Recommended Recordkeeping Practices

ASFPM is providing these recommended practices for guidance purposes. Chapters should consider the list of practices as illustrative not exhaustive. Each Chapter should independently evaluate what practices are best suited for their respective operation based on their needs and applicable state law.

Recordkeeping & Document Retention
Having your documents in order can help in the event your group is ever involved in an IRS or financial audit, or a dispute among directors, members, creditors, contributors, or anyone else.

Your records should be complete, accurate, signed & dated, and in one secure place for ease of access. Additionally, since often records are incomplete or lost when turnover occurs within chapter leadership as well as for disaster recovery purposes, ASFPM recommends that Chapters keep a backup file (of essential documents) with ASFPM in order to secure copies if originals are lost. ASFPM provides this option at no cost to our Chapters.

Financial Records & Filing Responsibility
Chapter leaders with fiduciary responsibility (Treasurer, Secretary, or other officers) should be aware that incorporation may not remove their personal liability if proper records retention, filing, financial recordkeeping, reporting, and tax filing are not performed correctly (knowingly or unknowingly). It is the chapter board’s responsibility to review and evaluate financial statements- not the Accountant’s. Protect your most valuable asset, your volunteers by training and protecting them.

Leaders who fulfill these roles should be made aware of their responsibilities and personal liability if these are not performed. ASFPM recommends that Chapters consult a nonprofit insurance agent about their need for Fidelity Bonding, General Liability, Directors and Officers (D&O), and Errors & Omissions (E&O) insurance policies to help protect the Chapter and it’s board from financial liability.

Essential and Recommended Documents:

- Articles of Incorporation (if applicable)
- Constitution & Bylaws including any amendments & updates (signed & notarized)
- Annual State & Federal Income Tax records
- Meeting Minutes (General Membership, Board Meetings)
- List of Names of Board Members and Officers and their addresses
- List of Membership Roster with addresses
- Employment Records for employees
- Contract Records for contractors
- Annual reports submitted to State office regarding Incorporation Status
- 501(c)(3) Documentation from the IRS, Federal Tax-Exempt Status (if applicable)
- State Tax-Exempt Documentation from State (if applicable)
- Insurance Policies (Fidelity Bonding, Liability, Directors and Officers, or Errors and Omissions)
- Strategic Plan
- Budget & Accounting records
ASFPM Chapter Documents

- **Annual Chapter Renewal Paperwork**
  - Signed Memorandum of Affirmation for each year as a chapter
  - Chapter Renewal Form
  - Amendments & updates to Constitution & Bylaws (signed & notarized)
  - Current list of Officers, Board of Directors, Committee Chairs, Webmaster, & Executive Director

- **Copies of Chapter Records**
  - Articles of Incorporation (signed, dated, notarized)
  - Constitution (signed, dated, notarized) if applicable
  - Bylaws (signed, dated, notarized)
  - Federal Tax-Exempt determination letter from IRS (if applicable)
  - State Tax-Exempt certificate (if applicable)
  - Insurance Policies (if applicable and shared)

- **Chapter Surveys**

- **Chapter Application**
  - Constitution & Bylaws (signed & notarized)
  - Complete member listing at time of chapter application
  - Signed Memorandum of Affirmation
  - List of Officers, Board of Directors, Committee Chairs, Webmaster, & Exec. Director
  - Copy of Newsletter
  - Minutes from General Membership Meeting (at least one per year)

**DEFINITIONS**

**Articles of Incorporation:** The primary corporate document for every nonprofit corporation is its articles of incorporation. A corporation comes into existence on the date its articles of incorporation are filed with the state corporate filing office (usually the Secretary of State). Articles of incorporation contain basic structural information, such as the name of the nonprofit corporation, its registered agent, registered office address, and the corporation’s membership structure, if any. Should any of your documents contradict each other, the Articles of Incorporation supersede the Constitution & Bylaws.

**Constitution /Charter:** The primary organization’s document if the chapter is not incorporated. The constitution or charter contains basic structural information, such as the name of the chapter, purpose / mission, its registered agent, registered office address, and the corporation’s board and membership structure. Should any of your documents contradict each other, the Articles of Incorporation supersede the Constitution, which supersedes the Bylaws.

**ByLaws:** Bylaws basically serve as a corporation’s operating manual. Anytime someone wonders, "What's the maximum time one of our board members can serve?" they look to the bylaws for answers. Bylaws contain the rules and procedures for holding meetings, electing directors, appointing officers, and taking care of other essential corporate formalities. Whenever you have a choice, put material in your bylaws instead of your articles of incorporation, as they’re easier to change. The voting requirements to amend bylaws are generally less stringent and you probably won’t need to file anything with the state (unless you’re a tax-exempt organization, at minimum, you’ll be required to file form 990 annually with the IRS).
Meeting Minutes: Minutes are simply a formal record of the proceedings and actions taken at organizational, annual, board, general membership, and committee meetings. Actions should be voted on through formal motion and following quorum requirements as established in the organizational bylaws. Minutes should be kept permanently.

Typically, these include such items and actions as:
- board members or officers present
- setting an accounting period and tax year
- for a membership nonprofit, approving the issuance of memberships, membership certificates, and, if applicable, setting and scheduling membership dues or assessments
- authorizing and establishing the board and other committees
- appointing officers
- approving the bylaws
- authorizing the nonprofit to apply for tax-exempt status or, if that's already been taken care of, stating the effective date and terms of the organization's tax exemptions, and
- approving other transactions of the corporation, such as the opening of a corporate bank account

Registered Agent: A person designated to officially receive and send legal papers on behalf of a business entity, such as a corporation. The registered agent is registered with the state in which the corporation is established. The registered agent is the person who receives official notifications, including notice of lawsuits and state taxes due. ASFPM recommends that Associations request their Accountant or Attorney to act as their Registered Agent (since these roles generally have less turnover than board officers).

Sarbanes Oxley Act: A post-Enron Accounting Reform and Investor Protection Act in effect is to (for nonprofits) promote greater accountability with regards to integrity and competency in organizational recordkeeping and compliance with applicable government regulations. Currently two provisions of Sarbanes Oxley apply to nonprofits: document preservation and whistleblower protection for employees.

All indications point to a full roll-down of the Sarbanes Oxley provisions to the nonprofit sector. Starting with the 2009 tax year, the IRS 990 form / postcard expanded to include a number of questions which pertain to Sarbanes Oxley. Currently the IRS just asks about these practices, but the consensus is that they are collecting this information for a reason and at some point these will be required. Responses on the 990 form may be used to identify noncompliance when and if the full provisions are applied to nonprofits. Organizations wishing to avoid possible fines, penalties, and audits in future years may want to pay close attention to these questions and where they aren’t sure or are not applying in practice, to start implementing “best practices” under Sarbanes Oxley in preparation of any law changes.