



REGIONAL FINANCIAL GUIDELINES AND REPORTING REQUIREMENTS

INTRODUCTION

This document is designed to help Regional Officers understand and maintain financial accounts and records that are required by the Club's National Organization. Before discussing these requirements it is important that everyone understand in a legal, financial and tax reporting requirement what exactly is the Ferrari Club of America and why it is necessary that all Regions and Chapters maintain and report their financial information in a consistent way.

The FCA is a single 501(c)7 Organization

The Ferrari Club of America; its National organization as well as all its Regions and Chapters are **a single 501 (c) 7 organization** as defined by its incorporation documents as well as its tax status with the IRS. A 501(c) (7) organization, as defined by the IRS, is **a social club** which is organized and operated primarily for pleasure, recreation, and similar non profit purposes. These organizations are exempt from income tax, where the tax exemption of social clubs has the practical effect of allowing individuals to join together to provide themselves recreational or social facilities on a mutual basis, without further tax consequences, where the sources of income of the organization are primarily limited to receipts from the membership. Thus, the individual member is in substantially the same position as if he had spent his income on pleasure or recreation without the intervening organization. As with all 501(c) organizations, a 501(c) (7) social club cannot generate profits for its owners, and the organization **must derive at least 65% of its gross income directly from the membership.**

The law allows social clubs, like the Ferrari Club of America, to receive up to 35% of their gross receipts, including investment income, from sources outside their membership without losing their exempt status. Gross receipts are defined for this purpose as those receipts from normal and usual activities that have been traditionally conducted by the club or by other social and recreational clubs of the same general type. Including charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents and similar receipts) and normal recurring capital gains on investments.

Income derived from sources outside the membership of the Club, including non member and investment income, may be subject to Unrelated Business Income Tax (UBIT).



Because the Ferrari Club of America is a single entity in the eyes of the IRS, all financial aspects of the Club's activities must be combined into a single financial statement for tax filings with the IRS. It is therefore essential that all financial records from Regions or Chapters be complete and consistent enough for the Club's Treasurer and CPA to properly evaluate the Club's financial status as well as to file the required tax returns with the IRS.

REGIONAL AND/OR CHAPTER FINANCIAL REQUIREMENTS

The current by-laws of the Ferrari Club of America require that a Region have, at a minimum, a Region Director as well as a Region Treasurer. While not currently specified by the Club's by-laws it is important that any Chapter that maintains its own finances also have a Chapter Treasurer as well as a Chapter President. Additionally, it is critical that all individuals that are involved in putting on events or other activities understand the financial and attendance reporting requirements. This information must be reported to the Treasurer to allow for the regular monthly financial reporting that is required by National. The Region Director or Chapter President has the responsibility to ensure that all required individuals understand their responsibilities and that the required information is sent in a timely manner to the Treasurer.

DUTIES OF THE TREASURER – The duties listed for a Region Treasurer apply also to those of a Chapter Treasurer if that position exists. The Region Treasurer is the officer assigned the primary responsibility of overseeing the management and reporting of Region finances. The Region Treasurer will cause to be maintained account books which reflect the full and correct financial status of all receipts, disbursements, balances, assets, and liabilities of the Region. The Treasurer has custody of all monies, debts, obligations and assets of the Region. All checks and other orders for payment of monies of the Region will be signed by the Region Treasurer. He or she will receive all monies for the Region and deposit them in a bank insured by the Federal Deposit Insurance Corporation. He or she will control and supervise the assets of the Region and the payment of all debts and obligations. The Region treasurer will report full and complete monthly financial reports to the Staff Accountant at FCA National.



The Region Treasurer has specific duties that may be summarized to include:

Bank account maintenance – Overseeing the bank account, payment sources, and investing excess funds wisely.

Financial transaction oversight – Being knowledgeable about who has access to the organization's funds, and any outstanding bills or debts owed, as well as developing systems for keeping cash flow manageable.

Budgets – Developing the Region or Chapter's annual budget as well as comparing the actual revenues and expenses incurred against the budget.

Reports – Detailed monthly financial reports to National are required. The necessary information and formats will be discussed in detail later in this document. Additionally, the Treasurer should keep the Region or Chapter as well as the National organizations informed of key financial events, trends, concerns, as well as providing an assessment of the fiscal health of the organization.

RECORD KEEPING AND TAX FILINGS

What specific records are required of a 501(c) (7) organization like the Ferrari Club of America? Records should be maintained to show the amounts and sources of gross income, whether the gross income is from members or nonmembers, and the expenses related to each source of gross income. This is required to determine the amount of member / nonmember income for exemption purposes as well as to determine what income is subject to unrelated business income tax (UBIT).

A separate ledger should be kept for gross receipts from nonmembers. All income from nonmember sources, including investment income, is taxable as UBIT.

A social club may conduct some charitable activities in addition to its social activities. The income set aside for charitable purposes is not subject to UBIT. However, it is important for Regions and Chapters to realize that all contributions that are made must be reported even those made on a pass thru type activity. Therefore, whenever possible, it is best that participant's contributions be made directly to the charity.

It is important to understand the difference between income derived from club members and bona fide guests, verses income from members of the general public. A bona fide guest for 501(c) (7) purposes is an individual invited to participate in an activity, accompanied by a member, and for whom all expenses are paid by the member. Whether an individual is a bona fide guest or a member of the general public is important for determining the source of income for 501(c) (7) exempt status and for determining amounts of UBIT for 501(c) (7) organizations. It is essential that complete and proper records be kept for all



income and that income derived from non members be identified. For example when the club puts on an event and invites the general public to attend and charges admission. Income from the general public is taxed as UBIT and must be reported as such. If the club sells drinks at a club event the income from members and bona fide guests is not taxed as UBIT as long as the member pays for the drinks. If, however, if a guest of a member buys the drinks then that revenue is taxed as UBIT and the club's event records must be able to make that distinction.

REGION AND/OR CHAPTER **MONTHLY EXCEL SPREADSHEET INFORMATION**

To help Regions and Chapters provide complete and consistent financial records to the National Treasurer, there has been created a set of Excel spreadsheets for the Region and Chapter Treasurers to complete on a monthly basis. The completed spreadsheets are then forwarded via e-mail, to the Executive Director and Staff Accountant. Note: for a Region with Chapters, it will be sufficient to have a single worksheet covering the Region and its associated Chapters. However, if it is more convenient to have the Region and Chapter worksheets completed separately that will be fine as long as all worksheets are completed and returned in a timely manner.

For those Regions currently using QuickBooks for their accounting there is no need to fill out the Excel spreadsheet, reports can be sent directly QuickBooks formats. We request that your chart of accounts, at a minimum, include the categories listed on the Excel spreadsheet. For your reporting purposes, we request you provide a balance sheet and income and loss statement for each month to Executive Director and Staff Accountant, by e-mail, so that your information can be included in the financial records of the organization.

Following is a brief description of the items on the attached spreadsheet and how they should be completed:

Bank Balance-End of Month: The National Organization is required to include all Region and Chapter cash balances on its financial statements, as these assets are part of the organization as a whole. The End-of-the-Month bank balance should agree with the reconciled (which includes outstanding deposits and checks) bank balance on a monthly basis. The change from one month to the next should be the net income or loss to the chapter.

Income Items: All items of income need to be included on a monthly basis. The first worksheet of the Excel Spreadsheet lists those items that are most common based upon input from several Regions. There are several blank lines that can be used to input additional income items that are not listed. Add additional lines



if necessary. Please use the miscellaneous line for small income items that do not occur regularly or are unique and don't need to be reported separately. However, any income no matter how small that may be derived from non-member sources must be identified and listed separately. It is better to err by including too much detail than to combine together many separate items.

Expense Items: As with lines for income there are listed the expense items that seemed to appear most frequently and used. The blank lines are again to be used for additional items which may not have been included in the general categories. Minor expenses, not included above, can be totaled and input on the miscellaneous line.

Event Income and Expense Worksheets: The Excel Spreadsheet has a main monthly worksheet as well as 4 additional worksheets for reporting income and expenses for individual club events. Please note income must be broken out separately for members and nonmembers. It is imperative for us to be able track income this way in order to retain our nonprofit status. The club has to report and pay tax on nonmember income, hence the need to break out income in this manner. For the expenses, please list the event expenses in the spaces provided. Like the other income and expense worksheet, you can add line items as necessary.

Please Note: The separate worksheets in the Excel Spreadsheet are to be used to report Event Income and Expenses. Please use the line items on these separate worksheets instead of listing them on the main monthly worksheet. These additional sheets are listed as Event 1, Event 2, and so on. Please do not include event income and expenses on the main monthly worksheet. Grouping event income and expenses separately for each event is necessary to allow for the proper reconciliation of event income and expenses. This is critical when filing taxes where potentially UBIT liabilities occur. Additionally, the event specific income and expense sheets should allow for easier record keeping and financial evaluation.

Event Attendance Information: Because the Club must be able to separate income derived from members from that of nonmembers or the general public it is important that the Region or Chapter Treasurer receive event attendance information. The event attendance information must be able to show if any non club members attended an event and if any income was derived from these nonmember attendees. It is the responsibility of the Region Director or Chapter President to ensure that attendance records for all events where an entry fee or monies are collected from members or the general public are generated. **These records or copies of these records should be sent to the Treasurer to be retained and kept with the financial records to provide the required documentation for the sources of income generated at these events.**