

Best Practices for Financial Transparency

Integrity and transparency are at the very heart of a Lions club. Sound and clear communication is critical to achieve this goal.

This flyer was designed to provide general best practices, but it should be noted that every club should consult an accounting professional to ensure that the club is compliant with local regulations and the district rules of audit to further ensure that the club is engaging in appropriate business practices.

Financial Reporting

The club should outline in the club constitution and by-laws that the board of directors should receive the club's financial report no less than monthly and the original bank statement on a regular basis. Care should be taken to ensure that the bank statement and the financial report balance.

The Financial Report should include:

1. **Opening Balance** – The balance that was reported during the previous meeting. The report should include the amount in each account.
2. **All income** – Note the amount and source of the income.

Fundraising events should include an itemized report outlining the money received and each expense paid. Every significant expense requires an invoice sent or receipt and the income should be validated by attendance, ticket sales or some other quantifiable means. The club may establish a definition of the amount requiring a receipt.

3. **All Expenditures** – All payments made which were approved by the board of directors.

It should be noted that all payments must be approved by the club's board. Sometimes the expense payment approval is included in the club's budget approval process or by separate formal resolutions. Either way, the approval requires a quorum and must be reflected in the minutes. Receipts and invoices received should be obtained to verify the amount spent.

4. **Ending Balance** – The final amount is provided, which will be the opening amount the following month.

Reimbursement Procedures

As noted, reimbursement should only be done when the expense is approved by the board of directors and includes an invoice or receipt for the club's records. The club may establish a minimum amount that would not require a receipt, but this should be only for very small amounts.

Bank Account Management

Have two Bank Signatories

Bank accounts should include the treasurer and another officer as signatories and every check should bear the signature of both if appropriate. The two signatories should be from different households.

Maintain at least Two Accounts

Article XII of the Standard Club Constitution and By-Laws defines two types of club funds.

1. **Public (activity) funds** – which includes all funds raised from the public and money accumulated from invested public funds, must be used for the benefit of the public. The only deductions that can be made are the direct expenses relating to the fundraising activity, which would be reimbursed to the administrative funds account from the activity account.
2. **Administrative funds** – which includes funds supported through contributions from members through dues, fines and other individual contributions by members. It is recommended that these funds be kept in separate accounts so they can be easily tracked and reported.

Some clubs create accounts for special projects or fundraisers. Every account should be included in the club's financial report.

Ensure Visibility

In addition to inclusion on the club's financial report given to the board of directors, every account should be reviewed by two or more members of the board on a regular basis. These members should also ensure that the bank statements align with the financial statement.

Update access (and the password) to the account annually.

Each year, as new officers are elected, the account should be updated and the passwords changed to protect the funds.

Changing Accounts or Banks

Any change to an account, including changes to a new bank, should require approval by the club's board of directors.

Conducting Audits/Reviews

While a club should regularly seek the advice of an accounting professional to ensure compliance with local laws, the club should also conduct an annual audit of club accounts when the responsibility transitions to a new treasurer or at the end of each term. The review should include the following:

1. Bank statement at the close of the year.
2. Minutes showing the approval of expenditures and income.
3. Fundraising, event and project reports that have financial implications and provide information regarding the collection or disbursement of funds.
4. Receipts, thank you notes, invoices and other evidence of disbursement.
5. Final year-end report, showing the income and expenses for the year, which should reconcile with the above mentioned documents.
6. Paperwork or registration of the names on the account and the revisions to the account at the change of the fiscal year.

Why it is Important that the Treasurer be Bonded See MD202 comments below

Insuring (bonding) a treasurer provides the club protection and assurance that in the event the treasurer engages in criminal behavior or otherwise breaches their duty to the club, the club will not suffer as a result. This is not available in all countries and you may need to contact a financial or legal advisor for more information.

What to do when Fraud is Suspected

If the financial standing of the club is in question or fraud is suspected, the club officers should investigate such matters, and determine whether fraud occurred or whether it was merely an unintentional oversight. Discuss your concerns with the club's board of directors and ask for clarification. If there is evidence that an inappropriate action took place, a complaint may be filed under the [Club Dispute Resolution Procedure](#). Your district leaders may utilize the Club Dispute Resolution Procedure and a neutral conciliator may review the complaint and may help the club determine how it can improve its financial practices. However, if the club's board of directors has determined that criminal laws were broken, then the club may consider filing a formal complaint with the local authorities. Although we encourage Lions to clarify any doubt in their behavior, on occasion, criminal charges may be appropriate so as to insure the public that the club is taking action and to maintain the trust of the public and those that donate to the local Lions club.

However, keep in mind that this can be a learning experience, and not every situation that arises may arise to the level that criminal charges need to be filed. One of the purposes of the Club Dispute Resolution Procedure is to provide guidance to resolve disputes and address concerns of club members. This ensures that the club's practices can be fully transparent and provide the club with a high level of financial integrity, so every member in the club can rest assured that the work that they have done is truly assisting someone in need and in accordance with the club's intentions and the policies and procedures of the Association and International Board of Directors.

*** In NZ this would require the club to purchase their own Crime/Fidelity policy. For most clubs with a low level of transactions and who have multiple bank signatories the risk would be low unless there was collusion between the signatories. The greater risk of theft would be if there are a lot of cash transactions.**

The decision to purchase this type of insurance product would need to be assessed on a club by club basis.



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