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**Financial
Responsibilities
Of A Pilot Club To
Pilot International
And The District**

Financial Responsibilities Of A Pilot Club To Pilot International And The District

International Initiation Fee - US \$25.00 Per Member

An initiation fee of US \$25.00 will be paid to Pilot International for each active member upon acceptance of membership in club. *(The \$25 International Initiation Fee will be waived for all former Anchor members. Local clubs will determine the local initiation fee for all new members.)*

International Dues - US \$50.00 Per Member

Annual international dues are US \$50.00 per member. Dues for new members are pro rated (see Treasurer's Duties in Club Officers and Division Leaders section of this manual). Club determines local dues.

Dues for each member must be paid in advance to Pilot International by every chartered club in accordance with the Bylaws.

Note: Dues are not tax deductible as a charitable contribution.

Liability Insurance - US \$4.00 Per Member

Each member, in clubs in the United States and Canada, pays annually for liability insurance. Payment is made with the advance payment of international dues.

Representation at Conventions

The Pilot International Bylaws state that each club should be represented at the annual district and international conventions. (Number of club delegates and alternates is specified in the Bylaws.) Transportation expenses and registration fee for one delegate to each convention will be paid from the club treasury and will be included in the annual club budget. The club itself decides whether or not to pay for the individual's lodging expenses and per diem. Each club, from the first anniversary of its charter date, will pay a minimum of one registration fee for each international convention of Pilot International. Late registration fees will be an additional 50% of the current registration fee. Headquarters will supply a list of delinquent registration fees to District Governors for District action. The delegate for a Pilot Club must be a member of the club they represent at the International Convention. For those holding dual membership, they may serve as delegate only for the club through which they pay international dues.

Pilot International Club Directory

Each club pays \$6.00 per year to Pilot International for the club's listing in the official Club Directory. **2008-2009 Club Officers' Form must be sent to PI Headquarters by May 1.** (New clubs are not required to pay the first year.)



**Financial
Responsibilities
Of A Pilot Club
To Pilot
International
And The
District**

District Dues

District expenses are financed by district dues paid by each member. The district budget may include any expenses approved by the district.

Official Visit of District Officer

The Pilot Club to which the District Governor, the Governor Elect or a Lt. Governor is making an Official Visit is expected to defray expenses with the exception of transportation and costs of personal items. Expenses to the club could include single room in hotel or motel and breakfast the next morning.

Miscellaneous Expenses

Each club is encouraged to contribute to the Pilot International Foundation and Pilot International special appeals.

The District or International Officer as a Member of a Pilot Club:

A District or an International officer has the same privileges and responsibilities as any other member of the Pilot Club, such as:

- Pays regular dues and serves on a club division.
- Does not expect to be consulted concerning club, district, or international activities any more than any other active member.
- Is knowledgeable about Pilot International Policies and Bylaws, and if consulted by the club of which the officer is a member, a specific and adequate reply would be expected.

Special Invitations to PI and District Officers to Participate in Club Activities:

PI Officers, District Officers, and Headquarters Staff appreciate receiving invitations to speak at special club meetings such as anniversaries, Civic Nights, Installations of Officers, etc.

The invitation should be issued as early as possible to avoid scheduling conflicts.

Expenses to be paid by the Pilot Club issuing the invitation are:

- Cost of airline ticket, if travel requires flying or mileage when driving (.38 cents). (1/08)
- Lodging and Meals

These expenses should be considered when planning begins and included in the club budget.

Visiting Other Clubs:

When traveling, Pilots often visit cities where other clubs exist. Visiting other clubs is a rewarding experience. However, Pilots should always pay their own way when visiting other Pilot Clubs or members.

Clubs are expected to pay all bills promptly within 30 days.



THE BUDGET

THE BUDGET

A well-planned and correctly prepared, workable budget is the foundation of a successful club operation.

The Budget:

- Is a plan of anticipated receipts and disbursements approved by a club for the next year.
- Should represent practical estimates of the club's financial needs for the next year.
- Should be a challenge to the club membership, yet realistic.
- Indicates the worthy intentions and programs of a successful service club more than any other club document.

Members of Club Budget Committee:

The treasurer serves as chair of the Budget Committee and committee members include the President (activities director), the President Elect (program director), Vice President (optional) and the Fund Raising Coordinator.

Pre-Planning by Chair (Treasurer):

Study resource materials listed under "Responsibilities of Budget Committee."

Attend the briefing session for division coordinators.

May attend division planning meetings called by coordinators.

Obtain requests for funds to be included in the proposed club budget from each division coordinator following the division planning meetings.

Obtain anticipated receipts for fund raising activities from the Fund Raising Coordinator.

Compile a worksheet for preparing the proposed budget. Worksheet should be developed for use at the first meeting of the Budget Committee.

Call a meeting of the Budget Committee to prepare the proposed club budget. (Allowing time for possible revisions.)

Responsibilities of Budget Committee:

- Read and know Pilot resource materials:
 - Pilot International Bylaws
 - Handbook for Club Officers
 - Official Publications
(THE PILOT LOG and the Flagship.)
 - Resources for Clubs and Districts (Club Manual)



THE BUDGET

- Evaluate the club's current income and expense statement.
- Study policies, club standing rules, budget requests, planned service projects and the club's goals.
- Prepare a proposed club budget showing estimated receipts, operating and project expenses.
- Evaluate the amount of club dues, especially if there has not been a change in years, and make recommendations to the Executive Board if a change is needed.

The Budget Should Include:

- A. Required Operating Expenses** (according to Pilot International Bylaws)
Bills Payable
Dues - International, District and Club
Initiation Fees - International and Club
Pilot International and District Convention Expenses (*per PI Bylaws/Club Standing Rules*)
District Officer for Official Visit
Club Directory
Items listed in Club Standing Rules

NOTE TO U.S. CLUBS: Per IRS regulations, funds for operating expenses must come from dues and fund raising activities not designated for specific service projects.

- B. Projects**
Service Project(s)
Pilot International Foundation

NOTE: *These funds are derived from fund raising activities for the benefit of service projects.*

C. Follow-through by Chair (Treasurer):

1. Prepare the final draft of the proposed club budget for approval by the Executive Board and club membership.
2. Before the budget is presented to the Executive Board for approval, advise each division coordinator of any changes made by the Budget Committee regarding their division's budget request.
3. Attend the meeting of the incoming Executive Board which is held at least two weeks prior to the first club business meeting of the year. Present the proposed budget for approval or correction by the Executive Board.



THE BUDGET

4. Make changes approved by the Executive Board to the proposed budget.
5. Present the proposed budget (as approved by the Executive Board) for approval of the club membership at the first business meeting of the year.

Important: *Give a concise explanation of budget items. Be enthusiastic and make special efforts to impart that enthusiasm to club members!*

6. Furnish each member of the club and PI Headquarters a copy of the approved club budget. (May be included in a club yearbook, if one has been compiled.)
7. Schedule regular meetings of the Budget Committee to evaluate the club's financial status and recommend any advisable changes to the Executive Board.
8. Report the financial status of the club at each meeting of the Executive Board, and at each business meeting of the club. This gives the membership a concise report on what is being accomplished.

SAMPLE CLUB BUDGET FOLLOWS

NOTE: The Pilot International Bylaws require the club to budget and pay from its treasury transportation expenses and registration fee for at least one delegate to District and International conventions. The amount budgeted for the District Convention may be divided among the delegates to that convention. Consult the District and Club Standing Rules for other club obligations.

The following sample budget is a guide for the club's Budget Committee. The amounts and items are EXAMPLES ONLY. The amount of the budget will vary in each club.



SAMPLE PILOT CLUB BUDGET

THE BUDGET

(Fiscal Year (Date) through (Date))

	<u>OPERATING</u>	<u>PROJECTS</u>	<u>BUDGET</u>
RECEIPTS			
Dues (\$8 x 12 mos. x 35 members)	3,360.00		3,360.00
Initiation Fees (\$30 x 3 new members)	90.00		90.00
PIF Pacesetter (\$5 x 35 members)		175.00	175.00
Fashion Show		1,200.00	1,200.00
Profit - Sale of Pecans, Cakes, etc.	1,775.00		1,775.00
Hospital Aid Equipment	100.00		100.00
Fund Raising Projects (itemize)		<u>1,500.00</u>	<u>1,500.00</u>
TOTAL RECEIPTS	<u>\$ 5,325.00</u>	<u>\$ 2,875.00</u>	<u>\$ 8,200.00</u>
DISBURSEMENTS			
<u>Pilot International</u>			
Dues & Insurance (\$53 x 35 members)	1,855.00		1,855.00
Initiation Fees (\$25 x 3 new members)	75.00		75.00
International Convention (delegate)	800.00		800.00
Club Directory Listing and Corporation Fees	<u>10.00</u>	—.	<u>10.00</u>
	\$ 2,740.00		\$ 2,740.00
<u>Pilot International Foundation</u>			
Club Donation for PIF Grant Goal		250.00	250.00
PIF Pacesetter (\$5 x 35 members)	—.	<u>175.00</u>	<u>175.00</u>
		\$425.00	\$ 425.00
<u>District</u>			
Dues (\$6 x 35 members)	210.00		210.00
District Convention (3 delegates)	150.00		150.00
Gift-Retiring Governor	1.00		1.00
Fall Council (representative/delegate)	75.00		75.00
District Council Representative's Expenses	<u>50.00</u>	—.	<u>50.00</u>
	\$ 486.00		\$ 486.00
<u>Local</u>			
Past President's Pin	115.00		115.00
Representation at Civic Meetings	20.00		20.00
Yearbook	235.00		235.00
Supplies & Postage	100.00		100.00
Club Policy & Fellowship	150.00		150.00
Miscellaneous	<u>100.00</u>	<u>100.00</u>	<u>200.00</u>
	\$ 720.00	\$ 100.00	\$ 820.00
<u>Projects Division</u>		1,290.00	1,290.00
<u>Club Operations Division</u>		450.00	900.00
<u>Fund Raising Division</u>		375.00	375.00
<u>Anchor Division</u>		<u>200.00</u>	<u>400.00</u>
	\$1,025.00	\$1,940.00	\$2,965.00
<u>Bills Payable (if any)</u>			
	—.	—.	—.
TOTAL DISBURSEMENTS	<u>\$ 4,971.00</u>	<u>\$ 2,465.00</u>	<u>\$ 7,436.00</u>
TOTAL RECEIPTS	\$ 5,325.00	\$ 2,875.00	\$ 8,200.00
EXCESS (DEFICIENCY) <u>(Date)</u>	\$ 354.00	\$ 410.00	\$ 764.00

**DUES
INVOICE
AND
CLUB
ROSTER**

DUES INVOICE AND CLUB ROSTER

In May of each year, Pilot International Headquarters will send each club a statement for dues and liability insurance. After verifying this statement with the club roster, remittance should be made to Pilot International Headquarters no later than July 1.

It is very important for the Treasurer to check with the Recording Secretary to be sure the club membership records agree with the invoice before payment is made. Any changes, additions or corrections should be noted on the invoice and returned with payment. Headquarters Staff will compare the dues invoice with the club membership records and make changes as needed.

When a member joins a club during the year, initiation fee, liability insurance, and prorata dues for the remainder of the club year are payable to Pilot International *immediately*. **NOTE: Dues for new members are prorated (see Treasurer's Duties in Club Officers and Division Leaders Section).** Payment should be submitted along with "Notification of Change in Membership Information" report and a completed membership information form.

International, district and club dues should be collected from each member **IN ADVANCE** to protect the club against loss if a member resigns. If you have questions regarding the club invoice, contact Pilot Headquarters at 478-477-1208, Ext. 117, e-mail debbie@pilothq.org.

*Pilot Club dues are not tax deductible
as a charitable contribution.*



Tax Information for U.S. Pilot Clubs and Districts

Tax Information for U.S. Pilot Clubs and Districts

General Information

Pilot Clubs in the United States are recognized by the Internal Revenue Service as civic/service organizations and are exempt from paying income tax under Section 501(c)(4) of the 1954 Internal Revenue Code. In 1976 a group exemption number -0669 - was assigned to Pilot International and ALL Pilot Clubs. In addition to the group exemption number, each club and district is required to apply for a federal identification number.

Each new club should send the identification number to Pilot Headquarters as soon as it is assigned. Make sure the club's identification number is on file in Pilot Headquarters. The identification number is listed in the Club Directory with the club name.

NOTE: Strict application of the IRS Tax Code means donations to Pilot clubs and districts are not considered tax deductible to the donor.

Reserve Fund

The U.S. Internal Revenue Service has indicated that a non-profit can have reserve funds in **reasonable** amounts to insure continuity of its mission. This means that accumulating funds for a specific project should pose no problem - as long as the funds are used for that project as approved by club membership.

The IRS will be interested in how passive (invested) funds are **spent**. Make sure that club minutes reflect all action concerning finances. When audited, the first item checked will be the minutes.

Disclosure Regulations

Recent disclosure requirements make it mandatory that clubs carefully consider fund raising activities in regard to current regulations. Many states are more closely regulating solicitation activities. **Clubs should check with their Secretary of State's Office regarding registration and regulation requirements for organizations participating in fund raising activities.**

IRS Instructions for Filing:

All Clubs must report to IRS in 2008 regardless of amount of income.

Beginning in 2008, tax-exempt organizations like Pilot clubs, that previously were not requested to file tax returns, will now be required to file an **annual electronic** notice, Form 990-N, Electronic Notice (e-Postcard) for Tax Exempt Organizations not Required to File form 990 or 990-EZ. This filing requirement applies to tax periods beginning after December 31, 2006 (for Pilot clubs, the first tax period will be July 1, 2007 through June 30, 2008).



**Tax Information
for U.S. Pilot
Clubs and
Districts**

Clubs whose gross receipts are over \$100,000 will still need to file the IRS Form 990. Clubs whose gross receipts are over \$25,000 a year and under \$100,000 will still need to file the IRS Form 990 EZ. In the past, clubs whose gross receipts fell below \$25,000 were not required to file any 990 form with the IRS. With the enactment of the Pension Protection Act of 2006 (PPA), these clubs will now be required to electronically file Form 990-N each year. This form is also known as the e-Postcard. The form should be filed by the fifteenth day of the fifth month after the close of the tax year (for Pilot clubs that will be November 15, 2008).

This electronic postcard form of the 990 can ONLY be filed on line – so each Pilot club will be required to find someone who has internet access to assist them with this filing. No additional software is required other than the internet connection and there is no charge to file the form. This does not mean your club will have to pay taxes; however, clubs who fail to file the 990-N for three years will lose their tax exempt status.

You may want to review the frequently asked questions about Form 990-N at the following web site: www.irs.gov.

You will need to click on “charities and nonprofits” found at the top of the page. This will take you to the IRS explanation of the new form. One more click for “frequently asked questions” will provide you with the questions and answers.

Definitions:

1. **Accounting period (Fiscal Year)** Pilot’s accounting period is July 1 through June 30.

2. **When and Where to File**

U.S. districts/clubs are required to file by the 15th day of the 5th month following the close of the fiscal year (November 15).

3. **Penalties**

a. **Failure to File on Time/Incomplete Return**

Under section 6652(C), if a club/district fails to file on or before the due date, a penalty of \$10 a day up to a total of \$5,000 or 5 percent of the gross receipts of the organization for the year may be charged. This happens unless it can be shown that the late filing was due to reasonable cause. The penalty begins on the due date for filing. The penalty may also be charged if an incomplete return is filed or incorrect information is furnished.

Clubs who fail to file for three years will lose their tax exempt status.



**Tax Information
for U.S. Pilot
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charged. This happens unless it can be shown that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990 or 990EZ. The penalty may also be charged if an incomplete return is filed or incorrect information is furnished.

- b. Be sure to complete all applicable line items. If a complete return is not filed, or correct information is not furnished, IRS will designate a fixed time to fulfill these requirements. After that period expires, the club/district will be charged a penalty of \$10 a day, not to exceed \$5,000 - unless reasonable cause can be shown.

In addition, there are penalties - fines and imprisonment - for willfully not filing returns or for filing fraudulent returns and statements with IRS.

(Sections 7203, 7206, and 7207)

There are also penalties for failure to comply with public disclosure requirements.

4. **Gross Receipts**

“Gross receipts” means the gross amount received by the organization during its annual accounting period from all sources without reduction for any costs or expenses, such as cost of goods sold, cost of assets sold, cost of operations expenses for earning, raising, or collecting such amounts. Thus, “gross receipts” includes, but is not limited to:

- a. The gross amount received from contributions, gifts, grants etc.
- b. Gross amount received as dues or assessments from members. (Including dinner fees).
- c. Gross sales or receipts from business activities including activities unrelated to the purpose for which the organization received an exemption.
- d. The gross amount received from the sale of assets without reduction for the cost or other basis of the property and expenses of sale.
- e. The gross amount received from investment income interest, dividends, and royalties.

The Treasurer must keep accurate financial records and determine if the club or district should file Form 990 or 990EZ for the fiscal year. The treasurer must file on time if required to do so and maintain accurate records at all times should the Internal Revenue Service require further information on the financial activities of the club/district.

If you have questions, consult a local accountant and/or local or regional IRS service center.



**Tax Information
for U.S. Pilot
Clubs and
Districts**

The Pilot International Foundation holds a “Letter of Determination” from the IRS which designates a tax status of 501(c)(3). This means the Foundation is exempt from paying income tax AND donors can deduct contributions to PIF on their federal income tax returns.

Only contributions to organizations listed in the Cumulative List of Organizations (like PIF) with a tax status of 501(c)(3) are tax deductible.

What Options are Available?

Pilot Clubs and Districts seeking outside funding for charitable community projects have the following options:

1. Establish a foundation with a 501(c)(3) tax status. A local certified public accountant can advise a club regarding correct procedure for establishing a 501(c)(3) organization. PIF Headquarters has general information available also.
2. If a Pilot Club co-sponsors a joint charitable project with a 501(c)(3) organization, have the contributions paid directly to the charitable entity. A charitable organization is required to provide a written receipt for any donation of \$250 or more. A cancelled check is not considered a valid receipt

Closing Observation

The Pilot Headquarters staff does not interpret tax laws; therefore, information from this office must be general and conservative in nature. **All Pilot Clubs and Districts are urged to consult a local CPA or the nearest IRS Office for information on specific tax laws and governing regulations.**

