

financial management

a quick guide to club
operations success

legal structure

Clubs need to be formed as a legal entity. Typically, this involves setting up as a 501(C) (6) and filing a form 1024 to request exemption from taxes from the IRS. This helps protect individuals from legal liability. You should file with your state secretary of state or the equivalent. Although you shouldn't owe taxes, you MUST still file an annual return and form 990.

Set up club by-laws and review them every three years.

financial structure

Once you have a legal entity, you organize your club financially. You need to set up a few accounts:

1. *Business checking account*—this is for the regular operations of the club
2. *Savings/Investment account*—these are used for long term growth such as endowed scholarships.
3. *Other special accounts*—these are for special projects that can't be co-mingled with regular funds. These may include designated scholarship donations or PAC money.
4. *Club credit card*—this may be used to collect reward points or other normal club expenses.

insurance

Each club should carry an umbrella liability policy to protect the club. This can protect you in case of an accident at one of your events or other issues that may arise. Also the club should have a D&O policy to protect the club officers as well. These may also help protect the club account against fraud or embezzlement by an officer.

budget

Each year beginning at the club retreat a budget for the upcoming year should be created. History can be a guide, but it needs to be based on realistic numbers. Take the following steps to build a strong budget.

1. Identify your known expenses (insurance, accounting fees, etc.).
2. Identify known sources of revenue.
3. Identify variable costs & revenue (costs of trophies, revenue from entries, etc.).
4. Make sure you have a contingency expense line item that equals about 5% of cost.
5. Check the budget vs actual financials and adjust the budget as needed.
6. Share the monthly budget and financials with the board.
7. Expense reports are approved by the president and signed off by the treasurer.

controls

Financial controls are necessary not only to prevent theft but to make sure best practices are followed:

1. Two signatures should be used for checks. Check signature cards updated annually.
2. Banks statements should be reconciled monthly.
3. Credit card statements should go to someone other than the card holder.
4. Bank statements should be shared with the board and reviewed by treasurer and president.
5. Tax return should be shared with the board.
6. Outstanding accounts receivable and payable reviewed monthly with the board.

fiduciary statement

All clubs should aspire to adopt policies and procedures suited to demonstrate financial transparency, ethical operations and accountability. Governance of such prudent benchmarks further demonstrate a commitment to operational procedures that benefit the entirety of membership. Board members have a fiduciary responsibility to instill and adhere to policies designed to ensure all funds are used in accordance with the bylaws and stated expectations to ensure long-term stability is achieved.

Prudent fiscal oversight is essential to gain the public's trust. In the event the AAF Chapter or District is unable to secure donated services, and RFP should be shared with the board of directors and membership at large to demonstrate equal opportunity.