

(1) Sex, age, religion, race, color, national origin, or marital status;

(2) Lawful political affiliation;

(3) Labor organization membership; or

(4) Physical handicaps.

(b) POs will not discriminate in membership on the basis of race, color, sex, national origin, or religion. This does not preclude the existence of religious, cultural, or ethnic POs when—

(1) Their membership is not restricted or discriminatory;

(2) Similar religious, cultural, or ethnic POs are approved without preference.

(c) The installation commander may approve the operation of certain POs that restrict membership to one sex. One or more of the following must apply:

(1) The PO's purpose is philanthropic and, by tradition, its membership has been of one sex.

(2) The PO's purpose and function is to benefit one sex, and its membership is composed of that sex. (Examples are scouting organizations or women's and men's sports associations.)

(3) The PO has a specific purpose and function that restricts membership to one sex, but also has a counterpart organization with the same purpose and function. (Examples are women's and men's sports clubs, women's and men's civic associations, boy/girl scouting organizations.)

(d) PO membership campaigns and recruitment practices will neither involve nor give the appearance of involving compulsion, coercion, or influence. (See AR 600-50 and AR 600-20.) Prohibited activities include the following:

(1) Repeated petitions, orientations, or counseling of persons who have chosen not to join a PO.

(2) Use of membership statistics by supervisors to influence nonmembers.

(3) Compilation of by-name lists of nonmembers.

§ 556.10 Insurance.

(a) When appropriate, POs will obtain adequate insurance as protection against public liability claims, property damage claims, or other legal actions arising from activities of the PO,

or one or more of the PO's members acting on its behalf.

(b) Insurance will be appropriate when PO activities or functions expose the public to possible risk.

(c) Insurance (such as fidelity or fire insurance) of PO assets is the responsibility of each PO.

§ 556.11 Audit.

POs with gross annual revenue of \$1000 or more will be audited at least once every 2 years. The following provisions apply:

(a) POs using a double entry accounting system, regardless of source of income over \$1000, will be audited by a qualified auditor. (See definition in glossary.)

(b) POs using a single entry accounting system will be audited as follows:

(1) With income only from contributions dues, and assessments, by either a PO member who holds no office and is at least 18 years of age, or a qualified auditor.

(2) When they engage in resale or fundraising activities, by either an appointed committee of three PO members who hold no offices, or a qualified auditor.

(c) Type 2 POs with financial statements audited annually by their national headquarters may submit a copy of such an audit. If not audited by their national headquarters, the provisions of paragraphs (a) and (b) of this section.

§ 556.12 Taxes.

POs must comply with all Federal, State, and local tax laws. POs must seek private counsel or contact proper tax officials to ensure compliance with all tax laws. POs located overseas will obtain a statement of clarification from the local office of the Staff Judge Advocate (SJA).

(a) Federal income tax. Certain types of POs (for example, charitable, religious, educational, or scientific) may qualify for exemption from Federal income tax under section 501 of the Internal Revenue Code. Type 2 POs, in which national organizations control taxes for all local chapters, must provide a statement to this effect; it must be signed and notarized by the national headquarters. All other POs will obtain