



Lions Club Finances

Every member of a Lions Club, and especially the board of directors, has a responsibility to supervise the financial operations of the organization. Although the treasurer is the custodian of the club's funds, these funds belong to the membership and to the board of directors. Therefore, every Lion should have a basic, working knowledge of approved financial policies, proper practices and financial management.

Club Treasurer's Duties:

- Banking - deposits and making payments
- Financial reporting
- Book-keeping, record keeping
- Chair the finance committee
- Financial planning and budgeting
- Setting and collection of club dues, payment of per-capita tax
- Advisor on fund-raising
- Protect the organization against fraud
- Make sure that the club understands its financial obligations
- Make sure the organization is compliant with its filing responsibilities
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Lions Club Financial Policies

According to Lions Clubs International's application and agreement with the Internal Revenue Service for tax-exempt status, the following statement is the primary rule for all Lions Clubs financial policies:

Under no circumstances may the net income of club projects or activities raised from the public be used in any manner whatsoever for administrative expenditures.

In order to accomplish this policy, Lions clubs must establish and maintain at least two separate funds. The first shall be an administrative fund and the second will be an activities or project fund.

- 1) The **Administrative Fund** will be used for the internal running of the club. The income of this fund will be from member's dues, tail-twisting fines, and other money raised directly from the club members. The expenses of this fund will be for per-capita tax, printing, postage and other costs relating to running club meetings.
- 2) The **Activities Fund** will be used to fulfill the exempt purposes and goals of the club. The income of this fund will be from public fund-raising projects. The expenses of this fund will be the direct costs of the fund raising projects, as well as, the donations and charitable activities of the club.

The board of directors should formally approve all of the club bank accounts and determine who, in addition to the treasurer, should sign all checks.

The club treasurer pays out all monies only on the authority of the board of directors. There is no exception to this rule. However, the board may annually pre-authorize paying expenses for fixed billings such as per-capita tax billings. The board may also designate limited spending authority to a committee.

The club may not create any indebtedness beyond the current income of the club. Clubs should not commit to donations beyond the current fiscal year.

The purpose of the club is to raise and expend funds for social or charitable causes. The club should not carry-over a substantial amount of funds from one fiscal year to another. It is permissible to accumulate some funds and carry-over them over. However, a substantial amount could threaten the loss of the club's exempt status.

Proper Accounting Practices

All monies from whatever source must be deposited, as received, into one of the club's bank accounts. Payment or disbursements for any purpose should not be made from cash received by the club, but by check drawn on one of the club's bank accounts. This creates the proper paper trail of financial transactions.

All deposits should be itemized as to their source.

Receipts for all checks written should be maintained. These receipts should be retained in a file that is open to the audit committee and club members.

Financial Oversight

All financial records of the club should be reviewed/audited at least once a year. The audit should include whether all proper policies and reporting (IRS, Ohio Attorney General, sales tax) are being performed. Audits are for the treasurer's protection, as well as, the club's protection.

All financial records should be retained by the club for a period of 7 years for IRS audit purposes. These records include bank statements, cancelled checks, invoices and receipts, financial reports, tax returns and other governmental filings. In addition, all financial reports should be retained by the club in a permanent file for its club history.

The Ohio Lions State Office no longer provides bonding of the club treasurer. Clubs may purchase Director/Officer liability insurance and crime/fidelity insurance from Lions Clubs International or from a local source.

Steps to Limit Exposure include: Require dual signatures, reconcile bank statements, limit use of cash, establish check-handling procedures, establish expense reimbursement policies, match physical and recorded inventories, set and follow budgets, encourage rotation of duties or term limits, monitor grant requirements, change passwords, combinations, and locks, consider insurance coverage, and recruit new audit committee members.

Preparation of Financial Records

An important step in the preparation of budgets, ledgers, and financial reports is to assemble a complete set of “line items” specific for the individual Lions club.

Line items are categories of anticipated financial activity. Once identified, these line items can be projected (budget), added (ledger), and reported (financial report) in a coordinated manner. There are advantages to showing a financial report as compared to the budget for the same period. Appropriate measures could be taken if needed to assure a solid financial condition.

Budget

A **Budget** is an estimate of the total money allocated for a certain purpose. It would include both income and expenditures. Budgets should be prepared by the treasurer and finance committee and then presented to the board of directors for approval. By carefully anticipating revenue and prioritizing spending, the club can assure it remains financially sound. All Lions clubs should have a budget for each fund (administrative, activities. And any other fund. **It is important to keep in mind that an approved budget does not give authority to spend money. A budget is simply a guide to spending.**

Ledgers

A **Ledger** is a written record of **debits** (checks written) and **credits** (deposits made). It is a transitional step from individual debit and credit transactions to the financial report. The ledger categorizes all of the individual transactions. These categories should be the same set of line items that was created for the budget. Ledgers can be crafted in many forms:

- ❑ Accounting software
- ❑ Columned graph paper
- ❑ Checkbook register

Financial Reports

A **Financial Report** is a summary of all financial activity for any given period. The club treasurer should give at least financial summaries and account balances at each club meeting. A formal written financial report should be presented at regular club meetings on at least a quarterly basis. Although club financial reports may have many different forms, all reports should be easy and clear to read, itemize income and expenditures for the period indicated, and should clearly show the net monetary assets of the club at the beginning and end of the reporting period. Every fund should be reported.

Per-Capita and Club Dues

Each Lions Club is billed a per-capita tax for each member of record semi-annually by both Lions Clubs International and the District Cabinet Treasurer. The total of the per-capita tax is \$59.00 per member per year. Club dues should be sufficient to pay this \$59.00 plus the member’s share of the club’s administrative expenses.

	Billing Date	Based on membership as of	Amount billed each 6 months
Lions Clubs International	July 1	June 30	\$ 21.50
	January 1	December 31	\$ 21.50
District Cabinet Treasurer	July 1	June 30	\$ 8.00
	January 1	December 31	\$ 8.00

Total: \$ 59.00

Per-capita tax discounts

Exceptions to the \$59.00 per-capita tax are as follows:

- Life members – In lieu of advance payment, life members are not charged the \$21.50 semi-annually from Lions Club International.
- Family Members – Lions Club International only bills ½ per-capita for each family member after the first family member pays full per-capita tax. The club secretary must complete the Family Unit Certification Form.
- Student Members – (ages 18-30 and enrolled in school) - Lions Clubs International only bills ½ per-capita and the District Cabinet Treasurer does not bill any per-capita tax. The club secretary must complete the certification.

Entrance Fee

Lions Clubs International charges an entrance fee of \$35 for all new members with the following exceptions:

- Student members – (ages 18-30 and enrolled in school) – Club secretary may submit the proper paperwork to have the entrance fee waived.
- US Veteran - Club secretary may submit the paperwork to have the entrance fee waived.

Club Dues

The board of directors, with the advice of the treasurer and finance committee, should set the members annual dues at an amount, which is necessary to maintain the financial health of the club. Club dues should be sufficient to pay international, state and district per-capita tax plus the member’s share of the club’s administrative expenses.

The club may assess members of different classifications different dues, as it deems appropriate. Different classifications include: Active, At-Large, Honorary, Privileged, Life, Affiliated, Family, Student, and Associate.

Club treasurers can now print membership cards from the MyLCI section of Lions Club International website (www.LionsClubs.org).

Tax-Exempt Status

All clubs chartered under Lions Clubs International are exempt from federal taxes under the Internal Revenue Code section 501 c 4. A copy of the “IRS Determination Letter” is available on the Ohio Lions website. This section of the IRS code deals with “civic leagues and social welfare organizations.” Lions Clubs International has not been granted status under section 501 c 3, which is for “charitable organizations.” Therefore, for all federal purposes, Lions Clubs are not considered charities and **donations to Lions Clubs or projects are not deductible as charitable contributions.**

It is proper to refer to a Lions Club as a “Tax-Exempt” or as a “Not for Profit” organization. However, it would be improper to refer to a Lions Club as a “Charity.”

Be careful not to mislead the public by printing the word “Donation” on admission or raffle tickets without designating it as not tax deductible. The IRS views this as a violation of your disclosure regulations. Contribution or offering is acceptable.

This tax-exempt status refers only to federal income tax.

Jeopardizing Exempt Status

- **Private Benefit or Inurement** which is engaging in any activity which permits the organization’s income or assets to unduly benefit a person who has some close relationship to the organization.
- **Employment Issues** including compensating “volunteers” with gift cards or waving of membership dues. Reimburse members only with proper receipts.
- **Political Campaign Activity.** Candidates and issues should not be endorsed. Non-partisan “get the vote out” initiatives are acceptable.
- **Non-Compliance with filing requirements.** The IRS is required to revoke the tax-exempt status of any organization that fails to meet their filing requirements for three consecutive years.

Supporting Organizations

Leo Clubs or Lioness Clubs should use the same EIN as the sponsoring Lions Club and thus all financial activities of the supporting organizations are reported through the Lions Club. This also extends Lions insurance protection to the supporting organization.

Legal Compliance

There are several legal filings due with various state and federal governmental departments. See the “Lion’s Legal Considerations” document under the resources tab on the state website for more detailed information on the following and additional topics.

IRS

All Lions Clubs are exempt from federal income tax under IRS Code Section 501 c 4. However, the IRS requires that an informational return be filed annually for all clubs. This filing can be Form 990-N (e-Postcard), Form 990-EZ, or Form 990 depending on the gross revenue the club had during its fiscal year. The club’s **gross revenue** is the total amount it received from all sources, without subtracting any costs or expenses. Gross revenue below \$50,000 is the threshold to file the e-postcard. You may file the return as soon as the fiscal year ends. It must be filed within 4 ½ months.

Ohio Attorney General

Each Lions Club must annually file a “charitable registration.” This electronic filing is available on the Ohio Attorney General’s website and is due within 4 ½ months of the fiscal year end. Filings are based on the club’s gross revenue and may involve electronically paying a fee. Each person who uses the online system or wants to receive automated reminders and confirmation emails must create an account. It is recommended that at least 3 people from each club have accounts to ensure multiple representatives receive important notifications.

Incorporation

It is strongly recommended that all Lions Clubs incorporate. Doing so helps protect individual club members in lawsuits against the club. Incorporating as a non-profit corporation is handled by the Ohio Secretary of State. The cost to file the Initial Articles of Incorporation is \$99. Once incorporated, the Secretary of State issues a **Statement of Continued Existence** every five years to the Statutory Agent (any Lion so named in the Initial Articles of Incorporation). There is a \$25.00 fee to file this form once every five years. Failure to file such a statement will result in the cancellation of the corporation. There is also a special form called the **Statutory Agent Update** to change the appointment of the statutory agent or to change the mailing address of the current agent. There is a \$25.00 fee to file this form.

Sales Tax

All 501 c 4 organizations, such as Lions Clubs must pay sales tax on taxable items purchased for their own use and collect/submit sales tax from the public when selling taxable items as a fund-raising project. To collect and submit sales tax the club must: 1) obtain a vendor’s license, 2) collect the sales tax in effect in the county where the item is sold, 3) keep adequate records, and 4) file returns and submit the tax. This is done on-line through the Ohio Business Gateway.

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Gaming

Games of chance, instant bingo, bingo and other forms of gaming are regulated and may require a special license. 100% of the profits must go to a 501 c 3 charitable organization. Raffles are also regulated. 50% of the profits must go to a 501 c 3 charitable organization. The IRS requires specific record keeping on gaming. Completion of Form W-2G, submission of Form 1096, and withholding of income is required on certain gaming winnings (including raffles) equal to or greater than \$600. See IRS publication 3079.

Food Safety

Lions Clubs that sell food should check with their local county health department for the proper temporary license or permit. There are many regulations on food safety including those in the Ohio Revised Code 3717 and the Ohio Uniform Food Safety Code, as well as, local county regulations.