Sons of the American Revolution
Records Retention and Destruction Policy

Section 1. Purpose of Records:

SAR must maintain books and records to show that it complies with tax rules. The organization must be able to document the sources of receipts and expenditures reported on Form 990, *Return of Organization Exempt from Income Tax or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax, and Form 990-T, Exempt Organization Business Income Tax Return*.

If SAR does not keep required records, it may not be able to show that it qualifies for tax-exempt status. Thus, SAR may lose its tax-exempt status. In addition, SAR may not be able to complete its return accurately and may be subject to penalties. When good recordkeeping systems are in place, SAR can evaluate the success of its programs, monitor its budget, and prepare its financial statements and returns.

Section 2. Records to be kept:

Except in a few cases, the law does not require a special kind of record. SAR should choose any recordkeeping system suited to its activities, that clearly shows the organization's income and expenses. SAR activities should determine the type of records that should be kept for federal tax purposes. SAR should set up a recordkeeping system using an accounting method that is appropriate for proper monitoring and reporting of its financial activities for the tax year. Since SAR has more than one program, it should ensure that the records appropriately identify the income and expense items that are attributable to each program.

Section 3. Period of Retention:

SAR must keep records for federal tax purposes for as long as they may be needed to document evidence of compliance with provisions of the Code. SAR must keep records that support an item of income or deduction on a return until the statute of limitations for that return runs. After the statute of limitations has run SAR can no longer amend its return and the IRS can no longer assess additional tax. Generally, the statue of limitations runs three years after the date the return is due or filed, whichever is later. SAR may be required to retain records longer for other legal purposes, including state or local tax purposes. SAR record retention periods vary depending on the types of records and returns.

<u>Permanent Records</u> – Some records should be kept permanently. These include, the application for recognition of tax-exempt status, the determination letter recognizing tax-exempt status, and organizing documents, such as articles of incorporation and by-laws, with amendments, as well as board minutes.

<u>Employment Tax Records</u> – SAR must keep employment tax records for at least four years after the date the tax becomes due or is paid, whichever is later.

<u>Records for Non-Tax Purposes</u> – When records are no longer needed for tax purposes, SAR should keep them until they are no longer needed for non-tax purposes. For example, a grantor, insurance company, creditor, or state agency may require that records be kept longer than IRS requires.

Section 4. SAR Policy Retention:

The following table provides the minimum requirements for determining SAR document retention policy.

Type of Document	Minimum Requirement
Accounts payable ledgers and schedules	7 years
Audit Reports	Permanently
Bank Reconciliations	2 years
Bank Statements	3 years
Checks (for important payments and purchases)	Permanently
Conflict of Interest statements	4 years
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicated deposit slips	2 years
Employment applications	3 years
Expenses Analyses/expense distribution schedules	7 years
Year End Financial Statements	Permanently
Insurance Policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Inventories of product, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minutes books, bylaws, and charter	Permanently
Patents and related papers	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

Section 5. Electronic:

SAR Officers should follow the above guidance in Section 1 thru Section 4 in determining the electronic that should be retained and the length to be retained.

Section 6. Record Destruction:

All records (manual and electronic) should be destroyed after the expiration of the retention period unless there is a reason to retain them longer.

The destruction of each record should be performed by two members of the Audit Committee and must be documented. Documentation of the records destroyed must include the date destroyed, description of the record destroyed and the name of the person/persons destroying the record.

<u>Destruction of documents will be suspended when</u> SAR <u>is notified of an investigation by a regulatory authority.</u>