Annual Financial Report Form Instructions
for charitable or sponsor organizations

Introduction

G.S. §131F-6(a)(8) requires the Department to provide a financial report form for charitable or sponsor organization license applicants. The new Annual Financial Report Form provides a concise format for filing required financial information. This new form supersedes and replaces the previous Financial Summary form.

When to use this form

If you file a copy of your federal Form 990 or Form 990-EZ and Schedule A with your license application, you do not need to complete or submit this form. Filing the federal documents satisfies your financial reporting requirements for obtaining an initial or renewal license. Most license applicants choose to file federal documents instead of the North Carolina form.

While any charitable or sponsor organization applicant may complete and file North Carolina's annual financial report form with their license application, this form is best suited for applicants who:

- Do not normally file a federal form 990 or 990-EZ; or
- Are not officially organized as a corporate or tax-exempt entity; or
- Are new organizations with little or no pre-existing financial history.

What's new in this form

When revising the old Financial Summary form, we reviewed relevant statutory text and Financial Accounting Standards Board Statement 117 (FAS 117), which provides accounting guidelines for composing financial statements for not-for-profit organizations. The resulting form contains three brief sections:

(1) A balance sheet, or statement of financial position. This section provides a concise snapshot of the applicant's financial status at fiscal year end.

(2) A statement identifying the applicant's "fund balance". North Carolina law requires applicants filing this form to report "any change in the fund balance". Since FAS 117 deprecates the term "fund balance", the Department equates this term to the more modern "unrestricted net assets", or assets available (after subtracting expenses) for pursuing the applicant's organizational objectives. In this section the applicant lists the beginning balance, the final balance at fiscal year end, and the net change in the balance.

(3) A statement of support, revenue, and expenses. The support portion of this section identifies the applicant's revenue sources in a format useful for consumers within the context of the Department's licensing program. The expenses portion of the section provides a recommended functional expense reporting format based upon the federal 990 reporting format, total expenditures, and joint allocations coverage.

General formatting and attachment instructions

The Department posts the annual financial report form on its website in Rich Text (RTF) format so that applicants may download the form, complete it on any standard word processor, and print the completed form for submission with a license application. Applicants may also print the empty form and complete the form using legible handwriting.

The Department accepts attachments to this form. Please submit all forms and attachment documents in simplex (printed on one side only) format on standard 8 ½" x 11" paper. Doing so expedites processing your application.

How we process your form with your license application

Upon receipt with the rest of your application, the Department will scan your annual financial report form into electronic format. The Department will examine the form to make sure (1) all required form questions have answers and (2) submitted form information is reasonably consistent with other information in your application. The Department will make your filed form available for public inspection by consumers.

Appendix: Specific line item instructions

This section provides specific guidance for completing the specific questions on the annual financial report form:

Item 1. Organization Name: State your full legal name.

Item 2. For Fiscal Year Ending: State your fiscal year end date. Include the day, month, and year. This information identifies the reporting period covered by your report.

Assets and Liabilities Items

Item 3. Unrestricted Assets: State your total assets unencumbered by temporary or permanent donor restrictions (not including fixed assets) at fiscal year end.

Item 4. Restricted Assets: State your total assets encumbered by temporary or permanent donor restrictions (not including fixed assets).

Item 5. Fixed Assets: State your total of land, buildings, equipment, or similar long-lived assets at fiscal year end.

Item 6. Total Current Assets: Add your answers from Item 3, Item 4, and Item 5, and state the sum here.

Item 7. Total Current Liabilities: State your total current liabilities at fiscal year end.

Item 8. Total Net Assets: Subtract your answer to Item 7 from your answer to Item 6 and state the sum here.

Fund Balance Items

Item 9. Unrestricted Net Assets at beginning of year: State your net (after subtracting liabilities) assets unencumbered by temporary or permanent donor restrictions (not including fixed assets) at the beginning of the fiscal year.

Item 10. Unrestricted net assets at end of year: State your net (after subtracting liabilities) assets unencumbered by temporary or permanent donor restrictions (not including fixed assets) at fiscal year end.

Item 11. Total change in unrestricted net assets: State the difference between your answers to Item 9 and Item 10 here. This amount represents the positive or negative change in your unrestricted net assets or "fund balance" over the reporting period.

Support and Revenue Items

Item 12. Government grants and contracts: State your total revenue and support from government grants and contracts over the reporting period here. This revenue does not count toward "contributions" when calculating your license application fee.

Item 13. G.S. §131F-2(18) qualifying organization grants: State your total revenue and support over the reporting period from organizations meeting the qualifications in G.S. §131F-2(18). This revenue does not count toward "contributions" when calculating your license application fee.

Item 14. G.S. §131F-2(5) qualifying bona fide membership fees: State your total revenue and support over the reporting period from qualifying "bona fide" membership fees. This revenue does not count toward "contributions" when calculating your license application fee.

Item 15. Program service revenues not exceeding service or good fair market value: State your total revenue and support over the reporting period from program service revenues not exceeding service or good fair market value. This revenue does not count toward "contributions" when calculating your license application fee.

Item 16. Program service revenues over and above service or good fair market value: State your total revenue and support over the reporting period from program service revenues over and above service or good fair market value. This revenue counts toward "contributions" when calculating your license application fee.

Item 17. Corporate or business grants: State your total revenue and support over the reporting period from corporate or business grants. This revenue counts toward "contributions" when calculating your license application fee.

Item 18. Contributions designated or received through third party channels: State your total revenue and support over the reporting period from "flow-through" or "donor-directed" contributions designated or received through third party channels (e.g., via a parent or federated fund-raising organization). Also include revenues from grants from groups that do not qualify under G.S. §131F-2(18) (*see **Item 13***) here. This revenue counts toward "contributions" when calculating your license application fee.

Item 19. G.S. §131F-2(5) nonqualifying donation-based membership fees: State your total revenue and support over the reporting period from §131F-2(5) nonqualifying donation-based membership fees. This revenue counts toward "contributions" when calculating your license application fee.

Item 20. Fair market value of "in-kind" contributions and forbearances received: State your total revenue and support over the reporting period from "in-kind" contributions and forbearances received. This revenue counts toward "contributions" when calculating your license application fee.

Item 21. Restricted direct contributions: State your total revenue and support received or designated over the reporting period from direct contributions encumbered by donor restrictions or conditions (*e.g.*, endowment giving, charitable gift annuities, unrealized bequests). Report this revenue once at the time the designation is made. Do not report this revenue at the time the contribution is realized or becomes unrestricted. This revenue counts toward "contributions" when calculating your license application fee.

Item 22. Unrestricted direct contributions: State your total revenue and support over the reporting period from direct contributions unencumbered by donor restrictions. Do <u>not</u> include previously restricted contributions that are no longer restricted in this item. This revenue counts toward "contributions" when calculating your license application fee.

Item 23. Total G.S. §131F-2(5) "contributions": Add items 16 through 22 and enter the total here. Use this amount to determine your license application fee.

Item 24. Total Support and Revenue: Add items 12 through 22 and enter the total here. This amount represents your total support and revenue over the reporting period.

<u>Functional Expense Statement</u>

General Notes: Items 25 through 27 present a functional expense statement similar to that found on the federal 990 form, with reporting blocks for each line item for each of the following categories: (1) the total expense amount for that line item, (2) the total expense allocated to program services for that line item, (3) the total expense allocated to management and general administration for that line item, and (4) the total expense allocated to fund-raising for that line item.

- **Most items recommended, but not required:** The Department provides Items 25 through 46 as recommended, but not required items. The Department strongly recommends completing these items as an aid to consumers, but providing this information is not required by law to obtain a license.
- **Item 47 answer required:** North Carolina law specifically requires submission of the expense totals information in Item 47. You must provide an answer to each portion of Item 47.

Item 25. Grants and allocations: Use this block to report expenditures for grants and allocations. Answering this item is recommended, but not required.

Item 26. Specific assistance to individuals: Use this block to report expenditures for assistance given to individuals. Answering this item is recommended, but not required.

Item 27. Benefits paid to or from members: Use this block to report expenditures for benefits paid to or from members of your organization. Answering this item is recommended, but not required.

Item 28. Compensation of officers, directors, etc.: Use this block to report expenditures for compensation for your organization's officers or directors. Answering this item is recommended, but not required.

Item 29. Other salaries and wages: Use this block to report expenditures for other salaries or wages. Answering this item is recommended, but not required.

Item 30. Pension plan contributions: Use this block to report expenditures for pension plan contributions. Answering this item is recommended, but not required.

Item 31. Other employee benefits: Use this block to report expenditures for other employee benefits. Answering this item is recommended, but not required.

Item 32. Payroll taxes: Use this block to report expenditures for payroll taxes. Answering this item is recommended, but not required.

Item 33. Professional fundraising fees: Use this block to report expenditures for professional fundraising fees. Answering this item is recommended, but not required.

Item 34. Accounting fees: Use this block to report expenditures for accounting fees. Answering this item is recommended, but not required.

Item 35. Legal fees: Use this block to report expenditures for legal fees. Answering this item is recommended, but not required.

Item 36. Supplies: Use this block to report expenditures for supplies. Answering this item is recommended, but not required.

Item 37. Telephone: Use this block to report expenditures for telephone service, internet service, and similar expenses. Answering this item is recommended, but not required.

Item 38. Postage and shipping: Use this block to report expenditures for postage and shipping expenses. Answering this item is recommended, but not required.

Item 39. Occupancy: Use this block to report expenditures for occupancy costs, such as rent, mortgage payments, etc. Answering this item is recommended, but not required.

Item 40. Equipment rental and maintenance: Use this block to report expenditures for renting and maintaining equipment. Answering this item is recommended, but not required.

Item 41. Printing and publications: Use this block to report expenditures for printing and publication expenses. Answering this item is recommended, but not required.

Item 42. Travel: Use this block to report expenditures for travel expenses. Answering this item is recommended, but not required.

Item 43. Conferences, conventions and meetings: Use this block to report expenditures for expenses related to conferences and meetings. Answering this item is recommended, but not required.

Item 44. Interest: Use this block to report expenditures for interest charges. Answering this item is recommended, but not required.

Item 45. Depreciation, depletion, etc.: Use this block to report expenditures or losses resulting from depreciation or depletion of assets. Answering this item is recommended, but not required.

Item 46. Other expenses not covered above: This is a miscellaneous item for stating totals for miscellaneous expenditures. Answering this item is recommended, but not required.

Item 47. TOTAL EXPENSES: You must answer this item. Provide total expenditure amounts for each of the categories given: (A) Total, (B) Program Services, (C) Management and General, and (D) Fund-raising.

Item 48. Are any joint costs from a combined educational campaign and fundraising solicitation reported in the expense totals for Section 3 (B) Program Services? Answer "YES" if you reported jointly allocated costs in Item 47. Otherwise, answer "NO". If "YES" continue to Item 49. If "NO", skip to item 53.

Item 49. Aggregate (total) amount of joint costs: State the total amount of "jointly allocated" costs you included in your answer to Item 47 (B) Program Services. If you answered "NO" to Item 48, do not answer this item – skip to Item 53.

Item 50. Amount allocated to Program Services: State the subtotal of your answer to Item 49 that you allocate to program services expenses. If you answered "NO" to Item 48, do not answer this item – skip to Item 53.

Item 51. Amount allocated to Management and General: State the subtotal of your answer to Item 49 that you allocate to management and general expenses. If you answered "NO" to Item 48, do not answer this item – skip to Item 53.

Item 52. Amount allocated to Fund-raising: State the subtotal of your answer to Item 49 that you allocate to fund-raising expenses. If you answered "NO" to Item 48, do not answer this item – skip to Item 53.

Item 53. Attachment Option. Check "YES" here if attaching additional information: Otherwise, check "NO".

Item 54. Financial Report Certification: The Department's administrative rules require that this form be signed by three (3) members of your organization's audit or finance committee. Print the names and titles of the three persons signing the form in the spaces provided.

Item 55. Report Completion and Signature Date: State the date you completed and signed the report form.