



Mobile Area Council Boy Scouts of America



Summaries of:

- 1) IRS Regulations, Policies & Procedures
- 2) Council & District Activity Budgeting and Purchasing Procedures
- 3) Unit Fundraising/Finance

1) **IRS Tax Regulations**

Tax Exempt Status – The basic issues regarding the tax-exempt status of Cub Scout packs, Boy Scout troops, Explorer units, and even Tiger Cub groups or Cub Scout dens are addressed in the basic concept of the charter process employed by the Boy Scouts of America reduced to the simplest terms as follows:

- a) The local council recommends that specific organizations receive a charter from the national office based on specific requirements and guidelines.
- b) These organizations vary from schools, religious organizations, civic clubs, neighborhood groups, business, industry, and others; each with a different tax status. While some may be tax-exempt under IRS Code section 501(c)(3), others may not be tax-exempt.

Important: The tax-exempt status of the chartered organization determines the tax-exempt status of their units-packs, troop, post, etc.

The national office (National Council) maintains the groups exemption status for the local Incorporated Boy Scout councils and the local council trust funds conforming to the Model Form Trust Agreement.

Annually, the employer identification numbers of the local council and local council trust funds are forwarded to the Internal Revenue Service in order to maintain the group exemption status of these designated subordinates receiving a charter from the national office.

The chartered organizations with tax-exempt status maintain their status independently from the National Council and local council. Their units' tax-exempt status will be consistent with the tax-exempt status of the chartered organization.

- c) **Is my cash or equipment donation to a pack, troop or post tax deductible?** The answer is probably not. The chartered organization (sponsor) that charters the unit must also be a non-profit organization. Packs, troops and posts do not qualify unless their chartered organization qualifies.

The Internal Revenue Service sets very specific guidelines as to tax deductibility. A non-profit must file a form 990, they must be incorporated in the state in which they meet, they must have a Board of Directors, and they must provide a current Financial Statement as needed. Many chartered organizations do not qualify as 501(c)(3) non-profit organizations. This would also include many churches that do not qualify.

Even though your contributions may be helping a pack, troop or post, in most cases your contribution is not tax deductible. When in doubt, always contact your accountant, the Internal Revenue Service or call the Council Service Center at (251) 476.4600.

- d) **Tax Deductions** – What can you deduct as a volunteer? Since we get a lot of questions about what will be tax deductible to our council volunteers, here is a quick overview of the subject (though you should always double-check these matters with your own attorney or tax advisor).

2) Council and District Activity Budgeting and Purchasing Procedures

All Council and District events must have a budget approved in advance of each activity.

The Professional Advisor or District Executive along with the volunteer chairman for the event will prepare a signed projected budget and submit it for approval.

The Professional Advisor or District Executive for each activity/event is responsible for setting the budget, purchasing items and collection of fees at all Council and District activities.

Purchase orders are required for all expenditures charged to the Mobile Area Council and must be approved in advance and signed by the Scout Executive before any commitment for purchase is made. (Items not approved by a purchase order will not be paid by the Council and will be considered a tax-deductible donation by the individual not authorized to make the purchase.)

A small petty cash fund may be set up for the activity to purchase items such as ice, charcoal and small-related program expenses for the activity. The Professional Advisor or District Executive will have access to that fund. (Fund not to exceed \$25.00 without advance approval)

There will be no out of pocket expenses made by a professional or a volunteer. All items must be approved in advance and paid by Council check.

The Three-Bid Process – Items used in activities must contain at least three bids in writing, attached, in order to conclude a purchase order. Example of items but not inclusive: patches, t-shirts, recognition, typically any expense that would be over \$75.00 for the event.

Payment of Vendors and Individuals – After an activity is complete, the actual budget must be submitted along with any check request and payment to vendors or individuals. This is to be done by the Professional Advisor or District Professional no later than three days after the event.

All items for program activities must be delivered to the Council Service Center by the vendor for count and inventory verification.

Return of Inventories, Unused Patches, T-shirts, etc. – The Professional Advisor or District Executive of the event or activity has the responsibility of returning all unused, unsold merchandise to the Service Center no later than three business days after the activity. The Scout Executive must approve any exceptions.

3) Unit Fundraising/Finance

- Unit Fundraising/Contributions – current policies of the Boy Scouts of America, article 11, section 1, clause 2: contributions shall be solicited in the name of the Boy Scouts of America only through or by the authority of the corporation and shall be limited to the national or chartered local councils. In accordance with these by-laws and rules and regulations of the corporation, youth members shall not be permitted to serve as solicitors of money for chartered organizations, for the local council or in support of other organizations. Adult members and youth members shall not be permitted to serve as solicitors of money in support of personal or unit participation in local, national, or international events. Youth members, however, are permitted to secure sponsors for council or district activities approved by the Executive Board. These approved activities may result in financial support for the local council in accordance with the by-laws and rules and regulations of the corporation.

Gambling-Rules and Regulations of the Boy Scouts of America, article 11, section 1, clause 1: Gambling – any fundraising project designated to benefit chartered organization units, districts, local councils, or on a national basis which involves games of chance, lotteries, sale of raffle tickets, bingo, or could be construed as a gambling activity is not permitted.

Unit Finance

Suggested Unit Finance Operations

- A. Unit funds must be deposited in a checking account requiring 2 signatures on every check.
 - a) Family members must not approved payment or be the second signature.
 - b) The unit leader should never be one of the signees (it is recommended that it be a committee person)
 - c) Financial institutions, including banks and savings banks, usually require an *identification number* on all accounts; therefore, units should use the number of their chartered organization or make application using IRS form SS4, *Application for Employer Identification Number*. The tax-exempt status of units is consistent with the tax status of the chartered organization, NOT the Council.
- B. Finance is the unit committee's responsibility. A treasurer is assigned and the committee chairperson should receive the bank statements to reconcile. All money received by the unit runs through the unit's checking account. Additional information on duties of the treasurer can be found in the *Pack Record Book* (No. 3819) and the *Troop Financial Record Book* (No. 6508).
- C. All unit money-raising projects must be approved in advance by using BSA form *Unit Money-Earning Application* (No. 4227).
- D. The chartered organization should audit the unit finances annually and make this data available to the membership of the chartered organization (part of the chartered organization's responsibility is to oversee the unit's finances).
- E. It is recommended that the unit leader have a petty cash fund (the limit set by the unit committee), which is accounted for with receipts each month.
- F. It is recommended that units have a unit account at the local council service center (council office).
- G. All unit funds (including den and patrol) must pass through the bank account; this includes but is not limited to dues, fundraising, sales and gifts.

All help of any kind at any level is sincerely appreciated and needed. You can feel good that you did your part to bring a better Scouting program to over 14,000 young people.

**Please feel free to call the Council Service Center with any questions.
(251) 476-4600**