

Engineers Without Borders – USA



Finances

Student Chapters

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Finances – Student Chapters

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Finances – Student Chapters

1.0 General Overview

Engineers Without Borders – USA is a non-profit organization with 501(c)3 status. This means that the financial records of the organization must pass an annual audit and must follow generally accepted accounting principals. This means that the individual chapter finances and project finances must also follow these same rules. Therefore, the National organization, upon consultation with its accountants and auditors, has established these financial guidelines for the chapter organizations.

It is the intent of these guidelines to provide chapters with enough information to make financial decisions for the individual chapters while providing the National organization with the financial information to ensure that funds are spent appropriately and our nonprofit 501(c)3 status is adhered to.

However, this is complicated by the fact that many Student Chapters are either able or required by their universities to have bank accounts through the university itself.

Due to the fact that many Student Chapters are either able or required by their universities to have bank accounts through the university, there are 3 options for Student Chapters on how to handle their finances. These will be described in detail in the following sections. Regardless of which choice is made, when Student Chapters complete a project, a final accounting of all project funds are a required part of the Final Project Report.

2.0 Choices for Handling Finances

It is difficult to cover all cases since each university handles student organizations differently. If your Student Chapter is an approved student organization, you should contact the financial department to discuss what guidelines and rules exist for handling money as a university organization.

As stated earlier, there are 3 choices for handling money for the Student Chapters and for Projects. After reading this document and discussing university rules, your Chapter should decide which choice to make. This may be changed from year to year. **Please keep in mind that under no circumstances is a chapter to open their own EWB-USA bank account.** Some banks or credit unions have non-profit accounts this does not apply to EWB-USA

Student Chapters may raise money for chapter expenses by collecting Student Chapter dues or by fundraising specifically for the Student Chapter. Chapter expenses could be for speakers, phone calls, food, copying, or other miscellaneous purposes.

Student Chapters also need to raise funds for their projects. Project money is money that must be used for the Project and nothing else.

Any grant that is applied for using the EWB-USA 501(c)3 status and financial documents must be handled by EWB-USA. The EWB-USA grant coordinator will help with the process and will submit grant applications. Money must be sent to EWB-USA from the grantor and dispersed following EWB-USA rules described in Section 3.

2.1 University Account for All Chapter and Project Funds

Many universities have methods for student organizations to deposit and extract money. EWB-USA does allow Student Chapters to run their money through their university, both for Chapter and Project money. Some universities will send out tax receipt letters to donors, some will not. Some universities will reimburse students for any and all expenses from money in the Student Chapter account and some have restrictions on which expenses are reimbursable (see Appendix B). The Student Chapter should make sure they understand what the university financial rules and guidelines are.

Each university also takes different percentages of donations as administrative fees. Check with the university as to what their administrative fees are.

2.2 EWB-USA Accounts for All Chapter and Project Funds

EWB-USA has the ability to handle both Student Chapter funds and Project funds. This is the EWB-USA preferred choice for handling Student Chapter funds. If EWBUSA handles donations for the Student Chapter and Projects, EWB-USA will send tax receipt letters to donors (see more about donations in Section 3.2). EWB-USA will also reimburse Student Chapter expenses and Project expenses from the Chapter and Project accounts as long as the Expense Report Procedure in Section 3.4 is followed. There will be a **5% Administration fee** for all donated funds. If the Student Chapter collects its own membership fees, these will not be subject to the 5% Administrative fee.

2.3 Combination of University Account and EWB-USA Accounts

Student Chapters may decide to have the university handle the Student Chapter funds and to have EWB-USA handle Project funds. Student Chapter funds would be under university financial rules and Project funds would follow EWB-USA financial rules. As stated before, EWB-USA would send tax receipts to donors and reimbursement from the Project account would follow the Expense Report Procedure in Section 3.4. Project funds would be subject to the 5% Administration fee.

A Student Chapter may even select to have part of the Project funds handled by the university and part handled by EWB-USA. However, as stated earlier, an accounting of all funds spent on projects must be turned in with the Final Project report.

3.0 Grants

Any person or chapter wishing to submit a grant or other funding proposal using EWBUSA financials, tax identification number, IRS forms or 501(c)3 status MUST first obtain express written approval from the EWB-USA Executive Director. The grant must be sent to the EWB-USA Grants Coordinator for review, editing, and attachment of all relevant EWB-USA documents. The EWB-USA Grants Coordinator will then send the application to the appropriate agencies.

Money received from the above mentioned grants must be received and expended by the EWB-USA National organization. It will be placed in the appropriate account (chapter or project) and dispersed via the methods described in Sections 6 and 7.

The EWB-USA Grant Policy is located in Appendix B.

4.0 Financial Requirements at EWB-USA

4.1 Chapter and Project Accounts at EWB-USA

When a Student Chapter contacts the EWB-USA national Treasurer to indicate that EWB-USA was selected to handle funds for the Student Chapter or Project, an account will be set up. All funds raised by the Chapter or Project are designated for that purpose alone and are not shared by other Chapters or Projects (after the administrative fee is deducted).

At this time, all transactions between EWB-USA and the Chapter will be handled via mail and paper checks. This is due to the fact that EWB-USA must have a copy of all checks for audit purposes. In the future, EWB-USA will set up procedures for electronic transfers.

An accounting of the Chapter and Project funds will be available from the EWB-USA national Treasurer on request.

4.2 Donations

Student Chapters can fundraise for their Chapters, their Projects in general, for a specific project, or for the EWB-USA national organization. Donations made to EWB-USA are tax deductible. EWB-USA will send tax receipts to all donors with associated names and addresses. Although the IRS does not require tax receipts to be

sent to donors who donate less than \$250, at this time, EWB-USA sends tax receipts to all donors as the tax receipt letter is also a thank you letter.

The Student Chapter cannot provide a tax deduction receipt unless the funds are either given to the EWB-USA National organization or a university's non-profit is utilized. If a student chapter is sending out tax receipts without sending funds to an account which is a designated non-profit account, the student chapter is violating IRS tax regulations and could seriously jeopardize their chapter.

Donations to 501(c)3 organizations are designated as either Restricted or Unrestricted. If a donor donates money to EWB-USA without any restrictions, it is an Unrestricted Donation and can be used for anything EWB-USA deems necessary. EWB-USA may use it for administrative purposes, for chapter needs, for projects or for other purposes.

If a donor donates money to EWB-USA with any restrictions, it must be accounted for differently. Restricted Donations **must** be used **only** for the designated purpose. Examples of Restricted donations are donations for Student Chapters, Projects, annual EWB-USA conference, scholarships, etc. If the restricted money cannot be used for the designated purpose, it must be returned to the donors.

Most donations that Student Chapters deal with are Restricted Donations. This means that they cannot be used by EWB-USA National organization (except for the administrative fee for handling the money).

If money is donated to a Local Chapter, the money can be used in any way the Local Chapter deems fit. The Local Chapter may use the money for administrative costs or they may choose to use some of the money for a Project.

If a donation is made to a Project, it can only be used for that Project and nothing else. If the Project has multiple phases, then money from one year may be passed on to the next year. If the Project is a one time implementation, all funds must be used or the remaining unspent funds must be returned to the donors.

If a donation is made to Local Chapter Projects generically, then the local chapter may use the funds for its projects from year to year as the chapter deems necessary. However, the money may not be used for any Chapter administrative expenses.

It is usually not in the best interest of the Student Chapter to reallocate their Chapter money to Project money. Once the money is moved into a Project account, it can **ONLY** be used for the Project. If there is Project money left over, it must be returned proportionally to all donors.

Example: Student Chapter 1 has Project X as its chapter project. The project team has a projected budget of \$2500. Chapter 1 has its Chapter money at EWB-USA.

After fundraising, Project X received: \$1050 from Donor A \$ 525 from Donor B \$1000 from Local Chapter 1 to cover the budgeted implementation costs

(admin. fee taken when \$ went into the Chapter account)

Total Received for Project X (\$1050 -\$50 admin fee) + (\$525 -\$25 admin fee) + \$1000 = **\$2500**

After implementation, the expenses for the project were \$1500. The remaining \$1000 must be distributed back to the donors as:
\$400 to Donor A \$200 to Donor B and
\$400 to Local Chapter 1

This is a proportional distribution of the left over money.

Local Chapters could indicate to the Project Team that they have \$1000 to cover their costs if needed. The Local Chapter would keep the funds in their own account until travel expenses are incurred. The Local Chapter would then give the exact amount of funds required to cover the costs of the project. Any remaining funds would remain in the Local Chapter account for future purposes.

4.3 Getting Money to EWB-USA

Money may currently be given to EWB-USA by either check or Paypal.

4.3.1 Handling Checks

The procedure for handling checks is as follows:

- **Checks should be made out to EWB-USA** (if not, they should be signed over to EWB-USA on the endorsement)
- Memo field should contain **Chapter Name or Project Name** (or any other specific restrictions on the funds)
- Send checks to EWB-USA national Treasurer at the EWB-USA main office

The EWB-USA national Treasurer will deposit the funds into the indicated account.

There will be a **5% Administration fee** for all funds.

4.3.2 Paypal

The EWB-USA website has a donations page that can be reached from the home page or directly at <http://www.ewb-usa.org/donate.php>. This page allows for donations to the General EWB-USA fund, to a chapter or to a project. Paypal is utilized to make the payment and funds are transferred directly to the EWB-USA National organization. There will be a **5% Administration fee** for all funds donated through Paypal.

4.4 Getting Money Back from EWB-USA

Once the Student Chapter has money in its Chapter account or Project account, EWB-USA can disperse funds for expenses.

EWB-USA can pay for an expense directly if an invoice is sent to EWB-USA National organization. The funds will be deducted from the Chapter or Project account. The Student Chapter Treasurer or Project Leader should send an email or message to the EWB-USA national Treasurer indicating the invoice will be arriving and giving approval for the expenditure.

A second way to handle expenses is for a Student member to pay for the expense. Then use the following procedure for reimbursement with the Administrative or Project Expense Report. The funds will be deducted from the Chapter or Project account. These should also be approved by the Local Treasurer or Project Leader. This is the typical way to be reimbursed for airline tickets and other Project expenses incurred in the USA. It is also the method for reimbursement for Chapter administrative expenses.

There are cases where a cash advance is needed and those are handled on a case by case basis. It is much harder for people to remember to always get receipts for once they have the cash in hand. **However, receipts are required for the entire amount of the cash advance.** If a cash advance is given, receipts must be collected when the money is spent in-country. If no receipt is given, a hand written record of the date and expense is required. Within 2 weeks of the project trip completion, an expense report with all receipts and notes is required to be sent to the EWB-USA national Treasurer to account for the cash advance. If the cash advance is not completely accounted for, the Local Chapter may not be able to travel on any projects for one(1) year following the incomplete cash advance transaction.

Expense Report Procedure

Download an Administrative Expense Report or Project Expense Report from the Downloads page of the EWB-USA website.

Fill out the Expense Report

Attach all receipts for For cash advance in-country expenses, a hand written accounting of all expenses without receipts is required

If the receipt is in a foreign currency, give exchange rate

Send the report and receipts to the EWB-USA national Treasurer at financial@ewb-usa.org

Non-cash donations must also be tracked. An excel spread sheet can suffice for this purpose. According to the IRS, the burden of proof for non-cash donations is on the donor. EWB-USA is not responsible for giving tax receipts for non-cash items. However, thank you letters may be sent by the Student Chapter.

Chapters should forward the donations spreadsheet to the EWB-USA national Treasurer at the end of each school year or by June 15th, whichever is later. This information will be used in tax preparation and the financial audit.

5.0 Non-Cash Donations

The IRS states that if an item is valued less than \$5000, the donor can fill out IRS tax form 8283 (f8283) by themselves without any input from EWB-USA. If an item is greater than \$5000, the donor must find an appraiser to verify value and EWB-USA must sign the form 8283 to verify the donation. There is more information on this in the Instructions for form 8283 (i8283) and Publication 561 (p561).

Form 8283 can be found on the IRS website <http://www.irs.gov/pub/irs-pdf/f8283.pdf>

Instructions for the form are located at <http://www.irs.gov/pub/irs-pdf/i8283.pdf>

Publbication 561 can be found at <http://www.irs.gov/pub/irs-pdf/p561.pdf>

Appendices

Appendix A Getting Started

- Contact university financial department to define university financial rules.
- Decide on which of the 3 choices you will select for handling Student Chapter funds and Project funds
- If, the university is selected, follow university rules for setting up account and handling funds
- If EWB-USA is selected
 - ○ Contact EWB-USA treasurer to set up accounts
 - ○ Follow EWB-USA rules as given in this document

Appendix B Example Student Finance Memo

EWB-CU MEMORANDUM

TO: ALLPROJECTLEADERS DATE: 10/3/2005 FROM: EW B-CU TREASURER CC: EW
B-CU,BOARD

SUBJECT:DONATIONS& FUNDRAISING

Currently, all EWB money must *go through an approved non-profit organization...*Non-profit accounting practices are heavily scrutinized (by the IRS); centralized accounting ensures compliance.

As a student chapter, all incoming funds must go through: **EWB-USA -or-University of Colorado**
(*all projects have the option of using either one or BOTH*)

There are pros & cons to each, below is a comparison:

		EWB-USA www.ewb-usa.org	field: CU- 'YOUR PROJECT COUNTR Y')	Univ. of Colorado (SOFO) www.colorado.edu/studentaffairs/sofo / University of Colorado (in memo field: EWB)
(1) Checks:	w	EWB-USA		
'Payable	e			
to:' (in m	m			
	o			

***EWB-CU does NOT have its own

bank account & cannot deposit checks

made out to EWB-CU***

to deposit: mail to EWB-USA (address on web) drop off at SOFO office on campus

(2) **Tax Deductions:** all donations deposited through EWB-USA as an independent group, we aren't are tax deductible & donors will receive a eligible for CU's tax exempt status tax receipt from EWB-USA so donors whose checks go to CU WILL

NOT receive a tax receipt

(3) **Admin. Fee:**

all \$ is subject to a 5% administrative fee all \$ is also subject to a 5% admin fee

(4) **Reimbursement:**

fill out an expense report submit DETAILED receipts to board (available at ewb-usa.org, "downloads") member who is a signer on the SOFO attach receipts & invoices, mail to EWB-USA account (generally, treasurer or president)

(5) **USE:**

no restrictions* --keep good records, keep all more limited: receipts, invoices, expense reports, etc **Don't purchase airline tickets.** report yearly finances to EWB-USA student travel must be arranged w/ Norm (*PLEASE see website for details) Skarstad or Clarence Grover (SOFO);

State fiscal rules don't allow reimbursements of airline tickets for students

Appendix C EWB-USA Policy on Grants and Fundraising



MEMO

To: All EWB Fundraisers **FROM:**

EWB-USA STAFF

CC: DATE: MAY 10, 2004 **RE:** EWB-USA POLICY ON GRANTS

AND FUNDRAISING

Any person, chapter, Board Member or department wishing to submit a grant or other funding proposal using EWB-USA financials, tax identification number, IRS forms or 501(c)3 status MUST first obtain express written approval from the EWB-USA Executive Director or Grants Coordinator.

Standard operating procedure for submission of grant proposals will be as follows:

-Submit the proposal, complete except for the requested EWB-USA financial information, to the Grants Coordinator at least 2 weeks prior to the submission deadline.

-Grants Coordinator will review the proposal, make recommendations on changes, and when finalized, approve the proposal.

-Appropriate EWB-USA documentation (form 990, 501(c)3 status letter, financial statement, etc.) will be attached to approved proposal and submitted directly to the funder by EWB-USA.

-In the event of a funding award, payment must be made to EWB-USA and sent to EWB-USA's central office.

All funds received from grants using EWB-USA financials, tax identification number (including IRS Form 990) or EWB-USA's 501(c)3 status must be handled by EWB-USA's central office exclusively. EWB-USA will deduct 5% of the funding for administrative purposes. The amount of requested funds should take this fee into account.

Since EWB-USA will receive the funding, all expenditures made under the grants must be submitted to EWB-USA's central office using the EWB-USA Expense Report along with all appropriate receipts and invoices. Expenditures will then be reimbursed by EWB-USA.