

## The Structure of Zonta Clubs

Some Zonta clubs are incorporated and some are not. Being incorporated means that the club has a legal structure suitable for the club, the members and the activities considering the law of your country. Each country has its own laws and regulation for organizations like Zonta and you need to check what the options are in your country.

Every type of organization needs a structure and a governing document. The governing document sets out the aims and rules that will be used. The Bylaws of Zonta International is a governing document and your club may use that, but even better is for the club to have its own bylaws, based on the Bylaws of Zonta International

► See template for club bylaws on the Zonta International website.

### Some examples of structures

**Unincorporated association.** An unincorporated association is a membership organization and is the simplest form of association. You do not need to seek approval to set it up and do not need to register with any regulatory body. If you have charitable aims it will make you a charitable unincorporated association.

**Advantages:** Simple and flexible and cheap to run

**Disadvantages:** No legal existence – it is only a group of individuals. This means that;

- Board members could be personally responsible for the club obligations and debts
- Board members could be liable if, for example, the club is being sued
- The club cannot enter into legal contracts

The activities of your club will decide if this is the right structure for your club. It is cheap and easy but not suitable if you need a legal existence and more protection for board members.

**Charitable Companies.** A charitable company is a limited company with charitable aims. It has a legal identity separate from its members, which means it can enter into contracts, own or lease property and employ people. The board members are agents of the company and are not personally liable for its debts.

A charitable company is a membership organization but unlike an unincorporated association, its directors must be registered with the country's Company Register. The governing document of a company is Memorandum & Articles of Association and to be a charitable company it must demonstrate in the governing document that it is accountable to the community and charitable in its aims.

There are two types of limited companies;

- **Company limited by guarantee.** There are no shareholders and surplus is reinvested in the company. This is the best structure to form a charitable company

and the type is recommended for Zonta clubs who wish to get a legal identify for their club.

- **Company limited by shares.** This type of company is more common in the commercial sector where its members (shareholders) are investing money in the hope of making a profit.

There are clear advantages with a *company limited by guarantee*. The club can take on legal obligations, enter into contracts or buy property in its own name. The club and not its members are responsible for any debt. The directors have a fiduciary responsibility to act prudently and ensure that the company manages its finances carefully.

There are also some disadvantages – there is some cost to set up, you must report changes of directors/trustees and you must provide annual accounts.

**Foundation.** A foundation or charitable foundation is a legal category of [nonprofit organization](#) that will either donate funds and support to other organizations, or provide the source of funding for its own [charitable purposes](#). Foundations incorporate private foundations and public foundations. Zonta International Foundation is a public foundation. Private foundations are generally run by a family.

A Foundation can also be established as a company to better protect its trustees/directors. See *Charitable Company* section above.

**Non-Profit Organization under Sec 501(c)(4).** Zonta International is a non-profit organization under Sec 501(c)(4) of the Internal Revenue Service Code. As such, Zonta International is exempt from Federal and State of Illinois Income Tax.

Zonta Clubs in the USA have the same federal income tax status as Zonta International, i.e., non-profit tax-exempt organization with 501(c)(4) status and are included under Zonta International's Group Exemption Number 1219. Zonta clubs are not considered charitable 501(c)(3) organizations.

**Charitable non-profit Organization under Sec 501(c) (3).** Zonta International Foundation is a charitable non-profit organization under Sec 501(c)(3) of the Internal Revenue Service Code. As such, Zonta International Foundation is exempt from Federal and State Income Tax and from the State of Illinois Sales and Use Tax.

The exemption for sales tax applies on purchases directly made by the Zonta International Foundation to carry on its charitable programs and activities and all fundraising activities.

### **Income Tax Relief for Donors**

Donors with tax residency in the United States will get tax relief on their donations to Zonta International Foundation.

Donors elsewhere in the Zonta world will get tax relief depending on the laws of the country where they are tax residents. Most countries do not grant tax relief for donations outside its own country which means that individual donors will not get a tax relief if donating directly to ZIF. However, individual clubs or several clubs in the same country can set up a separate charitable company/foundation, with separate accounts and

separate directors/trustees to the club. Individual donors can donate to this charity which in turn can donate to ZIF or other local projects. There may be some restrictions in some

countries as to where donations can be made. You shall have to find out what is relevant in your country. The Foundation is administered by club members, who should, if possible, report the individual donors behind each transfer to ZIF. Members would then be recognized in the ZIF donor recognition system.

*The above information should be general guidelines  
and will not apply everywhere in the world. Clubs must check the law in their country, and  
may have to take legal or tax advice.*