



# The Buck Stops Here

## Training for Rotary Club Treasurers

Elliott Rittenberg  
Rotary Club of Westborough  
[elliott@rittenberg.com](mailto:elliott@rittenberg.com)

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# AGENDA

- Obligations & mission
- Responsibilities
- Protecting your Club & its funds
- Federal reporting requirements
- Massachusetts reporting requirements
- Rotary International & District dues
- Budgeting
- Financial reports
- RI insurance
- Is a 501(c)(3) right for your Club?
- District Charity Fund
- Resources

# Treasurer Obligations

A Club Treasurer has three primary obligations:

1. Protect member & donor funds
2. Comply with federal & state reporting requirements
3. Maintain your Club's good standing with Rotary International



## Treasurer Obligations

- As Treasurer, your role requires you to be task and deadline oriented
- Errors, omissions and missed dates can have serious implications



# Treasurer Responsibilities

- Maintain financial records
- File federal, state & local tax returns
- Develop budget with incoming President Elect (before taking office)
- Collect dues for Club, District & RI
  - *Consider invoicing in June & December*
- Pay dues to District & RI
- Pay invoices & other Club expenses
- Maintain separate bank accounts for District grants



## Treasurer Responsibilities

- Monitor financial performance of Club events
- Provide regular financial updates
- Advise of deviations from current year budget
- Manage Club's chart of accounts
- Prepare year end financial statements
- Train your successor

# Treasurer Responsibilities

- Grant Management
  - Track funds associated with Foundation grants
  - Pay all grant disbursements from separate account
  - Ensure compliance with the Club's MOU with the District

## Protect Member & Donor Funds

- Segregate donated funds from operating funds
  - Keep separate ledgers for charitable and operating accounts
- Establish separate accounts for grant funds
- Use a Club finance committee to review
  - Proposed budgets
  - Disbursements
  - Monthly P&L & balance sheet
  - Changes to accounting practices
- Appoint an Assistant Treasurer
- Retain copies of all incoming checks
- Prepare tax returns – use accountant if needed





## Protect Member & Donor Funds

- Require 2 signatures for checks exceeding a preset amount
- File returns on time (or request appropriate extensions)
- Understand document retention requirements and have an organized storage system

IRS Compliance Guide for Tax-Exempt Organizations – P4221NC

*“the organization must keep records that support an item of income or deduction on a return until the statute of limitations for that return runs. The statute of limitations has run when the organization can no longer amend its return and the IRS can no longer assess additional tax. Generally, the statute of limitations runs three years after the date the return is due or filed, whichever is later ”*

## Federal Reporting Requirements

- Federal return is due 15<sup>th</sup> day of 5<sup>th</sup> month following year end – for Rotary Clubs that means November 15th
- Clubs must file a variant of Federal Form 990:

Form	Threshold
990-N (electronic)	Gross receipts normally $\leq$ \$50,000
990-EZ (or 990)	Gross receipts $<$ \$200,000, and Total assets $<$ \$500,000
990	Gross receipts $\geq$ \$200,000, or Total assets $\geq$ \$500,000

[See Form 990 Series Which Forms Do Exempt Organizations File Filing Phase In](#) for detailed information

## Federal Reporting Requirements

- Failure to File can result in a \$20 per day penalty – that's \$7,300 per year
- Penalties can also be imposed if the organization's return contains incorrect information
- If a Club fails to file for three years, they will lose their tax exempt status and be subject to payment of income tax



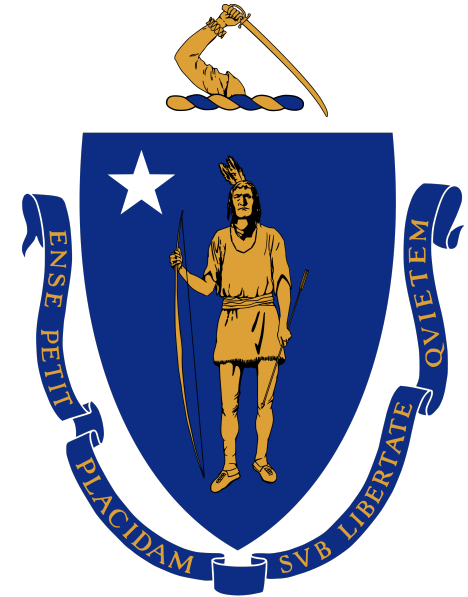
"I have to admit ... the fist pumps are making me nervous."

## Federal Reporting Requirements

- If you are going to be even one day late, file an extension
- One automatic 6 month extension is allowed
- File [IRS form 8868](#) to request the extension
- Extensions do not apply to Form 990-N

# Massachusetts Reporting Requirements

- Form PC
- Due 15<sup>th</sup> day of 5<sup>th</sup> month following year end – for Rotary Clubs that means November 15<sup>th</sup>
- Schedules A-1 and A-2 of the Form PC must be completed if your organization solicits funds from the public.
- Extension may be obtained by submitting a copy of the Federal Form 8868 or a short letter explaining need



## Massachusetts Reporting Requirements

- Filing fee - \$35 if Club “gross support & revenue” is less than \$100,000
- For clubs with revenues over \$100k, filing fee increases to \$70.
- If revenue exceeds \$250k, filing fee is \$125 and a CPA review report is required
- Form PC and detailed instructions available at [Attorney General's Public Charities Site](#)

# Massachusetts Reporting Requirements

- Annual Report must be filed by 11/1
- Lists Officers & Directors
- Filing fee \$15
- Can be filed online if customer ID# & PIN are known
- See Secretary of State's Office [Non-Profit Corporation Forms](#)

# Rotary International & District Dues

DESCRIPTION	2020 – 2021
District Dues	\$ 50.00
RI Dues	69.00
Rotarian Magazine	12.00
Council of Legislation	*1.00
General Liability Ins	*3.63
Directors & Officers EPL Insurance	*.43
<b>TOTAL</b>	<b>\$136.06</b>

- District invoice will also include per Club charges of \$275 for PETS & \$35 charge for Pre-PETS (to be billed in July)
- \*from 2019 – 2020 RI invoice



## Rotary International & District Dues

- Both RI & District 7910 invoice semi- annually
- Balance due upon receipt
- You cannot make adjustments on the club invoice
- July 1 invoice based on June 30 membership
- January 1 invoice based on December 31 membership
- Club Secretary should register new and terminated members within 30 days, or by 1 January or 1 July
- Consider sending dues invoices in June & December to manage cash flow

## Rotary International & District Dues

- Failure to pay RI invoice within four months of the date on the invoice results in termination.
- Clubs will then have five months to fulfill the following reinstatement requirements:
  - Pay all outstanding financial obligations at the time of termination
  - Pay all membership dues that continue to accrue thereafter
  - Pay a \$30 per member reinstatement fee
  - Complete and submit a reinstatement application and provide an updated membership list along with a list of current officers and their contact information

# Budgeting

- Key function of Club Treasurer
- Work with President Elect to develop budget prior to taking office
- Work with event chairs to insure Club activities meet budget expectations
- Prepare variance reports showing deviations from budget



# Budgeting

INCOME	Budgeted income last year	Actual income last year	Amount under/over last year	Estimated income this year
<b>OPERATIONS</b>				
Membership dues				
Admission fees				
Income from visitors				
Other income				
<b>SUBTOTAL</b>	0	0	0	0
<b>CHARITABLE</b>				
Donations incoming				
Club fundraisers				
Other income				
<b>SUBTOTAL</b>	0	0	0	0
<b>TOTAL INCOME</b>	0	0	0	0
<b>EXPENSES</b>	<b>Budgeted last year</b>	<b>Actual last year</b>	<b>Deviation from last year</b>	<b>Estimated expenses this year</b>
<b>OPERATIONS</b>				
Secretary's Office				
Badges/engraving				
Postage and post box				
Printing				
Stationary				
Phone/fax				
Annual report				
Web site hosting charges				
Rent				
Miscellaneous supplies				
Other				
<b>SUBTOTAL</b>	0	0	0	0
<b>District Dues</b>				
<b>SUBTOTAL</b>	0	0	0	0
<b>Rotary International</b>				
Dues				
Subscriptions				
Liability Insurance				
RI Convention				
Council on Legislation				
Other				
<b>SUBTOTAL</b>	0	0	0	0
<b>Meeting expenses</b>				
Club meeting: speaker gifts				
Club meetings: other				

# Financial Reports

- Monthly profit & loss
- Monthly balance sheets
- **Monthly budget variance**
- Year end P&L
- Year end balance sheet



# Rotary Insurance Program

INSURANCE COVERAGE	DESCRIPTION
General Liability	<p>GL Protects clubs/districts against liability claims for bodily injury to a third party and damage to a third party's property.</p> <ul style="list-style-type: none"><li>• Includes Liquor Liability</li><li>• Non-Owned/Rented Auto Liability</li></ul> <p>This insurance is typically required by lessor/municipality when Rotary clubs hold events, fundraisers, other activities in rented venues.</p>
Directors' & Officers' / Employment Practices Liability (D&O / EPL)	<p>D&amp;O is for claims made against club/district directors and officers that result from their activities, such as managing financial affairs and establishing policies.</p> <p>EPL is for claims arising out of club/district employment practices. It can apply to some liability claims from membership matters.</p>



- Applies to a Club and its charitable foundation - 501(c)(3)

## Does a 501(c)(3) make sense for our Club?

- Most Clubs are 501(c)(4) – non profit “Social welfare organizations”
- A 501(c)(3) is a charitable organization
  - Donations may be tax deductible
  - Lobbying for legislation prohibited
  - May not participate in political campaigns
  - No benefit to private interests
- Not a straightforward decision to form a charitable fund
  - May or may not increase a Club’s ability to increase fundraising

## Does a 501(c)(3) make sense for our Club?

- A 501(c)(3) is beneficial for fundraising when:
  - Soliciting individual donations from the public
  - Businesses who make large donations require the ability to take tax deductions
    - *Many businesses will write off donations to Clubs as a business (advertising) expense*
  - An individual or individuals want to make a large bequest or endowment to your Club
- A 501(c)(3) entity receives a higher level of scrutiny
  - On time filings and accuracy of returns is essential
  - Penalties & fines are more severe
  - Requires commitment to manage properly



## Does a 501(c)(3) make sense for our Club?

- Need firewall between 501(c)(3) and your Club
  - Funds can flow from Club to 501(c)(3)
  - *Funds cannot flow from the 501(c)(3) back to the Club*
  - Fundraising for 501(c)(3) can create issues for funding normal Club operations
- 501(c)(3) is a separate entity and needs
  - Articles of organization
  - Bylaws
  - Completely separate reporting
  - Separate board of directors
    - *501(c)(3) treasurer should not be Club treasurer simultaneously*

## Does a 501(c)(3) make sense for our Club?

- Steps to establish a 501(c)(3)
  - Draft Articles of Organization and file with Massachusetts Secretary of State (\$35)
  - Draft Bylaws for your 501(c)(3)
  - Apply for Tax ID Number
  - File IRS form 1023, Application for Recognition for Exemption
    - \$400 for organizations w/gross receipts < \$10,000
    - \$850 for organizations w/gross receipts > \$10,000
    - File 1023EZ if your receipts are projected to be <\$50K and assets <\$250K at a cost of \$275
  - Receive Determination Letter from
  - Apply for Massachusetts ST-2 Certificate of Exemption

## District Charity Fund

- Good option if you have one time or limited need
- Provides a resource to clubs that do not have a separate 501(c)(3)
- Provides donors with a charitable deduction for their contribution to your club's project
- The Charity Fund can accept donations from any person or corporation
- Fund Treasurer will send out a "Thank you" receipt for donations of \$100 or greater
- Simple steps to take advantage of the DCF:
  - Document purpose of the use of funds
  - Trustees approve the purpose description
  - Trustees will vote 2<sup>nd</sup> time to release funds as directed by your Club

# Resources

Federal tax Information for Charities & Other Non-Profits

<https://www.irs.gov/charities-non-profits>

Federal Form 990 Series Which Forms Do Exempt Organizations File

<https://www.irs.gov/charities-non-profits/form-990-series-which-forms-do-exempt-organizations-file-filing-phase-in>

Federal application for recognition of exemption (501(c)(3)

<https://www.irs.gov/charities-non-profits/application-for-recognition-of-exemption-1>

Massachusetts Form PC

<http://www.mass.gov/ago/doing-business-in-massachusetts/public-charities-or-not-for-profits/forms/form-pc-and-instructions.html>

# Resources

Massachusetts Non-Profit Corporation Forms

<https://www.sec.state.ma.us/cor/corpweb/cornp/npfrm.htm>

Rotary's Insurance Program

[https://insight.ajg.com/CE\\_Login?startURL=%2F](https://insight.ajg.com/CE_Login?startURL=%2F)

Username: rotary@ajg.com / Password: rotarian1

District 7910 Charity Fund

<http://www.rotary7910.org/Stories/how-the-district-charity-fund-helps-clubs>

US Rotary Clubs & The IRS Frequently Asked Questions

[Follow this link](#)

Rotary International Financial Reports

<https://my.rotary.org/en/financial-reports>

# Rotary

## District 7910



# Questions?

## Training for Rotary Club Treasurers

Elliott Rittenberg  
[elliott@rittenberg.com](mailto:elliott@rittenberg.com)  
508.878.5703