

## Working with Parent Organizations and Sponsors

### AASBO ANNUAL CONFERENCE May 2-5, 2017

Jean McCutchen, CSFO  
Satsuma City Schools Board of Education

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## Working with Booster and Parent Support Organizations

**Disclaimer:** This presentation provides general guidance and information regarding the various operations of parent support organizations. It includes recommended best practices for financial and operational procedures for those organizations. The opinions expressed in this presentation are those of Jean McCutchen as developed by review of materials and guidance issued for training purposes by members of AASBO and are not meant to be a legal interpretation of the law. The material included in this presentation is dated as of May 2, 2017, and is subject to change.

Official interpretation of particular questions or situations should be obtained through the board's legal council, the Alabama Attorney General's office, the Alabama Secretary of State, the IRS or the Examiners of Public Accounts. AASBO or Jean McCutchen assume no responsibility for consequences resulting from the result of your use of information provided.

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## Taking from school booster clubs is a familiar form of theft



**Couple suspected of stealing from Union High School marching band**

Terry, Betty Anderson charged with felony theft of more than \$23,000



**Treasurer of St. Charles High's booster club charged with stealing**

Project Graduation now in jeopardy, officials say

*Editor's note: In July, charges were dropped against Kevin S. Tate because of insufficient documentation to prove intent, according to the prosecuting attorney's office. He did, however, pay \$3,564 in restitution.*



**PTA president in Collinville charged with felony theft**

She turned herself in and was released on a \$20,000 bond.



**Oakville High parent stole from soccer booster club, police say**

Kevin Tate, 47, arrested \$11,000 in checks to himself, police say

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### Working with Booster and Parent Support Organizations

- Parent support organizations provide an invaluable service to our school districts. Many of the student programs and activities could not exist without these organizations.
- These parent volunteers unselfishly give money and time to their local schools with the intent to make things better for their children.
- With any volunteer organization though there should be established guidelines and policies at the board level for the organization to follow.
- It is the Board's responsibility to insure these guidelines are being communicated and followed.
- Many organizations (AASBO) and oversight/regulatory agencies (SDE, IRS, Examiners, etc.) have regulations and guidance pertaining to these organizations.
- AASBO recently issued a sample manual for "Parent Support Organizations, Guidelines and Procedures, 2015".
- AASBO has a webinar regarding Outside Organizations available.

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### Recommended Organizational Guidelines

- Booster clubs and school support organizations shall organize and function in a way that is **consistent with the District's** philosophy, objectives, and adopted **District Board policies**, in accordance with affiliated governing bodies and regulations as applicable.
- **Board of Education should approve the formation of all booster and parent support organizations.**
  - Parent support organizations should not operate without board approval.
  - Booster organizations may include foundations and alumni associations that exist solely to support school activities and operations. Some of these organizations contend that their 501(c)(3) status allows them to operate without school oversight or reporting.
- Upon approval, the organization should prepare and submit the following:
  - Organization's Bylaws and Operating Procedures
  - Officer Information Form
  - Mailing Address for Organization
  - Articles of Incorporation filed with Alabama Secretary of State (Recommended)
  - If applicable an Application for Federal Tax Exempt Status 501c (3) or (6)
  - Employer Identification Number (EIN)

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### Recommended Organizational Guidelines

- Business should be conducted in open meetings, with adequate notification of all meetings to all members, and a summary of proceedings should be kept. A copy of the summary of proceedings should be on file in the Principal office or his designee.
  - Officers should be elected according to the structure and process defined in the bylaws.
    - It is suggested that **school district personnel** not hold any official position within a parent support organization.
  - All booster club members must be made aware that no individual should personally benefit from the activities conducted by the organization. Making this concept a part of the bylaws is recommended.
  - Ensure the organization's sole function is to support the educational activities of the school.
  - If superintendent/board considers it necessary, he or she may revoke the booster organization's authorization to conduct activities in the district.
- Officers /Training
- It is recommended that **school personnel** not hold any official position within a parent support organization.
  - Organization should submit a listing of officers each year to appropriate district designee.
  - All officers should go through an annual orientation with CSFO/Superintendent's designee related to board policies and financial procedures.

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### Laws Related to Parent Organizations

- Laws: Booster and Parent Support Organizations must adhere to all federal, state, and local laws as well as state and local administrative policies and procedures. It is the responsibility of the officers to insure the organization is in compliance with such laws and policies. There are several regulatory agencies that govern these organization and their operations to include:
  - Internal Revenue Service– IRS Publication 557 Tax Exempt Organizations
  - Alabama State Department of Education
  - Alabama Ethics Commission– Guidelines for Public Officials and Employees
  - Alabama Building Commission
  - Alabama Attorneys Generals Office
  - Local Board of Education

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### Laws

- In 2007 the Alabama State Department (SDE) issued a memorandum regarding Guidelines for School Related Organizations.
- School districts were instructed to amend or adopt policies for full compliance by July 1, 2008. This document remains as the authoritative guidance from SDE today and boards are expected to be in compliance with the document.

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STATE OF ALABAMA  
DEPARTMENT OF EDUCATION



Alabama State Board of Education

Governor Bob Riley  
President

Randy McKinstry  
District I  
President Pro Tem

Betsy Peters  
District II

Stephanie W. Bell  
District III

Dr. Ethel M. Hall

November 8, 2007

**MEMORANDUM**

**TO:** City and County Superintendents  
*Joseph B. Morton*

**FROM:** Joseph B. Morton  
State Superintendent of Education

**RE:** Guidelines for Financial Operations of School-Related Organizations

For many years schools and school boards have received conflicting guidance about the accounting requirements for school-related organizations. Several agencies have provided partial and often conflicting rulings regarding the required procedures for the operation of school, student, parent, athletic, and other organizations that provide financial support for school activities and functions.

Joseph B. Morton  
State Superintendent  
of Education

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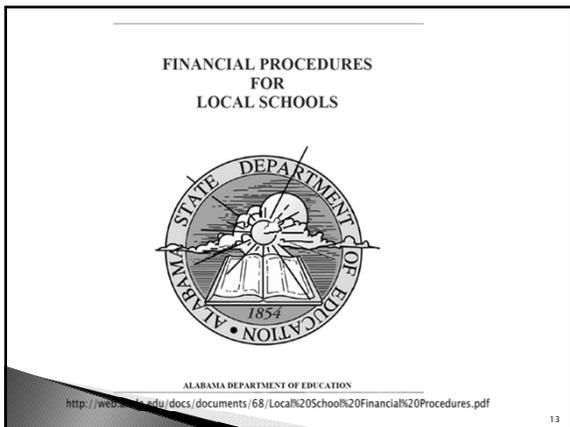
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**SDE Guidelines for School-Related Organizations**

**Student Organizations**

- Student clubs and classes are usually recognized as school activities. The student officers and faculty sponsor operate the organization while the school principal acts in a fiduciary capacity over the organization's funds. The school's accounting records contain a separate account to record the financial operations of each student organization. Income from the student organization is recorded by receipts and deposited in the school bank account. The school principal approves the purchase orders, signs the checks, and maintains the supporting documents for the expenditures.
- Some organizations consisting of students from the school may not be school activities. Some students belong to social organizations that operate off-campus. Community recreation leagues may consist solely of the school's students and operate under other entities that are not under the control of the school. Although the activities of these organizations may benefit the school's students, these organizations have a separate employer identification number (EIN), a separate mailing address, and maintain their own records and accounts.

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**SDE Guidelines for School-Related Organizations**

**Athletics**

- School athletics are extra-curricular activities that must be under the control of the school principal. Coaches and other school employees cannot maintain a separate bank account that supports or benefits from a school extra-curricular activity. Funds received to support an athletic activity at a school from sponsors, vendors, or other sources must be included in the school's financial records under the fiduciary control of the school principal.

**Parent Organizations**

- Parent and parent/teacher organizations provide a vital role in the education of students. In Alabama public schools, the PTA and the PTO are the most common parent organizations. Both organizations have a national organization that serves the individual school organizations. Each of the national organizations publishes guidance for the financial operations of the individual school organizations. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if:
  - Both parties mutually assent to the fiduciary control of the principal, or
  - A school employee leads fund-raising or maintains the accounting records for the organization.

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### SDE Guidelines for School-Related Organizations

**Booster Organizations**

- ▶ All school sponsored extra-curricular activities must be under the **control of the school**. However, booster organizations are often formed to support the operations of these activities in a variety of ways. While providing additional financial support for a particular extra-curricular activity, the volunteers in the booster organizations also enhance community support that often extends to benefit all of the students at a school. Because some of the activities of a booster organization may be intertwined with the extra-curricular activity it supports, some of the organization's activities may be under the fiduciary control of the school principal while other functions of the same booster organization are not school activities. The determination that a particular booster organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the organization's operations at a school. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school.

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### SDE Guidelines for School-Related Organizations

However, these organizations will become school activities if:

- Both parties mutually assent to the fiduciary control of the principal,
- A school employee, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization, or,
- A school employee leads fund-raising or maintains the accounting records for the organization.

Specific activities of a booster organization may come under the control of a school principal if:

- The organization collects admission to the school function,
- The organization operates a concession operation on school property at the school function,
- The organization collects parking fees for the school function,
- The organization operates a training camp that includes students of the activity it supports, or,
- The organization operates an exhibition or competition that includes students of the activity it supports

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### SDE Guidelines for School-Related Organizations

**Specific Requirements**

- ▶ Parent organizations and booster organizations that maintain financial operations outside the control of the school could create a negative image for the school by failing to maintain proper accounting controls. Accountability for the funds these organizations control includes an agreement that:
  - The organization has obtained an employer identification number from the IRS.
  - The organization provides a report of the annual audit of the organization to the school.
  - The organization makes its financial records available to the school's auditors and authorized school employees upon request.
  - The organization provides required financial reports.
  - The organization provides proof of a fidelity bond for the treasurer.
  - The organization will not provide any payment or benefit to a school employee (or family member of a school employee) in violation of the State Ethics.

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### Financial Guidelines

- It is recommended that all support organizations finances are maintained in the local school's books.
- Trained board employee maintaining all financial records
- Produce monthly financial reports for officers and members
- Financial information is reported in board monthly financials
- Internal controls in place for compliance with local, state and federal laws, board policies and guidelines
- Checks and balances over receipts and disbursements
- Audit of records included in district annual audit

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### Financial Guidelines

- ▶ Financial records are maintained outside the school by individual parent support organizations.
  - ***Not recommended***
  - Opens door for fraud and embezzlement
  - Subject to poor financial management practices, theft and misappropriation of funds
  - Adds additional cost and liability to organization
  - Adds additional filing requirements
- Boards can require all financial operations be maintained in the local school's books



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### Financial Guidelines

- ▶ Organizations that maintain their own financial records :
  - Parent support organizations organizations are not legal components of the school entity. Each booster club should have its own tax identification number; booster clubs are not allowed to use the school entity's tax identification number.
  - Parent support organizations are responsible for their own tax status, accounting and financial records and must make their own arrangements for audit if an audit is needed. The booster club is not audited as part of the district's own annual financial audit.
    - May be external or internal audit

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**Reporting Requirements**– Applicable to Organizations That Maintain Their Financial Operations Outside the Control of the School/School District

- ▶ Every organization whose financial operations are outside the control of the school must obtain an EIN, even if it will not have employees. The EIN is a unique number that identifies the organization to the Internal Revenue Service (IRS). Since booster clubs/parent organizations are separate entities from the District, booster clubs/parent organizations **cannot** use the District’s EIN.
- ▶ An organization is not automatically considered tax-exempt by acquiring an EIN. All organizations must first apply for an EIN to be recognized as a unique entity and then apply for tax-exempt status. Likewise, the mere fact that an entity is organized as a non-profit organization does not indicate that it is exempt from federal tax.

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**Federal Filing Requirements**

- ▶ Organizations should apply for tax-exempt status. In order to be exempt from federal taxes, the booster club/parent organization must apply for this status on Form 1023 – *Application for Recognition of Exemption under Section 501(c) 3*. General instructions on the rules and procedures can be found in IRS Publication 557.
- ▶ These documents are available on the Internal Revenue Service website at (<http://www.irs.gov/pub/irs-pdf/p557.pdf>).
- ▶ It is recommended the organization consult with an attorney or accountant in making application.
- ▶ Every booster/parent organization exempt from federal income tax under section 501(a) is required to either file an annual Form 990 Return of Organization Exempt from Income Tax.
  - Guidelines to determine if the organization should file the 990, 990EZ, or 990N is at ([www.irs.gov](http://www.irs.gov)).

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**Publication 557**  
(Rev. October 2011)  
Cat. No. 46572C

**Tax-Exempt  
Status for Your  
Organization**

**Contents**

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**ALABAMA DEPARTMENT OF REVENUE  
SALES AND USE TAX DIVISION  
ADMINISTRATIVE CODE**

**§10-6-3-.07.05 Charitable Organizations And Institutions.**  
Charitable and nonprofit organizations and institutions have no special exemption from the sales and use taxes. Further, they are required to comply with all the provisions of these laws, relating to the filing of returns, making payments of taxes required to be collected, etc. with the exception of those listed below which are exempt from payment of all sales and use taxes by special acts of the Legislature.

**Booster clubs/Parent organizations cannot use the District's Sales Tax Permit Number**

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**Local Filing Requirements**

- ▶ **Financial Records.** The organization shall make its financial records available to the school's auditors and authorized school employees upon request. The organization shall provide required financial reports as set by the school district.
- ▶ **Fidelity Bond.** The organization must provide proof of a fidelity bond (dishonesty bond) for the treasurer and or officers on an annual basis. The amount of the fidelity bond should be a minimum of the annual gross revenues of the organization with a maximum amount determined by the school district.
- ▶ **Annual Audit-** At the end of the fiscal year, an audit of the club's/organizations financial records should be conducted. The audit can be performed by an external auditor or the audit can be performed by individuals who are independent from day-to-day financial activities. Ideally, this audit should be performed by a group of three individuals; however, if the membership size does not allow, the audit may be performed by two individuals. A representative from the school district can be included as part of the committee.

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**Annual Audit**

- ▶ The primary objectives of the audit are to:
  - Verify the accuracy of the Treasurer's financial reports;
  - Ensure that the club's cash balances are accurate;
  - Determine that established procedures for handling funds have been followed;
  - Ensure that expenditures occurred in a manner consistent with the organization's bylaws
  - Ensure that all revenues have been appropriately received and recorded.
  - All members of the audit committee should sign a statement indicating their agreement with the findings detailed in the report. The audit committee should make a report to the general membership upon completion of the audit. Any discrepancies noted should be brought to the attention of the president of the organization and the designated school official.
- ▶ Copies of final audit report should be submitted to the CSFO or designee by a designated date each year.

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### Financial Procedures

- Each school district is responsible for establishing the policies and recommended financial procedures for organizations whose financial operations are both in and outside the district's books.
- Established policies and procedures should be in writing and communicated to officers of each organization.
- **Internal Controls-**
  - In order to protect the organization, its members, and its financial well-being, standard internal controls must be in place.
  - Good internal controls deter incidents such as those discussed in the preceding slides from occurring in the future. Or if they do occur, they are detected quickly.

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### Financial Risks Related to Booster and Parent Support Organizations

- Lack of centralized operations
- Large numbers of transactions
- Numerous parties handling money
- Lack of internal controls
- Lack of procedures
- Complicated rules & regulations



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### ➤ Some of Most Common Financial Irregularities:

- Failure to receipt and deposit all money collected
- Failure to remit all funds from fundraiser
- Unauthorized use of school property and expenditures for personal gain
- Checks made payable to cash
- Payment of personal expenses from unauthorized school account
- Sale of property purchased by booster club for personal gain
- Reimbursement of travel expenses from two sources
- Use of unofficial receipt book
- Forgery of signature and alteration of checks
- Nonpayment of vendor invoices/forgery of sig
- Unauthorized check made payable to oneself
- Failure to use tickets at athletic events
- Unauthorized salary payments



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### Remember !!!!!

- ▶ Organizations that maintain their own financial records must provide:
  - Financial records to the school's auditors and authorized school employees upon request
  - Proof of a fidelity bond for the treasurer
  - Any financial reports required under its bylaws
  - Annual Audit
  - The booster club may want to consider its own minimum amount of liability insurance as determined by the school entity



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### Sample of steps to bring organization into school's books

- ▶ Identify specific requirements for maintaining account outside of school books.
- ▶ Give the organization a time frame by which to accomplish the requirements.
- ▶ If they do not, notify officers to bring current or last year's bank statements and records to CSFO.
- ▶ Set up activities for the organization in school books, deposit money and start operating in school account.

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### Efficiencies for Boosters/PTO's Operating in School's Books

- ▶ Set up Public and Non Public Activities for the group.
- ▶ Set up various types of accounts and purchasing cards.
- ▶ Walmart cards, Dollar General, Sam's, Purchasing Cards.
- ▶ Set standards for purchases and allow purchases below certain amount (i.e., \$500) to be transacted with card and no P.O.
- ▶ Frequent Training and Constant Communication!

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### Efficiencies...continued

- › Set up standards and procedures for events, gift cards, etc.
- › Monitor any payments to coaches and "volunteer coaches". Encourage establishment of procedures that are allowable in order to pay these coaches.
- › Allowable methods for providing a payment to volunteer coaches: (This is from a FLSA presentation given at AASBO.)
  - Volunteer may receive a "nominal fee".
  - Volunteer performs hours of service of public agency without promise of compensation.
  - Services are offered freely.
  - Volunteer is not otherwise employed to perform same services for same employer.
  - Payment cannot be more than 20% of what employee performing the position would be paid.
  - Cannot be tied to performance.
  - Cannot be tied to hours worked.
  - Cannot be performed by employee performing same duties in regular job.

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### Efficiencies...continued

- › Non Public Fund can give a gift of not more than \$25.00 per occasion and not more than \$50 in a School Year.
- › Train school staff; school staff trains coaches; coaches/sponsors are responsible for training booster and PTO officers. Everyone documents that they received training.
- › CSFO can hold the school sponsors and officers accountability once they are informed and trained.

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The Department of Examiners of Public Accounts audit position concerning various issues related to boosters and parent support organizations utilizing school facilities to raise revenues for the organization is in agreement with the State of Alabama Department of Educations' positions stated in the *Financial Procedures for Local Schools Manual* as follows:

- Parking for athletic events – these funds are considered public funds if the parking is on property owned by the Board of Education (Section 1 page 1 of the *Manual*).
- Concession proceeds – these funds are considered public funds if held during a school sponsored activity (Section 1 page 1 of the *Manual*).
- Sponsor signs around ball fields (advertising commissions – Section 1 page 1 of the *Manual*) – these funds are considered public funds if on public property.

If a school wishes to contract with a booster and/or parent support organization to provide labor to collect parking, handle concessions, etc., the organization may receive a reasonable percentage (to be determined by the appropriate school official) of the collections for providing the labor services. However, all funds collected should be deposited into the school's bank account and a check should be written to the organization for the agreed-upon amount.

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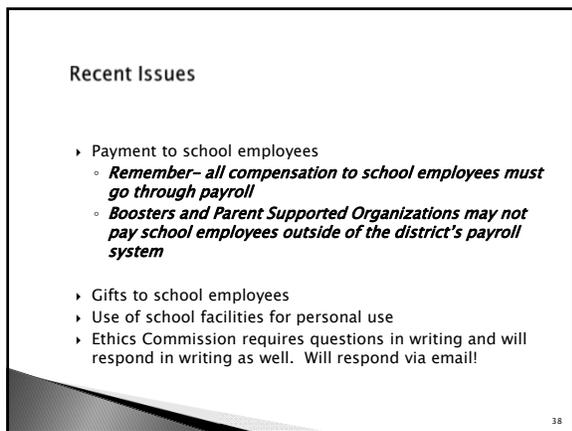
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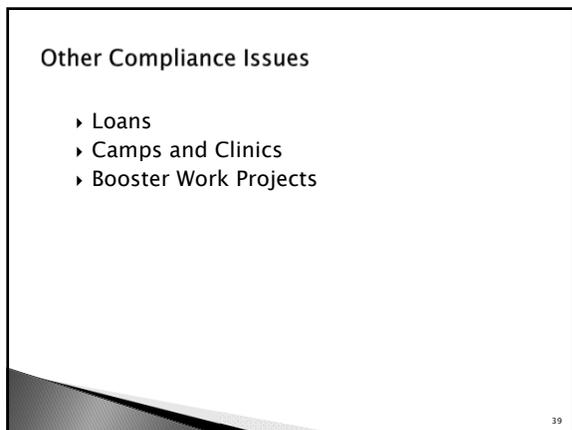
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### Loans to Parent Support Organizations

- ▶ A School Board cannot loan an organization money.
- ▶ An organization cannot borrow money in the school or Board's name.
- ▶ Any loans obtained by support organization can be personal loans by individuals signing notes.
  - Many local banks might not understand.
- ▶ The only way a BOE can incur debt is through the issuance of its warrant(s); in most instances under Alabama law, the issuance is subject to the prior approval of the State Superintendent and the warrant(s) must be issued in the form and executed and delivered in accordance with the applicable provisions of the Alabama Code.
- ▶ Check-writing privileges granted to principals are not broad enough to cover signing notes (or warrants) evidencing a debt of the board. Being authorized to sign a check should not be construed as a delegation of the power to incur debt of the board.

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### Contracts

- ▶ Parent and booster organization do not have the authority to enter into any type contract on behalf of the board of education.
  - Includes school personnel
- ▶ Organizations do not have authority to enter into any type contract related to use of board property or equipment.

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### Extracurricular Camps and Clinics on School Campus

- ▶ Guidelines
  - Approval form application should be completed prior to event
  - Should be preapproved by Board/Superintendent or designee
  - Proper accounting records should be maintained
  - Any payment to school employees must be processed through district's payroll department
    - Compensation reasonable and set prior to event
  - Reconciliation of event should be completed at conclusion of camp/clinic



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### Booster Work Projects

An organization cannot build a structure on Board property without Board approval

- › Self-Performed
  - District Employees
  - Parent Support Organization
- › Organization provides funding for project
  - In whole or partial
- › Procedures for capital projects
  - Any building, building/land improvement on a school district campus should be approved by the board of education.
  - Board employee should be in charge of project.
  - Must follow federal, state and local laws, codes, procedures and guidelines.
  - Should follow same process on all projects regardless of funding.
  - **Adhere to the Alabama Building Commission guidelines.**



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### Self-Performed Work

- Must comply with Building Commission requirements
  - Full professional design team required
  - Plan review and approval required
  - Architect required to perform inspections
  - Building Commission will conduct required inspections including Final Inspection
  - Compliance with *Public Works Law* or *Competitive Bid Law* will be applicable in most situations



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### Summary

- › Parent support organizations provide an invaluable service to our school district.
- › There should be established guidelines and policies at the board level for them to follow.
- › It is the Board's responsibility to insure these guidelines are being communicated and controls are in place to monitor compliance.

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Sources:

*Financial Procedures for Local Schools*, Alabama State Department of Education

*Sample Manual, Parent Support Organizations Guidelines and Procedures*, issued by Alabama Association of School Business Officials, 2015.

*Working with Booster and Parent Support Organizations*, presentation by David Smith, Executive Director, AASB, April 2013.

*Working with Booster and Parent Support Organizations*, presentation by David Smith, Executive Director, AASBO, August 25, 2014.

*Boosters and Other Wild Cards*, presentation by Jean McCutchen, CPA, CSFO, Satsuma City Schools, March 2016 and May 2016.

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**Working With Parent  
Organizations and Sponsors  
AASBO ANNUAL CONFERENCE  
May 2-5, 2017**

Jean McCutchen, CSFO  
Satsuma City Schools Board of Education

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