



**MIDLOTHIAN ISD**

**OPERATIONS MANUAL FOR  
BOOSTER CLUBS/PTO**

*Updated October 2021*

## **INTRODUCTION**

Booster Clubs and PTO's are defined as organizations that are separate individual entities from the District and support a specific campus/area/sport/activity. As such, they have their own governing board and establish their own policies and maintain their own set of accounting records. They also must have their own checking account along with a separate federal tax identification number. These organizations should be formed as non-profit entities and as such must follow federal and state tax regulations. These organizations **MUST NOT** use the tax identification number of the District. Each organization must obtain tax exempt status individually with the appropriate taxing authority.

These valuable organizations provide a needed source of financial support for school activities. However, a separation between these organizations and the District must be maintained so that third parties are not misled into believing that the organization is part of the District. This protects both parties in case of litigation. It is imperative that strict and proper accounting practices are followed in order to insure this separation.

*All MISD Booster Clubs and PTO's are expected to follow UIL Guidelines where applicable.*

## **OUTSIDE ORGANIZATIONS vs. STUDENT ACTIVITY**

These organizations are created by interested adult groups and managed by adults with various adults as officers. They raise funds through fund raising events, dues from adult members or from contributions from other organizations. In all cases, adults implement, monitor and control the activities. The adult members of the organization make the decisions.

Student activity accounts, on the other hand, are those funds which are owned, operated, and managed by organizations, clubs, or groups within the student body under the guidance and direction of faculty or staff members for educational, recreational, or social purposes. These organizations receive their funding through fund raising events, dues from student members or contributions from other organizations. A key difference is that students manage the funds and the officers of the organization are students. Students implement, monitor and control the activities of the organization under the supervision of an adult. The student members of the organization must make the decisions. The District maintains the financial records and deposits.

## **FORMING A PTO/BOOSTER CLUB**

- 1) Establish a PTO/Booster Club Steering Committee to setup the organization. (Members of the steering committee cannot be considered as PTO/booster club officers until they are

elected at a general membership meeting.)

- 2) Determine official mailing address of the PTO/booster club. By maintaining a consistent mailing address, 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. We recommend that a post office box (PO Box) be used as the official mailing address. The address and box keys can be given easily to the new officers at the beginning of each school year.

Do not use home addresses since officers change frequently.

- 3) Draft and approve the PTO/booster club bylaws. The Steering Committee may approve the bylaws to allow the group to proceed with applying for incorporation with the State and applying for tax exemption with the IRS.

**Supplemental language that should be added to bylaws:**

All sponsorships/vendors will be approved by the President of the Booster Club/PTO and/or Coach and/or the Athletic Director and/or the Campus Principal. Booster Club/PTO will not partake in any advertisements or sponsorships from any Religious, Political, Social Media Belief Groups, or Tobacco/Drug/Alcohol companies. Booster Club/PTO will respect our Community, Students, and Parents and will not partake in activities or sponsorships based on race, ethnicity, gender, disability, age, religion, or any other legally protected classification.

- 4) File for incorporation with the Texas Secretary of State by completing Form 202 (Certificate of Formation-Nonprofit Corporation) and submitting it to the Texas Secretary of State. Read Forming a Nonprofit Tax-Exempt Corporation in Texas and Texas C-Bar information.

As a corporation, individuals governing and operating a nonprofit organization are shielded from liabilities incurred by the organization, unless the individuals are grossly negligent in their duties.

You should receive a copy of your Certificate of Formation from the Texas Secretary of State stamped with the date considered the beginning date of the organization.

- 5) A membership drive should occur to let parents know about the PTO/booster club and when the first membership meeting will be held. At the first meeting, have the general membership approve establishing the PTO/booster club. Then the general membership should approve the PTO/booster club bylaws that were approved by the Steering Committee including any revisions needed. Then elect officers in accordance with the bylaws.

- 6) Apply for an Employer Identification Number (EIN) with the IRS. The EIN can be requested prior to the first membership meeting if the PTO/booster club bank account needs to be opened at an earlier time.
- 7) After receiving an EIN, the PTO/booster club can open a bank account. If the bank account is opened prior to the election of officers, the Steering Committee members may be signers on the account.
- 8) PTOs/Boosters – Apply for an exemption from Texas sales tax, hotel occupancy tax, and franchise tax by completing AP-207 for Educational Organizations. (Booster clubs cannot apply for an exemption until they have received their 501(c)(3) exemption from the IRS).
- 9) Apply for a Sales Tax Permit (if required) with the Texas Comptroller’s Office. If the PTO/booster club will not be selling any taxable items or services, you do not need to obtain a Texas Sales Tax Permit.
- 10) Apply for federal tax exemption as a public 501(c)(3) organization with the IRS. The IRS provides information, explanations, guides, forms, and publications about forming a 501(c)(3).

Read “Top Ten Tips to Shorten the Tax-Exempt Application Process” before you submit your application.

- 11) Receive a Letter of Acknowledgement from the IRS indicating receipt of your application and payment.
- 12) Correspond with the IRS if your bylaws need to be modified or if the IRS needs additional information to complete your approval process.
- 13) Receive a Determination Letter (approximately 4-6 months later) stating you are a public 501(c)(3) tax-exempt organization.
- 14) Send a copy of the Determination Letter to the MISD Finance Office.
- 15) Booster Clubs – Apply for an exemption from Texas sales tax, hotel occupancy tax, and franchise tax by completing AP-204 for Federal Exemptions and all others.
- 16) Put all of the documents related to these steps in a “Permanent File” in a safe place to be forwarded to the new officers each year. Also save the information electronically and provide to several officers to help ensure that the information is safeguarded.

## INFORMATIONAL MEETING

Midlothian ISD will conduct a “booster/PTO organization” information meeting at the beginning of each school year. *If an organization is to be active during the school year, the organization **must** send a representative of that organization to this meeting. There **must** also be a Midlothian ISD staff member representing the area supported by this booster organization and the campus principal should be present at this meeting. The time and place will be posted and advertised.*

*In addition, each booster/PTO organization **must** complete the attached Schedule A-Annual Financial Submission for Booster Clubs/PTO's (for the year ending June 30 to align with the District's fiscal year) by July 15 of each year.*

## PROCEDURES

The following management and accounting guidelines are provided for all District PTO/Booster Clubs:

- 1) A PTO/Booster Club must have a President, Treasurer and Secretary who are active PTO/Booster Club members in order to operate. **District employees may not hold a Board position or handle cash for the organization.** Separation between District and the other entity **must** be maintained at all times. District employees can Chair or be on Committees within the organization. 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. If a qualified, active PTO/Booster Club 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.
- 2) The names of the organization's officers, addresses, phone numbers and email addresses will be submitted to the appropriate campus and the District's communication office at the

beginning of each school year (by September 15) and at any time during the year when officers change. This will give the campus and the District a list of people to contact regarding the administration of donated funds and a list that will be posted on our website as public information.

- 3) GASB Statement No. 39 of the Governmental Accounting Standards Board requires the District to obtain and review financial performance information of supporting organizations to determine whether these organizations should be considered as a component unit of the District for financial reporting. Information regarding the financial activities of the organization for each year ending June 30<sup>th</sup> (District fiscal year) will be sent to the District Finance office by July 15. Schedule A follows this document and should be used for the annual financial reporting. This information is valuable to the District as a review of donations received and to monitor fund raising events. Knowledge of fund raising events allows the District to monitor the student organization's fund raising activities so that the community is not over inundated with requests for funds. This form will also be used by the District's audit firm to ensure all District reporting requirements are met. The District will not audit your records.
  
- 4) Booster/PTO revenue must **not** include student dues or other student fees. This prevents the organization from resembling a student organization. If on-duty District staff are involved in the collection of funds from students at a District facility, those funds are District funds and accounted for either in the general fund of the District or the student activity fund, depending on the type of fee collected. **District employees should never collect or handle Booster/PTO funds.**
  
- 5) 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 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.

- 6) Expenditures must be for items necessary for the organization's fund raising activities and for the management of the organization. District related expenses must be sent to the school as donations and accepted by the school board as a donation through the District donation procedure. Expenditures for equipment (above and beyond what is considered standard equipment), and payments for bus trips are examples of expenditures that must not be directly made by the organization. These are school-related expenditures. When the organization wishes to donate money for the purchase of these items, the donation must be received and accepted by the District PRIOR to a purchase order being issued or a student activity being scheduled. A PTO/Booster Club officer may **not** approve their own expense or sign a check made out to them.

Funds may be used for expenses for the normal operation of the PTO/Booster Club, for example 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 cards to staff through a drawing
  - 2. Gift cards to teachers for school supplies through a drawing

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

- 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

- 7) Organizations should have a Midlothian ISD staff member present at all meetings if possible.
- 8) District employees may and many times will be members of these organizations. **District employees must not have financial control of the organization or hold an office in the Booster or PTO organization.** The organization's checkbook must **not** be housed on school district property **nor** should it be in the possession of a District staff member. **This procedure insures a strict separation of the District from the organization.**
- 9) There should be periodic meetings of the organization with minutes supporting these meetings. A financial report should be presented by the treasurer. All fund raising activities will be approved by the membership. All requests for payment of invoices or donations to the District will be approved by the membership. A designated officer, other than the treasurer, will initial or sign each invoice as approval for payment. Two officers should sign all checks (disbursements). There should be three authorized signers on the signature card to allow at least one back-up signer if one of the regular signers is not available.
- 10) If the organization should hire its own employees or contract for outside services, the organization is responsible for filing the applicable W-2 or 1099 forms. These contractors or employees may not be District employees. District employees may not be paid directly by the organization. In addition, current District employees may not volunteer for the organization while performing duties in the capacity of their current District job.
- 11) In order to protect the organization, its members, and its financial well-being, standard internal controls must be in place. The following include some basic internal controls necessary to prevent loss of funds through carelessness, mistakes, or misappropriation of funds:
  - Controls over bank accounts should include checking accounts requiring **at least two signers**; bank statements reconciled within 30 days of the statement date; and an additional monthly review of the banking transactions by an officer not involved in the financial aspects of the organization.
  - Controls over cash and receipts should include depositing all cash collections promptly upon receipt; receipts or other documentation provided to substantiate all collections; proper safeguarding of all cash; and reconciliation of all receipts at the



end of each event by at least two individuals. Electronic payments can be made to the Boosters through current cash apps. Accessibility to this app should be limited to a small group and **at no time should a District employee have access to this app**. Passwords to the app should be changed at least annually or anytime a member of this group is changed.

- Control over disbursements should include checks only generated with proper documentation; checks requiring the signature of a second officer; and never issuing blank checks. Payments should not be made through cash apps.
- Control over budgets should include approving a budget at the beginning of each school year; actual receipts and disbursements periodically compared to the budget; financial reports provided at each meeting; and preparing a financial recap of each fundraiser to present at meetings.

12) Sales taxes may be applicable to certain fund raisers. Organizations should check with the Texas State Comptroller's office for rules and reporting on sales taxes.

13) 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 15th day of the 5th 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.

13) Booster clubs should seriously consider the purchase of liability insurance to protect the organization and its members. Coverage to be considered should include general liability, officer's liability, business personal property (if booster owned property exists), and fidelity (otherwise known as bond) coverage.

The cost of the insurance varies depending on the amount of coverage, but is generally reasonable. Insurance underwriters for booster clubs, in most cases, require an annual audit/review to be performed by the organization and must have a procedure in place to have bank statements and reconciliations reviewed monthly by a member without check signature authority.

These are some guidelines that the District hopes will assist the supporting organization's management. Each organization is encouraged to contact their own financial professional and have annual audits or reviews done by an outside accounting firm. Comments or questions are welcome. Please contact the Finance Office at (469) 856-5000.

Schedule A-Annual Financial Submission for Booster Clubs/PTO's

<u>Organization Name</u>	<u>School Year</u>	<u>Campus</u>
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<u>Balance Sheet Information:</u>	\$ <u>Current Assets</u>	\$ <u>Current Liabilities</u>
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Income Statement Information (also called Profit/Loss Statement)

Summary of Revenues:

Net Fund Raising Activities (please provide list of all fundraisers):

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Total Fund Raising Activities	\$ _____
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Concession Sales	\$ _____
Membership Dues	\$ _____
Donations	\$ _____
Other _____	\$ _____

TOTAL REVENUE	\$ _____
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Summary of Expenditures:

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

TOTAL EXPENSES	\$ _____
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I hereby certify that the information above is true and correct to the best of my knowledge. Furthermore, I understand that although supporting organizations may be considered a separate entity whereby 501 (c)(3) status has been declared, the District is requesting this financial information in order to comply with GASB Statement No. 39 of the Governmental Accounting Standards Board.

<u>President</u>	<u>Date</u>	<u>Treasurer</u>	<u>Date</u>
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