

# JARRELL ISD

## PTO/Booster Club/Fundraising Guidelines

### Financial Responsibilities

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#### I. Accounting Controls and Procedures

A PTO/Booster Club **must** have a President, Treasurer and Secretary who are active members in order to operate. One person **cannot** hold more than one office since these positions provide financial checks and balances and internal controls. Spouses or family members **may not** hold the office of President and Treasurer of the same organization simultaneously.

The term of office for the Treasurer should be limited to two (2) years (cannot be held by a JISD employee). If a qualified, active PTO member does not volunteer to fill a Treasurer opening after the seated Treasurer has served two terms, the PTO/Booster Club may vote to extend the position to a third term if the seated Treasurer can demonstrate completion of duties, including timely submission of all required information to the Principal/Sponsor, IRS and Texas Comptroller.

PTOs/Booster Club bylaws should include instructions regarding accurate recording of accounting transactions, including the accounting method (cash vs. accrual), number of authorized signers on the bank account(s) and number of authorized signatures required for each check.

All transactions should be recorded in the organization's financial records, and books and bank accounts should be reconciled monthly.

PTOs/Booster Clubs may provide support to their school in two manners:

- A. PTO/Booster Club members raise funds for the school, and those funds are deposited into the organization's bank account. The PTO/Booster Club writes a check to the school to be deposited into the school's activity fund. The school should issue a Contribution Acknowledgment Form and record the money received as a donation to the school.

All accounting and safeguarding of the funds are the responsibility of the school, and the funds are spent at the discretion of the campus principal. ***This method is recommended by the IRS*** to generate a clear path of revenue generated and expended to support the school while reducing the amount of accounting paperwork and responsibility for the PTO/BC.

- B. PTO/Booster Club members raise funds for the school, and those funds are deposited into the organization's bank account. The PTO/Booster Club writes checks to the individual vendors for expenses related to their mission to support the school. All accounting and safeguarding of the funds are the responsibility of the PTO/Booster Club.

#### II. Bank Accounts

PTOs/Booster Clubs must open a bank account with the organization's EIN number. A person's social security number or the district's EIN number **cannot** be used by a PTO/BC to set up a bank account.

A district employee **cannot** serve a PTO/BC as the Treasurer or an authorized signer on the PTO's/Booster Club's bank account(s). A district employee may serve a PTO/BC as a general member or as a member of its executive board other than Treasurer. The booster club sponsor may not be considered an officer or voting member of the booster club.

A substitute or temporary worker may serve as Treasurer or an authorized signer on the PTO's/Booster Club's bank account(s) with appropriate written approval from the Principal/supervisor and the Chief Financial Officer. This approval must be requested and received each school year and must be kept on file with the District's Internal Audit Department.

The district recommends that at least two authorized signatures be required for each check written to

assist in establishing good internal controls over check disbursements. If a PTO/Booster Club requires two signatures for check disbursements, the bank account(s) should have at least three authorized signers to allow at least one back-up signer if one of the regular signers is not available. Spouses or family members **may not** be authorized signers on the account simultaneously.

Bank account(s) should be reconciled monthly. Each statement should be reviewed by an officer without signature authority (not a signer) on the organization's bank account. This person should review all checks written and ensure all account activity (deposits and expenditures) is appropriate. The Treasurer should retain all bank statements.

### **III. Carry-Over Balances**

No rule or regulation exists concerning the amount of funds that a PTO/Booster Club can retain in bank accounts, but PTO/Booster Club should spend the funds in the year the funds were raised. This practice ensures that those who raised the funds are witness to the impact of the contribution. Best practice is each PTO/Booster Club should carry over approximately \$2,500 into each fiscal year, and funds in excess of that amount should be designated for a specific purpose in the Treasurer's records (i.e. money saved for a student trip or raised for playground equipment that will take years to raise).

### **IV. Collections for Specific Individuals or Families**

Since the purpose of a PTO/BC is to raise money for **all students or all students in a specific group/club**, PTOs/BCs may not raise funds for an individual or a single family. Donations to individuals in need must be arranged completely independent of JISD or the PTO/BC.

### **V. Conflict of Interest**

Officers and members must avoid any actual or perceived conflicts of interest (conflict between their personal interests and the interest of the PTO/Booster Club/campus). Officers and members must perform the day-to-day duties with integrity and in an ethical manner.

According to the IRS, charitable organizations are frequently subject to intense public scrutiny, especially where they appear to have inappropriately benefited their officers, directors or trustees. The IRS also has an oversight role with respect to charitable organizations. A conflict of interest occurs where individuals' obligation to further the organization's charitable purposes is at odds with their own financial interests. Apart from any appearance of impropriety, organizations will lose their tax-exempt status unless they operate in a manner consistent with their charitable purposes.

### **VI. Contributions/Donations Received**

If your organization is not a 501(c)(3), contributions or donations are **not tax-deductible**. In addition, you must inform the individual or business that the contributions or donations are not tax-deductible.

PTOs/Booster Clubs with a Determination Letter from the IRS granting **501(c)(3)** tax exemption are allowed to receive **tax-deductible contributions** in accordance with IRS Regulation 170. For contributions of \$250 or more, the PTO/booster is required to provide donors with a written acknowledgment including the organization's EIN.

The written acknowledgement must contain:

- A. Organization name
- B. Amount of cash contribution
- C. Description (but not the value) of non-cash contribution. It is the responsibility of the donor to determine the value that they would report on their tax return.
- D. Statement that no goods or services were provided by your organization in return for the contribution, if that was the case.\*
- E. Description and good faith estimate of the value of goods or services that your organization provided in return for the contribution.

\*According to IRS Publication 1771, insubstantial goods or services that your organization provides in exchange for contributions do not have to be described in the written acknowledgment. Low-cost items are also considered to be insubstantial. See Revenue Procedures 90-12 and 92-49 for additional information.

Even though contributions or donations received will ultimately support the student group at a school, the gift is still considered to be a gift to the PTO/Booster Club and not to the school or to the district.

## **VII. Quid Pro Quo Contributions Received**

According to the IRS, a charitable organization, such as a PTO/Booster Club that is a 501(c)(3) organization, must provide a written disclosure statement to donors who make a payment, described as a “quid pro quo contribution,” in excess of \$75.

A quid pro quo contribution is a payment made partly as a contribution and partly for goods or services provided to the donor by the charitable organization. An example of a quid pro quo contribution is where the donor gives a PTO/Booster Club \$100 in consideration for a concert ticket valued at \$40. In this example, \$60 would be deductible. Because the donor’s payment (quid pro quo contribution) exceeds \$75, the disclosure statement must be furnished, even though the deductible amount does not exceed \$75.

Separate payments of \$75 or less made at different times of the year for separate fundraising events should not be aggregated for the purposes of the \$75 threshold.

The required written disclosure statement must:

- A. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the value of goods or services provided by the charitable organization, and;
- B. Provide the donor with a good-faith estimate of the value of the goods or services that the donor received.

The PTO/Booster Club must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when the associated contribution is actually received.

## **VIII. Contributions/Donations Given**

When the PTO/Booster Club contributes directly to the school, the PTO/Booster Club should receive a Contribution Acknowledgment Form from either the school or the District. A district employee should complete the form and give the original copy to the PTO/Booster Club for their records.

The school may request that a PTO/Booster Club provide a list of contributions made to the school. The Contribution Acknowledgment Form may reference this list; thus, eliminating the need to have a form completed for each contribution. Schools are required to report contributions received at least at the end of each semester.

The Contribution Acknowledgment Form should be kept with the PTO’s/Booster Club’s financial records. The form can be used as substantiation to the IRS that the PTO/Booster Club is using the funds raised in the manner approved by the IRS as a 501(c)(3) organization.

If students from the PTO’s/Booster Club’s school are being transferred to a new school, the PTO/Booster Club may donate funds to the feeder school’s PTO/Booster Club. The amount donated may be calculated based on the number of students transferring to the feeder school. The total amount donated is up to the PTO/Booster Club.

## **IX. Corporation Reporting**

A nonprofit corporation is required by law, regardless of the corporation’s tax status, to file an informational report not more than once every four years upon request by the Secretary of State. The

report provides information regarding the corporation's registered agent and registered office (preferably the Principal/Sponsor and school address), and the names and addresses of its current officers, and is required regardless of the corporation's tax status. Once requested, the report must be completed and filed with the Secretary of State to avoid termination of the corporation.

## **X. Event Change**

Event change is used for an organization's fundraiser to allow for making change when collecting cash.

An Event Change Form must be completed and submitted to the organization's President or designee for approval. After obtaining an approval signature, the form must be provided to the Treasurer to authorize a check to be issued to the requestor on the Event Change Form. The memo line on the check should be used to document that the check was issued for a change fund and for what event. The Treasurer will file the approved Event Change Form with the organization's financial records. Once the event is over, the change fund must be re-deposited the next business day. The change fund must be returned and deposited separately from the cash collected from the event.

Cash withdrawals using a debit card are prohibited.

For example:

On October 1st, the Fundraiser Chairperson requests \$100 as a change fund for the October 15th PTO Fall Carnival by submitting the Event Change Request Form. The President reviews and approves the Form which is documented by providing their signature on the form. The form is sent to the Treasurer and a check is issued and made payable to the Fundraiser Chairperson. The memo line on the check states "Change fund for PTO Fall Carnival." On October 16th, assuming it is the next business day, the Fundraiser Chairperson submits two different deposits to the Treasurer. One deposit for \$100 for the re-deposit of the change fund and another deposit of \$500 for the money collected during the carnival.

## **XI. Expenses**

For expenses of the PTO/Booster Club, the appropriateness of an expense depends on the purpose of the organization. A PTO would focus on the school as a whole; whereas, a Booster Club would focus on a particular student activity.

A budget must be prepared at the beginning of each fiscal year and approved at a general membership meeting. Any amendments to the budget must be approved by the Board of Directors or as outlined in the organization's bylaws.

Expenditures can be made by check, debit card, PayPal, Venmo, or similar accounts by an authorized PTO/Booster Club member. However, for all expenditures, an Expenditure Authorization Form must be reviewed, approved, and signed by two of the three authorized signers on the PTO's/Booster Club's bank account before the expense is made. A PTO/Booster Club officer may not approve their own Expense Authorization Form.

Funds may be used for expenses for the normal operation of the PTO/Booster Club and funds may be used for the following:

- A. Door prizes at meetings through a drawing
- B. Old/New Officer Luncheon of a reasonable expense
- C. Old/New Officer Luncheon for Principal and Assistant Principal of a reasonable expense
- D. Supplies or equipment to enhance the learning environment
  - 1. Instructional materials and equipment for the school/school program
  - 2. Playground equipment for the school
  - 3. Books for the school library
- E. Provide incentives to teachers and staff for staff morale and recognition
  - 1. Gift certificates to staff through a drawing
  - 2. Gift certificates to teachers for school supplies through a drawing

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The funds raised or donations received by a PTO/Booster Club may be used for the following immaterial items:

- A. Food, drinks and paper products for meetings
- B. Candy at the Volunteer Sign-in Desk
- C. Drinks for volunteers at Summer Registration
- D. Pens and pads at Volunteer Orientation and Appreciation
- E. Sympathy cards to officers or school staff – Loss of immediate family members
- F. End of Year Awards to Volunteers – Every volunteer that worked a certain amount of time would receive the award

The PTO/Booster Club funds **cannot** be used for:

- A. Gifts to Principals/Sponsors
- B. Gifts to the President/Officers
- C. Gifts to School Administrators
- D. Old/New Officer Luncheon, if amount is not reasonable
- E. Old/New Officer Luncheon for Principal and Assistant Principal, if amount is not reasonable
- F. Alcohol

### **XII. Financial Aid Guidelines**

Tax-exempt organizations must benefit an entire group, not select members of a group. Since PTOs/Booster Clubs assist schools/student clubs, all students of the school or club are to be treated equally and receive the same opportunity to benefit from the PTO's/Booster Club's assistance. Therefore, one student cannot receive a greater benefit than another unless the criteria for financial need discussed below is met.

In some instances, individuals may not be able to afford to pay the amount owed to participate in a particular event. The IRS has indicated that a group or club may establish criteria that could be used to determine if a person is in financial need. If the criteria are met, the group or club could provide the necessary funds to allow the individual to participate. The criteria should be established in writing prior to a particular situation arising and must be applied consistently.

### **XIII. Financial and Review Reports**

Each year PTOs/Booster Clubs are required to submit a written report of actual revenues and expenditures to the Principal, Sponsor and Director of General Administration (for Booster Clubs) / Director of Community Engagement (for PTOs), by Sept. 15<sup>th</sup>, of the following year. The Financial Report and Review Report are **not** audited by the District.

The Financial Report and the Review Report must be presented at a PTO/Booster Club meeting that includes its general membership by Oct. 31<sup>st</sup>, of each year, or a copy should be available at the school's front desk for review.

### **XIV. Financial Report**

The Treasurer should prepare a written PTO/Booster Club Financial Report and should ensure that the Financial Report includes:

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- A. Name of school, name of PTO/Booster Club and the time period covered in the report
- B. Actual revenues and expenditures for the applicable school year. The current year report should start at the point in time where the prior year report ended.

Since PTOs/Booster Clubs may start their new year at various times, the time period used for reporting actual revenues and expenditures may vary from organization to organization; however, the individual PTOs/Booster Clubs should use the fiscal year that was selected on the IRS Form 1023.

- C. Name, title, and signature of person who prepared the report
- D. Date the report was prepared

The following examples of Financial Reports are included in this section:

- A. **Type 1 (easiest to prepare)** – This example is a **cash basis** financial report that includes the beginning and ending cash balances for the year. Money received is usually shown as income and money paid is usually shown as an expense.

*The beginning cash balance for the current year should agree to the ending cash balance from the prior year.*

- B. **Type 2** - This example is an **accrual basis** financial report that includes assets, liabilities, equity, income, and expenses. This report would include the cash transactions but would also show amounts to be received or amounts to be paid in which money has not yet been exchanged, prepayments of expenses that have not yet been incurred, or receipt of amounts in which income is not yet recognized.

*The retained earnings amount should agree to the total equity amount from the prior year.*

## XV. Review Report

Each PTO/Booster Club is required to have an organizational committee conduct an annual review of the organization's Financial Report and the related financial activity for the school year. The review may be internal or external. An internal review committee includes officers and organization members; however, the committee should have at least one non-officer member review the information. A CPA or other outside party may perform an external review at the PTO's/Booster Club's expense. The organizational review committee, whether internal or external, should prepare a written Review Committee Report that communicates the results of the review to the organization.

The Treasurer(s), Assistant Treasurer(s) or family members of the Treasurer/Assistant Treasurer **must not** be on the Review Committee. Since Treasurers are reviewees, they **cannot** also be the reviewers. The Treasurer may meet with the committee or external reviewer to explain the records or answer questions.

An internal Review Committee should use the Review Report Templates included in these Guidelines. The PTO/Booster Club decides the composition and number of committee members, but the same information must be documented for **each** committee member. An external party conducting a review should provide a signed and dated review report in his/her chosen format.

Below are guidelines to assist the PTO/Booster Club Review Committee in conducting a thorough review of the PTO's/Booster Club's Financial Report and the financial activity for the applicable school year.

- A. Have the Treasurer prepare the written report of revenues and expenditures (Financial Report) for your PTO/Booster Club. The report should include information for the twelve months after the ending date of the previous year's Financial Report (which should be the organization's fiscal year end).
- B. The review must cover the period beginning with the reconciled cash balance from the previous written Financial Report and ending with the reconciled cash balance from the last day of the time period reported by the PTO/Booster Club. If the PTO/Booster Club is using an accrual basis financial report, then the beginning retained earnings should equal the prior year's ending retained earnings balance plus/(minus) net income/(loss) for the current year.

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- C. Review the reconciled bank statements and canceled checks to determine:
1. An Expenditure Authorization Form was properly approved for all debit card expenditures,
  2. No ATM withdrawals were made,
  3. Disbursements have been properly documented with an invoice or receipt,
  4. Checks have been properly signed,
  5. Checks have been deposited or cashed by the payee indicated and that no information on the face of the check has been altered, and
  6. Checks have been accounted for in the proper sequence (no missing checks).
- D. Check addition and subtraction on cash receipts and deposits
- E. Compare cash receipts and deposits to the bank statement
- F. Verify receipts and disbursements were recorded to the correct account category
- G. Review the Treasurer's monthly reports and check them for accuracy. Review the beginning and ending balances on reports to verify that correct ending balances were carried forward as beginning balances on subsequent reports
- H. Determine that only applicable PTO/Booster Club officers are authorized signers on the bank account(s). Former officers should not remain on the account(s) as authorized signers. In addition, a district employee cannot be the Treasurer or an authorized signer on the PTO's/Booster Club's bank account(s). A district substitute or temporary worker may be a Treasurer or an authorized signer on the PTO's/Booster Club's bank account(s) with proper written approval. *(See Authorization for Signer on PTO & Booster Club Bank Accounts.)*
- I. Obtain proof that all applicable sales tax reports were submitted to the Texas Comptroller's Office and that the related taxes were paid
- J. Determine which two fundraisers were chosen to be the "one-day, tax-free" sales/auctions. The designation of the "one-day, tax-free" sales/auctions must be documented on the Permission Request of the Fundraising Activity Report. Only PTOs/Booster Clubs that have received an exemption from the Texas Comptroller's Office are allowed two (2) "one-day, tax-free" sales/auctions per calendar year.
- K. Review the tax-exempt status of the PTO/Booster Club to determine that the organization has received and maintained a federal tax-exempt status as a public 501(c)(3) charitable organization or other tax-exempt status deemed by the IRS.
- L. Determine that the appropriate IRS 990 form was filed as discussed in the **IRS** section below. The Treasurer must provide a copy of the 990 form filed with the IRS.
- M. Determine that the PTO/Booster Club has not used individual accounts, which credit funds raised to individual students or parents.

Ensure Form W-9 Request for Taxpayer Identification Number and Certification was obtained from all vendors, donors of property of \$500 or more and prize winners of \$600 or more.

Verify that 1099s were issued, if applicable. In general, you may have to issue a 1099-MISC (Miscellaneous Income) for each person to whom you have paid at least \$600 in rents, services, prizes & awards, attorney fees, and other similar situations within a calendar year.

After the review is complete, prepare the applicable Review Report (**only one** report type may be used per review):

<b>Option A</b>	No Exceptions (i.e., errors, irregularities)	Financial Report appears proper and correct
<b>Option B</b>	Immaterial Exceptions	Financial Report appears proper and correct, except for some immaterial exceptions
<b>Option C</b>	Material Exceptions	Financial Report does not appear proper and correct because of material exception(s) or Financial Report status cannot be determined because of material exception(s)

1. If exceptions are noted during the review, consult with the organization's Treasurer and President (if necessary) to resolve the exception(s). The Treasurer is responsible for making any corrections to the records, checkbook and Financial Report.
2. If material exceptions have been noted, prepare recommendations to prevent the future occurrence of these exceptions.
3. The organization's Treasurer and President are responsible for acting upon the recommendations made by the PTO/Booster Club Review Committee.
4. Ensure the Review Report includes the reviewers' name, title, and signature. The time period stated in the Review Report, should agree with the time period covered in the Financial Report.
5. Retain the original written PTO/Booster Club Financial Report and the original PTO/Booster Club Review Committee Report on file with the Treasurer of the PTO/Booster Club.

## XVI. IRS

Annually, each PTO/Booster Club **must file** an exempt organization information return Form 990-N, 990-EZ, or 990, *Return of Organization Exempt from Income Tax*. The return is due by the 15<sup>th</sup> day of the 5<sup>th</sup> month after the close of your tax year. For example, if your tax year ended on June 30, the Form 990 is due Nov. 15. The IRS will automatically revoke your tax-exempt status if you fail to file the appropriate 990 form for three consecutive years.

Whether or not your organization has filed for exemption status with the IRS, file the appropriate 990 form as required by exempt organizations.

A. PTOs/Booster Clubs must use [Form 990-N](#) (e-Postcard) if:

1. Gross receipts are \$50,000 or less.

B. PTOs/Booster Clubs must use Form 990-EZ if:

1. Gross receipts are more than \$50,000 but less than \$200,000 AND
2. Total assets are less than \$500,000 at year-end.

C. PTOs/Booster Clubs must use Form 990 if:

1. Gross receipts are \$200,000 or more OR
2. Total assets are \$500,000 or more at year-end.



For more information regarding documents or regulations your PTO/Booster Club might need, please go to the [IRS's Stay Exempt](#) website. Publications on this site include Form 990, 990-N and 990-EZ Filing Tips.

Also, the [Life Cycle of a Public Charity](#) includes explanatory information and links to forms an organization may need to file during the five stages of its life.

#### **XVII. Revocation of IRS 501(c)(3) Tax-Exempt Status**

A PTO/Booster Club that does not file the appropriate 990 form for three consecutive years will automatically lose their tax-exempt status and is no longer exempt from federal income tax and is not eligible to receive tax-deductible contributions. Therefore, it may be required to file a Corporate Income Tax Return and pay applicable income taxes.

#### **XVIII. Streamlined Retroactive Reinstatement**

Organizations that were eligible to file Form 990-EZ or 990-N (ePostcard) may have their tax-exempt status retroactively reinstated to the date of revocation if they:

- A. Have not previously had their tax-exempt status revoked.
- B. Complete and submit Form 1023 with the appropriate user fee not later than 15 months after the later of the date of the organization's revocation letter, or the date the organization appeared on the Revocation List on the IRS website.

#### **XIX. Retroactive Reinstatement Process (Within 15 Months)**

Organizations that cannot use the Streamlined Retroactive Reinstatement Process (such as those required to file Form 990 or those that were previously auto-revoked) may have their tax-exempt status retroactively reinstated to the date of revocation if they:

- A. Complete and submit Form 1023 with the appropriate user fee not later than 15 months after the later of the date of the organization's revocation letter, or the date the organization appeared on the Revocation List on the IRS website.
- B. Include a statement establishing that the organization had reasonable cause for its failure to file a required annual return for at least one of the three consecutive years for which it failed to file.
- C. Include a statement confirming that it has filed required returns for those three years and for any other taxable years after that period and before the post-mark date of the application for which required returns were due and not filed.
- D. File properly completed and executed paper annual returns for the three consecutive years that caused the revocation and any following years. The organization should write "Retroactive Reinstatement" on these returns and mail them to:

Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0027

- E. Check the box on Schedule E for Section 5 when submitting Form 1023.

For additional information regarding how to reinstate your organization, please go to the [IRS website](#).

#### **XX. Mailing Address**

If the mailing address for the PTO/Booster Club changes, immediately notify the district, the Texas Secretary of State, the Texas Comptroller's Office and the IRS. To avoid frequent mailing address changes, the IRS and the Texas Comptroller's Office recommend that each PTO/Booster Club obtain its own post office box (PO Box) or private mailing box (PMB) to be used for official PTO/Booster Club mail.

The school's address may be used as the PTO's/Booster Club's official address. The PTO/Booster Club should be aware that it may not receive mail in a timely manner when the school is closed (i.e., summer vacation and some holidays).

Please understand the importance of maintaining a consistent mailing address for the PTO/Booster Club. First, you will save time since you will not have to update your address each year to the district, the Texas Secretary of State, the Texas Comptroller's Office, the IRS, and your bank as you would if you used someone's home address.

Second, PTOs/Booster Clubs receive several important documents from these agencies throughout the year, and if the address changes frequently, some of these documents could be lost or misplaced. The IRS mails forms and other correspondence to PTOs/Booster Clubs periodically. If these forms are not completed and returned to the IRS within a specific time period, a PTO/Booster Club could lose their tax-exempt status and possibly face fines and penalties.

The district does not recommend using a home address since officers change frequently.

[Form 8822-B](#) is available to you for reporting a change of address to the IRS.

## **XXI. Members**

Active members should include those individuals that are parents, guardians, step-parents or grandparents of a student at the school who are current with the payment of dues. Active members may also include individuals from a business partner or community organization that is involved in the Adopt a School Program. **Only active members should have the ability to vote or hold an office.** Other individuals may volunteer for the PTO/Booster Club, but cannot vote or hold an office. Booster Club sponsors should not be considered members of the organization they sponsor. "Members" should be defined in the PTO's/Booster Club's bylaws.

## **XXII. Membership Dues**

PTOs/Booster Clubs may charge dues to their members (the parents and teachers); however, parents and teachers **do not** have to be members of the PTO/Booster Club for their child(ren) or students to receive benefits from PTO/Booster Club activities. **Membership dues are separate from the expenses incurred by a student for an activity (i.e., trip expense).** Membership dues are associated with the parents being part of the PTO/Booster Club and are in **no way** associated with student expenses. The annual dues amount should be set and approved by the PTO/Booster Club Board.

## **XXIII. Money Handling Procedures/PTOs and Booster Clubs**

Money refers to cash, checks, credit/debit, money orders, or cashier's checks. The following are suggestions related to handling money to assist in ensuring proper accountability.

## **XXIV. Collection of Money**

- A. The treasurer should not collect money during PTO/Booster Club fundraisers or events.
- B. District employees are prohibited from collecting money for PTOs/Booster Clubs.
- C. PTOs/Booster Clubs are prohibited from collecting money for school/district events.
- D. The PTO/Booster Club member collecting the money should perform a face-to-face verification and count the money received **while in the presence of the person making a donation or payment for goods or services (donor/customer).**
- E. The person who collected the money should give the donor/customer a receipt. The District recommends a two-part pre-numbered receipt book be used to allow one receipt to be given to the donor/customer and the other receipt would be retained in the receipt book for the PTO/Booster Club financial records. Any checks received should be immediately restrictively endorsed.
- F. Receipts should indicate whether cash, check, money order, cashier's check, or credit card payment was received; date of the receipt; the description of the item(s) paid; and signature of the person collecting the money.

- G. Post-dated checks **should not be accepted** from any source.
- H. If a money order or cashier's check is received, the receipt should indicate the total check amount; brand name of the money order or the issuing bank's name of the cashier's check; and the complete check or money order number. If a copy of the money order or cashier's check is made, the inclusion of this additional information on the receipt is not necessary.
- I. Copies or a list of checks, money orders, and cashier's checks received should be made to assist in recovery of money if these items are lost, stolen, or returned due to insufficient funds.

**XXV. Recording and Depositing Money**

- A. Prior to giving the money collected to the Treasurer, at least two people should count the money. The money should be counted at the school. Do **not** take any money home.
- B. All money should be delivered to the PTO/Booster Club Treasurer to deposit funds daily.
- C. The Treasurer, while in the presence of the person turning in the money, should count all money received (face-to-face verification). When face-to-face verification cannot be completed at the time the money is turned in, the money should be put in a sealed tamper-proof bag or a sealed envelope with the name of the person turning in the money, date, and the reason money was collected. The Treasurer should also sign and date the sealed bag or envelope and then secure it in the PTO's/Booster Club's safe until a face-to-face count can be completed.
- D. Receipts should be reconciled with all money turned in and deposited.
- E. Money received should only be deposited in the PTO's/Booster Club's account(s).
- F. Deposit slips should be retained and reconciled monthly to the account.

**XXVI. Disbursing Money**

- A. **An Authorization for Expenditure Form must be properly approved before any expense is made.**
- B. Require **two** signatures on each check.
- C. ATM / Cash withdrawals from the PTO's/Booster Club's bank account is prohibited.
- D. "Blank" checks should never be issued and checks should never be pre-signed.
- E. Issuing checks payable to "Cash" or directly to the Sponsor should be avoided. The IRS may examine these transactions in more detail than other transactions. If a check must be payable to "Cash" or directly to the Sponsor, keep detailed documentation of the expense or use of the funds.

**XXVII. Safeguarding Money**

- A. PTO/Booster Club members who handle money should be bonded by purchasing fidelity insurance (see Fundraising Guidelines) to protect against embezzlement (not theft).
- B. Do not keep any money in an unlocked drawer, unlocked filing cabinet, vehicle, or other unsecured location. Consider purchasing a safe for the PTO/Booster Club (see **Safe** section below).
- C. Do not store records of money received (i.e., receipts, copies of checks) in the same place as money. If records and money are both stolen, determination and recovery of losses would be more difficult.
- D. Money received but not deposited should not be used for purchases, check cashing, loans, advances, reimbursements or any other purpose.
- E. All unused checks should be kept in a secure location.
- F. The sequence of check numbers should be accounted for when reconciling bank statements.
- G. PTOs/Booster Clubs may not store anything (money or records) at the supported school.

PTOs/Booster Clubs must independently safeguard their funds and possessions. JISD is not responsible for any damage to possessions or loss of PTO/Booster Club money.

### **XXVIII. Paying and Reporting of Workers**

Any individual hired by the PTO/Booster Club must be paid directly by the PTO/Booster Club. Employment concerns (overtime pay; use of weighted average hourly rates; payment of TRS, taxes and other benefits; and the advancing of district funds that is prohibited by law) prohibit JISD from paying persons hired by PTOs/Booster Clubs.

In some situations, PTOs/Booster Clubs holding events at district facilities may be charged for JISD employees who must work as a result of the event. This expense will be included in facilities use charges.

Federal law requires PTOs/Booster Clubs to issue a 1099 to individuals paid \$600 or more for any reason during any calendar year. The PTO/Booster Club should obtain a completed Form W-9 Request for Taxpayer Identification Number and Certification for all workers prior to payment. PTO/Booster Clubs are responsible for volunteers and workers during PTO/Booster Club events or activities (including injury or theft).

Certain district employees **cannot** be hired by a PTO/Booster Club to perform work that includes the handling of money. These positions include Principals, Financial Secretaries, Principal Secretaries, and Booster Club sponsors.

### **XXIX. Project Prom Incentives**

If the criteria listed below are met, Project Prom Booster Clubs may give points or prizes to incentivize parent participation in project prom events.

- A. Every student attending the after-prom event receives the same incentives for their attendance.
- B. Incentives are used to give chances to win prizes.
- C. Everything at the after-prom event is free.
- D. Incentives **cannot** be used towards the purchase of a prom ticket. The incentives can be earned for volunteering for various project prom activities including fundraisers.

The use of incentives is **only** approved for Project Prom. The incentives are very similar to individual accounts that are not allowed. However, individual accounts are used normally to offset personal costs for a student for an event or trip.

### **XXX. Record Retention**

PTOs/Booster Clubs should establish a record file that is passed to the new officers each year. Some items should be kept indefinitely, and others should be kept for a certain length of time.

### **XXXI. Permanent Records**

#### **A. Internal Records:**

- 1. Certificate of Formation (formerly called "*Articles of Incorporation*")/Articles of Association
- 2. Bylaws/Charter/Constitution
- 3. Minutes from meetings

#### **B. State Records:**

- 1. Sales Tax Permit Application (if applicable)
- 2. Sales Tax Permit
- 3. Certificate of Formation of Nonprofit Corporation from the State of Texas (if applicable)
- 4. State Sales Tax Exemption Notification

5. State Franchise Tax Exemption Notification (if incorporated)

**XXXII. Federal Records**

- A. Copy of IRS Form SS-4, Application for Employer Identification Number
- B. Copy of IRS Form 1023, Application for Recognition of Exemption, with all attachments
- C. Copy of IRS Form 8718, User Fee for Exempt Organization Determination Letter Request, and copy of check sent to IRS with this form
- D. Determination Letter

**XXXIII. Non-permanent Records**

The Texas Comptroller's Office has four (4) years from the date tax becomes due and payable in which to assess the liability. This statute of limitations may be extended beyond the four (4) years, if an agreement is made in writing between the Texas Comptroller's Office and the PTO/Booster Club. In cases of fraud, or if the sales tax returns have not been filed, the statute of limitations does not apply, and the Texas Comptroller's Office may assess and collect taxes, penalties and interest at any time.

The statute of limitations does not apply when information contained in the sales tax report contains a gross error and the amount of tax due and payable after the error is corrected is 25% or more than the amount initially reported. In addition, other exceptions to the statute of limitations may apply.

According to the IRS, PTOs/Booster Clubs must keep each annual information return (i.e., Form 990, Form 990-EZ, or 990-N) for 3 years from the date the form is required to be filed or from the date the form is actually filed, whichever is later. If fraud is suspected, or if returns have not been filed as applicable, the IRS could request information prior to the 3-year period discussed above.

Considering the requirements of the Texas Comptroller's Office and the IRS, the record file should contain at least the following items for a minimum of five (5) years (current year and the four (4) previous years).

**A. Internal Records:**

- 1. Financial Reports and Review Reports
- 2. All financial backup including checkbook and banks records
- 3. Information related to contributions received by a PTO/Booster Club from individuals or businesses
- 4. Financial Aid Guidelines

**B. State Records:**

- 1. Sales Tax Reports Filed
- 2. Copy of correspondence with the Texas Secretary of State and the Texas Comptroller's Office

**C. Federal Records:**

- 1. Copy of IRS Forms 990, 990-EZ, or 990-N filed
- 2. Copy of correspondence with the IRS

Before discarding any records, confirm with the Texas Comptroller's Office and the IRS that your organization is in good-standing and no open items or issues exist related to the time period involving the records that you would like to discard.

According to IRS disclosure requirements, if someone requests to view any of your tax applications, forms filed or tax returns, you must provide complete copies of the material. You may charge a nominal fee for copying, not to exceed the current [governmental rate](#).

#### XXXIV. Safes

If a PTO/Booster Club would like to purchase a safe to be located on JISD property, the Principal must approve of the safe type and location. Principals must contact JISD Procurement Services prior to the safe purchase and submit a building modification request if the safe will be bolted to the floor. Safes should include a drop feature (top, front, rear) and an electronic lock (keypad).

- A. Any loss of safe contents or loss of the safe itself is the sole responsibility of the PTO/Booster Club. JISD is not responsible for the contents of the safe under any circumstance.
- B. CFISD's insurance does not cover the property of PTO/Booster Club, so PTOs/Booster Clubs should consider purchasing insurance to safeguard their property.
- C. Changing the safe combination as new officers are installed is recommended, and safe access should be restricted to a limited number of people. The safe is the property of the parent group and campus staff **must not** have the combination to the safe.
- D. PTOs/Booster Clubs are responsible for all safe-related expenses (i.e. repair of the safe or service calls for changing the combination).
- E. PTOs/Booster Clubs are responsible for the cost of relocating or removing the safe.

#### XXXV. Sales Tax

##### A. Two (2) "One-Day, Tax-Free" Sales Days

PTOs/Booster Clubs with a [sales tax exemption](#) are entitled to two (2) "one-day, tax-free" sales or auctions per calendar year. One day is counted as 24 consecutive hours and a calendar year is the 12-month period from January through December. PTOs/Booster Clubs may designate the day on which the items are delivered by the vendor to the PTO/Booster Club or the day on which the PTO/Booster Club delivers the items to its customers. The PTO/Booster Club must document their designated two one-day, tax-free sales days on the Permission Request of the Fundraising Activity Report.

When a PTO/Booster Club raises funds by acting as a sales representative/agent for a for-profit retailer/fundraising company (i.e., catalog sale), the PTO/Booster Club is not responsible for reporting and remitting sales tax. The PTO/Booster Club is not considered to be the seller and **cannot** use a tax-free sale day for these types of sales. These types of sales **are taxable**; therefore, sales tax must be collected for items sold unless they are tax-exempt by law. For instance, gift wrap is taxable, but cookie dough is tax-exempt by law. In these cases, the PTO/Booster Club receives a commission (percentage of the profit) for holding a book fair or for selling candy, candles, or similar items. The vendor is responsible for remitting the applicable sales tax to the Texas Comptroller's Office. See the Texas Comptroller of Public Accounts publication [#94-183, School Fundraisers](#) for additional information.

Below is a list of some items that are taxable and tax-exempt.

#### XXXVI. Taxable

- A. Auctions and Silent Auctions (Unless the item is tax-exempt by law)
- B. Calendars and Day Planners
- C. Candles
- D. Catalog Sales (Unless the item is tax-exempt by law)
- E. Clothing

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- F. Flowers and Plants
- G. Gift Wrap Paper, Balloons, etc.
- H. Magazines - when sold individually
- I. Magazine Subscriptions sold for less than 6 months
- J. Pennants
- K. Garage Sales
- L. School Store Items
- M. Spirit Items
- N. Stationery
- O. Yard Signs

### **XXXVII. Tax-Exempt**

- A. Advertisement Sales
- B. Amusement Services / Admission Tickets
- C. Food sold as a fundraiser with proceeds to be used by the organization
- D. Gift Certificates, Discount Cards/Entertainment Cards, and Coupon Books
- E. Magazine Subscriptions greater than 6 months
- F. Membership Dues and Fees
- G. Services - Car Wash, Cleaning, Cosmetology
- H. Yearbooks – only if organization keeps publishing rights

### **XXXVIII. Reporting Requirements**

The Texas Comptroller's Office requires PTOs/Booster Clubs to file at least one sales tax report per calendar year. Sales tax reports may be due monthly, quarterly, semi-annually or annually, and the amount of anticipated sales tax payments affects the frequency of reporting.

The Texas Comptroller's Office will generally communicate changes in filing requirements to organizations with a Sales Tax Permit by mail.

A sales tax report **must** be filed even if your PTO/Booster Club did not make any sales or all sales were nontaxable.

PTOs/Booster Clubs may elect to include tax in the price of taxable items. Including sales tax in the price to have even pricing (i.e. \$10.00 or \$10.50) is convenient, but organizations should use caution to avoid paying sales tax on sales tax. If the sales price of a taxable item includes sales tax, the following calculation can be used to determine appropriate sales tax. Total Sales Amount divided by (1.0 + Tax Rate) = Sales Amount Excluding Tax.

#### **EXAMPLE:**

Total sales are \$1,000 including tax. Tax rate is 8.25% or .0825.

$\$1,000 \div 1.0825 = \$923.79$  Taxable Sales

$\$923.79 \times .0825 = \$76.21$  Sales Tax

$\$923.79 + \$76.21 = \$1,000.00$  Gross Amount Collected

Customers must be informed that sales tax is charged (i.e. a posted sign or a statement on a receipt indicating that tax is included in the price). Additional information regarding exemptions may be found on the [Texas Comptroller's website](#).

### **XXXIX. Scholarships**

The IRS allows for scholarship programs to be set up by charitable organizations. The scholarship must meet the organization's purpose as stated on the organization's bylaws, and all scholarships must be awarded on an objective and nondiscriminatory basis. The group of applicants must be sufficiently broad as to be considered a charitable class. Family members of the organization's board members, scholarship selection committee and substantial contributors are disqualified from receiving scholarships from the organization.

Scholarship criteria must be clearly defined within the organization's bylaws, should not change annually, cannot require students or parents to fundraise or be members of the parent organization. Scholarships cannot be limited to only members of the PTO/Booster Club. The number of scholarships awarded annually and the amount to be awarded should be specified in the organization's bylaws.

An objective scholarship selection committee should be organized to review all applications submitted and select the recipient(s) and should be comprised of objective community members who do not have a personal interest in the parent organization or scholarship. The scholarship check should be issued to the student's educational institution.

The Cy-Fair Educational Foundation (CFEF) may assist your organization in setting up a scholarship through the Foundation. The scholarship must be a minimum of \$1,000. The money and the required information to set up a scholarship with the CFEF must be submitted by December 31st. The CFEF will determine the selection committee.

### **XL. Student Fines and Fees List**

If a student or parent owes money to a PTO/Booster Club, the amount owed can be included on the school's Student Fines and Fees List. The money owed should be paid to the PTO/Booster Club and not to the school. The PTO/Booster Club should keep the school updated on money received related to the PTO/Booster Club items included on the Student Fines and Fees List.

### **XLI. Terminating or Suspending a PTO/Booster Club**

Some PTOs/Booster Clubs may have insufficient support to maintain an organization or another significant event may occur such as the organization's 501(c)(3) tax-exempt status being revoked by the IRS. The principal, sponsor and members should discuss the decision to terminate or suspend the operations of the PTO/Booster Club. The termination or suspension may be voted on by the organization or the decision may be made by the Principal if no active officers or members remain. The termination or suspension must be noted in the records of the organization. Suspended organizations may reactivate with principal consent, once parent support is sufficient or significant events have been rectified.

Organizations that have voted to suspend or terminate **must** contact the [Internal Audit Department](#) for further guidance to ensure all steps are followed to comply with District, State, and IRS requirements.

### **XLII. Treasurer's Report**

At each PTO/Booster Club meeting that includes its general membership, the Treasurer **must** present a written Treasurer's Report of the money received and expended since the last report. If monthly PTO/Booster Club meetings are not held, then a Treasurer's report should be prepared monthly. With the Principal's approval, a copy of the Treasurer's Report should be kept at the school's front office for review.