



## Managing Team Finances

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There are many options for how a team's finances may be managed. The Arizona Cycling Association (ACA) encourages teams to find a suitable parent to volunteer to serve as your team's Treasurer; however, in the beginning the coach may be managing team finances. Either way, try to keep things as simple as possible in the early days.

As you begin discussions with your school's administration, or other fiscal sponsors - ask for their guidance and policies related to financial management. There is no reason to reinvent the wheel if a working system exists at your school. Also, remember that you most likely got into coaching to work with kids and bikes - not to balance checkbooks. Thus, ask for a trusted volunteer to help with this work.

Unfortunately, the ACA **cannot** operate as a fiscal sponsor to teams or clubs and as such, **doesn't** offer teams and clubs the ability to use the ACA's 501(c)(3) number or nonprofit status in order to take donations or open team tax-exempt checking accounts. The ACA would be financially responsible for hundreds of teams across the region if it did so. Any use of the ACA's 501(c)(3) for team or club financial activity is prohibited.

There are a number of ways that clubs and teams can operate their finances:

- **Option 1 - School Club:** A team will operate as a "club" within their school and run their finances through the school's administration and club account. Under this model, receipt letters for tax purposes come from the school as a result of its nonprofit status. This often requires filing paperwork with the school to register the club and to create an account within the school.
- **Option 2 - School Athletic or Booster Club:** Teams operate as clubs through their school, which has an "athletic fund" or "booster club" and is a registered non-profit which may be able to accept donations on behalf of the cycling team. The athletic club will often hold the funds in their account and the team submits requests, along with receipts, for funds to be distributed. This is similar to option 1. Teams may use this option, but also maintain their own "team account" managed by one of the parents to allow for easy access to cash, for reimbursing gas expenses and other team needs. Teams that follow this model usually have large donations sent to the school for tax purposes and use the "team account" for managing a small amount of funds to allow easier spending and reimbursement for coaches.
- **Option 3 - Independent:** A parent or team Treasurer of the team creates a checking account for use by the team. This allows very easy access to the funds, but requires a parent volunteer to be willing to manage the account. Donations are not tax deductible as the parent is not a registered non-profit and therefore cannot issue letters acknowledging the donation. The ACA's tax ID is not available to register this donation, as the funds are not actually going to the ACA.
- **Option 4 - Fiscal Sponsorship:** Composites (teams/clubs not associated with a school) work with another local organization that is a nonprofit, and is willing to act as a fiscal sponsor. What is a fiscal sponsor? A fiscal sponsorship is an arrangement between a local 501(c)(3) public charity and a team or club (project), in which the charity receives and expends funds to advance the community work of the team or club (project) while retaining discretion and control. The fiscal sponsor manages the finances

of the team (project) and distributes tax donation letters to donors, for anything donated to the team (project).

- **Option 5 – Team Nonprofit Status:** An individual team may establish its own identity and register as a 501(c)(3) non-profit. We recommend working with a local tax professional or lawyer if you decide to go this way as it involves forming a board of directors, requires Directors & Officers insurance, regularly scheduled meetings, meeting minutes, etc.

**Clarifying Sponsorship vs. Donation:** It is important when talking with potential team sponsors and donors that you are clear with them about what they are receiving for the money they are providing. If a "sponsor" is paying for marketing or receiving goods in exchange for financial support, then it may not be a tax write-off for them. If a contributor is provided something of value, only when the donation exceeds that value is there a charitable gift. For instance, at an event auction, if someone bids on a bike part worth \$700 and pays \$500 then there's no charitable amount.

When a sponsor donates funds, and in return receives logo placement on team jerseys, there's no disputing that this might be considered advertising and therefore must have quid pro quo value. In the interest of benefitting domestic non-profits, an exception was placed in the IRS tax rules. Sponsorship is not considered advertising, provided it is only recognition, and does not contain qualitative descriptions of the sponsors product, or inducements to buy. A sponsor cares little whether their funding is advertising or charity. It's tax deductible either way. The charity however DOES care, since sale of advertising is not a tax-exempt activity and may create taxable income under the rules. We recommend speaking with a local CPA if you have questions.