

# CLUB BUDGET AND FINANCES

Adequate financial records are as important to an Optimist Club as to a business. The Secretary-Treasurer should establish financial records that are easily understood. All financial transactions are to be reported to the Board of Directors each month.

## Club Fees and Dues

Clubs shall establish membership fees and annual dues in their Bylaws in accordance with the provisions as provided in the Optimist International Bylaws.

A proposed member should be apprised of dues payment structure and procedures. Since the Club is required to pay District and International dues in advance, Club dues should be advance payments. All members must understand the Club's financial obligations and policies. This will minimize collection problems, reduce deletions and create stability in Club finances.

For U.S. Club members, a portion of dues paid that are used for charitable programs of the Club can be considered tax-deductible under the IRS 501 (c)(3) group tax exemption. For additional information, contact the International Office.

## District Dues

The amount of District dues is established by each District with approval by the Board of Directors of Optimist International. Details of District dues payments are available from the District Secretary-Treasurer or other District officers.

## **International Dues**

Optimist Clubs are required to pay annual dues to Optimist International on a quarterly basis, based on the number of members on the Club's roster immediately prior to each billing date. The amount of such dues is set in the Optimist International Bylaws based on the country in which the Club resides.

All Clubs shall pay their International and District financial obligations in U.S. currency, with the exception of those Clubs located in Districts wholly within national boundaries of Canada, who shall pay their District and International financial obligations in the currency of that country.

It is imperative that each Club update its roster and notify Optimist International and the District each time a membership change occurs (member addition, deletion, address change) using the Club Roster Adjustment form, or online at [www.optimistleaders.org](http://www.optimistleaders.org).

### **Processing Fees**

All Optimist Clubs are required to pay a \$15 processing fee for new Members added to their rosters. The processing fee for adding transfer members is \$5. The Club Secretary-Treasurer needs to provide the Member's prior Club and Member number. The Member must be deleted from the previous Club and added to the new Club within a year. Club Secretary-Treasurers, when submitting checks and Club Roster Adjustment forms to Optimist International for new members, should indicate that the check is for processing fees. If a new Member previously became a Life Member, indicate this and the name of the Club(s) in which the Life Member has held Memberships.

### **Revocations**

When a Club becomes 60 days in arrears in the payment of dues, a notice shall be sent by Optimist International to the Club President and the Secretary-Treasurer informing them that the Club is not in good standing. When the Club becomes 120 days in arrears, each Member of the Club may be notified that the Club is not a Member in good standing and revocation may be considered. After a Club becomes 150 days in arrears in the payment of dues, notice of the impending revocation of the Club's charter will be sent to the President and Secretary-Treasurer of the Club.

## LIFE MEMBERSHIP

An Optimist can demonstrate his/her commitment to Optimist International and help sustain the growth and vitality of the organization by becoming a Life Member.

Any Optimist in good standing may subscribe to a Life Membership. A Club may purchase one as recognition for an Optimist. A Life Membership may be purchased as a gift for an Optimist by a friend or family member.

A letter from the Member's Club may serve in place of the regular application form. All applications for Life Membership must carry the name of the recipient. Upon notification, Optimist International will hold an application in confidence and direct correspondence concerning a Life Member to the person designated.

Full payment of the \$300 fee (U.S.) at the time of the application is sent to Optimist International will permit the entry of the Member on the roster of fully paid Life Members. A Life Membership certificate and card are issued immediately. A fully paid Life Member may deduct a portion of Optimist International dues in payment of annual Club dues. Clubs are credited for each paid Life Member in the calculation of the quarterly dues invoice. Districts do not waive dues for Life Members. Upon notification, Optimist International will transfer a fully paid Life Membership to another Club. This applies even if the Life Member has been inactive for a length of time. The processing fee must be paid to re-enroll Life Members.

If a Life Member holds membership in more than one Club, the credit in the computation of the dues payable is restricted to only one Club by sub-section 3C of Article II of the Bylaws. Such members should pay full Club dues to all but one Club.

A minimum down payment of \$150 (U.S.) will permit the entry of the member on the roster of partially paid Life Memberships. The amount and frequency of payments are left to the discretion of the applicant of the Club, but the balance must be paid within two years. From time to time, Optimist International will notify all partially paid Life Members of outstanding balances. This is a service, and notices should not be considered requests for payment. The Bylaws of Optimist International do not permit the refund of partial payments made toward purchases of Life Memberships. A partially paid Life Member who joins another Club may have a subscription transferred to a new Club if Optimist International is notified to that effect. The processing fee must be paid in this case. The Life Membership certificate and card are not issued nor may dues be reduced until the subscription has been fully paid.

The Club Secretary-Treasurer may order replacement certificates and cards from the Optimist International Membership Department.

# CLUB BUDGET

Before the first meeting of the Board of Directors, a proposed, balanced budget for the coming year must be prepared. The President, Secretary-Treasurer, Finance Chair, Members of the Board and the outgoing officers should meet for a planning session on the coming year's budget. The estimated needs of each Committee should be considered. The best guide for a reasonable estimate will be the final income and expense statement of the previous year. The Finance Committee is ultimately responsible for developing the budget and reviewing it during the year.

At best, a budget is a guidepost; it may be necessary to make adjustments during the year. Budget adjustments should have full Board approval and should not be made more frequently than once a quarter. When adjusted, the budget must remain in balance (i.e. bring projected expenses into line with the estimated income). Constant observation of budgeted amounts compared with actual expenses will keep the Club in good financial condition. Any variations from the adopted budget should immediately be called to the attention of the Board of Directors. Finances for administrative (non-service) activities must come only from Member dues and intra-Club fundraising.

When an activity requires finances, the Board should allocate the necessary funds at the same time the activity is assigned to a Committee. Finances for service projects may be taken from administrative funds or funds raised from the public. If, when an activity is assigned, the amount of finances is not determined, the Committee should prepare an estimate for Board approval. Committees must remain within the financial limitations determined by the Board.

# MODEL CLUB BUDGET

The collective experiences of Optimist Clubs over a period of many years are the basis for the model Club budget. Since the needs of Clubs vary, the budget should be adapted to fit the requirements of the individual Club.

## Receipts

**1. Membership Fees (XX new Members at \$\_\_\_) \$\_\_\_\_\_**

Every Club should set a goal of not less than 12 new members per year. The Club's Bylaws should be reviewed to find if the fee provides sufficient income to sustain current costs. Fees may include dues for a period, such as the month in which a new Member is admitted to membership.

**2. Annual Dues (XX Members @ \$\_\_\_) \$\_\_\_\_\_**  
**Less: (X Life Members @ \$26) \$\_\_\_\_\_**

Annual dues of \$78 per Member are a minimum for a healthy Club. Dues should be billed to the Members in accordance with the Club's Bylaws, which should be studied to determine if the annual rate is realistic.

**3. Prepaid Meals (if collected with dues) \$\_\_\_\_\_**

Because of varying methods of collected for meals and the wide range of costs, no attempt has been made to make income from meals a part of the model budget. If budgeted, actual receipts become item #3.

**4. Other Income (describe) \$\_\_\_\_\_**

Other income may be derived from interest, advertising in the Club bulletin and funds raised within the Club for the benefit of the Club, such as fines, proceeds from raffles where legal, attendance prizes, etc.

**5. Fundraising \$\_\_\_\_\_**

Most Clubs have fundraising activities for youth and community-serving projects. These funds may be maintained in a separate budget and set of books. If a Club does not separate community-serving income and expenses, the actual income is recorded as item #5. Because of the wide range of these events and revenue, examples of these items to budget have not been made here.

**TOTAL RECEIPTS: \$\_\_\_\_\_**

## Disbursements

- 1A. International Dues (XX Members @\$43)**  
**Less: (X paid Life Members @ \$26 )** \$ \_\_\_\_\_
- 1B. Insurance per established premium**  
**(XX Members @ \$6)** \$ \_\_\_\_\_
- 2. District Dues (XX Members @ \$\_\_\_\_)** \$ \_\_\_\_\_
- 3. Processing Fees (XX new Members @ \$15)** \$ \_\_\_\_\_  
The processing fee must accompany every enrollment. This pays for the cost of adding a name to the rolls. New Member kits are sent to the Club President for all new Members.
- 4. Supplies** \$ \_\_\_\_\_  
Supply items from Shumsky or the Canadian Service Centre, including officer lapel pins, past officer plaques, certificates, meeting badges, etc.
- 5. Printing and Stationery** \$ \_\_\_\_\_  
This item includes letterhead, envelopes, promotional pieces, etc. When ordering printing, include the Club's number on letterhead and checks.
- 6. Petty Cash** \$ \_\_\_\_\_  
Some Club Boards authorize a petty cash fund to be used by the Secretary - Treasurer. In this way, he/she will not have to write a check or charge small items.
- 7. Optimist International Foundation Contribution**  
**(\$\_\_\_\_ per Member)** \$ \_\_\_\_\_
- 8. (May be used as needed)** \$ \_\_\_\_\_
- 9. Postage** \$ \_\_\_\_\_  
The high cost of postage justifies a separate item. This should include postage for bulletins and all other mailings.
- 10. Club Bulletin** \$ \_\_\_\_\_  
The amount depends upon the method of production. Costs may be reduced by advertising. Postage for bulletins is included in item #9.
- 11. Meals** \$ \_\_\_\_\_  
If costs of meals are collected with dues, the total year's cost for members and guests is included. If meal costs are not collected with the dues, only complimentary meals for speakers and special guests should be in this item.

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## Disbursements (continued)

**12. Youth Activities and Community Service** \$ \_\_\_\_\_

Most Clubs have fundraising projects to support these activities. Funds raised from the public must be used only for service projects. If a Club does not have a separate budget and set of books for these funds, they become item #12.

**13. Convention Delegate(s)** \$ \_\_\_\_\_

Funds allocated for representation at District meetings and the International Convention.

**14. Insurance** \$ \_\_\_\_\_

Insurance over and above the comprehensive liability insurance that is provided by Optimist International for which the Club is already billed.

**15. Fellowship and Hospitality** \$ \_\_\_\_\_

Cards, letters or flowers on such occasions as weddings, hospitalizations, deaths, anniversaries and birthdays. The Board should establish a policy.

**16. Miscellaneous** \$ \_\_\_\_\_

Registration as a non-profit corporation, bank charges, annual audit of Club books and expenses not properly chargeable to other accounts.

**17. Contingencies** \$ \_\_\_\_\_

**TOTAL DISBURSEMENTS:** \$ \_\_\_\_\_

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# FUNDRAISING

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**No Optimist Club can fulfill its reason for existence, service to the community, without adequate financial resources.** The extent of financial requirements depends upon the nature of the Club's community-service activities. Community support can only occur if citizens are aware of the service performed by the Club.

**Your Finance Committee researches and recommends fundraising projects.** The selection of the right fundraising project is extremely important. With good leadership and at least 75 percent of the members behind a project, it can be successful. After a specific project has been approved, the President appoints a Committee from the Club's membership to conduct the project.

**Income from fundraising projects is restricted to a Club's community serving projects, unless otherwise disclosed to the public.** Clubs are liable for admission taxes to sponsored shows, plays and similar events unless such activities are sponsored by a separate fund that has been granted an exemption by the national government's revenue body. In general, U.S. Clubs are exempt from state sales tax under the IRS group tax exemption of Section 501 (c)(3) of the IRS Code. Liability for state/provincial and local taxes should always be investigated prior to selling merchandise for fundraising purposes.

**Optimist International recommends that a Club sponsor one annual fundraising project that can attract interest year after year.** The activity should have minimum financial risk and small expenses compared to the income.

**Optimist International licenses several vendors of fundraising products to use the Optimist International logo and name on specific products.** These firms and items have been reviewed by the International Finance Committee and approved by the International Board of Directors. Only those vendors have authorization to use the Optimist International logo and name on their products. Please call the International Office for a current list of approved vendors. If you have questions or encounter problems with these vendors, please contact Optimist International, 4494 Lindell Blvd., St. Louis, MO 63108, 1-800-500-8130, ext. 276. Before becoming associated with any commercial fundraising organization, investigate thoroughly through the Better Business Bureau, the International Office, the Chamber of Commerce and police chief of the town where its last project was held. Have an attorney review all contracts before signing. Please note that the International Board of Directors has specifically prohibited the use of so called "boiler room" operations.

# DUES BILLINGS

The Secretary-Treasurer bills Club Members for dues.

The Club's Bylaws determine the billing schedule. Although set by the Club's Bylaws, this is a minimum schedule. Dues payments that cover longer periods of time are advantageous. Longer dues payment periods save time and reduce the cost of postage, statements, the number of delinquencies and collection problems. Club members are also less likely to feel they are constantly being asked for money. Members may be billed for annual dues with the understanding they may make smaller, more frequent payments set by the Club Bylaws if necessary.

Establishing the practice of never permitting members to become more than 60 days delinquent in their dues payment will benefit your Club in several ways:

1. Helps establish a realistic budget.
2. Provides reliable revenue.
3. Encourages prompt dues payments.
4. Eliminates an accumulation of uncollected dues.
5. Stimulates attendance (financial investment in the Club creates the desire to participate).
6. Stabilizes membership.

**Dues billing statements may be sent on the following schedule:**

- 1. To all Members, 15 days before dues are payable.**
- 2. To those who have not paid, 10 days after dues are payable.**
- 3. To those who still have not paid, 30 days after dues are payable.**

## **30** days after dues are payable.....

**The Secretary-Treasurer should report to the Board the number of delinquent Members and give their names to the Club President and Finance Chair. The Board should decide upon and initiate appropriate action.**

## **60** days after dues are payable....

**The Secretary-Treasurer should give the Board the names of those who still have not paid. The Standard Club Bylaws provide that members 60 days in arrears are to be suspended from Membership and notified in writing. The delinquent Members then have 30 days to pay their dues and request reinstatement.**

## **After** the **30** day grace period....

**The Secretary-Treasurer should ask the Board for authority to remove the names of delinquent Members from the roster who still have not paid their dues. The members being removed are to be notified. This orderly process will result in better membership retention because action is taken before a Member becomes hopelessly behind with his/her dues.**

Several factors should be considered when a member becomes delinquent:

- The names of delinquent Members are not for publication.
- The Finance Committee and the President may be given a detailed statement of delinquent Members and amounts due.
- Circumstances contributing to delinquency should be considered in order to reach a fair and judicious decision.
- The Board may authorize appropriate action to collect delinquent dues.

# FORM 990

## (U.S. Clubs only)

The Internal Revenue Service has held that the member Clubs of Optimist International are exempt from the payment of income taxes under Section 501(c)(3) of the Tax Code. However, in order to maintain the exemption, some Clubs are required to file a Form 990 with the IRS.

Whether a Club is required to file the return depends on the amount of its gross receipts. Current IRS regulations require only those Clubs with gross receipts in excess of \$25,000 to file the 990, which must be received by the IRS no later than February 15.

A Club's gross receipts are considered to be less than \$25,000, and it need not file if the Club is one of the following:

1. Up to one-year-old and has \$37,500 or less in gross receipts during its first year.
2. Between one and three years old and averaged gross receipts of \$30,000 during each of its first two tax years.
3. At least three years old and have average gross receipts of less than \$25,000 for the immediately preceding three tax years (including the year for which the return would be filed).

Basically, a Club's gross receipts will consist of income derived from:

- Membership dues, fees and assessments
- Interest, dividends and possibly capital gains received from investment transactions.
- Gross income from special fundraising events and activities such as dinners, dances, carnivals, raffles bingo games, exhibitions, shows, etc.
- Gross revenue through the sale of merchandise for fundraising such as Christmas trees, candy, fruit cakes, etc.

Other sources of income to be considered in computing the Club's gross receipts include:

- Contributions, gifts and grants
- Grants from governmental agencies
- Revenue from rental of real property.

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Normally, those Clubs that had gross income of more than \$25,000 and filed 990s in the past year will receive a pre-addressed 990 packet from the IRS. If a Club in the more than \$25,000 receipts category does not receive the packet, the Club has an obligation to secure the form and file the return.

U.S. CLUBS REQUIRED TO DO SO MUST FILE A  
FORM 990 BY FEBRUARY 15, WITH A COPY TO  
OPTIMIST INTERNATIONAL.

IF YOUR CLUB'S GROSS RECEIPTS ARE NOT  
NORMALLY OVER \$25,000, CHECK THE  
APPROPRIATE BOX.

IF YOUR CLUB HAS OVER \$25,000 IN GROSS  
RECEIPTS YOU ARE REQUIRED TO COMPLETE  
PART 1 OF THE FORM.

BE SURE TO MARK THE BOX THAT SAYS YOU  
ARE A 501(C)(3) ORGANIZATION.

Under the 1969 revision of the Code, any Club or District that fails to submit a timely Form 990 may be subject to a penalty of \$10 per day after February 15 until the return is received. In addition to the penalty of \$10 per day to the Club or District, the officer responsible for the late reporting may be penalized \$10 per day. The possibility of the penalties makes the establishment of the responsibility for the filing and prompt submission of the 990 a "must."

IRS rulings have held that an incomplete return is treated as if it was never received. Consequently, it is imperative that an entry be made on every line of the return. If an amount is to be entered and the Club's books show the amount to be zero, enter zero. If a question is asked that is not applicable to the Club, enter N/A.

The lack of the need for the annual filing of a 990 by those Clubs with gross receipts of less than \$25,000 does not diminish the requirement for accurate, current and complete financial records. The Internal Revenue Service may, at its discretion, conduct an examination of any Club's records.

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## 501(C)(3) TAX STATUS

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Effective October 1, 2004, all U.S. Clubs were including in a group exemption granted by the IRS changing their tax status from a 501(c)(4) to a 501(c)(3) charitable organization. This exemption relieves Clubs from the payment of federal income tax and provides several other benefits not available under the old 501(c)(4) status.

As a 501(c)(3) charitable organization, a Club:

- is able to receive charitable, tax-deductible donations from businesses and individuals.
- could be exempt from state sales tax on any purchases (check state laws).
- could designate a portion of dues by members as tax-deductible if those funds are used for charitable programs of the Club.
- is eligible to receive grants from other organization.
- is eligible for non-profit postage rates.
- is eligible for discounts on goods and services normally given to charitable organizations.

Newly affiliated Clubs are automatically granted the exemption and need not file for a specific 501(c)(3) exemption. Completing and submitting a Form SS-4, furnished by Optimist International, which all new Clubs are asked to do at their official organization, serves to notify the IRS of the Club being added to the roster of Optimist International.

### **Federal Employer Identification Numbers (FEIN, EIN)**

Optimist International furnishes the Field Representative with an SS-4 form in the field kit for all new U.S. Clubs. This form must be completed immediately and faxed or mailed to Optimist International. It must be sent to the attention of the Finance and Administration Department. Optimist International must submit the form directly to one specific IRS office. Only applications received by the IRS directly from Optimist International will be recognized as a subordinate Club falling under the Optimist International umbrella. **NEVER** contact the IRS directly and apply for a Federal Employer Identification Number. While you may get a number faster, the IRS will not recognize it as falling under the Optimist International umbrella. Further, it may place the Club in a situation where it will be considered a “**for profit**” organization.

Once a number has been issued, it stays with the Club for its entire life. There have been situations where Clubs have acquired multiple Federal Employer Identification Numbers causing confusion and situations where they could lose their not-for-profit status. This sometimes occurs with a change of administration when the new officers erroneously apply for a new number.

Optimist International maintains complete records of all Club Federal Employer Identification Numbers. Optimist International is required to complete a report each year, for the IRS, listing every Club and their number.

**If you do not know your Club's Federal Employer Identification Number, please contact the Finance and Administration Department (800-500-8130 ext. 276) at the International Office.**

## General Legal Liability Insurance

Optimist International provides general liability insurance coverage for property damage, personal injury, advertising injury, and bodily injury to all Clubs and their members while acting on behalf of the Club.

A Summary of Insurance is sent to all Club Secretary-Treasurers and Presidents-Elect in the summer. In addition, a copy can be found on the Optimist International web site, [www.optimist.org](http://www.optimist.org).

For more information on coverage, exclusions or to receive a Summary of Insurance that names someone as a co-insured, contact the Insurance Administrator, Marsh Affinity Group Services. There is no charge for this service.

U.S. and English Canadian Clubs:

800-503-9227

or by fax at 847-803-4649

French Canadian Clubs:

Nelly Law-Gip

514-899-5377/800-267-5377

or by fax at 514-899-5378