

HANDLING MONEY

If your group is seeking to raise funds or solicit donations, you need a place to put it that's more secure than a cigar box under your treasurer's bed! While groups raising a lot of funds will incorporate and register as not-for-profit organizations, groups operating on a smaller scale often use a fiscal sponsor. If a fiscal sponsor is not an option and your group is not operating on a large scale, incorporating is a good alternative. Incorporation will allow your group to solicit funds and open a bank account.

GETTING A BANK ACCOUNT

First Steps:

- ✓ Open a bank account in the name of your organization, NOT in the name of any individual, even if the bank tells you it would be easier.
- ✓ To open a bank account in your organization's name, you must first get an **Employer Identification Number** (or **EIN**). Call the IRS Forms Distribution Center at 1-800-829-3676 and ask for **Form SS-4** (or download it from www.irs.gov).
- ✓ After filling out the form, you can call 866-816-2065 to file immediately, then fax a copy to the number they give you. Make sure the person who calls is the one who is authorized to sign the form.
- ✓ It is extremely hard to get through to this number. If you get frustrated, you can fax the completed form to 631-447-8960—along with a cover sheet addressed to Attn: EIN Operation—stating that you want your EIN by fax, and giving your fax number, and you will receive your EIN within five business days.
- ✓ Mailing the form in takes 30 days.

Where to bank:

- ✓ Very large banks often don't like dealing with community groups because the amounts of money involved are so small.
- ✓ Your best bet is to approach a smaller, local bank, preferably one that you or one of your members already has an account with.

Banking Basics:

- ✓ **Minimum balance:** A typical account requires a certain amount to open and a minimum balance. If your balance falls under the minimum, they will charge a monthly maintenance fee. Some basic savings accounts accrue interest, generally at a rate under 2%.
- ✓ **Monthly maintenance fee:** This can be really important. You should look for a bank which offers a low minimum balance and low or no maintenance fees, as high fees can quickly deplete your funds. Ask the branch manager about getting fees waived because you are a neighborhood volunteer organization. It's always a good idea to form a relationship with your branch manager, who may also have money to give as grants to neighborhood groups.
- ✓ **Multiple signatures:** It's a good idea to require two signatures when withdrawing money. This minimizes possible abuse and loss of funds. Having three signatures registered with the bank will make it easier for your group to get the two signatures necessary to sign for a withdrawal.

Adapted from "Tools & Tactics for Building Neighborhood Organizations," Citizens for NYC, www.citizensnyc.org.

Type of account:

- ✓ A **savings account**—as opposed to a checking account—will have a lower opening minimum (the amount required to open an account), a lower minimum balance (the amount which has to be maintained in order to avoid paying a monthly fee), and a lower monthly maintenance fee (a fee imposed if you fall below the account minimum).
- ✓ You can easily obtain a cashier's check or money order from your bank in order to pay periodic bills.

Remember: Getting a bank account does not make you a tax-exempt non-profit organization. Do not tell donors that you are a non-profit; they cannot claim a tax deduction for their donation. For tax-exempt status without filing the paperwork, try using a fiscal sponsor.

GETTING A FISCAL SPONSOR

A fiscal sponsor is a non-profit, tax-exempt organization that will accept money on your behalf and then write checks when you need to purchase supplies or reimburse you for money spent. With a fiscal sponsor, your group can more easily receive donations and apply for grants.

- ✓ **Donations to your group that go through a fiscal sponsor are tax deductible.** This makes you eligible for grant money and more attractive to other donors.
- ✓ Ask another organization in your neighborhood—such as a block association or church—that you work with, trust, and **know well** to be your fiscal sponsor.
- ✓ Be very specific about this arrangement; **some sponsors will take 5% to 15% of any donation to you as a fee for their services. It is best to get the agreement in writing.**
- ✓ **Checks that will go through the fiscal sponsor must be made out to the sponsor directly**, though your group name should appear either in the memo, or in the "To:" line, like this: "To: 53rd Street Block Association—Friends of St. James Park."

Adapted from "Tools & Tactics for Building Neighborhood Organizations," Citizens for NYC, www.citizensnyc.org.