

## Lions Club Financial Obligations, Requirements and Reporting

### A. Lions International Responsibilities (your “franchise fees”)

1. Dues and fees are invoiced twice yearly based on club membership as reported for June and December.
2. Pay International dues in a timely manner.
  - a. Due July 21 and January 21.
  - b. Club is not in good standing, and can be considered for suspension, if it has an unpaid balance of more than \$50.00 over 90 days past due.
3. Pay District dues in a timely manner.
  - a. Due September 10 and March 10
  - b. Billed not more than 60 nor less than 30 days prior to due date
4. Bill and collect members’ dues **in advance** so that funds are available when bills are received.

### B. Federal Responsibilities

#### 1. **Tax status** of Lions Clubs and affiliated organizations

a. **Clubs** are “social welfare organizations” exempt from income tax under Section 501(c)(4) of the Internal Revenue Code, under the group exemption of Lions International (Group Exemption Number **0239**). Direct contributions are not deductible by the donor as charitable contributions.

b. A club or clubs may control a **separate** organization that can seek exemption under Section 501(c)(3), provided it is organized and operated exclusively for charitable purposes.

(1) A club cannot, by itself, qualify under this section while affiliated with Lions International.

(2) For information on starting a separate foundation, see

[http://lionsclubs.org/EN/common/pdfs/form\\_lions\\_foundation.pdf](http://lionsclubs.org/EN/common/pdfs/form_lions_foundation.pdf)

#### 2. **Information** returns due by 15th day of 5th month after the end of the accounting year (November 15).

a. Form 990-N “e-postcard”

(1) For exempt organizations not required to file Form 990/990EZ

(2) See <http://lionsclubs.org/EN/common/pdfs/epostcard.pdf>

b. Form 990 or 990EZ.

(1) Required if annual gross receipts exceed \$25,000

(2) Major revisions for years beginning in 2008, including additional schedules

#### 3. Form 990-T.

a. **Tax** return required if **unrelated business income** of \$1,000 or more.

b. See <http://lionsclubs.org/EN/common/pdfs/ubit.pdf>

#### 4. Employment tax returns and Forms 1099. Same requirements as for any other business.

#### 5. Disclosure requirements

a. Dues statements and certain types of solicitations for contributions must be accompanied by a statement that the contribution is not deductible as a charitable contribution.

b. Forms 990 are public documents and must be made available to anyone requesting them.

#### 6. Acknowledgement of contributions to Section 501(c)(3) organizations

a. Must give donor written acknowledgement of any contribution of \$250 or more.

b. Additional requirements may apply to non-cash (property) contributions.

#### 7. Penalties for failure to file or disclose as required can be devastating. ***Don’t test the grace of the IRS!***

#### 8. Resources:

a. LCI Legal: <http://lionsclubs.org/EN/member-center/resources/publications/resources-pub-legal.php> (see “Tax” and following)

b. IRS: <http://www.irs.gov/charities/index.html> (for charities and nonprofits)

## C. State and Local Responsibilities

1. Sales tax collection. In general, clubs must collect sales tax on items sold; however, two narrow exemptions may apply:
  - a. An annual food sale or banquet, provided:
    - (1) Not professionally catered,
    - (2) Not held in hotel, restaurant or similar facility,
    - (3) Not in competition with a retailer required to collect tax, and
    - (4) Food is prepared, served and sold by members.
    - (5) No exemption for sale of alcoholic beverages
  - b. Two one-day sales or auctions each calendar year
    - (1) One day is considered 24 consecutive hours.
    - (2) Exemption does not apply to items sold for over \$5,000, unless
      - (a) self-manufactured, or
      - (b) donated and not sold back to donor.
2. Sales tax on items purchased. A club may apply for exemption from sales tax on the purchase or rental of taxable items that are necessary to the organization's exempt function. (No item purchased tax-free by an exempt organization can be used for the personal benefit of a private party or other individual.)
3. See [http://www.window.state.tx.us/taxinfo/taxpubs/tx96\\_122.pdf](http://www.window.state.tx.us/taxinfo/taxpubs/tx96_122.pdf) for details on items 1 and 2 above.
4. Property taxes. A Section 501(c)(3) organization may qualify for exemption on real and tangible personal property used for specific exempt purposes. Apply to appraisal district where property is located.
5. Other: Texas lottery statute regulates raffles; some municipalities may require fundraising permits.

## D. "Internal Responsibilities" (members, donors, and other supporters)

1. Internal controls
  - a. Common-sense risk management. Implement as feasible and reasonable for amounts involved.
  - b. Maintain a simple, plain-language financial procedures manual or checklist, with provisions such as:
    - (1) Restricted access to cash receipts and checking accounts with prompt deposits and disbursements.
    - (2) Segregated duties and dual controls. For example, no one person should have sole control over cash receipts, disbursements, and/or reconciliation of bank accounts.
    - (3) Annual independent review of financial records (checklist being developed)
      - (a) Standard club constitution prescribes "audit." Consider club resources.
      - (b) Include verification of items such as invoices for details of goods or services purchased and compliance with board approvals.
      - (c) Should be **regular** and **routine**!
2. Periodic (monthly/quarterly and annual) reports of financial status for administrative and activity funds:
  - a. Balance Sheet
  - b. Income Statement
3. Liability insurance. See "Insuring Your Club's Safety" in the April 2005 issue of *The Lion*.
4. Safeguarding identity and privacy of members and others. ***Be aware of your responsibility for safeguarding e-mail addresses and other sensitive data!***