



# NAACP

## UNIT FINANCIAL & BOOKKEEPING GUIDE

**“The Unit must use the uniform bookkeeping system provided by the National Office.” Unit Bylaws July 2025: Article V, Section 19**

## Table Of Contents

Section 1: Role of Units & Compliance/Finance Department.....	4
Section 2: Role of Unit Treasurer .....	5
Section 3: Unit Bookkeeping, Accounting, and Recording .....	8
Section 4: Tax Status of NAACP Units .....	18
Section 5: Guidance on Fundraising Activities .....	19
Section 6: National Assessments (Unit Bylaws July 2025: Article III, Section 4).....	21
Section 7: Youth and College AFR Submission Tips.....	23
Section 8: Past Due AFR Assessments .....	24
Section 9: Convention Reminder & Assessments .....	24
Section 10: Grounds for Suspension or Other Disciplinary Action .....	25
APPENDIX:.....	25
A1 - Filing Forms 1099 .....	25
A2 - Unit Detailed Financial Reviews Performed by the National Office.....	26
A3 – Unit Internal Audits.....	27
A4 – Sample Check/Expense Voucher.....	27
A5 – Sample Monthly AFR Treasurer Report.....	27
A6 – Sample Petty Cash Ledger.....	27
A7 – Definitions .....	27
A8 – AFR Toolkit: .....	28

## Introduction

We, the National Office, acknowledge our responsibility to provide meaningful financial management guidance and best practices to Units. This guidance is a necessary element of proper governance by a parent organization and proper compliance and transparency by the subordinate NAACP Units. This guide outlines a policy framework that provides the boundaries within which all Units shall align and follow to realize the Association's strategic intent and fiscal responsibilities to the membership, funders, and the community at large and its mission.

The significance of Unit compliance cannot be overstated, as it ensures the lawful, ethical, and effective operation of the NAACP from the National Office down to the Unit level. Compliance allows the NAACP to maintain its tax-exempt status and build public trust. Every member of the NAACP plays a role in compliance.

This financial guide shall focus on several areas that are fundamental, yet critical, to the successful continuance of our organization. The development of this financial manual was borne out of the necessity to proactively control five factors:

1. The need to minimize our audit risk by being in total voluntary compliance with all regulatory agencies, including the IRS, state, and local agencies.
2. The need to limit our liability exposures by controlling the events that might impact the organization negatively, such as an absence of proper due diligence.
3. The need to attain a zero-deficiency rating when we are selected for random Review by a regulatory agency.
4. The need to maintain fiscal integrity through the establishment of accounting procedures which comply with generally accepted accounting principles.
5. The need for vital information with which management can effectively, efficiently, and strategically allocate resources in the ever-changing environment in which NAACP conducts business.

**Note: The term “Unit” refers to NAACP State/State Area Conferences, Adult Branch, Prison Branch, College Chapter, Youth Councils, Jr. Youth Councils and High School Chapters.**

## **Section 1: Role of Units & Compliance/Finance Department**

The National Office Units & Compliance department works together with Field and Membership to assist with the financial activities of the Units. It also reviews and approves the Annual Financial Reports (AFR) submitted by the Units on an annual basis.

Units & Compliance primary goal is maintaining and enhancing the culture of transparency and compliance from the Association Level down to the Unit Level. The National Office must attest to the IRS that we maintain “general control and supervision” over the Units as the parent company. We do this by reviewing each AFR for accuracy and completeness to provide accurate and complete financial reporting to the IRS when submitting the IRS Group Form 990 filing.

### **A. The duties of Units & Compliance include the following:**

#### **1. AFR Review**

- a. Provides AFR and Treasurer Training and financial support to Units.
- b. Reviews of annual financial reports, supporting documents and records
- c. Provides guidance in preparation of the AFR’s with modifications as necessary.
- d. Determines whether the AFR report submitted by the units is accurate and complete.
- e. Prepares and processes financial transactions and supports field and membership with unit assessment and disbursement inquiries.

#### **2. Processing Membership Overages**

- a. Prepares membership overage payments for disbursements to units.
- b. Troubleshoots payment issues such as overpayments and duplicate assessment payments.
- c. Overages are distributed monthly with payments being issued approximately six weeks after the end of each month (e.g., January overages are paid in mid-March). This schedule may be adjusted during high-volume periods, such as the AFR season.

#### **3. Processing Per Capita Assessments**

- a. The National Office will provide a per capita membership match for State/State-Area Conferences at the rate of twenty-five cents (\$0.25) per new member of each Unit thereof on an annual basis in the first quarter of the new fiscal year.

#### **4. Advising NAACP units**

- a. Provide timely service and proper guidance to the NAACP units relating to financial transactions and annual financial reporting.
- b. Responds to financial inquiries from NAACP Units in a timely manner.
- c. Reviews and updates policies and procedures to correspond with changing technologies on a regular basis.
- d. Communicate with units regarding any updates and changes in financial

processes that directly impact the units on a periodic basis.

## **5. Monitoring and Reporting**

- a. Assists Units with inquiries regarding appropriate bookkeeping for transactions.
- b. Annual Financial Reports (AFR) – Builds a culture where NAACP units and members acknowledge the critical role of proper financial reporting to allow for complete and accurate preparation of the annual IRS 990 Group return.

## **B. The duties of the National Finance Department include the following:**

### **1. Processing of Daily Transactions**

- a. Cash receipts
- b. Cash disbursement

### **2. Annual Audits, Financial Reporting and Tax Returns**

- a. NAACP (c)(4)
- b. NAACP Empowerment Programs, Inc. (c)(3)
- c. NAACP Foundation (c)(3)
- d. Information tax return (IRS Form 990) for all three entities listed above.
- e. Group Tax Return (Form 990 – filed on behalf of all current AFR compliant NAACP units)

**The Finance Department, in coordination with the Field Department, mandates strict compliance with regulations set forth by the IRS and state and local government regulatory agencies.**

## **Section 2: Role of Unit Treasurer**

### **A. The duties of the Unit Treasurer (Unit Bylaws 2025: Article VII, Section 4):**

1. To receive all monies of the NAACP Unit and promptly deposit the same in the name of the NAACP Unit in a separate account or accounts in a responsible bank or trust company. The Treasurer may maintain a credit card for Unit expenses (as outlined below in the Unit Credit Cards section), and no cash withdrawal shall be authorized.
2. To act as chief financial officer of the NAACP Unit and chair of the Unit Finance Committee.
3. To make authorized disbursements upon receiving requisitions signed by the Secretary and countersigned by the President.
4. To remit through the Secretary to the Association the proportion of membership fees to which the Association is entitled, as hereinafter provided, within fifteen (15) calendar days after their receipt.

5. To submit monthly (treasurer) reports to the NAACP Unit general membership and the Executive Committee at all regular meetings, or whenever required by either body, covering the financial condition of the NAACP Unit showing receipts and disbursements and outstanding accounts unpaid since the last report.
6. Submit the AFR to include monthly treasurer reports and monthly detailed bank statements including copies of cashed checks monthly or according to the schedule below:
  - o January, February, March – due at the end of quarter 1
  - o April, May, June - due at the end of quarter 2
  - o July, August, September – due at the end of quarter 3
  - o October, November, December – due at the end of quarter 4

**B. Additional Unit Requirements:**

**1. Bonding Insurance**

All NAACP Units shall require the President, Treasurer and Secretary to be bonded at the expense of said Unit. **(Unit Bylaws July 2025: Article VII)** The surety bond makes the President, Treasurer and Secretary liable for paying any damages or financial losses caused by any illegal or unethical misconduct on their part.

For the period March 1, 2026, through February 28, 2027, as a courtesy to the units, the National Office secured and paid for an umbrella Bonding Insurance Policy that covers all Units that have met the following criteria:

1. Filed an AFR in 2023, 2024 or 2025 and
2. The unit finances are not managed by an adult branch or college/university.

In future years, a portion of the Bonding Insurance Premiums will be paid for by the units as required by the Unit Bylaws and collected through the AFR process.

**2. Propriety of Unit Records**

All property of the Branch shall be promptly transferred to the newly elected and qualified officers within thirty (30) days after the elections. Noncompliance with terms herein shall be considered conduct that is inimical to the best interests of the NAACP, meriting disciplinary action pursuant to Article X **(Unit Bylaws July 2025: Article VI, Section 3b)**.

### 3. Record retention – must be maintained for at least 3 years

#### A. Organizational Records

- Any State required informational registration records
- Letter establishing the Unit EIN (Employer Identification Number) Tax ID shall be sent to National Office and shall be accessible in the Unit Salesforce Portal
- Any Federal tax letters should be sent to National Office
- Minutes of all committees and Executive Meetings
- Business Permits and Licenses

#### B. Revenue and Cash In

- Reports, lists and documents relating to:
  - Membership dues
  - Fundraising proceeds and expenditures reports
  - Fundraising assessments (as reported in the AFR)
  - Convention assessments (based on membership levels)
  - Donations received
  - Grants and grant agreements
  - Contributions received

#### C. Tax returns, correspondence or forms filed with:

- Federal including Form 941 payroll filings (if any),
  - State
  - Local tax
  - Other government filing documents.

#### D. Payroll records:

- All employee records including but not limited to:
  - Employee offer letters,
  - Payroll journals and tax payment documents
  - W-2, 1099s, Form 1096

### 4. Payroll taxes

To encourage prompt payment of withheld income and employment taxes, including social security taxes, collected by employers to the IRS, Congress passed a law that provides for the Trust Fund Recovery Penalty (TFRP). These taxes are called trust fund taxes because as the Unit Treasurer, you hold the employee's money in trust until you make a federal tax deposit in that amount. The TFRP may apply to you if these unpaid trust fund taxes cannot be immediately collected from the Unit and submitted to the IRS.

**Unpaid trust fund tax penalties assessed by the IRS for non-payment of payroll taxes are the personal liability of the Unit Treasurer.**

## 5. Annual Financial Reports

All records that support the numbers in the yearly reports

- Includes detailed General Ledgers
- Includes any sub ledgers
- Check registers
- Includes any reports from online payment platforms or accounting software
- Detailed bank statements, cashed (canceled) checks, and deposit slips which can be in paper or electronic formats.
  - A **detailed bank statement** is an official record from a bank that provides a comprehensive summary of all financial transactions in a bank account over a specific period, typically a month. It includes the account's starting and ending balances, a list of every deposit and withdrawal, transfer details, fees, any interest earned as well as cashed (cancelled) checks. This detailed record allows account holders to track spending, verify account activity, detect errors or unauthorized transactions, and serves as proof of financial history.

## 6. Payments made to the National Office

To minimize the erroneous posting of NAACP Unit remittances by the National Office upon receiving remittances, **we request that NAACP Unit Treasurer clearly indicate the purpose of each remittance on the face of the check, in the “memo” section.** The memo section should also include the fiscal year the payment relates to and the Unit number if you are sending in remittances for a Youth or College Unit. If the memo section is not large enough to provide payment details, an attached memorandum is requested to properly apply the remittance once received in the Finance Department.

**Membership payments made to National are best paid through the Salesforce Portal when possible.**

## Section 3: Unit Bookkeeping, Accounting, and Recording

### A. Books and records

All transactions of the Unit shall be kept in a computerized or manual record-keeping system that can provide reports detailing the information necessary to complete an AFR each year.

If a computerized accounting system is used, the resulting information or reports for transactions recorded in the system shall be accessible for inspection by the National Office. There are several adequate, yet inexpensive accounting software packages available (i.e., QuickBooks, FreshBooks, Xero etc.)

Any Software purchased shall be approved by the Executive Committee prior to purchase and adding user accounts. The unit software purchase shall not be used

for any other business or personal reasons unrelated to NAACP Unit finances.

See appendix for **AFR Treasurer's Report** Excel File to use as a tool to assist with AFR completion.

**All transactions shall have supporting documentation that can be inspected by the National office or the IRS at any time upon request.**

## **B. Unit Bank Accounts and EINs**

1. **Each unit shall have its own bank account** to receive funds and make payments relating to the business of the unit. The Unit Bank account must be established using the EIN of the Unit. Officers and members of the units shall not use their personal accounts or business accounts that they control to transact the business of the unit. If required by the bank for identification purposes only, a member may have to provide their personal social security numbers when establishing bank accounts in the name of the unit, however the EIN must be on the bank account as the identification number of record.
2. Units are limited to 5 bank accounts:
  - Checking
  - Savings
  - ACT-SO
  - Restricted Account if applicable
  - CD Account if applicable
3. **Each unit shall have their own EIN as required by the IRS to be included on the National Office Group 990 tax return.**

The Units & Compliance team provides support to units in obtaining an EIN to ensure the EIN is set up properly as a 501c4 tax exempt organization.

Unit leadership shall email the Units & Compliance team at [UFI@naacpnet.org](mailto:UFI@naacpnet.org) to set up a time to meet and obtain an EIN.

A copy of the EIN letter must be maintained in the Unit online document storage repository selected by the National Office.

All EIN online applications will require the name and social security number of an individual associated with the Unit, preferably the Unit President, Treasurer, or Youth Advisor (for Youth and College units).

Once the application is completed, the information is validated during the online session, and an EIN is issued immediately.

**Units are not permitted to use the National Office EIN for any purpose.**

The Unit can contact the IRS Tax Exempt and Governmental Entity Office and request a duplicate copy of the unit's tax EIN letter; they can be reached at (800) 829-4933 and select EIN from the list of options.

#### 4. Use of Electronic Payment Apps

The following Apps/electronic payment methods shall **NOT** be used by any NAACP Unit to conduct Unit financial transactions:

Members' personal financial electronic platforms are not permitted to be used for any reason. This would include any payment platform associated with the members' personal bank accounts.

Any financial platforms **NOT** connected to the Unit bank account. Green Dot debit cards or any other forms of prepaid debit accounts shall not be used.

**Usage shall be discontinued within 30 days of the approval of this guide.**

Electronic apps/payment platforms other than those mentioned above **are permitted only** if:

- a. The payment platforms are established in the unit name and connected only to the unit bank account.
- b. User access to the electronic payment platforms is limited to the treasurer and assistant treasurer to send and receive payments.
- c. If the app/electronic platforms are used for membership intake, the Unit secretary must have view access to the transactions in the apps.
- d. All payments must be approved using the voucher/requisition system described in the **Unit Bylaws July 2025: Article VII, Section 4.c**
- e. The account shall be set up to transfer funds to the unit bank account daily.
- f. The Unit shall have the ability to show all app/electronic platform transfer transactions reflected in the Unit bank statements.
- g. Unit shall not maintain funds on the electronic platforms due to potential security issues.
- h. Officers may not reimburse each other through any electronic payment platforms.
- i. A monthly review and sign-off on all electronic payments and receipts transaction statements shall be performed at the monthly finance committee meeting.

#### 5. Unit Disbursements

A. There are two methods that are acceptable to use for disbursements of Unit business transactions:

1. Bill payment platforms such as bill.com or accounting software that can make direct payments and/or check payments.

2. Checking account that provides checks to pay Unit expenses and are signed by two authorized signatories.

**All disbursements shall either be paid by a dual signed check or dual approved payment process through a payment platform or accounting software.**

B. Approved bank signatories will be:

- President
- First Vice President
- Treasurer
- Assistant Treasurer

C. Approved dual signatures or dual approvals on checks and check vouchers will be:

- Treasurer and President
- The First Vice President may countersign in the absence of the President.
- The Assistant Treasurer may sign in the absence of the Treasurer.

**Authorized signatories may not sign checks made out to themselves. Those checks must be signed by one of the other two authorized signers.**

Cash payments to vendors are not permitted.

Checks should never be made payable to “cash.”

Checks will never be pre-signed, and the use of signature stamps are not permitted.

Checks will be written directly to vendors for their goods and services.

Funds may not be withdrawn in any manner other than by the dual signed check or dual approved payment process through the unit accounting software.

## 6. Petty Cash

A Unit may establish a Petty Cash fund lock box or lock bag for minor purchases and other incidentals for **a specific event or activity if approved by the executive committee and documented in the meeting minutes.**

If a petty cash fund is established, the amount is limited to \$100 for units and \$300 for state conferences and can only be utilized for a specific event or activity where the need to provide change for cash transactions is necessary. For example,

collecting memberships at an event or unit meeting.

The petty cash should be secured in a lock box, or lock bag must be maintained by the Treasurer and adequate records of each transaction shall be retained to include receipts and disbursement forms. Transactions shall be recorded in an electronic or written ledger with an explanation for each transaction. If the Treasurer or Assistant Treasurer are not onsite for the event/activity, then a petty cash fund may not be established for that event or activity. Finance can provide an electronic Petty Cash ledger. (See Appendix A6)

Within three business days of the activity or event, remaining petty cash funds must be returned to the unit bank account. All unit financial management protocols are required when utilizing a petty cash fund and documentation of each payment and receipt of funds must be maintained and upon request provided to Units & Compliance for review.

## **7. Unit Credit Cards**

Units are allowed to establish and use credit cards; however, the credit card shall be in the name of the unit and the credit card physically held by the Treasurer and Executive Director (if approved by the National Office). The Unit shall only have one credit card, and the Unit credit card shall not be stored in any members phone or Apple Pay, or Google Pay accounts.

Usage of the unit credit card is limited to securing travel and for unit event related expenses. Travel expenses permitted include air fare, hotel, and rental car for business purposes relating to the unit and shall be related to the mission of the NAACP. Credit cards may also be used for event expenses where vendors will not accept checks. Both travel and event related expenses shall be subject to prior Executive Committee approval.

Travel outside of the United States is not permitted unless prior approval is obtained from the Office of General Counsel and Governance and Memberships leadership. If travel outside of the United States is not approved by the prior to travel – the Unit members incurring the travel expenses shall reimburse the Unit for those related travel expenses within 30 days.

## **8. Change in Bank Signatories**

The National Office and the Unit bank shall be notified each time there is a change in authorized signatories and previous signatories are to be deleted immediately.

The change of authorized signatories shall happen prior to the previous signatories leaving the unit to allow for smooth transition of responsibilities.

If that is not possible, the departing signatory shall facilitate the changes of incoming authorized signatories to maintain the ability of business continuity.

## 9. Processing Disbursements and Income

All disbursement transactions shall be properly documented and maintained:

Documentation, including disbursement request forms, vendor invoices, statements, receipts, expense reports, and other disbursement backup shall be retained for a period of not less than three years after the filing of the 990 IRS Group return.

All reports relating to disbursements from the online payment platform or accounting software, which may include payment journals, accounts payable ledgers and/or reports of check/ACH disbursements.

Cash and checks received by the Unit shall be processed as follows:

Cash and check receipts as well as all other contributions, grants, membership, or other fundraising activities receipts shall be deposited into the Unit bank account on a timely basis.

The National Office recommends as a best practice that Unit funds are deposited no later than the end of the following business day after receipt.

Documentation of the receipts and deposit slips should be maintained to support the items that were deposited.

If membership overage payment, the payment received should be recorded to the written ledger or accounting software.

If the receipt was for a grant, the grant agreement, including the unit responsibility for that grant and its donor restricted use shall be maintained in the unit records.

The Unit shall maintain as support a copy of the check for all donations.

Fundraising events and sponsorships includes any type of event/gathering/drive held by the unit that brings in unrestricted funds to the Unit that are **not** donor restricted (excluding ACT-SO and Back-To-School/Stay-In-School and other programs approved by the National Office) shall have documentation to support such activities, such as letters, or solicitation documentation and maintained in the unit records. Restricted funds must be restricted by the donor at the time of donation and documentation is required from the donor stating the intended purpose for usage of the funds.

All income received shall be recorded into the unit's written ledgers or accounting software and maintained according to policy.

**Unit funds shall never be commingled with the personal funds of Unit officers, members, other individuals, or entities at any time.**

## 10. Investments and marketable securities

If the Unit maintains significant bank balances greater than \$50,000, excess funds should be invested in an interest-bearing account or other appropriate investment vehicle. Investments are to be reasonable under the circumstances and are to be made with an appropriate business purpose.

Investments should be short term (with a maturity of less than one year with minimal penalties for early withdrawal if needed) so that any inaccessibility of funds does not unduly restrain Unit operations.

Investment accounts should carry minimum risk of loss and be FDIC insured. Each investment shall be approved in writing by the Unit Executive Committee (approval documented in meeting minutes.)

## 11. Accounts receivable

**Units shall not extend loans.** Under no circumstances are Units permitted to extend loans to contributors, donors, members, and fundraising events or for any other purpose.

To the extent funds are due to Units from third parties, collection efforts are to be documented, monitored and reported in writing to the Executive Committee.

## 12. Fixed assets

Adequate records shall be maintained detailing all fixed assets owned by the Unit. Records shall include the original cost of each asset. Fixed assets purchased by the Unit are considered Unit owned property and shall remain with the Unit.

Vendor invoices shall be retained for all purchased assets.

The Unit should maintain an inventory list of its assets and include date of purchase, serial number, model description, etc.

It is the responsibility of the Treasurer to determine if the Unit is required to submit a Personal Property Tax return to the State.

**Units shall not own or lease to own motor vehicles to include cars, trucks, buses, motorcycles, boats, and the like.**

## 13. Real Property

**Units may not own real property.** No unit, entity or affiliate may own or maintain or acquire any equitable interest in real property. Notwithstanding the foregoing, the NAACP, Inc., may, at the discretion of the Board of Directors and in accordance with the principles, aims and purposes of the Association, hold and/or own real

property for the use and benefit of a particular unit. Any real property shall be owned in the name of NAACP, Inc., and in appropriate instances be held under circumstances approved by the Board of Directors. **(Unit Bylaws July 2025: Article III Section 6)**

#### **14. Other Assets**

Security deposits should be separately identified to facilitate proper tracking.

#### **15. Liabilities**

No indebtedness or obligation shall be incurred by the State/State-Area Conference, Branch, Prison Branch, or Authorized Committee or any of its officers or agents in the name of the National Association for the Advancement of Colored People, and the National Office shall not be responsible for any indebtedness or obligation incurred by the State/State- Area Conference, Branch, Prison Branch, Authorized Committee, or any of its officers or agents. **(Unit Bylaws July 2025: Article V, Section 16a)**

Indebtedness exceeding three hundred dollars (\$300) per month in the aggregate shall not be incurred in the name of, or on behalf of the Unit unless by vote of the Executive Committee. **(Unit Bylaws July 2025: Article V, Section 16b)**

No indebtedness or obligation shall be incurred by the Youth Unit or any of its officers or agents in the name or on behalf of the Association or of the Unit, and the Association shall not be responsible for any indebtedness or obligation incurred by the Youth Unit or by any of its officers or agents. **(Unit Bylaws July 2025: Article V, Section 17a)**

No indebtedness or obligation of more than twenty-five dollars (\$25) shall be incurred in the name or on behalf of the College Chapter, Youth Council, and High School signed award letter.” **(Unit Bylaws July 2025: Article V, Section 17a)**

#### **16. Revenues**

All funds received by a Unit are to be identified as either “Restricted” or “Unrestricted” as to their use.

##### **A. Restricted funds include:**

- Grants from individuals, corporations, foundations restricted for an intended purpose by the donor and must be supported by documentation (a grant agreement, or Memorandum of Understanding-MOU) from the donor that includes the restricted purpose of the grant and the responsibilities of the unit to fulfill that purpose.
- Program funds (i.e., ACT-SO, Back-to-school / Stay-in-school)
- Bequests that detail how the funds are to be used.

**B. Unrestricted funds include:**

- Membership dues
- Bequests
- Funds from fundraising activities to support general operations of a unit.
- General donations/contributions from the public or any other organizations/businesses in the community of the unit.

Proceeds from fundraising activities are considered unrestricted for AFR purposes.

**Further Units are not permitted to restrict funds for general operating expenses, i.e., post office box, rent, leasehold improvements, office supplies, office equipment, technology improvements, etc. without written approval from the National office.**

## **17. Membership dues**

The membership dues structure is set forth in **Unit Bylaws July 2025: Article IV, Section 11.**

The Unit shall remit to the treasury of the National Association, the National Office's share of all membership fees within fifteen (15) calendar days of their receipt.

NAACP Units shall not retain the National Office share of membership dues for the purpose of defraying operation expenses.

## **18. Unrelated Business Income (UBI)**

Income generated from a trade or business that is regularly carried on and is completely unrelated to the exempt purpose of the NAACP. Prior to generating UBI for the Unit, the National Office shall review and approve a business case stating the purpose of the UBI, expected income generated from UBI. The Unit shall attest to their responsibility to pay the associated tax.

An activity will be considered an unrelated business (and subject to unrelated business income tax; (UBIT) if it meets the following three requirements:

- (1) it is a trade or business,
- (2) it is regularly carried on, and
- (3) it is not related to the furtherance of the exempt purpose of the organization.

UBIT is captured on IRS group Form 990 if gross income from unrelated business activities exceeds \$1,000 for any calendar year:

- Advertising revenue
- Commercial activities (i.e., operation of a bookstore or parking facility, rental income, etc.)

Unrelated business income shall be separately reported in the year-end financial report filed by the Unit. However, the tax liability for unrelated business income remains with the Unit.

## 19. Unit Staff and Salaries

“Units may employ Staff and/or Executive Directors where budgets of Units warrant such employment, upon terms and conditions approved by the President and CEO” (**Unit Bylaws July 2025: Article VI Section 1b**). Salaries should be approved annually by the Executive Committee of the Unit and approval reflected in the meeting minutes.

## 20. Employee v. independent contractor

The key distinction between “employees” and “independent contractors” is the element of control. An employer-employee relationship exists when the Unit has the right to control what work an individual does and how the work gets done.

**It is important to properly classify workers as employees to avoid potential IRS penalties which can be significant (\$10,000) for not doing so.**

Unit shall withhold payroll taxes from employee salaries and remit the taxes, along with the employer portion, to the IRS on a scheduled basis (recommend monthly, but at least quarterly basis).

Unit shall also file quarterly employment tax returns (Form 941) and an annual employment tax return (Form 940).

For any employee that is employed by the unit, the following information shall be provided to National Office on a yearly basis through the AFR, even if that employee did not work for the full year.

- Name
- Job Title
- Hours worked per week
- Annual Salary Rate

See Appendix A1 for Guidance on filing Form 1099 for independent contractors hired by the Unit

## 21. Supporting Documentation

Proper supporting documentation shall be maintained for each transaction. Proper documentation includes:

### A. Revenues

- Member or donor correspondence
- Check remittance advice
- Check photocopy
- Deposit slip copies (including evidence of mobile deposit)
- Conference registration / ticket sales logs

### B. Expenses

- Properly approved purchase requisitions
- Approval should be received in advance of placing orders for goods or services
- Vendor invoices
- Payment approval
- Cashed (Canceled) check

## Section 4: Tax Status of NAACP Units

All Units, as subordinates to the National Officer (parent company), have been designated as 501(c)(4) organizations by the IRS.

A 501(c)(4) organization is a nonprofit tax-exempt entity operating exclusively for the promotion of **social justice**. Exemption under this Section does not allow for deductibility of contributions by donors to the 501(c)(4).

No Units shall be authorized to create or form any 501(c)(3) entity unless expressly approved in writing by the Board of Directors. **(Unit Bylaws July 2025: Article III, Section 1a)**

No Unit shall be authorized to incorporate itself or to organize itself in the form of a corporation under state law unless expressly approved to do so in writing by the President and CEO and the General Counsel upon a showing of legal or business necessity. **(Unit Bylaws July 2025: Article III, Section 1b)**

## 1. Definition of Social Justice

NAACP Units are strategically designed to operate exclusively as 501(c)(4) entities for the promotion of social justice, primarily to further the common good and general welfare of the people of their communities, such as bringing about civic betterment and social improvement. In addition, a 501(c)(4) shall benefit a community as a whole. Thus, a corporation will not qualify under 501(c)(4) if its activities benefit only its membership or a select group of individuals.

A 501(c)(4) corporation may not, as its primary activity, conduct business with the general public in a commercial manner. Any earnings of such an organization shall be devoted exclusively to charitable, educational or recreation and for our purposes, civil rights.

A 501(c)(4) organization may engage in some social activities, some lobbying, and some political activity. NAACP units were specifically organized as 501(c)(4) organizations so that they can (1) seek to increase registration and voting; (2) work for the enactment of municipal, state and federal legislations designed to improve the educational, political and economic status of minority groups; (3) seek the repeal of racially discriminatory legislation; (4) work to improve the administration of justice; (5) work to secure equal enforcement of the law; (6) keep the National Office informed of all proposed legislation that affects minority groups.

**NAACP Units shall be non-partisan and shall not endorse candidates for public office.**

**Contributions to 501(c)(4) organizations may not be deducted as charitable contributions by the donor.**

## Section 5: Guidance on Fundraising Activities

### 1. General Solicitation of donations

When soliciting donations as a 501(c)(4), Units are required to disclose through an express statement (in a conspicuous and easily recognizable format) that contributions and gifts are **not deductible as charitable contributions** for federal income tax purposes, however they are deductible as an ordinary business expenses.

Solicitations by mail or advertisement in a newspaper, magazine or other print medium **shall** meet the following IRS requirements:

Include the statement **“Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes;”**

The above statement shall be in the same size font as the primary message

stated in the body of the letter, leaflet or ad;

The statement is included on the message side of any card or tear off section that the contributor returns with the contribution; and

The statement is either the first sentence in a paragraph or itself constitutes a paragraph.

Solicitations by telephone **shall** meet the following IRS requirements:

Include the statement **“Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes.”**

The statement shall be made in close proximity to the request for contributions, during the same telephone call, by the telephone solicitor; and

Any written confirmation or billing sent to a person pledging to contribute during the telephone solicitation complies with the requirements for print medium solicitations.

Solicitation by television **shall** meet the following IRS requirements:

Include the statement **“Contributions or gifts to this NAACP Unit are not tax deductible.”**

If the statement is spoken, it is in close proximity to the request for contributions; if the statement appears on the television screen, it shall be in large, easily readable type, and appears on the screen for at least five seconds.

Solicitation by Radio **shall** meet the following IRS requirements:

Include the statement **“Contributions or gifts to this NAACP Unit are not deductible as charitable contributions for Federal income tax purposes.”**

The statement is made in close proximity to the request for contributions during the same radio solicitation announcement.

## 2. Pass through Corporate and Foundation Contributions/Grants

Currently, the National office **does not** process 501(c)(3) pass through contributions to Units or State/State Area conferences that are intended for fundraising events or any other programs. Units are encouraged to take advantage of the National Office Collective Action Fund at Tides which would allow all units to pass through 501(c)(3) funds \$2,500 or greater with a third party (Tides Foundation). These pass-through contributions are subject to Tides Foundation terms and conditions.

Contributions that are less than \$2,500 should be accepted directly by the Unit as a 501(c)(4) donation while the National Office develops a process for accepting these donations as a 501(c)(3).

### 3. All Fundraising events

Unit **shall inform** donors that contributions to the Unit are not deductible as charitable contributions.

For payments to qualify as a charitable contribution they shall be a gift. Where patrons of fund-raising activities (such as charity balls, bazaars, banquets, shows and athletic events) receive a privilege or benefit in connection with a payment to the unit, the presumption is that the payment was not a gift.

Organizations that give donations to Units to support fundraising events can deduct the total contribution as an ordinary business expense, which can be designated as advertising or promotional.

## Section 6: National Assessments (Unit Bylaws July 2025: Article III, Section 4)

### 1. National Assessments (Unit Bylaws July 2025: Article III, Section 4.a.1)

All fundraising assessments (resulting from the Unit Freedom Fund events and any other fundraising events/activities/efforts to bring in dollars to the Unit) for the support of the Association, as established by the Board of Directors, shall be paid to the National Office no later than forty-five (45) days following the close of the event or at least ninety **(90) calendar days before the Annual National Convention**. The above-mentioned assessments refer to the previous calendar year's assessments (and the years prior if the assessment remains outstanding) and shall be paid in order for Unit delegates to be eligible to vote at the National Convention.

### 2. Fundraising Assessments (Unit Bylaws July 2025: Article III, Section 2)

The net proceeds of each contribution, entertainment, or fundraising effort by a Unit, excluding ACT-SO and Back-To-School/Stay-In-School and other approved programs, except for College Chapters subject to college and/or university fundraising requirements, shall be divided as follows: 25% to the National Office, 75% to the Unit, unless, in any case, written permission is obtained from the National Office for some different division, provided that the entire net proceeds of any fundraising effort for exclusively national purposes shall be transmitted to the National Office. Notwithstanding the foregoing obligation, a Unit shall be exempt from disbursing 25% of its net proceeds of each contribution, fundraising or entertainment effort to the National Office if, and when, it increases its membership, as recorded by the National Office, by 35% from the previous calendar year.

Notwithstanding the foregoing obligation, a Unit shall be exempt from disbursing 25% of its net proceeds of each contribution, fundraising, or entertainment effort to the National Office if, and when, it increases its membership, as recorded by the National Office, by 35% from the previous calendar year. When the Branch increases its membership level by 35% from January 1 of a year to December 31 of that same year, the Unit shall be required to submit only 15% of its net proceeds of each fundraising or entertainment effort for the succeeding year to the National Office. The assessment reduction is earned on a year-to-year basis, based on the membership increase of the previous year.

**Units that do not satisfy, in full, their fundraising assessments prior to the National Convention (both current and prior years) will be deemed financially non-compliant and will not be eligible to have voting delegates at the National Convention.**

### **3. Year-End Annual Financial Report (AFR)**

The AFR of Unit financial activities provides information needed by the National Office for the completion of the IRS 990 Group tax return filed on behalf of all Units. All financial transactions relating to cash and commitments into and out of the Unit, as well as any investment income and expenses, shall be properly recorded. In addition, if the Unit has assets and liabilities these amounts should be included in the financial reports submitted to the National Office.

The AFR shall be submitted to Units & Compliance Department of the National Office by March 1<sup>st</sup> each year, or the unit will be assessed a \$100.00 late filing fee for Adult and Youth and College Units.

The prior year AFR shall be completed and assessment paid before Unit Finance will accept the current year AFR.

The AFR will only be accepted by electronic submission except for Prison Units that can provide a written document or form which National will work with the unit or the partnering adult unit to file the AFR on its behalf.

The AFR will be reviewed, and a notice will be sent to the Unit for any additional documents required or corrections to be made by the Unit.

The AFR Assessment payment shall be made and the AFR accepted by the National Office after its review before the Unit will be considered AFR compliant.

Units are required to be included in the National Office group 990 and shall not file their own 990.

**The AFR due date is March 1<sup>st</sup>, however for late AFRs, failure to obtain an approved AFR by the end of the National Convention will result in the**

**Unit being omitted from inclusion in the Group 990 Tax Return. The IRS will automatically revoke the EIN of any Unit not included on the 990 Group Tax Return for three years. Once the Unit EIN is revoked, the Unit loses its exempt status and will have to cease operating as a 501(c)(4).**

Following is the minimum assessment table for Units. The assessment table is based on the total number of members for the Unit as of each year on December 31st of the accounting year for the AFR.

Minimum Assessment should be calculated:			
a.	If Prison Branch = \$50 only		
b.	If Youth Unit = \$75 only		
c.	If Youth State Conference = \$75 only		
d.	If Adult State Conference = \$100 minimum plus fundraising assessment		
e.	If Adult Unit (minimums plus fundraising assessment)		
	i. From members 0-100 = \$300		
	ii. From members 101-500 = \$500		
	iii. From members 501-1000 = \$750		
	iv. From members 1001-2000 = \$1000		
	v. From members 2001-3000 = \$1500		
	vi. From members 3001-3500 = \$2000		
	vii. From members 3501-4000 = \$3000		
	viii. From members 4001 plus = \$5000		

**PLEASE NOTE: The National Office will accept AFR Assessment payments on site at the National Convention. AFR Payments are required to be paid for the unit to be financially and nationally compliant and shall be received 24 hours prior to voting.**

## Section 7: Youth and College AFR Submission Tips

Youth and College (Y&C) Units shall have their own bank account in the Y&C Unit's name and obtain their own EIN as required by the IRS to be included on the National Office group form 990. Adult Units providing oversight of the Y&C Unit shall maintain separate banking accounts and records that will allow the Y&C Unit to take part in maintaining its Units records.

For Y&C Unit's whose finances are being managed by an Adult Unit because the youth unit is unable to open/fully access a bank account due to the age of its members or university policies, all revenue and expenses should be reported under the adult unit and the Y&C Unit's AFR should read zero, however must be filed.

For Y&C Units whose funds are managed by their college or university – an EIN and separate bank account are not required.

## Section 8: Past Due AFR Assessments

Past-due AFR assessments should be paid as soon as possible. If they are not paid before the current AFR assessment, the past-due amounts will be added to the current assessment due.

## Section 9: Convention Reminder & Assessments

State/Area State Conferences, and Units must become **Nationally Compliant** to receive the link to register delegates and alternate delegates for the National Convention. Registration notices will be sent to the State Conference, Area State Conference, and Unit secretary listed in Salesforce. Registration links will be available once early registration opens.

State Conferences, Area State Conferences, and Units are required to update their unit leadership and contact information and email addresses before March 1.

Members who have been voted as delegates and alternate delegates must be registered by your Unit, State Conference, or Area State Conference secretary. If you have any questions about your registration status, please contact your State Conference, Area State Conference, or Unit secretary or leadership.

<b>VOTING STRENGTH</b>			
Representation of Units, Youth Councils, Young Adult Councils, and College and High School Chapters at the Annual Convention shall be on the following basis:			
<b>Voting Members</b>	<b>Delegates</b>		
25 to 49	2		
50 to 100	4		
101 to 500	6		
501 to 1,000	8		
1,001 to 2,500	10		
2,501 to 5,000	12		
5,001 to 10,000	14		
10,001 to 20,000	16		
20,001 to 25,000	18		
Over 25,000 - 1 additional vote for every 25,000 members			

## **Section 10: Grounds for Suspension or Other Disciplinary Action**

When an individual becomes a member of the NAACP, that individual pledges to abide by the rules and policies of the Association and the decisions of the Board of Directors. The Board of Directors, upon satisfactory evidence that an officer or member of the Association, or of a subsidiary Unit of the Association, is guilty of conduct not in accord with the principles, aims, and purposes of the National Association for the Advancement of Colored People as set forth in its Constitution and as defined by the Board or Convention, or is guilty of conduct inimical to the best interests of the National Association for the Advancement of Colored People, may order suspension, expulsion, or other disciplinary action against such officer or member after a full hearing if requested by the respondent in accord with the provisions of this Constitution.

Upon satisfactory evidence that an officer or member of the Association is guilty of misappropriating NAACP Unit funds, the Association may pursue criminal charges and/or civil remedies to collect the misappropriated funds. The officer or member must return all misappropriated funds and pay all collection costs, including reasonable attorneys' fees, in order to be considered for reinstatement by the Board of Directors. Any member of the Association who files litigation against the NAACP or any of its units without having pursued the remedies within the framework of the Association shall be deemed as exhibiting behavior not in accord with the principles, aims, and purposes of the National Association for the Advancement of Colored People, meriting suspension, expulsion, or other disciplinary actions. **(Unit Bylaws July 2025: Article X, Section 2)**

### **APPENDIX:**

#### **A1 - Filing Forms 1099**

Nonprofit organizations shall file with the IRS a Form 1099 for any individual or unincorporated business to whom they paid \$600, or more, for any type of service (but not for the purchase of goods). Typical examples are payments for accounting, legal and Computer consultant fees; prizes, awards, and honoraria; rent, maintenance, and contract labor.

A three-tier penalty applies for failing to file correct information returns with the IRS. The penalty system applies to any (1) failure to file on or before the required filing date by January 31<sup>st</sup> to the payee and February 28<sup>th</sup> to the IRS, (2) failure to include required information on the form, and (3) reporting of incorrect information. To encourage prompt filings and to remedy errors or omissions, the IRS assesses per return penalties that become progressively higher as time passes.

## **A2 - Unit Detailed Financial Reviews Performed by the National Office**

- Absolute right of National Office
- May be based on random selection.
- May be Targeted - Discretion of the President / CEO and Board of Directors of the National Office
- Size of Unit – including amount of revenue earned, expenses incurred and number of members
- Delinquency in filing Annual Financial Reports and errors or inconsistencies in Annual Financial Reports filed

### **Consistent Review findings and violations are as follows:**

- Documents supporting cash receipts and disbursements are missing.
- Cash receipts are not deposited timely (recommendation is the next business day).
- Bank reconciliations are not prepared timely (recommendation is monthly).
- Units maintain more than five bank accounts.
- Variances exist between amounts reported on the Annual Financial Report and internal Unit records.
- Units do not maintain a list of property and equipment owned. (Real property cannot be owned by a unit unless approved by the Board of Directors and the title is held by the NAACP).
- Membership dues are not properly accounted for.
- Units do not properly disclose their tax status as a 501 (c) (4) entity when soliciting contributions from donors.
- Expense vouchers do not exist to support cash disbursements.
- Checks are made payable to cash.
- Checks are disbursed without dual signatures of the authorized signers.
- Checks are signed by the Secretary.
- Unit President or Treasurer are signing their own checks.

- Funds disbursed from restricted ACT-SO and BTS/SIS accounts which do not relate to the programs.
- No uniform filing system exists for storing Unit records.

### **A3 – Unit Internal Audits**

The books of the Unit shall be reviewed annually by a review system acceptable to the National office. **(Unit Bylaws July 2025: Article V, Section 19)**

### **A4 – Sample Check/Expense Voucher**

[Unit Compliance | NAACP](#)

### **A5 – Sample Monthly AFR Treasurer Report**

[Unit Compliance | NAACP](#)

### **A6 – Sample Petty Cash Ledger**

[Unit Compliance | NAACP](#)

### **A7 – Definitions**

**AFR Glossary of Terms** provides guidance on how to answer each AFR question can be found here: [Unit Compliance | NAACP](#)

#### **What is a unit in good standing?**

- National Compliant
- State Compliant

#### **National Compliance**

##### **Financial Compliance**

Units shall complete & submit an Annual Financial Report (AFR) with detailed bank statements due on or before the prescribed deadline of March 1 each year. A \$100 late filing fee will be assessed after this date.

In addition to submitting the Annual Financial Report (AFR), the National Office shall review the report, accept the details of the report and pay in full the assessment due to the National Office.

Unit Fundraising Assessments shall be paid within 45 days following the date of the event.

##### **Membership Compliance**

Branches shall maintain a minimum of fifty members in good standing. Prison Branches and Youth & College Division units must maintain a minimum of twenty-five members in good standing.

State/State Area Conferences must maintain a minimum of six (6) Branches in good standing and six (6) Youth & College Division units in good standing.

**State Compliance**  
**Financial Compliance**

Units within the jurisdiction of a State/State Area Conference must pay the prescribed state assessment fee to the State/State Area Conference within 60 days prior to start of the annual state convention.

**Membership Compliance**

Only Units in good standing are members of the State/State Area Conference.

**A8 – AFR Toolkit:**

**AFR Prep Checklist**

**Before you begin completing the AFR online Unit Finance recommends completion of the AFR checklist first.**

Review the checklist to ensure all required items/documents that the Unit might have are gathered. The checklist can be found on the AFR Website [Annual Financial Report | NAACP](#) .

It is recommended that the Treasurer review the checklist on a periodic basis. This kind of planning will ease the burden of completing the AFR and gathering the documents at the end of the year. Some items on the checklist are not applicable to every unit.

Know what documents will be needed for submission with the AFR and convert them to PDF electronic format for easy uploading.

**Requesting an AFR Meeting with National**

When you email the [UFI@naacpnet.org](mailto:UFI@naacpnet.org) mailbox to schedule a call or zoom meeting to discuss your financials or AFR review, be prepared with this completed checklist below to ensure you have all the needed information readily available for the meeting. Make sure you have documented all your questions and write the answers so that you do not forget. If you do not understand, make sure to ask during the call so as not to delay your ability to complete the AFR. These points will ensure productive conversation.

**The National Office Unit Finance and Compliance team is here to support you!!!**