



Managing Team Finances

There are many options for how a team's finances may be managed. For simplicity, NICA encourages you to find a suitable parent to volunteer to serve as Team Treasurer, but in the beginning, you, as the coach, may start to manage the team's finances. Either way, keep things simple!

Clarifying Sponsorship vs. Donation: It is important that 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 if they are receiving goods in exchange for their financial support, than it is not legal to claim the payment as a tax write-off. If a contributor is provided something of value, then 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. But...in the interest of benefitting domestic non-profits, an exception was placed in the tax rules. Sponsorship is NOT 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. The following example clarifies the difference:

- “Specialized Bicycles – Founding National Sponsor since 2009” (Qualifying recognition)
- “Specialized Bicycles – The best bicycles in the known universe, present the new, even lighter carbon-unobtainium alloy 2012 Shiv. Early-bird discounted to \$45,000 and available now at Mike's Bikes of Beverly Hills” (Epic fail)

Below are a number of options for managing teams funds:

Option 1-School Club Treasurer: many teams are operating as "clubs" within their schools and thus are required to run their finances through the school's administration. This requires filing paperwork with the school to register the club and to create an account within the school. Checks and financial donations are then deposited into the school account and requests for payments must be made to the school club administrator. This can be a rather tedious process and there are restrictions on how the funds can be spent. Under this model, folks who are donating cash can receive a letter for tax purposes from the school.



Managing Team Finances

Option 2-Parent Treasurer: a parent of a team creates a checking account for use by the team. This allows very easy access to the funds, but requires a parent willing to manage the account and to take the "risk" of being responsible for the funds as well as technically assuming a tax burden as the IRS could, if audited, question the account and wonder if the deposits are actually "income" that should be taxed. NICA has not heard of this happening, but it is a possibility.

Under this situation, donations are not tax deductible as the parent could not issue letters acknowledging the donation as the parent is not a registered non-profit. NICA's tax ID is not available to register this donation as the funds are not actually going to NICA.

Option 3-Booster Club Treasurer: For schools that have "booster clubs" or "athletic funds" that are registered non-profits, they may be able to accept donations on behalf of the cycling team. However, if they do this, they usually will hold the funds in their account and the team has to submit requests, along with receipts, for funds to be distributed. This is similar to option 1. NICA has heard of teams using this option, but also maintaining their own "team account" that is managed by one of the parents to allow for easy access to cash to be used for reimbursing gas expenses and small 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 4-Team Non Profit/Business: an individual team may establish its own identity and register as a non-profit, but this is a significant undertaking and NICA is not aware of any team that has done this.

Conclusion: As you begin discussions with your school's administration, please ask for their guidance and policies related to financial management. Remember, 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.