

# Club Reserves and How the Club spends its income

by David B. Waller

## 1. Why does an organization need to maintain reserves?

For all organizations, including the Poway Stamp Club (PSC), it is critical to maintain reserve funds in the event of an unexpected expense. For many organizations this might include the repair of an important piece of equipment, increase in the cost of materials needed to produce the products or perform the services of the business, and payment of expenses (present or previously donated) or when the economy declines and/or revenues do not meet expected forecasts.

## 2. So, how much should the PSC maintain in reserves?

Successful businesses consider many factors when attempting to answer this question. Today corporations have a numerical factor that they multiply by their annual expenses to arrive at a reserve amount that they believe is sufficient to allow the company to survive an unexpected crisis, that factor is 2.5 to 3.0. At an estimated growth of 10-15% in 2023 and 2024, the estimated expenses for the PSC would be expected to rise to about \$7,700 - \$8,400. Using the factors of 2.5 to 3.0 the reserve amount should range from \$19,250 - \$25,200. Additional reserves may be needed to support expense items that the club does not currently pay for i.e., Web presence and Newsletters.

## 3. Since the Poway Stamp Club is a non-profit organization isn't it required to distribute excess financial resources to other organizations that support the Club's mission statement? No. The Poway Stamp Club is not a 501(c)3 it is a 501(c)7 organization and as such "does not have to be charitable, but it must be social or recreational and non-profitable" (see [www.donorbox.org](http://www.donorbox.org)).

## 4. As a 501(c)7 organization, how should (does) the PSC spend its income?

In compliance with the Club's mission statement the club spends its income for the benefit of its membership as a whole. This may include things like publishing a monthly newsletter, maintaining a website, leasing or renting a meeting room. PSC currently expends funds to secure resource materials such as catalogs or other

research journals, field trips holiday meals, creating a venue for the sale of members' stamps and stamp paraphernalia (vouchers), conducting regular meetings, providing lectures and/or presentations on the topic of stamps and stamp collecting, as well as donating to other organizations that support the Club's mission statement. Here again, the Poway Stamp Club has been exemplary in securing the financial revenues that are needed to maintain an appropriate reserve while optimizing the overall benefits to its members. Additionally, the club does not pay its board or its members.

**5. Some might argue that the Poway Stamp Club may not be required to distribute its financial reserves to other non-profit organizations, but it should!**

In fact, the Club does donate resources to organizations that support the field of philately. Each year, in January, the Club's Treasurer presents a proposed budget for the upcoming year outlining all projected anticipated expenses, which includes donations to other organizations (*e.g.*, San Diego Philatelic Library and the San Diego Stamp Show). The budget is discussed, and a vote is taken of the members in attendance to approve the proposed budget.

**6. What are our members' obligations?**

As members of PSC, it is our obligation to know, understand, and abide by the Bylaws, Articles of Incorporation and, above all, the mission statement of the Club, It is also our obligation to attend the Poway Stamp Club January meeting to discuss the proposed expenditures and to present our questions and/or concerns at that time prior to approval of the budget for the upcoming year. Every member has the right to be heard and an obligation to abide by the decisions approved by a majority of the membership.

For detailed information Club Reserves and the PSC Constitution and By-Laws

Visit

**<https://powaystampclub.com/club-documents>**