

RECOMMENDED BEST PRACTICES FOR RECOGNIZED IOWA CLUBS

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RECOMMENDED BEST PRACTICES FOR RECOGNIZED IOWA CLUBS

SECTION 1 - INTRODUCTION

1.1 General Application:

The following *Best Practices* and related matters are provided to be of general support and assistance to University of Iowa Alumni Association (UIAA) “Recognized” IOWA Clubs. These *Best Practices* are a work in process and will be reviewed, modified and updated from time to time to reflect changing circumstances and to be responsive to the needs of Recognized IOWA Clubs. These *Best Practices* can be used as a general guideline, but local leadership should use good common sense in dealing with a variety of issues that may confront the organization that may not be comprehensively addressed, or addressed at all, in these *Best Practices*. Additionally, these recommended *Best Practices*, if in conflict with any laws or regulations that may be applicable to an IOWA Club, should be superseded by compliance with such laws and regulations. If further guidance is needed in connection with any of the matters set in these *Best Practices*, you are encouraged to seek additional guidance by contacting the UIAA and/or seeking the guidance of local legal and/or accounting professionals. Additionally, because there are different types of Iowa Clubs in a variety of circumstances, the specific application of any particular *Best Practice* may need to be adjusted to accommodate the organizational structure and circumstances of a particular Club.

Other guidance for IOWA Clubs can be found in the *UIAA Compliance Standards for Recognition as an IOWA Club* (chart format); the *UIAA IOWA Club Leadership Handbook*; the *UIAA Organizational Guide for Recognized IOWA Clubs* (chart format); the *UIAA Resources Guide for Recognized IOWA Clubs* (chart format); and other materials available from the UIAA.

1.2 Important Distinctions:

Recognized IOWA Clubs are generally affiliated with the UIAA by virtue of common interest, mutual cooperation and mutual support. The UIAA and IOWA Clubs are not affiliated through a formal legal relationship or control. Rather, each IOWA Club functions as an independent organization. But, in order to be “Recognized” and thereby qualify for support and assistance from the UIAA, a Recognized IOWA Club is expected to abide by UIAA’s *Compliance Standards for Recognition as an IOWA Club* and otherwise serve the UIAA’s mission.

The UIAA recognizes three possible IOWA Club configurations referred to as Type A, B and C, and a fourth possibility of an Alumni Contact for more limited activities. The basic features, distinctions and determinative factors of the Club types are set forth in the *Compliance Standards* and *Organizational Guide* among other materials available from the UIAA. Very generally, a Type C Club will be smaller and/or sponsor fewer events and activities while more active Clubs may need to be incorporated as a Type B Club, to provide greater organizational structure and potential liability protection. Financial considerations, particularly a Club’s generation of potential income tax liability on account of material revenues in excess of expenses, may dictate a Type A Club that additionally qualifies for tax exempt status.

It is very common for organizational status and tax status to be confused. These are separate considerations. Organizational status is determined by applicable state laws, while tax status is determined by the IRS and requires compliance with federal laws. “Nonprofit” status is a corporate form under applicable state law. A nonprofit corporation under state law is not necessarily tax exempt under federal law. “Tax exempt” status must be separately applied for and maintained under federal tax law.

However, for most organizations to become tax exempt under federal law they must also be organized as nonprofit under state law.

An additional common confusion exists between federally tax exempt organizations and federally recognized charitable organizations. Not all federally tax exempt organizations are recognized as charitable organizations - contributions to which may be income tax deductible by a donor. As such, while a Type A IOWA Club will be tax exempt if it applies for and obtains a 501(c)(7) status, it is characterized as a “social club” and not as a charitable organization. **Neither dues, contributions nor other gifts to an IOWA Club (whether Type A, B or C) will qualify for a charitable tax deduction by an individual member or donor.**

The University of Iowa Alumni Association is a 501(c)(3) publicly supported charitable organization, as is the University of Iowa Foundation and the University of Iowa. Subject to applicable IRS regulations, contributions to these organizations are tax deductible as charitable gifts.

The preceding distinctions have important implications relating to many of the recommendations for *Best Practices* of Recognized IOWA Clubs.

(Note: A separately incorporated IOWA Club might be able to qualify as a 501(c)(3) “charitable organization”. However, the typical activities of an IOWA Club are consistent with a 501(c)(7) “social club” rather than a 501(c)(3) public supported charity. As such, if it is appropriate for an IOWA Club to obtain tax exempt status because of material annual revenues in excess of expenses, it is advisable to apply for 501(c)(7) status as a social club rather than a 501(c)(3) status as a charitable organization. Qualifying for the 501(c)(7) classification is less complicated initially and for subsequent compliance purposes. The UIAA discourages IOWA Club formation as a 501(c)(3) organization.)

SECTION 2 - ORGANIZATIONAL MATTERS

2.1 Organizational Documents:

Type A, B and C IOWA Clubs are each encouraged to appropriately formalize Club organizations to a level commensurate with Club activities. This requires the following:

- i) a Type C Club to have a set of Bylaws;
- ii) a Type B Club to incorporate under state laws and have Articles of Incorporation and Bylaws appropriate for a nonprofit corporation; and
- iii) a Type A Club to incorporate under state laws and have Articles of Incorporation and Bylaws appropriate for a nonprofit corporation that is to be tax exempt under 501(c)(7), and to file with the IRS a Form 1024 Application and obtain tax exempt status.

The Bylaws of each Club will need to be approved by the UIAA to qualify as a Recognized IOWA Club. Additionally, each incorporated Club (Types A and B) and any unincorporated Club (Type C) having an interest bearing bank account should obtain its own Federal Identification Number for tax compliance purposes.

UIAA has sample forms that it can provide for Bylaws and Articles of Incorporation. Such Bylaws and Articles, if to be used in forming a nonprofit corporation, should be reviewed by local legal counsel to make sure that these documents are consistent with the laws of the state in which the Club will be organized and are otherwise appropriate for the Clubs organizational status. Local legal counsel will be able to provide other assistance in forming a nonprofit corporation and in properly filing papers and otherwise complying with organizational requirements.

A Club wishing to be a Type A Club that does not already have tax exempt status will need to file a Form 1024 application with the IRS for tax exempt status as a 501(c)(7) organization. The application will need

to be customized to each organization by a local accountant or attorney with experience in completing such forms. The IRS has available on its website various publications that may prove quite useful for Clubs intending to pursue tax exempt status. In order for a Type A Club to maintain its tax exempt status it will need to be diligent about complying with all applicable IRS requirements.

UIAA has a sample Form SS-4 application for use by a Type A, B or C Club when applying for a Federal Identification Number as may be necessary for maintaining a bank account or submitting federal and state tax and/or reporting forms.

2.2 Membership:

Recognized IOWA Clubs are intended to be membership organizations. The specific authority of the members is to be specified in the organization's Bylaws. Sometimes annual membership meetings and/or voting by members may be appropriate for matters such as election of directors and authorization for certain significant organizational changes. However, members need not have any vote on governance, election of directors or any other matter. The obligations for governance and perpetuation of the Board of Directors can rest solely in the Club's Board of Directors. Given the variable levels of involvement of members, the potential difficulties of assembling members for business matters and a fairly transient general population, the UIAA recommends that limited, if any, governance responsibility and authority for Club organizations rest in the general membership. Rather, it is recommended that governance responsibilities be placed with the Club's Board of Directors, including the authority to elect directors and officers.

On the other hand, general membership is important to the ultimate objectives and purpose of IOWA Clubs. Membership should be encouraged. However, one of the tests of a 501(c)(7) organization is having membership based upon certain affinity characteristics rather than having membership generally open to the public. As such, IOWA Clubs should limit membership to Iowa alumni and their spouses/partners and families as well as other individuals ("friends") that have an expressed connection or affinity to the University of Iowa. Additionally, to the extent an IOWA Club raises revenues, those revenues should be raised substantially through membership dues, fees or assessments. A 501(c)(7) organization may generally raise no more than 35% of its revenues from other sources (including investment income).

2.3 Geographic Area. Each Recognized IOWA Club will have assigned to it an exclusive geographic area in which its members are to reside. This area will be defined in each Club's Bylaws and shall be subject to the approval of the UIAA. Generally, a geographic area will be defined by US Postal Service Zip Codes relating to a particular metropolitan area, although in certain circumstances other defining criteria may be appropriate and acceptable.

2.4 Dues:

Dues are a common characteristic of 501(c)(7) social clubs and can be established by an IOWA Club and collected as a condition of Club membership and participation. Each IOWA Club's activities should be principally funded by dues. The UIAA can provide information as to typical membership dues charged by other Clubs. Recognized IOWA Club membership dues are in addition to and not in lieu of membership dues to the UIAA. While being a dues paying member of the UIAA may be made a condition of membership in a Recognized IOWA Club, the payment of dues to the UIAA does not necessarily qualify any person to be a member in a Recognized IOWA Club, nor does the payment of dues to a recognized Iowa Club entitle any person to membership in the UIAA.

2.5 Meetings:

Recognized IOWA Clubs will have meetings of their leadership (and possibly their general membership) as may be appropriate to conduct their activities. However, incorporated IOWA Clubs (Type A and B) should also be certain to have meetings in compliance with the requirements of their bylaws. In most

instances this will require, at a minimum, an annual meeting of the board of directors (if not the general membership) for the purpose of electing directors and officers to their specified terms. These annual meetings should be held regularly. Minutes of the annual and other Board meetings documenting each IOWA Club's duly appointed and acting directors and officers and the adoption of resolutions should be maintained.

2.6 Conflicts of Interest:

It is advisable for each IOWA Club to have a Conflicts of Interest Policy for its Directors and officers. Such a policy may be a prerequisite for a Type A Club to obtain tax exempt status. The policy should provide a working definition of a conflict of interest, require timely disclosure of any known or suspected conflicts and set forth procedures required when a conflict has been disclosed or otherwise determined to exist. Such policies commonly require the conflicted individual to recuse himself/herself from voting (if not also participating in discussion) on the applicable transaction, and for approval of the transaction to be by a sufficient vote of non-interested Directors. The UIAA can provide a template Conflicts of Interest Policy for consideration.

SECTION 3 - COMPLIANCE MATTERS

Depending on how formally organized a Recognized IOWA Club may be, there are various levels of organizational and tax compliance that may be necessary.

3.1 State Reporting:

Most, if not all, states require corporations of all types, including nonprofits, to periodically file reports with the Secretary of State or another division of state government. These reports are usually on an annual or biennial basis and may require a filing fee. A corporation that fails to file such reports can be "administratively dissolved", which could negatively impact the liability protection benefit of incorporating. Additionally, some states may require nonprofit and/or federally tax exempt organizations to file periodic reporting with the office of the Attorney General or another office of state government. Usually this is applicable to charitable organizations, but each Club should verify whether any such reporting is applicable to the manner in which the Club is organized or functions.

3.2 State Sales Tax:

State sales taxes can be confusing and vary significantly from state to state. There is a common misperception that state classified nonprofit corporations and/or federally classified tax exempt organizations are exempt from i) paying sales taxes on goods and services purchased or ii) having to collect and remit to the state sales taxes on any goods or services sold. The presumption should be that these exemptions are not applicable to your IOWA Club unless you can expressly verify through appropriate governmental authorities or local legal counsel that an exemption for paying sales taxes and/or collecting and remitting sales taxes applies to your organization. If such exemptions may apply to your organization, you will need to submit various forms and reports, and/or obtain a permit, as may be required under state law in order to appropriately qualify. If your Club does not qualify for an exemption then, if applicable to your Club's activities, you may need to obtain a sales tax permit and collect and remit sales tax in compliance with state law.

3.3 Income Taxes:

Unless an IOWA Club is i) a Type A Club (qualified 501(c)(7) tax exempt organization that files a Form 990 – see Section 3.4), or ii) a Type C Club (unincorporated association, not tax exempt) with no revenues, then the Club should annually file a federal Form 1120. This recommendation applies to all Type B Clubs and also to Type C Clubs with any revenue during the reporting year. An organization having to file a Form 1120 must do so even if it has no revenue in excess of allowable deductions and exemptions. Taxes will be due on income in excess of applicable deductions and exemptions. A corresponding state tax return may also be required. Each IOWA Club will need to verify and comply

with state tax reporting requirements. (A transfer of funds from a Club to the UIAA can be treated as a charitable contribution, but a tax deduction for the transfer is subject to a maximum of 10% of taxable income before considering the contribution.) You should consult a professional tax advisor as to your Iowa Club's income tax reporting obligations based on your specific financial activities.

3.4 Tax Exempt Organization Reporting:

If an IOWA Club is a Type A organization qualified as a 501(c)(7) social club, then it is required to annually file at least one of the various 990 Forms with the IRS, and any required comparable filing under state laws. The particular form that is applicable, whether a Form 990, Form 990-EZ or "e-Postcard" 990-N, will depend on the Club's financial activities. Most Type A IOWA Clubs with average annual revenues up to \$25,000 will electronically file a Postcard 990-N. Most Type A IOWA Clubs with average annual revenue in excess of \$25,000 will file a 990-EZ. Preparing a form 990, particularly if a Club's revenues average more than \$25,000 per year, can be a bit complicated and may require retaining an accountant to assist in regularly completing the form on the Club's behalf if there is not appropriate expertise within a Club's volunteer leadership.

Although a Type A Iowa Club may be tax exempt as a 501(c)(7) social club, it may have tax liability for "unrelated business income taxes" if it conducts revenue generating activities that are not appropriately related under applicable regulations to the activities for which it is organized. It is therefore advisable, before embarking on revenue generating activities involving the sale of goods or services, that Club leadership consult with a tax advisor pertaining to unrelated business income tax issues. A 501(c)(7) social club may also have tax liability for investment income, such as bank interest exceeding the then applicable exemption. In either of these circumstances a form 990-T must be filed in addition to the other applicable Form 990.

SECTION 4 - OPERATING MATTERS

4.1 Club Activities:

A Recognized IOWA Club's activities should be limited to those activities that relate to the Club's purpose in providing social interaction opportunities for alumni and other members within the Club's geographic area. These general constraints are not intended to preclude Recognized IOWA Clubs from performing community or civic projects provided these activities principally involve the Club's membership and are an expression of its social programs. To maintain a "Recognized" status, an IOWA Club's activities must be consistent with the mission and purposes of the UIAA.

IOWA Clubs should be cautious about certain activities that may pose risk of injury to participants and thereby impose possible liability on the Club or its leadership. Activities involving the availability, sale or distribution of alcohol are potentially problematic when provided or dispensed by the Club or its representatives (rather than an independent liquor licensee). Also sometimes risky are activities involving motor vehicles or common carriers, or holding a large sponsored event. For such activities that Club should carefully consider liability and risk issues, and pursue appropriate insurance to moderate those risks, whether it be general liability insurance, coverage for dispensing alcohol, or directors and officers coverage. (See Section 6 on Liability and Insurance)

4.2 Employees/Contractors:

It is generally not recommended for IOWA Clubs to have employees. Employment imposes significant compliance obligations on an employer including withholding and tax reporting as well as potential liability for employment discrimination, wrongful termination, immigration law, wage law and other matters. Most IOWA Clubs should be able to function reasonably well through volunteers and with the resources made available through the UIAA. Certain services may also be available to Clubs through contracting with independent contractors. With regard to such arrangements, it is recommended that the

specific terms of the contracting arrangement are clearly expressed in writing. It is also recommended that the relationship truly reflect an independent contractor arrangement rather than an employment arrangement that is merely labeled as an independent contract. The distinction between employees and independent contractors is made on a case by case basis under certain criteria established by the IRS. If you are uncertain as to whether a relationship your Club intends to maintain, or is maintaining, is an employment relationship or an independent contracting relationship, you should seek appropriate legal or tax counsel. There are potentially negative ramifications in treating an employment relationship as an independent contracting arrangement.

Larger Clubs with more active programs may determine that it would be useful for the administration and/or implementation of Club programs and activities to engage an employee either on a full time or part time basis. If such a decision is made by Club leadership, it will be important that all applicable employment related details are complied with including, but not limited to, compliance with immigration, discrimination, tax, workers compensation, unemployment insurance and other employment related laws, and that all periodically required tax withholdings (income, social security, Medicare), at both the federal and state levels, are implemented and that any other required periodic reporting is completed.

4.3 Facilities:

It is not generally recommended for Recognized IOWA Clubs to own or lease real estate because of the associated capital requirements and operating costs. However, Recognized IOWA Clubs may need to have space for various office, meeting or event functions. Temporary space for meetings and events can be arranged on a per occurrence basis. Where commercial enterprises are involved, it is best to have a written contract specifically detailing all of the material circumstances of such use, including all charges and fees that may be made to the IOWA Club as well as clarification on risk issues and insurance requirements. Careful consideration should be made of any requirements for nonrefundable deposits or advance payments.

If a Club's activities require it to have regularly available office space, then a leasing arrangement may be appropriate. Any leasing arrangement should be in writing and should clearly specify the term, the rental and any and all other costs or charges that might be assessed to the Club as a tenant. Additionally, respective obligations for insurance, repairs, maintenance and other relevant matters should be clearly specified. As a general rule, and particularly when the Club is not making any material improvements to the leased space, leases with shorter terms and/or the ability for easy termination are preferable. This will allow a reasonable exit from a leasing arrangement should the Club's need for the leased space change.

4.4 Websites: Recognized IOWA Clubs are encouraged to maintain active websites. The UIAA will provide to Recognized IOWA Clubs server space for hosting of websites. Content should be regularly maintained so as to be accurate and up-to-date. All content must be in good taste, appropriate for public viewing of all ages, and be in compliance with any applicable laws. An IOWA Club should be sure to consult with the UIAA before using its website for advertising or sales purposes. (See the *IOWA Club Leadership Handbook* and/or contact UIAA staff for further website guidance and assistance.)

4.5 Postage:

Generally, Recognized IOWA Clubs will be responsible for their own mailings and postage. However, a Recognized IOWA Club may qualify for certain bulk mailing resources offered by the UIAA. These generally will involve the UIAA mailing, at its expense, certain kinds of materials to a Club's membership under the UIAA's nonprofit postage permit. Mailings under the UIAA's nonprofit postage permit must be undertaken by the UIAA and must support a Club's non-profit membership activities, such as newsletters, informational flyers and special event announcements. Upon request the UIAA will make available the then applicable requirements for such mailing resources. (See the *IOWA Club Leadership Handbook* and/or contact UIAA staff for further operational matters regarding mailings.)

4.6 Sale of Goods and Services:

IOWA Clubs are not intended to be operated as a trade or business. As such, it is not anticipated that recognized IOWA Clubs will be engaged in regular sales of goods or services. However, from time to time IOWA Clubs may have sales of merchandise relating to their activities or perhaps containing an authorized/licensed use of logos. It is recommended that sales of goods generally be limited to merchandise directly related to alumni activities so as to avoid “unrelated business income” tax liability that might be generated from the sale of merchandise that is not reasonably related to the Club’s purposes. Club leaders should consult with legal and/or tax professionals as to unrelated business income and other tax matters if they intend to conduct regular, periodic or ongoing sales of goods. Also, Type A Clubs, having 501(c)(7) status, generally cannot have more than 35% of their revenue from sources other than membership dues, fees and assessments. If a Club engages in the sale of goods, it will need to be careful to comply with applicable state sales tax collection and remittance regulations, or to obtain an appropriate determination that it is exempt from such requirements.

4.7 Logos:

The University and the UIAA each have copyrighted and protected logos that should not be used by any IOWA Club without specific written consent and authorization from the University or the UIAA, whichever may be applicable. The use of University logos (such as the tiger hawk) will typically need to be approved and documented through the University of Iowa Licensing Division. The use of the UIAA name and logos will need to be authorized in writing by the UIAA. Merely obtaining the status of a Recognized Club does not authorize the use of either the University’s or the UIAA’s names or logos.

SECTION 5 - FUNDS MANAGEMENT

5.1 Record Keeping:

If a Recognized IOWA Club will be receiving revenues and paying expenses, it is critically important that there is a system in place for accurate and timely financial record keeping. These records will need to be retained for appropriate periods of time to facilitate all required reporting and tax compliance and to facilitate a governmental audit or review of such matters. Bookkeeping can be done by the volunteer Club leadership or under contract with appropriate professionals. If done by Club leadership it is important that individuals with the requisite skills are engaged for this purpose, and that there is a system employed to verify that timely and accurate records are being maintained by those individuals who may have volunteered for or been assigned such responsibilities. A system of internal controls and cross-checking is also recommended.

5.2 Bank Accounts:

If a Recognized IOWA Club will be generating revenues, it is best to obtain and maintain at least one or more bank accounts in the Club’s name. It is not recommended that Club officers, directors or members use their personal accounts for Club activities. If an IOWA Club has the need for a bank account, this will necessitate the Club, whether or not incorporated, obtaining a federal identification number. A Form SS-4 application is used for this purpose and can be completed using the internet on the IRS’s website. The UIAA can provide a sample Form SS-4 Application that an IOWA Club can use as a template. The identification number issued by the IRS is then used, like an individual’s social security number, to open the bank account and for reporting any interest thereon. The federal identification number is also used for other compliance reporting to the IRS and possibly state agencies.

For Type C Clubs that would not otherwise be filing a Federal Form 1120 or state income tax return because of no other financial activity, it will most likely be advisable for their bank accounts to be non-interest bearing. Interest income could trigger a tax reporting requirement. On the other hand, if the Club will in any event be filing a tax return, then there is no reason bank accounts cannot be interest bearing.

Although 510(c)(7) Type A Clubs are tax exempt, investment income (including bank account interest) is taxable if it exceeds the applicable exemption. Type A Clubs will need to file a Form 990-T (in addition to any other applicable Form 990) to report any bank interest, even if the applicable exemption results in no tax due. If a Type A Club would not otherwise have to file a Form 990-T it might want to consider the relative merits of having a non-interest bearing account.

5.3 Investment Accounts:

Generally, the UIAA discourages the accumulation of significant funds by an IOWA Club that would require the holding and management of funds in investment accounts. Checking accounts, savings accounts and perhaps certificates of deposit are the preferred vehicles for holding Club funds. In unusual circumstances, where Club resources are sufficient for financial management and longer term investing, it is recommended that the Club confer with the UIAA as to various appropriate options for fund investment. Also, Type A Clubs, having 501(c)(7) status, generally cannot have more than 35% of their revenue (including investment income) from sources other than membership dues, fees and assessments.

5.4 Internal Financial Controls:

The need for internal financial and accounting controls will depend entirely upon the level of financial activity of an IOWA Club. For Clubs with limited financial activity, basic controls, such as requiring two signatures on checks, may be appropriate. However, for Clubs with more complicated financial circumstances, the Club leadership is encouraged to consider appropriate internal controls to help assure that there is limited opportunity for misuse or misappropriation of Club funds.

5.5 Audit:

Whether any, and to the extent to which, a financial audit is necessary for your IOWA Club will depend on the extent and nature of financial activities. This is a matter that each Club's board of directors should give full consideration. Generally, an annual audit of some kind is desirable. To the extent that a Club may have material financial transactions, hold a significant level of assets, and/or have a large dues paying membership, the implementation of an internal, if not independent, auditing process may be warranted.

SECTION 6 - LIABILITY AND INSURANCE MATTERS

It is an unfortunate reality that all organizations must be thoughtful about potential liabilities that might arise from their activities. One of the reasons for moving from a Type C IOWA Club to a Type B IOWA Club is to provide a formal corporate structure that, under the laws of most states, will provide certain, but not absolute, liability protection for the directors, officers and/or volunteers of the corporation; and possibly express statutory liability protections and immunities. (In certain states some protections may now, or in the future, be available to unincorporated associations - such as Type C Clubs.) If you wish to obtain a more detailed understanding of the immunities and protections that will be afforded by incorporating as a nonprofit corporation in your state, you will need to seek the assistance of local legal counsel.

In addition to organizational status under state law providing some liability protection, insurance is another very important component for addressing liability risks. **Each Club is solely responsible for analyzing its coverage needs and maintaining appropriate insurance.**

The UIAA's general liability policy provides limited coverage for Recognized IOWA Clubs. The UIAA will make available to Recognized IOWA Clubs copies of its policy in effect that includes your Club as an additional insured for certain coverage. (This UIAA's policy currently has limits of \$1,000,000 per occurrence with a \$5,000,000 umbrella.)

The UIAA's coverage for Recognized IOWA Clubs does **not** include coverage for: i) officers and directors liability, ii) worker's compensation, iii) employer or fiduciary liability, iv) "dram shop" liability, v) motor vehicles or vi) damage to or loss of a Club's property, and may not include other coverages appropriate for certain Club activities.

Manufacturing, selling, distributing, serving, dispensing or otherwise furnishing alcoholic beverages poses challenging liability concerns. Generally, if alcoholic beverages are to be available at a sponsored event, it is preferred that attendees are responsible for bringing their own or purchasing directly from a proprietor with an appropriate license for selling, serving or dispensing alcoholic beverages. **As an additional insured under the UIAA's general liability policy, all Club's should be aware that the policy excludes coverage for injuries and damages arising from alcohol consumption if a Club is in the business of manufacturing, distributing, selling, serving, or furnishing alcoholic beverages.** If any Club activity or event might be so construed to "be in the business of", then the Club should obtain "dram shop" or other appropriate coverage for the additional liability occasioned by an event or activity involving the Club's furnishing of alcoholic beverages or monitoring its consumption.

Important: If a Recognized IOWA Club intends to rely solely on the UIAA's insurance coverage it is strongly recommended that the Club's leadership make an independent determination whether the insurance coverage afforded by the UIAA is sufficient for the Club's activities and attendant liability risks, and to what extent further liability coverage and/or other coverage may be appropriate for that Club.

SECTION 7 - FUNDRAISING AND GIFTS

As indicated previously, Recognized IOWA Clubs, whether taxable or tax exempt, are not charitable organizations for which a donor may be entitled to a charitable income tax deduction. **Each Recognized IOWA Club must be diligent in disclosing to its members and others that it is not a charitable organization and that dues or other gifts to the IOWA Club are not income tax deductible as charitable gifts.** Under certain circumstances dues and gifts may be deductible as business or promotional expenses; however, each member or donor should be certain to check with his or her tax advisor.

If a Recognized IOWA Club wishes to conduct a fundraising or charitable activity, it is important that this be appropriately coordinated through the UIAA. In some instances the UIAA may be able to cooperate in being the recipient of the charitable gifts so as to permit donors to take a charitable deduction. However, in such instances the gift must be used for the tax exempt purposes of the UIAA. Similarly, in some instances it may be reasonable to coordinate fundraising and gift activity with the University of Iowa Foundation or the University. The UIAA can assist in this regard. Also a reason for careful coordination with the UIAA is that gifts collected by non tax exempt Type B and C Clubs could be treated by the IRS as taxable income to the Club.

Scholarships represent a special area of potential fundraising activity. These activities need to be coordinated with the UIAA to be certain donors will be able to substantiate tax deductibility. Typically, scholarship gifts should be made to the UIAA (or as may be appropriate to the University of Iowa Foundation or the University). Additionally, scholarship activities should be coordinated so that they are certain to be in compliance with laws and regulations applicable to the University, including NCAA regulations and laws that prohibit inappropriate discrimination. Recognized IOWA Clubs are encouraged to confer with the UIAA on all scholarship related activities.

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You are encouraged to address questions pertaining to these *Best Practices* to the UIAA. The UIAA is pleased to be of assistance to its Recognized IOWA Clubs.