

How to Open a Non-profit Bank Account

1. Bank Choice is Crucial

When selecting a bank for your nonprofit chapter, thorough research is essential. Unlike personal or business accounts, nonprofit banking has unique requirements. Make an informed decision as switching banks later can be complicated. Ensure the bank's mission aligns with your chapter's goals and offers excellent services and customer perks.

2. Ethical Standards and Guidelines

Some banks uphold ethical standards and have social responsibility statements. Request this information from potential banks to understand their community positioning. Local credit unions or regional banks can be beneficial, as they are often more invested in local communities and can provide networking opportunities and insights into local issues.

3. Experience with Nonprofits

Choose a bank with significant experience in nonprofit banking. Banks familiar with nonprofit clients can offer specialized support and services. While banks without nonprofit experience can still be used, they may lack the expertise needed for seamless operations.

4. Special Resources for Nonprofits

Many banks provide unique resources for nonprofits, including direct lending, networking opportunities, and training. Look for special nonprofit accounts, such as those offered by PNC Bank, which waives the monthly service charge if you maintain a minimum balance of \$500.

5. Required Documentation

Opening a nonprofit bank account requires specific documentation, including incorporation papers, bylaws, tax ID number, and IRS exemption letter. Identify a treasurer and officers authorized to sign checks, and ensure they provide identification. Check with the bank in advance to confirm all required documents.

Nonprofit Bank Account Rules You Must Know

Banks simplify maintaining a nonprofit account but require adherence to specific rules:

1. **Nonprofit Bylaws:** Have a copy of your nonprofit bylaws ready, detailing the organization's purpose, contact information, key members, and bank signatory policies.

2. **IRS Documents:** Ensure all necessary IRS documents are in order, including incorporation paperwork, IRS tax exemption letter, and Tax Identification Number. SME National can assist with these documents if needed.
3. **FinCEN Rule Compliance:** Comply with the Financial Crimes Enforcement Network (FinCEN) rules to prevent financial crimes. Maintain clear account ownership information and limit changes in officers' names.
4. **Minimum Balance Requirement:** Understand and adhere to your bank's minimum balance requirements to avoid monthly fees. Create and follow a chapter budget to ensure compliance.
5. **Reporting Cash Deposits to the IRS:** Banks must report any single deposit exceeding \$10,000 or multiple deposits totaling \$10,000 to the IRS. Maintain accurate financial records and use effective accounting tools to prepare for large events or fundraisers.

Conclusion

After researching and selecting a suitable bank, visit in person to address any concerns. Finalize your choice and open your nonprofit bank account, ensuring all documentation and compliance requirements are met.