

2007 PRIVATE ORGANIZATION GUIDE

IN COMPLIANCE WITH AFI 34-223



THIS BOOKLET PROVIDES
INFORMATION AND SAMPLE
DOCUMENTS FOR ORGANIZATIONS
TO BECOME OFFICIALLY RECOGNIZED
PRIVATE ORGANIZATIONS (POs)
ON AIR FORCE INSTALLATIONS

USAF
SERVICES
Combat Support & Community Service

TABLE OF CONTENTS

	<u>PAGE</u>
A. DEFINITION/AUTHORITY	2
B. OVERSIGHT	3
C. INSTALLATION COMMANDER RESPONSIBILITIES	4
D. SERVICES COMMANDER/DIVISION CHIEF RESPONSIBILITIES	5
E. FINANCIAL MANAGEMENT	7
F. AUDIT REQUIREMENTS	9
G. OPERATING POLICIES	11
H. LOGISTICAL SUPPORT	16
I. DISSOLUTION	17
J. OPTIONAL COMPUTER SOFTWARE	18
K. ATTACHMENT 1	19
L. ATTACHMENT 2	21
M. ATTACHMENT 3	22
N. ATTACHMENT 4	24

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DEFINITION/AUTHORITY

- **This booklet provides information and sample documents for organizations wanting to become officially recognized Private Organizations (POs) on Air Force installations**
- **POs are self-sustaining, special interest groups set up by people acting exclusively outside the scope of any official capacity as officers, employees, or agents of the federal government. POs are not Federal entities and are not to be treated as such**
- **They are not Nonappropriated Fund (NAF) instrumentalities, nor are they entitled to the sovereign immunities and privileges enjoyed by NAFIs or the Air Force**
- **They operate on Air Force installations with the written consent of the installation commander**
- **Unofficial activities/organizations are small groups of individuals, which are not required to be formally established as POs because their current assets (including cash, investments, inventory, and receivables) do not exceed a monthly average of \$1,000 over a 3-month period. Examples of unofficial activities/organizations are unit coffee funds, flower funds, sunshine funds, and other small non-resale operations**
- **When an unofficial activity/organization's current monthly assets (which include cash, inventories, receivables, and investments) exceed a monthly average of \$1,000 over a 3-month period, the activity/organization MUST become a PO, discontinue on-base operations, or reduce its current assets**
- **AFI 34-223, *Private Organization Program*, is the governing policy for establishing POs and contains guidance on their operation. Compliance with this AFI is mandatory**

OVERSIGHT

- **HQ USAF/A1S makes, issues, and monitors Air Force policy**
- **HQ AFSVA issues implementing procedures and guidance**
- **MAJCOMs and bases implement the policy and guidance**
- **Installation commanders authorize POs to operate on their installations**
 - **Provide oversight to ensure compliance with AF policy**
 - **Provide limited supervision**
 - **Ensure oversight of unofficial activities/organizations**
- **Services Commanders/Division Chiefs monitor installation POs and unofficial activities/organizations**

INSTALLATION COMMANDER RESPONSIBILITIES

- **Authorizes establishment and operation of a PO on the installation**
 - **When he/she determines it will make a positive contribution to the quality-of-life of base personnel**
- **Ensures compliance with AFI 34-223, *Private Organization (PO) Program***
 - **Does not control or dictate internal PO activities or structure**
- **Withdraws authorization to operate**
 - **When no longer making a positive contribution to the installation**
 - **If the PO prejudices or discredits the United States Government, conflicts with government activities, and for other appropriate reasons and just cause**
 - **For not complying with the requirements of AFI 34-223 or other applicable directives**
- **Approves requests for fundraisers (may be delegated to Mission Support Group Commander or Services Squadron Commander/Division Chief)**
- **Designates Services Commander/Division Chief to monitor and advise on PO and unofficial activity/organization activities**

SERVICES COMMANDER/DIVISION CHIEF RESPONSIBILITIES

- **Monitors POs and unofficial activities/organizations**
- **Advises PO officers**
- **Requires the Resource Management Flight Chief (RMFC) to maintain a file on each PO and review annually at the close of the fiscal year to ensure financial statements, documents, records, and procedures outlined in this guide and AFI 34-223 are in order**
- **As a minimum, files must contain:**
 - **Constitution and bylaws (example at Atch 1)**
 - **Revalidation letters showing dates of review**
 - **Financial statements/reviews, audit reports**
 - **Minutes of meetings**
 - **Proof of required insurance or appropriate waiver**
 - **Current list of officers and points of contact**
 - **Tax exempt approval from the IRS (if applicable)**
 - **Other documents required by MAJCOM and/or Installation Commander and approved waivers**
- **Reviews requests for fundraisers prior to forwarding to the Installation Commander for approval/disapproval (unless delegated)**
 - **Includes occasional fund-raising raffles (see specific limitations in AFI 34-223, paragraph 10.16)**

**SERVICES COMMANDER/DIVISION CHIEF
RESPONSIBILITIES (CONT.)**

- **Ensures detailed procedures are established in written bylaws to notify members of personal liability and for disposition of cash and assets upon dissolution of the PO**

FINANCIAL MANAGEMENT

- POs should ensure their goals and objectives are properly identified and their assets are properly controlled and programmed
- POs must prepare an income-and-expense statement either on an accrual or cash basis. The income and expense statement reflects monetary events that have occurred during a given period (example at Atch 2)
- POs must also prepare a balance sheet that accounts for total assets of the PO on a given date (example at Atch 3)
- Tools used in financial management budgets and financial statements are:
 - Budgets (example at Atch 4)
 - Are logical, detailed plans for operations that should occur, expressed in dollars for the year (may be broken out by month or quarter)
 - Reflect projected activities (income & expense) as well as capital purchase equipment/property
 - Establish financial objectives to generate sufficient income to cover planned expenses
 - Are comprehensive, realistic, and subject to revision
 - Consolidated budgets may be comprised of separate detailed income and expense projections
 - Comparing with actual financial statement is an excellent management performance indicator
 - Cash Accounting - Revenues are recorded when cash is received, expenses are recorded when paid

FINANCIAL MANAGEMENT (CONT.)

- Accrual Accounting - Revenues are recorded when earned, without regard to when cash is received; expenses are recorded as obligations are incurred, without regard to when they are paid**

- Size and complexity of statements varies significantly depending on total dollars generated and expended by the PO**

AUDIT REQUIREMENTS

- **Gross annual revenues more than \$5,000, but less than \$100,000**
 - **Submit annual financial statements to the Services Resource Management Flight Chief (RMFC) not later than 20 days following the end of the PO's fiscal year**
 - **Installation Commander may require more frequent submissions**

- **Gross annual revenues of \$100,000 or more, but less than \$250,000**
 - **Financial review performed by an accountant**
 - **Written verification of accounting information by competent authority knowledgeable in financial reporting methods**

 - **Paid with PO funds**

 - **Conducted annually**

- **Gross annual revenues of \$250,000 or more**
 - **Audit performed by a Certified Public Accountant (CPA). Use of a Certified Government Financial Manager is permitted in overseas locations when unavailability of a CPA is documented through the RMFC**
 - **CPA - An accountant who has met special requirements of a state and holds a CPA license. Use of a Certified Government Financial Manager is authorized in overseas locations when unavailability of a CPA is documented through the Services RMFC**

 - **An official examination and verification of financial accounts and records**

 - **Results in the expression of an opinion regarding financial statement presentation**

AUDIT REQUIREMENTS (CONT.)

--- Paid with PO funds and conducted annually

- Internal control procedures established by POs can provide “checks and balances”**

- Areas normally reviewed: Adequate segregation of duties, proper procedures for authorizations, adequate documents and records, physical control over assets and records, and independent checks on performance**

- Installation Commanders may request an audit by the Air Force Audit Agency to protect Air Force interests if there are signs of fraud or other improprieties**

OPERATING POLICIES

- **A PO must submit written constitution, by-laws and other similar documents, outlined in the PO Guide, through the Services RMFC, Services Squadron Commander/Division Chief, and Staff Judge Advocate for consideration by the installation commander. See AFI 34-223, paragraph 9 for specific requirements**
- **The Constitution, by-laws or similar documents must be updated every two years or when there is a change in the purpose, functions, or membership eligibility of the PO, whichever comes first**
- **DOD personnel acting in an official capacity may not execute such constitutions, bylaws, or similar documents or submit for approval**
- **To prevent the appearance of an official sanction or support by the Department of Defense, a PO will not utilize the following in its title or letterhead:**
 - **The name or seal of the Department of Defense or acronym “DOD”**
 - **The name, abbreviation, or seal of any DOD component or instrumentality**
 - **The name (material parts of the name) of any Air Force NAFI, e.g. Morale, Welfare, and Recreation (MWR) Fund or Lodging Fund**
 - **The seal, insignia, or other identifying device of an Air Force installation. PO names will not include the specific DOD designation such as “AFB,” “Field,” or unit designation**
 - **Any other name, abbreviation, seal, logo, insignia, or the like, used by DOD or any DOD component, its programs, locations, or activities**

OPERATING POLICIES (CONT.)

- **On all print and electronic media mentioning the PO's name, the following disclaimer must be prominently displayed confirming that the PO is not a part of DOD: "This is a private organization. It is not a part of the Department of Defense or any of its components and it has no governmental status." This disclaimer must also be provided in verbal communication and public announcements**
- **POs may not discriminate in hiring practices or membership policies on the basis of age, race, religion, color, national origin, disability, ethnic group, or gender. Anyone who suspects unlawful discrimination by POs should contact the local Equal Employment Opportunity Counselor and follow the procedures in AFI 36-1201, *Discrimination Complaints*. See additional guidance in AFI 34-223, paragraphs 10.2.1– 10.4.5**
- **POs must be self-sustaining, primarily through dues, contributions, service charges, fees, or special assessments of its members. There will be no financial assistance to a PO from a NAFI in the form of contributions, repairs, services, dividends, or donations of money or other assets**
- **POs must properly plan and adequately control the money aspects of their goals and objectives, including cash and other assets**
- **Income must not accrue to individual members except through wages and salaries for PO employees or other payment for services rendered to the PO or military community**
- **POs and unofficial activities/organizations will not engage in activities that duplicate or compete with AAFES or Services activities**
- **POs will not engage in frequent or continuous resale activities or operate amusement or slot machines, or any other games of chance, lotteries, raffles, or other gambling activities (except as authorized in AFI 34-223, paragraph 10.16)**

- **POs will not engage in frequent or continuous resale activities either directly, through third parties, or in their media (e.g., newsletters, handouts, posters, special-order brochures, websites, etc.)**
- **The prohibition against frequent or continuous resale activities does not preclude collective purchasing and sharing of purchased items by members of the POs or unofficial activities/organizations so long as there is no actual resale**
 - **“Resale” is defined as the sales of items or services at a markup intended to generate cash in excess of that needed to pay expenses; cash generated from rounding up costs to a sales price to make a sales price more convenient to the customer does not constitute resale**
- **The Installation Commander may authorize continuous Thrift Shop sales operations**
- **The Installation Commander may authorize occasional sales for fund-raising purposes (may delegate approval authority to the Mission Support Group Commander or Services Commander/Division Chief), that the PO conducts directly, through a third party, or its media**
 - **For example, bake sales, dances, carnivals, car washes or similar functions**
 - **“Occasional” is defined as not more than two (2) fund-raising events per calendar quarter**
 - **See AFI 36-3101, *Fund-raising within the Air Force*, for fund-raising authority during the Combined Federal Campaign**
- **POs operating on AF installations are prohibited from engaging in any conduct, which has the effect of advertising for, making referrals to, or encouraging use of any commercial business concerns. The only exception to this policy is when a PO conducts an approved fund raising event through a third-party (e.g., the spouses’ club conducts an art sale as an**

OPERATING POLICIES (CONT.)

approved fund-raiser and contracts with the art dealer (third party) to provide artwork to be sold

- POs are not authorized to sell alcoholic beverages**
- POs will not solicit gifts or donations from non-members of the PO on the base**
- POs may be the beneficiaries of gifts and donations**
- POs are prohibited from actions that give the appearance the installation is endorsing or giving special treatment to the donors or givers involved**
- POs will not provide on-base advertising in exchange for gifts and donations (this does not preclude a PO from acknowledging a gift or donation by letter or during an on-base event or ceremony attended primarily by PO members)**
- Services may not co-sponsor events with POs for the purpose of obtaining commercial sponsorship, contributions, donations, gifts, advertising, or generating revenue for the POs**
- POs are not authorized use of the DOD MWR Commercial Sponsorship program**
- POs are required to have liability insurance unless waived by the Installation Commander (must coordinate with base Legal Office)**
 - POs for which waivers have been granted may be required to obtain insurance for certain special events which involve greater risk of injury or damage**
 - Forward all waiver requests through the base Legal Office prior to approval**
 - Insurance waivers must be reevaluated annually**

OPERATING POLICIES (CONT.)

- **PO should consider bonding for its treasurer. The treasurer is in a sensitive position, especially if handling and controlling large amounts of cash. POs may make a bonding determination by weighing the cost of commercial “fidelity” insurance protection from a qualified underwriter against the potential dollar risk**
- **POs must notify Services Commander/Division Chief of key officer changes**
- **Liability**
 - **PO members must be aware that they are jointly and severally liable for obligations of the PO and their understanding of this liability must be documented**
- **PO must advise the Services Commander/Division Chief of any signs of fraud or other improprieties**
- **POs must comply with all applicable federal, state, local, and foreign laws governing like civilian activities. Some POs may qualify for tax-exempt status**
 - **It is the responsibility of PO to acquire tax exempt status if eligible and desired**
 - **Federal information can be obtained from the Regional IRS Office and state taxing authority**

LOGISTICAL SUPPORT

- **POs must furnish their own equipment, supplies, and other materials**
- **Neither NAFs nor appropriated funds will be used to support POs**
- **POs may be provided space for meetings of reasonable duration and frequency subject to the following:**
 - **POs must reimburse for services (to include utilities) when a PO on an other-than-occasional basis uses a facility or space in a facility unless a separate directive or instruction authorizes non-reimbursable support. Thrift Shops operated by Wives Clubs are exempted from this requirement to pay utilities**
 - **POs must reimburse for any additional costs incurred by the Air Force resulting from such use, e.g., incremental increases in maintenance and janitorial expenses**
- **Newly elected officers/treasurer should consult the Services RMFC or Services Commander/Division Chief for guidance and training on local base requirements and procedures**

DISSOLUTION

- **In case of dissolution, funds in the treasury will be used to satisfy any outstanding debts, liabilities, or obligations**
- **The balance of assets will be disposed of as determined by the membership**
 - **Must be included in the constitution or bylaws**
 - **Examples include donation of residual assets to the installation morale, welfare, and recreation fund or contribution to an off-base charity (disposition must not reflect unfavorably upon the PO or the Air Force)**
- **PO should notify the Services Commander/Division Chief prior to dissolution of the intent to dissolve the PO and prepare a time-phased action plan to do so. Guidelines to consider prior to dissolution:**
 - **Limit expenditures to those required to liquidate liabilities or pay essential bills**
 - **PO assets will not be split among members or sold exclusively to members at dissolution. However, assets could be sold at a base-wide sale**
 - **Notify vendors of dissolution and cancel outstanding orders**
 - **For disposal of assets, use AFI 34-201, *Use of Nonappropriated Funds*, as a guide**
- **All records and documentation remain property of the PO**
- **Any unpaid obligations remain the responsibility of the PO members**

OPTIONAL COMPUTER SOFTWARE

- **Larger organizations may consider purchasing software that can perform accounting functions, print financial reports and checks, maintain cash balances, track reports, etc.**
 - **A variety of computer software programs that are user friendly and relatively inexpensive are available**
 - **Although not officially endorsed by the Air Force, many spouses' clubs use "Quicken"**
 - **Consult your local computer retailer to determine which program best suits your needs. If additional help is required, consult the Services Commander/Division Chief**

ATTACHMENT 1
SAMPLE FORMAT

CONSTITUTION AND BYLAWS

Constitution
(Organization Title)

Article 1
Name and Purpose

(NOTE: The name, seal, insignia, or other identifying device of the Department of Defense or acronym 'DOD', a DOD component (military service), a NAFI, the local installation, local military unit, or any other name, abbreviation, seal, logo, insignia, or the like used by DOD or any DOD component, its programs, locations or activities, will not be used in the POs title or letter head)

Article 2
General Provisions

(Include the following paragraphs as separate sections of Article 2 as appropriate)

Section

The (organization) operates on a military base only with the consent of the installation commander. Operation is contingent on compliance with the requirements and conditions of all applicable Air Force regulations.

Section

The membership (is) (is not) liable under the laws of (name of state or other jurisdiction in which the PO is organized) for organizational debts in the event the organization's assets are insufficient to discharge liabilities.

Article 3
Officers and Governing Body

Article 4
Membership or Patronage
(Include membership eligibility (should be primarily limited to members of the DOD community).)

Article 5
Method of Financing
(Include all proposed sources of income)

Article 6
Activities

Article 7
Meetings and Quorums

Article 8
Adoption and Amendments
(Include "subject to final review by the installation commander.")

Article 9
Dissolution
(Include the following paragraph as a separate section of Article 9)

Section

In case of dissolution of the organization, funds in the treasury at the time will be used to satisfy any outstanding debts, liabilities, or obligations. The balance of the assets will be disposed of as determined by the membership.

Article 10
Insurance
(Required)

SAMPLE BYLAWS

Article 1
Duties of Officers

Article 2
Election and Voting

Article 3
Dues and Fees

Article 4
Standing Committees

Article 5
Finances and Taxes

Article 6
Insurance Coverage

Article 7
Awards/Gifts

Attachment 2
Officers' Spouses' Club
Proposed Budget
For the Month of September, 2005

Income

	Prior Year Actual	This Year Budget	Next Year Budget
Membership Dues	\$ 8,000	\$ 8,200	\$ 10,000
Savings Account interest	360	320	360
Ways & Means			
Art Auction	1,500	2,000	2,100
Bazaar	3,300	4,000	4,200
Christmas Ball	2,880	3,000	3,200
Luncheons/Dinners	2,400	2,880	3,000
Special Fund Raiser	13,000	13,000	13,000
Other	0	200	50
Thrift Shop	24,000	23,000	24,000
Tours	7,000	5,000	0
Misc.	20	50	50
Total Income & Receipts	\$62,460	\$61,650	\$59,960

Expenses

Ways & Means			
Art Auction	\$ 1,100	\$ 1,500	\$ 1,600
Bazaar	2,800	3,500	3,600
Christmas Ball	2,500	2,700	2,900
Luncheons/Dinners	2,000	2,300	2,400
Special Fund Raiser	4,000	3,200	4,000
Other	0	80	20
Thrift Shop	19,000	18,400	19,200
Tours	6,500	4,500	0
Protocol	200	240	250
Publicity	200	240	250
Donations			
Scholarships	10,000	10,000	11,000
Air Force Village	4,000	4,000	4,200
Base Youth Center	5,000	5,000	5,100
Community Charities	400	400	500
Awards	200	210	220
Treasurer	50	55	60
Recording Secretary	50	50	60
Miscellaneous	420	600	600
Total Expenses & Distributions	\$ 58,420	\$ 56,975	\$ 55,960
Net Income (Loss)	\$ 4,040	\$ 4,675	\$ 4,000

Attachment 3a
Officers' Spouses' Club
 Statement of Cash Position
 For the Month of September, 2005
(Cash Basis)

	This Month Ending Balance	Last Month Ending Balance	This Month Increase/(Decrease)
<u>Assets</u>			
Cash	\$ 8,100	\$ 6,880	\$ 1,220
Checking	6,600	5,620	980
Savings			
<u>Total Assets</u>	<u>\$ 14,700</u>	<u>\$ 12,500</u>	<u>\$ 2,200</u>

Attachment 3b
Officers' Spouses' Club
 Balance Sheet
 For the Month of September, 2005
(Accrual Basis)

	This Month Ending Balance	Last Month Ending Balance	This Month Increase/ (Decrease)
<u>Assets</u>			
Cash	8,100	6,880	1,220
Checking	6,600	5,620	980
Savings			
Accounts Receivable	50	150	(100)
Dues	400	0	400
Art Auction	200	900	(700)
Bazaar	0	0	0
Christmas Ball	200	200	0
Luncheons/Dinners	900	600	300
Special Fund Raiser	0	0	0
Prepaid Expenses	150	150	-
Total Assets	16,600	14,500	2,100
<u>Liabilities</u>			
Accounts Payable			
Art Auction	300	150	150
Bazaar	200	700	(500)
Christmas Ball	0	0	0
Luncheons/Dinners	220	200	20
Special Fund Raiser	180	450	(270)
Other	0	0	0
Prepaid Revenues	2,600	1,000	1,600
Total Liabilities	3,500	2,500	1,000
Fund Equity (Net Worth)	13,100	12,000	1,100
Total Liabilities & Fund Equity	16,600	14,500	2,100

Attachment 4a
Officers' Spouses' Club
 Monthly Income and Expense Statement
 For the Month of September, 2005
(Cash Basis)

<u>Income</u>	This Month	This Year To-Date
Membership Dues	780	5,800
Savings Account Interest	30	240
Ways & Means		
Art Auction	1,700	1,700
Bazaar	700	3,900
Christmas Ball	0	0
Luncheons/Dinners	240	2,000
Special Fund Raiser	700	8,100
Other	90	200
Thrift Shop	2,000	17,800
Tours	1,600	2,600
Misc.	-	50
Total Income & Receipts	\$ 7,840	\$ 42,390
<u>Expenses</u>		
Ways & Means		
Art Auction	\$ 1,200	\$ 1,200
Bazaar	500	3,200
Christmas Ball	0	100
Luncheons/Dinners	180	1,600
Special Fund Raiser	620	2,700
Other	30	60
Thrift Shop	1,700	14,400
Tours	0	200
Protocol	20	120
Publicity	20	120
Donations		
Scholarships	0	10,000
Air Force Village	0	3,000
Base Youth Center	1,000	3,000
Community Charities	200	200
Awards	100	100
Treasurer	10	90
Recording Secretary	10	30
Miscellaneous	50	450
Total Expenses & Distributions	\$ 5,640	\$ 40,570
Net Income (Loss)	\$ 2,200	\$ 1,820

Attachment 4b
Officers' Spouses' Club
 Monthly Income and Expense Statement
 For the Month of September, 2005
(Accrual Basis)

<u>Income</u>	This Month	This Year To-Date
Membership Dues	680	6,000
Savings Account Interest	30	240
Ways & Means		
Art Auction	2,100	2,100
Bazaar	0	4,100
Christmas Ball	0	0
Luncheons/Dinners	240	2,080
Special Fund Raiser	1,000	9,000
Other	90	200
Thrift Shop	2,000	17,800
Tours	0	0
Misc.	-	50
Total Income & Receipts	\$ 6,140	\$ 41,570
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<u>Expenses</u>		
Ways & Means		
Art Auction	\$ 1,350	\$ 1,500
Bazaar	0	3,400
Christmas Ball	0	100
Luncheons/Dinners	200	1,600
Special Fund Raiser	350	2,800
Other	30	60
Thrift Shop	1,700	14,400
Tours	0	200
Protocol	20	120
Publicity	20	120
Donations		
Scholarships	0	10,000
Air Force Village	0	3,000
Base Youth Center	1,000	3,000
Community Charities	200	200
Awards	100	100
Treasurer	10	90
Recording Secretary	10	30
Miscellaneous	50	450
Total Expenses & Distributions	\$ 5,040	\$ 41,170
<hr/>		
Net Income (Loss)	\$ 1,100	\$ 400