



# Lions Legal Considerations

## 2023

Disclaimer: Contents of this material is for informational purposes only and is not intended to be deemed legal or tax advice.

### LIONS CLUBS LEGAL SUMMARY

#1 All Lions Clubs are chartered by and under the jurisdiction of the International Association of Lions Clubs. Club officers and directors should perform their fiduciary duties (page 2) and understand the requirements of their governing documents (page 3).

#2 It is strongly recommended that each Lions Club incorporate itself as a not-for-profit corporation and stay current with its statements of continued existence with the Secretary of State (page 4). This important step helps protect club member's personal and real property from liability claims.

#3 Individual Lions Clubs are federally tax-exempt under section 501 c 4 of the Internal Revenue Code (page 5). An informational return should be filed annually with the IRS (page 6) to avoid revocation of the club's tax-exempt status.

#4 All Lions Clubs must also be registered with the Ohio Attorney General's office and file annual returns (page 7). The Attorney General is entrusted with the protection of all Ohio citizens and thus oversees the operations of all non-profit organizations in Ohio.

#5 Club officers and directors should be knowledgeable concerning the Ohio sales tax regulations (page 8), food safety rules (page 9), and rules for gaming activities, bingo, and raffles (page 10) and how they apply to one's Lions Club.

#6 Other items that club officers and directors should be knowledgeable with include the unclaimed funds law (page 11), club's liability insurance (page 12), and the matters of Lions trademark protection, copyright laws and privacy policies (page 14).

#7 Special circumstances like sponsoring a Leo Club, other supporting organizations, and club-level charitable foundations are discussed on page 13.

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## Fiduciary Duties

The term **Fiduciary Duties** refers to an officer or board of director's responsibility to handle the financial and management decisions of the organization. They must perform these duties with **Due Diligence** or conduct that a reasonable person will exercise to look out for the well-being of the organization. There can be severe consequences for breaches of fiduciary duty. Board Members can be held individually responsible to their organization for not living up to fiduciary standards. Standard legal duties owed to the organization:

- ❑ **The Duty of Care**
  - Understand the organization's mission, constitution, and by-laws
  - Attend meetings, read minutes, financial reports, and other material
- ❑ **The Duty of Loyalty**
  - Ensure that the interest of the organization is always first
  - Avoid transactions involving potential conflicts of interest
- ❑ **The Duty to Manage Accounts**
  - Keep accurate records of income, expenditures, and transactions
  - Develop annual budgets that provide clear direction for spending
  - Establish appropriate internal accounting system
  - Conduct audits
  - Prudently invest assets
- ❑ **The Duty of Compliance**
  - Follow provisions of the organization's governing documents
  - Comply with federal and state reporting requirements which include filings with the IRS and the Ohio Attorney General; and may include the Ohio Secretary of State and the Ohio Sales Tax Department.

Charitable University, a new learning platform developed by the Ohio Attorney General's Office, provides tools on some of the most important elements in leading a non-profit organization: 1. board governance, 2. governmental filings, 3. financial operations, and 4. fundraising. Register and access the training through the Attorney General's website. A diploma will be issued to those who complete the program.

**Appropriate Donations:** Part of due diligence is to ensure that donations and distributions are appropriate. You may request a full disclosure of public documents from the proposed recipient or check them out using: IRS.gov, GuideStar.org, CharityNavigator.org, Attorney General, Better Business Bureau, etc.

**Steps to Limit Exposure:** Require dual signatures, reconcile bank statements, limit use of cash, establish check-handling procedures, establish expense reimbursement policies, match physical and recorded inventories, set and follow budgets, encourage rotation of duties or term limits, monitor grant requirements, change passwords, combinations, and locks, consider insurance coverage, and recruit new audit committee members.

## Financial Policies

Written into Lions Clubs International's constitution and by-laws are requirements for the proper financial policies of all Lions Clubs. Among these in the governing policy that: **Under no circumstances may the net income of club projects or activities raised from the public be used in any manner whatsoever for administrative expenditures.** In order to accomplish this policy, Lions Clubs must establish and maintain at least two separate funds:

- 1) The **Administrative Fund** is used for the internal running of the club. The income of this fund is from member's dues, tail-twisting fines, and other money raised directly from the club members. The expenses of this fund are per-capita tax, printing, postage, and other costs relating to running club meetings.
- 2) The **Activities Fund** is used to fulfill the exempt purposes and goals of the club. The income of this fund is from public fund-raising projects. The expenses are the direct costs of the fund-raising projects, as well as the donations and charitable activities of the club.

### Implications of Governing Policy:

- It is not permissible to pay a percentage of activity funds to the administrative fund to cover administrative overhead, even if it is explicitly stated.
- Interest from activity money must stay in the activity fund and cannot be used for administrative purposes.

### Additional Financial Policies:

- All disbursements are done only on the authority of the board of directors.
- The board may designate a spending limit to an officer or committee chair.
- The board of directors may only authorize payments within the current fiscal year.
- Monitor carryover of funds. An organization can accumulate and pass funds from one fiscal year to another. Although carrying substantial amounts threatens the loss of one's exempt status. The purpose of the organization is to expend the funds for social or charitable purposes, not to accumulate funds.

### Good Accounting Practices:

- All monies from whatever source must be deposited, as received, in a board-of-directors' approved bank.
- Payment or disbursements for any purpose should not be made from cash received by the club, but by check drawn on one of the club's bank accounts.
- Sources for all deposits should be explained or itemized.
- Financial reports, bank statements, receipts for checks written, and copies of governmental filings should be retained (generally for seven years).
- The treasurer should be bonded.
- Audits should be performed at least annually.

Lions University and the Lions Learning Center both provide courses and resources covering many financial and club governance topics.

## Incorporation

It is strongly recommended that all Lions Clubs incorporate. Doing so helps protect individual club members in lawsuits against the club. Liability would be limited to the capital or assets of the club. Checking to ensure your club's incorporation status is current is the single most important item a board can do to protect its members. There is a search engine on the Ohio Secretary of State's website.

Incorporating as a non-profit corporation is handled by the Ohio Secretary of State. The cost to file the Initial Articles of Incorporation is \$99. Once incorporated, the Secretary of State issues a **Statement of Continued Existence** every five years to the Statutory Agent (any Lion so named in the Initial Articles of Incorporation). There is a \$25.00 fee to file this form once every five years. Failure to file such a statement will result in the cancellation of the corporation. There is also a special form called the **Statutory Agent Update** to change the appointment of the statutory agent or to change the mailing address of the current agent. There is a \$25.00 fee to file this form.

After the club votes to incorporate for the first time, there are 4 simple steps to take:

1. **Obtain the required form** from the Secretary of States' website: [www.sos.state.oh.us](http://www.sos.state.oh.us). Search for "Filing forms fee schedule." Under "domestic nonprofit corporations", download the PDF version of "Initial Articles of Incorporation. Nonprofit, Domestic Corporation." It will be form 532B. Print this out, do not file on-line.
2. **Fill the form out.** Skip the Effective Date. The corporation will begin when the form is filed. Have 3 officers sign the form. Assign a statutory agent. This is the person who will receive the renewals 5 years later. This may be one of the signing officers if you wish. For the purpose of the corporation box, write:  
"The (fill in name of your club) Lions Club is chartered by and under the supervision of the International Association of Lions Clubs of Oak Brook, Illinois, and is governed by the Constitution and Bylaws of said Association. The purpose of this corporation is to take an active interest in the civic, cultural, social, and moral welfare of the community and to encourage service-minded men and women to serve their community without personal financial reward."
3. **Send a copy** to the Legal Department of Lions Club International by fax 1-(630) 571-8890 or email ([legal@lionsclubs.org](mailto:legal@lionsclubs.org)) and wait for approval.
4. **Submit the form.** After receiving your approval from Lions Clubs International, mail your form and \$99 check to the Secretary of State address on the form.

## Tax-Exempt Status

All clubs chartered under Lions Clubs International are exempt from federal taxes under the Internal Revenue Code section 501 c 4. A copy of the “IRS Determination Letter” is available on the Ohio Lions website. **This exemption only refers to federal income tax. It does not include sales tax, property, and other taxes.** For all federal purposes, Lions Clubs are not considered charities, which is section 501 c 3, and **donations to Lions Clubs or projects are not deductible as charitable contributions.** It is proper to refer to a Lions Club as a “Tax-Exempt” or as a “Not for Profit” organization. However, it would be improper to refer to a Lions Club as a “Charity.” Be careful not to mislead the public by printing the word “Donation” on admission or raffle tickets without designating it as not tax deductible. The IRS views this as a violation of your disclosure regulations. The wording “contribution” or “offering” is acceptable.

**The IRS requires disclosure of non-deductibility in fundraising.** When asked, all Lions Clubs must disclose that a contribution to the club is not tax deductible to the donor as a charitable contribution. Additionally, clubs with more than \$100,000 in annual gross revenue have required express statements (specific to media) that contributions or gifts are not deductible.

Tax-exempt organizations may have to pay income taxes on **Unrelated Business Income (UBI)** when it regularly carries on a trade or business that is not substantially related to the organization’s exempt purposes. However, work performed by unpaid volunteers is not considered an unrelated trade or business.

## Jeopardizing Exempt Status

There are several ways a Lions Club can get in trouble and lose its tax exemption. This would result in the club having to pay income tax on all its fund-raising projects. Some of the mistakes to avoid include:

- **Private Benefit or Inurement** which is engaging in any activity which permits the organization’s income or assets to unduly benefit a person who has some close relationship to the organization.
- **Employment Issues** including compensating “volunteers” with gift cards or waving of membership dues. Reimburse members only with proper receipts.
- **Political Campaign Activity. Candidates and issues should not be endorsed.** Non-partisan “get the vote out” initiatives are acceptable.
- **Non-Compliance with filing requirements.** The IRS is required to revoke the tax-exempt status of any organization that fails to meet their filing requirements for three consecutive years.

Warning: The IRS, Ohio Attorney General, and Ohio Sales Tax Department have begun monitoring organization’s social media (Facebook, Twitter) for information concerning fund-raising projects and financial policies. Know the rules and be honest with your returns.

## Internal Revenue Service

All Lions Clubs are exempt from federal income tax under IRS Code Section 501 c 4. However, the **IRS requires that an informational return be filed annually for all clubs.** This filing can be Form 990-N (e-Postcard), Form 990-EZ, or Form 990 depending on the gross revenue the club had during its fiscal year. See the chart below. The club's **gross revenue** is the total amount it received from all sources, without subtracting any costs or expenses. However, it does not include "**pass-through**" money which is money collected for another organization, such as, per-capita tax paid to Lions Club International. All forms and instructions are available from [www.IRS.gov](http://www.IRS.gov). and must be completed on-line. There are no longer any paper forms. The return may be filed as soon as the fiscal year ends. It must be filed within 4 ½ months. For clubs using the standard fiscal year, filing must occur between July 1st and November 15<sup>th</sup>. Lions Clubs International's website ([www.lionsclubs.org](http://www.lionsclubs.org)) provides instructions and examples for filing 990 returns.

<b>Club's Annual Gross Revenue</b>	<b>IRS Form Required</b>
Less than \$50,000	Form 990-N (e-Postcard)
\$50,000 to \$200,000	Form 990-EZ
More than \$200,000	Form 990

### To file the 990-N

There is no financial information transmitted on the 990-N other than a statement that the gross revenue is under \$50,000.

1. Go to the website, [www.irs.gov](http://www.irs.gov)
2. From the tabs at the top, click on "Charities & Nonprofits"
3. Click on "Finding Filing Forms"
4. Click on "Annual Electronic Notice (e-postcard) for small exempt organizations"
5. Click on "Submit Form 990n (e-postcard)"
6. Log in (or create account) and follow instructions

### Penalty

The IRS is required to revoke the tax-exempt status of any organization that fails to meet their filing requirement for three consecutive years. This revocation is automatic. There is no appeal process. All fund-raising activities would become income-taxable events. Reinstatement is possible by filing form 1024, but it is expensive and time-consuming.

### Change of Address

The IRS must be kept up to date with your club's mailing address, and identity of the responsible party. Any change needs to be reported on form 8822-B.

## **Attorney General Registration**

All Lions Clubs in Ohio must be registered with the Ohio Attorney General before engaging in any sale or donation request. After registration, an annual return is required. This filing must be completed on-line. There is a “Charitable Registration User Guide” and a “List of Questions Asked” available on the Attorney General’s website to review for help. Each person who uses the online system or wants to receive automated reminders and confirmation emails must create an account. It is recommended that at least 3 people from each club have accounts to ensure multiple representatives receive important notifications. The annual return may be filed as soon as the fiscal year ends but must be completed within 4 ½ months. For clubs using the standard fiscal year, filing must occur between July 1<sup>st</sup> and November 15<sup>th</sup>.

### **Completing the Annual Return**

1. Go to website: [www.Ohio.gov](http://www.Ohio.gov)
2. Click on the link on the top of the page: “Our State Government”
3. Click on the link in the middle of the page: “Attorney General”
4. Click on the link towards the bottom, under services: “Charitable Registration”
5. Under the Charity Registration drop down menu, click on the box: “Register a Charity, File Reports or Create an Account.”
6. Log in (or create an account) and follow the instructions.

### **Information Needed**

The system poses questions and based on the responses, determines what information is needed to ensure proper compliance. Much of the information will be financial in nature, so have a year-end financial report ready.

### **Initial Registration**

For the initial registration, you will need to know the club’s EIN (Employer Identification Number). The recommended NTEE-CC code to use is “S-80” for Community Service Organizations. Additional documents such as: articles of incorporation, bylaws, IRS exemption letter (which is available on the Lions district website) will need to be uploaded or mailed to the Attorney General’s office.

### **Determining the Fee**

Most clubs do not owe any fee after filing. There is a sliding scale for clubs with larger incomes. The system will calculate all fees, which must be paid on-line with a credit card or e-check transaction.

## Ohio Sales Tax

Making taxable sales without a vendor's license is a criminal offense in Ohio. To be compliant all 501 c 4 - Lions Clubs, involved with fund raising projects that sells **tangible taxable items** such as roses, light bulbs, brooms, soft drinks, etc, must do the following:

- **Obtain a vendor's license.** A transient vendor's license is obtained from the local county auditor's office or from the Ohio Department of Taxation website. Go to [www.Tax.Ohio.gov](http://www.Tax.Ohio.gov) and look under the "Business" tab. There is a one-time \$25 application fee. Annual renewals are no longer required.
- **Collect sales tax.** Vendors must charge and collect the sales tax rate in effect in the county where the sale is made.
- **Keep proper records.** Vendors are required to keep complete records of sales and tax charges. All records must be maintained for 4 years and are open to inspection by agents of the Tax Commissioner.
- **File returns and submit tax.** Vendors will be notified of their filing schedule (monthly or semiannually) based upon their anticipated tax liability. You must file your return over the internet through the **Ohio Business Gateway**. Tips for using the Gateway can be found on page 11. Returns must be filed even when no tax is due. Payments can be made using a credit card or an electronic debit from a bank account. Always obtain a confirmation number and keep a copy of the return with your club files. Penalties for not paying the collected tax, or for not filing a return are at the discretion of the Tax Commissioner.

### Important Notes:

- **Food** consumed off the premises where sold is not taxable.
- **Sweetened** beverages (soda pop, energy drinks, flavored water, lemonade) are considered non-food and thus are taxable.
- **Promoters** or organizers of trade shows, flea markets, exhibitions or similar events where transient vendors make sales are required to maintain vendor records (license number, vendor name, address, types of goods sold) for four years.
- **Items offered for free**, even if the organization will accept a contribution, are not subject to sales tax.
- **Casual Sales** occurs when a person sells an item that they previously purchased for their personal use. An example would be items sold at a garage sale. With certain exceptions (like motor vehicles) casual sales are not subject to sales tax.
- **Six-Day-Rule.** Lions Clubs Foundations that have been granted 501 c 3 status are not required to have a vendor's license or collect tax on sales made less than 6 days a year.

## Food Safety

Lions Clubs that sell food should check with their local county health department for the proper temporary license or permit. There are many regulations on food safety including those in the Ohio Revised Code 3717 and the Ohio Uniform Food Safety Code, as well as, local county regulations. Below are a few of the state regulations.

### Food Temperature

- You must have at least one metal-stem thermometer for checking temperatures.
- The metal-stem of the thermometer must be washed, rinsed, and sanitized before and after placing it into a food to check.
- Cook all foods to at least **165°F** (burgers, chicken, pasta, vegetables).
- Pre-cooked foods that are pre-packaged from a commercial manufacturer should be heated to at least **135°F** (hot dogs).
- After being cooked or heated, hot food must be held at or above **135°F**.
- Cold foods must be held at or below **41°F**.
- Foods not meeting the proper holding temperatures must be discarded.

### Water

- Water connections through a community spigot must be protected from the backflow of water with an ASSE-approved backflow device (hardware store).
- Water hoses, if used, must be food-quality or drinking water quality hoses (not green garden hoses). Approved hoses can be clear, or white with a blue strip.
- Waste water must be collected and disposed of into an established basin. It may not be disposed of into a storm sewer drain or dumped onto the ground.

### Washing

- Separate hand washing and dish washing stations must be provided and labelled.
- For hand washing, flowing warm water, hand soap and paper towels must be provided. You may not use cloth towels for drying.
- Dish washing must be done using a three-compartment basin setup.  
#1 Wash #2 Rinse #3 Sanitize .
- An approved sanitizer must be used. The most common sanitizer is unscented bleach: 1 cap-full per gallon.

### Food Handling

- Workers may not touch exposed, ready-to-eat foods with their bare hands (sandwich buns, cheese, fruits). May use gloves, deli tissue, spatula, etc.
- All food, drink, and supplies must be kept at least 6 inches off the ground.

### Fire Safety

- Fire regulations require at least 1 carbon monoxide detector on all mobile food units, except for open air and hand carts.
- Must have at least one 5-pound ABC fire extinguisher within a mobile food unit.
- Must have an additional Class K fire extinguisher in mobile food units that cook with solid fuels or vegetable or animal oils and fats.

## Gaming, Bingo and Raffles

All gaming activities including bingo and raffles are covered by Section 2915 of the Ohio Revised Code. The Ohio Attorney General's Charitable Law Section regulates these activities. Any Lions Club in existence for more than 2 years may perform:

- **Game of chance** is defined as a player giving anything of value in hopes of gain, the outcome of which is determined largely by chance, but does not include bingo. Games of chance include cards games conducted at "Texas Hold'em" tournaments and "Las Vegas Nights." Regulations include:
  - 501 c 3 and c 4 organizations may conduct games of chance.
  - Games of chance may not include craps or roulette for money.
  - Must be held at "festivals" which include 2 or more non-gaming activities.
  - Must be conducted on grounds owned by the Lions Club or leased from a governmental unit of veterans/fraternal organization.
  - Cannot be held for more than 5 days per calendar year.
  - If the organization is 501 c 4, then 100% of the profit must go to 501 c 3.
  
- **Bingo** is a game of cards or sheets divided into spaces designated by letters or numbers, with an operator selecting these designations by chance, and a winner who announces covering a predetermined pattern of these spaces. **Instant Bingo** is gaming that uses tickets or cards with perforated break-open tabs or ones that contain one or more seals that, when removed or opened, reveal pre-designated winning numbers, letters or symbols. Regulations include:
  - 501 c 3 and 501 c 4 organizations can conduct bingo.
  - Bingo licenses must be obtained from the Attorney General. Annual fees for bingo begin at \$250 (Instant Bingo: \$500) and range upwards to \$5000 plus % of gross profit.
  - No person shall receive any form of compensation.
  - If the organization is 501 c 4, then 100% of the profit must go to 501 c 3.
  
- **Raffles** are a form of bingo in which the one or more prizes are won by one or more persons who have purchased a ticket. The winners are determined by drawing the ticket or detachable section from a receptacle holding all tickets or detachable sections sold. Regulations include:
  - 501 c 3 and 501 c 4 organizations may conduct raffles to raise money for their organizations and do **not** need a bingo license.
  - A 501 c 4 organization must distribute at least 50% of the net profit to a 501 c 3 charity.

Note: IRS requires specific record keeping on gaming. Completion of Form W-2G, submission of Form 1096, and withholding of income is required on certain gaming winnings (including raffles) equal to or greater than \$600. See IRS publication 3079.

## Unclaimed Funds Reporting

All Lions Clubs are now required to file an Annual Report of Unclaimed Funds to the Ohio Department of Commerce (Revised Code Chapter 169). Lions Clubs usually do not have any unclaimed funds (abandoned bank accounts, safety deposit boxes, paychecks, unclaimed raffle prizes). However, clubs must still file an annual negative report. The negative report must be filed electronically through the Ohio Business Gateway. Paper reports are no longer permitted. The State's annual unclaimed funds reporting **deadline is November 1** regardless of the club's fiscal year. Failure to file could result in civil penalties of \$100 per day.

### Procedure for filing an annual Negative Report:

Once set up correctly, the procedure to file a negative report is fairly straight forward. You simply log onto your Ohio Business Gateway account, click on the organization (you may register for more than one) and click on "Go." Then select the Negative report from your dashboard, follow the instructions and file the report.

### Set up procedure:

- The Ohio Business Gateway is found at [gateway.ohio.gov](http://gateway.ohio.gov)
- Each person using the Ohio Business Gateway is required to create their own individual ID. This ID allows individual to register for multiple organizations and access multiple statewide applications using a single username and password.
- Important: Each club must have one user registered as their "**Filing Administrator.**"
- When registering, enter your club's EIN in the FEIN field. If the system does not recognize the EIN, enter all of the required information. Caution: the user entering this information must be requesting to be the Filing Administrator.
- The Filing Administrator can add the Negative report to the dashboard of all authorized users. This is done by the administrator visiting the Account Access Management page (by clicking on the "lock" icon) and perform the following functions:
  1. Under the Service Areas tab, administrators can move the appropriate Service Areas (Unclaimed Funds Negative Report) from the Available column to the Authorized column.
  2. Under the Authorization tab, administrators also set which individual users can access the Service Areas transactions.
- Additional users wanting access to their club's filings, should click on "Quick Links" and then "Request Business Access." Use the Club's EIN to ask the Filing Administrator to grant you access.
- Authorized users can access their dashboard by clicking on the "Home" icon. Filing the required negative report can be accessed from here. Follow the instructions.
- Assistance is available by calling the Ohio Business Gateway Help Desk at 1-866-644-6468.

The Ohio Department of Commerce website has two videos available to assist you: "How to Add a Report and Authorized Users to a Gateway Account" and "How to File a Negative Report."

## Liability Insurance

Lions Clubs International provides a \$1,000,000 general liability policy for all individual Lions Clubs. This is a liability policy and will not pay for injuries to third parties without showing negligence on the part of the named insured. The policy's provisions apply to those insured including: Lions Clubs, individual Lion Club members, and non-Lion volunteer workers

If a Lions Club needs proof of insurance, a **Certificate of Insurance**, can be customized and printed from the Lions Club International website. This feature is under "Resources" then click "Resource Center" then click "Insurance" and "Certificates of Insurance." Clubs may add "Additional Insured" when necessary.

Keep in mind a couple of facts when considering this insurance:

- This is a legal liability policy only, and does not provide "accident" insurance, which will pay for injuries regardless of fault.
- There is no coverage for damage to property owned or used by the Lions.
- If you undertake a joint project with another organization, the cosponsor is not protected by this policy & should have adequate insurance of its own.

Lions Clubs International through their website provides an informational booklet explaining coverage and exclusions. Limitations on the policy include:

- Medical payments to persons injured in athletic events
- \$5,000 per person medical expense limit
- Liability arising out of the sale or distribution of alcoholic beverages
- Liability arising out of operation of an automobile

In addition to the automatic coverage mentioned above, Lions Clubs International offers **Supplemental Insurance** coverage (see their website for details) for the following:

- ❖ Director and Officer
- ❖ Crime / Fidelity (Bond) coverage
- ❖ Additional Liability
- ❖ Accident Insurance

All claims, or occurrences which might lead to claims, should be reported promptly to the Lions Clubs International Legal Department at (630) 571-5466 ext 3847. When a claim situation arises please do not admit liability, do not suggest that compensation will be offered and do not enter into negotiations with a claimant.

### SAFETY OFFICER

It is recommended that all Lions Clubs designate a safety officer to review each club activity from a safety standpoint and identify potential hazards. A self-inspection checklist is available from Lions Clubs International. All steps should be taken to reduce liability. Non-recommended activities include firework displays or sales, dunk tanks, tractor or truck pulls, snowmobile, go-kart, skateboard, and other races.

## **Supporting Organizations**

Leo Clubs or any other supporting organization should use the same EIN as the sponsoring Lions Club. Therefore, all community service and financial activities of the supporting organization should be reported through the Lions Club. This relieves the supporting organization of all its own reporting requirements. For example, a Leo Club uses the Lions Club's EIN to open its own checking account. The Leo Club acts independently from the Lions Club, performing its own community service and fund-raising projects. The Leo Club reports all its community service activities and financial activity to the Lions Club. When reporting to the IRS, Ohio Attorney General, and Ohio Department of Taxation, the Lions Club adds the Leo's information to its own and reports the total. The Leo Club does not file any return. The gross revenue from both organizations is reported under the same one EIN. There is an additional benefit that the umbrella of Lions insurance coverage extends to the supporting organization.

## **Lions Charitable Foundations**

There are a few Lions Clubs that have started their own Lions Charitable Foundation that have received a 501 c 3 charitable determination from the IRS. The foundations can enjoy several benefits, but it also increases the filing requirements for the club. The club has split into two separate organizations. The two operate as "mirror corporations" of each other with the same officers, members, and meetings. The original 501 c 4 club still operates the "administrative fund" side of the organization. The 501 c 3 charity operates the "activity fund" side of the operation. Therefore, the club now has two IRS returns, and two Attorney General returns to file annually. There are also two corporations to keep current with the Secretary of State. Clubs with charitable foundations double their filing requirements. There are additional restrictions and scrutiny by the government on charities.

There are benefits to having a charitable foundation. A "giving program" can be established where donations to the organization are now tax deductible. A grant writing program can be established where financial grants for various charitable activities can be requested from other foundations. 100% of the profit from gaming fund-raising projects can be utilized. There are exceptions to Ohio's sales tax laws for 501 c 3 organizations such as the six-day no tax rule when selling taxable items as a fundraiser. Charitable organization also do not have to pay sales tax when purchasing items for their own use.

To start-up a foundation is not a simple process. There are prerequisite conditions a club must meet. There is 6 months of paperwork and many hundreds of dollars involved to make this application with the IRS. Approval is not guaranteed, and much caution is needed to avoid some restrictions after approval. Lions Clubs International estimates that 80% of clubs should NOT start up a foundation. Additional assistance is available. Contact Lion Steve Kaplan at [skpk1984@aol.com](mailto:skpk1984@aol.com).

## Trademark Protection

As a matter of legal protection to Lions Clubs International and its member clubs, the association's name and emblem (and variations thereof) are registered trademarks. To protect these trademarks, the Association has established the following rules of policy:

- No item bearing the association's trademarks may be sold or distributed without express written permission of the association. Interested persons are directed to contact the association's general council or the Club Supplies and Distribution Division for information about securing a license.
- No Lions club may use the association emblem on any item sold for fundraising purposes. A special "Lions Club Fund Raising Activity Seal" has been created for this purpose.

### Special Policy Rules for Lions Clubs:

- Lions clubs have permission and license to use the association's name, emblem and other trademarks printed on stationery, post cards, bulletins, and other printed material reasonably necessary to its operation.
- Permission is not granted for the club to print the association's trademarks on items that are available through the Club Supplies and Distribution Division.
- Lions clubs may use the name of their club along with the Lions emblem on their respective web pages. Only emblems downloaded from the official format emblems provided on the association's web site may be reproduced on web sites and other areas on the internet.

## Copyright

Copyright protects the expression of original works of authorship from copying. Copyrights exist when the works are fixed in a tangible medium of expression whether or not notice is given. Copyright protection lasts for the life of the author plus seventy years. Copyright holder has the exclusive right to:

- \* Reproduce the work
- \* Prepare derivative works
- \* Distribute copies of the work
- \* Perform or display the work

## Privacy Policy

Lions Clubs International recognizes the importance of protecting the private information of its members, donors, recipients of humanitarian assistance and other individuals obtained in the course of conducting activities. The following practices are performed at the international level and are recommended for club, district, and foundations:

- Personal information is protected by using password-protected areas.
- Payment information is encrypted and only a limited part of credit numbers is revealed when confirming an order.
- The official directory is not available on the internet without a password.
- A club locator with club officer contact is available without a password, but it is designed so that it cannot be used as a commercial mailing list.