



# SUSTAINING YOUR NEIGHBORHOOD ASSOCIATION:

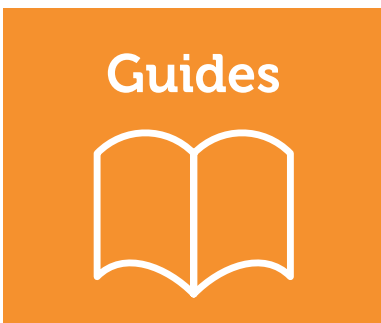
A Guide to Financially Securing the Life of your Voluntary Association





Our City strives to meet the needs of all residents who choose to call Orlando home. To do this, I have made it a priority for the Neighborhood Relations team to organize, support, mentor and guide residents and neighborhood associations in their effort to keep Orlando a great place to live, work and play. In 2014, we launched iLead, a comprehensive neighborhood-training program that informs, connects and involves our neighborhood leaders through a series of interactive guides. I encourage you to use the iLead program to build and sustain your successful neighborhood association.

Orlando Mayor Buddy Dyer



- Emergency Preparedness
- Engaging Volunteers
- How to Avoid Leadership Burnout
- Taking Neighborhood Leadership Skills to the Next Level
- Board of Directors Operations
- Leadership Survival Skills
- Communication Tools
- Cultivating Neighborhood Leadership
- Engaging Next Generation Leadership
- Neighborhood Profile
- Ice Breakers
- Writing your Neighborhood History
- Effective meetings
- Parliamentary Procedures
- Event Planning
- New Board Orientation
- Mayor's Matching Grant for Neighborhoods

iLead is a comprehensive program that provides you with the tools to inform, connect and involve your neighbors through a variety of trainings, such as the iLead Leadership Series, Lunch and Learn and Community Connection Workshops. These tools cover topics such as how to effectively hold meetings, how to utilize a variety of communication tools and how to engage the next generation of leaders.



*The information contained in this guide is not intended to constitute legal advice but is general information that the City of Orlando's Neighborhood Relations team are frequently asked. For more specific information, it is suggested that you contact an attorney.*

*This guide applies only to voluntary neighborhood organizations and provides general information only. Homeowner's associations (HOAs) are governed by Florida Statutes 720 and Condominium Associations governed by Florida Statutes 718 have mandatory requirements.*



## Ways Voluntary Neighborhood Associations can be Effective, Professional and Safe

### Recommendations for Securing Your Association

- Employer Identification Number (EIN)
- Bank Account
- Articles of Incorporation
- Bylaws
- Incorporating as a State of Florida Not For Profit Corporation
- Incorporating as a 501(c)(3) Corporation - (optional)

Does our neighborhood association need all this? No, but it may be beneficial. Incorporation is optional to all associations and may be beneficial to your neighborhood association. Your structure can be as informal or formal to fit your needs. Needs are different and unique to each association. The goal of this guide is to provide you with a better understanding of the purpose of each item so officers and members have the information to make the best decision for their association.



## EMPLOYER IDENTIFICATION NUMBER (EIN)

Neighborhood associations are encouraged to have an Employer Identification Number (EIN) or Tax ID number. The number acts as a Social Security number for associations. The number can be used to open bank accounts, file IRS tax forms, apply for tax exempt status, etc. Associations do not need to be incorporated to receive a tax identification number.

### How to apply for an EIN:

1. Visit [Irs.gov/EIN](https://www.irs.gov/ein)
2. Review the steps and click on apply online now, then begin application
3. Choose the business type by selecting, view additional types.
4. Select community or volunteer group for voluntary association.
5. Select Homeowners/Condo Association if a mandatory association.
6. There is no cost for an employer identification number.

**Keep in mind, it can take some time to receive your Employee Identification Number (EIN).**



## ASSOCIATION BANK ACCOUNTS

Voluntary associations generally do not have large amounts of money. An association bank account can help to keep track of what you have. Also, you will need a bank account to receive city and county grants made available to help your neighborhood association thrive.

**When deciding what type of bank account your neighborhood needs, here are some things to think about:**

- How much money do you have. How often will you withdraw it?
- Do you have enough to keep a minimum balance?
- Do you have to pay service fees?
- Do association members pay dues?



### Checking vs. Savings

Any type of individual bank account is available for neighborhood associations. Most accounts have a minimum deposit or balance requirements, sometimes both. Some associations prefer to use paper checks, while others take advantage of services like online bill payment, direct deposit and debit cards.

Banks may waive service charges to an association that provides a necessary public service. The decision to waive the charge is at the discretion of the bank.

Associations should have at least two signatures on all accounts – the association’s president, secretary/ treasurer, and anyone else who will sign on the account. This does not mean that you will have to have double signatures on checks, but it does provide transparency, accountability, and immediate access to the accounts if the treasurer is unavailable.

### What does an association need to open a bank account?

1. Government issued ID (i.e. Driver’s License)
2. Proof that the association has been established for a minimum of one year.
  - a. Ex. Past minutes, awards or letter from Neighborhood Relations team acknowledging existence.
3. Copy of association minutes which must include:
  - a. Approval from the board allowing member to open a bank account in the association’s name.
  - b. The name of the check signers. Both should be present when opening account.
4. Copy of EIN number







## BYLAWS

**Bylaws help create a formal structure for an association. Bylaws are the agreement or contract between the corporation and its members on how the association conducts itself.**

Bylaws are your association's defining rules. Bylaws set up processes for operating your association and provide guidelines for associations to follow. Bylaws define your association structure and leadership roles, when the association meets, and the rights and responsibilities of its membership and board of directors. Bylaws can help resolve disputes, ensure the fairness of board decisions, and provide protection for the board and the association against legal challenges.

**Everything the association does should be related in some fashion to its bylaws.**

It is important that your bylaws meet the needs of your group. Be specific, but still allow for flexibility. Once your bylaws are written, review them periodically – every 3 to 5 years or so - to ensure that the association's rules are continuing to meet the needs of the group.

Although not required for incorporation, most consider the bylaws to be the association's internal manual for how the association will operate. It is highly recommended that your bylaws be reviewed by an attorney before voting them into place.





## Bylaws are needed to:

- Provide written rules on how the association is to operate.
- Outline the structure of the board and the association.
- Determine the rights of members and outline the process by which members may exercise their rights.

## HOW TO GET STARTED WRITING BYLAWS

Keep Bylaws as simple as possible. Bylaws are general rules of the day-to-day operations of your association. Use language that everyone can understand. Include answers to questions that may come up in meetings. Try to foresee problems, conflicts, or areas of confusion that your members might have. Provide simple and clear procedures that your group can follow. Remember, bylaws are just an instruction manual for your neighborhood association, as well as an agreement between the association and its members.

Many larger neighborhood associations operate with the use of a board of directors who conduct business monthly. General meetings for the entire neighborhood membership are then held annually or bi-annually and are often conducted around social events.

Smaller neighborhood groups operate with a few officers who meet with the entire membership monthly or bi-monthly, as desired, and make decisions at each meeting.

## An effective set of voluntary neighborhood association bylaws should include:

- Boundaries
- Official Name of Association
- Purpose of the Association
- Membership Rights and Qualifications
- Election and Voting Procedures
- Officer titles, terms, and responsibilities
- How to amend by-laws
- Dues: How much, how, and when are they collected and by whom?
- Brief financial responsibilities: Monies are to be deposited in a bank account, how many signatures required on each check, who has access to the account, where records are kept, the amount that can be spent by board without membership approval.

**In the very rare circumstance that your association would be called into court, your bylaws would probably be the most important document you have. Once passed, make sure your association follows its bylaws.**

A good reference to use in writing your association's bylaws is Robert's Rules of Order. Robert's Rules has a whole chapter dedicated to bylaws. The most current edition is the 12th edition.

Once your association membership adopts its bylaws, you should post your bylaws on the association website and always have a hard copy available for referencing at association meetings. You do not "file" your bylaws with the state or a government agency.



### ARTICLES OF INCORPORATION

Your association's Articles of Incorporation is a document necessary to register a corporation with the State of Florida and acts as a charter to recognize the establishment of a corporation. They are typically brief and contain basic information such as an Association's name, location, and purpose. Articles of Incorporation are required to incorporate the association in the State of Florida and are filed with the State of Florida Division of Corporations to **legally document the creation of a corporation**. It is not required for a voluntary association to be incorporated to get started.

#### How to incorporate a voluntary association:

- Visit [SunBiz.org](http://SunBiz.org) - start a business - not-for-profit corporation. There is a cost associated with this (usually under \$100).

#### What are advantages of incorporation?

- Your association becomes a formal company recognized by the State of Florida.
- Becomes its own legal business structure apart from and protecting the individuals who founded and manage the association.
- Gives the group credibility and definition.



### FEDERAL 501(C)(3) ORGANIZATIONS

A 501(c)(3) association is a tax-exempt designation issued by the IRS that allows for federal tax exemption of nonprofit associations and is difficult for neighborhood associations to acquire due to the criteria an association must meet to qualify for the 501 (c)(3) designation.

The IRS also has a 501(c)(4) Corporation designation for associations that are nonprofit and operate exclusively to promote social welfare. The difference between these two IRS designations is a 501(c)3 is a non-profit for religious, charitable, or educational purposes. Donations to 501(c)3 groups are tax-deductible. A 501(c)(4) is a social welfare group and can engage in more advocacy and lobbying and generally are not deductible as charitable contributions for federal income tax purposes.

#### What are the benefits of having your neighborhood association become a 501(c)(3) nonprofit?

An association will be able to:

- Apply for grants and accept donations.
- Donations are tax deductible for federal income tax purposes.
- Be exempt from federal corporate income tax and state sales tax.

An unincorporated association can be incorporated by its board of directors and officers at any time. The process of incorporation involves amending your association's governing documents, preparing Articles of Incorporation, and filing with the Secretary of State.





# SAMPLE BYLAWS FOR A NEIGHBORHOOD ASSOCIATION

The following is a sample of a general outline for writing bylaws. Your neighborhood association may require more or less complex bylaws.

Although neighborhood associations have no legal requirements or rules to follow, it is important to have things in place to be effective and protect the association.

## ARTICLE I | NAME:

The name of this association is \_\_\_\_\_

## ARTICLE II.....PURPOSE/GOALS/BOUNDARIES:

The purpose of this association is *(why are you forming, what do you expect the association to do, what value does the association add to the neighborhood, etc.)*

The goals of this association are: *(list a few)*

- 1.
- 2.
- 3.

The boundaries of the association shall be defined as follows:

- North:
- South:
- East:
- West:

## ARTICLE III | MEMBERSHIP:

**Section 1** | Membership qualifications: Membership in (association name) shall be open to all residents, businesses owners, business licenses and nonprofit associations located within the boundaries defined in Article II.

**Section 2** | Membership voting: All members shall be 16 years of age or older, shall have one vote each to be cast during attendance at any general or special meeting. One representative from each nonprofit will cast one vote. Businesses may have two voting members per location within the boundaries defined in Article II.

## ARTICLE IV | OFFICERS:

**Section 1** | President: The President shall prepare the agenda and preside at all meetings of the board and membership; shall appoint members of committees not elected, with a majority approval of the board, except for members of any Grievance Committee. The President also acts as the official spokesperson of the association unless the members choose to elect one.

**Section 2** | Vice-President: The Vice-President shall assist the President; in the President’s absence shall function as “Acting” President. The Vice-President will also function as “Acting” chairperson of any committee that is lacking a chairperson.

**Section 3** | Secretary: The Secretary shall keep summary minutes and written records of majority and minority opinions expressed at all meetings; shall be responsible for all correspondence; shall make records available for inspection for any proper purpose at any reasonable time.



**Section 4 | Treasurer:** The Treasurer shall be held accountable for all funds and shall give an accounting at each general meeting; shall receive, safe keep and disburse funds, but such disbursement shall require the signature of one other board member. If no checking account is opened, this position may not be filled.

**Section 5 | Elections:** All four executive officers shall maintain office for one year. Nominations for each office shall be made at the general meeting in \_\_\_\_\_, with the election being held at the general meeting in \_\_\_\_\_ of every year.

**Section 6 | Termination for Nonattendance:** A Board member failing to attend two (2) consecutive board meetings shall be automatically deemed to have resigned from the board. If a total of four (4) meetings are missed (including both general and special), then automatic resignation will be assumed.

**Section 7 | Conflict of interest:** Only persons holding one of the four elected positions shall declare a conflict of interest relating to an item under discussion. If the board member doesn't declare a known conflict of interest, he or she will be removed from the board effective immediately.

### ARTICLE V | MEETINGS:

**Section 1 | General meetings:** There shall be at least \_\_\_\_ meetings per calendar year. The meetings shall be convened the first day of the month \_\_\_\_ at \_\_\_\_ p.m. with decisions being made by a majority of members present. Notification of general meetings shall require at least \_\_\_\_ days advance notice in writing or by phone.

**Section 2 | Special meetings:** Special meetings of the membership may be called by the president as deemed necessary. Notification and purpose(s) of the special meeting shall require \_\_\_\_ days advance written or telephone notice to all active members.

**Section 3 | Executive meetings:** In cases where a decision must be made quickly, the President can call an Executive meeting consisting of the President, Vice-President, Secretary, Treasurer, and one additional active member. In such cases, a summary of the action taken must be made at the next regularly scheduled general meeting. Actions taken that require follow-up must be voted on at the next regularly scheduled general meeting.

**Section 4 | Quorum:** A quorum for any general or special meeting shall be the number of members in attendance over five (5). Unless otherwise specified in these By-laws, decisions at these meetings will be made by a simple majority vote of those members present.

**Section 5 | Active members:** Members must have attended two of the previous three meetings. Only general and special meetings shall be counted.

### ARTICLE VI | EXECUTIVE BOARD

*(Outlines who sits on the executive board, its role, and responsibilities, when it meets, etc.)*

### ARTICLE VII | COMMITTEES

*(Outlines standing or permanent committees of your association, such as membership, social, safety, neighborhood projects, communications, beautification, etc. Also defines the purpose of the standing committees and outlines how the association creates ad hoc committees, etc.)*





## ARTICLE VIII | FINANCES

**Section 1 |** Checking account: A checking account will be held in the association's name at the following institution: \_\_\_\_\_.

**Section 2 |** Fiscal year: The fiscal year will be from \_\_\_\_\_ to \_\_\_\_\_.

**Section 3 |** Who is authorized to open, close and sign checks.

## ARTICLE IX | PARLIAMENTARY AUTHORITY

The rules contained in the current edition of Robert's Rules of Order Newly Revised, 12<sup>th</sup> Edition, shall govern the association in all cases to which they are applicable in which they are not inconsistent with these bylaws and any special rules of order the association may adopt.

## ARTICLE X | AMENDMENTS:

**Section 1 |** The Bylaws may be amended at any regular meeting providing that the proposed items have been circulated to all board members at least \_\_\_\_ days prior to the general meeting at which they are to be considered and that two-thirds (2/3) of those members in attendance approve the amendment.

### More Tips:

1. Recruit an attorney. Find out if one of your neighbors is an attorney and would be willing to volunteer their time to help write or review your Articles of Incorporation and bylaws and/or help with incorporating the association.
2. Form a small committee of 2-3 people to draft your Articles of Incorporation and bylaws; each committee member could take a section to write versus, one person being totally responsible for drafting these documents.
3. Be sure your Articles of Incorporation and bylaws are voted on and adopted by your membership.
4. Always have a hard copy of your bylaws available as a reference at association meetings in case a procedural issue comes up that needs clarifying.
5. Resources to guide you include:
  - Incorporating a Florida Non-Profit Corporation - [dos.myflorida.com/sunbiz/start-business/efile/fl-nonprofit-corporation/](https://dos.myflorida.com/sunbiz/start-business/efile/fl-nonprofit-corporation/)
  - IRS tax exempt information - [irs.gov/charities-and-nonprofits](https://irs.gov/charities-and-nonprofits)
  - Writing bylaws – Roberts Rules of Order Newly Revised 12th Edition. Available in bookstores and online.
6. The City's iLead series has several guides to assist with operating and managing your association, visit [Orlando.gov/ilead](https://orlando.gov/ilead). Guides include Strategies for Increasing Involvement in your Association, Just Elected-Now What? How to Avoid Leadership Burnout, Taking Neighborhood Leadership Skills to the Next Level, Board of Directors Operations, Cultivating New Neighborhood Leadership, and many more.

Need some help getting started or not sure what your next steps are, contact our Neighborhood Relations team in the City's Office of Communication and Neighborhood Relations team.

**Contact us at 407.246.2169 or [neighborhoods@orlando.gov](mailto:neighborhoods@orlando.gov).**

## STAY INFORMED, CONNECTED AND INVOLVED

[orlando.gov/neighborhoods](http://orlando.gov/neighborhoods)

### NEIGHBORHOOD NEWS

Events, information and helpful resources to share with your neighborhood straight to your inbox!







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