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TALK ABOUT BONALTY

\$20 / day 10K max per return

THE LIONS CLUB FINANCIAL STRUCTURE

1. Administrative

A. Formed under Internal Revenue Code Section 501(c)(4)

1. Income

- a. Dues
- b. Fines
- c. Advertisement revenue
- d. Rental fees
- e. Other individual Lions contributions

2. Expenses

- a. Public projects
- b. Internal Lions use such as meeting and convention expenses, incorporation fees, audit fees, newsletters, bulletins, and other club administrative expenses

2. Public/Activity (Foundation)

B. Formed under Internal Revenue Code Section 501(c)(3)

1. Income

- a. Net earnings of income raised from activities open to the public
- b. Public contributions
- c. Bequests
- d. Money accumulated from invested public funds

2. Disbursements

- a. Must be used for the benefit of the public
- b. No part of the net earnings funds raised from the public shall benefit any individual Lions member or other private individual or entity.



## **(B) Use of Funds Policy**

**General Policy on Funds Raised from Lions Clubs Activities.** Funds raised from the public must be used for the benefit of the public and community in which the Lions Clubs serve. The International Constitution and By-Laws and Articles of Incorporation (the "governing documents") provide that chartered Lions clubs shall be not-for-profit of the individual club or its individual members. Consequently, no part of the net earnings of funds raised from the public shall benefit any individual Lions member, or other private individual or entity. These policies are intended to provide guidance for clubs to meet the purposes of the International Association of Lions Clubs. Key in determining the proper use of funds is considering transparency to the public and developing trust from the community in which the Lions operate. How Lions use funds must meet the legal and tax requirements for the local jurisdiction in which they operate.

- a. **Definition of Public/Activity Funds.** Funds raised from the public are the net earnings of income raised from activities open to the public, public contributions, bequests and money accumulated from invested public funds.
  - b. **Definition of Administrative Funds.** Administrative funds are contributions from Lions through dues, fines, advertisement revenue, rental fees and other individual Lions contributions. These funds may be used for either public projects or for internal Lions use such as meeting and convention expenses, incorporation fees, audit fees, newsletters, bulletins and other club and/or district operating and administrative expenses.
2. **Direct Expenses of Fundraiser.** Direct Expenses of a public fundraiser may be deducted from the proceeds of the fundraiser to replenish the administrative funds used to hold the fundraiser.
3. **Lions Property.** A percentage of the net proceeds from funds raised through the use of property owned by Lions clubs and districts may be used toward the operating and maintenance expenses of the property under the following guidelines.
- a. Property Used for Public Purposes. Expenses for operating and maintaining the property may be paid from public funds to support the use of the property for the public.
  - b. Property Used for Administrative Purposes. Expenses for operating and maintaining the property must be paid from administrative funds if the use is for the benefit of the Lions.
  - c. Mixed Use of Property. When Lions property is used for both public and administrative purposes, then a pro-rata percentage of the expenses may be paid from public funds related to the percentage of use of the property by the public. For example, a Lions Club House that is used 20% of the time for the public may use public funds to offset 20 % of the expenses of maintaining and operating the property.
4. **Political Activity.** As a non-partisan charitable organization, Lions Clubs and Districts (single, sub- or multiple) cannot contribute public or administrative funds to support or endorse an elected official or candidate for local, state, federal or foreign office.



## USE OF FUNDS GUIDELINES

These guidelines are intended to assist Lions members, clubs and districts (single, sub- and multiple) in following the Use of Funds Policy adopted by the International Board of Directors. These guidelines are a supplement to the Use of Funds Policy, and are not intended to replace the policy adopted by the International Board of Directors. Lions are encouraged to review the described Use of Funds Policy in detail and may be found on the Lions Clubs International website [www.lionsclubs.org](http://www.lionsclubs.org) or by contacting the Legal Division at [legal@lionsclubs.org](mailto:legal@lionsclubs.org) or by calling 1-630-203-3847. ***It should be noted that these guidelines are not intended to constitute legal or tax advice.*** The following questions and answers are typical questions and answers for non-profit organizations, but may not be accurate under every local law which may have different requirements. For additional questions and advice about the use of funds and the laws in your jurisdiction, please consult local legal counsel or tax professionals for advice.

### Typical Questions & Answers

#### **Property**

- 1. A Lions Club raised funds from the public to build a community center. May the building be used for Lions meetings as well as for the community?**  
Yes, so long as the building is primarily used for the community, the club may still use the building for its own meetings.
- 2. Our Lions Club owns a building that was donated to it from the city. May we rent the building and keep the proceeds for our Administrative Account?**  
It depends on the circumstances in which the building was donated and whether there were any restrictions on the use of the building. However, it is possible to use the funds from rental income from a Lions owned building for use in the Administrative account.
- 3. The Lions Club owns a building and permits the local Boy Scouts (or other community related group) to use the building free of charge. May we use funds from the public account to clean the building after the use by such organizations?** Yes, you may use public funds to offset direct expenses for the public use of the building.
- 4. Our Lions Club owns a multi-use building where we hold public fundraisers, donate use of the building for other community organizations, charge rent for private events and hold Lions meetings. Can we use public funds to offset**

**the cost of maintenance and upkeep?** Yes, you can use a pro-rata share of the public funds related to the percentage of the use of the building by the public.

5. **The Lions Club maintains a public park. May we use public funds for maintenance of the public park?** Yes, because the park is for the use of the public, public funds may be used to maintain it.
6. **Our Lions Club owns a Clubhouse and we want to sell it. Are the proceeds from the sale considered public funds?** The dissolution of a club property must be done in accordance with the local laws of the jurisdiction in which a club is located. Many jurisdictions have specific requirements depending upon the nature of the organization. Therefore you should seek local legal guidance for the particular local requirements, if any, that are applicable. Generally, if publicly raised funds were used to acquire and/or maintain the property, the proceeds from its sale are considered public funds. If administrative funds were used to acquire/maintain the property, the members may have a legal claim to a prorated share of the property/proceeds or else the property/proceeds may be used for public funds.

#### **Operating Expenses**

7. **Our Lions Club purchased directors and officers liability insurance with the crime/fidelity (Bond) coverage to protect the officers of the club and to protect the club from losses as a result of fraudulent acts. What funds may be used to purchase this insurance?** This insurance coverage is considered an administrative expense and must be paid from administrative funds.
8. **Our Lions Club purchased excess umbrella liability and liquor liability insurance for our annual fundraiser. What funds may be used to purchase this insurance?** This insurance is a direct cost of the fundraiser and therefore public funds may be used.
9. **Our Lions Club purchased Accident Insurance under the supplemental insurance program. What funds may be used for this expense?** Accidental insurance coverage is an administrative expense and therefore must be paid with administrative funds.
10. **Our Lions Club is thinking about incorporating our club. May public funds be used for legal and filing fees necessary for incorporation?** No, this is considered an administrative cost and should be paid out of the Administrative Funds.
11. **Our Lions Club has decided to create a separate Lions foundation. May we use public funds for the start-up costs of creating the legal entity?** No, this is an administrative expense and must be paid by administrative funds. However,

public funds could be donated to and for the use of the Foundation to further the Foundation's own charitable purposes.

12. **Our Lions club received a large bequest and would like to create a permanent endowment for scholarships. What funds can we use for the expenses related to setting up the endowment as well as ongoing fees for managing the endowment?** Generally, the operating expenses of the endowment may be paid from the corpus of the endowment. However, the laws related to endowments and whether the funds of the endowment may be used toward operating expenses vary depending on jurisdiction, and therefore you will need to seek local legal and/or tax counsel for advice.
13. **Our Lions Club has purchased property insurance for our Clubhouse which is used as both for the benefit of the club and for the use by the public. May public funds be used for purchase of this insurance? A pro-rata percentage of public funds related to the percentage of public use may be used to purchase the insurance. For example, if the building is used 60% of the time for the public, then 60% of the cost of the insurance may be paid by public funds.**

#### **Benefits to Lions or Family Members**

14. **A member of our Lions Club recently lost their house due to a fire. May we use public funds to assist him?** Use of public funds to benefit a member of the Lions club is not permitted. However the individual club members may donate to the member personally to assist him.
15. **The sister of one of our Lions Club members recently lost their house due to a flood. May we use public funds to assist her?** Use of public funds may not be used to personally benefit a Lion. So long as the member will not personally receive a financial benefit from the transaction, a family member who is not a dependent may be eligible to receive public funds from the Club.
16. **Our town recently suffered a devastating flood and many of the Lions as well as the community at large suffered extensive loss to their homes. May we use public funds to assist the community which would include affected Lions?** Use of public funds may be used to assist the community including affected Lions members in the case of disasters so long as the members meet the same eligibility criteria established for the disbursement of funds and assistance.
17. **We have a member of our club that needs a heart transplant. May we hold a fundraiser in his name to raise money for the financial hardship of the medical procedure?** No, this is considered a private benefit to a member. However, individual club members may donate to the member personally to assist him or ask others to donate personally to him.

18. **We have a member of our Lions Club that has recently lost her job and is experiencing financial hardship. May we loan her money from public funds to assist her?** No, this is considered private benefit to a member of the Lions.
19. **Our Lions Club wants to establish a scholarship fund for children or grandchildren of Lions members. May we raise funds from the public to support this fund?** Use of public funds may not be used to personally benefit a Lion. So long as the member will not personally receive a financial benefit from the transaction, a grandchild of a member who is not a dependent may be eligible to receive public funds from the Club. If the club wanted to establish a scholarship for the public at large, they could include family members as well as the public so long as the recipients meet the qualifications and are selected by a group (such as the school) outside of the control of the Lions Club.

#### **Public Fundraisers vs. Private Lions Fundraisers**

20. **Our Club is holding a Golf Tournament and we are selling tickets to Lions and the public. Lions receive a blue ticket and members of the public receive a yellow ticket. May we use the proceeds from the ticket sales to the Lions (as evidenced by the blue ticket) for our administrative funds?** No. Once the event is open to the public, all the proceeds are considered public funds.
21. **We are having a Lions dinner open to all Lions Clubs in the District. May we use the proceeds from the sale of the tickets to the dinner for our administrative funds?** Yes. As the event is limited to Lions members, the proceeds may be designated as administrative funds as well as public funds.
22. **Our Lions Club is working the vending area at the local football game and is getting paid a percentage of the sales by the stadium. May we designate our payment as administrative funds?** Yes, so long as this is the agreement between the stadium and your club and no Lions name or logo is displayed in working the event through signs or clothing.
23. **May our Lions Club accept a personal bequest from a member of the public (non-Lion) to be designated administrative funds?** Yes, if the bequest was received with specific directions to be used for the administrative purposes of the club.
24. **Our Lions Club wants to raise money to build a new Lions Clubhouse. If we advertise that the money is to be used for the clubhouse and will be used for our administrative fund is that okay?** No. If the clubhouse is going to be used primarily for the private use of the Lions, then the funds must come from the Lions and not the public, regardless of how it is advertised.
25. **A Lions Club sponsors an event such as an antiques shows. It obtains the space and arranges for appraisers to render opinions as to the value of items**

**brought in by Lions and non-Lions. Either a flat fee or fee per item will be charged for the appraisal and the Lions will receive a percentage of that fee. Where can the funds be used?** This is a Lions event for the public, and therefore the net proceeds of the event are considered public funds.

26. **A Lions Club provides free food for participants (and is recognized for it) in a fundraiser for a non-Lions cause, such as the Cancer Society 5K Race. Some participants want to make donations for the food. If the club puts a donation box on the table, what must be done with the donations? What if people just hand the club money with no directions?** Regardless of whether the funds are donated through a donation box or handed personally to the Lions by participants, the funds are considered public funds. Note, that the expense for the food purchased for the race could be paid from the Club's public funds in this particular circumstance.

#### **Interest/ Investment of Public Funds.**

27. **If our Lions Club invests our public funds, would we would be able to use the interest for administrative costs?** No, the interest raised is considered public funds.
28. **How long can our Lions Club invest public funds before spending it?** The funds should be spent within the same year received unless they have been designated for long term projects.

#### **Other Questions:**

29. **Our Lions Club sells advertisements in our Calendars. May we use the proceeds from the sale of advertisements as administrative funds?** Yes, however, the revenues from the sale of advertisements may be considered unrelated business income and may be subject to federal and/or state income tax. Please consult with a local tax or legal advisor for additional information regarding unrelated business income.
30. **Can the administrative funds and public funds be maintained in the same checking account?** Yes, so long as there is a detailed accounting of deposits and expenditures for each fund.
31. **Our Lions Club sponsors a Leo Club. May we use public funds for the charter of Leo Clubs?** Yes, a Leo Club is considered a project of the Lions Club and therefore the funds for supporting the Leo Club may be public funds.
32. **We would like to send the members of the Leo Club to the International Convention. May we use public funds to offset the registration and travel**

expenses for the students going to the convention? No, this is considered a private benefit to Leos and Lions.

33. **Can public funds be used to recognize a club member with a Melvin Jones Fellowship?** Yes, the Melvin Jones Fellowship (MJF) recognizes donations of US\$1,000. A club and/or district (single, sub- and multiple) may donate public funds to LCIF and recognize a member of the club as an honor.

**Summary Chart**

<b>How Funds Are Raised</b>	<b>Use for Public Projects? (Activity Account)</b>	<b>Use for Administrative Expenses? (Administrative Account)</b>
<b>Administrative</b> – dues, rental fees, fines, advertisement revenue	Yes	Yes
<b>Public</b> – any fundraising event open to the public, public contributions and bequests	Yes	No *
<b>Interest</b> – accumulated investments from money received from the public	Yes	No*
<p><i><b>Direct Expenses of Fundraiser.</b> Direct Expenses of a public fundraiser may be deducted from the proceeds to replenish the Administrative Account for funds used to hold the fundraiser.</i></p> <p><i><b>Lions Property.</b> If the Lions Club (or District) owns property that is used to meet the needs of the community at large, a pro-rata percentage of the proceeds from funds raised through use of the property may be used toward the operating expenses of the property.</i></p>		