Voluntary Bar Liaison Committee
Speakers

Amanda Clay, Moderator
President, HAWL

Brendalyn Edwards,
Past Gwen S. Cherry Black Women Lawyers President

Jane Muir,
Dade County Bar Association President

Craig Shoup,
JaxBar Executive Director
Every Association’s Goal is...

Doing good
Making lawyers look good
Stewardship
  Continuing the existence of the Bar
  Leaving it better off than before
At a minimum, avoid squandering assets
What about during quarantine?
What about during quarantine?

Inoculate your association against mismanagement of dues
At least costs are down
What are the benefits of a budget?

Plan to Earn more than you Spend (If possible!)
It is ok to use reserve funds
Provides cover - say no and blame the budget
Checks egos - coronation expenses must be within budget
Prevents overly optimistic spending
Prevents consequences of poor judgment
See Sample Bar Association Budget Spreadsheet
Enable long term goals

- Emergency planning (replacement/repair of equipment)
- Hiring staff or consultants (e.g. bookkeeper, accountant, event planner)
- Purchase of property
- Creating a 501(c)3 foundation (Remember this one for later!)
  - For free legal aid to low income individuals
  - For scholarships
  - Other public benefits
What are important areas to have budgets?

- Operations
- Events
- Sponsorships of Other Organizations and Initiatives
- Transparency and Accountability
Operations

Total Membership dues should exceed cost of operations
At least earn more than you spend
Ticket price should cover costs of food and beverage, staff, and other needs

“Plus Plus” = tax and gratuity added to per plate price

Consider adding ⅓ to price to help plan per person cost

Avoid extra costs of decorations and entertainment as much as possible

“Incentivize” leadership to raise funds to get special extras

See also Event Budget Spreadsheet courtesy of Brendalyn Edwards
Sponsorships of Other Organizations and Initiatives

Be careful with your funds, only sponsor most important activities
“Organizational Co-Sponsorship” option - no dollars
Pro Rata Profit Share Collaboration
We owe our members proof of our worthiness to receive their investment of dues
  Good work
  Good membership benefits
  Prudent expenditures of their money
Florida Statute entitles members to certain information
Fla. Stat. 617
3 years of tax filings
3 years of financial reports (P&L, Balance Sheet)
Membership List
Financial Controls

What enforces the budget?

Staff/ Outside Accountant

The “Bad Guy” - tough conversations for volunteers, but we are fiduciaries and so it is important to maintain boundaries
Financial Controls

Handling de minimis costs

Consider a discretionary budget

Allows some flexibility to officers for spending on event tickets, supplies, conference attendance, e.g.

Reimbursement Procedure

Allow officers to seek reimbursement (submit receipt and explanation for cost)

Consider cash back or points card to improve benefit to organization
Transparency and Accountability

Financial Controls

Handling major costs

Dual Signatures

Distribute statements to all board members

Checks and Balances

Outside bookkeeper

Annual audit

Outside CFO
What is the difference between a 501(c)3 and a 501(c)6?

References the Internal Revenue Code Section that governs the entity

501(c)3

Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.
What is the difference between a 501(c)3 and a 501(c)6?

501(c)6

Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.
What is the difference between a 501(c)3 and a 501(c)6?

Benefits of 501(c)3

- Can receive tax deductible gifts (write-off)
- Maintains clarity of funds being allocated to charitable purpose

Examples of Organizations:

- Cuban American Bar Foundation
- Florida Bar Foundation
- Broward County Bar
- Hillsborough County
- Highlands County
- Tampa Hispanic Bar Foundation
What is the difference between a 501(c)3 and a 501(c)6?

How to form a 501(c)3

Corporate Attorney or Accountant creates filing

How to maintain mission and collaboration?

Some crossover

Communication/ friendship

Bylaws

Require attendance by presidents/ reporting

Have to maintain diplomacy to avoid crossing purposes

Financing

Provided that the Bar Association is a primary funding source and source of help and support the foundation should be happy to maintain positive relationship
What is the difference between a 501(c)3 and a 501(c)6?

How to form a 501(c)3

**Board Composition**
- One board member must be former president?
- One member must be a retired judge?
- Cannot be the same board
- Need to maintain relationship, can be challenging! (Brendalyn)
State Filings and Deadlines
Annual Report

- Necessary to file annually, between January 1 and May 1, updates the Fla. Division of Corporations’ records whether changes are made or not.
- Late fee of $400 does not apply to not-for-profit corporations.
- Failure to file by 3rd Friday in September results in administrative dissolution or revocation of the business entity at the close of business on the 4th Friday in September.

Instructions for filing annual report online
Reinstatement

- Necessary if your organization has been administratively dissolved for failure to file an annual report with the Dept. of State, Division of Corporations
- Instructions for filing reinstatement online
- Reinstatement Fees are $175 + 61.25 per year no annual report was filed, for a minimum of $236.25
Amended Annual Reports

- May be necessary if the officers and directors are installed mid-year (e.g. June, October)
- Same process as filing annual report, except online prompt that warns you that you have already filed but click “continue” if you want to file an amended annual report
- Fee is $35
Federal Filing Requirements and Deadlines
Exempt organizations other than private foundations must file their annual information returns on Form 990 or 990-EZ unless exempted from filing or allowed to submit Form 990-N.

IRS Information for Non-Profits (fix link and screen share)
Requires:

- Form 990-N, aka Electronic Notice (e-postcard) for tax exempt organizations not required to file form 990 or 990 EZ with:
  - Legal Name of Organization
  - Any name under which it operates and does business
  - Website
  - Tax ID number
  - Annual Tax Period
  - Verification that annual receipts are $50,000 or less
  - Notification if the organization has terminated
  - Instructions for filing Form 990-N
Due:

- By 15th day of the fifth month after the close of the tax year (aka fiscal year)
- E.g. May 15, if fiscal year is calendar year.
- Failure to meet annual reporting requirement for 3 consecutive years will automatically cause the organization to lose tax exempt status
- Extension – [Form 8868](#) to request automatic 3-month extension of time or to apply for an additional (not automatic) 3-month extension (Signature and explanation required for the additional extension.)
Penalties

- If the organization fails to file, penalty of $20/day for each day the failure continues
- Same penalty if the organization omits information or provides incorrect information required on the return
- Maximum penalty is less than 5% or $10,000. For an organization with gross receipts over $1 million, penalty is $100/day up to $50,000 for a year.
Unrelated Business Income – Form 990-T and 990-W

- **Definition:** Income from a trade or business regularly carried on, that is not substantially related to the charitable, educational or other purpose that is the basis for the organization’s exemption.

- Tax exempt organizations may still be liable for taxes on unrelated business income if $1000 or more – must submit form 990-T

- If organization anticipates owing $500 or more in taxes on unrelated business income, need to submit quarterly estimated tax payments using form 990-W
Employment Tax Returns

- Every employer including organizations exempt from federal income tax that pays wages to employees is responsible for withholding, depositing, paying, and reporting
  - Federal Income tax
  - Social security
  - Medicare (FICA)
  - Federal unemployment tax (FUTA)
- Craig – Recommends outside payroll! (e.g. ADP)
- For more information, see Publication 15, 15-A. 15-B and Form 941
Disclosure Requirements applying to 501(c)6 Trade Associations

- Quid Pro Quo Contributions - Exchange of goods or services for contribution by donor over $75 value, must provide donor a written statement regarding the fair market value and disclose to IRS
- Solicitation of nondeductible contributions (*NOTE – contributions to professional associations are non-deductible)
  - If the organization has gross receipts over $100,000/year
  - The solicitation is part of a coordinated fundraising campaign that is soliciting more than 10 persons during the year
  - The solicitation is made in written or printed form by television or radio or by telephone
- Sales of information or services that are available free from the government
- Dues oriented towards lobbying or political activities that are not deductible
- Prohibited tax shelter transactions
- Penalty of $1000/day up to $10,000/year, unless reasonable cause for failure.
The Annual Audit or Review
“Audit” is a technical term for a detailed review of your books to make sure that they accurately reflect the financial activity of your entity. It can be expensive!

“Review” is a lower level of audit of income and expenditures with professional bookkeeper or accountant to prevent inappropriate use of organizational funds
  - Checks volunteer board members and staff with oversight

Other safeguards:
  - Countersigning for checks
  - Outside bookkeeper
  - Rotation of responsibility for books and accounts
Sample Handbook