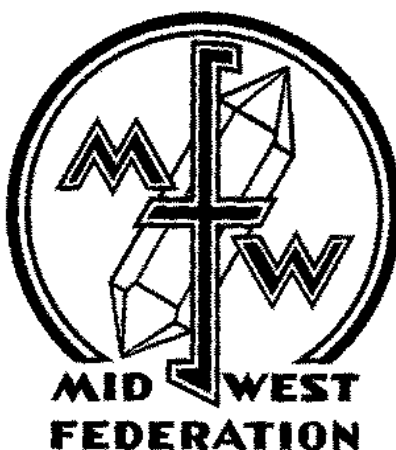


Club Leadership Manual



A Publication of
**The Midwest Federation
of Mineralogical
and Geological Societies**

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CLUB LEADERSHIP MANUAL

This manual is designed to be a resource and reference for local clubs and their leaders. While there are many suggestions designed to assist the new leader, it is not the only way to do things. It is also important to recognize that each state has its own unique way of recognizing and regulating nonprofit corporations, such as rock, gem and mineral clubs.

The absolute best resource for every club is the many talents of its membership. While the local attorney or accountant may not want to do “their job” during their volunteer time, they are still in a position to help the board find good advisors with local knowledge. And, they might be willing to help with other aspects of club leadership.

Finally, this is not a static publication. We need your comments, suggestions and additions. Please send your comments to the MWF Publications Chair for consideration in future reprints of this handbook.

Sandy Fuller, Publications Chair & Editor

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BOARD MEMBER RESPONSIBILITIES

The board of directors of a nonprofit organization is ultimately responsible for determining the purpose of the group, its mission and vision, its guiding principles and ensuring its continuity through its management of the organization's affairs. It is also responsible for securing community support and building appreciation of the organization's reason for being and long term direction.

Board members of nonprofit organizations are volunteers who believe in the work and purpose of the club and are willing to invest their time and energy to help it succeed. As a board member, the volunteer is expected to be informed, make decisions for the good of the entire club, and stand by decisions made, even when the individual voted against the motion.

The board, as a whole, is responsible for directing, influencing and monitoring the business of the club. The authority of the board belongs to the group and does not belong to any individual member. In most cases, the President or Chairman of the Board is the only official spokesperson for the board.

Board members are ambassadors for the organization. They are expected to speak positively about the organization. This is particularly important when the board makes a decision in which some members dissented.

Often the desire to serve on the board reflects an "enlighten self interest" or a desire to gain personal benefits. This is the area that can be problematic in that the board must act for the good of all and avoid any suggestions that a board member gained a benefit that is not enjoyed by all members. A board member should disclose any self-interest that may incur from an action under consideration, and withdraw from the discussion and vote. This reflects the concept of "inure a private benefit" that is the basis for the organization's nonprofit status.

In some cases, the board may determine that too many of its members have a self-interest in the question under discussion. If this happens, the matter should be deferred to the membership for their action.

BASIC RESPONSIBILITIES

The Board has specific responsibilities, including the following:

- Ensure the mission reflects the current and future purpose of the organization
- Ensure effective organizational planning.
- Provide proper financial oversight.
 - Review and approve financial policies and procedures, including internal controls.
 - Review and approve an annual operating budget
 - Provide for an audit
 - Review and accept the completed audit
 - Determine insurance needs and obtain coverage
- Ensure adequate resources (includes fund raising activities).
- Ensure legal and ethical integrity and maintain accountability.
 - Maintain compliance with state and federal regulation
 - Ensure that operations reflect the bylaws and that the bylaws reflect the way the organization wants to operate.
- Recruit and orient new board members and assess board performance.

BASIC RESPONSIBILITIES - Continued

- Enhance the organization's public standing.
 - Determine, monitor and strengthen the organization's programs and services.
 - Support volunteers working on behalf of the organization.
- A formal review of organizational documents should occur at least every three years.

DUTY OF CARE, LOYALTY AND OBEDIENCE

Most states have codified nonprofit board responsibilities under three main "duties:" The duties of care, loyalty and obedience

Duty of care is a standard that requires a board member to exercise the same care that an ordinary, prudent person would exercise in a like position or under similar circumstances. It means that board members should attend board meetings and be informed about the activities of the organization in order to be able to make informed and independent decisions when voting. State laws differ on the degree of care required of board members.

Duty of loyalty is a standard that requires a board member to act in good faith, be faithful to the organization and pursue the organization's best interests. It means that board members must be dedicated to the organization's mission and put the interests

of the organization above self-interest.

A breach of this standard would be considered self-dealing. To eliminate the risk of self-dealing, directors should provide full disclosure of any issues that could cause a potential conflict of interest. If potential conflicts of interest occur, the affected board members should not attempt to unduly influence the rest of the board and should recuse themselves from voting on the matter.

Duty of obedience requires the board to act in accordance with the organization's rules and policies and in furtherance of its goals as stated in the mission statement, articles of incorporation and bylaws. In addition, the board must comply with state and federal laws. The duty of obedience forbids acts outside the scope of corporate powers.

CLUB BYLAWS

The bylaws of a club are a contract between the membership and the board of directors as to how the club shall be managed. It is important that each board member is familiar with the bylaws and follows them. If the bylaws no longer seem applicable, then the board should recommend amendments to the membership so that the covenant can be maintained.

Some states require periodic reports or updates to maintain club status as a recognized entity. Examine the club charter or articles of incorporation for expiration dates and stay current on state laws governing your type of organization.

This article was adapted by Sandy Fuller, past MWF President, using information found in the publication, "Ethical Guidelines for Board Members of Not-for-Profit Organizations" by Allan Lowe. The original article can be found on the Internet.

PRESIDENT'S JOB

In an organization that relies on volunteers to accomplish its work, the President is the leader of the organization. As the leader of the board of directors, the President leads the board in activities to ensure the future of the organization. As chief executive officer, the President manages the business of the organization, signs official documents on behalf of the club, and sees that orders and resolutions of the board and membership are carried out. The President plays a key role in leading the board as it performs its duty of planning for the future of the organization. In dealing with the public, the President is the face of the organization and acts as the official spokesperson, unless the bylaws designates these responsibilities elsewhere.

In many organizations, the President appoints committees to facilitate the work of the organization and may appoint an auditor to review the fiscal records from the preceding year. In other cases, this responsibility is reserved to the board of directors or the membership. The President should be familiar with the club bylaws and ensure that the proper group handles these appointments as well as other business of the organization.

As part of the responsibility to see that orders and resolutions of the board and membership are carried out, the President is responsible for ensuring that the bylaws are followed. If club operations do not adhere to the bylaws, it is time to review and possibly amend the bylaws.

During meetings of the organization, the President convenes and conducts the meetings in accordance with the bylaws and official rules of order adopted by the group. Most groups establish a standardized agenda to guide the conduct of club business. This ensures that everything is covered in a systematic way. If the agenda is not published, the President may want to have a copy available for use at each meeting.

Rules of Order are a system for ensuring that all sides of an issue are heard and considered before action is taken. The club bylaws indicate the rules of order to be followed. Most groups use parliamentary procedures, which are also known as Robert's Rules of Order. If the bylaws do not designate the rules to be used, *Robert's Rules of Order Newly Revised* automatically applies in most states.

VICE PRESIDENT'S JOB

The official job of the Vice President is to be prepared to step in for the President. Most organizations lay out explicit additional duties for their Vice President. Typical extra responsibilities include acting as the

membership director or heading up the nominating committee. It is also appropriate to use the Vice President position as a leader in training.

This article is based on information found on the Internet at sites such as the Free Management Library, Board Source, and Board Café. Written by Sandy Fuller, past MWF President, who holds a MBA in Nonprofit Administration.

MEETING AGENDA

An agenda helps the President to run an organized, productive club meeting. Numerous clubs use the following format. It can be adapted to meet the specific needs of your group.

In this agenda, the business meeting follows the program. This allows the speaker and younger members, as well as guests, to leave early, before the business portion of the meeting. However, you may reverse the program and business meeting.

PROGRAM MEETING

1. Call Meeting to Order
 - a. Introduce the Speaker or Program
 - b. Presentation
 - c. Thanks to presenter
2. Door Prizes (incentives to attend)

BUSINESS MEETING

3. Call the Business Meeting to Order – Time _____
4. Pledge of Allegiance
5. Minutes of last meeting – As printed in the bulletin
 - a. Ask for corrections
 - b. May be read and approved or approved as printed in the bulletin
6. Membership Report – Chair
7. Treasurer's Report
 - a. May be read or printed in the bulletin
 - b. Ask for questions
 - c. Motion to approve
8. Reports from Standing Committees
 - a. Program
 - b. Field Trips
 - c. Workshops
 - d. Bulletin Editor
 - e. Show
 - f. Federation liaison
9. Old Business
 - a. Reports from Special Committees
 - b. Topics under continued discussion by the Board
 - c. Other
10. New Business
 - a. New topics from the Board
 - b. Other
11. Show & Tell – members bring items to share
12. Motion to Adjourn – Time _____
13. Refreshments and visiting

In addition to following a prescribed agenda for your meetings, which gives members a sense of an orderly flow of information, you should follow *Robert's Rules of Order Newly Revised* or follow the standard defined in

your current bylaws. An agenda insures a smooth transition through the business to be conducted and helps to keep the meeting on track.

Based on the article "You Asked for It" by John Washburn, MWF Long Range Planning Chair and published on page 15 of the June 2007 issue of *MWF News*.

PARLIAMENTARY PROCEDURES

Are you a new club President or considering becoming one? Are you worried about how to run a meeting, or handle a motion? Does the mention of Robert's Rules give you qualms? Don't worry—you are not alone. There is help to be had.

First, every meeting needs an agenda. (A suggested one is in this manual.) They do work; just remember to use the agenda at every meeting.

A motion is a way of getting a group to agree to do something. That means that what they are to agree on must be stated explicitly. As an example, you may want the club to memorialize John and Mary, long time members of your club, who died over the summer.

A club member, during the new business part of your meeting, will say, "I move that the club contribute \$50 to the AFMS Scholarship Fund in memory of John and Mary."

Another member says, "That's a good idea. I second the motion." Notice the motion is not just to do something. It states what is to be done.

The President then restates the motion; "The motion is to give \$50 to the AFMS Scholarship Fund. Is there any discussion?"

Someone may ask the Treasurer if there is enough money to do this. The Treasurer states that funds are available. Someone else asks whether a different organization might be more appropriate. Others reasons are that John taught faceting for several years and Mary is a retired teacher interested in science education so the fund seem appropriate. Finally, the discussion winds down or becomes repetitive. At this time, the President repeats the motion and says, "All in favor say aye," followed with "all

opposed say nay." The President then reports that the motion carried or failed.

If a motion is long (more than 10 words is a good rule of thumb) it should be written down before it is made, so that the motion says exactly what the mover wants. It can then be correctly entered into the minutes (all motions must be recorded in the minutes with an indication as to whether it passed or failed) so there is no question later as to what was decided.

Sometimes a participant may question if there are enough members to make a decision. It is time to check the bylaws for what constitutes a quorum for your particular group. A quorum is how many (either a specific minimum number or a percent of current club membership) it takes to conduct business at a meeting. Both the President and the Secretary should have copies of the bylaws at each meeting, to help with questions.

Another idea that comes up is "calling the question," which means, "let's stop talking and take a vote." This is a motion to stop discussion. It does not actually stop the discussion, but it does force the group to decide if the discussion should be stopped. The President now says, "The question has been called," and proceeds with a vote. An 'aye' vote stops the debate and requires a subsequent vote on the main motion with no further discussion. A 'nay' vote will continue the debate. Once the vote on calling the question is completed, the chosen action is implemented.

Robert's Rules of Order Newly Revised is available in paperback at most large bookstores and on the Web. It will tell you far more than you need to know about running a meeting. The MWF Parliamentarian is also available to answer questions (see the MWF Official Directory).

Based on the article "Tips for the New President," by Anne Cook, MWF Parliamentarian and published on page 9 of the December 2007 issue of *MWF News*.

SECRETARIES AND OFFICIAL RECORDS

Traditionally, the Secretary is the keeper of club records. In addition to meeting minutes, the Secretary also maintains the official copies of current and past by-laws, the Articles of Incorporation (or Constitution or Charter, based on state requirements), state registration documents, and the tax status determination letter from the IRS. However, club bylaws may assign the keeping of some of these documents to the Treasurer.

The Secretary is responsible for summarizing and maintaining the official records of all official club meetings. Typically, the minutes begin with the date, location and a list of those in attendance. In some groups, the names of absentees are also recorded. In the simplest version of club minutes, each official action must be recorded, including whether or not the motion was adopted. Most clubs also like the record to include who made the motion and who seconded it, and may record the

actual vote tally. A verbal Financial Report, in its entirety, is also recorded in, or attached to, the minutes.

More detailed minutes summarize the key points made in announcements and discussions. It is usually not necessary to indicate who said what. The important thing is that the various positions on the issue are clearly spelled out. A club may decide how much detail they want in the minutes beyond the motions and whether or not each motion is adopted.

The group, whose actions are recorded in the minutes, must have the opportunity to review the official record for accuracy. The minutes may be read at the next meeting or distributed by mail or publication. At the meeting after reading the minutes or stating how they were distributed, the presiding officer calls first for corrections to the record and then calls for a motion to approve them as distributed or as corrected.

This article is based on information found on the Internet at sites such as the Free Management Library, Board Source, and Board Café. Written by Sandy Fuller, past MWF President, who holds a MBA in Nonprofit Administration.

RETAIN THESE RECORDS INDEFINITELY

- Article of Incorporation, Charter or similar document filed with the state
- Original bylaws and all subsequent changes, including most recent bylaws
- Tax Exempt Status Determination Letter
- All other official correspondence from IRS about Tax Status Determination
- Minutes of Board of Directors Meetings
- Minutes of membership meetings
- Audit Reports with a summary of fiscal activity and balance sheet
- Lists of Officers by Year and Membership Rosters – Optional, but nice to have

RETAIN THESE RECORDS FOR 3 to 7 YEARS

- Certificates of Insurance
- Official Correspondence
- Proof of Annual Registrations
- Fiscal Records not retained by the Treasurer

FINANCES

Welcome to the world of finance. As the club Treasurer, you hold a position of high trust. It is important that your work is well documented and clearly understood by anyone who reviews your records. We refer to this idea of clarity as transparency.

One basic rule of thumb for the Treasurer is that **all moneys pass through the club checking account before it is spent**. This ensures that an external source (the bank) also has clear documentation of both the receipt and the expense.

BASIC FINANCIAL RECORDS

The Treasurer is expected to maintain a “general ledger” that documents all monies as the funds go into and out of the organization. A simple ledger will include the date of the transaction, the source (paid by) or payee (paid to), purpose of the payment, the amount, and the cumulative balance. Each general ledger has a beginning and ending that coincides with the fiscal year of the organization.

SAMPLE GENERAL LEDGER

Date	Source or Payee	Purpose	Income	Expense	Balance
1/1/20xx	Balance Forward				\$ 1250.75
1/10/20xx	MWF	Dues & insurance		150.00	\$ 1100.75
1/10/20xx	Sally Jones, editor	Newsletter & postage		56.25	\$ 1044.50
1/21/20xx	Jimmy Smith	Membership – Ind.	12.00		\$ 1056.50
1/21/20xx	Judy Rockhound	Membership – Fam.	20.00		\$ 1076.50

At the end of each accounting period (usually one month), the Treasurer prepares a financial statement that summarizes the general ledger. The Financial Statement indicates the period covered, the starting balance, total receipts (income), total expenses (paid out), and the ending balance. Most groups prefer some additional detail about receipts and expenses, so the Treasurer may also report general broad categories of receipts (i.e., membership dues, fees for club services, sales) and expenditures (i.e., newsletters, show expense, advertising). If the club maintains funds in more than one account, they should also be reported on the Financial Statement as separate line items or as separate statements.

SAMPLE Financial Statement	
January 1-31, 20xx	
MAIN ACCOUNT	
Starting Balance as of December 31	\$1,250.75
Income	
Dues	<u>\$30.00</u>
Total Income	\$30.00
Expenses	
Federation dues & Insurance	\$150.00
Newsletter w/ postage	<u>56.25</u>
Total Expense	<u>\$206.25</u>
Ending Balance as of January 31, 20xx	\$1074.50
SAVINGS CERTIFICATE @ 3%	
Start & End Balance – Due May 21, 20xx	\$500.00

BASIC FINANCIAL RECORDS - Continued

Every expense should have documentation showing who is getting the payment and why. Typically, the documentation is a bill submitted by the person to be paid, with details about the services or goods provided. The committee chair responsible for generating the expenditure should indicate that the expenditure is authorized. This is done by initialing or signing the bill; and providing an explanation of how the club used the goods or services purchased (i.e., a bill from the printer has a notation "January newsletter" and the signature of the editor). As the Treasurer pays the bill, notations are added to indicate the date paid and the check number. Many groups prefer to use a separate sheet to document payment authorizations. This is strictly a matter of personal preference.

SAMPLE PAYMENT VOUCHER			
DATE _____	AMOUNT \$ _____		
PAY TO _____			
PURPOSE OF PAYMENT _____			
AUTHORIZED BY _____ (COMMITTEE CHAIR OR BOARD MEMBER RESPONSIBLE)			
SEND CHECK TO _____			
ADDRESS _____			
CHECK NO _____	AMOUNT _____	DATE PAID _____	INITIALS _____

In an ideal world, the person writing the checks is not the person receiving the funds or reconciling the bank statements. Since most clubs will rely on one person to handle all of these transactions, the Treasurer must take every possible precaution to avoid issuing checks to him/herself.

PETTY CASH

While it is strongly discouraged, some groups insist on maintaining a pot of cash for immediate, small expenditures. All expenditures out of a petty cash fund must be documented, just like any expenditure paid through the checking account. If an original receipt is not available, the Treasurer should provide a preprinted form to be completed by the payee before any cash is distributed. Once the petty cash receipts approaches the amount of cash still available in the fund, they should secure reimbursement by check and the individual itemized expenditures now become part of the official ledger. If the club allows a small petty cash fund, the cash and receipts in the fund must always equal the full amount authorized.

THE AUDIT

At the end of each fiscal year, the Treasurer will summarize the financial transactions during the year and prepare a balance sheet that shows the change in fund balances since the end of the previous fiscal year. This document, along with the general ledger, the monthly financial statements, the bills, any cancelled checks and the bank deposit slips and statements are organized in date sequence and submitted to the auditor.

THE AUDIT - Continued

The Board of Directors or the club president selects the auditor. If the club has a small financial operation (generally under \$25,000 in total transactions during the year), a person who is truly "independent" from the Treasurer may perform the audit. The primary role of the audit is to ascertain that the records are accurate and honestly reflect the fiscal operations of the club. The auditor submits their report to the board and then returns the materials with a copy of the report to the Treasurer for safekeeping with club fiscal records.

Sample Year End Financial Statement

Your Mineral Club Financial Statement for 2006 and 2007

	2006	2007	
			<i>This is not part of the report: Explanations only</i>
<u>Revenue</u>			
Dues	1,220.00	1,252.00	
Hospitality & Banquet	73.27	72.95	
Auction	328.25	341.75	
Show receipts			
Dealer fees	1,800.00	1,800.00	
Sales			
Magazine Subscriptions	60.00	60.00	
Advertisements	200.00	200.00	<i>directory & bulletin</i>
Club Merchandise	120.00	130.00	<i>patches, t-shirts, etc</i>
Miscellaneous (list)			
Interest earned	17.50	15.00	
Donation to club		10.00	
Total Receipts	3,819.02	3,881.70	
 <u>Expenditures</u>			
Program Meeting Expenses			
Space	400.00	400.00	<i>meeting hall rental</i>
Speakers	180.00	200.00	<i>materials & promo</i>
Programs and Supplies	43.78	48.37	
MWF Dues	315.00	320.00	
Newsletter	615.00	645.00	<i>printing & postage</i>
Directory	117.88	119.39	<i>printing & postage</i>
Insurance	450.00	455.00	
Show Expenses	1,478.25	1,488.79	
Items for Resale			
Magazine Subscriptions	40.00	40.00	
Name Badges	12.88	39.19	
Officer Expenses	36.95	37.49	<i>stamps, bank fees, checks, etc.</i>
Miscellaneous (list)			
Total Expense	3,689.74	3,793.23	
 Net Change	129.28	88.47	<i>> these figures (less interest) go to equity</i>

THE AUDIT - Continued

Once the audit is completed, the Treasurer or designated registrar for the organization should complete the federal 990-N form online. This must be done annually. The state may have additional registration requirements, which may or may not require fiscal data.

Sample Balance Sheet

Your Mineral Club Balance Sheet for 2006 and 2007

	as of	12/31/06	12/31/07	
<u>Current Assets</u>				
Cash on Hand				
Operating Account		1,250.75	1,324.22	> these figures are the year end balances for the accounts
Savings Certificate		500.00	515.00	
Deposits and Prepaid Expenses				
Meeting Hall		50.00	50.00	
Show site Deposit		<u>100.00</u>	<u>100.00</u>	
Total Assets		<u>1,900.75</u>	<u>1,989.22</u>	> must equal total equity
 <u>Liabilities</u>				
<u>Equity</u>				
Retained earnings, Prior year		1,771.47	1,900.75	>This if the total from prior yr
add: Cash receipts over disbursements				
Checking Account		111.78	73.47	> these figures are the change in value from one year to the next
Savings Certificate		17.50	15.00	
Total Equity		<u>1,900.75</u>	<u>1,989.22</u>	

SAFEGUARDING THE FUNDS

Organizations are expected to maintain their funds in a bank account of some type. At a minimum, the bank should provide a monthly statement showing deposits and checks cleared, as well as the current balance.

Clubs may maintain funds that are not needed for current expenditures in a separate investment account. Generally, the investment instrument should provide a return on investment with minimum risk to the principle.

Each club account should have more than one signatory. The bank will want proof of board action naming the current signatories. The individuals who are signatories on the account are liable to the government for misconduct in regards to organizational funds. Clubs are encouraged to purchase a bond, to insure against misconduct in the handling of funds.

Although it is difficult for small organizations to have more than one person handling the funds, a separation of duties is strongly recommended. This could mean one person handles the deposits and someone else handles the expenditures, or a second person reconciles the bank statements. If separation of duties is not feasible, it becomes more important to change Treasurers often and secure an independent person to complete the audit. Clubs may consider exchanging books with another group for audit purposes.

EXPANDING THE TREASURER TOOLBOX

As clubs grow, members invariably want more information about how club funds are being used. Thanks to the world of computers and elementary spreadsheets, this can now be done on a very modest level without getting into expensive programs and complicated functional accounting systems.

Cost analysis looks at how much is spent per member for specific club activities. As an example, Your Mineral Club has spent more money than it generates for the last three years. However, you have accumulated cash reserves so you do not have a problem paying your bills. But, how long can this continue? There is discussion about raising dues but members think they are high enough. Your simple cost analysis shows that the club has routine expenses for meetings, affiliation, insurance and bulletin. These costs divided by the number of members tells you how much it costs to support each member. Many clubs who are operating beyond their income discover that their dues do not cover per member costs. Another approach is to divide each expenditure item by the number of members to determine how much each member needs to contribute toward that particular cost.

In a basic functional ledger, the club defines its major categories of operations. Common areas are basic services, field trips, show and clubhouse. Each of these is given a column at the top of the spreadsheet, after the usual columns for date, item, amount, debit, credit and balance. The club then has typical income categories such as dues, fees and sales for revenue and expense categories such as honorariums, supplies, printing, postage and items for resale. Now, as revenue is collected or a bill is paid, the amount is also entered into the proper column. The major advantage of "functional accounting" is that it can provide a more accurate picture of how funds are being used. However, very few clubs need this level of detail.

This sample functional ledger can show monthly or "year to date" totals in this format.

DEPARTMENTS >	GENERAL OPERATION	MEMBER- SHIP	CLUB BULLETIN	SHOW	TOTAL
REVENUE					
Donations	10.00				10.00
Hospitality	72.95				72.95
Dues		1252.00			1252.00
Dealer Fees				1800.00	1800.00
Sales				341.75	341.75
Advertisements		50.00	150.00		200.00
Magazine Subscriptions	60.00				60.00
Club Merchandise	130.00				130.00
Interest earned	15.00				15.00
TOTAL REVENUE	287.95		150.00	2141.75	3881.70
EXPENSES					
Affiliations		320.00			320.00
Space & Permits	400.00			900.00	1300.00
Insurance		225.00		230.00	455.00
Honorariums	200.00				200.00
Consummable supplies	85.86			238.79	324.65
Printing & Advertising		99.39	600.00	350.00	1049.39
Postage		20.00	45.00		65.00
Items for resale	40.00	39.19			79.19
TOTAL EXPENSE	725.86	703.58	645.00	1718.79	3793.23
NET					88.47

BUDGETING

An annual budget helps an organization forecast its financial needs and provides a framework for the Treasurer to pay bills in a timely manner. The budget is usually developed by the Treasurer, based on the expressed needs of each officer and committee chair, and then adopted by the board. Once the budget is adopted, the Treasurer is authorized to issue checks for amounts up to, but not exceeding, the approved amounts by item or budget line.

As an example of how this works, during the budgeting process, the newsletter editor requested \$25 per month for newsletter printing. The budget is approved, authorizing \$300 for newsletter printing. The June printing bill of \$24.95 for the newsletter arrives in early July, but the next board meeting is not until early September. Payment is due within 30 days. With an approved budget, the Treasurer can pay the bill on time without further authorization.

A second example involves a board discussion to purchase additional advertising for the club show. The cost will be \$395. The club currently has \$800 in the bank but the budget shows planned expenses of \$600 and planned additional revenue of only \$100. If the board approves this cost, there will not be enough money to cover the other expected expenditures. The board needs to vote “no” on the proposal, unless funds are available from another source.

CREATING A BUDGET

The budget planning process begins with two different sources of information. The first source is each officer and activity leader who submits their budget request detailing how much money they will generate and how much they need to spend during the coming year to fulfill their responsibilities. So the membership chair projects 50 family members paying \$20 each and 20 single memberships at \$12 each for a total of \$1240 in revenue. Membership also needs new brochures at a cost of \$40 and new membership cards at \$10. The club usually pays about \$120 for the annual membership directory and 11 new name badges will be needed at \$35. These are then recorded in the budget in the appropriate sections, as shown in the example on the following page.

A budget is usually planned to produce a zero net. This does not mean that the group cannot have a “net gain” at the end of the fiscal year. As a nonprofit organization, the group can earn more than it spends. However, it may not distribute those gains to any person or group, for their private use.

A group should have an accumulation of net gains from prior years. These funds are then available to cover cash flow (pay bills before the group has sufficient revenue to cover current expenses) and for special uses designated by the board or the membership. If the group has accumulated net gains, the board should adopt a policy governing their purpose and use. Often a group will designate a cash reserve equal to at least six months of operations and then determine how any excess might be used. If funds from net gains will be used in the current year, the budget should indicate this by showing a revenue item of cash from net gains for a “stated purpose” and then an expense item showing how the funds will be spent.

**YOUR MINERAL CLUB
SAMPLE BUDGET for YEAR 20xx**

INCOME

Membership Dues		\$1240.00
Family Memberships (50 @ \$20 each)	\$1000.00	
Individual Memberships (20 @ \$12 each)	240.00	
Hospitality Donations		75.00
Dealer Fees for Club Show (6 @ \$300 each)		1800.00
Silent Auction Table Sales		335.00
Club Sales		385.00
Magazine Subscriptions	\$60.00	
Club Merchandise	125.00	
Advertisements	200.00	
TOTAL REVENUE		<u>\$3850.00</u>

EXPENDITURES

Membership Costs		\$205.00
Membership brochures	\$40.00	
Membership cards	10.00	
Club directory	120.00	
Badges	35.00	
MWF Dues (\$2.50 per adult, \$.50 per youth)		320.00
MWF Insurance (\$3.50 per member)		455.00
Officer Supplies		40.00
Bulletin Costs		645.00
Printing costs (12 issues @ \$25 each)	\$600.00	
Postage (50 copies @ \$.42 each)	45.00	
Show Costs		1490.00
Hall rental	\$900.00	
Advertising	350.00	
Table rental	240.00	
Program Costs		605.00
Federation Programs 3@\$10.00 each	\$30.00	
Speaker Honorarium 3@\$50.00 each	150.00	
Door Prizes and miscellaneous costs	25.00	
Meeting Hall Rental (\$50/mo for 8 mo	400.00	
Sales		90.00
Subscriptions	\$40.00	
Club Merchandise restocking	50.00	
TOTAL EXPENSES		<u>\$3850.00</u>

IRS STATUS

In the United States, there are three basic types of organizations: governmental units, for profit businesses, and nonprofits. Each has its own set of rules. For-profits and nonprofits rules are set by the US Department of Revenue in the tax codes. This discussion will focus on types of nonprofit organizations, which is most commonly used for clubs.

Most clubs hold an IRS determination letter indicating that they are a 501(c)(3) or a 501(c)(7) organization. These federal designations are based on the purpose of the club and establish whether or not the group can accept tax-deductible contributions. Briefly, a 501(c)(3) organization, such as the Midwest Federation, exists to educate the general public and may accept tax-deductible contributions. A 501(c)(7) organization exists to benefit its members and while they can accept contributions, the donor pays taxes on the gift.

A few clubs may actually have a 501(c)(4) determination, which allows them to engage in a broader range of political actions than the (c)(3) and the (c)(7). The American Land Access Association (ALAA) is a good example of a (c)(4) organization.

All types of nonprofit organizations may earn more than they spend, but it is not called a "profit" in the world of voluntary organizations. An important concept is that the accumulated surplus may not be

"inured" or distributed "for the benefit" of individual members. Funds must be used for the stated purpose of the organization. The 501(c)(7) organization may use funds to benefit its membership as a group, but not to benefit an individual with a personal or private interest in the activities of the club.

The IRS rules also examine the organization's source of funds. At least one third of a (c)(7) group's income must come from dues, fees and contributions while less than one third may come from interest /investment earnings or other "unrelated business activities."

All types of nonprofit clubs may support ALAA and encourage members to make their view known to lawmakers. However, there are regulations governing political activities by a nonprofit organization. Newsletter editors should especially be attuned to these rules.

Clubs are advised to identify someone within their group who will stay abreast of current laws governing nonprofit organizations in their state and by the federal government (IRS). This is especially true for the federal rules since there have been several efforts in recent years to refine the IRS oversight of nonprofit organizations. Many of the rules are accounting or tax related so a good attorney or accountant should be consulted from time to time.

Based on an article "Some Nonprofit Basics" by Sandy Fuller, Past MWF President and published on page 3 of the February 2006 issue of *MWF News*.



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Form 990-N Now in Effect

The new Form 990-N Electronic Notice (e-Postcard) is now available online for filing and public review. Beginning in 2008, small nonprofits that had been exempt from filing the Form 990 because they have annual gross receipts of \$25,000 or less are required to file a new Form 990-N.

The IRS is asking nonprofit organizations, volunteers, and tax practitioners to help spread the word to small organizations about the new reporting requirement.

This filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches. Failure to file the notice for three consecutive years will result in revocation of tax-exempt status. The e-Postcard is due May 15, 2008 for organizations whose tax period ends on December 31, 2007. Read more about this new notice on the [IRS website](#).

This new return, which was enacted as part of the Pension Protection Act of 2006, requires small nonprofits to provide the following information:

- the organization's legal name;
- any name under which it does business;
- mailing address and Internet website address (if any);
- employer identification number (EIN);
- the name and address of a principal officer;
- the organizations annual tax period;
- a statement that the organization's annual gross receipts are still less than \$25,000, and
- and upon termination, notice of that termination.

Searchable Database

The public also now has access to the information filed on the Form 990-N. The data is searchable by name of the organization, location, or by employer identification number. [Form 990-N Search](#)

Last updated: February 29, 2008

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IRS Resources on Form 990-N
Form 990-N
Form 990-N Information
Frequently Asked Questions

INSURANCE AND RISK MANAGEMENT

Risk management is about planning how to handle situations that don't go as hoped. In assessing risks, the board looks at the activities of the club and identifies what might go wrong. Once the list is generated, the group looks at ways to reduce or eliminate the risks. If it is not feasible to reduce or eliminate the risk, the group may adopt a strategy to better educate its members, and/or transfer some of the risks by purchasing insurance to help pay for the potential costs of the risk.

As an example, field collecting trips include a risk of someone getting injured. The only way to eliminate this risk is to cancel all future field trips. Requiring members to sign liability releases will reduce the financial risk to the club. Safety training can also help to reduce injuries. Including someone trained in first aid or as a first responder can help minimize the severity of injuries. Finally, an insurance policy can transfer the excessive costs of medical treatment to a third party. A comprehensive risk management plan includes reduction, education and insurance.

Federation Insurance

Federation insurance is a "third party liability policy that "will pay on behalf of the club for bodily injury or property damage to others." The insurance company will defend the club(s) for injuries that occur during a club event, due to the negligence of the club. The policy is not designed to provide medical or accident insurance to club members.

The MWF insurance policy is designed for event coverage, such as a show, meetings and low risk field trips. It is not intended for hazardous digs or events. It also does not cover use of polishing or grinding equipment. A club may non-member participation to reduce risk exposure.

Employer Issues

Hiring staff, either directly or indirectly, can introduce lots of risks to the employer. Any club that is considering hiring staff, even for just a few hours, needs to obtain separate coverage for employer liabilities and for mandated employee benefits. To proceed in hiring without adequate coverage will result in major risks, even if the person is never injured.

Some show venues may try to pass the responsibility for worker injuries to the leasing party. It is important that clubs do not commit to leases that state or imply an employment arrangement with the staff of the facility or security personnel.

Reasonably prudent behavior

How many times have you heard the phrase, "they can't sue us if we don't have any insurance." While there is some truth to the idea that a person suing for damages can not get any money if there is none to be had, it is also true that the assets of the individuals who failed to make a reasonably prudent decision, based on the typical behaviors of similar organizations, may be used to pay an injured person. Failure to have adequate insurance does not meet the test of reasonably prudent behavior.

Prepared by Sandy Fuller, Past MWF President, in consultation with June Young, the MWF Insurance Chair and the agent for the MWF insurance program. Specific questions about the MWF Insurance Program should be directed to them. Check your club's current MWF Official Directory for contact information.

LONG RANGE & STRATEGIC PLANNING

When a group gets ready to go on a field trip, someone gets out the map and guidebooks to figure out where to go and how to get there. Planning is the means by which an organization figures out where it is going and how it will get there. When the group already knows where it wants to go, long range planning is used. However, when the group recognizes that change may be needed, strategic planning helps them change the course of the organization.

Strategy has been defined as "that which has to do with determining the basic objectives of an organization and allocating resources to their accomplishment." A strategy determines the direction in which an organization needs to move to fulfill its mission. A strategic plan acts as a road map for carrying out the strategy and achieving long-term results.

Strategic planning is different from long-range planning. Long range planning builds on current goals and practices and proposes modifications for the future. Strategic planning, however, considers changes or anticipated changes in the environment that suggest more radical moves away from current practices.

Effective planning, whether it is strategic or long range, begins with a celebration of the past and its successes. A timeline is used to show the contributions of key people within the organization and critical events that helped to shape the club. Each member of the planning group should also be invited to use a post-it note to show when they joined the organization and tell their story about how and why they got involved.

At this point, a long range plan looks at the goals of the organization and identifies areas that need further attention. Specific action steps are identified, with implementation plans, to help the organization continue its progress toward goal achievement.

The next step for a strategic plan is to complete a SWOT analysis of the organization and the environment in which it operates. Brainstorming techniques are used to encourage everyone to contribute to the lists. **SWOT** stands for **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. Strengths and weaknesses look at the organization itself. Opportunities and threats look at the world outside of the organization. Here are some samples of each:

- Strengths
 - Older adult membership is growing
 - Good newsletter
- Weaknesses
 - Need more members to step up for leadership roles
 - Can't keep younger families (with children) involved
- Opportunities
 - Local college has Geology program
 - Schools want volunteers with geology programs
- Threats
 - Young families have too many demands on their time
 - Collectors are buying their mineral specimens on-line

One way to structure the SWOT brainstorming is to ask each person to use post-it notes to jot down ideas for each category. After a short period, groups of 2 to 4 people share ideas and generate additional notes. The post-it notes are then placed on newsprint sheets for group review.

LONG RANGE & STRATEGIC PLANNING - Continued

An alternate strategy is to place newsprint sheets around the room and encourage individuals to visit each sheet and record ideas. They may revisit any sheet over a period of time, perhaps during an extended break.

Once the lists are completed, the facilitator helps the group to look for common themes and combine ideas. The goal is to get the list down to a manageable number of concepts or concerns. Once the list is manageable, group members are asked to choose their top three or four concerns. These become the critical strategies for the coming period.

Using the four to six issues that received the most votes, the group will now brainstorm ideas on how to turn threats into opportunities and weaknesses into strengths. Explicit action steps need to be developed for each issue. The group should also review the organization's mission, to ensure that the proposed actions and the mission support each other. If they are not in concert with each other, this is a good time to review and revise the organization's mission, and initiate steps to update the bylaws.

A sample goal and action step may be as follows:

Goal I: Expand family and youth memberships in the organization

Action Steps:

1. Recruit 2 local geology students to advise the Pebble Pups group, starting in September.
2. Individually interview 50% of young adult families to determine their interests, needs and suggestions to make the club more relevant to them.

When the plan is completed (Mission, Vision, Goals, Action Plan), it is submitted to the board for adoption and implementation. The board is responsible, unless otherwise indicated in the bylaws, for overseeing the implementation of the plan.

This article is based on information found on the Internet at sites such as the Free Management Library, Board Source, and Board Café. Written by Sandy Fuller, past MWF President, who holds a MBA in Nonprofit Administration.

**National Council of Nonprofit Associations
State Association Members**

ARKANSAS

Arkansas Coalition for Excellence
200 S Commerce Street #100
Little Rock, AR 72201
Office-501-375-1223
Fax-501-324-2236
www.acenonprofit.org

ILLINOIS

Donors Forum
208 S LaSalle Street #1540
Chicago, IL 60604
Office-312-578-0090
Fax-312-578-0103
www.donorsforum.org

IOWA

Iowa Nonprofit Resource Center
130 Grand Avenue Court
Iowa City, IA 52242
Office-319-335-9765
www.nonprofit.law.uiosa.edu

MICHIGAN

Michigan Nonprofit Association
1048 Pierpont #3
Lansing, MI 48911
Office-517-492-2400
Fax-517-492-2410
www.mnaonline.org

MINNESOTA

Minnesota Council of Nonprofits
2314 University West #20
St. Paul, MN 55114
Office-651-642-1904
Fax-651-642-1517
www.mncn.org

NEBRASKA

Nonprofit Association of the Midlands
5002 S 24th St #201
Omaha, MN 68107
Office-402-557-5800
Fax-402-557-5803
www.nonprofitam.org

NORTH DAKOTA

North Dakota Association of Nonprofit
Organizations
PO Box 1091, 1605 E Capital Ave
Bismarck, ND 58502
Office-701-258-9101
Fax-701-223-2507
www.ndano.org

OHIO

Ohio Association of Nonprofit Organizations
100 E Broad Street #2440
Columbus, OH 43216
Office-614-280-0233
Fax-614-280-0657
www.ohiononprofits.org

WISCONSIN

Wisconsin Nonprofits Association
PO Box 1662
Madison, WI 53701
Office-608-772-5962
www.wisconsinnonprofits.org

STATE WEB SITES – NONPROFIT REGISTRATION

Here are the websites for state registration of nonprofit organizations. These sites can link you to other resources regarding state regulations

ARKANSAS

<https://www.ark.org/sos/ofs/docs/index.php>

ILLINOIS

<http://business.illinois.gov/registration.cfm>

INDIANA

<http://www.in.gov/sos/business/corps/guide.html>

IOWA

<http://www.sos.state.ia.us/business/nonprofits/index.html>

MICHIGAN

http://www.michigan.gov/ag/0,1607,7-164-17334_18095-45037--,00.html

MINNESOTA

http://www.sos.state.mn.us/home/index.asp?page=18&dc_id=76

MISSOURI

<http://www.sos.mo.gov/business/corporations/>

NEBRASKA

<http://www.nlc.state.ne.us/bestofweb/nonprofit.asp>

NORTH DAKOTA

<http://www.nd.gov/sos/nonprofit/>

OHIO

<http://www.ag.state.oh.us/business/charitable.asp>

SOUTH DAKOTA

http://www.incorporate.com/south_dakota_business_licenses.html

WISCONSIN

<http://www.wdfi.org/corporations/forms/>

To locate information about state statutes governing nonprofit organizations in your state, go to: <http://www.weblocator.com/attorney/il/law/assocnon.html>