BOOSTER CLUBS, AND PARENT ORGANIZATIONS

August
2016
OVERVIEW

- GASB 39-
  (Why we require information)
- Parent Organizations
- Booster Clubs
- Community Organizations
WHY---
GASB 39 requires that an auditor evaluate and assess as to whether an entity provides material support to a school. If material support exists, then that entity’s financial information is required to be included in a school’s financial statements and disclosed.
Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
(2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

(3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.
WHO--
PTA Clubs
- Affiliated with State or National Organization
- May obtain 501(c)3 status easily

PTO Clubs
- Not affiliated with State or National Organization
- May need to apply and obtain tax-exempt status
BOOSTER CLUBS

- Athletic Booster Clubs
- Academic Booster Clubs
- Extra-curricular Booster Clubs
  - Band
  - Choir
  - Fine Arts: Drama, Dance, etc.
BOOSTER CLUBS – TAX EXEMPT

Not affiliated with the School District:
- IRS Form SS4 for tax ID number
- IRS Form 1023
- Bylaws
- Articles of Incorporation—Not required, but recommended
In order to be exempt from federal taxes, the booster club must apply on Form 1023 – Application for Recognition of Exemption Under Section 501(c)3 of the Internal Revenue Code.

General instructions on the rules and procedures can be found in IRS Publication 557 – Tax-Exempt Status for Your Organization.

The application must be accompanied by Form 8718, User Fee for Exempt Organization Determination Letter Request, which provides a user fee to be paid to the Internal Revenue Service. Depending on the anticipated annual gross receipts, as of September 2015 the fee may be $400 or $850 for an organization or $3,000 for group exemption letters. Beginning July 1, 2016, the $400 fee was reduced to $275.
Upon acceptance of the organization’s exempt status by the Internal Revenue Service, a determination letter will be received as evidence of approval. The letter should be kept in a safe, permanent place as it will be used time and again to prove the organization’s exempt status. In addition, a copy of the letter should be shared with the school’s bookkeeper and the District’s Financial Services Department.

Each organization must also file for an employer identification number on Form SS-4, Application for Employer Identification Number.
Every booster organization exempt from federal income tax under section 501(a) is required to determine the necessity of filing an annual Form 990, *Return of Organization Exempt from Income Tax*. Changes made to IRS regulations effective January 1, 2008 affects not-for-profit organizations and their requirements for financial reporting. Consult with your tax professional or the IRS for additional assistance.
Which forms do exempt organizations file?

Most tax-exempt organizations are required to file an annual return. Which form an organization must file generally depends on its financial activity, as indicated in the chart below.

<table>
<thead>
<tr>
<th>Status</th>
<th>Form to File</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross receipts normally ≤ $50,000</td>
<td>990-N</td>
<td>n/a</td>
</tr>
<tr>
<td>Note: Organizations eligible to file the e-Postcard may choose to file a full return</td>
<td></td>
<td></td>
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<tr>
<td>Gross receipts &lt; $200,000, and Total assets &lt; $500,000</td>
<td>990-EZ or 990</td>
<td>Instructions</td>
</tr>
<tr>
<td>Gross receipts ≥ $200,000, or Total assets ≥ $500,000</td>
<td>990</td>
<td>Instructions</td>
</tr>
<tr>
<td>Private foundation - regardless of financial status</td>
<td>990-PF</td>
<td>Instructions</td>
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Even though booster organizations are recognized as tax exempt, they may be liable for tax on the portion of income deemed to be unrelated business income ("UBI"). UBI is income from a trade or business activity, regularly carried on that is not substantially related to the charitable, education or other purposes that are the basis for the organization’s exemption.

An organization that has $1,000 or more gross income from UBI must file Form 990-T, Exempt Organization Business Income Tax Return. This form is filed in addition to Form 990, 990-EZ, or 990-N and is required regardless of the level of the income received.
Overview and Major Changes. The Form 990 was redesigned effective for 2008 and subsequent tax years.

The Form 990 consists of an 11-page, 11-part core form that is required to be completed by all organizations that file the return, and schedules to be completed by those organizations that satisfy the applicable requirements for each Schedule.

The following provides a brief summary of some major features of the return, and an outline of the core form and schedules.
Determination of public charity status and public support; supplemental financial statement reporting; and fundraising, special events and gaming.

For organizations described in sections 501(c)(3) or 4947(a)(1), Schedule A has been revised to emphasize reporting of public charity status and public support.

Schedule D contains reporting requirements for conservation organizations; museums and other organizations maintaining collections of works of art and other items; credit counseling organizations and others holding funds in escrow or custodial arrangements; and organizations maintaining endowments.
Schedule E, *Schools*, which is the private school questionnaire previously contained in former Schedule A;

Schedule F requires reporting foreign activities

Schedule G requires reporting of certain information regarding arrangements with professional fundraisers, special events, and gaming activities.

Schedule K requires reporting tax exempt bonds
Schedule M requires reporting non-cash contributions
Schedule R requires reporting and related organizations
Part VI. Governance, Management and Disclosure
Organization’s governance structure, policies, and disclosure practices

Part. VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors
New Definitions of officer and key employees
Top 5 highest compensated employees
By becoming incorporated the organization will become formalized by adopting Articles of Incorporation and Bylaws which provide standard operating procedures while it helps shield the individuals governing and operating the nonprofit organization from liabilities incurred by the organization, unless the individuals are negligent in their duties.
A non-profit organization is created by filing a certificate of formation with the Secretary of State in accordance with the Texas Business Organizations Code. A non-profit corporation is characterized by the fact that no part of the income is distributable to members, directors, or officers. Not all non-profit corporations are entitled to exemption from state or federal taxes.
The completion of Form 202 – Certificate of Formation Nonprofit Corporation is necessary to incorporate a booster club. This form is available on the Secretary of State’s website (refer to the References page of this document for the website address). Two copies of the signed Form 202 should be submitted along with the required filing fee.

Upon acceptance, the State will return the appropriate evidence of filing to the submitter.
SALES TAX EXEMPTION
Who qualifies as a purchaser exempt from sales tax?

- An organization may buy items tax free if the items are purchased to further the organization's exempt purpose.
Educational organizations are devoted solely to systematic instruction with a regularly scheduled curriculum, faculty and enrolled student body at a place where the educational activities regularly occur. Organizations with activities consisting solely of public groups, forums, panels, lectures or other similar programs may qualify for this exemption if the presentations provide instruction in the commonly accepted arts, sciences, and vocations.
Youth athletic organizations that are nonprofit corporations or associations engaged exclusively in providing athletic competition among persons less than 19 years of age.

Organizations that qualify for exemption from federal income tax under Internal Revenue Code section 501(c)(3), (c)(4), (c)(8), (c)(10) or (c)(19).

Political subdivisions - agencies and departments of the United States government, the State of Texas and any county, city, school district or other political subdivision of the State of Texas.
Q: Is there any way I can verify whether an organization is an exempt organization?

A: Yes. You can use the Comptroller’s online exempt organization search to verify an organization's exempt status at:

http://comptroller.texas.gov/taxinfo/exempt/exempt_search.html
Q: How can I apply to be exempt from sales tax?
A: To apply for exemption, complete the application and include the required documentation if you are applying as:
- an educational organization-complete AP-207
- a charitable organization exemption type... complete AP-205
- an exempt organization not covered by any other category-complete AP-204
Booster clubs that have received their Determination Letter from the IRS granting 501(c)(3) tax exemption may also request exemption from the Texas franchise tax through the Texas Comptroller’s Office. Although a nonprofit corporation that is exempt from federal income tax under Internal Revenue Code 501(c)(3) is exempt from franchise tax, the exemption is not automatically granted. Booster clubs must apply for exemption with the Texas Comptroller’s Office based on the federal exempt status.
MISD BOOSTER CLUBS

- Booster Club Guidelines
- Documents required
- Facility Usage
- Fundraisers
Booster Club Guidelines at:
http://www.mansfieldisd.org/uploaded/schools/assets/BoosterClubGuidelines.pdf

To be approved, the campus principal or appropriate director shall:

1. approve the formation of any such organization;
2. receive a copy of the organizing documents and bylaws of such organizations;
3. ensure that an organization’s sole function is to support the educational activities of the designated program area; and
4. have the authority to disassociate from the school, parent or community organization that has been judged by the campus principal or appropriate director to be disruptive to the educational activities or goals of the program or group.
Mansfield ISD will only approve booster clubs at the secondary school level.

Copies of the organization’s bylaws must be on file with the Financial Services Department office of MISD.

In addition, as a tax exempt organization, name and address, as well as structural and operational changes to its bylaws must be reported to the IRS. If an organization files an annual return (Form 990), it must report the changes on its return.
Full time employees of the District shall not serve in a financial capacity of a booster or other parent organization. Financial capacity includes holding positions of treasurer, fund-raising chairperson, or serving as a check signer.
MISD BOOSTER CLUB
REQUIREMENTS

Booster clubs:

- May be approved by the campus principal or appropriate director;

- Work through the campus principal or appropriate director to provide assistance for the planned activities of the student group;

- May provide suggestions about particular activities in which the student group will participate;

- May provide suggestions about particular trips in which the student group will participate; and

- May provide suggestions about particular fundraisers in which the student group will participate.
MISD BOOSTER CLUB REQUIREMENTS

Booster clubs:

- Do not have the authority to decide the activities in which the student group will participate;

- Do not have the authority to decide the trips in which the student group will participate; nor

- Do they have the authority to decide the fundraisers in which the student group will participate absent from input by the campus principal or appropriate director.
MISD BOOSTER CLUB REQUIREMENTS

STANDARDS FOR MEETING

- Notice of all general meetings of the booster organization should be published at the campus seventy-two hours prior to the meeting date and clearly indicate the date and time of the meeting and the items to be discussed.

- All booster club general meetings should take place on school premises.
STANDARDS FOR MEETING

- In order to provide an optimum level of communication and teamwork, booster club general meetings should be held in the presence of the campus principal or appropriate director. Business determined at meetings without adequate campus representation may be considered null and void. Should a booster organization feel that it is necessary to meet without the campus principal or appropriate director, the Superintendent or designee should be contacted for an acceptable replacement.
Before purchase of equipment for the schools, including computer hardware and software, organizations shall notify the campus principal or appropriate director and gain approval of their plans. In consultation with the campus principal or appropriate director, determinations of the type or brand of equipment to buy, must be approved, to ensure compatibility with current District equipment [see Board Policy GE(LOCAL)].
LIABILITY INSURANCE

- Booster clubs should seriously consider the purchase of liability insurance to protect the organization and its members, in addition to general liability, officer’s liability, business personal property, and fidelity, otherwise known as bond coverage.
FINANCIAL REPORTING TO DISTRICT (GASB 39)

- Booster clubs are required to submit to the Finance Department end-of-year financial statements (including balance sheet and income statement). Financial Statements should be for the period ending June 30 and be submitted by August 15. A copy of the final audit report should be submitted at the end of the year as well.
Annual budgets will be formulated and approved by the membership, which:

- set forth the fund raising project,
- the amount intended to raise, and
- the purpose of the funds;
Check approval requires two officer signatures, which is:

- typically that of the Treasure and President unless the two officers are related, and
- the coach or sponsor shall *not* have check signature authority.
The identity of the banking institution should be included in the minutes.

Systems should be in place whereby IRS Form 1099 MISC can be provided when amounts paid require to be reported per IRS (see ANNUAL FEDERAL FILING REQUIREMENTS)
1. double entry ledger system with balanced books at the end of each period, showing all income and expenditures with supporting receipts and deposits;

2. a ledger sheet accompanying each separate budgetary category;

3. a receipt accompanying each time monies are collected with a duplicate copy remaining in the receipt book (exception: concession sales);

4. timely deposit of monies collected;
5. financial responsibility in the areas of receipts and disbursements of cash, authorization of disbursements, accounting records, bank statement reconciliation, and deposits with proper segregation [officers who have physical custody of assets of the club (i.e. deposits and checkbook) should not also have recording, reporting, and reconciliation responsibilities, i.e. the Membership Chair could deposit all of the cash and checks, then submit the deposit slip and supporting documentation to the Treasurer for record keeping];
6. when possible, at least, two people should count the monies collected and document the monies received;

7. up to date financial report to the membership on a monthly basis, prepared and distributed by the Treasurer;

8. included in the financial report should be amount of revenue collected for the month (e.g. $560 from concessions, $220 from program sales. etc...), expenditures for the month, for what purpose, and beginning and ending balances for the month (the ending balance should tie back to the reconciled statement and previous report);
9. secretarial minutes of each meeting to be kept and saved as well as previous meetings minutes being read and approved;

10. annual audit of the books must be performed and reported, by the finance committee, at the booster club meeting (see FINANCE COMMITTEE); and
11. bank statements should be mailed to the official mailing address of the Booster Club, not the school or home of a Booster Club member. The IRS and the Texas State Comptroller’s Office recommend that each Booster Club obtain a post office box (PO Box) or private mailing box (PMB) to use as the official mailing address of the Booster Clubs. The address and box keys can be given easily to the new officers at the beginning of each New Year.
12. booster clubs are required to submit to the Director of Financial Services mid-year and end-of-year financial statements (including balance sheet and income statement). A copy of the final audit report should be submitted at the end of the year as well.
All cash collections received by the booster organization should be deposited upon receipt. Deposits should be made daily if the total receipts on hand exceed $250. If daily receipts are less than $250, deposits should be made within one week even if the receipts for all days combined are less than $250. All money should be deposited prior to holidays and weekends.

Deposits should be supported by some type of record documenting the source and amount of funds (tabulation of monies collected form, cash receipt form, ticket sales record, etc.). Documentation should be readily available for audit purposes.
CONTROLS OVER CASH AND RECEIPTS

- Cash should be adequately safeguarded at all times. Cash transfers should be handled the same as a check or EFT with authorization of two club officers or designated representative required.

- At no time should booster club funds that are collected be maintained at a member’s home. Every effort should be made to balance funds collected the day of the event, prepare appropriate deposit documentation and submit to a bank night drop for deposit and safekeeping. Money from concession sales should be handled in the same manner.
Prior to beginning a fundraising campaign, the booster club should complete a fundraiser application and submit it to the club sponsor for review by the campus principal or appropriate director. This provides the campus/district with knowledge of the activities on the campus, knowledge of how students are involved, help to avoid the duplication of similar fundraising campaigns during the same period, and allows for MISD to ensure that the fundraiser is in line with district policies, guidelines, and practices.
Checks and EFT’s should not be generated without proper documentation (i.e. invoice, original receipts, etc.). Documentation should also include the signature of the President, Vice President or a designated representative.

Checks should require the signature of a second officer or designated representative.

Blank checks should not be issued. Actual receipts should be requested and a reimbursement be processed.
Members should establish and approve a budget at the beginning of the school year. Actual receipts and disbursements should periodically be compared to the budget.

The Treasurer should provide a monthly written financial report which should include the bank account balance and the receipt & disbursement activity since the last meeting. The financial report should include a comparison of budgeted versus actual receipts and expenditures.

At the completion of fundraisers, a financial recap should be prepared to determine the profitability of the fundraiser.
At the end of the fiscal year, an audit of the booster club’s financial records should be conducted. The finance committee should make a report to the general membership upon completion of the audit. A copy of the signature page detailing the results of the audit should be forwarded to the Director of Financial Services. For additional information, refer to section titled Finance committee in the Booster Club Guidelines.
Disbursements outside the scope of the budget or line items that exceed the approved budget should require a vote by the general membership. Direct payments to District employees are **not** permitted uses of booster funds, nor are the purchase of alcoholic beverages.

Banquet events should be preapproved by the campus principal or appropriate director prior to establishing any related reservations for the proposed event. Under certain conditions tickets sold for these events may be subject to state sales tax. Please review the Texas Comptroller’s Office website to make that determination.
University Interscholastic League (UIL) rules limit the ability of students to accept gifts. Awards that students may receive are specifically outlined in Subchapter O, Section 480(a)(2) of the UIL Constitution and Contest Rules. Although all types of student activities are not regulated by UIL, for student consistency and fairness, UIL guidelines must be followed for all. No gifts or purchases that individually benefit students shall be made outside of UIL guidelines.
Tax-exempt organizations must benefit a group as a whole instead of benefiting individual members of a group. As such, booster clubs shall not be a collection agent for the campus teacher/sponsor in the form of fees. Since booster clubs usually assist student groups, all members of the student group sponsored are to be treated equally and receive the same opportunity to benefit from the booster club’s assistance.
Therefore, one student cannot receive a greater benefit than another. The IRS has indicated however that a group or club may establish criteria that could be used to determine if a student is in financial need. If the criteria are met, the group or club could provide a greater benefit to a particular student. The criteria should be established in writing prior to a particular situation arising. In addition, the criteria should be used consistently for all people, and the criteria should not change every year.
Booster organizations may not contribute funds in an effort to increase the personnel allocations and/or stipends of a particular program or campus.

To ensure compliance with UIL guidelines governing activities, all disbursements relating to booster club activity shall require the approval of the campus principal or appropriate director.
Internal Revenue Service guidelines require that all payments for services in excess of $600 made to an individual by a booster organization be reported on a form 1099 on an annual basis.

The booster organization should secure an IRS form W-9 from the provider at the time of service to ensure that the organization has an accurate record of the taxpayer identification number.

The organization must then issue a form 1099 to all qualifying vendors performed in the calendar year by January 31st.
MISD FACILITY USAGE AND LIABILITY ISSUES

- Facility Usage Forms
  - Used to schedule usage
  - Tracking for invoicing
  - Information required for District’s protection, i.e. Group and purpose of use, Contact Person, etc.
- Proof of Insurance
FUNDRAISERS ON DISTRICT PREMISES

- Campus Sales cannot be in competition with the School Lunch Program
  - Location – serving and eating area
  - Time – Midnight to 30 minutes after last bell
FUNDRAISERS ON DISTRICT PREMISES

- Smart snacks:
  - https://foodplanner.healthiergeneration.org/calculator/

- Non-food Fundraisers/rewards:
FUNDRAISERS ON DISTRICT PREMISES

- Approved Vendors required
  - For example: bounce houses
Booster clubs can neither require a member to participate in fund-raising activities nor to sell or raise a certain amount. Both of these practices may jeopardize an organization’s tax-exempt status with the IRS. Some booster clubs and other supporting organizations may have credited “individual” student accounts based on a parent’s participation in fundraising events. The credit was based on a proportionate share of what they “earned” during the fundraiser.
The IRS prohibits tax-exempt organizations from requiring people to participate in fund-raisers. Likewise, booster clubs may not require an amount be “donated” in lieu of participating in a fund-raiser. People may choose whether or not to participate in a fund-raiser and may choose whether or not to donate to the booster club. Furthermore, if a person decides not to participate, that person cannot be excluded from having the opportunity to benefit from the fund-raiser.
**IRS REGULATIONS**

- In addition, benefits given by a tax-exempt organization cannot be based on participation in a fund-raiser or based on revenues raised individually. Therefore, regardless if a person participates in a fund-raiser and regardless of the amount of revenue raised, that person cannot be denied the opportunity to receive an equal benefit. The IRS prohibits the use of individual accounts by booster clubs. Booster clubs must benefit the group as a whole, not its individual members.
RAFFLES

- Raffles
  - May not be held by District
  - May not be held by Student Activity Groups
  - May ONLY be held by a Charitable Organization with 501(c)3 designation and limited to two per calendar year
To hold a raffle, the following guidelines require that:

- each ticket must indicate the name and address of the organization or of a named officer, price of the ticket, a description of each prize valued at $10 or more and the date on which the raffle prize(s) will be awarded. No prize may be valued in excess of $50,000, or $250,000 if the purchased prize is a residential dwelling;
- each booster organization may hold no more than two raffles per year and only one at a time;
- tickets may not be advertised through paid advertising;
RAFFLES

- A raffle prize may not be cash or a negotiable instrument such as a check, money order, or certificate of deposit. However, savings bonds, prepaid or “stored-value” credit cards are acceptable as they are not considered negotiable instruments.

- The booster club must have the prizes in its possession before beginning the raffle or post a bond for the full value with the county clerk;

- Only members of the booster organization may sell the tickets (students may not sell raffle tickets);
the winner must pay income tax on any prize. If the value exceeds $600, the booster organization must provide an IRS form 1099 to the recipient; and phone solicitation may not be used to promote the event.
REFERENCES

- Mansfield ISD website
  www.mansfieldisd.org

- Internal Revenue Service
  www.irs.gov

- UIL
  www.uil.utexas.edu

- State Comptroller
  www.window.state.tx.us

- Secretary of State
  www.sos.state.tx.us

- City of Mansfield
  www.mansfieldtexas.gov/

- GuideStar
  www.guidestar.org
Current policy and regulations may be found at http://www.mansfieldisd.org

- Grants from Private Sources CDC (LEGAL)
- Activity Funds Management CFD (LEGAL) (LOCAL)
- Student Activities FM (LEGAL) (LOCAL)
- Contests and Competition FMF(LOCAL)
- Gifts and Solicitations FJ (LEGAL) (LOCAL)
- Parents’ Organizations GE (LEGAL) (LOCAL)
- GKB (LEGAL) (LOCAL)
- Gifts and Solicitations DHA (LEGAL)
QUESTIONS:

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