

Questions Frequently Asked of the National Treasurer

A. "Can I deduct my donations to the fraternity on my tax return?"

Ans. The National Fraternity of the Secular Franciscan Order - USA is exempt from all federal taxation under IRC 501(c)(3) as part of the umbrella group of the United States Catholic Conference, Group Exemption Number 0928. In addition, each constituent part (fraternities, regions, provinces) of the National Fraternity is also tax exempt. Your donations to the fraternity, region, etc., no matter what amount, are therefore deductible on your federal income tax return.

B. "I made a large donation to the fraternity this year and I need the IRS form to send in with my tax return to prove it."

Ans. Internal Revenue Code Section 170(f)(8) requires that charitable contributions of \$250 or more, made on or after January 1, 1994, must be substantiated by a contemporaneous written acknowledgment from the donee organization. That means the fraternity (or region, etc.) must send you an acknowledgment showing the amount donated. Smaller gifts do not have to be acknowledged ever if they total \$250 or more. Keep the acknowledgement letter with your other tax records. Do not send it in with your tax return.

C. "As treasurer do I have to record the details of all donations received from the membership when traditionally we have never done so, preferring to keep this anonymous?"

Ans. The General Constitutions, Art. 52, states: "4. The treasurer, or bursar, has the following duties: (a) to guard diligently the contributions received, recording each receipt in the appropriate register, with the date on which it was given, the name of the contributor, or the one from whom it was collected". If members do not want donations to be recorded in detail, they have the option of giving cash into the common fund with no identification attached. If however they pay by check, or in an envelope with a name on it, it must be assumed they wish a record to be kept of it. Of course all records kept are strictly confidential, and should not be made available to anyone other than the Council, the fraternal visitor, or legitimate governmental agencies.

D. "I am bogged down by the legal details of incorporating our new region. I hope you can help."

Ans. There is no requirement to incorporate, and I see no advantage to doing so. My advice is to stop what you are doing; don't incorporate unless you can see a very clear-cut, distinct advantage to it. There are some distinct disadvantages to incorporation, not the least of, which are the lawyer's fees and filing fees. In addition, most states require that you maintain an office in the state of incorporation, and have available a designated officer or other contact person at that office. This could run into some expense and difficulties when changes are made. Additional fees are required whenever a change of location or contact person, or corporate name, and maybe even every time new officers are elected (the officers of the corporation would be the elected council, headed by the president-minister). The question of limited liability is one, which I was never able to get any satisfactory answers to. In any event, I assume insurance should take care of that issue. Please also note that if you incorporate the region, you will no longer be part of the umbrella tax exemption of the National Fraternity. You will have to make a separate filing through the local diocese, the procedure for which I am not familiar.

E. "The bank says we can no longer use the minister's Social Security number on our bank account. They say we need a tax-exempt number or a federal employer identification number. We don't have any employees. Why would we need that kind of number? Where do we get a tax exempt number?"

Ans. If you were to open up a bank account for yourself, you would have to give your Social Security number to the bank. Then at the end of the year the bank will send you a 1099 form to let you know how much interest income to report on your tax return. In the case of organizations, instead of a Social Security number, an Employer Identification Number ("EIN") is required. (Please note: you do not have to have employees in order to obtain an EIN).

When your fraternity or region tries to establish a new interest bearing bank account, the bank must obtain from you an Employer Identification Number. The bank must report to the Internal Revenue Service any and all interest income credited to its customers. Since the Secular Franciscan Order is a tax exempt organization and not required to file tax returns, the IRS will issue an EIN to identify you as such, and the bank, using your EIN, will be complying with IRS rules in reporting all interest.

To apply for an EIN use form SS-4. Call the IRS to get the form and instructions, and to get answers to your questions: 1-800-829-1040. If you do not have the EIN by the time you want to open the new bank account, write "Applied for" and the date you applied in the space for the number on the bank application form.

F. "The bank will not let us open a new account unless we prove to them that we are a tax exempt organization."

Ans. This is a standard requirement. I routinely issue a form letter to fraternities and regions stating they are part of the National Fraternity and exempt under the Internal Revenue Code Section 501 (c)(3), etc. If you want such a letter for the region or for any fraternity just let me know.

G. "The bank wants proof of approval to transfer funds from our old bank account. Are they kidding?"

Ans. This too is a standard request from banks. What they are looking for is a statement in the minutes of the council meeting that their bank has been designated as a depository for the fraternity or regional funds. The secretary should make a copy of such resolution and certify that "it is a true and exact copy from the minutes of the meeting on such and such date."

H. "When we buy supplies can we use the parish's tax exempt number so we don't have to pay the sales tax?"

Ans. Federal income tax exemption is distinctly different from exemption from state sales or use taxes. Regions and fraternities must themselves apply for sales tax exemption in their own area using the appropriate form. Be sure to get a letter from me stating you are part of the National Fraternity and exempt under the Internal Revenue Code Section 501 (c)(3), etc. This will help to speed things along. Many states however have no provision for such exemption. To find out, contact your state department of taxation.

I. "As a new treasurer I don't know how to make out the federal form 990 ("Return of Organization Exempt from Income Tax"). Give me some advice."

Ans. The National Fraternity of the Secular Franciscan Order - USA is exempt from all federal taxation under IRC 501(c)(3) as part of the umbrella group of the United States Catholic Conference, Group Exemption Number 0928. In addition, each constituent part (fraternities, regions, provinces) of the National Fraternity is also tax exempt. That exemption, issued each year by the Internal Revenue Service, also applies to all income tax forms: none are required to be filed, ever!! Do not file form 990!

J. "Our newly elected treasurer is lost on how to keep track of the accounts. He can balance the checking account, but the rest is a mystery to him. Help."

Ans. Anybody who can balance a checking account can be an adequate fraternity treasurer with the help of my published forms and guidelines. Being treasurer of the region requires somewhat greater abilities, but I also have forms and guidelines for that office. Contact the Keeper of Procedures, Kay Pelletier, sfo, (612-854-8368) for the following printed material:

Fraternity Treasurer's Reporting Requirements and Forms
Accounting System and Forms for Provincial/Regional Treasurers
Treasurer's Guidelines

K. "We have not yet seen a report from the new treasurer since we became a region. Who gets the treasurer's report?"

Ans. The General Constitutions, Art. 52, states: "4. The treasurer, or bursar, has the following duties:... (c) to render an account of his or her administration to the assembly and to the council of the fraternity according to the norms of the national statutes."

The treasurer must make an annual or more frequent financial report to the membership, and to the next higher council (GC Art. 93.5). A fraternity treasurer should publish in the fraternity bulletin or newsletter, the annual report that shows details of income, expenses, and cash balances. In addition that same report must be given to the regional council. The regional treasurer's report would be disseminated to the membership through the fraternity ministers or the newsletter. That same regional financial report should also be delivered to NAFRA as part of the regional minister's report. (See "The TREASURER'S GUIDELINES", approved by the NAFRA Executive Council 2/25/92.)

L. "I will be moving to another state next month. Please send me a list of fraternities that I can contact when I get there."

Ans. The NAFRA fraternity database is no longer being kept by the National Treasurer's Office. We have a Database Manager, Bill Geary, sfo, however officially, all such inquiries should go to our Vocations Director, Marie Amore (810-771-4250), who gives out fraternity location information to anyone looking to join the SFO or those who are moving to a new location and want to change fraternities.

M. "I want to make a bequest to the Order. How do I word it in my will?"

Ans. Each of us can play an important role in preserving and extending our Secular Franciscan way of life, in our own fraternity, at the regional or national level. This can be accomplished in many ways, including a bequest in our will. Suggested wording for your bequests:

A BEQUEST FOR GENERAL PURPOSES:

"I give and bequeath the sum of \$_____ (or _____% of my disposable estate) to: (name and address of fraternity, region or NAFRA)."

A RESIDUARY BEQUEST OF INDEFINITE AMOUNT:

"After payment of expenses, debts and specific bequests, I direct that the residue of my estate be given to: (name and address)."

A CONTINGENT SPECIFIC BEQUEST:

"I bequeath to (name and address) any part of my estate that other beneficiaries are unable to receive because of death or other reasons."

N. "Our newly elected council does not know how much money to keep in the bank. Some want to give it all away every month. Others want to hoard it. Please give us some idea of how much is enough."

Ans. Every fraternity must sooner or later face the question of how much should be kept in the fraternity's treasury. How much is enough? How much is too much? The following general rules should be helpful:

. There is nothing wrong with accumulating a modest treasury so that unexpected financial burdens may be covered. To have a reasonable cushion for unknown expenses and emergencies is not wrong, but prudent.

. It is definitely wrong to ignore a known financial responsibility in the near future and expend all treasury funds, even for a worthy cause.

. An accumulation of funds in the treasury of a full years budgeted needs is not an unreasonable amount to be kept. An accumulation of funds sufficient to cover 4 or 5 years worth of ordinary expenses is clearly excessive.

. Expenditures from one year to the next are usually similar, except that they tend to expand due to inflation and other factors. Each fraternity should have a BUDGET in place each year in advance. The budget is merely a reflection of past experiences with expenditures, and income, to be used as a guide for the future. To ignore and not plan for your known future expense is wrong.

. It would be wrong for a fraternity that donates regularly to a local hospital, food bank, etc., to plead poverty and give only a token stipend each month to its Spiritual Assistant, or fail to pay for its minister to attend the provincial/regional chapter.

. There is an obligation in justice to pay all fraternity debts and obligations first before donating to charities.

. The treasury should never be allowed to go below a set base amount, depending on the fraternity, that would be enough to cover foreseen expenses in the next several months. It is wrong for an outgoing minister and council to leave an empty treasury for the new minister and council.

. It is prudent management to have at least enough to cover close to a full years known expenditures and a small amount to cover unknown expenses.

O. "Our fraternity has boxes and boxes of financial records dating back for years. I know that if I throw them away I'll be in big trouble. What should I do with them?"

Ans. The Internal Revenue Service requires records be kept for at least three years for income and expenses related to a filed tax return. For an organization such as ours, which is not required to file tax returns, a longer retention would be appropriate since any review by the IRS would cover all years for which returns have not been filed. In addition, records dealing with capital purchases, such as a computer, or a car, etc., must be kept with records for the year of disposal of the asset. Another consideration is the possibility of an audit by the higher council, since they have the right to do so at any time. However their requirements would probably not exceed those of the IRS. Based on these general principles, I believe it is best to retain our records of income and expenses, including all bank records, for a period of 6 years, and records of capital assets until six years after disposal. For example, records of the year ended 12/31/91 should be kept until 12/31/97.

P. "How much should the fraternity give to our friar spiritual assistant. He is invaluable but we don't know how to arrive at a fair amount to pay him."

Ans. There is a short publications available: "Guidelines for stipends for Spiritual Assistants", written by the Conference of National Spiritual Assistants. Contact Fr. Benet Fonck, ofm, Executive Secretary (312-853-2370 or Fax: 312-853-2361).

Q. "The parish where we meet has asked us to buy public liability insurance coverage naming the parish and diocese as beneficiaries. See letter enclosed: '... any 'non parish' function utilizing parish facilities must have liability insurance'; '...the diocese insurance policy would not cover the fraternity meetings...'. What are they talking about?"

Ans. This is apparently a hot topic in some dioceses but we do not as yet have a set policy at NAFRA. Insurance regulations vary from state to state and it is seemingly impossible to write a single policy that would be appropriate for all situations. Another concern is that we should not be treated as outsiders. We are an order in the church (see Canon #303, 312, 313, 314), and should be treated the same as other orders in the Church. Perhaps a letter could be sent directly to the local bishop, letting him know officially that the fraternity or region is part of "Church". If other orders are required to buy insurance, then we will too. But if other orders, meeting under similar circumstances, are not required to provide separate insurance policies, then we should not have to either.

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