New Club Formation Primer

The administrative and operational functions in starting a new Rotary club are described in this White Paper. The intent is to provide key resources and some helpful hints. It is intended to be a guide with the complementary resources from other clubs, the Rotary District, and Rotary International.

First steps:

1. For the new Club Treasurer, a key resource in filing required forms for the Internal Revenue Service are found on the Rotary International website: https://my.rotary.org/en/document/rotary-clubs-and-irs-frequently-asked-questions

   - Applying for an EIN (Employer Identification Number): An EIN is required by the IRS to be considered an official entity. This may be done online using the Rotary FAQ link noted above. You will need your president's name and SSN (to be listed as "responsible party"), your mailing address, and common knowledge about the nature of your tax-exempt organization.
   Helpful Hint: DO NOT apply for an EIN until you are ready to officially start business (i.e. if you apply for an EIN on June 29 and plan to start your fiscal year on July 1, you will be responsible for tax filings for the two days of "business" you conducted between the day you applied for your EIN and your year-end.) If you plan to start business on 7/1/XX, apply for an EIN that morning and not before.

   - Applying to be included under Rotary International's 501©4 group exemption ruling: Use the above FAQ link to locate your Club and District Support Representative and let them know that you would like your club to be included under RI's group exemption. This will simplify tax filings.

2. Bank Account – Ideally, connect with someone within the club (or another club in town) that already has a banking relationship. This will help in setting up a business account without stringent opening balance requirements and without paying high monthly maintenance fees. This is key in the beginning as you will likely not have a large treasury. Once you have determined where you will bank, you will need a copy of your EIN letter, By-Laws, and Constitution, as well as any bank-required paperwork in order to open an account. Usually, the President, Treasurer, and/or Secretary should be appointed signers, unless the club decides otherwise.

Helpful Hint: Smaller banks sometimes have higher fees but are more relationship-based and can make exceptions for your club in the beginning in good faith that your club will grow and remain a loyal customer.

3. Submitting Form 8796: You must submit a Form 8976 with the IRS within 60 DAYS of your club becoming legal (ie within 60 days of receiving your EIN from the IRS). You can file this online (see Rotary FAQ link), and you will have to pay $50 to file.

4. Miscellaneous Other Treasurer Considerations – A club will need some sort of vehicle to track the financial records of the club. If you recruit a bookkeeper/accountant to fill the role, they will likely already have access to a program like Quickbooks, but otherwise the club must be willing to pay for the treasurer to obtain the software which can be pricey. **Helpful hint:** If available, obtain an old Profit and Loss Statement from another club as well as a copy of the club's Chart of Accounts to help set up categories for your own club's books. Connect with the Treasurer of an existing club for any advice and/or to serve as a mentor.

Club Formation:

1. Bylaws: Rotary International has a template that can be modified to the club.
   https://my.rotary.org/en/document/recommended-rotary-club-bylaws-doc
   Helpful Hint: Form an Executive Committee and have the Secretary do a first draft reflecting the new club's name and requirements. Since it is in a Word format, selections that are not applicable can be deleted. A first draft can then be reviewed, word by word by the Executive Committee and the Club Sponsor/Mentor.
   Helpful Hint: One technique is to have the Executive Committee to meet in advance and informally discuss the club purpose and values. This helps in preparing the first draft of the bylaws. A second strategy or technique is to recruit a Secretary with Board experience and/or non-profits.

2. Constitution: Rotary International has a template that can be modified to the club.
   https://my.rotary.org/en/document/standard-rotary-club-constitution
   Areas not applicable can be deleted or amended as part of the first draft preparation and will be a time saver for the review team.

3. Establishing Board and officers: A Rotary Club sponsor or Advisor is instrumental in recruiting potential board members and club officers through personal contacts and one-on-one interviews with new club members. These contacts often led to direct questions: for what office are you prepared and ready to commit?
   Strategies for President and Board Development:
   - Have the new club president pick the VP first, and then co-interview and select the Secretary and Treasurer.

- Request a Past President and/or Past Officer from a neighboring club take a sabbatical from their club for one year to assist in leadership development.
- Work with the Advisor/Mentor on potential club leadership with the actual decision on officers adopted by the President and VP.
- Recruit Board members from the club membership with the goal of diversity and balance; i.e. age, professions, genders, interests. The leadership, both Executive Team and board should be generally representative of the club membership.

4. Charter application: This process can be completed in a similar manner to the constitution and bylaws with the Secretary preparing the first draft and then the Executive Team doing a word-by-word review. It helps to have the Secretary (or whomever does the first draft) be familiar with these types of documents, but if an experienced person is not available, additional coaching/guidance may be needed from the club sponsor or mentor. It is extremely important that there is a clear communication to anyone being included on the Charter application about the actual dues amounts set by the Charter club Board of Directors and the date that those dues are owed by every new member on the Charter application.
Helpful Hint: The best date to charter a new club is right after January 1 or July 1. When a new club is chartered, the charter members are all required to pay a $15 charter fee. However, they will not be charged member dues until the next cycle. For example, if you chartered a new club of 20 members in October, charter members will all pay $15 upon chartering but not be charged dues until the following January. The dues in January will then cover the next 6 months until July.
Helpful Hint: Recommend that the one-time charter fees be collected with the individual applications and the fees paid by personal check to RI. The monies would be reimbursed to the individual once the club checking account is established.
Helpful Hint:
- By not collecting the one-time charter fees at the time of the application, you risk members "unknowingly committing" to the financial requirements of the club. In this case, you receive a bill on their behalf without the member being willing to pay their charter fees and/or member dues. Collection at the time of application makes member understand that they are committing to becoming a member of the club.
- Applications must be checked to ensure that they are completely filled out, including email addresses, birth dates, and specific work titles so that the classification codes/categories can be easily identified.

5. Entering new members: Once the club is chartered, the secretary is given access to the RI database to enter new member information. The initial application forms submitted to RI with the Charter Application are entered into the RI database by someone at headquarters.
Helpful Hint:

- The Secretary should review each individual member application to verify the information was entered correctly. Missing data can be captured during this review process.
- Check the individual applications carefully before submittal to avoid errors or omission on the individual member information.

6. Adding members after the initial charter application: This process is done by the secretary using a user ID and passcode. The RI website is robust and user-friendly. **Helpful Hint:** New club secretary meet with an existing club secretary to learn and exchange tips and techniques.

7. Mailing Address: By establishing a Post Office Box, the club will have a consistent mailing address and a secure location for the receipt of checks and other sensitive information. To purchase a post office box, go to usps.com and complete the application.
   Helpful Hints:
   - The application is completed by one person, but the name of the club can be listed on the records. Once the box is reserved it is necessary to go to the post office to show identification so that they can release the box for use. There are usually two keys per box so both people have to show ID. Additional keys can be ordered, if needed.
   - When completing the box application it is better to list it as a "personal" box, rather than a "business" box. A personal box still gets all the mail that is addressed to that box, no matter what name is on the item, and it is eligible for "Informed Delivery". This is a service that sends an email to the box holder whenever there is mail delivered to the box and eliminates unnecessary trips to check for mail.

8. Other suggestions:

   - Develop forms for club meetings including sign-in sheets, refreshment provider volunteers or other arrangements for food/refreshment depending on the time and location of the club meeting, attendance summary sheets for regular meetings and board meetings to review attendance patterns.
   - Download and share the Excel Membership Spreadsheet from the RI database every time it is updated. It should be shared with the entire board so that any changes in emails, phones, or membership status are always current.
   - An electronic newsletter is a great tool to keep members informed. (copy attached)

District Resources:

Rotary District 5170 Foundation – Rotary clubs are considered a 501C4 under IRS rules which limits the benefit of tax-deductible donations. Rotary District 5170 provides access to their 501C3, and allows clubs to place donations and/or fund raising proceeds in the District Foundation with a restricted line item dedicated to the club. There is no charge for the service. Information is available on the Rotary District 5170 website at https://rotarydistrict5170.org/sitepage/district-5170-foundation.

Training – Rotary District 5170 provides club and leadership training programs throughout the year. These training programs include: Membership Development, The Rotary Foundation, Pre-Presidents-Elect Training, Advanced Leadership Academy, and Grants Training. For information on the training schedule, contact Olivia Poe, at admin@rotarydistrict170.org or contact the Rotary District 5170 office at 408-273-4577.

District Administration – Rotary District 5170 has a physical office and an Administrator. The following is the Rotary District 5170 contact information:

District Administrator: Oliva Poe
Email: admin@rotarydistrict170.org
Phone: 408-273-4577
Mailing Address: Rotary District 5170
                           2570 N. First Street, Suite 200
                           San Jose, CA 95131

Rotary Websites:

Rotary International -- Log in to valuable information on the Rotary International website at www.rotary.org. To create your own personal log-in account for MyRotary, use your email associated with your Rotary membership and create a unique password when prompted. This will give access to Rotary information not available to the general public.

Rotary Zone 26/27 – This comprehensive website has key links to information on Zone-level training such as Presidents Elect Training, Membership Development, Rotary Brand, and many valuable links. Easy to navigate and accessed at https://zone2627.org/

Rotary District 5170 – Rotary District 5170 is the go-to resource for clubs. The website provides links the District Directory, Calendar of Events, District Events, and information on club operations and activities. The District website can be accessed at https://rotarydistrict5170.org/