

Rotary International District 9685 Inc.

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28 September 2019

 Managing Rotary Club Accounts

#  Club/Administration v Service/Charitable Account Management Guidelines

These guidelines have been prepared to assist clubs when making decisions to allocate income and expenses to the club/administration account or the service/charitable account. Clubs use different terminology for these accounts. In the remainder of these guidelines they will be referred to as the Administration Account and the Service Account respectively.

It is not possible to set guidelines for all situations. Clubs should make decisions in the spirit of these guidelines. Clubs may also contact the District Treasurer to discuss their situation.

# Rotary and Legislative Requirements

Maintenance of complete, up to date, and accurate financial records and reporting as required by Rotary and legislation are assumed and are not the focus of these guidelines.

 Standard Club By-laws

Standard club by-laws article 11(2)(a) states

*The Treasurer shall deposit all Club funds in a bank named by the Board. The Club funds shall be divided into two separate parts: club operations and service projects.*

 Rotary Brand

Rotary is known for giving 100% of money raised to Charity or to be used on our own Rotary programs or projects. To ensure there is NO chance of community misunderstanding - their intuition is always that we raise money for charitable purposes - it is important that we stay with the traditional understanding that all money raised from the public is for the Service Account. We should not risk image damage through community misunderstanding.

 NSW Authority to Fundraise

NSW Fair Trading issues the authority for charitable fundraising under the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulation 2015. Charitable Fundraising Authority Conditions are set out on the NSW Fair Trading website. For purpose of these guidelines, attention is drawn to section 7 set out below.

*7. Ratio of expenses to receipts*

1. *An authorised fundraiser conducting a fundraising appeal for donations only (that is, without any associated supply of goods or services) must take all reasonable steps to ensure that the expenses payable in respect of the appeal do not exceed 50 per cent of*

*the gross income obtained, whether the appeal is conducted house-to-house, in a public place, by telephone canvassing or in any other manner.*

1. *An authorised fundraiser conducting a fundraising appeal otherwise than for donations only (that is, with associated supply of goods or services) must take all reasonable steps to ensure that the expenses payable in respect of the appeal do not exceed a fair and reasonable proportion of the gross income obtained.*

We emphasise Note 2 above – “to ensure the expenses payable do not exceed a fair and reasonable proportion of the gross income.”

# Assets

Any asset, whether it has a value on the balance sheet or not, must be allocated either to the Administration Account or the Service Account. Any residual value of the asset realised on sale is then allocated to the nominated account. Similarly, on-going costs to maintain these assets are to be allocated to the nominated account.

Assets should normally be purchased by, and held in, the Administration Account. However, assets should be held in the Service Account if:

* 1. the asset has been purchased for Service project purposes and it is necessary to use Service Account funds to make the purchase, or
	2. an asset has been purchased for service project purposes using a government or private sector grant received for that purpose.

# Events - Service or Administration

A club event, such as Changeover, Christmas party, club social function, may include invited non-club members, but it is not advertised to the general public. Such events should be processed through the Administration Account.

Service projects at which the club raises income (either directly as the function organiser or indirectly as a service provider) and which are advertised or available to the general public

 **must** be handled through the Service Account. No portion of the funds raised are to go to the Administration Account. Clubs should also advertise where the funds are going (for example “Rotary Community Projects”) if at all possible.

# Income/Expenditure

Treatment of income and expenditure follows the considerations discussed above and may be summarised in the 3 rules of thumb below:

* Rule of Thumb 1

All income/expenditure related to an event must go through the same account, either the Administration Account or the Service Account; they cannot be split between the Administration Account and the Service Account.

* Rule of Thumb 2

If an income or expense relates to the administration of the club, it is allocated to the Administration Account; if it relates to funds raised from a service project it is allocated to the Service Account.

* Rule of thumb 3

A club may use funds from the Administration Account for service or charitable purposes, but it cannot use funds from the Service Account for the purposes of club administration.

# Examples

These examples are intended to guide clubs in situations where the rules of thumb above are open to varying interpretations. These examples are not exhaustive.

 Example 1

No funds raised from service projects can be allocated to the Administration Account as a charge for members (and non-members) efforts in organising or working on a service project.

 Example 2

Indirect expenses are usually associated with the on-going costs of club assets. A question often asked is whether indirect expenses associated with assets held in the Administration Account for service project purposes can be charged to the Service Account. A club’s barbeque trailer is a good example. Indirect expense would include registration and insurance, repairs and maintenance, storage (if not free) and depreciation (if using an accrual accounting system). It is recommended that these costs be met from the Administration Account, and not charged to the Service Account.

 Example 3

For assets held in the Service Account, indirect expenses should be allocated to individual service projects on a reasonableness basis where required.

 Example 4

Funds raised from provision of services to a private function should normally go through the Service Account. The exception is a private function where it is made clear in writing and agreed by those running the function that all moneys will go to the administration of the club.

 Example 5

A container was purchased to store extra goods for sale for an on-going existing service project. It was purchased using existing Service Account funds. No grant was involved, and the cost was greater than could be financed through the Administration Account. The club considered the purchase was not going to impinge on existing levels of giving or commitments to the community. The asset is expected to raise substantial additional funds, much more than required to fund the cost of the container. District is of the view

that it is reasonable to purchase the container as a Service Account asset and charge depreciation (if using an accrual accounting system) to the Service Account.

 Example 6

The community service project was financed by sponsorship and budgeted to break even. It was made clear to the sponsors that any surplus would be transferred to the club Administration Account. District would prefer no such agreement with the sponsors and any surplus be donated back through the community.

1. **Not following Guidelines**

It is recommended that clubs follow the guidelines and recommendations above. When deciding n ot to follow the guidelines, a club must document its decision including

* 1. an assessment of the risk to the Rotary brand
	2. its compliance with legislation
	3. that expenses are reasonable and proportional, particularly indirect expenses. As a guide indirect expenses should not be more than 30% of direct expenses and total expenses not more than 50% of gross income.