

INFORMATION SHEET

Clubs and Club Trusts



Approved by the Charity Commission
for England and Wales

RIBI Finance Committee
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This information sheet has been prepared to explain how Rotary clubs within Great Britain and Ireland should be treating the administration of their clubs, paying particular attention to the use of a formal charitable club trust for the club's fund raising activities.

All clubs should be aware that the Rotary club itself cannot be classified as a charity. The primary purpose of the Rotary club is not charitable in nature, but there is often confusion and misunderstanding about the 'legal' or 'recognised' status of the club because members do raise funds each year for 'charitable purposes'. Many clubs operate 'charity' bank accounts which are used for funds raised for 'charitable purposes' but these accounts are held within the environs of the club itself and do not attract the benefits afforded to a formally registered charity.

The two separate entities – clubs and club trusts – should not be treated as one organisation. Specifically, each must have its own set of accounts and the two must not be amalgamated. Annual reports and annual accounts (where required) for the club trust are to be filed with the appropriate charity regulator and are placed on public record. These charity accounts must not include any transactions relating to the club itself.

Details of how the club and club trust differ are set out below:

	Rotary Club	Rotary Club Trust
Governing document	RIBI Club Constitution and By-Laws	Trust deed of the Club Trust
Governing body	Club council – has overall responsibility for club decisions, but any financial losses are borne equally by all members.	Board of trustees – often the club president, secretary and treasurer for convenience, but being a trustee of the club trust is a role separate from being an officer of the club. The trustees bear the ultimate responsibility for all charitable activities and share equal responsibility for financial losses.
Individual appointments	Election to the club council is decided by club members.	Appointment of new trustees is the responsibility of the existing trustees, but the trustees may listen to the wishes of the club or club council.
Bank accounts	All bank accounts must be operated in the name of the club. It is up to the club council to determine how the accounts should be operated and who should be the signatories.	The club trust must operate its own bank account(s), separate from those of the club. The trustees must decide how the accounts are to operate and who should be the signatories.
Accounts	Prepared by club treasurer, to include all bank accounts for club activities, including any 'community' bank account and any 'charity' bank account (not club trust account) operated by the club itself.	Prepared by the trustees (probably by the club trust treasurer) for the club trust activities only, including all bank accounts operated by the trustees.
Format of accounts	Income and Expenditure account (normally receipts and payments) and Balance Sheet for the year to 30 June annually, in a format that is agreed by the club.	Income and Expenditure accounts and Balance Sheet for the year to 30 June annually in a format set out by the Charities Acts and current SORP . Whether prepared on a 'cash' or 'accruals' basis depends on current legislation.
Examination of accounts	The Standard RIBI Club By-law 4 requires that the clubs' annual accounts are examined each year.	Club Trust accounts require independent examination or audit depending on the size of the trust (measured by annual income and/or net assets) as defined by current legislation.
Examiners/auditors	The Standard RIBI Club By-law 4, clause 3(a) and 3(b) state that club accounts shall be examined by 'a professional accountant or by two other persons appointed at the preceding annual general meeting'. The 'two other persons' should have some financial knowledge. These 'two other persons' may be club members but they must be independent of the club treasurer's role and the club council.	As set out in the current charity legislation relevant to the country in which your club trust is located, and detailed in the RIBI Manual for Incoming Club Officers (subject to change if legislation is updated). Although very small charities may not legally require an examination of the annual accounts, RIBI expects that all club trust accounts will be independently examined.

Annual reporting/filing requirements	Duly examined club accounts are presented by the club treasurer for approval by the club at the club Special General Meeting before 1st January each year. The club President must confirm to the district treasurer each year that the accounts have been appropriately examined and approved.	Accounts and annual reports must be filed in accordance with the requirements of the relevant charity regulator relevant to the country in which your club trust is located. Details are set out in the RIBI Manual for Incoming Club Officers (may be subject to changes in legislation). For information on recent legislative updates, please refer to the website of your charity regulator.
Fund raising activities	Organised by the club and marketed as being for club funds – to be included in club activities. Organised by the club for specific/named charities (restricted) and/or 'other charities supported by Rotary' (unrestricted) and retained in the club 'charity' bank account (not club trust account) – to be included as club activities but treated as if an informal trust has been established and applied in accordance with the wishes or intention of the donors.	Organised by the club for the club trust – the trustees must approve the fund raising activity, but take responsibility for the funds only once the money has been paid over from the club. The risk assessment and any shortfall is the responsibility of the club (not the club trust). Organised by the club trust – the trustees have overall responsibility from the outset and must carry out the appropriate risk assessment and ensure there are funds within the trust to cover any losses.
Tax status	Clubs are treated as not-for-profit organisations by HMRC and trading or investment income is subject to corporation tax. Clubs can apply for 'dormancy' status once every five years if their annual income from investments and trading is less than £100 and will therefore not need to submit an annual corporation tax return.	Club trusts should register with HMRC to obtain official recognition as a charity – whether or not the trust has registered with the appropriate charity regulator. This entitles the trust to: <ul style="list-style-type: none"> • receive interest gross, without deduction of tax at source • claim income tax on donations under the Gift Aid scheme • be exempt from corporation tax on charitable income and certain trading income.
Trading activities	Clubs should be careful to identify any regular activity that generates income not necessarily for charitable purposes. This may be classified as trading and be subject to corporation tax.	Charities which carry out trading activities are subject to restrictions on the amount of trading income that can be generated within the charity. Trading income within a charity may be subject to corporation tax. There are limits on the amount of trading income that charities can earn for exemption from corporation tax. The trustees must monitor such income and consider setting up a trading subsidiary company where this is appropriate.
VAT	The club is subject to the same VAT rules as any business organisation. Unless it is registered for VAT, there is no recovery of input VAT.	The club trust, as a recognised charity, is subject to the same VAT rules as any other business organisation, but there are concessions to zero rate certain purchases – mainly for advertising by the charity and the purchase of certain equipment for charitable use. See HMRC website www.hmrc.gov.uk/charities/vat/charity-funded.htm . There is also an extra-statutory concession for certain fundraising activities by charities – see HMRC website www.hmrc.gov.uk/charities/vat/fundraising.htm .
Use of name	Correspondence, marketing literature and fund raising documentation must contain the name of the club. Bank account names must demonstrate that it is the club that is the account holder, and must not include the word 'trust' or 'charity' in the name of the account holder. Where the club is raising funds for a specific charity (including the club trust), details on advertising documents may include that Rotary Club xxxx is raising funds 'for charity xxxx registered number xxxx'.	Correspondence, marketing literature and fund raising documentation must contain the name and charity registration number (if appropriate) of the club trust. This includes the bank account(s) and cheque books.