

The logo features a large, light blue star with eight points, centered on a yellow sun with rays. This is set against a circular background of four orange curved segments. The text is overlaid on this graphic.

# Unit Finance Guidelines

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Tools for effective unit finance

Northern Star Council, BSA

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## Rules and Regulations

Each Scouting unit is different. What works in one Troop won't necessarily work in another. However, there are some simple rules that apply to **all scouting units**.

### **Fundraising vs. Soliciting**

***“At no time are units permitted to solicit contributions for unit programs.”*** (BSA National Fund-raising guidelines, 510-274)

- Units can do fundraising (Popcorn sales, carwashes, etc) but can't simply 'ask for money' – that's solicitation. This includes asking service clubs (like Rotary, Lions, etc), local businesses and residents.
- As a rule of thumb, fundraising is when the donor gets something in return (like Popcorn or a clean car).
- Any fundraising effort **MUST BE APPROVED** before hand – use the “Unit Money Earning Application” (BSA #34427B). This makes sure that your fundraising effort doesn't conflict with a Council or Charter Partner effort.
- Council Popcorn and Camp Card sales do not require a fundraising application.
- No games of chance / gambling. No raffles.

### **Bank Account Rules**

- **Do not use a personal checking account for unit funds!** Without a separate checking account, you will be accused of mishandling money.
- All money (fundraising, dues, camp fees, etc.) must go into the same Unit account.
- Unit checking accounts must require two signatures on every check.
- Typically, the two signatures are from the Unit leader (Cub Master, Scoutmaster) and a member of the Unit committee (Committee chair, treasurer, etc.)
- People living in the same house cannot be co-signers.
- Monthly bank statements should be shared with the Unit committee at each committee meeting.
- Units should not write checks or give cash for any expenses without a corresponding receipt.
- At no point can a unit “Pay” a Scout, leader or family. Expenses can be reimbursed (according to individual unit bylaws), and money can be transferred to another unit, but don't write a check to a Scout or their family.
- Funds raised in the name of “supporting Scouting” are property of the Charter org and unit. They can't be paid out for anything other than Scouting expenses. Dollars left after a Scout leaves the program become the property of the unit. (See Scout Accounts and Bylaws sections)

## Tax ID# / Charter Org role

- The Charter Organization technically ‘owns’ all the financial resources of the unit. As a result, use either the Charter Organization’s tax ID number (see Plan A below), or create a new one with the IRS (Plan B).
- Units don’t own property. Charter Organizations do. As a result, an annual ‘property assessment’ should be presented to your Charter Organization.
- Gifts to units are almost never tax deductible. An unsolicited gift to your program will not qualify for a tax deduction. Depending on the 501C(3) status of your Charter Organization, gifts to them may or may not qualify for a tax deduction.

## Applying for an EIN number

Every unit will eventually need to have a checking account. Sometimes this gets confusing for the newly organized unit because financial institutions demand a federal tax number to open an account. **Do not use your social security number for this purpose because all financial transactions are attributed to the individual unit leader providing their social security number.** This obviously could pose problems! Here are two approaches. We will start with the fastest method “Plan A.”

### Plan A

Due to the charter agreement and tax laws, Units are “subordinate” to the chartered partner. Some chartered partners are willing to allow units to use their tax number so their unit will be able to obtain a checking account. If the chartered partner does not feel they can help you in this fashion, don’t worry; go to Plan B. If your chartered partner is a business, public school, or PTA/PTO go straight to plan B without worrying about the Plan A concept.

### Plan B

Apply for a Unit-specific EIN number. At the end of this document are specific instructions for units (packs, troops, crews, ships, posts) to complete the **IRS Form SS-4**. See included instructions for applying for your Unit’s EIN# at the end of this document.

## Unit Budget Recommendations

Each Unit will operate differently. However, the practices below have been tested and used by hundreds of Scouting Units. They are presented here to help your Scouting unit be successful.

### **Budgeting Basics**

- Budgeting for your Scouting year should be an **annual process** done in conjunction with your calendar planning. The most successful units have a full calendar in place prior to the summer.
- Many **resources** are available to help you plan for all your expenses. The Council Planning Calendar and Resource Guide has some great budgeting tools.
- Your unit should have a treasurer who manages the income and expenses of the unit.
- "A Scout pays his own way" – plan on *raising* the money you need, rather than asking your families to pay out for each event.
- **SPEND** the money you raise! The Scouts who raise the money should get the benefit of it. There is no need to carry a large bank balance from one year to another.
- The most successful units use the **Popcorn Sale** to fund their programs. Not only are these great fundraisers with amazing logistical support, but they also help to fund our Council operations, camps, and district resources.
- **Plan to pay for everything.** When laying out your annual budget, anticipate all the expenses your Unit will face. Registration fees, camp attendance, books, uniforms, den or patrol supplies, and advancement awards should all be figured into your budget, even if you don't end up paying for all of them. Your budget should reflect the 'true cost' of Scouting.
- **Use your Budget** to set goals for your Scouts. Establish a 'per Scout cost' to plan your fundraising. Share the cost with all your Scouting families. This is easy using the 'per Scout Cost' function on the unit budgeting form.

### **Involving Youth**

- Don't assume you know what your Scouts want to do - ask them!
- The more involved your youth are in the activity planning, the better.
- Help them understand the costs associated with activities so they can help set fundraising goals.
- Calendar and budget planning can make for a great unit meeting! Get people excited about all the fun things your unit is going to do (and how you're going to pay for it!).

## Scout Accounts

### Overview

- Many units use Scout accounts to make sure the Scouts who participate in fundraising efforts get the benefit of the money raised.
- These units run the risk of creating a '**Direct Benefit**' for their Scouts – something that would run afoul of IRS not-for-profit fundraising 501C(3) standards.
- To avoid 'Direct Benefit' - the majority of the **NET PROCEEDS** of a fundraiser have to go to the unit, not individual Scouts.
- Units can still use Scout Accounts to encourage their strongest sellers but should follow the recommendations below.
- Alternatively, units can use the '**full funding**' model. Fundraising is incentivized with prize programs, but all money goes to the unit and all activities are paid for all Scouts.
- Scout account funds can only be used for Scouting activities and costs – payouts to scouts or families are NOT ALLOWED (see rules and regulations).

### Scout Account Percentages

- Scout account percentages are based on the NET proceeds of a fundraiser (rather than the GROSS).
- If a unit sells \$100 worth of popcorn, their net is typically \$34. The majority (at least half) of the net should go directly to the unit.
- This only works if the unit is *spending* the money on the Scouts (advancements, activities, supplies, etc).
- Most units use a 60/40 rule. 60% of the Units Net goes to unit funding, and 40% goes to the Scout's account.

### Participation Points

- Circumstances in each family are different, and there can be barriers to fundraising other than lack of desire.
- Many units use 'participation points' to allocate some of their fundraising proceeds.
- This ensures that Scouts are rewarded for Scout Spirit, avoiding the 'Direct Benefit' concerns.

### Transferring Scout Account Funds

- If a Scout transfers units (or graduates into a Troop or Crew), the unit may decide to send their Scout Account funds with them.
- This isn't required, but is considered a nice thing to do.

- This process, whether you transfer the funds or not, should be outlined in your unit bylaws.
- Funds can only be transferred to another Scout unit – NOT TO THE SCOUT OR FAMILY.
- Scout account money is the UNIT's money. Don't let anyone tell you differently. It's raised using Scouting's name and reputation and must be used for Scouting.
- If your unit decides to transfer money to another unit, write a check directly to that unit. Again, don't pay the Scout directly. It is illegal.

### **When Does It Revert?**

- If a Scout drops out of Scouting, their Scout account funds revert back to the Unit.
- If a Scout hasn't 'officially' dropped out but has missed 6 months' worth of activities and meetings, their money can be reclaimed by the unit general fund.
- Your unit should have a written policy concerning 'reinstatement' if a Scout comes back.
- If a Scout is dropping out with a Scout account balance, look at your unit calendar. Full Calendars make for happy Scouts. A busy Scout isn't bored.

### **Carrying Balances**

- Avoid the temptation to 'save' a large amount of money for the next year. Scouts who raise money should see the benefits of it!
- If your unit is saving up to buy a major piece of equipment (like a trailer or pinewood derby track) set up a special 'savings' account to use.
- Anticipate the costs your unit will incur before your next fundraiser. Keep a large enough balance in your bank to cover that amount.
- A small balance (less than \$15 per Scout) is ok to carry over, in the event of an emergency.

## Written Policies and Controls

### Overview

- The financial practices of your unit should be clearly spelled out in your written bylaws. Unit bylaws should be reviewed annually and shared with all the families in your unit.
- Many units have new members ‘sign-off’ on the bylaws, acknowledging they understand the rules.
- Bylaws help your unit avoid disputes, especially those about money.
- Having a written policy ensures that every scouting family is treated fairly.
- A sample set of bylaws is included in this packet – many others are available online

### Who sets bylaws?

- As the technical “owner” of the unit, your Charter Organization has the final say over any bylaws, within the limits of BSA policy.
- Generally, the Unit committee will write bylaws (or adopt an established set) and present it to the Charter Organization by way of the Charter Organization Representative.
- Of course, the needs of the unit will change over time – bylaws can and will be adjusted. To do so, recommended changes should be voted on by the assembled Unit Committee and then presented to the Charter Organization for approval.

### Sample Financial Bylaws

Your unit’s bylaws can be different. Often, bylaws are amended in response to an issue that comes before the committee. Try to anticipate problems and spell out the unit policies *before* they become problems.

### The Pack Committee will select and retain a Treasurer

The **Treasurer** responsibilities are:

- Help the pack committee and Cubmaster establish a sound financial program for the pack with a pack budget plan.
- Open or maintain a bank account in the pack’s name and arrange for all transactions to be signed by any two of the Cubmaster, pack committee chair, secretary, or treasurer each of whom should be added to the Pack account.
- The two signatures cannot come from people in the same household.
- Approve all budget expenditures. Check all disbursements against budget allowances and pay bills by check. The pack committee chair should approve bills before payment.
- Collect money/fees (cash, check or money order) from individuals by way of fundraisers, donations, and other monetary transactions. Make accurate



count(s) of said funds, log or enter amounts and keep proper accounting documentation. Give receipts for these funds and deposit the money in the bank account in a timely manner.

- Keep up-to-date financial records. Enter all income and expenditures under the proper budget item in the finance section of the Pack Record Book. Credit each Cub Scout/family with payment of fees. From time to time, compare the records with those of the Pack Committee to make sure they agree. Give leadership in developing a coordinated record-keeping system in the pack.
- Be responsible for thrift training within the pack. Encourage each den leader to explain the pack financial plan to each boy and his family so that boys will accept responsibility for paying fees (when applicable) and family members will be alert to opportunities for boys to earn extra money and develop habits of thrift.
- On the request of den leaders, sympathetically counsel with a family which may be financially unable to pay fees, determine the reason, and encourage regular payment. If the Scout is unable to pay, work out a plan with the Cubmaster and pack committee so that the boy can earn his way or that we might be able to lend financial assistance to him and/or his family. No boy should be left out of activities due to inability to pay.
- Contact the Scout Office for information about Camp Scholarships available to offset Council Camp fees.

### **Section 13. Finances**

- A. Pack XX is funded primarily by the efforts of our Cub Scouts and their families through fundraising events such as the annual Popcorn and Camp Card sales. Pack XX receives no outside funding from BSA. Any additional fundraising must comply with the guidelines set forth by BSA. As our primary funding is based on the annual Popcorn Sales, we encourage all Cub Scouts and families to participate and to sell as much as possible to enable the Pack to participate in Scouting activities. Additional fundraisers may be necessary at the discretion of the Committee and staying within BSA guidelines by submitting the appropriate forms to the Council for approval of a third party fundraiser.
- B. Instead of dues, Pack XX has opted to collect a material fee upon initial membership and yearly thereafter. The amount of this material fee is set by the Committee based on budgetary requirements in a given Scout year.
- C. Each Cub Scout and their family is expected to participate in our fundraising efforts each year. It is to their advantage to participate as this offsets the cost that might otherwise be passed on to the Parents/Guardians for their Cub Scout to participate. Cub Scouts are required to participate in at least 50% of the fundraisers held. This teaches the boy to earn his own way.
- D. In the event that the Pack does not have adequate funding to participate in a given event or events, said event might be (1) cancelled or (2) parent(s)/guardian(s) may be asked to pay a portion of the fee required to participate in said event.
- E. The Pack Treasurer is to keep an accurate accounting of funds (incoming/outgoing) and to be prepared to:
  - a. Disclose current balances

- b. Show details of all transactions
  - c. Demonstrate past and current performance against budget
  - d. Audit the Pack XX account at least quarterly each scout year
  - e. Provide reports to the Committee at the monthly Committee meeting
- F. The Pack Committee may conduct an audit of the accounting system and ledger at any time and should do so quarterly at a minimum.
- a. Periodically report on the pack's financial condition at the monthly pack leaders' meeting. Make regular monthly reports to the pack committee at the pack leaders' meeting, and report to the chartered organization as often as desirable on the financial condition of the pack.
  - b. Provide petty cash needed by leaders. Keep a record of expenditures.
  - c. Guide the pack in conducting council-approved pack money-earning projects.

### **Other References**

Digital copies of most materials referenced in this packet can be found on the Northern Star Council website under “for members” > Resources > Forms> “Unit Finance Guidelines”

Unit money Earning Application (BSA #34427B)

Guides to Money-Earning Projects (BSA #510-274)

Google search terms “BSA Troop Bylaws” “Cub Pack By Laws” etc.

Budget worksheets and additional info can be found in the Northern Star Council Planning Calendar and Resource Guide. Available at either Scout Office, or from your District Executive.

Budgeting tools and references can also be found in the annual Northern Star Council Calendar and Resource Guide

## Detailed EIN Application Instructions

**Line 1:** Name of chartered organization (legal name of applicant) and unit designation, e.g.: First United Methodist Church Pack/Troop 151.

**Line 2:** Normally not applicable

**Line 3:** "Care of" name (Unit treasurer, committee chairman, or chartered organization representative).

**Lines 4, 4a:** Mailing address, city, state, ZIP code.

**Lines 5, 5a:** Address, if different from Line 4.

**Line 6:** County and state.

**Lines 7a, 7b:** Name of the principal officer, grantor, or general partner (use chartered organization representative or committee chairperson, and their tax ID number. Please Note: If you do not have the chartered partner's tax ID number, leave it blank).

**Line 8a:** Check "No".

**Lines 8b, 8c:** Leave blank.

*Important. Before filling in Block 8a, Type of Entity, remember that the national office issues charters directly to local chartered organizations and not to units. Units should ask their chartered organization for permission to use their EIN if at all possible.*

**Block 9a Type of Entity:** Most units will check one of three boxes:

**a.** "Church or church-controlled organization" if chartered organization fits this description.

**b.** "Other nonprofit organization (specify)" if unit is chartered to a nonprofit organization other than a church.

**c.** "Other (specify)" if the chartered organization is not a church or other nonprofit organization – just put troop, pack, etc.

If your unit's **chartered organization** has a GEN (Group Exemption Number) that the unit is permitted to use, put that number in this section. Note, however, that the Group Exemption Number used by BSA local councils may not be used by a unit.

**Line 10:** Check appropriate reason (one only) for applying. Most units will check banking purpose (specify) interest account, etc.

**Line 11:** Leave blank.

**Line 12:** Enter closing month of unit accounting year (most units will use charter expiration month).

**Lines 13, 14, & 15:** Leave blank.

**Line 16:** Check "Other" and put "Youth program character development" or a similar statement.

**Line 17:** Put "N/A"

**Line 18:** Check the appropriate box and fill out the follow-up question if the answer was "Yes"

### **Third Party Designee**

Give the name and unit position of the contact person, such as the chartered organization representative or committee chairman.

**Important: Remember that the tax-exempt status of a Scout unit is consistent with the tax status of the chartered organization. *The employer identification number does not provide tax-exempt status.; it provides identification!***

You will receive a letter from the IRS that includes your organization name and address, and your EIN. You also may receive other forms, such as Form 1023, Application for Recognition of Exemption, under Section 501(c)(3) of the IRS code.

*\*Units should not use Form 1023 to apply for recognition of exemption. Among other reasons, this is due to the normally prohibitive cost, and the requirements for units to provide articles of incorporation or articles of organization with the application, annual Form 990 filings, minutes of meetings and annual audits, many other compliance items and penalties for non-compliance.*

## **Filing Options**

- File online at <https://www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers>
- Filing by mail the SS-4 (30-day turnaround). The mailing address is: Internal Revenue Service, Attention: EIN Operations, Cincinnati, OH 45999
- File by faxing the SS-4 (5-day turnaround). Be sure to request a fax back. The fax number is (215) 516-3990

See <https://www.irs.gov/instructions/iss4> for more information.