



GUIDANCE FOR
ANNUAL STATUTORY ACCOUNTING
OF SPECIALTY LICENSE PLATE FUND

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Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF
LOCAL GOVERNMENT AUDIT

Guidance for Annual Statutory Accounting of Specialty License Plate Funds

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SECTION A

Background

Pursuant to the requirements of Section 55-4-202(j), Tennessee Code Annotated (TCA), nonprofits that receive funds from the sale or renewal of a specialty earmarked license plate must file an annual accounting of all such funds with the Comptroller's office by September 30 of each year for funds received from July 1 through June 30 of the preceding state fiscal year.

Section 55-4-202(j), TCA, provides that:

(j) Any nonprofit organization receiving proceeds from the sale of a specialty earmarked license plate or new specialty earmarked license plate, shall be subject to the following requirements:

(1) The nonprofit organization shall meet and maintain all statutory requirements and internal revenue service regulations for nonprofit corporations;

(2) Each nonprofit organization shall maintain its nonprofit status in good standing with the secretary of state;

(3) By September 30 each year, all nonprofit organizations receiving proceeds from the sale or renewal of a specialty earmarked license plate or new specialty earmarked license plate shall submit an annual accounting of all such funds received from July 1 to June 30 of the preceding state fiscal year to the comptroller of the treasury. If a nonprofit organization fails to comply with the annual accounting requirement, then the commissioner of the department or agency responsible for paying the specialty earmarked license plate or new specialty earmarked license plate proceeds shall, at the request of the comptroller of the treasury, hold the proceeds in reserve until the nonprofit organization submits its annual accounting and the comptroller notifies the department or agency to release the funds. Any costs associated with holding the plate proceeds shall be deducted from the reserve fund as an administration fee. The comptroller of the treasury may audit any nonprofit organization receiving funds from a specialty earmarked license plate or new specialty earmarked license plate to ensure that the funds are being used in accordance with statutory authority for the plate, and the cost of the audit shall be charged to the nonprofit organization; and

(4) A nonprofit organization shall return any proceeds received from a specialty earmarked license plate or new specialty earmarked license plate that a comptroller of the treasury's audit finds have been used in violation of statutory authority. The attorney general and reporter are authorized to institute proceedings, as defined in § 48-51-201, under the Tennessee Nonprofit Corporation Act, compiled in title 48, chapters 51-68, to recover the proceeds.

The annual accounting information referenced in the above statute should be prepared in accordance with this guidance and submitted through the Comptroller's Contract and Report System (CARS) located at <https://apps.cot.tn.gov/CARS/>. Please contact Timothy Hardy at Timothy.Hardy@cot.tn.gov or 615-401-3039 for questions regarding the annual statutory accounting of specialty license plate funds.

SECTION B

Instructions for Contract and Report System (CARS)

1. Navigate to CARS: <https://apps.cot.tn.gov/CARS/>.
2. Sign up for an account.
3. You will receive an email once your account has been approved by the Comptroller's Office. (The approval process is not automatic; therefore, you will not receive an immediate response.)
4. After your account has been approved by our office, you will be able to log into CARS and upload the electronic files through the "Upload Financial Information" option on the Main Menu. Only .pdf file types are accepted. You will be uploading the following:
 - (A) Specialty License Plate Annual Accounting
 - (B) Federal Form 990
 - (C) Audit Report (as applicable)

SECTION C

Annual Accounting of Specialty License Plate Funds

The information submitted by the recipient organization shall include:

(A) Annual Accounting of Specialty License Plate Funds

- (1) The name(s) of the Specialty License Plate(s)
- (2) Name and Contact Information for Recipient Organization
 - a. Name
 - b. Address
 - c. Phone number
 - d. Web address (as applicable)
- (3) A description of the Specialty License Plate and any restrictions placed upon the use of the funds by Tennessee Code Annotated (TCA).
- (4) A description of the nature of your organization.
- (5) A Schedule of Income and Expenses – Presented on a Cash Basis:
 - a. Option A – Preferred Method
The schedule should be limited to income and expenses related to specialty license plate funds.
 - b. Option B
Some organizations do not segregate expenditures associated with specialty license plate revenue separately from the normal operations of the not-for-profit. This may be the case when, for example, the nature of the organization is narrow enough in its scope that TCA requirements can be met by expending funds on the general operations of the organization. For these situations, the reporting format should encompass all income and expenses of the not-for-profit. Specialty license plate revenue should be reported as a separate line item.
 - c. The reporting period for the schedule of income and expenses is statutorily required by Section 55-4-202(j)(3) of TCA to be from July 1, through June 30, regardless of the entity's fiscal year.
 - d. Beginning and ending amounts of unspent funds should be disclosed. This applies to both reporting options and should be disclosed even if beginning and ending amounts are zero.
- (6) An example format is enclosed.

(B) Federal Form 990

The most recent form filed with the Internal Revenue Service should be uploaded (e.g., Form 990-N, Form 990-EZ, Form 990-PF, Form 990).

(C) Audit Report (as applicable)

This is required only if your organization had an audit conducted by an independent CPA firm. The most recently issued audited financial statements should be uploaded. The fiscal year of the audit may differ from the statutory reporting period above.

Annual Accounting of Specialty License Plate Fund

[Section 55-4-202(j)(3), Tennessee Code Annotated]

Example Reporting Format

Specialty License Plate Name

Know History

Recipient Organization

Historical Society of ABC County, Inc.

111 North Main Street

Finney, TN 31111

(555) 444-3333

Web address: www.historicalsocietyofabccounty.org

Description of Specialty License Plate and TCA Restrictions

Specialty License Plate

Section 55-4-20X, Tennessee Code Annotated (TCA), authorizes the issuance of a “Know History” specialty earmarked license plate to complying residents of Tennessee. The purpose of the plate is to recognize and encourage the importance of learning history.

TCA Restrictions

The funds produced from the sale of “Know History” specialty earmarked license plates shall be allocated to the Historical Society of ABC County, in accordance with Section 55-4-20X, TCA. This statute requires that such funds shall be used exclusively for public awareness including, but not limited to, the purchase and installation of history plaques at historical sites, publication of pamphlets, and direct assistance to municipal historical societies in the county.

Nature of Organization

The Historical Society of ABC County, Inc. was established in 1977 to bring public awareness to the historical events and citizens that shaped our community and nation. We accomplish this through various means such as preservation of historical sites, publications (pamphlets and books), lectures, historical plaques, and newspaper articles.

Schedule of Income and Expenses

Refer to example schedule below. (Note: This example illustrates Option A, i.e., an entity that is reporting income and expenses directly related to specialty license plate proceeds. This format can be modified for Option B.)

Historical Society of ABC County, Inc.
 Know History Specialty License Plate Annual Accounting

Schedule of Income and Expenses – Cash Basis

July 1, 20XX through June 30, 20XX

Income

Proceeds from Know History Plates	\$157,325
Interest Income	<u>189</u>

Total Income \$157,514

Expenses

Administrative Expenses		\$ 1,534
Direct Assistance:		
City of Finney Historical Society	\$ 40,000	
Town of Whitfield Historical Society	<u>45,000</u>	
Total Direct Assistance		85,000
Postage and Shipping		101
Programs:		
Historical Plaques	\$ 33,000	
Publications and Printing	18,000	
Public School Field Trips	<u>21,000</u>	
Total Programs		<u>72,000</u>

Total Expenses \$ 158,635

Difference \$ (1,121)

Unspent Specialty License Plate Funds – Beginning ***\$ 0***

Unspent Specialty License Plate Funds – Ending ***\$ 0***

Note: This schedule illustrates the use of Option A and only includes income and expenses directly related to specialty license plate funds.

Historical Society of ABC County, Inc.
Statement of Activities
July 1, 20XX through June 30, 20XX

Revenues, Gains, and Support

Contributions	\$793,162	
Bequests	72,569	
Special Events	<u>13,471</u>	
Total Support		\$879,202
Other Revenue		
TN Specialty License Plate Revenue	\$150,000	
Net Investment Income	263,169	
Net Assets Released from Restrictions	<u>54,465</u>	
Total Other Revenue		\$467,634

Total Revenues, Gain, and Support **\$1,346,836**

Expenses

Program Services		\$530,494
Public Education and Community Services		71,310
Fundraising		166,560
Administrative and General		<u>76,254</u>
Total Expenses		\$844,618

Revenues, Gains and Support in excess of expenses \$502,218

Loss from Disposal of Equipment \$(384,958)

Changes in Net Assets \$117,260

Net Assets-Beginning of Year \$1,864,955

Net Assets-End of Year \$1,982,215

Note: This Schedule illustrates the use of Option B and includes all revenues and expenditures for the entity. Specialty License Plate Revenue is reported as a separate line item.