

Guidelines for the Acquisition and Expenditure of Ski Patrol Funds

Prepared by the Far West Division

A sub-division of the National Ski Patrol System, Inc.

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Purpose

This document provides guidelines for the acquisition, expenditure, and reserve holdings of funds by ski patrols. It is intended that this guide support compliance with IRS 501(c)3 rules and NSP regulations for the use of non-profit tax-exempt organizations.

This document is organized to include definitions of funds and provide the reader guidelines and examples of use of the different types of monies that ski patrols deal with in the conduct of their organizational businesses.

References

The following references were used to compile this guideline.

- “36 USC Sec 152701-Statute, National Ski Patrol Federal Charter,” January 2005
- “501(c)1 and 501(c)3 Tax Issues,” Recommendations of the National Ski Patrol’s National Legal Committee, 17 June 2006
- “Patrol Finances and Expenditures – A common Sense Guideline for Operating Under Section 501(c)3 of the US Tax Code, Eastern Division, National Ski Patrol, 5 March 2007

I Types of Funds

There are three types of funds that ski patrols deal with in the conduct of their organizational business. These are unrestricted, restricted, and unrelated business income. Each of these fund types are defined below with examples provided to guide the proper use of these fund types.

- a. **Unrestricted funds.** Unrestricted funds are typically acquired by the payment of dues or other regular patrol activities related to the organization’s tax-exempt purpose. The Federal Charter¹ defines our organization’s purpose. *All funds collected by the ski patrol that are not “restricted” funds are “unrestricted” funds.*

¹ The purpose of NSP is to promote, in every way, patriotic, scientific, educational and civic improvement activities and public safety in skiing, by such means as dissemination of information and formation of volunteer local patrols consisting of competent skiers trained in first aid for the purpose of preventing accidents and rendering speedy assistance to individuals sustaining accidents; and

To solicit contributions of money, services and other property for, and generally to encourage and assist in carrying out these purposes in every way. (36 USC Sec 152701–Statute)

NSP Mission Statement – The National Ski Patrol (NSP) is a 26,000-member association striving to be the premier provider of training and education programs for emergency rescuers who serve the outdoor recreation community. NSP’s mission is to provide education and training in leadership, outdoor emergency care, safety and transportation services, which enables members to serve the community in the safe enjoyment of outdoor recreation.

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We understand that National is working a version of this guideline.
Any National Use of Funds document *will supercede* this publication

Note: Certain patrols of the Far West Division participate in the California College Community Fund Program. Funds generated under this program are typed unrestricted funds.

- b. **Restricted funds.** Restricted funds are subject to externally imposed restrictions. Usually these restrictions are imposed at the time of receipt. Fundraisers, grants, and donations may have imposed restrictions and therefore are restricted use funds.
- c. **Unrelated Business Income (UBI).** UBI *occurs* when a tax-exempt organization engages in activities ***not related to*** the organization's purpose (see reference Federal Charter). Any and all funds collected from non-ski patrol related activities (UBI) and their associated financial records must be reported separately from its regular operating funds and are subject to state and federal taxes. *Except for the tax consequences, UBI is otherwise unrestricted.* Ski Swaps and Bake sales are examples of funds *that might be treated* as UBI.

Special care should be made to keep the accounting for these different fund types segregated.

The next section is a guide to how patrols can use (and should not use) each of these fund types. Following the guidelines is additional guidance for *suggested* operating reserves – how much a patrol should hold in reserve to help keep the patrol in a strong-financial position.

II Guidelines for Expenditures of Patrol Funds

1. **Unrestricted Funds** – Unrestricted funds are available for use to support patrol activities described by the Federal Charter of the National Ski Patrol (NSP). These funds are available for use in any appropriate patrol activity such *as* equipment, supplies, and services used by NSP patrollers in providing first aid or assistance to skiers and associated rescue activities defined by the Charter. Examples are:
 - a. First aid equipment and supplies used by NSP patrollers
 - b. Communications equipment, e.g., radios, used in training and patrolling by NSP patrollers
 - c. Supporting the costs of ski patrol events, including awards banquets at which NSP awards are presented
 - d. Computers and computer software used in the administration of the ski patrol
 - e. Clothing identified with NSP logo or Patrol name
 - f. Cost of training conducted by the patrol or given to patrol members for the purpose of meeting the patrol functions or objectives.

Unrestricted funds ***may not be used*** to provide benefit for-profit entities or to profit individuals. Examples ***that are not*** acceptable uses include:

- g. Any equipment, including radios, chargers, sleds, etc. used by a for-profit organization for the primary use of resort employees

- h. Improvements to property owned by for-profit organizations, *unless the improvements primarily serve an NSP patrol purpose*
- i. Contributions to funds for the benefit of individuals (e.g. family members of deceased or injured patrollers, etc).

Certain patrols of the Far West Division participate in the California College Community Fund Program. Funds generated under this program are unrestricted funds.

- 2. **Restricted Funds** – are to be used only for the purposes for which they were obtained and within the imposed restrictions. Special care should be made to keep the accounting for different fund types segregated, including various restricted funds generated for various purposes.
- 3. **Unrelated Business Income (UBI) Funds** – may be used for any legitimate patrol purpose after all applicable state and federal taxes have been paid.

III Reserves – How Much Should a Ski Patrol hold in Reserve?

In addition to regulating the acquisition and spending of various types of funds, ski patrols must also be concerned with the size of their accumulated reserves. This section provides a guideline for reserves.

Definition – Reserve – For the purpose of reserve planning, the reserve is defined as the total of all patrol bank accounts on 1 July (the beginning of the NSP Fiscal Year) less any outstanding checks, less budgeted expenses for the following year. *Since the part of dues collected for the region, division, and national headquarters are not an expense of the patrol, but only an in-and-out service rendered, these amounts are not to be included in either patrol income or patrol expenses.*

For the financial health and well being of the organization, many organizations keep reserves equivalent to some multiple of annual operating expenses. It is important to state that the IRS and many state governments may object to overly large reserves for non-profit tax-exempt organizations.

- a. **Minimum Reserves** – it is suggested that the minimum reserve should not fall below an amount equal to two times (2x) the annual budgeted expenses. This means that on July 1 the total of all bank accounts should be at least equal to the total of outstanding checks plus two times the expenses budgeted for the coming season (*not including region, division, and national dues*).
- b. **Excess Reserves** – On the other end, existing regulations also allow a charitable organization to raise and hold only such sums as are necessary and proper for carrying out appropriate activities. Funds held in excess of such amounts may be subject to an excise tax. For patrols without documented extraordinary circumstances, the government may consider an amount equal to 3 times (3x) the annual budgeted expenses as excessive and subject to escheatment (seizure by the

state). Ordinarily this means that on July 1 the total of all patrol bank accounts should be less than the total of outstanding checks plus an amount equal to three times (3x) the expenses budgeted for the coming season (*not including region, division, and national dues*). Extraordinary circumstances may exist where a non-profit organization may need to accumulate more substantial reserves, but such circumstances need to be well documented, preferably by an attorney or CPA. If the reserves are in excess of the suggested maximum, it is strongly recommended that a spending or donating program be instituted without delay.

IV Additional and Specific Questions and Guidance

Questions, concerns, or special situations necessitating additional specific guidelines for the use of ski patrol funds, should be directed to the patrol's Regional Treasurer or to the Divisional Treasurer.