



**Policy Name:** The Desert Pearls Financial Procedures

**Policy Number:** 004

**Effective Date:** April 1, 2022

**Revision Date:** 3/26/2024

**Scope:** The Policy Describes The Desert Pearls Financial Procedures

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## Purpose

The purpose of the policy is to outline The Desert Pearls Foundation (“The Foundation/Foundation”) Financial Procedures between the Foundation Treasurer, Financial Secretary, President, and members to comply with Alpha Kappa Alpha Sorority Inc. Chapter and The Foundation Fundamentals, the Foundation’s Bylaws, Operating Manual, and applicable audit guidelines.

## Scope

The Foundation is a non-profit 501(c)(3) organization and meets Internal Revenue Service (IRS), local and state regulations with respect to its financial procedures. These procedures are intended to describe the processes between the Foundation’s Treasurer, Financial Secretary, President, and members to comply with all applicable Federal, State and Foundation requirements.

## Definitions

- 501(C)(3) Organization: Tax exempt and is 1) organized 2) and operated for 3) Its Exempt Purposes.

## References

- Alpha Kappa Alpha Sorority, Inc. Chapter & The Foundation Fundamentals
- The Desert Pearls Foundation Bylaws
- The Desert Pearls Foundation Operation Manual

## Review Log

Description	Date
Financial Policy (Developed & Adopted)	04.01.2022
Update: Purchasing for Community Service Focus Areas	03.16.2023
Document Update: Voucher Document Update: Donation Report Document Update: Reconciliation Report	03.16.2023
New Policies: Financial Document Retention; Ethical Conduct; Conflict of Interest; Whistleblower	7.1.2023
Update: Removal of Roles & Responsibilities to be added to Operating Manual; Removal of Policies; Addition of Donation Form & QB Categories; Additional review of items related to financial procedures.	10.3.2023
Update: Made grammar corrections, updated Disbursements/Reimbursement	3.26.2024

## Procedure

The Desert Pearls Foundation fiscal year begins January 1st and ends December 31st of each year. No one Foundation Director is permitted to manage a financial transaction from start to finish as it pertains to the receipt and disbursement of funds. The Foundation elects the following financial officers: Financial Secretary and Treasurer with a two (2) year term. The President and Treasurer are the only authorized signatures for check disbursements.

All Foundation positions that manage money and/or sign checks are bonded. The bonds cover positions, and not individuals (a blanket bond) and include at minimum the President, Treasurer and Financial Secretary. The Foundation reviews its bonding coverage at time of renewal to ensure The Foundation coverage is adequate.

The Treasurer and Financial Secretary are responsible for maintaining appropriate internal controls adequate to ensure the safety of The Foundation assets, including changing passwords when there are new officers authorized to sign on or access the account.

All The Foundation expenditures must be authorized, either by inclusion in the Foundation budget or by vote including line-item transfers and mid- and end of year adjustments.

In emergencies, the Foundation President may approve unplanned expenses with the approval of the directors and provide a report to the Foundation as soon as possible. Any expenditures outside of approved budgets must be submitted to the directors for discussion and approval before monies are spent.

### Internal Audit

Committee members include any member of the foundation excluding President, Treasurer or Financial Secretary.

### External Audits

President, Treasurer or Financial Secretary only for the purpose of communication with contracted external auditor.

AKA Language about binding reports annually – Needed? Soror Marchelle please look into with Soror Dana.

- Logistics
- Timeline
- Due dates
- Costs
- Number of copies

The Foundation President, Treasurer and Financial Secretary only engage directly in audit activities for the sole purpose of providing documents and/or records. After the books are closed each fiscal year, an Audit Committee appointed by the Foundation President shall conduct a financial internal audit of the financial records of the Foundation.

The internal audit committee is comprised of a maximum of four members of the Foundation not to include the Foundation President, Treasurer and/or Financial Secretary. The committee will gather the documentation to perform the audit. After examining the financial records in accordance with the Audit, the committee shall provide the board of directors with an opportunity to review the report in the event clarification is needed regarding any part of the report. Exceptions that have been resolved with the committee need not be included in the report.

The audit shall be compiled in order by month and include the following:

<b>Item</b>	<b>Description</b>	<b>By</b>
1	Proposed Annual Budget and End Year Budget	Treasurer
2	Monthly treasurer report	Treasurer
3	Bank Statements – all statements include a copy of all cleared check and deposit slips.	Treasurer
4	Vouchers for the month Reimbursements / Disbursements in order by date	Treasurer
5	Receipts distributed	Financial Secretary
4	Voided checks / Stop Payments / NSF in order by date	Treasurer

When the Treasurer leaves the office or at other times as the Board deems necessary, the Audit Committee engages in an external audit of the financial records of the Foundation. Internal audits shall be completed as prescribed.

The Audit Committee's written report is presented to the members no later than the third quarter of each fiscal year.

All financial accounts are accessed solely by the President, Treasurer and Financial Secretary. The elected, or appointed Board Treasurer and Board Financial Secretary are respectively responsible for setting and maintaining user IDs and passwords for the Board financial banking accounts (The Foundation Treasurer) and PayPal, or other electronic method utilized for the collection of payments (Board Financial Secretary).

## President's Role & Responsibilities

The Foundation President is a bonded financial officer. Refer to the Operating Manual for Role and Responsibility regarding Finances.

## Treasurer Role & Responsibilities

The Foundation Treasurer is a bonded financial officer and reviews monthly banking statements showing the current balance(s) in the account(s) along with monthly activity. Refer to the Operating Manual for Role and Responsibility regarding Finances.

## Expense Disbursement and Reimbursements

Requests for disbursement/reimbursement of expenses made on behalf of the Foundation are submitted to the Foundation Treasurer via email, by use of an electronic voucher (check request form) with attached scanned receipts. Vouchers must be signed by the Foundation President.

Once the signed voucher is received, the Treasurer issues a check, in the authorized amount, signed by the Treasurer and President. Vouchers are signed and checks issued within twenty-one calendar days of the initial submission of the voucher. The purpose for the expenditure is clearly stated on the check and in the check register.

Reimbursements should be limited to AS NECESSARY as all disbursed funds should be made directly to vendors/businesses.

## Checks

The Treasurer is responsible for all blank checks and all checks are signed by the Treasurer and President. Voided checks have "VOID" written boldly in ink on the face and the signature portion of the check. In no event will:

1. Invoices or receipts be paid unless approved by authorized signers.
2. Blank checks (checks without a date or payee designated) be signed in advance.
3. Checks be made out to "cash", "bearer", "petty cash", etc.
4. Checks be prepared on verbal authorization.

If it is necessary to issue a duplicate check, a stop payment is ordered at the bank on the original check.

Insufficient Funds Process:

1. Treasurer will obtain copy of the check and related bank documentation.
2. Treasurer will notify President, Board, and Financial Secretary.
3. Treasurer will send copy of check and related bank documentation to the Financial Secretary.

It is best practice to use alternative methods of disbursement/reimbursement to ensure that vendors not members are paid directly. In the event a vendor does not accept checks, it is appropriate to use alternative methods of payment with appropriate documentation.

## Automated Clearing House (ACH), Bill Pay & Business Credit Card

If the President or Treasurer are unavailable to sign a check the use of Automated Clearing House (ACH) via Electronic Transfer (EFT) or Bill pay can be used via the Foundation checking account. Payments dispersed directly to the Person or business provides a digital trail for all ACH or Bill Pay payments. A contingency plan should be discussed prior to an absence, and a chain of command established.

A copy of the meeting agenda, vote in agreement for the expense, voucher and receipt(s) or invoice(s) must accompany all documentation for the expense via ACH or Bill Pay.

All ACH and Bill Pay expenses should be prepared and disbursed within 3 days upon receipt of the following:

1. Meeting minutes wherein the expense was discussed.
2. Minutes indication approval of expense
3. Completion of Voucher with all required signatures receipts and/or invoices.

If the Foundation chooses to acquire a Business Credit Card, it is recommended to use the credit card at times when vendors/businesses only accept credit card payments such as: Internet, Website, QuickBooks, etc. or the like.

## Bank Reconciliations

Any communication from the bank is only opened by the Foundation Treasurer. The Foundation Treasurer reconciles the bank statement monthly. The Foundation Treasurer takes appropriate action on all checks outstanding over 90 days.

## Purchases and Disbursements

All purchases must be pre-approved by The Foundation Board and all approved purchases must be documented in minutes. The Foundation Treasurer completes all approved purchases upon receipt of the completed voucher. The Voucher Form can be obtained by the President, Vice President or Treasurer as it pertains to the requested need.

- Disbursements include: an invoice OR Proposal and Requisition for Community Service Form
- Reimbursements include: an itemized receipt indicating purchase was made.

The procedure for disbursement of funds begins with a voucher request to the Vice President. Voucher requests must include all supporting evidence (receipts, invoices, contracts, and/or emails, etc.). The voucher is prepared by one of the following:

1. Person requesting disbursement/reimbursement.
2. President and/or Vice President; or
3. The committee chairperson.

Signatures required prior to submitting the voucher to the Treasurer include:

- Committee Chairperson
- Vice President
- President

The voucher must include the following information prior to funds being disbursed/reimbursed:

- the purpose for the expenditure: Disbursement or Reimbursement.
- the name of the authorized party requesting the expenditure.
- the amount of the expenditure and the budget line item to be expensed.
- the date, check number and voucher number.

**In addition, all vouchers must include a receipt and or invoice. If requesting funds to purchase items, Proposal and Requisition for Community Service Form must be completed in its entirety and accompany the voucher request.**

Upon receipt of the completed voucher, the Treasurer will process the disbursement/reimbursement within (7) seven business days and will attach any related documentation to the voucher.

The Treasurer is responsible for operating in the scope of the Board approved budget and guidelines. Authorized persons may complete a purchase and submit a reimbursement request including receipt(s) along with a current

voucher request. Reimbursement requests are submitted to the Foundation Treasurer within one week or (5) five business days of the purchase date.

All purchases and payment for services must be pre-approved by the Foundation Board. To qualify for disbursement/reimbursement, a purchase form must be completed, containing clear specifications, including scholarships. Scholarships are paid directly to the educational institution upon receipt of proof of admission from the institution provided by the institution.

The banking institution may automatically issue credit cards to those authorized to sign on the account. No Board Member or Foundation Member is authorized to make a purchase or payment on a bank issued card in the name of the Foundation; therefore, the Foundation President or Treasurer is responsible for immediately destroying any debit or credit cards received. **UNDER NO CIRCUMSTANCES SHOULD THE FOUNDATION OBTAIN A DEBIT CARD. THE USE OF CASHAPP, VENMO, ZELLE OR THE LIKE ARE STRICTLY PROHIBITED.**

The President or Treasurer are the only authorized users of the credit card for purchases and disbursements approved by the board.

### Purchasing for Community Service Focus Areas:

1. Health and wellness
2. Community Food Pantry
3. Financial Education
4. Community Service and Empowerment
5. Academic Excellence / Scholarships

Focus area purchases must follow the process outlined for purchases and disbursements. Requests for purchases can be made directly to the Treasurer for purchase via voucher.

ALL purchases must be made directly to vendors. Food purchases must be made directly to (Grocery Stores) for the benefit of the communities served. All purchases must align with an identified budgeted focus area.

Gift cards may be purchased for distribution to communities identified per each initiative. The following vendors are acceptable gift cards to purchase redeemable only for merchandise, food, or services online or in person and cannot be redeemed for cash or credit purchases: Walmart, Fry's Food, Food City, Safeway, Costco, and/or Target, or any related food or merchandise chain that aligns directly with to the focus area. **GIFT CARDS PURCHASED CANNOT BE EXCHANGED FOR CASH (FOR EXAMPLE: PREPAID CASH CARDS, VISA OR MASTERCARD, ETC.).**

All receipts should reflect purchase amount and should be reconciled within two weeks of the date of purchase. Receipts should accompany a reconciliation form upon completion of any purchase for said event or program.

### Savings & Investment Accounts

When applicable, savings or investment accounts opened by the Foundation are opened in the same manner as checking accounts. Monthly statements that show current balances and account activity, including interest earned, are to be sent to the Foundation.

### Certification & Training

It is recommended that the Treasurer complete the Alpha Kappa Alpha Sorority Inc. financial certification program within two years of election or appointment. The Foundation covers the expense of any required training, or certification requirements.

### QuickBooks and Reporting

The Foundation Treasurer provides monthly financial reporting to the Foundation Board. Intuit QuickBooks Online is used as a simple accounting software to track Foundation income and expenses, and as a way to organize financial information. See QB Categories Page 14.

## Financial Secretary Role & Responsibilities

The Financial Secretary is a bonded Foundation officer. The Financial Secretary receives and gives receipts for monies due and payable to the Foundation. The Financial Secretary maintains and is the custodian of the cash receipt journal and payment records. Refer to the Operating Manual for Role and Responsibility regarding Finances.

The Financial Secretary is responsible for accepting payments from income sources including when applicable:

- Contributions/Donations
- Fundraisers
- Grants from other organizations
- Investment Income
- Business Income

In accordance with recordkeeping rules all cash, check, electronic funds, transfers, credit card charges or any other monetary contributions in any amount will receive a receipt from the financial secretary on behalf of the Foundation. Any monetary or gift card funds received for the purpose of distribution to the community must be received as follows: (please announce to all board members)

1. Persons representing on behalf of the Foundation must:
  - a. Complete a Receipt of Funds: **Donations and Gifts Form** providing the following information:
    - i. Name of Recipient (Person(s) accepting cash or gift card donation.
    - ii. Date of receipt.
    - iii. Name, Address, Email and Phone number of the Donor (non-member).
    - iv. Focus area donation is made to/purpose of donation.
  - b. Report must be completed and submitted to the Financial Secretary within five days of receipt.
  - c. The Financial secretary will record and issue a receipt and thank you message.

Receipts reflect the date received/posted, the name of the Foundation, and the amount of the donation. Receipts are issued no later than three (3) business days of receipt.

The Financial Secretary is responsible for notifying the Foundation Treasurer of any electronic forms of payment received to transfer the deposit to the Foundation banking account. Fund sources include donations, fundraisers, contributions, and all other sources. The Financial Secretary transfers all cash payment and paper check forms of payment to the Foundation Treasurer to deposit in the Foundation's banking account within seven (7) days of receipt.

The Financial Secretary must receive advanced notice of any Foundation event where it is anticipated that funds will be collected. In the event the Financial Secretary is not available to collect funds, the Foundation Treasurer, or President may collect funds to be delivered to the Foundation Financial Secretary within 7 days of receipt. Checks may be mailed directly to the Foundation P.O. Box and given to the Foundation Financial Secretary within seven business days of receipt.

Insufficient Funds Process: Checks returned by the bank will be processed as follows:

1. Financial Secretary will receive a copy of check and related bank documentation from the Treasurer.
2. Financial Secretary will notify the payer via mail invoice notifying the payer to respond within five to seven business days to pay the insufficient fee charge from the bank.
3. If payment is not received, the Financial Secretary will contact payor by telephone.
4. If unresolved, the Financial Secretary will consult with the Foundation Directors of the Board to determine the next steps if payment is unresolved.

## Foundation Events

The Foundation Financial Secretary must receive advanced notice of any Foundation event where it is anticipated that funds will be collected. In the event the Financial Secretary is not available to collect funds, the Foundation Treasurer, or President may collect funds to be delivered to the Foundation Financial Secretary within 7 days of receipt. Checks may be mailed directly to the Foundation P.O. Box and given to the Foundation Financial Secretary within seven business days of receipt.

All funds associated with an event are collected prior to the event, preferably at least one week prior to the event, to ensure the Foundation can meet its financial obligations and to allow the Foundation Financial Secretary to:

1. Receive and record funds that have been mailed to the P.O. Box.
2. Advise payers when there is an error in submission such as payee name or amount.
3. Prepare receipts timely.
4. Submit funds for deposit to the Foundation Treasurer prior to the event.

## Certification and Training

It is recommended that the Financial Secretary completes the Alpha Kappa Alpha Sorority Inc. financial certification program within two years of election, or appointment. The Foundation covers the expense of any required training, or certification requirements.

## Reporting

The Foundation Financial Secretary prepares monthly financial reporting updates to the Foundation Treasurer to assist with reconciliation of The Foundation Bank Statements and financial ledger. The Foundation Financial Secretary is responsible for monthly reports to the Board.

The Financial Secretary also performs the following duties:

1. Prepares a Money Receipt Report to be given to the Foundation Treasurer along with the monies collected.
2. Prepares a monthly report of funds received for the Foundation. The reports of the Treasurer and Financial Secretary reflect the same period.

The Foundation Financial Secretary complies with all internal and external audit activities and requests for information and documentation.

## Annual Giving Statements

Since receipts are required and issued for every financial transaction, annual statements are not generally provided to donors; however, donors may request an annual “giving statement” in writing. The Foundation Financial Secretary will provide annual giving summaries to eligible requestors within seven (7) days of receipt of the written request.

The proper retention and disposal of Foundation financial documents is important for historical information and continuity. All financial documents and documents related to the foundation shall be retained or shredded when appropriate. All documents must be retained as follows:

		RESPONSIBILITY
Foundation Constitution & Bylaw	Permanently	
Incorporation Documents	Permanently	
Trade Name & Registration Documents	Permanently	
Tax Exempt Status – IRS Determination Letter	Permanently	
Income Tax Returns	Permanently	
Financial Records Supporting Tax Returns	3 years or more from date of filing	
Election Documents	For the term of the Office	
Leases, Contracts, Retainer Agreements	6 years or longer after agreement ends	
Property Documents	Permanently	
Budgets and Financial Reports	Permanently	
Banking Signature Cards	Until updated with new cards	



# APPENDIX DOCUMENTS

ALL DOCUMENTS ARE OFFICIAL TDPF DOCUMENTS AND SHOULD NOT BE DUPLICATED OR ALTERED. ALL FORMS MUST BE COMPLETED IN THEIR ENTIRETY – NO EXCEPTIONS.

Documents will be reviewed, as needed, based on disbursement and reimbursement needs.



**Voucher Form**  
As of 9/9/2023

Date:

**TDPF VOUCHER:**

Select Disbursement and Invoice Attached OR Reimbursement and Receipt Attached:

**Disbursement**  
 YES  NO  Invoice Attached

**Reimbursement**  
 YES  NO  Receipt Attached

Requested by:

Amount:

Purpose:

Issue a check to:

Notes:

In the Amount of:

Reviewed by:

Committee Chairperson

-----DO NOT WRITE BELOW THIS LINE-----

Approved:

TDPF President

TDPF Vice President

Budget Line Item:

Expenses		Community Service	
<input type="checkbox"/>	Checks	<input type="checkbox"/>	Health & Wellness
<input type="checkbox"/>	P.O.Box	<input type="checkbox"/>	Community Food Pantry
<input type="checkbox"/>	Storage (Depository)	<input type="checkbox"/>	Financial Education
<input type="checkbox"/>	ACC Annual Report	<input type="checkbox"/>	Community Service & Empowerment
<input type="checkbox"/>	State Farm Liability Ins.	<input type="checkbox"/>	Academic Excellence Scholarships
<input type="checkbox"/>	State Farm Bond Insurance	<input type="checkbox"/>	
<input type="checkbox"/>	General Operations	<input type="checkbox"/>	<b>Other (Misc.)</b>
<input type="checkbox"/>	Treasurer Operations	<input type="checkbox"/>	Sponsorship
<input type="checkbox"/>	Financial Sec. Operations	<input type="checkbox"/>	Fundraising
<input type="checkbox"/>	President Operations	<input type="checkbox"/>	Community Service Misc.
<input type="checkbox"/>	Postage/Mailings	<input type="checkbox"/>	Contingency
<input type="checkbox"/>	Audit	<input type="checkbox"/>	Other:
<b>Technology</b>			
<input type="checkbox"/>	Zoom		
<input type="checkbox"/>	Wix (Website)		
<input type="checkbox"/>	QuickBooks online		

Notes:

Payment issued on check number:

Date:

Issued by:

TDPF Treasurer

# Donation Receipt



## The Desert Pearls Foundation 501(c)(3) Donation Receipt

Mailing Address: [Insert]  
EN: 84-3976364

Donation Information: Thank you for your donation to the Desert Pearls Foundation 501(c)(3) Non-Profit Organization. The following is a receipt for the donation made:

<b>Receipt Number:</b>	
<b>Date Payment Received:</b>	
<b>Payment Format:</b>	[Check, Cash, electronically via Pay System e.g., PayPal]
<b>Purpose:</b>	
<b>Donor Name:</b>	[First, Last]
<b>Amount Received:</b>	\$ [x.xx]
<b>Tax Reg. No.</b>	84-3976364
<b>Comments:</b>	

\_\_\_\_\_  
The Desert Pearls Financial Secretary  
Or Authorized Representative

\_\_\_\_\_  
Date



**Donation Form**  
As of 9/26/2023

## DONATIONS & GIFTS FORM:

Received Donation from \_\_\_\_\_  
Name of Person / Organization

Received by: \_\_\_\_\_  
Committee Chairperson/Foundation Member

Date received:

What event were you attending?:

Total Combined Amount Received:

Donation Items Include:

- Gift Cards
- Cash
- Check #

Notes:

For Service Focus Area:

- Health & Wellness
- Food Pantry
- Financial Education
- Community Service/Empowerment
- Academic Excellence/Scholarship
- General Donation

Notified Chairperson Date:

-----**DO NOT WRITE BELOW THIS LINE**-----

Processed by: \_\_\_\_\_  
Financial Secretary

Date received:

Notes/Details:

Received by Treasurer Date:

Deposited Date:

Treasurer Signature:



## Categories in QB 2023-2024

Account Under	Tax Form Section	Account Name	Description
<b>REVENUE</b>			
Income	Non-Profit Revenue	<b>Contributed Income</b>	Money received freely without an exchange of goods or services, like donations and grants
		<b>Corporate &amp; foundation grants</b>	Money received as a grant from a corporation or foundation
		<b>Donations directed by individuals</b>	General money received as a donation to the organization via cash or check
		<b>Government grants &amp; contracts</b>	Money received from a government for a grant
		<b>Grants from other nonprofits</b>	Money received from other nonprofits
		<b>In-kind donations</b>	Non-cash gifts made to your organization
Income	Other Primary Revenue	<b>Current officer donation</b>	Donations made to the organization by TDPF officers
Fundraising	Other Primary Revenue	<b>Fundraising</b>	Revenue earned from fundraising events and activities
Uncategorized Income	Non-Profit Revenue	<b>PayPal Transfer</b>	Donations received via TDPF PayPal account transferred directly to bank account
Income	Unapplied Cash Payment Revenue	Bank deposits: Cash & checks received via donations	Donations received via cash or check
<b>OPERATIONS &amp; ADMINISTRATIVE EXPENSES</b>			
Expenses	Office/General Administrative Expenditures	<b>Office supplies</b>	Costs of supplies for the office like checks & letterhead/general supplies
Expenses	Office/General Administrative Expenditures	<b>Printing &amp; photocopying</b>	Costs of printing at Staples, FedEx, or UPS
Expenses	Office/General Administrative Expenditures	<b>Technology</b>	Costs of software and apps for the business like Zoom, QuickBooks, Depository
Expenses	Advertising/Promotional	<b>Advertising &amp; marketing</b>	Costs to promote products and services/Website fees like Wix
Expenses	Office/General Administrative Expenditures	<b>Office Expenses President</b>	Office Supplies like paper, ink and/or general supplies for operations
Expenses	Office/General Administrative Expenditures	<b>Office Expenses Vice President</b>	Office Supplies like paper, ink and/or general supplies for operations
Expenses	Office/General Administrative Expenditures	<b>Office Expenses Treasurer</b>	Office Supplies like paper, ink and/or general supplies for operations
Expenses	Office/General Administrative Expenditures	<b>Office Expenses Financial Secretary</b>	Office Supplies like paper, ink and/or general supplies for operations
Expenses	Shipping, Freight & Delivery	<b>Shipping &amp; Postage</b>	Costs of stamps, postage, and shipping supplies
Expenses	Other Miscellaneous Service Cost	<b>Uncategorized Expense</b>	Other expenses incurred by the organization/Operations
Expenses	Dues & Subscriptions	<b>Memberships &amp; Subscriptions</b>	Costs of memberships and subscriptions related to your industry like Arizona Corporation Commission
Expenses	Legal & Professional Fees	<b>Contract &amp; professional fees</b>	The costs of accountants, auditors, and attorneys to help run your organization
Insurance	Insurance	<b>Liability Insurance</b>	Costs of premiums for liability insurance
Insurance	Insurance	<b>Directors &amp; officers' insurance</b>	Costs of premiums for insurance for directors and officers
Bank Accounts (Checking)	Cash on hand	<b>Cash</b>	Cash the organization keeps on hand, like petty cash
<b>Community Service</b>			
Expenses	Charitable Contributions	<b>Community Service 1</b>	Health & Wellness
Expenses	Charitable Contributions	<b>Community Service 2</b>	Community Food Pantry
Expenses	Charitable Contributions	<b>Community Service 3</b>	Financial Education
Expenses	Charitable Contributions	<b>Community Service 4</b>	Community Service & Empowerment
Expenses	Charitable Contributions	<b>Community Service 5</b>	Academic Excellence Scholarships
<b>Other Expenditures</b>			
Expenses	Charitable Contributions	<b>Sponsorships</b>	Donations made to other organizations on behalf of TDPF
Expenses	Other Business Expenses	<b>Contingency</b>	Additional funds expense to provide service
Expenses	Charitable Contributions	<b>General Community Service</b>	General donations made on behalf of TDPF

## ALPHA KAPPA ALPHA SORORITY

### Summary of Chapter and Foundation Guidance with Examples

**FRAMEWORK:** AKA Chapters (called “Chapters”) often work with public charities (called “Foundations”) and, because Foundations are different than AKA Chapters, Chapters should know the following:

- Because Foundations have a different tax status, they are strictly construed and governed by the IRS;
- Chapters and Foundations must at all times operate separately and distinctly;
- Although the interests of Chapters and Foundations may overlap, Foundations must serve a public purpose (not private),<sup>1 2</sup> and Chapters must serve their organizational purpose;<sup>3</sup> and
- If a Foundation serves private interests or serves a select or narrow group (such as targeting an AKA Chapter), then *both* the Foundation *and* the recipient could face negative tax and other consequences.<sup>4 5</sup>

**CHAPTER-FOUNDATION EXAMPLES:** Real Estate, Scholarships, and Fundraising are three major areas where Chapters and Foundations often overlap and, therefore, there are some important rules:

**A. Real Estate:** If a Chapter uses or occupies property owned by a Foundation, the Chapter must satisfy one of the following three rules:

1. If the property is used *exclusively* by the Chapter, the Chapter must pay fair market rent for its exclusive use and enjoyment of a Foundation’s property (*Ex: Chapter uses building; market rent for similar building is \$2,000/month; Chapter needs to pay Foundation \$2,000/month*);\* or
2. If the property is also made available to the *public at large*, the Chapter does not need to pay fair market rent, but rather the Chapter must ensure that the property is actually being made available to the public for free and in a similar manner, and that the Foundation makes a reasonable effort to solicit the property as being available to the public for that purpose (*Ex: a Foundation owns a building intended to serve the community; Chapter uses it rent-free, but the building is also made available and utilized by other public groups for free, and/or the Foundation makes a reasonable effort to advertise the property as being available to the public if no other groups are actually using the property other than the Chapter - so the Chapter is not a targeted recipient*); or
3. If a Foundation: i) is formed to support a class of organizations which would include the Chapter (meaning the Chapter falls within the Foundation’s chartable class, or its “*pool*” of intended beneficiaries); *and* ii) allowing the class of organizations to use the property rent-free satisfies the stated purpose of the Foundation (meaning giving rent-free facilities to those organizations is in line with the Foundation’s purpose, which is usually stated in the Foundation’s bylaws and/or articles of incorporation), then the Chapter could use the property rent-free so long as the Chapter still ensures that other similar organizations also use the property for free (meaning

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\* While there may be situations where a Chapter could pay for its use of the property with fair market compensation in the form of services, rather than paying fair market rent in the form of cash (*e.g.*, lawn services, clean up services, etc. which are the equivalent of the cost of a fair market rental fee), these arrangements can be risky, difficult to account for, and must be properly evidenced to ensure that truly equal and fair market equivalents are being exchanged for adequate rental compensation. Any such situations must be discussed and

approved in writing with the assistance of tax counsel to comply with the complex rules and documentation requirements of the IRS.

the Chapter is not the targeted or sole beneficiary of free use of the property), and/or the Foundation makes reasonable efforts to offer and solicit the free use of the property to the other similar organizations (*Ex:* a Foundation is formed with its stated purpose being to support “the advancement and enrichment of student organizations.” The Foundation then offers the property rent-free to the Chapter and other similar student organizations. This would serve the Foundation’s charitable purpose and overall class in a manner that is also consistent with its purpose) (*Ex: conversely*, if a Foundation is formed with its purpose being to “help the homeless by providing meals and community support,” and then provides use of its property for free to the Chapter and to other student organizations, this arrangement would not serve the Foundation’s charitable class (i.e., the homeless), nor would it be serving in a manner consistent with its stated purpose (providing meals and support)).

Notes on Real Estate:

- By: i) paying fair market rent for the property (Scenario No. 1), ii) ensuring the Foundation provides the same benefits to the *public at large* (Scenario No. 2), or iii) ensuring that the Foundation is formed to support organizations such as AKA, and the Foundation actually does support others organizations, or the Foundation makes reasonable attempts to support the organizations, in a manner consistent with its purpose (Scenario No. 3), the risk of adverse IRS action is greatly reduced.
- Wherever a Chapter begins to receive all, substantially all, or even a significant portion of a Foundations’ benefits (including non-monetary benefits, such as rent-free use of a facility), the Chapter may be receiving improper benefits.
- Although Foundations are not the Chapter’s responsibility, Chapters must still ensure that Chapters are not receiving improper benefits.
- Although a combination of Scenario Nos. 1, 2, and 3 could also suffice, these are complicated issues and the Chapter should seek guidance from tax counsel to ultimately ensure that it never receives targeted benefits, which are objectively disproportionate from those benefits being given to the public, or which are not strictly serving the Foundation’s stated purpose and/or charitable class.

**B. Scholarships:** When Chapters: (i) award their own scholarships, (ii) work to fund a Foundation’s scholarships, or (iii) AKA members participate or receive Foundation scholarships, Chapters must ensure that a proper scholarship program is followed, including the following attributes:

1. Implement well-defined scholarship procedures (including a standardized application, clear selection criteria, objective award parameters, and an unbiased selection process and committee);
2. Scholarship recipients should not be identifiable before the scholarship process is complete, and recipients should not be related to the individuals controlling or involved with the selection process;<sup>6</sup>
3. Selection criteria should incorporate a “needs-based” approach;



4. The selection process should be “blind” (or nearly blind) in order to protect both the organization awarding the scholarship, and the recipient receiving the scholarship (*e.g., the individuals who select the recipients should not be given the applicant names, identifying information, or even Chapter affiliations if there is any potential risk of bias, favoritism, or targeting*);
5. The scholarship opportunity should be adequately solicited and publicized (meaning the scholarship opportunity should be widely circulated, and not just to Chapter members or related individuals or groups); and
6. All other proper tax reporting, procedures, and disclosures must be followed.

Notes on Scholarships:

- Foundations must always serve their greater public purpose, not private, individual, or select interests or groups.
  - Directing scholarship awards to targeted individuals can result in negative consequences for both the Foundation and the recipients (*Ex: if a Foundation generates \$10,000 for a specific AKA Chapter member, this scholarship would be pre-selected and then awarded to a select AKA individual; therefore, this would fail to satisfy the criteria for blind, widely-publicized, or objective standards and may, therefore, subject the Foundation, the recipient, and potentially even the Chapter to monetary or non-monetary penalties*).
  - Chapters must ensure that they are not awarding improper benefits, receiving improper benefits, or involved with funding improper scholarship programs.
  - The hosting of debutante balls or other scholarship initiatives that do not satisfy all of the scholarship rules and criteria should be discussed and approved in writing, with the assistance of tax counsel, to ensure that the Chapter and the Foundation do not run afoul of the strict and complicated IRS rules.
- C. Fundraising:** Wherever a Chapter joins forces with a Foundation for fundraising purposes, the Chapter should avoid improper activities which the IRS could scrutinize, including:
1. If partnering on a joint-fundraising event, both the Chapter and Foundation should be advancing their own separate purposes – not having one serve the other’s objectives;
  2. Although initiatives can overlap, Chapters should not fundraise through a Foundation simply to advance Chapter objectives or to obtain perks and benefits;
  3. Chapters should not run their events through a Foundation, unless the event legitimately serves the Foundation’s separate and distinct public purpose (not merely AKA purposes); and
  4. If partnering or hosting a joint event, the event must raise a legitimate sum of money after costs and expenses – meaning that the event should not simply break-even, or lose money, as this would suggest that the Foundation was merely a crutch for what was *actually* a Chapter event (*Ex: if a Foundation and Chapter sponsor a joint luncheon comprised of only Chapter members, and the event raises no money after costs and expenses, this is not serving the public purpose*).

Notes on Fundraising:

- Wherever Chapters and Foundations exchange benefits, services, or shared resources, all such benefits or “perks” must be either compensated by the Chapter, or must be capable of passing a legitimate business purpose standard (meaning, Chapters must ask themselves, “*would a legitimate business do this?*”)
- All funds generated for, or directed to, a Foundation must ultimately serve that Foundation’s own public purpose, not a private or AKA Chapter purpose.
- Wherever a Chapter conducts a joint fundraiser, the Foundation should have its own liability insurance with the Chapter named as an additional insured.
- All other state, federal, and local requirements should be followed (Ex: some states require solicitation licenses).
- Wherever a Chapter has entered into a memorandum of understanding (MOU) with a Foundation, the Chapter must ensure all MOU terms and conditions conform with these rules, regulations, and parameters, and should seek the assistance of tax counsel to ensure that there are no violations, particularly in the case of MOUs which could serve as written evidence of violations (*Ex: if a Chapter entered into an MOU which said that all donations are to be given to the Foundation to generate tax benefits, but then such donations or funds are transferred later to the Chapter for its own initiatives, neither the Chapter nor the Foundation would be protected from liability or IRS scrutiny because there is an MOU in place, in fact, the MOU could be used by an IRS examiner as documentary evidence of an improper tax avoidance scheme, the comingling of donations, or a general failure to maintain proper separation between the two distinct tax entities*).

## Appendix of Authorities

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<sup>1</sup> See 26 CFR § 1.501(c)(3): Foundations must be organized and operated exclusively for their “exempt purposes.”

<sup>2</sup> See Reg. 1.501(c)(3)-1(d)(1)(ii): in order to be organized and operated for “exempt purposes,”  
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Foundation must serve its “public” rather than “private interests.” *See also Treas. Reg. 1.501(c)(3)-1(d)(1)(ii)* “it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, or persons controlled, directly or indirectly, by such private interests.”

<sup>3</sup> See 26 CFR § 1.501(c)(7): Chapters are clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

<sup>4</sup> A section 501(c)(3) organization (Foundation) must not be organized or operated for the benefit of private interests, such as the creator or the creator's family, shareholders or board members of the organization, other designated individuals or officials, or persons controlled directly or indirectly by such private interests or individuals. Private shareholders or individuals are considered persons having a personal and private interest in the activities of the organization. *See IRS.gov Charitable Organizations Guidance* (<https://www.irs.gov/charities-non-profits/charitableorganizations/inurement-private-benefit-charitable-organizations>).

<sup>5</sup> “Even a small amount of private inurement is fatal to exemption.” *See “Overview of Inurement/Private Benefit Issues in IRC § 501(c)(3),” 1990 EO CPE Text, at pg. 10.*

<sup>6</sup> The Internal Revenue Manual (“IRM”) and other publications have instructed IRS personnel to look specifically for awards to friends and family, or awards between contributors and recipients as evidence of potentially improper scholarship programs. *See, e.g., Audit Technique Guide – Educational Organizations Other than Schools (formerly IRM § 4.76, Exempt Organizations Examination Guidelines).*

## ORGANIZATIONAL MANAGEMENT

### Purpose

The Purpose of The Desert Pearls Foundation (Foundation) is to create, implement, and support endeavors that advance the educational opportunities of underserved students and their families. Additionally, the Foundation also supports and produces service initiatives within Maricopa County, Arizona that empowers and improves the lives of its citizens.

### Status

The Foundation is incorporated in the State of Arizona and holds a 501(c)(3) status as a non-profit corporation organized exclusively for charitable and educational purposes as outlined by the Internal Revenue Code of 1986.

### Laws and Policies

The Foundation is governed by the following applicable laws, documents, and organizations:

- State of Arizona Corporate Commission
- Internal Revenue Code of 1986
- The Desert Pearls Foundation Articles of Incorporation
- The Desert Pearls Foundation By-laws

## ALPHA KAPPA ALPHA SORORITY, INC.

### Summary of Chapter and Foundation Guidance with Examples Pages 1-5, and Appendix of Authorities:

**FRAMEWORK:** AKA Chapters (called “Chapters”) often work with public charities (called “Foundations”)

and, because Foundations are different than AKA Chapters, Chapters should know the following:

- Because Foundations have a different tax status, they are strictly construed and governed by the IRS;
- Chapters and Foundations must at all times operate separately and distinctly;
- Although the interests of Chapters and Foundations may overlap, Foundations must serve a *public purpose* (not private), and Chapters must serve their *organizational purpose*; and
- If a Foundation serves *private* interests or serves a select or narrow group (such as targeting an AKA Chapter), then *both* the Foundation *and* the recipient could face negative tax and other consequences.