

Parent Club's Best Practices Finances

Set the Club's Fiscal Year

1. Definition. A twelve-month accounting year for keeping records and reporting income and expenses.
2. AKC Club Relations generally recommends that the fiscal year track your dues renewal. But is that best for your club?
3. Club needs. It should be structured to conform with the club's activities and flow of funds. For example, the fiscal year should reasonably track all expenses and income for the club's major fundraising event. For small parent clubs, that major income generating event may be the dues renewal. For other parent clubs the major income generating event may be the national specialty week. Consult your accountant to determine what works best for your club.
4. IRS default.
 - a. The default IRS system is based on the calendar year, so a non-calendar year fiscal year club will have to make adjustments for tax deadlines.
 - b. Clubs can adopt a fiscal year for tax reporting purposed simply by submitting their first income tax return observing that fiscal year.
 - c. Clubs may elect to change their fiscal year. However, clubs that want to change from a calendar year to a fiscal year must get permission from the IRS and must meet certain criteria.

Role of the Club Treasurer

1. Document Treasurer's Duties in Writing
 - a. Generally, define in the bylaws
 - b. Utilize Standing Rules to explain details of role
 - c. Have a job description
2. Develop a calendar with deadlines for duties
3. Collection of Monies Due to the Club
 - a. Clearly identify source of funds
 - b. Follow-up on NSF checks
 - c. Keep this information confidential within the board.
4. Depositing Money in Club account on a Timely Basis

5. Paying Debts Owed by the Club
 - a. Have a paper authorization
 - i. Signed by requesting individual and approving committee or board minutes
 - ii. Have another signature on payments to the treasurer
 - iii. Develop Board approved forms and use these authorization forms
 - iv. Make forms available to all members, especially committee chairs
 - b. Better accountability – have a different person approve the transaction than the one making the payment
 - c. Follow-up on outstanding checks greater than 90 days
6. Establish authority limits for non-recurring items
 - a. Treasurer threshold – this is more limited
 - b. Treasurer and President – higher threshold
 - c. All expenditures above this threshold needs Board approval
7. Maintain fund accounting for special funds such as health, historical records, trophies, etc.
 - a. Inform committee chair of annual receipt
 - b. Account for any disbursements
 - c. Account for any carried-forward funds
8. Providing monthly Income & Expense Statements to the Board
 - a. Provide monthly statements to the Board
 - b. Provide quarterly statements to the Member
9. Provide event/committee financial statements to show how the event compares to previous years
10. Establish yearly budgets
 - a. Pre-approve recurring expenses that agree with the approved budget. Examples include insurance, annual corporate fees, etc.
 - b. Communicate committee budgets with the corresponding committee.
 - c. Yearly compare actual amounts to budgeted amounts. Explain discrepancies.
11. Consider a Crime Policy or bond. See insurance.
 - a. Review policy to make sure that the Treasurer and other officers are in compliance.

- b. Establish appropriate standing rules or policies to satisfy insurance or bonding company.

12. File yearly tax forms with federal and state government, as appropriate.

- Most small tax-exempt organizations whose gross receipts are normally less than \$50,000 or less are required to file an electronic form 990-N on an annual basis setting forth the following information (*Tax-exempt organizations with annual gross receipts that are normally greater than \$50,000 must file a 990 or 990EZ. Private foundations must file a 990PF*):
 - The organization's legal name.
 - Any name under which the organization operates or does business.
 - The organization's mailing address and internet website address.
 - The organization's taxpayer identification number.
 - The name and address of a principal officer of the organization.
 - Evidence of the continuing basis for the organization's exemption from the filing requirements.
 - Tax year
- The IRS has developed an electronic filing system that clubs may access through the website at: www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard

13. File Yearly corporate business form with state government

14. Reconcile monthly bank statements

15. Investments of Excess Income into Interest Bearing Accounts or CDs

16. Board sets guidelines

17. Maintain records

- a. Decide on a records maintenance period. For example, clubs may decide to use the IRS guideline of seven (7) years.
- b. Decide where the records are kept
 - i. What records with the Treasurer
 - ii. What records on a read-only electronic storage
 - iii. What records/copies given to the historian or archivist

Bank Account(s) and others – Needs Board Approval

1. National vs Local Banks

- a. Parent clubs have a national-based membership. A national bank gives more opportunities for future treasurers in other locales to find nearby branches. Consider banks with branches where your members reside.
- b. Consider fees and services offered.

- c. All accounts must be in the name of the club.

Investment Accounts

1. Investment account – excess funds can be invested in longer terms
 - a. Consider interest rate
 - b. Consider when the funds become available
 - c. Consider any fines or penalties for early withdrawal
 - d. Establish a board policy on how much financial risk your investments should be? Limited to savings, money markets, CDs or higher risk options?
 - e. Funds over the amount needed for the annual operating budget could be transferred to investment.
 - f. If the investments are significant, consider establishing an Investment Committee to review the club investments. This committee will assist the treasurer and the board.

Credit Cards

1. Who has access?
 - a. Who are the authorized signatories?
 - b. Bank card issued in the name of the club
 - c. Consider secondary contact in the case of the Treasurer's absence/death/resignation.
2. Establish standard use without board approval
 - a. Items that recur yearly (Insurance, corporate filings, etc)
 - b. Items that were board approved through the budget process.
3. Establish what charges need board approval.

Checking Account

1. Consider establishing authority limits. One signature needed for checks under \$____ and two signatures for checks over \$____.
2. Two signatures on the account may make transitioning to new officers easier.
3. Who are signatories on the account? Does the board policy establish certain offices besides the treasurer?
4. All accounts must be in the name of the club

Board approval for establishment of PayPal, Square or other online services

1. Who are the authorized signatories?
2. Account issued in the name of the club
3. Consider secondary contacts and password storage in case of treasurer's absence/death/resignation
4. Protect credit card data in compliance with the Payment Card Industry Data Security (PCI DSS). See <https://www.pcisecuritystandards.org>.
5. Cyber security guidance can be found at <https://www.nist.gov/cyberframework>

Sources of Income

1. Dues – see membership section.
 - a. The Board may set different amounts for each class of membership.
 - b. Could consider multi-year discounts. Would require additional tracking.
2. Specialties – see specialty section
3. Fundraising
4. Service fees – for members. Some examples are listed below
 - a. Breeder referral listing
 - b. Ads in publications (website, newsletter, etc)
 - c. Litter listings

Major Expenses

1. Annual filing of tax documents
 - a. Independent Accounting Firm for Tax Preparation
 - b. Quick Books or other Tax Preparation Software
2. Insurance – See insurance section
3. National specialty – see Specialty section
4. Education (Judges, Breeder and Public) – See Education section
5. Club balloting – See club balloting section
6. Media/Publications – See media/publications section for more detail which includes club Website, club publication(s), FaceBook, etc.
7. How approved?
 - a. By Board
 - b. By Approved budget?

Budget

1. Ask each committee to submit an annual budget. Board then reviews and approves.
2. Budgeted expenses can be “preapproved.”

Financial Contributions

1. Formulas for determining amount of annual donation
 - a. Set amount, percentage of net assets, percentage of net income, percentage of entry fees, etc.
2. Possible affiliate organizations
 - a. Health Foundation
 - b. Rescue Organization
 - c. AKC Organizations such as AKC ReUnite, Humane Fund, etc.
3. Other
 - a. Junior scholarships

Annual Audit

1. Hire Club Member or Outside Accounting Firm
2. Note that most clubs do not perform an audit as defined by Generally Accepted Accounting Principles. Instead, they perform a review or less.
3. Establish an audit committee checklist of required element:
 - a. Who are the signatories/contact individuals on the account?
 - b. Have the bank statements been reconciled monthly?
 - c. Is the income stream adequately identified?
 - d. Do all payments have proper authorization and supporting documentation?