

Burleson ISD

PTO/Booster Club Guidelines

7/1/2017

The following guidelines are to be used for student support activity groups (Parent Teacher Organizations, Booster Clubs, etc.) that are parent led and that support the underlying objectives of the District.

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Burleson Independent School District Guidelines – PTO's & Booster Clubs

In the Burleson Independent School District (the District), we encourage the participation and involvement of parents in the education of their children. One way parents can be involved is through participation in voluntary parent organizations such as Parent Teacher Organizations (PTO's) and Booster Clubs.

The purpose of these guidelines is to provide general, not specific or all inclusive information as it relates to PTO and Booster Club organizations. This information is provided by the District's Business Office. However, it is the responsibility of each individual organization to seek competent professional assistance for its own reporting and tax filing requirements.

I. General Information

- Parent organizations and Booster Clubs shall organize and function in a way that is consistent with the District's philosophy and objectives. Outside organizations must function within adopted Board policies and in accordance with applicable UIL guidelines, state laws of Texas and the Internal Revenue Service (IRS) guidelines.
- The responsibility for accounting, safeguarding and disbursement of funds rests solely with the PTO/Booster Club officers. ***Employees of the district shall not serve in a financial capacity (such as Treasurer) in any parent organization where they would have control over the funds or check signing authority.*** Individuals who actively coach or direct a UIL activity should serve in an advisory capacity only and should not have control or signature authority over organization funds.
- A District substitute or temporary worker may be a Treasurer or authorized signer on the bank account of a parent organization with written approval from the principal or supervisor where the organization is located and from the District Business Office. This approval must be requested and received each school year.
- A parent organization is legally considered a separate entity from the District and therefore under no circumstances is allowed to use the District's Tax ID number.
- A parent organization may not represent the District nor bind the district or any of its employees to a third party with which the organization may conduct business.
- It is highly recommended that PTO and Booster Club organizations obtain a separate post office box (PO Box) where all bank statements and official correspondence can be received. This aids in the transition of officers from year to year and it also gives the organization access to their mail when a campus is closed for holidays or summer vacation. If there is a change in the organization's mailing address, notify the District,

Texas Secretary of State, Texas Comptroller's Office, and the IRS. IRS Form 8822-B for reporting change of address is available on the IRS website, www.irs.gov under Forms and Publications.

- The commingling of PTO/Booster Club money with campus money is not permitted. Each group needs to establish an organization with a separate bank account if any funds are collected or used outside of the school's activity funds.
- The responsibility of properly reporting the PTO or Booster Club's financial activities rests solely with each individual PTO/Booster Club's officers, jointly and severally, not the District or any of its employees. Organizations should seek competent tax and legal advice on their own and at the organization's expense on an as needed basis to assist and to advise them on legal and tax matters.
- Booster Clubs and PTO's should consider purchasing liability insurance to protect the organization and its members. Coverage to be considered should include general liability, officer's liability, property liability (if organization owned property exists), accident & medical, and bonding liability. The cost of this type of insurance is usually reasonable with only a few recordkeeping and audit requirements.

II. Obtaining Tax Exempt Non-Profit 501 (c)(3) Status

All PTO & Booster Clubs shall obtain federal tax-exempt status as a public 501(c)(3) charitable organization by applying for and obtaining a Letter of Determination from the Internal Revenue Service (IRS) that states that the organization is tax-exempt. ***This type of exemption means that the organization is tax-exempt, the majority of its income is from the public, and all donations, subject to certain individual restrictions, are deductible on the contributor's tax return. In addition, 501 (c)(3) organizations are eligible for state tax benefits and reduced postal rates.***

If a PTO/Booster Club has not obtained tax-exempt status by becoming a 501 (c)(3) organization, it may complete the following steps to do so:

1. **Prepare Articles of Incorporation** – Follow the instructions on the Secretary of State website (www.sos.state.tx.us) which includes completing Form 202 and sending two copies along with a \$25 filing fee to the Filing Division of Secretary of State.
2. **File for Employer Identification Number (EIN) from the IRS** – The EIN number is necessary to establish an identity as an organization. This number is needed to open a bank account and apply for a sales tax permit. Form SS-4 may be completed online at www.irs.gov.

3. **Prepare organization's bylaws** – Approval by majority vote after incorporation is completed.
4. **Apply for State Sales & Use Tax Permit** – PTOs and Booster Club organizations should obtain a Texas Sales Tax Permit if they intend to sell goods or tangible services in Texas. The sale of goods includes fundraisers, such as catalogue sales, candy sales, or sales of other items. In addition, some services may be taxable. The application for Sales & Use Tax Permit can be completed by going to the Texas State Comptroller's website at: www.window.state.tx.us and choosing Sales & Use Tax.
5. **Prepare Application (Form1023) for recognition of exemption as 501 (c) (3)**
 - Online e-file Form1023 now streamlines the process for smaller organizations with less than \$50,000 gross receipts.
 - Go to www.irs.gov to complete the e-file Form1023.
 - User fee of \$400 must be paid at the time of submission.
 - If gross receipts are greater than \$50,000, the standard long version of the Form1023 must be completed and submitted. Refer to the IRS website at www.irs.gov , Tax Exempt, for complete instructions.
6. **Receive Determination Letter from IRS** - Upon approval by the IRS of the tax-exempt status, the organization will receive a Determination Letter stating that the organization is considered tax-exempt as of a certain date. ***Donations to the organization are only deductible on the contributor's tax return as of the effective date of the Determination Letter received by the organization.***
7. **Request exempt status from State Sales & Use Tax and Franchise Tax** – The franchise tax serves as Texas' primary business tax. If a PTO/Booster Club is incorporated, they are subject to franchise tax. Organizations may request exemption from these state taxes on the State Comptroller's website: www.window.state.tx.us. The organization must complete the necessary forms as well as provide copies of Articles of Incorporation, Bylaws, and IRS Determination letter to the Texas State Comptroller.

III. Recordkeeping

PTOs and Booster Clubs should establish a record file that is passed to the new officers each year. Some items need to be kept indefinitely while other items only need to be kept for a certain length of time. Permanent records should be limited at all times to only those persons whose duties require access. Copies of all permanent documents should be made and kept in a safe and separate location.

The permanent record file should contain at least the following items:

Internal Records:

- Articles of Incorporation
- Bylaws/Charter/Constitution
- Minutes from meetings
- Annual Audit documentation

State Records:

- Sales Tax Permit Application
- Sales Tax Permit
- Certificate of Incorporation from State of Texas (if applicable)
- State Sales Tax Exemption Notification
- State Franchise Tax Exemption Notification (if incorporated)

Federal Records:

- Copy of IRS Form SS-4, Application for Employer Identification Number
- Copy of IRS Form 1023, Application for Recognition of Exemption, with all attachments
- Copy of IRS Form 8718, User Fee for Exempt Organization
- Determination Letter Request, and copy of check sent to IRS with this form
- Acknowledgement of Your Request
- Determination Letter from the IRS
- Copy of IRS Form 8734, Support Schedule for Advance Ruling Period, and the IRS's notice granting a permanent exempt status to the organization, if applicable

For non-permanent records, the Texas Comptroller's Office and the IRS have different retention periods. See the corresponding websites for those most updated retention periods at: www.window.state.tx.us and www.irs.gov.

IV. Accounting/Bookkeeping Procedures

The following are some general accounting best practices and are meant to be guidelines for PTO and Booster Club organizations. Each organization should have written instructions on the recording of accounting transactions preferably in the organization's Bylaws.

1. Each PTO/Booster Club must have a separate bank account in the name of the organization – not in the name of an individual member of the organization.
2. Two officers must sign each disbursement/check.
3. Bank statements should be mailed to the official mailing address of the PTO/Booster Club, not the school or home of an organization member. The organization's books must be reconciled to the bank statement monthly.

4. There should be adequate separation of duties for as many of the following duties as possible:
 - a. Cash receipting
 - b. Cash disbursements
 - c. Authorization of cash disbursement
 - d. Accounting records and entries
 - e. Bank statement reconciliation
 - f. Deposits
 - g. Petty cash fund
 - h. Receiving purchased goods
5. The cashing of checks out of cash receipts or petty cash should be prohibited.
6. Incoming checks should be restrictively endorsed immediately upon receipt with an endorsement stamp that includes the PTO/Booster Club's name, the bank's name, and the bank account number.
7. Any monies received should be deposited on a daily basis and never held in a school nor taken home.
8. Receipt numbers and/or range of receipt numbers should be written on all deposit slips.
9. The bank validated deposit slip should be returned to the Treasurer to verify each deposit.
10. All monies should be counted and receipted in the presence of the individual turning in the money.
11. All deposits must have supporting documentation verifying who the money was received from, type of receipt (check, cash, etc.), date of receipt and purpose. All checks for deposit should be listed separately on a deposit slip or supported by an adding machine tape. A minimum of two persons should verify the counting of the deposit money and the deposit slip for accuracy.
12. Post-dated checks should never be accepted. A post-dated check is a check that has been dated after the date the check is given to the payee.
13. Returned checks should be re-deposited immediately or otherwise promptly collected. It is possible to call the bank to verify funds before re-depositing the money a second time.
14. Accounting entries for each returned (NSF) check should be made upon receipt of the returned check from the bank.

15. All copies of voided cash receipts should be retained in the cash receipts book.
16. All unused checks should be kept safe and secure at all times.
17. Checks should not be pre-signed and left blank to fill in at a later date.
18. "Blank" checks should never be issued.
19. The sequence of check numbers should be accounted for when reconciling the bank statement to the books.
20. Reimbursements need to be pre-approved by appropriate members of the organization. A type of Check Disbursement/Reimbursement Request form can be required for payment.
21. Original invoices, sales slips, or receipts should be attached to the file copies of all checks as support for the payment.
22. Purchases made by the PTO/Booster Clubs need to be voted upon and approved by the membership.
23. Incoming officers should never accept financial records from the prior officers without having them audited. Each PTO/Booster Club should select a qualified individual or a group to conduct an annual audit, which must be permanently maintained in the organization's records. The audit may be conducted by an auditor, or an auditing committee comprised of at least 2 members of the PTO/Booster Club. They should not be officers who are signers on the checking account nor should they be related to those officers who are signers on the checking account. The auditor or auditing committee is appointed by the executive committee before the close of the fiscal year.

V. Fundraising

1. **Fundraiser Planning** – Outside organizations are not required to complete the online fundraiser application through the District's Eduphoria system. However, the organization should complete a **Fundraising Application Form** (*located as a separate link on the website*) and turn it in to the campus principal associated with the organization. All fundraisers should be planned and coordinated with the campus principal at the start of the school year.
2. **Solicitation** – In accordance with BISD Regulation FJ and Southern Alliance Guidelines, door-to-door solicitation will not be allowed. District practice does not allow the organization to enter into a contract with a solicitation firm. PTO's and Booster Clubs are created by parents to provide support for school programs. As such, fundraising efforts should be planned and carried out by parents, not students.

3. **Individual Accounts** – The IRS prohibits the use of individual accounts by tax-exempt organizations. According to the IRS, revenues generated from fundraising by a tax-exempt organization should benefit the organization as a whole, not individuals. “Individual accounts” are those accounts used to credit an individual with revenues raised, thus offsetting that individual’s expenses with the amount credited to that individual from revenues raised. The use of individual accounts could result in denial of the application for tax-exempt status by the IRS or the loss of existing tax-exempt status. In addition, the individual benefits received would result in taxable income to the individual.
4. **Required Participation** – The IRS prohibits tax-exempt organizations from requiring people to participate in fundraisers. Likewise, PTO’s or Booster Clubs cannot require an amount to be “donated” in lieu of participating in a fundraising event. People may choose whether or not to donate to the PTO. Furthermore, if a person decides not to participate, that person cannot be excluded from having the opportunity to benefit equally from the fundraiser and cannot be penalized for choosing not to participate in the fundraiser.
5. **Fundraisers for Individuals or Families** – Many heartbreaking events happen in the lives of our students, District staff, and their families. These events may range from death or injuries in tragic accidents, to major illnesses or fires. Most of us want to help these individuals or families. However, raising funds for these situations cannot be done through a PTO or Booster Club organization. These fundraisers must be done through the family setting up a special account at a bank or credit union. PTO’s and Booster Clubs are not formed with the purpose of supporting individuals and should not serve such a purpose.
6. **Raffles** – By State law, public school districts are not allowed to hold raffles. Therefore, raffle tickets may not be sold on any District school campus or the BISD stadium. Tax exempt organization such as PTOs and Booster Clubs may hold raffles if the requirements from the Texas Attorney General’s office are followed. Only raffles held according to the terms of the Charitable Raffle Enabling Act are authorized raffles. An unauthorized raffle is considered gambling under the Texas Penal Code. Conducting such a raffle is a Class A misdemeanor. Participating in an unauthorized raffle is a Class C misdemeanor. A county attorney, district attorney or the attorney general may bring an action in state court to stop a violation or potential violation of the Charitable Raffle Enabling Act.

Please note that the District Business office cannot advise you about whether a proposed raffle would be authorized under the law. If your organization has specific questions about the law regarding raffles, you should consult a private attorney.

Specific requirements regarding the use of raffles in the state of Texas can be found at the Texas Attorney General's website at:

<https://www.texasattorneygeneral.gov/consumer/raffle.shtml>

VI. Purchasing

1. PTO and Booster Club representatives should meet at the start of the school year with the campus principal to determine the needs of the campus. Principals should encourage the use of PTO/Booster Club funds in manners that benefit all students. Organizations should begin each year with specific goals in mind before determining the dollar amount needed in a fundraising event. It is important that all funds collected through fundraising efforts are spent for the purposes they were collected.
2. Funds raised by PTO and Booster Club organizations for a particular purpose should be donated to the school for the District to make the purchase. This ensures that all purchases for individual campuses are in compliance with District policies, procedures, and contracts. Specifically, all technology purchases for the District must be in compliance with purchasing agreements and also must be compatible for the District technicians to service.
3. All donations from PTO and Booster Club organizations should be coordinated with the campus financial secretary and the District Business Office.
4. Property purchased with PTO/Booster Club funds cannot become the property of any one individual of the organization. It should be used for PTO/Booster Club purposes exclusively at the District.
5. Payment from PTO/Booster Club funds may not be made to District employees for any services rendered to that organization unless the transaction is approved by the District's Chief Financial Officer.
6. Booster Clubs shall abide by all UIL guidelines regarding the amateur rule. (*See link for UIL Guidelines*). The Booster Club may suggest or recommend how donated money is to be spent but cannot require the principal or coach to spend it in a specific way. A gift of cash shall be used by the District at its discretion.
7. A PTO/Booster Club is responsible for making sure it has or will have the money necessary to meet its financial obligations and commitments. A PTO or Booster Club organization does not in any way have the authority to commit or to represent in any way that Burleson ISD is responsible for any of its financial obligations.

VII. Sales Tax

Sales taxes are due to the State and must be collected when taxable items (i.e. apparel, pencils, candles, yard signs, etc.) are sold by the organization to other individuals. Sales taxes are due **regardless** of whether a PTO/Booster Club has obtained tax-exempt status from the IRS and regardless of whether sales taxes were charged as part of the sales price when the items were sold.

1. If a PTO or Booster Club has obtained an exemption from the State for sales and use taxes, it only means that the organization can purchase items for the organization's exclusive use or for resale (once the items are sold, they are taxable) without paying sales tax.
2. Sales tax reports are filed at least once a year with annual sales tax returns due by **January 20**. The State Comptroller will inform the organization after filing their first sales tax report if sales taxes must be remitted more frequently (based on the dollar amount of taxable sales in a year).
3. If an organization has a Sales Tax Permit, the State requires that a sales tax report be filed annually even if the organization did not sell anything taxable.
4. The sales tax report can be completed online by going to: <http://www.window.state.tx.us/taxinfo/sales/>, and selecting Web File.
5. PTO & Booster Club organizations are allowed 2 one-day tax-free days per calendar year from the State if they have obtained exempt status from the IRS and exemption from sales and use taxes from the State. A one-day tax-free day is a day that the organization can sell taxable items and not have to pay the normal sales taxes due to the State. *(See link for the "Sales and Use Tax Bulletin" for additional guidance)*
6. It is recommended that PTO/Booster Clubs use one of their tax-free days during the fall semester and one during the spring semester. That way, the next year's PTO/Booster Club will still have one tax-free day left for that calendar year. It is important to document and communicate this information to the next elected officers.
7. Additional information regarding tax free days and sales tax issues relating to PTO/Booster Clubs in Texas can be found on the website link for "Sales and Use Tax Bulletin" and "Exempt Organizations: Sales and Purchases".

VIII. Concession Stand Operations

1. The District will maintain and furnish all equipment used for food and drink preparation in all concession stands in our facilities.
2. Concession stand pricing and offerings shall be the same at all concession stands. A group may propose food and beverages to be offered for sale to the District Athletic Director for consideration.
3. Student activity groups shall not make any alterations or changes of any type to the concession stands.
4. The district is under contract with Dr. Pepper Company as a sole provider for all beverages with the District. District means all existing or future campuses, facilities and concessions, including, without limitation, PTA groups, booster clubs and organizations sponsored by the District. Beverages are defined as all soft drinks, carbonated and noncarbonated, including isotonic beverages (ready to drink and powdered), bottled water, ready to drink tea and juice.
5. For concession stands at Burleson Stadium, the District will retain 15% of net profit. The retainage will pay for the purchase and repair of equipment as well as utilities. Student activity support groups must submit their request to join the stadium concession stand rotation for the upcoming school year to the District Athletic Director no later than August 1st.

IX. Additional Miscellaneous Guidelines

1. School related organizations such as PTO's and Booster Clubs have no authority to direct any school employee in any of his or her duties. Further, they have no authority to guide, direct, or establish guidelines for any school or student activity.
2. The Superintendent and/or campus principal have veto power over any action of a school related organization on their campus or on District property.
3. Any organization that fails to adhere to any Board policies or any administrative regulations may be disbanded and shall cease to be recognized by the District as a legitimate school-related organization.

APPENDIX – Sample of Officer Duties

The following is a list of *sample* officers and corresponding duties that need to be stated in the Bylaws for any new organization or adopted for existing organizations.

PRESIDENT

1. Meet with the campus principal to outline goals and obtain wish list items.
2. Create a budget at the start of the school year based on specific goals of the organization.
3. Make a year-end financial report to the school principal no later than August 1
4. Responsible for all financial affairs of the organization and associated reporting thereof including any duties that may be delegated.
5. Preside at all meetings of the organization.
6. Coordinate the work of the officers and/or committees in order that the organization's objectives may be promoted.
7. Co-sign organization checks.
8. Ensure annual audit is performed.
9. Perform other duties as deemed necessary by the officers.

VICE PRESIDENT

1. Assume the duties of the President in the event of the President's inability to serve or resignation.
2. Chair organization committees
3. Maintain a roll of all members of the organization
4. Co-sign organization checks if needed.
5. Perform other duties as deemed necessary by the officers.

SECRETARY

1. Record the minutes of all meetings of the officers and members, and furnish a copy of such minutes to the President within one week following the meeting.
2. Coordinate all correspondence relating to the organization.
3. Catalogue and supervise the property of the organization.
4. Publish all notices of meetings or other matters.
5. Co-sign organization checks as needed.
6. Perform such other duties as deemed necessary by the officers.

TREASURER

1. Maintain financial records, keeping an accurate record of receipts and expenditures.

2. Prepare and provide financial reports to present to the organization's members. Monthly reports are encouraged.
3. Reconcile bank statements monthly.
4. Receive all funds for the organization and promptly deposit monies in a bank account designated by the organization.
5. Disburse funds with proper approval and documentation.
6. Prepare all required tax returns (Form 990/990EZ/990N and Sales tax returns) on behalf of the organization.
7. Establish strong accounting procedures and internal controls over the assets of the organization.
8. Establish and maintain a permanent file for financial related records.
9. Prepare a year-end (or more often if requested) financial report for the President to present to the campus principal and Business Office.
10. Turn over all financial records to the Treasurer that follows.
11. Perform such other duties as deemed necessary by the officers.