

National Student Nurses' Association, Inc.
45 Main Street, Suite 606
Brooklyn, New York 11201

**State Association Compliance Notice:
Maintaining Official NSNA Constituent Status
and Tax Exemption**

Annual NSNA Constituency Requirements for State Associations

Requirements for NSNA constituency status must be met annually. Only official state associations may seat delegates in the House of Delegates; be reimbursed for state dues; and be eligible to win NSNA awards. Please refer to the most current *Getting the Pieces to Fit* for details.

[Submit Official Application for Constituency Status Annually](#)

States must submit a completed and signed Official Application for Constituency Status annually (available on www.nсна.org and in *Getting the Pieces to Fit*). The state must have at least two schools that are eligible for constituency and that have also submitted the Official Application for Constituency Status (except in Alaska and Guam where only one school currently exists). Note that NSNA is authorized to collect state dues only for official NSNA state constituents.

[Submit State Board and Annual Meeting Minutes](#)

State associations are required to send 15 copies of their **approved and signed Board of Directors and Annual membership meeting minutes to the NSNA office**. States may also e-mail their minutes to nsna@nsna.org attn: Cathy Ramos. If scanned signatures are legally accepted in your state, you may submit minutes with scanned signatures (check with the Secretary of State to verify) as e-mail attachments. State minutes are distributed to NSNA Board members and staff. A copy of all state minutes is placed in the state association's official archives that are maintained by NSNA and must be made available upon request during the NSNA annual financial audit and IRS to validate NSNA dues collection for state associations. **NSNA must have state approved and signed minutes for the entire previous calendar year by the first day of the NSNA Annual Convention.** It is best when minutes are sent to NSNA immediately following approval.

Submit State Bylaws

States are required to submit a current copy of their bylaws to NSNA annually. Any amendments must be submitted to NSNA as soon as amendments are made.

[Submit State Board Roster Immediately Following Election and Updates](#)

NSNA policy requires that NSNA hold state dues reimbursement checks based on the state association's convention dates until the newly elected Board of Director's roster is received at NSNA. Note that NSNA checks the roster to ensure that all elected and appointed members of the state Board are NSNA members. State Board members receive *NSNA News*, COSP mailings, Board memos, and other important information.

NSNA reviews all state files to ensure that states are in compliance. State Presidents will be informed about their areas of non-compliance and given an opportunity to resolve the situation prior to NSNA Annual Convention and possible NSNA Board action.

Contact Cathy Ramos, ext 116 or nsna@nsna.org (attn: Cathy Ramos), if you have any questions about which documents may be missing from your state files.

Maintaining Tax Exemption

What is a Non Profit Organization?

A non-profit organization is a corporation that is generally exempt from paying federal income taxes. The Internal Revenue Service (IRS) Code has tax-exempt designations that are based upon the organization's purpose and membership. Most of the student nursing organizations will fall into either a 501(c) (6) or 501 (c) (3) status.

A status of 501 (c) (3) designates the organization as a charitable organization. An example would be organizations that serve for the advancement of education by providing scholarships. A big benefit of a 501 (c) (3) status designation is that it provides donors a tax credit for contributions made to the organization.

The 501 (c) (6) designation is the status that most nursing and professional organizations may fall under. These are Business Leagues as defined by the IRS Publication 557: "primarily supported by membership dues and other income from activities substantially related to its exempt purpose. A business league in general is an association of persons having some common business interest, the purpose of which is to promote that common interest and not to engage in a regular business of a kind ordinarily carried on for profit." This designation does not allow for donors to take a tax credit for making contributions to the organization but does, however, shelter the organization from federal income tax unless it has unrelated business income. Also, 501 (c) (6) organizations are not exempt from paying sales tax.

NSNA and its state constituents are pre-professional membership, not-for-profit organizations supported by membership dues. The purpose and functions are stated in both articles of incorporation and the bylaws of the association. Budgets, financial reports, and books of account should substantiate the association's support of the purposes stated in the bylaws and articles of incorporation. These items will indicate that income from membership dues is allocated to support the programs and activities of your association. The voting body and the board of directors have the responsibility for creating programs and activities by which the purposes and functions are carried out. The Board of Directors has the fiduciary responsibility for the organization.

Internal Revenue Service (IRS) requirements

1. All organizations that have been granted tax exempt status (see above; 501 (c) (3) or 501 (c) (6) organizations) are required to file an annual informational return with the IRS, Form 990 or 990-EZ, which includes information about the organization's finances, governance, operations, and programs.
2. Even though an organization is recognized as tax exempt, it still may be liable for tax on its unrelated business income (see a typical example of this in #3 below). An exempt organization that unrelated business (unrelated business income or UBI) must file Form 990-T, Exempt Organization Business Income Tax Return.
3. An exempt organization's sale of advertising placed in the exempt organization's publications for the purchaser's commercial benefit is considered by the IRS as a commercial activity. This revenue is considered UBI and is thus subject to federal and local income taxes.

Accounting Procedures

1. US businesses and not for profit organizations are not only governed by the rules of the IRS, they must adhere to accounting standards promulgated by the official US accounting body, the Financial Accounting Standards Board (FASB) which sets standards commonly known as Generally Accepted Accounting Principles (GAAP). A top recommendation of GAAP is that organizations should have their books audited by a licensed independent Auditor (Certified Public Accountant or CPA). FASB "requires that all not-for-profit organizations provide a statement of financial position (Balance Sheet), a statement of activities (Income Statement), and a statement of cash flows. It requires reporting amounts for the organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in an organization's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows." (FAS 117)

2. The Board of Directors approves an operating budget for each fiscal year. An operating budget is a financial plan that covers a specific period of time; usually it covers 12 consecutive months (a fiscal year). The operating budget is a guideline to forecast the anticipated revenue (income), against the anticipated expenses expected to incur during the fiscal year. Strict adherence to the budget may not always be possible or appropriate. For example, in some instances you may have to spend more than you have budgeted in order to raise additional income.
3. It is recommended that the Board of Directors include an annual allocation in the budget for a reserve fund. A reserve fund is money set aside over several years, to provide for financial stability and unexpected expenses in the future. If for example, the organization is unable to meet its annual budget, the reserve fund may be used to get the organization through a difficult year. The recommendation is that a reserve fund should be at least 50 percent of the annual operating budget. Theoretically, this would allow the organization to function for 6 months in the event of a situation where the organization lost its sources of revenue. It should be emphasized that the reserve fund is a planned effort by the Board of Directors, and should have its own expense line item in the budget. Unless these funds are kept in low-risk investments such as Money Market or Certificates of Deposit accounts, the Board of Directors must seek the advice of a financial manager to assist in guiding investment decisions to help grow the fund. The reserve fund is kept separate from the operating budget.
4. Record and file contribution documents. If your association has made any charitable contributions, or if you receive donations during the year, be sure to record them accurately and file. Contributions must also be acknowledged in writing to the donor. Other regulations regarding charitable donations may be required so be sure to check this with your accountant.
5. Current and accurate records of membership dues revenue is essential and lists of past and current members should be kept with financial records. State associations receive membership printouts from the national office along with state dues reimbursement checks. These printouts list new members who have joined NSNA and those that have renewed. Both state and school associations may obtain membership lists from NSNA; and mailing labels are available for a nominal fee from the membership processing center in Wilmington, Ohio. More information is available at the end of this document.

Internal Cash Control Procedures (All state associations should consider adding the following policies and procedures to their governance requirements)

Generally accepted accounting principles and the NSNA recommend that the following internal cash control procedures be in place:

1. There should be at least two authorized signers on bank accounts (the President and Treasurer or a Faculty Advisor is recommended). All checks disbursed must have dual signatures and all checks are signed manually promptly after the check has been written.
2. Your organization must require and file all expense receipts and the signed voucher that approves the expenses. Expenditures and expense reimbursements must be approved by the Board of Directors.
3. All checks must be endorsed and deposited in the association's official bank account. NSNA recommends purchasing a rubber stamp with the name of the organization and the association's account number to be used for endorsement. Note that unendorsed or improperly endorsed state dues reimbursement checks are monitored by NSNA and states are notified to correct endorsements. Deposits must be made on a timely basis. Detailed records that support deposits must be kept (deposit slips/copies of checks). These records should show source of payment, amount, check number, date deposited, invoice number and any other pertinent information. NSNA encourages state associations to utilize direct electronic deposit for state dues reimbursement checks.
4. Cash, checks, and check receipts are kept in a secure place and locked up prior to making the deposit. When counting cash at convention and fundraisers, two people must count and sign-off on cash receipts.
5. Bank Statements must be sent to two board members (president and treasurer) and must be inspected carefully for unusual transactions. A bank reconciliation (reconciling book balance to the bank balance) must be done monthly.
6. NSNA **strongly discourages** the use of debit and credit cards. However, if credit cards are a necessity, credit card statements must be sent to two board members and carefully inspected to verify purchases.
7. Bank statements and credit card statements should be brought to the board meeting for inspection by board members and circulated during the Treasurer's Report.
8. A written report of the treasurer must be given at all board and annual membership meetings. See *NSNA's Guidelines for Treasurers* for details.

Legal Considerations for Fundraising

1. State Associations: Before embarking on major fundraising drives, contact the state Department of Revenue and Taxation (the name of this organization may vary from state to state) to find out requirements for fundraisers held in your state. Many states require that you apply for a permit to collect sales tax and that you file a tax return for any monies that you collect. Also, many states prohibit raffles, but will allow drawings. A call to your state Department of Revenue and Taxation can avert problems and penalties.
2. School Chapters: Check with your faculty advisor and the school administration office before embarking on a fundraising program. Schools across the country have different policies on what types of fundraising they allow student groups to engage in and how the funds are to be handled. Please check with your school administration before beginning any fundraising projects that are conducted on school grounds or that may compete with vendors who provide services to the school.

Communication Requirements

1. The state association is a vital link in the communication chain. Each state is responsible for communicating with NSNA, with the schools in the state, and with members.
2. All states should have regular communication with the NSNA Board of Directors and staff. It is essential that NSNA receive up-to-date contact information for all state presidents and members of state board. The NSNA Board members are assigned to state presidents to serve as a point of contact for information and assistance. If you do not hear from an NSNA Board member, please contact NSNA.
3. It is important for state associations to communicate with schools in their respective states. The state association motivates participation by school chapters and the members of the state board are excellent resources for school presidents.

Resources (click on topic for link)

- [NSNA Getting the Pieces to Fit](#), published annually by NSNA
- [NSNA Guidelines for Treasurers](#) and [Guidelines for Secretaries](#)
- [Sarbanes-Oxley Act](#)
- [American Institute of Certified Public Accountants](#)
- [Internal Revenue Service](#)
- [Internal Control Procedures](#)