

## **Section 5: Chapter Non-Profit Information**

### **US LACROSSE, INC.** **Policy Statement**

#### **Participation in Group Tax Exemption**

**The purpose of this policy statement is to set forth the position of US Lacrosse as the central organization with responsibility for general supervision over its Chapters and to address issues that may arise at the Chapter level that could affect the overall tax exempt status of the group.**

US Lacrosse, Inc. ("US Lacrosse") has qualified as an organization described in Section 501(3)(c) of the Internal Revenue Code of 1986 ( the " Code") and the regulations promulgated there under. As a 501(c)(3) organization, US Lacrosse is generally exempt from the payment of state and federal income tax. Also, US Lacrosse applied for and received from the Internal Revenue Service a group exemption letter (the Group Exemption") recognizing that its subordinate organizations ("Chapters") will also be exempt from income tax as organizations described in Section 501(c)(3) of the Code if they initially meet and continue to comply with all requirements for subordinate organizations.

The essence of the Group Exemption is that US Lacrosse, as a central organization, has received recognition of exemption from income tax under Section 501(c)(3) of the Code and has one or more subordinate organizations (Chapters) under its general supervision or control.

More specifically, US Lacrosse has established with the Internal Revenue Service ("IRS") that the Chapters filing under its Group Exemption number are:

1. Affiliated with US Lacrosse.
2. Subject to its general supervision or control.
3. All exempt under the same paragraph of Section 501(c) of the Code.
4. Not private foundations.
5. All on the same accounting period as US Lacrosse.
6. Operating under a uniform governing instrument.

Those Chapters of US Lacrosse that achieve compliance with both the IRS and the US Lacrosse Chapter requirements are permitted to receive tax exempt status under the Group Exemption number obtained by US Lacrosse.

Chapters who participate in the US Lacrosse tax exemption due so under the general supervision or control exercised by US Lacrosse. As such, it is necessary for Chapters to adhere to US Lacrosse requirements in order to maintain and preserve the overall tax exempt status of US Lacrosse.

In order for a Chapter to continue its participation in the Group Exemption, the Chapter must maintain its affiliation with US Lacrosse and must remain subject to the general supervision or

control of US Lacrosse. Accordingly, as required in the Chapter Agreement signed by each Chapter, only Chapters in good standing with US Lacrosse are eligible to participate in the Group Exemption.

In addition, the activities carried on by Chapters must remain consistent with the overall purpose of US Lacrosse as the central organization and the sources of receipts and the nature of expenditures made by each Chapter must be and remain consistent with the US Lacrosse sources of receipts and expenditures. Accordingly, the Chapter agreement that every Chapter is required to sign provides that Chapters shall not carry on any activities which might result in the revocation of their tax exempt status and that Chapters shall take such actions as shall be deemed by US Lacrosse to be necessary or advisable in order to preserve both the National's and the Chapters' tax exempt status.

Specifically, each Chapter is required to continue to perform all of its obligations pursuant to the Chapter agreement with US Lacrosse and to comply with all of the requirements applicable to Chapters that are set forth in the Chapter agreement between US Lacrosse and each Chapter at all times.

Under no circumstances is a Chapter allowed to permit any third party organization, association or individual that does not constitute part of the Chapter to represent that it enjoys the benefit of the Chapter's tax exemption or otherwise take advantage of or benefit from the Chapter's tax exemption. Chapters are expressly prohibited from permitting any third party organization or individual to use, take advantage of or otherwise benefit from the Chapter's participation in the US Lacrosse Group Exemption.

Since the effectiveness of the Group Exemption with respect to each Chapter depends in part upon the sources of receipts and nature of expenditures made by each Chapter, each Chapter must assume overall responsibility for all financial aspects of the Chapter's activities. Each Chapter must maintain overall responsibility for and control of all financial aspects of the Chapter's activities, including all sources of income and all expenditures.

Specifically, if a Chapter sponsors a team, league or any other ongoing activity, all financial aspects of any such team, league or other activity must be carried out using the employer identification number assigned to the Chapter by the IRS, and the Chapter must assume overall responsibility for all financial aspects of the Chapter and its activities and operations. It is not permissible for a Chapter to sponsor a team, league or any other ongoing activity and take advantage of the Chapter's tax exempt status unless the Chapter has ultimate financial responsibility for the team, league or other activity.

Similarly, as required pursuant to the Chapter agreement, each Chapter must submit to US Lacrosse no later than 15 days after the filing date of their tax return that sets forth a financial statement detailing the previous year's financial activities of the Chapter. As specifically required by the Chapter agreement, all Chapters must maintain accurate and updated financial records at all times, and Chapter financial records should be available for review by the Board of Directors of each Chapter, Chapter membership and the national office at all times. All expenditures made by Chapters must be appropriate in relation to each Chapter's purpose and consistent with the policies and procedures established by US Lacrosse.

## **SECTION 6 – CHAPTER COMPLIANCE**

### **Accounting Expectations**

In accordance with the US Lacrosse Chapter Agreement, US Lacrosse chapters must maintain accurate and updated financial records. Chapter financial records should be available for review by its board, its membership, and the National Headquarters at all times. The financial statements should include a balance sheet, income statement (see example at the end of this section), and general ledger; the statements should be clear, complete, and comprehensive. Trade creditors, prospective donors, members, and the Chapter Board must be readily able to satisfy their needs for financial information from a single set of statements produced by the Chapter's accounts. The financial statements should also be objective. They may be subject to audit through the US Lacrosse National Headquarters and should be completely reliable. Otherwise, their usefulness for financial decision-making will be greatly reduced.

#### **Chapter financial statements should:**

**Possess historical comparability** with its statements as of earlier dates.

**Be comparable**, both currently and historically, with statement data generated for other US Lacrosse chapters. Such comparability ensures that differences in financial results arise from differences in circumstance, not merely from differences in accounting methods.

**Be timely**, since the further financial information is removed in time from the events that produce it, the less useful it is to the chapter leadership who wish to rely on it in making financial decisions. The statements should be prepared and distributed to all potential users as soon as possible.

#### **Reporting to US Lacrosse National Headquarters**

In addition to a report of the past year's chapter activities and the upcoming years plans, an annual financial statement including a copy of the chapter's balance sheet and income statement must be submitted to the US Lacrosse National Headquarters during each request for annual chapter compliance documents.

#### **Budgeting**

Chapters are required to formulate an annual budget for internal use. Overall budgeting is a vital part of managing the chapter's operations. A chapter budget for operations and cash flow forces the chapter to direct some of its attention from the present to the future. In budgeting, a chapter must analyze its operations, identify operating activities consistent with the goals and objectives of the chapter, and estimate the costs. Estimating future financial resources and expenditures enables the chapter to avoid operating as a fire fighter; with budgets they can anticipate future financial problems and opportunities and plan positive action in advance.

**The following basic steps should be followed in the preparation of a budget that may be used effectively as a guide for action. These five steps should be used for budget preparation and approval:**

- List chapter goals and objectives, and programs or activities.
- Estimate the cost of each program or activity.
- Estimate the expected income.
- Compare estimated income with estimated costs and make necessary adjustments.
- Present the final budget for approval by chapter board of directors.

**Disbursement of Funds**

Chapters are expected to disburse funds in accordance with their by-laws and the by-laws of US Lacrosse. Chapter funds are expected to be used to support, promote, and aid in the growth of lacrosse in the chapter's geographic area.

Conditions for ensuring proper disbursement of funds include: Chapter board support and approval Consistency with goals and objectives of US Lacrosse, Consistency with operating conditions of US Lacrosse, Proper administration of the budget, Some degree of member involvement, Realistic expectations, a clear statement of the assumptions and the underlying estimates.