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“A Scout works to pay his own way and to help others.” This wording, or a version of it, has been in the explanation of “A Scout is Thrifty” in the Scout Law for decades. And while a Scout might have a part-time job in order to earn money for his Scouting activities, many troops have long provided a means by which a Scout can earn money for his troop expenses through fundraising.

Not any more.

The typical arrangement where all or a portion of the profit from the sale of a product such as popcorn or holiday greens, or work done – stadium cleanup, for instance – is credited to a boy’s Scout account has been in almost universal use. Scouting is normally a reasonably-priced activity compared to other youth clubs and teams, but activities like high adventure, Jamboree and NOAC can be a steep obstacle in terms of finance. A way by which a boy can earn the money and reduce the outlay his family is responsible for seems like a perfect way to teach personal responsibility and develop character.

The Internal Revenue Service doesn’t quite see it that way, however.

In a [series of rulings](#), both recent and over the last few years, the IRS has examined the issue of what they term “private benefit” from activities of non-profit organizations (usually called “[501\(c\)\(3\)](#)” from the section of the IRS code that regulates them). In order to remain eligible for non-profit status, money raised by the organization must be used for the public good, not to enrich the members personally, either in the aggregate or directly attributable to an individual’s portion of the fundraising. Scouting units are owned by their chartered organizations, and their non-profit status is conferred upon them by the CO, most of which are 501(c)(3) organizations. Private benefit to members in anything more than an insubstantial amount may jeopardize the non-profit status of the parent organization. Initially, the [IRS ruled](#) in a case involving [sports booster clubs](#), but have also passed judgment in a similar manner when a [ruling in a Scout context was requested](#). The same approach applies as well to church youth groups, marching bands and academic clubs.

In light of these rulings, the Boy Scouts of America is beginning to inform units that they may no longer allocate fundraising proceeds to “Scout accounts” for the private use of members to pay their expenses. This goes against a longstanding recommendation that units should use fundraising to allow individual Scouts to pay their own way. The new policy was first found buried in a [publication](#) aimed at councils on running effective product sales, which was released late last summer, and most recently appeared in [Fiscal Policies and Procedures for BSA Units](#), a summary of frequently-asked questions about unit finance. The product sales guide acknowledges that conflicting information will be found in publications and websites but states that other references to the now-prohibited method of allocating funds would be changed as they are discovered. Units can still conduct fundraisers to fund unit operations, but cannot require a minimum fundraising amount per Scout or family and cannot allocate proceeds to individual members. It’s still OK to hold fundraisers and earmark funds for activities that benefit the community, such as Eagle service projects, or to raise money for a specific unit purpose such as the purchase of a trailer or equipment. And units can still maintain “bank accounts” for Scouts and families if they wish to keep money on deposit for payment of expenses.

This may be a major blow to troops and even packs across the country as they deal with the impact on their membership and budgets. Many questions remain unanswered:

- Even if a chartered organization isn't a 501(c)(3) charitable organization (there are several, such as hospitals or fire departments), BSA's wide-reaching blanket prohibition would seem to ban units that wouldn't otherwise be affected from individual fundraising.
- Without the incentive to raise funds for their accounts, how do we motivate Scouts and their families to participate in fundraisers – especially our more ambitious participants?
- Can Scouts still accept prizes for their participation, such as those typically given for various levels of popcorn sales?
- For many years, Trail's End has had a scholarship program where boys selling a minimum amount can earn money for college. What's the future of this program?
- What constitutes an "insubstantial amount?" The IRS ruling applied to booster clubs organized for the express purpose of raising funds for participants in a sports or band program. If a Cub Scout pack that raises and spends a few thousand dollars a year is chartered to a large church with a budget of a million dollars or more, does the IRS ruling still apply? Will the BSA grant exemptions in such cases?

The BSA appears to have made up its mind, even if the action was necessarily rolled out in a hasty manner. And, because A Scout is Obedient, we may have no choice but to follow the rule. If you're unsure about any aspect of what's allowed and what isn't, your unit-serving professional is your best point of contact. One thing is for certain: Most of us will need to start talking about how to fund our units going forward.

Update: The BSA has issued some guidance on individual Scout accounts. Read about it in [this blog post](#) from *Scouting Magazine*. (Dec. 3, 2014)