



# Club Budget and Finance Guide

## *2010-2012 Club Manual / Club Management*

### **OVERVIEW**

Sound financial management practices are essential in enabling your club to meet its goals and participate in desired activities. Your club's very existence relies on the proper management of club funds and compliance with state and federal tax regulations. Although the treasurer is primarily responsible for managing club finances, other officers are responsible for monitoring its financial health. Only when armed with this information, can officers and members make prudent decisions for the club.

*Club Budget and Finance Guide* is a tutorial for every current and incoming club treasurer and president, and any other officer who assists with club financial business. In this guide, you will learn the responsibilities of a club treasurer, and receive tried-and-true advice on maintaining a club bank account, creating a budget, protecting club funds from theft and fraud, and complying with tax regulations.

The information enclosed comes from many sources, and to our best knowledge, is accurate as of November 1, 2011. Federal law, regulations, and government interpretations change constantly and sometimes abruptly. GFWC clubs are cautioned to confirm the accuracy of all information contained in this guide on the Internal Revenue Service website at [www.IRS.gov](http://www.IRS.gov) before implementation.

### **TREASURER RESPONSIBILITIES**

Acting as the custodian of club funds, the treasurer collects, deposits, and disburses money. If your club has a budget and/or finance committee, the treasurer should chair this/these committee(s) or at least be a member. The treasurer is also responsible for working with officers to prepare the club's annual budget.

### **TREASURER'S REPORT**

To keep members current on the club's financial standing, the treasurer should give a brief financial report at each meeting. This report is not adopted, but simply read for information. Both the president and secretary should receive a copy of the report.

#### *Treasurer's Report Contents*

- 1) Balance on hand at beginning of period for which report is made
- 2) Income (money received)
- 3) Expenses (money paid out)
- 4) Balance on hand at the close of the period for which report is made

Keep in mind that your State Federation and/or district may require periodic financial reports. Contact your State Federation or district if you are unsure of these requirements.

## **GFWC FISCAL YEAR AND DUES**

The GFWC fiscal year runs from July 1 through June 30. Dues are payable annually to GFWC in advance of the upcoming fiscal year and forwarded to GFWC on or before **February 15**, to entitle members representation privileges at the next GFWC Annual Convention. For current dues amounts, which vary by club designation, view the GFWC Bylaws at [www.GFWC.org/Governance](http://www.GFWC.org/Governance). Each club is also responsible for paying dues to its State Federation and in some cases, its district.

To enforce dues deadlines and amounts, club bylaws should specify the club's fiscal year, a dues payment procedure, a delinquent date, and any consequences for late payment. Immediately upon receiving a member's dues, the club treasurer should make a record of the payment for the club's permanent file.

## **CLUB BANK ACCOUNTS**

A bank account should be maintained in the club's name. For security purposes, the club's funds should never be kept in a personal account, even if it is in the name of a treasurer or other officer. Prior to writing checks, the treasurer is responsible for filing any signature cards with the bank where the club's account is held. In order to establish a club bank account, the treasurer should obtain an Employer Identification Number from the IRS. (See page 5 for more information on EINs).

## **BUDGETING**

A budget is your club's financial compass, helping to steer your leadership toward sound decisions. The treasurer is responsible for working with club officers and the budget committee (if applicable) to create a budget, or an itemized list of income and expenses that your club expects for the upcoming fiscal year. It's important for your club to create and adhere to an approved budget so that members can see how dues are spent, and officers know how much money is available for club programs and activities. A proposed budget is approved by the club's leadership and then its membership. After the club adopts it, the budget may be amended as needed.

When creating a budget for the upcoming year, use your club's annual financial report from the previous year as a guide, as well as the Sample Proposed Budget provided on the following page.

*Sample Proposed Budget (One Fiscal Year)*

ITEM	<b>Previous Year ACTUAL</b>	<b>Current Year PROPOSED</b>
<b>INCOME</b>		
Club Dues (\$40.00/member/year)	\$1,240.00	\$1,320.00
Donations	0.00	200.00
Fundraising	<u>\$980.00</u>	<u>\$1,500.00</u>
(Total)	<u>\$2,220.00</u>	<u>\$3,020.00</u>
<b>EXPENSES</b>		
President	\$40.00	\$50.00
Vice-President	30.00	40.00
Secretary	40.00	50.00
Treasurer	50.00	50.00
Fundraising Committee	320.00	350.00
Hospitality Committee	220.00	250.00
Membership Committee	200.00	400.00
Program Committee	450.00	470.00
Stationery and Printing	270.00	200.00
Contingency Fund	300.00	500.00
Contributions	0.00	220.00
Postage	170.00	200.00
Reserve	130.00	240.00
(Total)	<u>\$2,220.00</u>	<u>\$3,020.00</u>

(signed) \_\_\_\_\_  
 Dorothy Smith, Treasurer  
 GFWC Hyde City Woman's Club

## PROTECTING CLUB FUNDS

The treasurer and other officers are responsible for keeping club funds safe. Although no practice can guarantee against losses, taking the following steps will decrease the risk of theft.

### *Avoiding Theft*

When dealing with club funds, the bottom line is to be smart and use your common sense. Take the following actions to avoid club funds ending up in the wrong hands.

- 1) Segregate key financial duties. (See *Separation of Financial Duties* below.)
- 2) Keep accurate financial records. For example, when a check is issued, make sure you keep on file a carbon copy of the check.
- 3) Perform timely reconciliation of records. Ideally, the treasurer or other designated officer should reconcile records on monthly basis.
- 4) Report financial matters on a regular basis to officers and members.
- 5) Have an annual external audit performed. Since this can be expensive, officers should carefully analyze the purpose or intent of the services they are requesting. (An accountant that simply *compiles* the books merely organizes the information into a better presentation format. Ideally, the audit should include an analysis of a sample of transactions to confirm their validity and accuracy.) The audit can also be completed by a team of two or more club members who are proficient in bookkeeping. An incoming treasurer should never accept books unless they have been audited on an annual basis. If a potential corporate donor requests an audit, sometimes a furnishing the potential donor with a copy of the Form 990 or a listing of the cash receipts and disbursements will suffice.

### *Separation of Financial Duties*

Accountants have a saying that, “all fraud is committed by those we trust.” While you don’t need to spy on club members, ensure that club rules and procedures require that enough people (more than one) are involved so that each member feels protected. This practice is known as *separation of duties*. The following duties should be shared by more than one person.

- 1) **Depositing cash at the bank.** This should not be done by the member who reconciles the bank statement.
- 2) **Receiving checks.** This should not be done by the member who completes the deposit slip.
- 3) **Completing bank deposit slips.** This should not be done by the member who receives the checks.
- 4) **Writing checks.** This should not be done by the member who reconciles the bank statement.
- 5) **Signing checks.** Only authorized officers should sign checks, and only after fully completing and examining them. A good practice is to set a dollar amount requirement for a second signature. For example, if the check is at least \$250, a second officer (recording secretary or other designated officer) must sign the check.
- 6) **Opening mail.** This should not be done by the member who completes the deposit slip.
- 7) **Reconciling bank accounts.** This should be done regularly, but not by the member who makes the bank deposits.
- 8) **Monitoring financial records.** The financial records should be examined by the treasurer or other officer on a regular basis. Also the records should be available to the external auditor, along with receipts and other supporting documentation.

### *Timely Reconciliation*

Reconciling an account simply means making sure that the amount you think you have in the account is actually available. The best way to do this is to compare a bank statement for the club’s checking account to

the cash figure on your records each month. This works just like balancing your checkbook, which is outlined in the steps below:

- 1) Ensure your records are current, i.e. all deposits and checks have been properly recorded.
- 2) Locate the end balance on the latest bank statement for your club's checking account.
- 3) Add to that figure to any deposits that were made after the statement closing date.
- 4) Subtract from that figure any checks that were written, debit card purchases made, or withdrawals made after the statement closing date.
- 5) Locate the cash balance figure from your books.
- 6) Subtract from that any fees that may have been charged by the bank.
- 7) The amount you came up with from your checking account should now match the amount on your books.

This is a good procedure to follow, not just with the club checking account, but with all club accounts for which the bank supplies a statement, e.g. money market funds, savings accounts, etc. Most banks now offer free online banking so that you can easily view recent transactions on your club bank accounts and transfer funds between club accounts. Contact the bank that manages your club's account(s) to see if they offer this service.

### *If You Suspect Misuse of Funds...*

If you suspect that club funds have been used inappropriately, contact club officers and tell them what you believe may have happened. **Do not** make any accusations, since these could be considered libelous statements later in court. A club officer should request to take possession of all books, records, receipts, checks, lists, invoices, and any other material belonging to the club. The officer should conduct an initial examination of the records to determine the nature of the discrepancy and the amount in question. You may need to contact an external accountant to obtain their help in evaluating the situation and analyzing the accounting records.

### *Loss Insurance*

One way of protecting your club from theft is through the use of *surety bonds* or *fidelity bonds*. It is recommended that your club's treasurer be *bonded* or *insured* against loss, at the club's expense. These bonds are usually written to cover individuals who handle funds. If financial loss is caused by the dishonesty of any bonded member, the insurance company will pay the amount specified in the policy. GFWC offers officer liability insurance plans through a vetted insurance agency, InsureEasyLife. For more information, go to [www.GFWC.org/GFWCMembers](http://www.GFWC.org/GFWCMembers).

## **EIN: YOUR CLUB'S MOST IMPORTANT IDENTIFICATION NUMBER**

### *What is an EIN?*

The IRS uses a nine-digit Employer Identification Number to identify tax accounts of employers, organizations, and certain individuals that have no employees. Nonprofits, corporations, government agencies, and other business entities are all required to have EINs. You should use your EIN on all **club-related** items that you send to the IRS and the Social Security Administration.

Your club should only have one EIN. If you have more than one EIN and are not sure which one to use, call the IRS Business and Specialty Tax Line at 1-800-829-4933 (TTY/TDD users can call 1-800-829-4059). Provide the EIN numbers that you have, the name and address to which each number was assigned, and your club's address. The IRS will tell you which number to use.

If you do not have your EIN by the time your tax return is due, write *Applied For* and the date that you applied for it in the space shown for the number.

### *Applying for an EIN*

You can apply for an EIN online, by phone, fax, or mail; depending on how soon you need to use the EIN.

**Apply Online:** *www.IRS.gov*

This is a quick and free service offered by the Internal Revenue Service at *www.IRS.gov* for all clubs located in the United States or U.S. Territories. Beware of websites that charge for this service.

#### **Online application availability hours:**

Monday-Friday, 6:00 a.m.-12:30 a.m. Eastern time

Saturday, 6:00 a.m.-9:00 p.m. Eastern time

Sunday, 7:00 p.m.-12:00 a.m. Eastern time

**Apply by Phone:** 1-800-829-4933 (toll-free) | 267-941-1099 (international applicants)

#### **Phone availability hours:**

Monday-Friday, 7:00 a.m. and 10:00 p.m. local time

Even if you plan to apply by phone, the IRS suggests that you complete Form SS-4 (application for an EIN) before the call so that you will have all relevant information immediately available. Near the end of the call, you should receive an EIN number that you can write down for your records.

**Apply by Fax.** Fax your completed Form SS-4 to 859-669-5760 (U.S.) or 267-941-1040 (international) 24 hours a day, seven days a week. You should receive your EIN by fax within four business days. You will need to provide your fax number so that an IRS representative can fax the EIN back to you.

**Apply by Mail.** Mail your completed Form SS-4 to one of the addresses below:

#### **U.S.**

Internal Revenue Service Center  
Attn: EIN Operation  
Cincinnati, OH 45999

#### **International**

Internal Revenue Service Center  
Attn: EIN International Operation  
Philadelphia, PA 19255

Applications submitted by mail will be processed within four to six weeks.

### *How to Complete Form SS-4, Application for an EIN*

If you choose to apply online, you will not need a Form SS-4. Otherwise, you can download Form SS-4 and separate instructions by accessing the IRS website at *www.IRS.gov* or calling 1-800-TAX-FORM to request the form and instructions by mail. You can also visit your local IRS office.

**Special Characters in your Club Name.** The IRS only accepts the following special characters in your club's name when applying for an EIN:

- 1) Alpha (A-Z)
- 2) Numeric (0-9)
- 3) Hyphen (-)
- 4) Ampersand (&)

If the legal name of your club includes any characters other than those listed above, you will need to decide how best to enter the name into the online EIN application or on Form SS-4. If your club name contains an apostrophe ('), simply do not include it and do not leave a space for it. Also, a forward slash (/) can be substituted with a hyphen (-).

### **Third Party Designees**

No matter which method you use to apply, if a third party, such as an accountant, is making the your club's application for an EIN, the appropriate club officer must authorize the third party to apply for and receive the EIN.

### **Line-by-Line Instructions: Form SS-4 for Exempt Organizations**

*These instructions are current as of November 2011. For the most current instructions, go to [www.IRS.gov](http://www.IRS.gov).*

**Line 1:** Enter the legal name of your club.

**Line 2:** *Not applicable*

**Line 3:** Enter the name of the responsible party for your club.

**Line 4a-b:** Enter your club's mailing address. This is the address where all IRS correspondence will be sent.

**Lines 5a-b:** Enter only if different from the mailing address in 4a-b.

**Line 6:** Enter the county, state, and zip code where your club is located.

**Line 7a-b:** Enter the name and SSN or ITIN of a responsible and authorized club officer.

**Line 8a:** *Not applicable*

**Line 8b:** *Not applicable*

**Line 8c:** *Not applicable*

**Line 9a:** Check only one box. If you check *other*, enter the specific reason for applying.

**Line 9b:** If you are a corporation, enter the state or foreign country where you were incorporated.

**Line 10:** Select your reason for applying. If your reason is not specifically listed, check the *Other* box and enter the reason.

**Line 11:** Enter the date you first established your club.

**Line 12:** Enter the last month of your accounting year or tax year.

**Line 13:** Enter the highest number of employees expected in the next 12 months. If none, enter *0* and skip to Line 16. Select *Agricultural*, *Household*, or *Other*. The *Other* box will apply to most GFWC clubs.

**Line 14:** If you expect your employment tax liability to be \$1,000 or less in a full calendar year **and** want to file Form 944 annually instead of Forms 941 quarterly, check *Yes*. (To file Forms 941, check *No*.)

**Line 15:** If your club has (or will have) employees, enter the date the business began or will begin to pay wages (Month, Date, Year). If you have no employees, leave this blank. If the applicant is a withholding agent, enter the date that income will first be paid to the nonresident alien.

**Line 16:** Check one box that best describes the type of organization you operate. The *Other* box will apply to most GFWC clubs. Do not leave blank or enter *none* or *N/A*.

**Line 17:** Describe your club's principal line of business in more detail (fundraising events, scholarship programs, community assistance programs, etc.). Do not leave blank or enter *none* or *N/A*.

**Line 18:** If the applicant (your club) shown on line one ever previously applied for and received an EIN, check *Yes*. If *yes*, enter previous EIN on the line.

**Complete the Third Party Designee section** only if you want to authorize the named individual to receive the EIN and answer questions about the completion of this form. You must also sign the application for the authorization to be valid.

**Name and Title:** Print your name and title.

**Telephone Number:** Enter the telephone number where the IRS can reach an authorized officer with any questions about the application.

**Signature:** A responsible and duly authorized officer having knowledge of your club's affairs must sign the application if there is a Third Party Designee.

### **ANNUAL FILING REQUIREMENTS**

Federal law requires tax-exempt organizations, with the exception of churches, to file an annual Form 990, 990-EZ, 990-PF, or Form 990-N e-Postcard with the IRS. If your club is tax-exempt and does not file an annual return or submit a notice as required, your club could lose its tax-exempt status.

### **CONCLUSION**

To host membership events, hold fundraisers, and make charitable contributions, your club must first have sound financial management strategies in place. The responsibility for managing club finances must not rest solely on the treasurer, but should be separated among officers to protect club funds. Through successful budget maintenance and management of receipts and disbursements, your club can achieve the financial freedom it needs to meet its goals.

#### **INFORMATION ADAPTED FROM:**

*Are You and Your Funds Protected?* The Georgia Institute of Technology Department of Internal Auditing.  
*Spotlight on You the Treasurer* (1985). National Association of Parliamentarians.  
*Understanding your EIN* (2011). Internal Revenue Service. [www.IRS.gov/pub/irs-pdf/p1635.pdf](http://www.IRS.gov/pub/irs-pdf/p1635.pdf)  
[www.IRS.gov](http://www.IRS.gov)