



# Northern Lights District Unit Financial Operations



15 October 2013

**Scope:** This document prescribes guidelines, policies and procedures governing unit financial operations. This information has been assembled from national and local council sources. The purpose is to provide a basic framework for units to develop their own financial policy. The Chartered Organization has the final approval authority concerning unit fees and financial operations.

## Financial Guidelines

**Tax Identification Number:** All Scouting units need to have a Tax Identification Number. This is also referred to as an Employer Identification Number, EIN. If allowed, units may use the EIN of their Chartered Organization. Never use the social security number of an adult leader as the unit's EIN. Units may obtain their own tax identification number by submitting IRS form SS-4. There is no fee. The form may be obtained at [www.irs.gov](http://www.irs.gov). Numbers can also be obtained over the phone from the IRS tax ID hotline at 800-829-4933.

**Group Tax Exemption:** The BSA National Council restricts the use of its group exemption to use by councils only. Individual units are prohibited from using numbers assigned to the local council.

**Tax Exempt Status:** Each scout unit shares the same tax exempt status as their Chartered Organization. Units may be fully tax exempt, such as those chartered by a religious organization, or they may be fully taxable if chartered by a commercial venture. This is determined on a case-by-case basis. If a Chartered Organization is tax exempt, then the Scouting Unit should use tax exempt numbers provided by the Chartered Organization.

**Tax Filing Requirements:** Most Scouting units have no requirement to file an annual tax return. Unit Committees may be asked to provide financial information to their Chartered Organization to support their tax filings. Units will provide any information requested by their Chartered Organization.

**501(c)(3) Charity Organizations:** Individual Scouting Units are strongly discouraged from obtaining tax exempt status on their own. Units share the tax

exempt status of the Chartered Organization. Units with their own tax exempt, charity status must file an annual tax return with the IRS. If their annual gross receipts are less than \$25,000, then they must file an IRS form 990-N postcard. If gross receipts exceed \$25,000 then these units must file IRS form 990 or 990EZ. Filing of tax returns is a unit's responsibility.

**Unit Charter Certificates:** Each year all Scouting units receive a new charter certificate from the council registrar. This certificate is the property of the Chartered Organization. It is their formal receipt and proof of ownership for each Scouting unit they sponsor. This document is to be presented to the Charter Organization at a suitable ceremony by the Unit Leader or Unit Commissioner. This document may have tax implications for the Chartered Organization.

**Unit Property:** All property used by a scout unit is the property of their Chartered Organization. Units should coordinate their equipment needs with their Chartered Organization. Unit fundraising activities for the purpose of financing equipment purchases should be approved by the Chartered Organization.

**Property Insurance and Registration:** It is the responsibility of each Chartered Organization to determine the need for insuring the property used by a scouting unit. Vehicle registration, such as trailers and water craft, is also a Chartered Organization responsibility. Limited use vehicle registration is most cost effective.

## **Financial Policies**

**Fiscal Year:** All scouting units shall program their finances on a fiscal year based on the calendar year.

**Fundraising:** All fundraising activities engaged in by a unit must be approved in advance by their Chartered Organization and the local council. An approved Unit Money Earning Application should be on file with the unit treasurer for all unit level fundraisers. Council sponsored fundraisers, such as popcorn or camp cards, are preapproved by the Council's Executive Committee.

**Bank Accounts:** All scout units are required to have a checking account. All unit funds must pass through the bank account. Exceptions to this policy may be funds collected by Council/District members at Friends of Scouting presentations or registration fees collected at youth recruitment events, where the funds are taken directly to the Council by the Council/District member. Units may also hold savings accounts with the approval of their Chartered Organization.

**Unit Checks:** Checks used by all Scouting units should require two signatures. The unit treasurer and a designated committee member should sign each check. Parents of scouts should not sign checks that directly benefit their own child or themselves.

**Annual Audit:** Chartered Organizations should audit the financial records of their sponsored units annually. Units should submit a financial summary to their Chartered Organization quarterly.

**Solicitations of Funds:** Units are not permitted to solicit funds outside their Charter Organization. Individuals or organizations may make donations to support unit operations on a voluntary basis.

**Gambling:** All scouting units are prohibited from engaging in any gambling activities. This includes raffles, lotteries, bingo and the like.

**Funds on Deposit at Council:** Units are encouraged to keep funds on deposit at the local council to support Scout Shop purchases, paying camping and activity fees, and paying other incidental expenses with the local council. This is not mandatory.

**Gifts and Donations:** Anyone can contribute to a Scout unit directly. Donations cannot be made to the local council and then passed along to a unit. This is prohibited by the IRS. Local councils may hold funds for units in separate accounts that can then be drawn down by the unit. This is at the discretion of the local council. Employee incentive awards and volunteerism grants usually cannot be made to individual units either. Typically only 501(c)(3) charities can receive such gifts. Religious institutions are not eligible either. They can be made to the council however. This includes Friends of Scouting fund matching as a council gift or donation.

**Wearing of Scout Uniform:** Scouts are prohibited from wearing their official Scout uniform while fundraising unless approved in advance by the Council's Executive Committee. Scouts may wear their unit activity uniform. Popcorn and Camp Card sales are an approved council fundraising event and the wearing of uniforms is permitted. Units may request the wear of uniforms during unit fundraisers when they submit their Money Earned Application.

**Registration Fees:** Annual registration fees, both individual and unit, are set by the National Council and are paid to the National Council. The local council receives no part of these fees. The current annual registration fee for individuals is \$24.00.

These fees are prorated at \$2.00 per month for partial year registration. Boy's Life magazine subscriptions are also paid directly to the National Council at a rate of \$12.00 annually. Boy's Life subscriptions are prorated at \$1.00 per month. Single month subscriptions are not allowed. The current unit registration fee is \$40.00. This fee covers the unit's annual liability insurance.

## **Financial Procedures**

**Unit Financial Responsibilities:** Stewardship of all unit funds is the responsibility of the Committee Chair. The Committee Chair may appoint a Unit Treasurer to assist in the accountability of funds and in maintaining unit financial records. The person selected to serve as Unit Treasurer must be approved by the Chartered Organization.

**Unit Financial Policies:** Each scouting unit should adopt a written financial policy that reflects the needs of their specific unit. The Chartered Organization should be consulted in developing unit policies to ensure their needs are met as well. The Chartered Organization is required to approve the financial policies of their units.

**Financial Records:** All scouting units will maintain auditable financial records for a period of at least five years unless their Chartered Organization requires a longer duration. Units are encouraged to make copies of all sales receipts for long term preservation of data as they tend to fade over time.

**Unit Dues and Fees:** Units may set their own amounts for annual dues to assist with administrative costs and activity fees. These dues and fees are in addition to the annual registration fees which are paid to the Council. Dues and activity fees are paid into the unit's operating budget. The Chartered Organization should approve the amounts charged to the members of their units.

**Scout Accounts:** Proceeds from individual Scout fundraising, profit-sharing from unit level fundraising or individual donations earmarked for an individual Scout will be held in trust by the unit. These funds will be accounted for by maintaining individual Scout accounts. Scout account funds may be applied to offset activity fees, or the purchase of items, such as individual camping gear and uniforms, as approved by the unit committee. The unit will maintain Scout account balances as part of their unit financial report. Balances will be made available to the Scout and parents.

**Disposition of Scout Account Funds:** If a Scout transfers from one Scout Unit to another, his/her residual account funds will transfer with the Scout. If a Scout leaves the Scouting program, any residual funds left in the Scout account shall be transferred to the general operating fund of parent unit.

**Transfer of Funds between Units:** Any funds transferred between Scouting Units must be done through each unit's bank accounts. No cash is to exchange hands. This is most commonly done when a Scout leaves one unit and transfers to another unit. Once the Scout's financial obligations are met with the losing unit, the Unit Treasure will prepare a check for any residual scout account funds payable to the gaining unit. No funds will be given directly to a Scout or Scout family. This should be accomplished within 30 days of the Scout's transfer.

**Petty Cash Fund:** Units are encouraged to provide their Unit Leader with a small petty cash fund for incidental expenses. The amount is to be determined by the unit committee but should not exceed \$40.00. This account should be reconciled monthly with any sales receipts being provided to the Unit Treasurer.

**Budget Planning:** All Scouting units are responsible for developing an annual operating budget that supports the activity plan of their unit. This budget should include; cost estimates per activity; programed donations, such as reoccurring Chartered Organization contributions, if any; and fundraising needs. Budgets should also address any training expenses that the unit will incur during the program year. This is a prime responsibility of the Unit Committee.

**Unit Financial Software:** Units are encouraged to develop whatever tools they deem appropriate to account for their funds. All financial tools should be approved by the Chartered Organization. Third party software packages specifically tailored to the needs of Scouting units are available. Pack Ledger and Troop Ledger are both noteworthy and have been endorsed by the National Council. Working demonstration versions are available for free trial at [www.troopmaster.com](http://www.troopmaster.com).