

1. I'm a new Club Treasurer. What are my responsibilities?

We have put together a “**Managing Club Finances**” document that highlights many of the specific responsibilities of a Club Treasurer. It includes specific filings required, and their deadlines. It can be found under the “Resources Tab” on the GCFM website

https://www.gcfm.org/files/ugd/cbe110_2a9540fa9af3483abdfa56e7b5b36da9.pdf

Here are the Bullet points:

- Maintain Bank Account(s)
- Collect the Money and Pay the Bills
- Keep the “Books” - You must keep written records of all monetary transactions—not just a check register or bank statement
- Prepare Financial Statements-The listing of your revenues and expenses is called an income statement or your profit and loss statement (P&L). Use this to prepare reports to your Club and to complete your Tax and Attorney General required filings
- Prepare a Budget
- Obtain/Maintain Tax Exempt Status (501(c)(3) organization, Public Charity)
- File Required Tax/Information Returns -Lists the filings required for the IRS, MA Attorney General’s Office and Secretary of the Commonwealth and contains links for additional information
- Keep Required Records and Numbers – this gives a general overview of what information Clubs are required to keep and maintain. (We have some additional guidance about document retention and a sample policy on our website)

2. Our Club has been around for many years and has a lot of records. What should we really keep?

- There are both legal requirements and “Club History” requirements to be considered when drafting a document retention policy
- It is helpful to have a written document retention policy, listing what the Club must maintain, and for how long. This is particularly helpful in maintaining continuity when officers and Board members change over time.
- A sample “Document Retention and Destruction Policy” prepared as a guideline by The AICPA Audit Committee for Not-for-Profit Organizations is available on the GCFM website at https://www.gcfm.org/files/ugd/cbe110_6a0d6307eca54338b8c76847ae09cb42.pdf
- Note that no single policy will apply to all organizations, so be sure to tailor it to your needs. Be sure to consider
 - Company/ Entity records
 - Accounting and tax records
 - Bank records
 - Payroll & employment records, if applicable
 - Human resource records
 - Donor and Grant Records
 - Legal, insurance and safety records

- When the retention period for any particular document has ended, be careful to erase, shred or otherwise destroy the document so that any confidential information can't be read or reconstructed.

3. What do we need to know about Sales Tax and Tax exemption?

- 501(c)(3) organizations are generally exempt from paying income taxes on revenues generated in connection with their “charitable” mission. There are some exceptions (for example, raffles. More guidance on that later)
- For Sales tax, the question is a bit more nuanced. Tax-exemption applied to nonprofits means that, in most cases, the sales tax for certain sales is waived for transactions relating to the charity’s “charitable mission.” In some states, including Massachusetts, exemption from paying sales tax depends on the nature and volume of the sales activities by the non-profit.
- As a non-profit, you are allowed to have fundraisers without paying sales tax on a limited basis.
- In many states, including Massachusetts, if a non-profit vendor is engaged in business and making sales of taxable items or services, the non-profit is obligated to collect just like any other vendor.
- 501(c)(3) STATUS Qualifies you for a Sales Tax exemption (ST-2 certificate), but this must be applied for separately from the **MA Department of Revenue**. Go to MassTaxConnect (<https://www.mass.gov/how-to/create-your-masstaxconnect-individual-account>)
NOTE: ST-2 will show a MA Taxpayer ID #, which is different from your Federal and Attorney General numbers.
- ST-2 form, which is given to business who charge sales tax.
- Form ST-5 is filled out for hotels, restaurants to eliminate taxes.

4. Do we need a Raffle Permit?

- **Explicit and detailed guidance on raffles, is offered by Office of Attorney General Maura Healey on the Mass.gov website -<https://www.mass.gov/guides/guidance-on-raffles>** In this guide you will find information on the rules and guidelines to follow if your organization is considering holding a raffle in Massachusetts. A copy of the Guidance on Raffles can also be found on the GCFM Resources page <https://www.gcfm.org/resources>
- Calling it an “Opportunity Drawing” does not relieve you of the requirements detailed by the Attorney General.
- “Opportunity Drawing” does not appear to have a legal meaning the State of Massachusetts, though elsewhere, an opportunity drawing is a prize where everyone who comes to the event has an equal chance of winning and no one pays for a ticket.
- A raffle is defined as a lottery in which each participant buys a chance to win a prize
- Only certain organizations can hold raffles in Massachusetts. Raffles are considered gaming and are covered by explicit rules.

- Some nonprofit organizations are permitted to hold certain gaming activities in order to fundraise. All raffle proceeds must be used for educational, charitable, religious, fraternal or civic purposes or for veterans' benefits.
- If the organization is a public charity, in order to hold a raffle, it must be registered with the AGO and in compliance with the reporting requirements.
- The organization must also be in possession of a Certificate of Solicitation
- Before conducting a raffle, the organization must obtain a **raffle/bazaar permit** from the City or Town clerk where the raffle is going to be held.
- If a raffle's ticket price is more than \$10 or the raffle has a prize worth more than \$10,000, there are additional requirements
- There are specific record keeping requirements and some taxes will be charged on the proceeds of the raffle.

5. Does your nonprofit need to have an independent audit?

- The National Council of Non-Profits provides some excellent guidance on whether your organization needs and independent audit - <https://www.councilofnonprofits.org/nonprofit-audit-guide/need-independent-audit>
- The answer to whether a Massachusetts non-profit needs an audit is “it depends on the individual club’s situation and bylaws”.
- As always, a disclaimer- I am not a CPA specializing in non-profits, so if there is a specific need for a club to be concerned that they might need an audit conducted by a CPA, they should consult with an accountant for the answer that fits their specific situation.
- By-laws of many nonprofits require an annual audit. **By-laws can be amended** -An alternative to consider is to require the financial records be subject to an internal review to be conducted by an individual, or Financial Review committee appointed by the Board.
- There are some alternatives to the audit..... Before that, you need to ask the question: Am I required to have an audit?
- **In deciding whether a Club needs to or should have an audit, the Board should recognize pragmatically what an audit does – and does not do – for a small organization.**
 - An audit is an outside CPA’s professional opinion on the material accuracy of an organization’s year-end financial statements.
 - An audit has nothing to do with financial strategy or the financial viability and sustainability of the organization – Many people believe that a clean audit opinion signifies financial health, when in reality a clean audit opinion merely states the financial statements accurately reflect the organization’s true financial health – good or bad.
 - An organization’s own financial statements, which minimally should include a balance sheet and an income statement, **are first and foremost internal management tools**. Even small organizations should produce internal financial statements for the Executive committee, and the board on, at least, a quarterly basis.
 - Timely analysis of accurate financial statements is both essential and totally independent of the audit issue.

- **The big legal answers** are clearcut-
 - The IRS requires audited financials only if a non-profit had revenues in the fiscal year in excess of \$750,000.
 - Massachusetts nonprofit have to have an audit if gross receipts are more than \$500,000 for the reporting year. If the gross support and revenue is greater than \$200,000 and less than or equal to \$500,000 the organization may, in lieu of submitting audited financial statements, submit reviewed financial statements prepared in accordance with GAAP (generally accepted accounting standards)
- **There are specific funder and donor-related factors to** - due to a club's source of funding or activities they might also be contractually obliged to have an annual audit or financial review
- **Aside from these specific funder and donor-related factors, it's helpful to recognize three inherent benefits that an audit provides :**
 - Donor and Community Confidence
 - Achieving Financial Best Practices
 - Some Protection Against Fraud

6. **Should an organization just mimic the bylaws and policies of GCFM, based on the idea that if it is good enough for GCFM, it should be good enough for our Club?**

- I think the real answer to that is again, **"it depends on the individual club's situation"**. Each club's resources are different, as are their activities, and their sources of revenue. Keep in mind that the scale and scope of GCFM's activities are very different than most individual Clubs
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