices, not expense reimbursements.

A Form 1099 is issued every January to all appropriate vendors and service providers who were paid for services exceeding $600 during the previous fiscal year. This applies to both individuals and sole proprietors. The procedure for paying vendors requiring a Form 1099 at year's end is for them to submit an invoice, which meets both the following criteria:

a. The invoice must be on letterhead and must contain the amount, date and nature of the services provided.
b. Name, mailing address and SSN are mandatory.

6. Wire Transfers

In addition to using checks, the SEE office is able to wire funds into an organization's bank account. The cost for this service varies, but is generally more expensive for international wires than for domestic. There may also be charges applied at the receiving bank. In order to process wire transfers accurately, the SEE office will need to know the name of the receiving bank, bank address, the ABA / routing number for the bank, the account name and the account number. For international wire transfers a SWIFT code may also be required. Some international wires need to pass through an intermediary bank first. In this case, all information for the intermediary bank will also be needed along with the destination bank.

It is always helpful to give the SEE office as much lead time as possible, as wire transfers can get quite complicated. With proper notice, it will be possible to acquire the correct information and re-send without a significant disruption in program activities.

7. Purchase of Equipment

When a project needs to purchase office or other equipment, there must be sufficient funds to cover the purchase. All equipment purchased with project funds are temporary assets of SEE. These assets are granted to the project when it spins off. If the project ends, the equipment must be donated to another nonprofit organization or remain the property of SEE.

8. Establishing Credit

In order to help projects establish credit, and to ease cash flow constraints, projects are encouraged to obtain credit applications from vendors, e.g. travel agencies, office supply companies, and printing houses. Whenever projects plan to regularly use a vendor, they should think about establishing credit with that vendor. Commitments should never be extended unless there are sufficient funds to pay vendors. In addition, SEE's name and FEIN should never be used on a lease or contract.

F. Fixed Assets

Fixed assets are items of value that belong to the project. These include office furniture and equipment. Major improvements made to premises you are renting, called "leasehold improvements," may also be fixed assets.

How can you tell whether a piece of equipment your project purchases is an expense or an asset? All equipment, e.g. computers, office machines, and vehicles purchased with project funds will be capitalized as assets if the price is in excess of $5,000. Therefore, we need to know exactly what type of equipment you are purchasing at the time of the transaction. Equipment that is less than $5,000 will be expensed as is customary.

As long as your project is part of SEE, your fixed assets are treated as fixed assets of the whole organization.

In accounting language, fixed assets are "capitalized." This means they show up in the project's financial statements as part of what you own, instead of as expenses. If your project buys a computer for $6,000, you won't see that $6,000 as part of your expenses for the month. Instead, you will notice that your fixed assets line is $6,000 greater than it was last month. Of course, your available cash is also reduced by $6,000, because you spent those funds to purchase the computer.

The funds you spend to acquire fixed assets are not considered an expense, but there are expenses associated with owning fixed assets. Wear and tear is a special kind of expense called "depreciation." Since there is no way to define exactly how much value your computer loses in a given period of time, accountants use formulae to approximate it. At SEE we evenly depreciate assets over a five-year period.

There are two basic ways of acquiring fixed assets. You can buy them or someone can donate them to you. In either case, they need to be accounted for. When you obtain a major piece of equipment or other asset, whether through purchase or donation, it is vital to let the SEE office know about it. This information is needed to keep the bookkeeping up to date.

Part 4 ~ OPERATING PROCEDURES

Based on an understanding of nonprofit law and Internal Revenue Service regulations, SEE has developed a number of policies and procedures to ensure good management and accountability. For projects that eventually seek independent status, their experience with these principles and policies will help build a strong, resilient organization.

A. Project Start-Up

It is important to keep in mind that when a project joins SEE, that project is responsible for running its own day-to-day operations. SEE will provide the appropriate administrative and financial assistance, including all privileges accorded a tax-exempt organization. It is up to the project director and their staff to implement the project's direction and activities, which include fund raising. Beyond the administrative and financial aspects, SEE staff is available in program implementation assistance. This cannot be the focus of the SEE/project relationship. Project Directors must have the means to bring their project's vision into focus, implement specific initiatives on their own, and carry these to fruition. The ability to run the project is the responsibility of the Project Director and staff.

B. Memorandum of Understanding

The SEE staff must interview all potential projects in order for the project to become a member. This interview is a way of getting to know each other, as well as answering questions and addressing concerns about the nature of the project work. This is also an opportunity for the project director to have questions answered about any of SEE's policies.

Following this initial meeting (which is usually held in person, or via telephone if geographically prohibitive), and providing that both parties are comfortable in initiating a working relationship, a Memorandum of Understanding (MOU) is signed. Once this memo is signed the project officially becomes a member of SEE. The signed memo signifies the project director's acceptance of SEE's conditions for project status. At this point, the project becomes a direct activity of SEE, operating under the auspices of the SEE Board of Directors.

C. Budgets

SEE is responsible to both the funding source and the IRS in accounting for the way that grants and donations are used. To satisfy 501[c](3) requirements and the needs of the donor, SEE must take fiscal responsibility for any portion of the work that occurs while a project is a member of SEE.

All projects must have an annual organizational budget, which reflects the current and expected financial position of the project. In addition, there must be a detailed budget for every grant received. In some cases, these two items may be identical. All expenditures are expected to coincide with the budget. In the case of discrepancies, the project director is expected to provide a written explanation of such discrepancy. If the discrepancy is large, the funding source will need to be notified <u>prior</u> to funds being released.

We have the same position at SEE. We will never hold a project explicitly to a budget. The only time a situation may arise is if a project's expenditures are completely out of sync with their budget, to the point that it appears they are not adhering to their original mission. We do expect groups to report any drastic changes in program plans to the office. A new MOU may need to be approved and signed if the revised mission and goals are significantly changed from the original.

D. How to Describe the SEE/Project Relationship

The Project's identity as an activity of SEE must be explicitly stated on all printed materials, including letterhead, newsletters, brochures, fund raising appeals, press releases and web sites. This information is important to donors in protecting the tax-deductibility of their contributions. Projects do not have a legal identity as a nonprofit organization other than through SEE, although we encourage all Projects to have a viable identity in the community.

The Project may use this sample language or some variant of:

<u>For stationery/brochures/ printed materials and for the website:</u>

> The [Project Name] is a Project of (or in affiliation with) Social and Environmental Entrepreneurs (SEE) a non-profit public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.
>
> [Project Name] is a Project of Social and Environmental Entrepreneurs (SEE), a registered public charity, which provides non-profit status. Your donation is fully tax-deductible.

<u>For fundraising appeals:</u>

> "[Project Name] is a Project of Social and Environmental Entrepreneurs (SEE), a 501(c)(3) non-profit. Please make checks payable to SEE/"*[Project name]*. If you are donating by credit card, please note that Social and Environmental Entrepreneurs, or a variation of SEE, will show up on your credit card statement. Your donation is tax deductible."

If Projects will be collecting donations via credit card, donors need to be made aware that SEE, not the Project name, will show up on their credit card statement.

If the SEE/Project relationship is not stated clearly on all print materials, it may result in the suspension of Project activities.

E. Board Structure

Projects are a part of SEE, which means that the SEE Board of Directors becomes the de facto board of the project. SEE encourages the formation of advisory councils to assist projects in terms of management and visibility. It is also important to develop an image and reputation in your community, which makes the existence of advisory councils invaluable. In addition, if you are thinking of branching off into a separate stand-alone nonprofit entity in the future, the existence of a strong advisory council will make the process flow much more efficiently.

F. Web site

SEE has a web site, which can be accessed at www.saveourplanet.org. The site is intended to be a place where all groups can congregate, share news, get resources, and post their events. Regarding the former, if another member project sounds intriguing to you while scanning through the site, please call the office to obtain their contact information. Just as important, this will be a wonderful venue to show the world what we're doing. Many important contacts and donations can be obtained this way.

Projects that have established websites will be encouraged to link to the SEE site, and vice versa. All active groups will have a brief listing and thumb nail description – mission statement – on the site.

G. Fundraising

Projects should submit materials to the SEE office, allowing for a five working-day review period (longer if legal review is necessary). This includes all grant proposals, newsletters, press releases, educational and advocacy materials (including video, web and broadcast media), lobbying materials, fund raising materials, etc. The SEE office has the authority to restrict materials from publication if they contain anything illegal or contrary to 501[c](3) policy. Such materials could endanger SEE's nonprofit status. Other suggestions for modifications are not mandatory, but may be advised based upon nonprofit management experience.

1. Review of Proposal

Once you have prepared a grant proposal, the SEE office will need to review its content. We do this to assure that the project proposal is for nonprofit activity and that the relationship between SEE and the project is represented correctly. Please allow a turn around time of five working days for the proposal review. If you are sending a multitude of proposals, each slightly different than the others, then a basic template can be sent to SEE.

2. Review of Fundraising / Foundation Grant Proposals

Projects are required to submit their grant proposals to the SEE office for review prior to soliciting contributions from donors. Once the proposal is approved, SEE can send a letter of support that explains the SEE/project relationship. All grant award agreements must be signed by one of the SEE Directors. Grant proposals should not include amounts for non-project costs.

While the SEE staff is available for discussing fund raising ideas, it is the responsibility of each project to raise funds.

a. Grant Request Letter

When you are ready to submit your project's proposal to foundations, you may provide the SEE office with a list of contact people, foundation names and addresses, and the amounts requested. We will then send letters to those foundations confirming that you are a project of SEE, and supporting your application.

If any foundation expresses concern about funding your project as a result of the SEE structure, let the office know. We will then follow up with that foundation to clarify the SEE/project relationship so that there will be no ambiguity as to the nature of the SEE Program.

For more information, there is a paper entitled "Use of Fiscal Agents: A Trap for the Unwary" which was published by the Council on Foundations. It is imperative to strictly follow legal guidelines when SEE projects accept tax-deductible donations. SEE is not just acting as a "fiscal agent". Each project should review this paper which can be found online at: http://www.cof.org/Publications/Detail.cfm?ProductID=2833.

b. Grant Contacts

The SEE office must sign all foundation grant contracts. A copy of the signed agreement and report forms, if any, will then be sent to the project. If you receive a grant agreement, please forward it to the SEE office. When the office receives the grant check, acknowledgment letters will be sent to the foundation.

c. Grant Reports

Grant contracts always include a deadline for submission of reports. Every foundation has its own timeline for these reports. Generally, reports are due six months or one year after award of the grant. They are to be mailed to the foundation, with a copy to the SEE office. Project directors are responsible for keeping records and writing reports in a timely fashion.

~~5.~~Guidelines for Grantees

SEE is responsible to both the funding source and the United States Internal Revenue Service (IRS) to account for the way that the money is raised and used. The IRS considers the work of all groups a SEE activity. Whenever a group receives a block grant, even if it is not from a foundation, certain guidelines need to be followed.

To fulfill this obligation the following is needed:

- Prior to or concurrent with receiving the funds, please send to SEE a description of the proposed work. It should include the names and a brief description of the responsibilities of all people who are handling the funds.
- Prior to or concurrent with receiving the funds, please send to SEE a line item proposed budget using the categories provided in Section III, Chart of Accounts.
- Upon receiving the funds, please notify SEE that they were safely received.
- Within 30 days after spending the funds, please provide SEE with receipts for the expenditures that total the amount of the grant.
- Within 30 days after spending the funds, please provide a brief statement about the success of the work that was funded.

For small grants of approximately $1,000 or less, all the above categories should be as brief as possible.

H. Personnel and Employment

The guidelines and parameters that follow have been developed to include government regulations that protect SEE and its employees. The most important issue is that project directors and their staff are not considered employees of SEE. They are considered independent contractors or consultants. When paid for their services, there is no withholding. A Form 1099 is issued at the end of the year, rather than a W-2. Filing one's taxes with a 1099 is a bit different than it would be with a W-2. A SEE staff member will be able to familiarize you with the ramifications.

When you pay yourself and your staff, the payment is coded as a Consultant Fee. Like all other expenses, these are paid out of project funds. However, it is extremely important to distinguish these payments from reimbursement of expenses, i.e. out-of-pocket expenses incurred by the individual who is now being reimbursed. To distinguish between a consultant fee and a reimbursement, please indicate on the Reimbursement Form exactly what the payment is for. The SEE office needs to have this information in order to comply with tax laws governing the payment of consultants. **In all cases, when a consultant is paid (even if this is for a one-time casual labor situation), you must obtain the person's full name, mailing address and social security number.** This is needed by SEE for tax purposes.

I. Insurance

Individual projects must provide liability insurance protection for project activities. This is especially important when conducting activities that will definitely or potentially involve members of the general public. These activities include such events as conferences and symposia, trainings and classes, camps, etc. Transportation of individuals to and from these events should also be covered. SEE can refer your project to various companies that can provide this type of insurance.

Liability insurance should always be procured prior to producing an event. Insurance costs are always a project expense, so it is very important to build this into your budget.

Although not required, it is prudent and advisable to purchase a general liability insurance plan for your premises and equipment. The cost for business property insurance is always a project expense, as well.

In addition, law under a Workers' Compensation insurance policy covers SEE. The policy includes all project directors, staff, and outside consultants paid for services via funds from SEE. As of April 16, 2002, such forms of payment will have 2.57% of the total amount of consultant fees subtracted from that project's available balance.

J. Contracts and Leases

If a Project wants to enter into a contract/lease, SEE needs to be informed. However, SEE will not co-sign contracts, etc. An individual with the Project needs to take full responsibility. If we discover that SEE's name has been added to a contract/lease the Project will be subject to removal and the contract, etc. will be voided.

Projects should submit materials to the SEE office, allowing for at least a five working day review period (longer if legal review is necessary). This includes all grant proposals, newsletters, press releases, educational and advocacy materials (including video, web and broadcast media), lobbying materials, fund raising materials, etc. The SEE office has the authority to restrict materials from publication if they contain anything illegal or contrary to 501(c)(3) policies.

Important reminder: If a project wants to enter into a contract, lease, etc., the SEE office needs to be informed. However, SEE will not co-sign such contracts and leases - an individual involved with the project needs to take full financial responsibility. **If we discover that SEE's name has been added to a contract or lease without prior approval, the project will be subject to removal and the contract or lease voided.**

K. Ownership of Products

This is a very important issue, and one that all project directors and key staff should be familiar with. Every project is a legal activity of SEE. It is only through the tax-exempt affiliation with SEE that groups are able to fund raise, accept donations, and promise their donors a tax deduction. Because of this arrangement, SEE must assume all legal responsibility for any tangible or intangible products (such as videos, films, books, works of art, research manuscripts, and patents or copyrights covering the aforementioned) <u>temporarily</u> while the project is affiliated with SEE. This privilege and responsibility transfers to the project when this affiliation changes, i.e., when the project "spins off" as an independent nonprofit entity or transfers to another fiscal sponsor. SEE will not exercise any artistic control over the contents of the materials; however, SEE does need to verify that the content conforms to 501[c](3) regulations.

This is in keeping with nonprofit law, which stipulates that no public funds be used for the private benefit or inurnment of an individual or business. If a product is produced or if something is acquired with funds from the public realm, i.e. through the tax-exempt affiliation with SEE, that product / acquisition must be channeled back to the public and not to the benefit of an individual or business. There are means by which the rights and ownership to a product or acquisition can be acquired by an individual or business. Generally, this means a monetary reimbursement to SEE in exchange for said rights and ownership. There are rules governing such transactions. SEE will handle all such requests on a case-by-case basis.

The responsibility for filing a formal application to obtain a copyright or patent lies with the project. The copyright name must be "SEE/project name."

L. Lobbying Guidelines

Nonprofit organizations are permitted to lobby with strict limitations.

The purpose of this section is to provide project directors with a basic understanding of federal income tax law on lobbying, voter education, and other political activities conducted by public, tax-exempt organizations. \ Since all projects are legal entities of SEE, their actions are considered actions of SEE. A questionable activity undertaken by any part of SEE could jeopardize the organization as a whole. It is important that project directors understand what a public charity can do without jeopardizing its tax-exempt status or the deductibility of the contributions of its donors.

This section addresses the narrow federal legal issues raised by legislative and political activity of public charities, those tax-exempt organizations that have 501(c)(3) and 509(a)(2) IRS tax status. (Private, nonprofit, tax-exempt organizations are not allowed the breadth of activities permissible by public charities. Private charities are subject to additional restrictions and penalty for lobbying and political activities).

To be effective while acting within legal parameters of a public charity, it is important to understand the distinctions between public education, lobbying, and political campaigning (electioneering).

This section will not consider the other laws governing activities concerning non-federal (state and local) legislative and political action. Readers should be aware that while not addressed here, these non-federal issues merit careful consideration in connection with the development and implementation of any particular political activity. For additional advice when planning any such activity, project directors are urged to talk to SEE office staff.

1. Public Education

It should be remembered that much of what a public charity does in the political arena constitutes neither lobbying nor campaigning. There is no limit to the amount of time and resources that may be used to contact government officials, as long as they neither specifically urge those officials to support or discourage a piece of legislation. The following examples are all activities that are considered public education, not lobbying:

a. Efforts made at the administrative or regulatory level to get rules adopted, changed or repealed that do not have the purpose of influencing the content of the rules.

b. Litigation brought to further the public interest; e.g., suing EPA or DOE to require an environmental impact statement.

c. Efforts made to persuade the chief executive, e.g., president, governor or mayor to do or not do something (other than to promote or discourage legislation).

Nonpartisan educational materials may not have a specific legislative objective and must give complete treatment of the facts so that the reader may develop an independent conclusion on the issue(s). If the facts are distorted, essential facts left out, viewpoints expressed with no factual basis, or inflammatory or disparaging language is used to express conclusions, the IRS is not likely to view the material as educational.

A public charity may distribute and make available nonpartisan analyses, studies and research to the general public, including legislators. If a project receives a written request from a committee or a legislative body, not simply from an individual member, to testify or to provide technical advice on pending legislation, the testimony is not considered lobbying.

2. Lobbying

Public charities may engage in some lobbying to attempt to influence legislation. Such activity is subject to restrictions based on the amount of resources and time consumed in seeking to influence actions by Congress or a state or local legislature.

While lobbying is permitted, it may not make up a "substantial part" of a public charity's activity (see "Computing Expenses for Lobbying" below). As noted above, **lobbying is any activity directed towards influencing legislation.** Legislation includes any act, bill, resolution, or similar item of Congress, state legislature or local governing body, or other public act, e.g. a referendum, amendment, or initiative. Activities to influence legislation are divided into two categories.

a. Direct Lobbying: Contacting members or staff of a legislative body (U.S. Congress, a state legislature, or local counsel) or a government employee who participates in the legislative process, with the intent of encouraging them to introduce, support, oppose, repeal, or otherwise influence legislation. Telephone calls, letters, and office visits to a member of Congress, testimony at a public hearing without a formal request from the committee or the legislative body, or publication of materials to encourage passage or repeal of a bill are all lobbying activities.

b. Grassroots Lobbying: Communicating with the general public to encourage individuals to lobby on a particular legislative proposal. Letters to constituents requesting that they write to their representative to encourage or oppose a piece of legislation is considered grassroots lobbying.

3. Partisan Political Campaign Activity (Electioneering)

All nonprofit, tax-exempt organizations are strictly forbidden from engaging in any political activity on behalf of or in opposition to a candidate for public office. Political campaigning, a.k.a. electioneering, by a representative of a public charity will jeopardize its tax-exempt status. The following activities constitute electioneering: endorsing candidates, urging the public to vote for or against specific candidates, contributing money to election campaigns, forming or supporting political action committees (PACs).

Not all-political activity, however, constitutes electioneering. For example, a nonprofit organization may conduct a non-partisan voter registration drive, provide voter education, and help voters get to polls, or organize public forums for candidates as long as those activities show no preference for any particular candidate. (As mentioned above, constitutional amendments, referendums and initiatives are legislative processes and support for or against any of these is considered lobbying, not electioneering.

SEE's Policy on Lobbying

For individual projects at SEE wanting to lobby, what is the appropriate expenditure level? As noted above, SEE will abide by "The Substantial Part Test," which gives the project the right to allocate up to 5% of its time and money to legislative activities. This lobbying activity necessitates tracking time and money expended by a project for lobbying purposes in order to ensure that SEE remains within its overall lobbying limits.

To lobby, a project must be able to meet the mechanical public support test (usually public support equal to one third of total eligible support). In addition, no project may fund raise specifically for that portion of its budget that is to be used for lobbying. While nonprofit entities may expend revenue to lobby, they may not receive revenue specifically for this purpose. That revenue must come from general support money received by the organization, funds in no way "earmarked" for lobbying.

Political Campaign Activity

Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in or intervening in any political campaign on behalf of (or in opposition to) any candidate for elective public office.

Contributions to political campaign funds or public statements of position (verbal or written) made on behalf of the organization in favor of or in opposition to any candidate for public office clearly violate the prohibition against political campaign activity. Violation of this prohibition may result in denial or revocation of tax-exempt status for the nonprofit organization.

Certain activities or expenditures may not be prohibited depending on the facts and circumstances. For example, certain voter education activities (including the presentation of public forums and the publication of voter education guides) conducted in a non-partisan manner do not constitute prohibited political campaign activity according to the codes of the IRS.

In addition, other activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, would not constitute prohibited political campaign activity if conducted in a non-partisan manner. On the other hand, voter education or registration activities with evidence of bias that: (a) would favor one candidate over another; (b) oppose a candidate in some manner; or (c) have the effect of favoring a candidate or group of candidates, will constitute prohibited participation or intervention.

The 501(h) Election – Excerpt from the Alliance for Justice

This is the step, which 501(c)(3) organizations take to tell the Internal Revenue Service they want to take advantage of the clear definitions and generous limits on lobbying that were added to the Internal Revenue Code in 1976. These rules are sometimes called "the expenditure test." Only organizations which make the election can benefit. Those, which do not, must abide by the older, less clear, and less generous limits. Eligible organizations, which make the election, do so without changing their 501(c)(3) status.

Making the election is simply a matter of filing Form 5768, "Election/Revocation of Election by an Eligible 501(c)(3) Organization to Make Expenditures to Influence Legislation." The single-page form calls for the organization's name, address, and first tax year to which it wants the election to apply. It requires only the signature of an authorized officer, usually the President or Treasurer. A copy of the form is reproduced on page 10 and may also be downloaded from the IRS website **www.irs.gov**.

The election can be revoked at any time and can be easily reinstated, as well.

SEE has a 501(h) Election as described above. For more information on lobbying, in particular the section on Election H, see the websites of the Alliance for Justice at: www.allianceforjustice.org.

M. Legal Counsel and Litigation

The issue of legal matters is a very important one, and should not be taken lightly by any project within SEE. **Projects cannot enter into any litigation or contracts without *prior* approval of the SEE office.** Furthermore, if a project is named as a defendant in any legal action, or if a threat exists for such action, the SEE office shall be notified immediately.

All projects in SEE must obtain written or verbal approval by a majority of the SEE Board of Directors before entering into any litigation.

If you need legal counsel and/or advice, call the SEE office. In general, legal fees are the responsibility of the particular project undertaking the legal action.

Strict adherence to this policy is a must.

N. Bulk Mailing Guidelines

SEE has a permit to mail at nonprofit bulk rates. This enables projects to save much-needed funds for other important tasks. These mailings must fulfill certain requirements. For instance, there must be a **minimum of 200 pieces**, and these pieces must be **identical**. Also, only project-related material can be mailed using this permit, never personal material.

All projects need to do the zip code processing on their own. The zip code sort is complicated, and usually requires instruction from your local post office www.usps.org. There is more to it than simply arranging in piles of identical zip codes. If mailings are not sorted and bundled properly, it will result in the mail taking longer to reach its destination.

The following procedures must be rigorously adhered to. Every piece needs to be addressed completely and return addressed. Next, the mail needs to be sorted and bundled according to Post Office guidelines, stamped with an indicia (explained below), and delivered to the main Post Office in Santa Monica. All mailings that utilize the SEE nonprofit permit must be mailed from Santa Monica, where the permit is held. Groups that are locally based may drop off the mailings themselves (5th and Arizona in Santa Monica); groups that are some distance away should place the **pre-sorted bundles** in a box and mailed to the SEE office en masse. We will then take them to the Post Office as soon as we can.

Important Note: The SEE office is not equipped to do the zip code sorting for projects. This must be accomplished by someone from the project and finished before sending to us. If we receive a shipment that is sorted haphazardly we will need to send it back to you for proper sorting. As mentioned, this is a complicated process and should not be attempted before taking the Post Office class.

A word about the return address: **"Social and Environmental Entrepreneurs" must appear** – if you would like your project name and address to appear, as well (which is encouraged) this can be listed underneath the SEE name. **However, the Post Office will not send the mailing unless "Social and Environmental Entrepreneurs" is typed or pre-printed on the return address.**

The Santa Monica Post Office also needs a Letter of Support on SEE Letterhead.

There is no need to place a postage stamp on your mail. Every piece must display the permit number and other nomenclature signifying that the nonprofit bulk rate is in effect. This is known as "indicia." We have an imprint stamp in the SEE office that is used for this purpose. Please leave the upper right corner of each piece empty (where a stamp normally would go). However, if you are using a printing house to prepare your mailing, and would prefer that they place the indicia there, it must be exactly as follows:

NON PROFIT ORG
U.S. POSTAGE
PAID
SANTA MONICA,
CA
PERMIT NO. 528

If any part of this is incorrect, e.g., wrong permit number, the Post Office will not send the mail.

The most important consideration to take into account when planning a large mailing is time. This variable needs to be factored in two ways. First, the time needed to process the mailing; second, the time it takes the Post Office to send it out. Large mailings of a thousand or more could conceivably take up to a week to sort and process.

As for the latter – the Post Office can take up to three weeks to get your mail to its destination, even if these are local addresses! Therefore, it is important to keep these points in mind when planning a bulk mailing. **It is imperative to get the entire mailing to the Post Office no less than three weeks before you want it to arrive at people's houses.**

One other important tip: always enclose at least one un-addressed sample piece of mail – an extra. The Post Office needs to keep a sample of all pieces that are mailed at nonprofit rates. Please contact the SEE office immediately if your group is planning on a large mailing.

The following checklist is a summary:

1) Minimum 200 pieces
2) Must be identical
3) Complete mailing address, including return address.
4) Return address must include "Social and Environmental Entrepreneurs" typed or pre-printed
5) No postage stamp, unless printing house places indicia in upper right corner
6) Should arrive at Post Office at least three weeks prior to desired delivery date
7) Include one extra sample for Post Office
8) Letter of Support Required

O. Separate Bank Accounts

There may be circumstances when it is in the best interests of all those involved for a project to maintain a separate bank account. There are, of course, specific conditions, which need to be met before a separate account will be opened.

A project must be with SEE for at least one year and meet a $200,000 threshold in available cash flow before it will be considered eligible. What is being inferred here is continual cash flow. A single large grant or fund raising event could push a group above this threshold, but will this level of funding be consistent? Only those groups that demonstrate a continual ability to maintain funding above $200,000 will be seriously considered for a separate account.

Never, under any circumstances, shall a bank account be opened using SEE's name and/or tax ID number. Such action will result in the immediate closure of this bank account, and will result in the expulsion of the project from SEE.

In the event a separate account is granted, the project will be in possession of a checkbook for their project only **(never anything personal)**. This account will be registered through the bank as "SEE / project," but will be – in most cases – maintained by the project director or designated staff person.

There are policies that need to be adhered to for optimum functioning. These are practices that reduce the need to duplicate efforts and otherwise impede the work we are all doing. It is important to keep accurate and impeccable records when handling money that is going through SEE. All of these transactions will be going to the IRS at the end of each year, and we need to be very conscious of that. Since this agency is increasingly wary of nonprofit activities, we have enacted the following procedures to ensure that all SEE financial activity is completely transparent:

Part 5 PREPARING TO LEAVE SEE

A. Thinking about Becoming an Independent Nonprofit

SEE acts as an incubator, which implies that after some time a project may think about "spinning off" into an independent legal nonprofit entity. A project may want to become independent for various reasons. For smaller projects, it is economically attractive to stay at SEE and continue to make use of the services. In other cases, projects may reach an annual budget that allows the SEE services to be taken in-house. Even though the project may remain financially small and have diverse sources of revenue, they may have a strong advisory committee that wants to "spin off" and develop into a Board of Directors. A more fundamental issue to consider is whether the project would qualify as a public charity -- something that is determined by the diversity of the funding base.

During the period when a project is at SEE, it will be able to develop its programs and strategies while the SEE office provides the administrative and financial management support. The project will also have the luxury of time in articulating a clear statement of purpose and in developing its advisory committee.

Some projects will want to become independent after a year or two. Many will want to stay longer. Since spinning off is determined on a case-by-case basis, it is important to talk with the SEE staff about the issues involved. By signing on with SEE a project is not committed to staying on for any length of time. The move to independent status may be pursued at any time. It is important to stay in communication with the SEE office when contemplating spinning off.

Once the decision has been made to evolve to independent status, the following considerations will give an idea of the range of financial and administrative management aspects that an independent organization must be able to handle.

B. Issues to Consider

1. Legal

The legal process involved in becoming a nonprofit organization usually takes about three to nine months. It can take longer if the government feels that your mission and/or articles of incorporation are not well thought out or suspect. The SEE office can guide the project through the initial steps involved, although we cannot fill the actual forms out for you.

There are other nonprofit legal issues that your organization should understand. They include the parameters of lobbying, definitions of what is tax-deductible, and various reporting requirements. This operations manual touches on some of these questions. However, we recommend that you hire an attorney to guide you through the myriad of other issues related to nonprofit organizations.

2. Financial

There are a number of financial aspects to consider when becoming an independent organization:

a. Setting up an Accounting System

- Purchasing an accounting software package
- Hiring a supervising agent (bookkeepers, accountants)
- Training support staff

- Preparation of financial statements
- Preparation of budgets

b. Payroll

- Choices for payroll processing
- Training staff in house
- Contracting with a data processing company to do the work
- Establishing criteria for hiring employees and consultants
- Working with W-4's, I-9's, resumes and W-9 forms
- Preparing quarterly and annual payroll tax returns
- Preparing W-2's and 1099's at year-end

c. Setting Up A Checking Account

3. Tax Considerations

a. Tax Reporting

SEE strongly recommends that a newly independent organization consider hiring an accountant to help with tax reporting. It is more complicated than it seems. Reporting requirements include the Federal 990 annual report, the applicable State report, annual report to the Attorney General, and various payroll, workers compensation, insurance, and franchise tax reporting.

b. Audit

It will be important to consider the necessity of an annual voluntary financial audit in order to meet the requirements of funders who will ask for an "audited financial statement." The cost of an annual audit should be included in the project budget. Selecting a good audit team is very important.

4. Insurance

Obtaining insurance coverage tends to be one of the most difficult aspects that a new nonprofit will face. This is because the insurance companies are wary of nonprofits because of the size (small) and longevity (depending on funding). You need to find an insurance broker who will help you obtain coverage. You will need to allow sufficient time for this process.

a. Property / Casualty Coverage

- General liability insurance, which covers bodily and personal injury in case of accidents
- Business property insurance for damage by fire, flood, earthquake, theft, etc
- Business auto coverage

Small nonprofits may want to obtain this type of coverage in a package; however, the parts can be bought separately.

b. Workers' Compensation Insurance

The organization must select an insurance company carrier for workers compensation insurance prior to the start of independent operations. This is a necessity whenever anyone will be paid for services, whether via payroll or independent contractor.

c. Directors and Officers Liability Insurance

In today's climate of increasing liability claims and threats of lawsuits, it is important to provide your board members with Directors and Officers (D&O) liability insurance. This is a package that will protect trustees, directors, and officers against claims arising from their duties. Leading citizens are more willing to serve on boards where this kind of coverage is available since they are in positions of visibility, scrutiny, and responsibility.

C. Timeline

Timing is a critically important consideration for all aspects of the transition to full-scale independent operation. Set as high a priority as possible on the development of a realistic timeline in order to assure that all considerations are addressed in a thoughtful fashion. A flow chart can be a helpful reference in determining at what point an organization has reached in its development.

Part 6 CONCLUSION

This manual covers the essence of the Social & Environmental Entrepreneurs fiscal sponsorship, including policies and procedures. If there are issues that confront your project that are not covered here, please call or write the office for clarification.

We are grateful that you have chosen to become part of the SEE organization. We truly are changing the cultural landscape towards sustainability, justice and harmony and appreciate your efforts on behalf of the communities and individuals that you are making a difference in. Since your projects goals become our goals we look forward to working with you and achieving the change that you have set out to make.