

What are Good Governance Policies for Private, Tax-Exempt Clubs?



The Internal Revenue Service (IRS) is increasing its focus on good corporate governance for tax-exempt organizations, including tax-exempt social clubs.

As of 2008, Part VI of Form 990 requests information regarding an organization's governing body and management (Section A), policies (Section B) and disclosure (Section C). Form 990 instructions state, "even though the information on policies and procedures requested in Section B generally is not required ... the IRS considers such policies and procedures to generally improve tax compliance." The IRS further states, "The absence of appropriate policies and procedures can lead to ... activities inconsistent with exempt status." Some of the key items covered in Section B include:

Form 990. One of the first policy questions in Section B of Form 990 asks whether the

organization provided a complete copy of the Form 990 to all members of its governing body before filing the form and to describe the process, if any, used by the organization to review the Form 990.

Conflict of interest. The IRS also inquires as to whether the organization:

- a. Has a written conflict of interest policy;
- b. Were officers, directors or trustees and key employees required to disclose annually interests that could give rise to conflicts; and
- c. Did the organization regularly and consistently monitor and enforce compliance with the policy.

Whistleblower policy. A whistleblower policy encourages individuals to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from re-

taliation, and identifies those to whom such information can be reported.

Document retention and destruction policy. A document retention and destruction policy identifies the record retention responsibilities of staff, volunteers, board members and outsiders for maintaining and documenting the storage and destruction of the organization's documents.

Compensation. The IRS is interested in the process used in determining compensation for top management officials in an organization. That includes all of the following elements: review and approval by independent persons; comparable data; and contemporaneous documentation and recordkeeping for deliberations and decisions.

In addition to the IRS inquiries on the Form 990, clubs would be well advised to also check any applicable state statutes regarding the above policies.

Daniel T. Condon, CPA, is a partner in the accounting firm of Condon O'Meara McGinty & Donnelly, LLP, which provides consulting, auditing and tax services to more than 325 private social clubs in 14 states. Dan can be reached at 212-661-7777. Learn more at comckpa.com.



Chambers' 360° approach

Chambers looks holistically at club planning and design. Because we know that everything is connected. *Everything matters.*

CHAMBERSUSA.COM

360° PLANNING & DESIGN

BALTIMORE 410.727.4535 / DALLAS 972.253.3583 / MINNEAPOLIS 651.600.5658

SUBSCRIBE FREE to CLUB ROAD for club trends and insights