

October 17, 2002

## ***FINANCIAL GUIDELINES***

**1. General Information and Purpose.** The purpose of this document is to provide guidelines for the management and of clubs funds for the Metro-East Model Railroad Club (MEMRC) which, is a not-for-profit organization. It is the intent that these procedures will serve as a template for current and future club officers and members and promote good relations amongst them by avoiding conflict involving financial matters. These funds are managed by the club treasurer with guidance from the club membership and in accordance with the club's by-laws. However, it is the duty of each officer and member of the club to exercise good stewardship of club monies.

**2. Club Monies.** Club monies are simply defined as all money, which is received from members or outside sources into the treasury. This money typically comes from club dues and donations but also can come from other sources such as soda sales, model train car sales, etc.

In general, club monies should only be used to support the clubs objective's which, are defined in the club's constitution. These objectives are:

- a. To promote the art and hobby of model railroading**
- b. To educate the public**
- c. To preserve American railroad history by maintaining a facility to construct and operate a prototype model railroad**
- d. To educate and inform the public about railroad history and the model railroad hobby.**
- e. To solicit or grow the club membership**

**3. Duties of the Treasurer.** The treasurer shall be the primary person making deposits to and withdrawals from the club's bank or credit union account. As a safety measure, two or three other club officers or members will be authorized to make withdrawals, issue checks, and deposit monies in the club's account.

**a. Accounting.**

(1). Deposits. The treasurer shall deposit all monies collected from dues, donations, soda sales, etc., into the club's account and will report this activity at the next business meeting.

(2). Issue of checks. The treasurer can only issue checks for the reimbursement of items purchased by club members in accordance with paragraph 6 of this procedure or for direct purchases as approved by club members at a business meeting.

(3). Issue receipts. The treasurer can only issue receipts for cash dues or donations and for items donated that were accompanied by a receipt.

(4). Reporting. The treasurer or his representative should provide a written and oral report of the club's financial activities at each monthly business meeting. At a minimum, this report will include receipts, withdrawals, donations, and account balances.

(5). The treasurer and secretary shall jointly be responsible for ensuring that the club's not-for-profit status is maintained in the state of Illinois. The application must be mailed on an annual basis along with the annual fee to the office of the Illinois Secretary of State.

**b. Records & Reporting.** The treasurer will keep club members and officers informed as to the club's financial position at meetings with a written report.

(1). The treasurer should present a written report at each business meeting of deposits, withdrawals, and cash donations, along with the current account balance(s).

(2). The treasurer shall maintain records of all club financial transactions including (but not limited to) bank/credit union statements, receipts, etc.

(3). The treasurer shall maintain a record of dues payments for all club members. The treasurer will give a report at business meetings of members who are 3 months behind in dues. The secretary will notify the members who are behind in dues payments.

#### **4. Fund Raising Activities.**

**a. Sale of items.** The club may sell items from time to time in order to replenish the treasury.

**b. Soda sales.** It has been a practice in this club to offer soda at a reasonable price for the purpose of generating some extra money for the club and also to provide refreshment to club members, guests, and visitors, while at the club.

(1). Management of the club soda sales should be **delegated to a club member volunteer who is not the treasurer.**

(2). The manager of the club's soda sales shall maintain records which at a minimum indicate the dollar amount collected from soda sales, the amount spent on soda purchases, and the amount turned over to the treasurer for deposit. These numbers shall be maintained in a logbook (or computer file). A report will be presented during a business meeting at least annually. It would be a good idea to have the log audited by the treasurer or some other club member if possible.

**5. Donations.** Donations of materials or railroad items such as pictures, memorabilia, scale models, etc., are not typically handled by the treasurer unless a receipt is involved. The club member who receives the donation (or makes the donation) will notify the club at the next business meeting and it will be included in the meeting minutes. The club may not want to accept some donations if they are too large since the club has no storage area. Since the Metro-East Model Railroad Club is a not-for-profit organization, club dues, donations, travel, and expenses, could be deductible on an individual's federal income tax return.

**a. Club member donations.** A club member may donate cash or other items to the club at any time. The club member will only be issued a receipt (for tax purposes) for the item(s) if he or she can present a receipt showing the purchase price of the item. The club will decide the disposition of donated items. In the past, model railroad items of good quality have been incorporated into the club's model railroad layout. Railroad memorabilia has been put on display or stored for later use. Other items such as magazines and model railroad equipment have been given away to the public free of charge.

**b. Donations from outside sources.** People often graciously donate items such as old model trains, photographs, model buildings, railroad memorabilia, etc. Receipts and disposition of these donated items are handled as in paragraph 5.a. above.

**c. Donations without receipts.** If requested, any person donating items without a receipt can receive a letter stating that the club received the items. No receipts with a dollar value for the items can be issued though. Anyone planning to include donated items as a charitable deduction their an income tax return is responsible for assigning a dollar value to the donated goods just as is done when goods are donated to the Goodwill, Veterans, Salvation Army, etc. As a side note, some tax preparers recommend taking pictures of the items donated to further substantiate the deduction.

**6. Purchasing & Reimbursement Procedures.** Purchases can pertain to items necessary for operation of the club such as toilet paper, cleaning supplies, postage, copies, shelving, etc., for display items such as railroad posters, calendars, etc., or for materials needed to build and operate the model railroad. It should be noted that the treasurer can write a check for the direct purchase of items per subparagraph (2) of paragraph 3.a.. This is typically done for more expensive items.

**a. Definitions.**

(1). A **major purchase** is defined as any expenditure of monies that **exceeds \$25.00. Club members should not make major purchases without prior approval.** Major purchases must be proposed as a motion at a club business meeting and approved by members in attendance. As a result these will be recorded in the meeting minutes. A club member may not be reimbursed for an unauthorized major purchase unless it is discussed at a business meeting and club members approve a motion to do so.

(2). A **minor purchase** is any expenditure of funds that **is \$25.00 or less. Club members can make minor purchases of items for the club which, are \$25.00 or less.** Minor purchases for the club's model railroad should pertain to a particular purpose or project which, has previously been discussed and approved at a business meeting. For example, purchasing scenery for the Glen Carbon Village which, is currently under construction and amounts to \$25.00 or less would be an approved expenditure of funds. Purchasing a car at a train show because a club member feels the item would be nice to have or "look good" on the club layout would not be an approved expenditure. As stated in paragraph 6 above, minor purchases can also be made for items needed to sustain the day-to-day operations of the club such as postage, toilet paper, soda, copies, lumber, etc. These purchases are typically made by club officers or designated individuals.

**b. Reimbursement Procedures.** As previously mentioned, in order to receive reimbursement for expenses and donations, you will have to provide receipts, list the items, and each item's cost. This cost should match the amount on the receipt. An example of how this is done is shown below using the "**Reimbursement & Receipt Request Form**". Enclosure (1) of this procedure is a sample form which, can be used to request reimbursement & receipts. Use of this form is not required since some members may wish to use another format such as a spreadsheet format from a personal computer. **The general format of the form must be followed however!** An example of this form in use follows:

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**REQUEST FOR REIMBURSEMENT & RECEIPT**

**Name: Casey Jones (1)**

**Project: NA (2)**

**Donations (3)**

**Expense (3)**

<b>Date(4)</b>	<b>Description(5)</b>	<b>Cost(6)</b>	<b>Date(4)</b>	<b>Description(5)</b>	<b>Cost(6)</b>
8/30/02	Postage	\$7.40	8/16/02	Rail Zip (2)	\$8.50
4/6/02	Couplers (3)	\$9.00	9/2/02	DPDT switches	\$8.51
9/14/02	Wire	\$6.37	9/14/02	Trk cleaning car	\$58.40
(7) Donation Total =		\$22.77	(7)	Expense total =	\$75.41
(8) Grand Total =		<b>\$98.18</b>			

**COMMENTS: (9)**

**\$58.40 was an authorized major purchase.**

**Please send me a check for \$65.00. Apply \$10.00 as monthly dues.**

**Please give me a receipt for donations in the amount of \$23.18.**

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**Example of a reimbursement & receipt request**

(1). The name of the person (Casey Jones) requesting reimbursement is entered at the top left-hand side of the form.

(2). If applicable, the name of the “club approved” project for which reimbursement is requested is entered at the top right-hand side of the form. **When a “project name” is entered; then all expenses listed on the form must be for that project.** Other unrelated expenses should be listed on a separate form.

(3). The left side of the form is for donations and the right side of the form is for reimbursable expenses.

(4). The date column entries are the date the item was purchased. This date will match the date that is on the receipt.

(5). A brief description of the item is entered under the description column. Note that the number in parentheses next to the item is the number of items purchased. For example: On 4/6/02, 3 packages of #5 couplers were purchased for \$9.00.

(6). The total cost of each item is entered under the cost column (Note the total cost for 3 packages of #5 couplers is \$9.00. This should usually match the total on the receipt. In some cases however, the item(s) you are requesting reimbursement for may be listed on a receipt with other items, which you purchased. In that case you should circle the item(s) on the receipt you are requesting reimbursement for. You can also figure the tax for the item(s) if want to and add it to the total.

(7). The totals for donations and for expenses are listed separately below their respective cost columns.

(8). The grand total is the sum of the 'Donation' and 'Expense' totals.

(9). Comments. If there are no comments, then the treasurer will write you a check for the expense total and give you a receipt for the donations total. If you want to donate part of the expense total or apply some of the expenses to monthly dues, then you can note this in the comment section. Partial dues payments will not be applied! In other words, if monthly dues are \$10.00, then you cannot apply \$12.50 towards your dues payments. The amount applied must be a multiple of the monthly dues amount.

(10). In the example, the club member requested a check for \$65.00, requested that \$10.00 be applied to monthly dues, and asked for a receipt for donations totaling \$23.18 (included 41 cents from expenses). **The sum of these items must equal the expense total of \$75.41! It should also be noted that the treasurer will not write a check for any amount that exceeds the expense total.**

### c. Expense rules.

(1). In order to avoid issuing checks for small dollars amounts (less than \$20.00), **club members may combine receipts for minor purchases as long as the combined amount of the expense total does not exceed \$75.00.** If the minor purchase expense total exceeds \$75.00, then the treasurer can add the excess amount to the donations total or the club member may decide to remove an expense item and include it on the next request form.

(2). **The expense total can exceed \$75.00 if it also includes major expenses, which have been approved.** Note that in the above example of a prepared reimbursement & receipt request form, the expense total was \$75.41. That's because the track-cleaning car was an authorized major expense for \$58.40. **The expense total could have been \$133.40!** (\$58.40 + \$75.00 = \$133.40)

**d. Budgeting for projects.** If an individual or group estimates the cost of a project; then the project leader can request that funds be approved for the project at a business meeting. For example, a group working on the Glen Carbon portion of the layout estimates that the cost for scenery materials, model buildings, and other materials to complete the model village would be \$400.00. The project leader could request that the club allocate \$400.00 for the project. The group could then go out and purchase up to \$400.00 worth of materials to work on their project. These items could be a mix of major and minor purchase items. The major purchase items do not have to be individually approved since they fall under the \$400.00 already approved for the project. The project team will be reimbursed as per paragraph 6.b. above. **Receipts are still required for reimbursement!** Though not required, submit all the reimbursement forms for the project together if possible. Make sure the project is noted on the form as required! In the event that it turns out that the project costs more than the estimate, then the group can request more money to complete the project at a business meeting.

**METRO-EAST MODEL RAILROAD CLUB  
FINANCIAL PROCEDURES**

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