

**Financial & Budgeting
Responsibilities
of Rotary Club Presidents
by
PDG Ronney Reynolds, CPA**

**Lone Star P.E.T.S.
February 29, 2024**

To: Rotary Club Presidents Elect

- This session on Financial Responsibilities does not train you to be a club treasurer. It is a session to help you understand the president's responsibilities for club finances. We will take a view from 10,000 feet.
- It will also help to keep you out of trouble with the Authorities

To: Rotary Club Presidents Elect

- Because this is not a part of the main Club President training and you have chosen to spend additional time to learn more about club finances, I bet you have specific question you want answered. Thus, we will take the first 5-7 minutes identifying those questions. You will notice that the attachment is very brief. We will cover your relationship with IRS, reporting responsibilities, and budgeting best practices, but we will also cover the questions you ask. Thus, each one of these sessions are different. I strive to have the presentation meet the needs and interests of the audience.

To: Rotary Club Presidents Elect

- Because this session is only 45 minutes, and I want to answer as many questions as possible, it will be very fast paced. However, if I do not answer your specific question, or you come up with a question after the session, please feel free to contact me at the e-mail or phone number below.
- Ronney@reynoldsfranke.com
- 512-206-3141

Rotary Clubs and IRS FAQ's

- 1. Is your club exempt from income taxes? If so, under what IRS code section?
- 2. Does your club have a foundation? If so, what IRS code is applicable?
- 3. What is different in the treatment of each entity?

Rotary Clubs and IRS FAQ's

- 4. Are there any times when the club or foundation is required to pay income taxes?
- 5. What is the difference in a sponsorship vs advertising?
- 6. Are donations made to our club tax deductible as a charitable contribution? What about donations to our foundation?

Rotary Clubs and IRS FAQ's

- 7. What are the specific issues to watch as it relates to transfer of funds between club and foundation, raffles, and reporting requirements?
- 8. Is our club required to file a tax return with IRS? If so, when is it due? Can we get an extension? What are the consequences if we file the return late or do not file at all?
- 9. What tax form do we file if our gross receipts are less than \$50K? \$50K-\$200K? Over \$200K?

Rotary Clubs and IRS FAQ's

- 10. Who signs the return? Who is responsible (liable) for filing a complete and accurate return? (see page 6 of Form 990)
- 11. Does IRS strongly recommend that you follow certain policies and procedures? What are they? Do they ask specific questions? (see page 6 of Form 990)
- 12. Are there any other forms to file with IRS? If so, what are they, and when are they due?

Rotary Clubs and IRS FAQ's

- 13. Are there any other forms to file with the State? If so, what are they, and when are they due?
- 14. Are we required to have an audit of our financial statements? Is it recommended? Or there options in lieu of an audit?
- 15. What are the rules for having a raffle?

Budget Questions

- Why does your club prepare a budget?

- ---

- Who prepares your budget? Why?

- ---

Budget Questions

- Who approves your budget? Why?

- _____

- _____

- _____

- Who monitors that you are staying within budget? How? When?

- _____

- _____

- _____

Budget Questions

- Are you required to stay within budget?
- Can you incur expenses in excess of budget?
What happens if you do? Can you amend the budget? How? When?

- _____
- _____
- _____
- _____
- _____

Payments to Rotary International

- How much are the fees?
- A. Per capita dues _____
- B. The Rotarian _____
- C. Council on Legislation _____
- D. Other _____
- How are they calculated?
_____ @ _____
- When are they due?
_____ and _____

Payments to District

- How much are the dues? _____
- When are the dues due? _____
- Who decides the amount of dues?

- When is the decision made?

Example of Good Budget Process

- 1. Treasurer develops a draft budget based on prior years information, anticipated current year information, committee chair recommendations and any strategic planning document. It will include all backup documentation
- 2. President reviews draft budget and makes suggestions based on his/her plans for the year.
- 3. Treasurer updates draft budget with President's suggestions for meeting with Board of Directors

Example of Good Budget Process

- 4. President and Treasurer present the draft budget to the board of directors.
- a. Full participation by board of directors
- b. President explains his/her priorities and answers questions
- c. Treasurer answers questions as to history and probability of success

Example of Good Budget Process

- 5. After any adjustments, the budget is approved by the board of directors
- 6. If club bylaws state the budget must be approved by the membership, it is taken to them for a vote.

Example of Good Budget Process

- 7. If membership approval is not required, it is still good policy to present the budget to the full members (full disclosure)
- 8. Approved budget is then given back to the Treasurer to include in monthly financial statements
- 9. Your Executive Director (if you have one) can assist in a number of these processes, but the final responsibility resides with the officers.

Operations

	Budget	Cur YTD	Last Year
Revenue			
Dues	\$ _____	\$ _____	\$ _____
Meals	@ _____	@ _____	@ _____
Initiations	@ _____	@ _____	@ _____
Assesments	@ _____	@ _____	@ _____
Interest	_____	_____	_____
Total Revenue	\$ _____	\$ _____	\$ _____
Expenses:			
Meals	@ _____	@ _____	@ _____
Room Rental	_____	_____	_____
RI dues	@ _____	@ _____	@ _____
District dues	_____	_____	_____
Total Expenses	\$ _____	\$ _____	\$ _____
Increase (Decrease)	\$ _____	\$ _____	\$ _____
Beginning Cash	\$ _____	\$ _____	\$ _____
Ending Cash	\$ _____	\$ _____	\$ _____

Civic/Service

Revenue					
Donations	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fundraiser #1	_____	_____	_____	_____	_____
Fundraiser #2	_____	_____	_____	_____	_____
Pass Thru's	_____	_____	_____	_____	_____
RI/District	_____	_____	_____	_____	_____
Total Revenue	\$ _____	_____	_____	_____	\$ _____
Expenses					
Fundraiser #1	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fundraiser #2	_____	_____	_____	_____	_____
Service Project #1	_____	_____	_____	_____	_____
Service Project #2	_____	_____	_____	_____	_____
Charitable	_____	_____	_____	_____	_____
RI Annual Program	_____	_____	_____	_____	_____
Total Expenses	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Increase (Decrease)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Beginning Cash	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Ending Cash	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Questions

PDG Ronney Reynolds, CPA
Reynolds & Franke, P C
6850 Austin Center Blvd. Ste 100
Austin, Texas 78731
512-206-3141

Ronney@reynoldsfranke.com

www.reynoldsfranke.com

Additional information

Form 990 Page 6

Part VI Governance, Management, and Disclosure. For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 70b below, describe the circumstances, process, or changes on Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year. If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.		
1b	Enter the number of voting members included on line 1a, above, who are independent of any officer, director, trustee, or key employee.		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person?		3
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5
6	Did the organization have members or stockholders?		
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?		8a
b	Each committee with authority to act on behalf of the governing body?		8b
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O.		9

Section B. Policies. (This Section B requests information about policies not required by the Internal Revenue Code.)		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		10a
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		10b
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?		11a
b	Describe on Schedule O the process, if any, used by the organization to review this Form 990.		11b
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13.		12a
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? If "Yes," describe on Schedule O how this was done.		12b
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe on Schedule O how this was done.		12c
13	Did the organization have a written whistleblower policy?		13
14	Did the organization have a written document retention and destruction policy?		14
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? The organization's CEO, Executive Director, or top management official		15a
a	Other officers or key employees of the organization		15b
b	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		16a
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt purpose with respect to such arrangements?		16b

Section C. Disclosure		Yes	No
17	List the states with which a copy of this Form 990 is required to be filed.		
18	Section 5104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-1 (section 501(c)(3) only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input type="checkbox"/> Upon request <input type="checkbox"/> Other (explain on Schedule O)		
19	Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.		
20	State the name, address, and telephone number of the person who possesses the organization's books and records.		

General Raffle Rules per Charitable Raffle Enabling Act (CREA)

- A nonprofit organization is not required to register with the State before conducting a raffle.
- However, the organization must follow all State of Texas rules and regulations. Some of those restrictions are as follows:
 - A qualified organization may hold only four (4) raffles per calendar year and only one raffle at a time.
 - Raffle tickets may not be advertised statewide or through paid advertisements. Each raffle ticket must state: 1) the name of the organization conducting the raffle; 2) the address of the organization or of a named officer of the organization; 3) the ticket price; 4) a general description of each prize having a value of more than \$10;-5) the date on which the raffle prize(s) will be awarded; and 6) that the payment for the raffle is not a charitable contribution.
 - The raffle may be promoted on the organization's internet website or through a publication or solicitation, including a newsletter, social media, or electronic mail, provided only to previously identified supporters of the organization.
 - No one may be compensated directly or indirectly for organizing or conducting a raffle or for selling raffle tickets.
 - The raffle prize must be in possession of organization before sales begin, or a bond for the value of the prize must be posted.
 - The raffle prize may not be money, and total prize value may not exceed \$75,000. A residential dwelling prize may not exceed \$250,000.
- <https://statutes.capitol.texas.gov/Docs/OC/htm/OC.2002.htm>