BOOSTER CLUB / PTA HANDBOOK

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FOREWORD

The Business and Financial Services Department of Hutto Independent School District prepared these PTA/Booster Club Guidelines to assist PTA/Booster Clubs (PTOs, PTA's, Booster Clubs) in complying with District, University Interscholastic League (UIL), state, and federal requirements. The Business and Financial Services Department is not an authority on specific accounting situations or tax-related issues concerning individual PTA/Booster Clubs; therefore, these organizations should obtain competent, independent counsel on accounting and tax matters related to their specific circumstances.

MISSION STATEMENT

Hippo Nation inspires excellence in academics, character, and community.

REFERENCE LIST

- Texas Secretary of State www.sos.state.tx.us
512-463-5555

- Texas Secretary of State-Nonprofit Organizations www.sos.state.tx.us/corp/nonprofit_org.shtml
512-463-5555

- Internal Revenue Service (IRS) www.irs.gov
1-800-829-1040

- IRS Exempt Organizations www.irs.gov/charities/index.html
1-877-829-5500

- Texas Comptroller's Office-Taxability Issues www.window.state.tx.us
1-800-252-5555

- Texas Comptroller's Office-Exempt Organizations www.window.state.tx.us/taxinfo/exempt
1-800-531-5441, ext. 34142

- University Interscholastic League (UIL) www.uiltexas.org
512-471-5883

- UIL Booster Club Guidelines www.uiltexas.org/policy/booster-club-guidelines
512-471-5883

- Hutto ISD Board Policy Manual https://pol.tasb.org/Home/Index/1242

- Texas PTA Treasure Resource Guide: https://www.txpta.org/financial-reconciliation

INTRODUCTION

PTA/Booster Clubs (includes all PTOs, PTA, and Booster Clubs) are support organizations formed by parents to promote school participation in extracurricular activities or to complement a particular student group such as a campus or organization. The Hutto Independent School District greatly appreciates the time, effort, and financial support that the PTA/Booster Clubs provide to our students.

Although a PTA/Booster Club works very closely with the District, it is a separate entity from the District. The appropriate District Administrator should approve the formation of a PTA/Booster Club. In addition, a PTA/Booster Club should abide by all Hutto ISD Board Policies:

- GE (Local) Relations with Parent Organizations
- CDC (Legal) Other Revenues
- DBD (Local) Conflict of Interest
- GKB (Legal) Advertising & Fundraising in the Schools
- FFA(Legal)

In addition, PTA/Booster Clubs should abide by University Interscholastic League regulations and federal and Texas State laws concerning PTA/Booster Clubs.

The Superintendent is solely responsible for the entire educational program, including curricular and extracurricular activities. All events, activities, personnel, and organizations (including PTA/Booster Clubs) are under the jurisdiction of the Superintendent. It is crucial that PTA/Booster Clubs recognize this authority and work within the framework prescribed by the school administration.

Each school principal is directly responsible for all fundraising activities carried out in their school by school personnel or outside organizations on behalf of the school and student groups. PTA/Booster Clubs supporting the school should fully cooperate with the Principal in conducting any activities on behalf of the school. Principals may implement specific policies.

The sponsor of a student group is an employee of the District who serves as direct contact between the PTA/Booster Club and the District. The sponsor is responsible for determining the various activities in which the student group will participate with the approval of the Principal. The sponsor is not considered an officer or PTA/Booster Club member.

The PTA/Booster Club is responsible for supporting a student group, activity, or program. Their support supplements the students' activities, from providing a fan base at school games and events to fundraising for various activities. The collaboration between the sponsor and PTA/Booster Club helps to achieve the desired goals. PTA/Booster Clubs decide how much assistance they will provide and can offer suggestions about particular activities. However, the sponsor is responsible for the final decision, which will be made with the Principal's approval.

INCORPORATING A NONPROFIT ORGANIZATION

The organization should adhere to the legal structure (incorporated or unincorporated) indicated in its bylaws and organizational documents. In order to incorporate, you should apply through the Texas Secretary of State. Per the State Comptroller's Office, the primary benefit of incorporating is the limited liability. The following excerpts were downloaded from the Texas Secretary of State's website. The information documented below is subject to change by the Texas Secretary of State. Therefore, for the most up-to-date version of this information, please go to www.sos.state.tx.us/corp/nonprofit_org.shtml.

CERTIFICATE OF FORMATION FOR A NONPROFIT CORPORATION

A nonprofit corporation is created by filing a Form 202-Certificate of Formation with the Secretary of State in accordance with the Texas Business Organizations Code ("BOC"). "Nonprofit corporation" means a corporation in which no part of the income of which is distributable to members, directors, or officers [BOC, Section 22.001(5)]. Not all nonprofit corporations are entitled to exemption from state or federal taxes. Two copies of the signed Form 202, along with a filing fee, should be submitted to the Secretary of State at P.O. Box 13697, Austin, Texas 78711-3697. If the articles conform to the law, the Secretary of State will stamp the documents "filed," issue a Certificate of Formation, and return the certificate and a stamped copy to the remitter. The "filed" copy of the Certificate of Formation is conclusive evidence of corporate existence.

The Secretary of State has created a website designed to meet the minimum filing requirements of the relevant statutory provisions. Please refer to http://www.sos.state.tx.us/corp/index.shtml. This site may only meet the particular requirements of some transactions, but it gives general information. The information provided is not intended to provide legal or business advice and is not a substitute for the services of an attorney or tax specialist. If you have concerns or legal questions regarding a specific transaction, you should consult a private attorney. Should you have additional questions, please contact us via email at corpinfo@sos.state.tx.us. Instructions for the preparation and filing of a Certificate of Formation for a Nonprofit Corporation can be found on the Secretary of State's website. Please refer to https://www.sos.state.tx.us/corp/forms/202_boc.pdf.

TAX EXEMPTION

A Texas nonprofit organization, whether a corporation or an unincorporated association, is not automatically exempt from federal or state taxes. A nonprofit organization can become exempt by meeting specific requirements and applying with both the Internal Revenue Service and the Texas Comptroller of Public Accounts. The Texas Secretary of State does not make such determinations. The Secretary of State only incorporates organizations. Only nonprofit corporations that have 501(c)(3) federal status are considered exempt.

- **FEDERAL TAXES** - IRS Charities & Nonprofits page includes the following:

- To attain a federal tax exemption as a charitable organization, your certificate of formation should contain a required purpose clause and a provision for dissolving assets.
- IRS Stay Exempt: tax information for 501(c)(3) organizations
- IRS Publication 557, Tax-Exempt Status for your Organization.
- Life Cycle of a Public Charity: sample organizational documents and IRS filings
- IRS Form 1023, application for recognition of exemption and instructions.
- Information about Form 990-N reporting requirements for small tax-exempt organizations whose gross receipts are typically $50,000 or less
- Questions about federal tax-exempt status? Contact the IRS Exempt Organizations Section at 877-829-5500.

- **STATE TAXES** - The Comptroller of Public Accounts Exemption page includes the following:
  - Comptroller Publication 96-1045, Guidelines to Texas Tax Exemptions
  - Exemption Forms
  - Questions about state tax-exempt status? Review the Comptroller's FAQs here: www.window.state.tx.us/taxinfo/exempt or contact the Comptroller's Exempt Organizations Section by phone at 1-800-531-5441 or 512-463-4600 or via email

FEDERAL TAX INFORMATION

The purpose of this section is to provide general federal tax information to PTA/Booster Clubs. According to the IRS, an organization is either a taxable organization or a tax-exempt organization. Furthermore, organizations may not represent themselves as tax-exempt until they have obtained notification from the IRS stating they are a tax-exempt entity. There is no intention for the information provided to be specific or all-inclusive. It is each PTA/Booster Club's responsibility to seek competent professional tax advice for its own tax reporting and filing requirements. PTA/Booster Clubs should strive to remain in good standing with all federal and state regulatory agencies. For more information, you may visit the IRS Exemption Organization website: www.irs.gov/charities/index.html

WHY DO I WANT TO BE TAX-EXEMPT?

The IRS Tax Code provides for special treatment of specific organizations identified as "tax-exempt." Some benefits to becoming tax-exempt as a public 501(c)(3) organization include:

1. Taxes are not paid to the IRS for revenues raised
2. Contributions to specific tax-exempt organizations 501(c)(3) are tax-deductible by the contributor
3. PTA/Booster Clubs are not allowed to use the Hutto ISD Tax Exempt (EIN) number

However, the following are restrictions placed on tax-exempt organizations that Exempt

Organizations/PTA/Booster Clubs should follow to receive and retain tax-exempt status:

Tax-exempt organizations should benefit a group as a whole instead of benefiting individual members of a group. Since PTA/Booster Clubs usually assist student groups, all members of the sponsored student group are to be treated equally and receive the same opportunity and benefit from the PTA/Booster Club's assistance. Therefore, one student cannot receive a more significant benefit than another unless they meet the criteria for financial need discussed below. 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 to determine if a person is in financial need. If the student meets the criteria, the group or club could provide the necessary funds to allow the individual to participate.

The criteria should be established in writing (in the bylaws) prior to a particular situation arising. In addition, the criteria shall be consistent for all people, and the criteria shall not change every year.

Tax-exempt organizations cannot use individual accounts. "Individual accounts" are those accounts used by a PTA/Booster Club to credit an individual with revenues raised. The PTA/Booster Clubs would use these accounts to benefit the individual by offsetting that individual's expenses with the amount credited to that individual from the revenues raised. Please note that individual accounts do not refer to bank accounts. The purpose of a PTA/Booster Club is to benefit an entity as a whole instead of benefiting individuals.

Therefore, the use of individual accounts could result in the IRS denial of the application for tax-exempt status or the loss of existing tax-exempt status. In addition, the individual benefits received by people would result in taxable income to them.

Tax-exempt organizations cannot require a person to participate in fund-raising activities. Usually, PTA/Booster Clubs raise funds for a student group through the efforts of the PTA/Booster Club members; however, sometimes, the students the group assists participate in the fund-raising activities. A PTA/Booster Club cannot require its members or the students in the related student group to participate in a fundraiser. Furthermore, members of the student group who do not participate in fundraising activities would receive the same opportunity and benefit as those members of the student group who participated.

Tax-exempt organizations cannot require that a specific raised amount or a certain amount be sold per person. For example, a PTA/Booster Club cannot require that each PTA/Booster Club member or student of the assisted group sell $20 worth of candy or sell ten candy bars in a fundraiser. When applying for tax-exempt status with the IRS, Exempt PTA/Booster Clubs should apply for the **public 501(c) (3) tax exemption**. This type of exemption means that the organization is tax-exempt; the majority of its income is from the public, and all donations, subject to certain individual restrictions, are deductible on the contributor's tax return. In addition,

501(c)(3) organizations are eligible for state tax benefits and reduced postal rates.

FEDERAL REQUIREMENTS

1. **Employer Identification Number** - Before applying for federal tax exemption, obtain an Employer Identification Number (EIN). The IRS requires all organizations (entities) that conduct business to have their own Employer Identification Number. The organization cannot use a member's social security number as the organization's Employer Identification Number for banking or other business purposes. The organization cannot use the District's EIN as the organization's EIN. An organization can apply for an EIN with no fee to the organization:

- Online: Go to www.irs.gov, under the Hot Topics section, click on "Apply for an Employer ID Number," and then click "Apply Online Now." This is the preferred method for requesting an EIN. The site issues the EIN immediately once the site validates the application information.
- Telephone: Call 1-800-829-4933 from 7:00 AM to 7:00 PM local time, Monday through Friday
- Mail or Fax: Use Form SS-4, Application for Employer Identification Number. Mail to: Internal Revenue Service, Attn: EIN Operation, Cincinnati, OH 45999. Fax to 859-6695760.

2. **Application for Federal Tax-Exempt Status** - It is important to note that the formation of a nonprofit corporation through the Texas Secretary of State does not entitle the organization to an exemption from federal taxes. Until you have a determination letter from the Internal Revenue Service, you may still be subject to tax. To be exempt from federal taxes, please apply with the Internal Revenue Service using Form 1023-Application for Recognition of Exemption under Section 501(c)(3). General instructions on the rules and procedures are in IRS Publication 557- How to Apply for Recognition of Exemption for an Organization. These documents are available on the Internal Revenue Service website.

When completing Form 1023, PTA/Booster Clubs will establish their fiscal year-end (also known as the accounting year-end or official year-end). When considering a fiscal year-end date, you may wish to align your year-end with the school's year-end date of June 30. This way, the financial activity of the PTA/Booster Club can relate easily to a given school year. A second benefit of the June 30 fiscal year-end is that it allows the officers to prepare the annual financial report and have it reviewed before the new school year begins. A third benefit of the June 30th fiscal year-end is that the Organization's Form 990 would not be due to the IRS until after school begins, giving the new officers time to prepare it after beginning the new school year. Depending on the anticipated annual gross receipts, the user fee is either $400 or $850. If annual receipts are less than or equal to $10,000 during the preceding four years, or 501(c)(3) organizations with annual gross receipts less than or equal to $50,000 and assets less than or equal to $250,000, submit a user fee payment in the amount of $400. If annual gross receipts are greater than $10,000 during the preceding four years, you should submit a payment of $850. Mail package 1023 and the user fee to:

The Internal Revenue Service
P O Box 12192
Covington, KY 41012-0192

Once you submit Form 1023 to the IRS, you may receive an acknowledgment letter in approximately 21 days stating your received application. This letter may give you an estimated date for when your application will be determined.

While an organization's Form 1023 is pending approval from the IRS, the organization may operate as a tax-exempt organization. Recognized exemptions are only from the date of receipt. The date of receipt is the date of the U.S. postmark on the cover in which a mailed exemption application or, if no postmark appears on the cover, the date the application is stamped as received by the IRS.

Upon acceptance of your organization's exempt status by the Internal Revenue Service, the organization will receive a determination letter as evidence of approval. Keep this letter in a safe, permanent place to use regularly to prove the organization's exempt status.

3. **Annual Exempt Organization Information Returns** – PTA/Booster Clubs are required to file annual information returns. The deadline to file the return is the 15th day of the fifth month after the organization's year-end. Instructions for Forms 990-N, Form 990, and Form 990 EZ are on the IRS website at www.irs.gov under charities and nonprofits. If an organization does not file as required for three consecutive years, the law provides that it automatically loses its tax-exempt status.

- Form 990-N (e-Postcard). Small tax-exempt organizations whose gross receipts are less than or equal to $50,000 are required to electronically submit Form 990-N, also known as the e-Postcard.
- Form 990-EZ. (or may use Form 990). File when gross receipts are less than $200,000 and total assets are less than $500,000.
- Form 990. File, when gross receipts are greater than or equal to $200,000 or total assets are greater than or equal to $500,000.

4. **Tax-Exempt Contributions** - Contributions to PTA/Booster Clubs are deductible as charitable contributions on the donor's federal income tax return. However, the amount of the donation may be reduced if the donor receives something of value in return for the contribution. To determine if your organization has received exempt status 501 (c)(3), go to the IRS website; in the "Search" box, input "Pub 78," which will bring up Publications 78-Search for Exempt Organizations. When you click on this box and go to the link "search now," you will be able to search for your particular PTA/Booster Club.

5. **1099 Requirements** - Internal Revenue Service guidelines require that all payments for services of $600 or more made to an individual or unincorporated vendor by an organization report on a Form 1099 on an annual basis. The 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.

STATE TAX INFORMATION

STATE REQUIREMENTS

1. **Texas Application for State Tax Exempt Status** - Once 501(c) (3) designation has been achieved, the organization should apply for an exemption from sales and franchise tax from the Texas State Comptroller's Office. The written request includes a description of activities, copies of articles and bylaws, and a copy of the IRS determination letter granting tax exemption. Further information is on the Comptroller's website at www.window.state.tx.us/taxinfo/exempt.

2. PTA/Booster Clubs and similar organizations will not qualify for exemption as an educational organization. However, if the club or school support organization is exempt from federal income tax as a 501(c)(3) or 501(c)(4) organization, they would be entitled to exemption from sales tax and, if applicable, franchise tax. These organizations should submit form AP-204, Application for Exemption-Federal and All Others, along with a copy of the determination letter from the Internal Revenue Service stating that the organization has qualified as a 501(c)(3) or 501(c)(4) organization.

3. Send the completed application along with all required documentation to Texas Comptroller of Public Accounts, Exempt Organizations Section, and P.O. Box 13528, Austin, TX 78711-3528. Contact the organization within ten working days after receipt of the application and its status. After a review of the material, the organization will be informed in writing if it qualifies for exemption. If you have questions or need more information, contact the Tax Assistance staff at 1-800-252-5555 or in Austin at 512-463-4600.

4. Although sales tax exemptions apply to purchases necessary to an organization's exempt function, the exempt organization should collect tax on most of its sales. Exempt organizations should claim an exemption at the time of purchase by providing a properly completed Texas Sales Tax Resale Certificate in lieu of paying tax to the retailer. Items purchased tax-free by an exempt organization cannot be used for the personal benefit of an individual or another private party. See Exempt Organizations-Sales and Purchases (Pub. 96-122) (PDF, 405KB) for more information.

5. Generally, an exempt organization should get form AP-201, Sales Tax Permit, then collect and remit sales tax on all taxable items it sells. There is no fee for the permit. The exempt organization may not use the number of another PTA/Booster Club or the number of Hutto ISD. May apply online at the following link: http://window.state.tx.us/taxpermit.

6. When you obtain your Texas sales and use tax permit, you will be instructed to file your tax return on a monthly, quarterly, or yearly basis (the determination is based on the volume of sales expected for your

business). A Sales and Use Tax Return is a form used by a Texas sales and use tax permit holder to report the collection and remittance of sales and use taxes to the Comptroller's office. This filing requirement will be adjusted based on the amount of taxes that you actually collect.

- **Monthly**: Taxpayers who collect $500 or more in state sales or use tax in a month should file monthly. Monthly sales and use tax returns are due on or before the 20th day of the month following the month in which the taxes were collected. For example, the July return should be filed on or before August 20.
- **Quarterly**: Taxpayers who collect less than $500 in state sales and use tax per month (or less than $1500 per calendar quarter) may file quarterly. Quarterly sales and use tax returns are due on or before the 20th day of the month after the end of the quarter in which the taxes were collected. For example, the first quarter covers January, February, and March, and the return should be filed on or before April 20.
- **Yearly**: Taxpayers who collect less than $1,000 in state sales and use tax per year may file yearly. Yearly sales and use tax returns are due on or before January 20.

TAXABLE VS. NON-TAXABLE ACTIVITIES

TAXABLE STATUS OF PURCHASES

- An organization should provide the vendor with a valid signed exemption certificate when claiming state sales tax exempt status. Exemption certificates do not require tax identification numbers to be valid, nor is the vendor required by law to honor the exemption.
- The District's exemption status may not be utilized by parents, PTA/Booster, patron, or alumni organizations to secure exemption from sales and excise taxes. Parent/teacher organizations, Exempt Organizations, and PTA/Boosters Clubs should apply for their own exemption.
- Members of the PTA/Booster Club may not use tax-free items for personal benefit.
- Meals purchased by the organization for athletic teams, bands, etc., on authorized school trips, are exempt from sales tax if the organization contracts for the meals. The organization should pay for the meals with a check and provide an exemption certificate.
- Individual members of the athletic team, band, etc., may not claim exemption from the sales tax on the meals they purchase while on a school-authorized trip.

TAXABLE STATUS OF SALES

- The PTA/Booster Club shall collect sales tax on all taxable sales unless the items are qualified tax-exempt, such as food, or sold as part of the two one-day tax-free sales.
- Items that become the personal property of the student (cheerleader uniforms, band t-shirts, etc.), even though connected with a school or organization, are not exempt from tax.

- Below is a list of items or activities that have been identified as being taxable or non-taxable by the Comptroller's Office when sold or sponsored by a school, by an organization within a school, PTA/Booster Clubs, and employee associations. **The lists are not all-inclusive but may help you make determinations on other similar sales. For a full list of items, please visit**: http://www.cpa.state.tx.us/taxinfo/taxpubs/tx96_122.pdf

NON-TAXABLE SALES

State and local sales taxes should not be imposed and collected on sales for:

- Ad sales in yearbooks, athletic programs, newspapers, posters
- Admission tickets – athletics, dances, dance performances, drama, and musical performances
- Admission-summer camps, clinics, workshops, project graduation, banquet fees, bids, prom, homecoming, tournament fees, academic competition fees
- Club memberships
- Cosmetology Services (Products sold to customers are taxable)
- Discount/Entertainment cards and books
- Facility rentals for school groups
- Food and drinks sold at PTA/Booster Club Carnivals
- Sale of food and soft drinks sold during a regular school day, subject to an agreement with the proper school authorities.
- Vending machine sales
- Meals and food products, including candy and soft drinks, are served in an elementary or secondary school during the regular school day.
- Candy and food items sold through fundraising drives by PTA/Booster Clubs/PTOs or students of the school who are under 18 years of age
- Labor-automotive, upholstery classes (parts are taxable)
- Lost Library Books or Lost Textbooks
- Magazine subscriptions greater than six months
- Parking Permits for students, faculty, and staff
- Replacement student ID (fee/fine for replacement of required item)
- Services-car wash, cleaning

TAXABLE SALES

State and local sales taxes should be imposed and collected on sales for:

- Agenda books
- Agricultural sales
- Art - supplies, and works of art
- Alcohol (Alcohol cannot be on school property or consumed at events where students are present.)
- Artistic CDs, tapes, and videos
- Athletics - equipment, uniforms

- Auction items sold
- Automotive parts and supplies
- Band - equipment supplies, patches, badges, uniforms sales, and rentals
- Book covers
- Books – workbooks, vocabulary, library, author (when PTA/Booster Club is the seller)
- Book Fairs – all books sold
- Brochure Items
- Calculators
- Calendars
- Candles
- Car – painting, pinstriping
- Clothing – school, club, class, and spirit
- Computers – supplies, mouse pads
- Cosmetology products sold to customers
- Cups – glass, plastic, paper
- Decals
- Directories – student, faculty
- Drafting supplies
- Family and Consumer Science – supplies and sewing kits
- Fees – copies, printing, laminating
- Flowers – roses, carnations, arrangements
- Greeting cards
- Handcrafts
- Horticulture items
- Hygiene supplies
- Identification Cards – when they are sold to the entire student body (not just the fine for lost ID)
- Locks – sales and rentals
- Magazines – subscriptions less than six months
- Magazines – when sold individually
- Musical supplies – recorders, reeds
- Parts – career and technology classes (not to include products used in Cosmetology)
- Parts – upholstery
- PE – uniforms, supplies
- Pennants
- Pictures – school, group (if the school is the seller)
- Plants – holiday greenery and poinsettias
- Rentals – equipment of any kind
- Rentals – uniforms of any kind, towels
- Repair to tangible personal property (i.e., computer repair, house remodeling)
- Rings and other school jewelry
- Rummage, yard, and garage sales
- Safety Supplies
- School publications – athletic programs, posters, brochures, magazines (unless 6-month subscription), newsletters, newspapers, reading books, sheet music, yearbooks
- School store – all items
- Science – science kits, boards, supplies
- Spirit items
- Stadium seats
- Stationary
- Supplies sold to students
- Uniforms – any type to include PE, dance team, drill team, cheerleaders, athletics, and club shirts
- Vending – pencils and other non-edible supplies when the school services the machine
- Woodworking crafts – entire sales to include parts and labor
- Yard sign

FOOD SALES

The sales tax statute exempts the sales of food, including meals, soft drinks, and candy, by a group associated with a public, private elementary, or secondary school when the sales are part of a fundraising drive sponsored by the organization and all net proceeds from the sale go to the organization for its exclusive use. PTA/Booster Clubs are included in the provision. It does not matter if the sale is during the school day, the evening, or on the weekend; if it is a fundraiser, it is not taxable. All athletic event concession sales are taxable unless the sales are part of a fundraising event.
Please refer to the tax Publication 96-122, Exempt Organizations-Sales, and Purchases, which can be found at http://www.cpa.state.tx.us/taxinfo/taxpubs/tx96_122.pdf.

Also, see Publication 94-183, School Fundraisers and Texas Sales Tax, from the Sales and Use Tax Bulletin. http://www.window.state.tx.us/taxinfo/taxpubs/tx94 183.pdf

CATALOG SALES & BOOK FAIRS

All catalog fundraisers and book fairs are considered taxable and cannot be considered as one of your two "one-day, tax-free" sales per calendar year. Your PTA/Booster Club is considered an agent of the vendor and, therefore, should collect sales tax for items sold that are taxable. If you plan to hold a catalog fundraiser, the tax should be collected for those items that are taxable in the fundraiser. For instance, gift wrap is taxable, but cookie dough is exempt from sales tax by law. The vendor should remit the applicable sales tax to the Texas Comptroller's Office. A late fee would be imposed by the Texas Comptroller's Office to any entity failing to submit a sales tax report even if sales tax was not collected during the period.

ONE-DAY TAX-FREE SALES

Each school, each student group (band, orchestra, student council, etc.), and qualified exempt organizations such as PTA/Booster Clubs may conduct two one-day tax-free sales or auctions each calendar year. For the purposes of this exemption, one day is counted as 24 consecutive hours, and a calendar year is the 12-month period from January through December. See Tax Code Section 151.310(c) and Rule 3.322(h)(2).

Items sold at one-day tax-free sales should be purchased tax-free by issuing a Texas Sales Tax Resale Certificate to the seller. A one-day tax-free fundraiser can add to the profitability of a fundraiser and/or reduce the total costs to the buyers. Proper planning can qualify an organization's fundraisers as one-day tax-free sales. One way to qualify a fundraiser as a tax-free sale would be to deliver the items being sold to the buyers on a single day. Orders and/or collections could be taken over an extended period before delivery is made. Persons buying from surplus inventory on the designated date do not owe tax. Those buying on subsequent dates owe tax unless the purchase occurs on the organization's other tax-free sale day.

***Please note: The information provided in the State Tax Information section is not all-inclusive. If you have any specific questions, please call the Texas Comptroller of Public Accounts at 1-800-252-5555.**

BOOSTER CLUB FORMATION

BYLAWS

Each PTA/Booster Club should develop and maintain bylaws that should be reviewed on an annual basis. The bylaws should contain the details of the rules of membership. This document should address the organization's fiscal year, organizational structure, and the methods used to elect officers. The organization's bylaws should be posted online or made available to the District. This document should be updated with any changes.

Employees of the District should not serve in the financial capacity of a booster or other parent organization. Financial capacity includes holding positions of treasurer, fundraising chairperson, or serving as a check signer.

OFFICERS

Below are recommendations regarding best practices for PTA/Booster Club officials. Each organization should review its specific bylaws with regard to officer selection and duties.

PRESIDENT

Typically, the president of a PTA/Booster Club is an individual who has previously been active in the organization. The major duties can include, but are not limited to, the following:

- Preside at all meetings of the organization;
- Regularly meet with the designated campus representative regarding PTA/Booster Club activities;
- Resolve issues in the membership;
- Regularly meet with the treasurer of the organization to review the organization's financial position;
- Select an officer as the designee to receive bank statements. This individual shall not be a signer on the account. Upon receipt, the designee should review the activity on the bank statement and cancel checks for reasonableness. This provides an independent review by an individual not associated with disbursement activity.
- Schedule an annual audit of records or request an audit if the need should arise during the year;
- Perform any other specific duties as outlined in the bylaws of the organization.

VICE-PRESIDENT

The vice president acts as the president's representative in his/her absence. They should remain familiar with the organization's activities. The major duties include, but are not limited to, the following:

- Preside at meetings in the absence or inability of the president to serve;
- Perform administrative functions delegated by the president;

- Perform other specific duties as outlined in the bylaws of the organization.

Note: Larger PTA/Booster Clubs may find it necessary to elect several vice presidents who are responsible for different areas. Such positions shall be clearly defined in the bylaws of the organization.

SECRETARY

The secretary is responsible for keeping accurate records of the proceedings of the organization and reporting to the membership. The secretary should ensure the accuracy of the minutes of the meetings and should have a thorough knowledge of parliamentary procedures and the organization's bylaws. The major duties can include, but are not limited to, the following:

- Report on any recommendations made by the executive board of the PTA/Booster Club if such a governing board is defined by the bylaws;
- Maintain the records of the minutes, approved bylaws and any standing committee rules, current membership, and committee listing;
- Record all business transacted at each meeting of the association as well as meetings of any executive board meetings in a prescribed format;
- Maintain records of attendance of each member;
- Conduct and report on all correspondence on behalf of the organization;
- Other specific duties are outlined in the bylaws of the organization.

TREASURER

The treasurer is the authorized custodian of the funds of the PTA/Booster Club. The treasurer received and disbursed all monies indicated in the budget and prescribed in the local bylaws or as authorized by the action of the association. The major duties can include, but are not limited to, the following:

- Issue a receipt for all monies received and deposit said amounts in a timely manner;
- Present a current financial report including bank statements, bank reconciliations, and financial statements (Copies should be available for review by the general membership if requested);
- File current financial reports at the end of each year with the Business Services Department;
- Maintain an accurate and detailed account of all monies received and disbursed;
- Reconcile all bank statements as received and resolve any discrepancies with the bank immediately;
- File sales tax reports as required by the comptroller's office (monthly, quarterly, or annually);
- File annual IRS form 990, 990-N, or 990-EZ in a timely manner;
- Other specific duties are outlined in the bylaws of the organization.

COMMITTEES

Below is information regarding standard committees that PTA/Booster Clubs may consider forming. Each organization should review its specific bylaws with regard to standing and ad hoc committees.

SPECIAL COMMITTEES

Special committees are created for a specific purpose and voted upon by the membership. The committee is automatically dissolved as soon as that purpose is accomplished and the committee report is made. Special committees should complete their assignments within the current school year. If the objectives are not met at the end of the school year, officers will be required to reappoint members of the committee for the following year until the purpose of the committee has been achieved. Individuals who have a conflict of interest shall not be allowed to serve as members of the committee. For example, senior parents would not be included on a scholarship committee since their child is a potential recipient of the money.

NOMINATING COMMITTEE

The nominating committee is formed from the organization's membership in the spring of each year. The purpose of the committee is to recommend various members of the organization for office in the coming school year. The nominating committee should be charged with soliciting recommendations for officer positions within the organization. The committee should then contact the potential candidate directly to ascertain their willingness and desire to serve. The nominating committee should report back to the membership on their results in the spring (typically by mid-April) so that elections may be held.

AUDIT COMMITTEE

At the end of the fiscal year, an audit of the PTA/Booster Club's financial records should be conducted. The audit should be performed by individuals who are independent of day-to-day financial activities. Ideally, this audit should be performed by a group of two to three individuals. The primary objectives of the audit are to:

- Verify the accuracy of the Treasurer's financial reports;
- Ensure that the club's cash balances are accurate;
- Determine that established procedures for handling booster funds have been followed;
- Ensure that expenditures occurred in a manner consistent with the organization's bylaws;
- Ensure that all revenues have been appropriately received and recorded;
- All members of the audit committee shall sign a statement indicating their agreement with the findings detailed in the report.

The audit committee shall make a report to the general membership upon completion of the audit. Any discrepancies noted shall be brought to the attention of the president of the organization, and a resolution will be reached prior to presentation. All officers of the organization shall make records available as requested by the committee. At the end of the audit, the audit committee should produce a financial certification, an audit

report, an income statement, and a balance sheet.

ELECTION OF OFFICERS

The election of officers of the organization should occur annually within the timelines and manner prescribed by the PTA/Booster Club's bylaws. Typically, the election of officers should occur by May of each year so that the newly elected officers may be in place for the start of the next school year. The transfer of records and audit of the accounts should be completed no later than September 1 of each year.

Officers may be elected using a variety of methods (a simple majority, secret ballot) following the organization's bylaws. At no time should officers be appointed without the input and approval of the membership.

STANDARDS FOR MEETING

Notice of all meetings of the PTA/Booster Club should be communicated before the meeting date. The notice should indicate the date and time of the meeting and the items to be discussed. All PTA/Booster Club meetings should take place on school premises. In order to provide an optimum level of communication and teamwork, PTA/Booster Club meetings should be held in the presence of the campus Principal or other school sponsors.

RULES FOR DISSOLUTION

To dissolve a PTA/Booster Club, a PTA/Booster Club should follow the timelines and manner prescribed by the PTA/Booster Club's bylaws. Typically, a resolution shall be adopted by the PTA/Booster Club (or the executive board if the organization is inactive) stating that the question of such dissolution be submitted to a vote at a special meeting of the members having voting rights. At least 30 days before the meeting, written or printed notice shall be given to each member entitled to vote stating that the purpose of such meeting is to consider the advisability of dissolving the organization. The PTA/Booster Club should determine the distribution and usage of treasury monies and other assets before dissolution. In order to comply with Internal Revenue Service guidelines, the organization should ensure that excess funds are distributed within the framework of the organization's original purpose – i.e., band booster funds would remain with the musical program at that particular campus. Any other distribution of funds could void the organization's tax-exempt status and force it into a taxable situation. This should be noted in your PTA/Booster Club bylaws.

RECORD KEEPING

The secretary and treasurer of the organization should turn records over to the incoming officers within 30 days of an election. Certain records, such as Articles of Incorporation/Association, Bylaws and amendments, IRS Determination Letters, annual budget, end-of-year financials, and tax filings, should be maintained as permanent records. Day-to-day financial records should be maintained for at least seven years. Other records

should be identified and maintained as appropriate.

FINANCIAL REPORTING TO DISTRICT

GASB Statement No. 39 of the Governmental Accounting Standards Board requires the District to obtain and review the financial performance information of supporting organizations to determine whether these organizations should be considered component units. Therefore, PTA/Booster Clubs are required to submit end-of-year financial statements to the Hutto ISD Business and Financial Services Office by September 1 each year. Please see **Exhibits A and B** for the required PTA/Booster Club financial information.

GENERAL & RESPONSIBILITY GUIDANCE

The purpose of the PTA/Booster Club guidelines is to provide general, not specific, or all-inclusive, tax and other information as it relates to the PTA/Booster Club. The District's Business and Financial Services Department provides this information; however, Business and Financial Services does not have authority over specific accounting situations or tax-related issues concerning individual PTA/Booster Club. It is each PTA/Booster Club's sole responsibility to seek competent professional tax and legal advice on its own and at its expense on an as-needed basis to assist and advise it on legal and tax matters. PTA/Booster Clubs should comply with all Hutto ISD policies, UIL regulations, and Federal and Texas state tax laws.

GENERAL GUIDANCE

- A PTA/Booster Club is created by parents to provide support for school programs. Please see policy GE (Local) for specific guidance and expectations: http://pol.tasb.org/Home/Index/1151.

- Each PTA/Booster Club is a separate entity from the District and its school, and may not represent the District nor bind the District or any of its employees to a third party with which the organization may conduct business.

- Each PTA/Booster Club shall operate under bylaws that should be kept in writing in the permanent records of the organization.

- All meetings of parent organizations should be public meetings. Minutes of all PTA/Booster Club meetings should be kept in writing in the permanent records of the organization.

- Schools are not equipped nor funded to receive, sort, safeguard, or distribute mail for all of the District's PTA/Booster Clubs. Therefore, PTA/Booster Clubs should obtain a post office box or an organization mailing box to receive official PTA/Booster Club mail. The District does not recommend

using a home address since officers change frequently. Maintaining a consistent mailing address is imperative.

  - According to the USPS Website, a PO box can range from $60 - $156 a year.

- PTA/Booster Clubs have no authority to direct any school employee in any of his or her duties. Further, they have no authority to guide, direct, or establish guidelines for any school or student activity.

- If any organization approved by the Superintendent or designee disbands, ceases to operate, chooses to withdraw from association with the District, or fails to renew the approval by the Superintendent or designee, all funds and property of the organization shall be handled following the organization's bylaws.

- Any organization that fails to adhere to any Board policies or any administrative regulations may be disbanded and shall cease to be recognized by the District as a legitimate PTA/Booster Club.

RESPONSIBILITY GUIDANCE

- The responsibility for the proper collection, reporting, disbursement, and safeguarding of all money and other PTA/Booster Club assets rests solely with each PTA/Booster Club's officers, jointly and severally, not with the School District or with any of the District's employees.

- **The commingling of PTA/Booster Club money with school money is strictly prohibited.** A legitimately organized PTA/Booster Club should have a separate bank account for collections and disbursements outside of the campus activity funds.

- No improvements to Hutto ISD facilities are to be started without written approval from the Hutto ISD Assistant Superintendent of Operations.

- PTA/Booster Clubs should begin each year with specific goals in mind before determining the dollar amount needed in a fundraising event. It is imperative that all funds collected through fundraising efforts are spent for the purposes they were collected.

- For proper safeguarding of funds, all funds received should be receipted and deposited within 24 hours of receipt.

- It is a best practice that at least two officers sign each disbursement.

- PTA/Booster Clubs should not use the school's name on its checks or its literature. The use of the school name might imply that the school or the District is responsible for any obligations entered into by the club. A proper name on accounts and literature would be "ABC High School Band PTA/Booster Club" as an example.

- District employees, including Principals, teachers, sponsors, and coaches, may not serve in the financial capacity of a PTA/Booster Club. Examples include treasurer, fundraising chairperson, or check signer.

- UIL guidelines state, "Individuals who actively coach or direct a UIL activity should serve in an advisory capacity to the PTA/Booster Club and should not have control or signature authority over PTA/Booster Club funds, including petty cash or miscellaneous discretionary funds. Coaches' wish lists should have received prior approval from the school administration before submission to boosters."

- The purchase or consumption of tobacco products, e-cigarettes, alcoholic beverages, or controlled substances while on school property or in the presence of students is **expressly prohibited**.

SPECIFIC GUIDANCE

GIFTS & AWARDS TO STUDENTS

UIL Awards and Amateur Rules govern that PTA/Booster Clubs may not give any gift or award in money or other valuable consideration to a student unless specifically allowed by the UIL. Awards that students may receive are outlined explicitly in Subchapter O, Section 480(a)(2) of the UIL Constitution and Contest Rules. No gifts or purchases that individually benefit students shall be made outside of UIL guidelines. Please refer to the UIL PTA/Booster Club Guidelines for detailed information: https://www.uiltexas.org/files/booster-guide.pdf

GIFTS & AWARDS TO SPONSORS AND COACHES

UIL Guidelines stipulate that coaches and directors of UIL academics, athletics, and fine arts may not accept more than $500 in money, product, or service from any source in recognition of our appreciation for coaching, directing, or sponsoring UIL activities. The $500 limit is cumulative for a calendar year, received from any organization, and is not specific to any one particular gift.

GIFTS & AWARDS TO ALL EMPLOYEES

Board Policy DBD (Local) states: "An employee shall not accept or solicit any gift, favor, service, or another benefit that could reasonably be construed to influence the employee's discharge of assigned

duties and responsibilities." For additional guidance, see **Exhibit D** on page 41.

REIMBURSEMENT FOR INSTRUCTIONAL MATERIALS AND SUPPLIES

An employee may receive reimbursement from a booster club or parent organization for up to $500 of expenditures for instructional materials or supplies documented by receipts that have been purchased during a school year.

BANQUETS

PTA/Booster Clubs may hold a banquet to celebrate parent and student achievements for the year with the approval of the Campus Principal. However, keep in mind that banquet favors or gifts are considered valuable consideration and are subject to the UIL Awards and Amateur Rules if they are given to a student-athlete at any time.

ADVERTISING GUIDELINES

Hutto ISD recommends the following guidelines: When PTA/Booster Clubs create advertising, they must accept or distribute advertising. Advertising includes ads in programs, playbills, and signs. Hutto ISD will not accept advertising if the material meets any of the following conditions:

1. Is defamatory, libelous, obscene, profane, or vulgar;
2. Is for controlled substances, habit-forming drugs, tobacco products, firearms, or firearm ammunition, beer, alcohol, adult-only entertainment, or sexually-oriented businesses;
3. Promotes, advocates, or depicts lawless, violent, disruptive, unsafe, or anti-social behavior;
4. Is deemed inappropriate for the age and maturity of the students or could negatively affect student self-image or self-esteem, i.e., body shaming;
5. Would violate the intellectual property rights, privacy rights, or other rights of another person;
6. Would attack any group based on race, religion, gender, sexual orientation, national origin, disability, or any other basis prohibited by law;
7. Endorses or promotes political candidates;
8. Attempts to influence the outcome of any election;
9. Promotes any religious denomination, sect, or society;
10. Compromises or inhibits the safety or functioning of the District or any school, school bus, or other motor vehicles, or equipment; or
11. Promotes a business that directly competes with the primary mission of Hutto ISD.

Advertising shall be in good taste, reflect positive values, and, when possible, contain an educational theme. For specific questions or advertising guidelines, contact the Hutto ISD Communications and Community Relations Department at (512) 759-3771.

DONATIONS

Following Board Policy CDC (Legal), gifts to the District, when not otherwise directed by the grantor, vest the property in the Board. Funds or other property donated, or the income therefrom, may be expended for any purpose designated by the donor that is in keeping with the lawful purposes of the schools that are to benefit from the donation or for any legal purpose if the donor designated no specific purpose.

UIL Guidelines state, "Money given to the school cannot be earmarked for any particular request. The PTA/Booster Club may suggest or recommend how the money is to be spent but cannot require the Superintendent or Principal to spend the money in any specific way. All gifts shall become District property and used by the District at its discretion."

AUDIT OF BOOSTER CLUBS

Each PTA/Booster Club should conduct an audit of the financial records at the end of the fiscal year when there is a change in treasurer and when there is a change in any officer who signs PTA/Booster Club checks. The audit protects the PTA/Booster Club and provides a clean slate for incoming members of the organization. It assures that all deposits and payments are accounted for and consistent with the goals for the year. An audit may be conducted by an outside party, such as a CPA, or an audit committee comprised of at least two (2) members of the PTA/Booster Club. They should not be officers who are signers on the checking account. They should not be related to those officers who are signers on the account, nor should they be related to each other. Please see **Exhibit C** for an audit committee that suggested an audit program.

RECORD RETENTION

All PTA/Booster Club and exempt organizations records should be maintained in a manner that facilitates the transfer of duties to new officers each year. Original records, such as Articles of Incorporation/Association, Bylaws and amendments, IRS Determination Letters, annual budget, end-of-year financials, and tax filings, should be maintained as permanent records. Day-to-day financial records should be maintained for at least seven years. Other records should be identified and maintained as appropriate. Audit documentation should be maintained in the organization's permanent records. Organization records not permanently retained may be kept for at least seven years after the end of the fiscal year.

INSURANCE

PTA/Booster Clubs are required to 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 a bond) coverage. The cost of the insurance varies depending on the amount of coverage but is generally reasonable. Insurance underwriters for PTA/Booster Clubs, in many cases, require an annual audit to be performed by an Audit Committee and should have a procedure in place to have bank statements and reconciliations reviewed by a member without check signature authority.

BANK ACCOUNT

PTA/Booster Clubs should set up a separate bank account with the PTA/Booster Club's EIN only. A person's social security number or the District's EIN should not be used to set up a bank account nor conduct the business of the organization.

To open a bank account, the PTA/Booster Club should first obtain an Employer Identification Number (EIN) from the IRS. See the Federal Tax Information section for more information on obtaining an EIN (Note: Specific steps for opening a bank account may vary by institution.)

The PTA/Booster Club shall not use just the school's name on its checks or its literature. The use of the school name might imply that the school or the District is responsible for any obligations entered into by the club. It should include the PTA/Booster Club's name on the bank account. For example, a proper name on accounts and literature would be "ABC High School Band PTA/Booster Club" with the PTA/Booster Club address, not the school address.

The District recommends that at least two authorized signatures be required for each check written to assist in establishing proper internal controls over check disbursements. School District employees may not be the signers on PTA/Booster Club bank accounts for their own campus or programs they are the sponsor of. It is recommended that at least three authorized signers be allowed with the bank to allow for one back-up signer if one of the regular signers is not available. Bank account(s) should be reconciled monthly.

FUNDRAISING GUIDANCE

FUNDRAISING PARTICIPATION AND QUOTAS

Fundraising activities should support the educational goals of the school and should not exploit students. Therefore, fundraising efforts should be planned and carried out by the parents, not students. PTA/Booster

Clubs cannot require a member to participate in fund-raising activities. In addition, members cannot be required to sell or raise a certain amount. Both of these practices may jeopardize an organization's tax-exempt status with the IRS. However, PTA/Booster Clubs may develop specific criteria that should be met in order for a benefit to be given to a member.

INDIVIDUAL ACCOUNTS

Tax-exempt organizations cannot maintain individual accounts that are earmarked for a particular individual. According to the IRS, revenues generated from fundraising by tax-exempt organizations should benefit the organization as a whole, not individuals. "Individual accounts" are those accounts used by a PTA/Booster Club to credit an individual with revenues raised. The PTA/Booster Club would use these amounts to benefit the individual by offsetting that individual's expenses with the amount credited to that individual from the revenues raised. The purpose of a tax-exempt organization is to benefit an entity as a whole instead of benefiting individuals. Therefore, the use of individual accounts could result in the IRS denial of the application for tax-exempt status or the loss of existing tax-exempt status. In addition, the individual benefits received by people would result in taxable income to them.

RAFFLES

In an effort to assist parent organizations' compliance with the Charitable Raffle Enabling Act, the following information is being presented as outlined by the Attorney General of Texas:
www.oag.state.tx.us/consumer/raffle.shtml

A raffle is the awarding of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize.

Board Policy GKB (Legal) states, "A 'qualified nonprofit organization' for purposes of the Charitable Raffle Enabling Act may conduct raffles in accordance with the Act to benefit the District or school. A PTA/Booster Club may be qualified to hold such raffles if it meets the requirements of the Act."

Please see Occupations Code 2002.003, 2002.051 for specific guidance on whether or not your organization is a "qualified non-profit organization."
http://www.statutes.legis.state.tx.us/Docs/OC/htm/OC.2002.htm

- Must be at least three years old;
- Must elect its governing body;
- Must have a 501(c) tax exemption;

- Must have members;
- Cannot distribute income to its members and
- Cannot participate in any political campaign.

Qualified non-profit organizations that meet the requirements of the Act are permitted to hold raffles subject to the following conditions:

- May hold only two raffles per calendar year and only one raffle at a time
- Raffle tickets may not be advertised statewide or through paid advertisements
- Specific information should be printed on each raffle ticket sold or offered for sale:
    1. The name of the organization conducting the raffle
    2. The address of the organization or of a named officer of the organization
    3. The ticket price
    4. A general description of each prize having a value of more than $10
    5. The date on which the raffle prize(s) will be awarded
- No one may be compensated directly or indirectly for organizing or conducting a raffle or for selling raffle tickets
- A raffle prize may not be money (cash or a negotiable instrument such as a check, money order, or certificate of deposit)
- The organization may not permit a non-member or other unauthorized person to sell or offer to sell raffle tickets
- Proceeds from ticket sales should be used only for the charitable purpose of the organization

A raffle that violates the Charitable Raffle Enabling Act is considered illegal gambling under the Texas Penal Code subject to a Class A misdemeanor (conducting) or Class C misdemeanor (participating).

Please see IRS Notice 1340 for specific guidance on whether or not your organization will need to file Federal Income Tax Withholding

Generally, an exempt organization must report raffle prizes if:

- the amount paid reduced, at the exempt organization's option, by the wager (the amount a person paid for the chance to win a prize), is $600 or more; and
- The payout is at least 300 times the wager amount.
- The organization uses Federal Form W-2G for this report.

Example 1: Wendy purchased a $1 ticket for a raffle conducted by a PTA/PTA/Booster Club, an exempt organization. On October 31, 2019, the drawing was held, and Wendy won $900. The PTA/PTA/Booster Club must file Form W-2G with the IRS and give a copy of Form W-2G to Wendy.

For more complete guidelines, please see Exhibit E

INTERNAL CONTROLS

In order to protect the PTA/Booster Club, its members, and its financial well-being, standard internal controls should be in place. The following is a summary of basic internal controls necessary to prevent the loss of funds through carelessness, mistakes, or misappropriation.

CONTROLS OVER BANK ACCOUNTS

- PTA/Booster organizations are required to establish a checking account at a banking institution. The organization should try to limit the number of bank accounts they have open. Limited accounts will indicate that the reconciliation/management of funds is more straightforward.
- Accounts should be established with at least three individuals on the signature card. Checks should require the signature and authorization of two club officers.
- Bank statements should be reconciled within 30 days of the date of the statement to ensure that possible inaccurate transactions are identified and communicated to the financial institution for correction.
- A second officer, not involved in the financial aspects, should review and sign off on the completed bank reconciliation and bank statement. The review should include specific attention to outstanding or reconciling items, as well as reasonableness with the Treasurer's report, budget, and ongoing business of the organization.
- Fewer bank accounts, check signers, and members handling cash limit the opportunity for fraud.

CONTROLS OVER CASH & RECEIPTS

- All cash collections received by the PTA/Booster Club for fees, dues, fundraising, etc., should be deposited upon receipt and prior to holidays and weekends.
- Funds should be supported by documentation to record the source and amount of funds (cash receipt form, tabulation of monies collected form, ticket sales record, etc.). Documentation shall be readily available for audit purposes.
- Cash should be adequately safeguarded at all times.
- At no time should PTA/Booster Club funds collected be maintained at a member's home. Every effort should be made to balance funds collected the day of the event and deposit them at the bank or bank night drop for safekeeping.

- Have a second individual recount and verify deposits to ensure the funds are accurately counted.

CONTROLS OVER DISBURSEMENTS

- Checks should not be generated without proper documentation (i.e., original invoice or receipt).
- Validate documentation as "paid" after it is used to issue a check so that it is not used again to duplicate payment.
- Checks should require the signature of two officers.
- Blank checks should not be issued under any circumstances. The best practice is to have a member submit a receipt after the purchase for reimbursement or an invoice prior to purchase so that the check is issued directly to the vendor for the exact purchase amount.

BUDGETARY & OVERSIGHT CONTROLS

- 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.
- It may be helpful to use a budget tracking form for members to help track expenses and manage the budget.
- The Treasurer should provide financial reports at each meeting, which should include the bank account balance and budget versus actual receipts and expenditures.
- Prepare a financial recap at the completion of each fundraising event to determine the profitability of the fundraiser.
- At the end of the fiscal year, an audit of the PTA/Booster Club's financial records should be conducted. The audit committee shall make a report to the general membership upon completion of the audit.

FINANCIAL INFORMATION

ACCOUNTING PROCEDURES

- Permanent accounting records should be limited at all times to only those persons whose duties require access. Any requests for information should be provided with copies in the presence of an officer.

- Since officers generally change on an annual basis, it is recommended that the organization's accounting records and permanent documents (Articles of Incorporation, Bylaws and Amendments, Sales Tax Permit, and IRS Determination Letter) be transferred to the incoming officers at the completion of the year.

- There should be written instructions on the recording of accounting transactions, preferably in the organization's bylaws.

- The PTA/Booster Club's books should be reconciled to the bank statement monthly.

- There should be an adequate separation of duties for as many of the following duties as possible:

- Cash receipting
- Deposits
- Authorization of disbursements
- Cash disbursements
- Receiving purchased goods
- Accounting records and entries
- Bank statement reconciliation
- Petty cash fund

- Bank statements should be mailed to the official mailing address of the PTA/Booster Club, not the school or home of a PTA/Booster Club member. The IRS and the Texas State Comptroller's Office recommend that each PTA/Booster Club obtain a post office box to use as the official mailing address of the PTA/Booster Club. The address and box keys can be given quickly to the new officers at the beginning of each new year. Also, PTA/Booster Clubs receive several essential documents throughout the year, and if the address is changed frequently or at the school's address, some of these documents could be lost or misplaced.

CASH RECEIPTS

Bank deposits should be prepared as follows to ensure the integrity of financial reporting:

- Cash receipts should be pre-numbered and issued sequentially.
- All cash receipts should be completed in full with the following information:
    - Date received
    - Remitter's name
    - Numerical amount
    - Amount in words
    - Breakdown of cash vs. check
    - Description of collection
    - Signature of the individual receiving the funds
- All monies should be counted and receipted in the presence of the individual turning in the money.
- Incoming checks should be restrictively endorsed immediately upon receipt with an endorsement stamp that has the PTA/Booster Club name, the bank's name, and the bank account number
- All copies of voided cash receipts should be retained in the cash receipts book.

DEPOSITS

- Any monies received should be deposited on a daily basis and never held in a school or taken home.
- Carefully count all money for a deposit and record it on a deposit slip with the following information:

- Date Prepared
- Breakdown as cash and coins
- Check the writer's name/number and amount
- Receipt numbers and/or range of receipt numbers should be written on all deposit slips
- Total deposit amount

- All checks for deposit should be listed separately on a deposit slip or supported by an adding machine tape. A minimum of two adding machines (calculators) tapes should be run to ensure accuracy. A good practice is to write the number of checks deposited on the deposit slip when the checks are too numerous to list.
- The cashing of checks out of cash receipts or petty cash should be prohibited. Therefore, the cash vs. check on the cash receipts should match the cash vs. check on the deposit slip.
- Tally the pre-numbered cash receipts and make sure that this total matches the deposit total.
- Attach the cash receipt verification with a copy of the deposit slip and file in date order.
- To ensure the funds are accurately counted, have a second individual re-count the deposit.
- Both individuals should initial next to the total amount on the deposit slip.
- Seal the deposit in a deposit bag in the presence of the second individual. This is called dual control and places the organization in a better position to challenge any claim that the bank may make that the currency received was incorrect.
- Be sure that all cash receipts are appropriately posted to a ledger of all transactions. The information posted should match the information on the cash receipts.
- Post-dated checks should never be accepted. A post-dated check is a check that has been dated after the date the check is given to the payee.
- Returned checks should be re-deposited immediately or otherwise promptly collected. It is possible to call the bank to verify funds before re-depositing the money a second time.
- Accounting entries for each returned (NSF) check should be made upon receipt of the returned check from the bank.

CASH DISBURSEMENTS

- A disbursement voucher should be completed for all expenditures regardless of the amount.
- At no time should a check be issued without the appropriate supporting documentation. Original invoices and receipts should be marked "paid" with a notation of the check number and date paid, to provide a cross-reference to the issued check. If a disbursement voucher is used, attach all supporting documentation to the voucher.
- File disbursement documents in check number order
- All unused checks should be kept safe and secure at all times.
- Checks should not be signed prior.
- "Blank" checks should never be issued.

- The sequence of check numbers should be accounted for when reconciling the bank statement to the books.
- Reimbursements need to be pre-approved by appropriate members of the club. A check disbursement/reimbursement request form can be prepared and required for payment.
- **Original** invoices, sales slips, or receipts should be attached to the file, along with copies of all checks to support the payment. If several invoices or receipts are submitted for reimbursement, an adding machine tape should be run and attached. This total should agree to the check total.

PETTY CASH

- Each PTA/Booster Club may maintain a small petty cash account. Strict controls should be maintained by keeping petty cash in a locked box accessible only to the treasurer and one other officer.
- Control of the petty cash account by a District employee is not allowed.
- The petty cash funds should be used for emergency purchases only. All other purchases should be made with a PTA/Booster Club check.
- Upon disbursement through the petty cash account, retain the receipt for the purchase.
- At any given time, the amount of petty cash remaining and the aggregate total of receipts on hand should equal the amount of the established petty cash account.

BANK RECONCILIATION

Upon receipt of the monthly bank statement, the balance indicated on the statement shall be reconciled to the bank account balance in the general ledger as of the last day of the month. The reconciliation should be completed within 30 days of the date of the bank statement.

Items needed for reconciliation:

- Blank reconciliation form
- The prior month's bank reconciliation
- Bank statement
- Checkbook and/or check register journal
- Cash receipt book and/or cash receipt journal
- Transaction register/ledger

To complete the bank side of the reconciliation form, perform the following steps:

- Indicate the ending balance per the bank statement.
- Check off outstanding checks from the prior month's bank reconciliation using the bank statement.
- Determine the outstanding checks by comparing the check register to the bank statement, including any remaining checks from the previous month.

- List any current outstanding checks on the bank reconciliation.
- Determine the deposits in transit by comparing the cash receipts journal to the bank statement.
- List any deposits that have not cleared the bank on the bank reconciliation.
- Identify any items that need to be corrected by the bank, such as check printing, returned check charges, and material encoding errors. These items should be listed under other adjustments.
- Total all items and enter the amount on the adjusted bank balance line.

To complete the transaction register/ledger side of the reconciliation form, perform the following:

- Be sure that any bank statement interest is immediately posted to the general ledger.
- Enter the general ledger beginning balance, total receipts, total disbursements, and ending balance.
- Ensure that the current month's beginning balance matches the prior month's ending balance.

Compare the adjusted bank balance to the general ledger ending balance to make sure that they are in agreement. If they are not, the reconciliation is NOT complete. Examine the prior month's reconciliation to ascertain that all items have been posted and/or corrected.

Booster/Parent Organization Payments for Services

The following guidelines are to be used by Hutto ISD personnel to determine how an employee or temporary worker will be paid when a Booster/Parent Organization is covering the cost of services.

- Booster and Parent Organizations are prohibited from hiring, contracting, paying, or otherwise compensating individuals for any work they perform, with the exception of one-time temporary workers not currently employed by Hutto ISD.

CANCELED CHECKS AND VALIDATED DEPOSIT SLIPS

Review canceled checks or imaged copies of checks to verify:

- The payee is consistent with that identified in the check register
- Endorsements on the checks are reasonable
- Checks contain the required two signatures

The bank-validated deposit slips should also be reviewed to verify the following:

- The deposit amount is correct
- The deposit was made within a reasonable time period

It is crucial that all bank copies of canceled checks and validated deposit slips are reviewed to ensure there were no unauthorized recipients or activity. File these documents with the bank statement, bank reconciliation, and transaction register/ledger for each month.

AUDIT COMMITTEE

Each organization is required to have an audit committee to conduct an annual audit of the organization's revenues and expenditures. Below are recommendations for best practices regarding an audit committee.

The audit committee may include officers (not the President or Treasurer) and club members. At least half of the committee should be non-officer members and should not be signers on the checking account. The audit committee should not be made up of the same people every year. The sponsor for the organization should be knowledgeable of the organization's activities; however, the sponsor should not be one of the members of the audit committee.

An outside party, such as a CPA or an accountant, may be used to audit the financial information versus an audit committee. If an outside party performs the review, their results should be shown in their own report format. The outside party would need to sign and date their report.

Each organization should have the Treasurer prepare the written report of revenue and expenditures (financial report) for your PTA/Booster Club. The report should include information for the full fiscal year of the organization.

In some instances, due to material concerns, the committee may not be able to determine whether the Financial Report is proper and correct. When this situation occurs, the committee may state that the status of the Financial Report could not be determined because of material exceptions.

The organization's Treasurer and President are responsible for resolving concerns and acting upon the recommendations made by the audit committee to prevent the future occurrences of these exceptions. Each organization should maintain a copy of the Financial Report and a copy of the PTA/Booster Club Audit Committee Report on file with the Treasurer of the PTA/Booster Club. A copy of the audit report is due to the District Business and Financial Services Department no later than September 1 each calendar year. **The file with these reports should be kept for at least seven (7) years and should be forwarded to the new Treasurer each year.**

Please see **Exhibit C** for a suggested Audit Program.

Exhibit A: Sample Memorandum

TO: PTA/Booster Club Presidents & Treasurers

FROM: Business and Financial Services Department

DATE: January XX, 20XX

SUBJECT: PTA/Booster Club Submission of Financial Information

The District's PTA/Booster Club manual requires supporting organizations to submit financial information to the District's Business Services Department by September 1 each year. GASB Statement No. 39 of the Governmental Accounting Standards Board requires the District to obtain and review the financial performance information of supporting organizations to determine whether these organizations should be considered component units for financial reporting purposes.

In order to meet this critical requirement, it is vital that supporting organizations submit the required financial information in a timely manner.

Attached is a confirmation statement that should be submitted along with your financial information. Also attached is a worksheet of the requested information, including a breakdown of deposits and payments. If you already have an automated program, such as QuickBooks, or other documentation methods in place, this format would be acceptable, provided that the financial elements requested are provided.

All financial information should be presented as of the end of the organization's fiscal year. Please submit this information, along with the confirmation statement, to the District Business and Financial Services Department by September 1. Please retain a copy of the information for the incoming PTA/Booster Club members. Should you have any questions or concerns, please contact us at 512-759-3771.

Exhibit B: Financial Report

Hutto ISD
200 College St.
Hutto, Texas 78634

2018-2019 Annual Booster Club Financial Report

Club: _____

Primary Bank account balance (as of 6/30/2018) $ _____

Revenues:

Dues		
Donations and Fundraiser Receipts		
Earned Interest		
Other Revenues		
Total Revenue		$

Expenses:

Prior year (17-18) expenses that cleared the bank after 7/1/18		
Direct monetary donations to school/program		
Booster Club operating costs and other direct purchases		
Other Expenses		
Total of checks accounted for above but not cleared as of 6/30/19		
Total Expenses		$

Primary bank account balance (as of 6/30/19) $ _____

Please list the totals of any other accounts such as a CD or investment account owned by the Booster Club

Other account(s) balance on 6/30/18	$
Other account(s) balance on 6/30/19	$

I hereby certify that the information attached 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 delcared, the District is requesting this financial information in order to comply with GASB statement No. 39 of the Governmental Accounting Standards Board.

Signature - President _____ Date _____

Signature - Treasurer _____ Date _____

Exhibit C: PTA/Booster Club Suggested Audit Program (for Audit Committee)

PTA/Booster Club Suggested Audit Procedures

Bank Reconciliations

- Trace ending balances on the reconciliations to bank statements, outstanding checklists, and other reconciling items.
- Verify that bank reconciliations were completed within 30 days of the bank statement ending date.
- Ensure that any outstanding or reconciling items on the reconciliations were cleared the following month.
- Verify that the balance in the bank account (at the beginning of the school year), plus total deposits per check register, minus total disbursements per check register, balance to ending bank account balance (at the end of the school year).

Bank Statements

- Determine whether a procedure is in place for a club member, other than those that have check signing ability, to receive bank statements by mail and review them for reasonableness.
- Determine whether any cash corrections were identified on bank statements. Ensure that reasonable explanations are available.
- Compare the number of cleared checks included in the bank statement with the number that is noted on the bank statement to ensure agreement.
- Ensure that cleared checks contain the signatures of individuals authorized to sign checks. Ideally, bank accounts should be established to require two signatures.

Receipts

- From the check register or other accounting records, schedule each deposit (use of spreadsheets is helpful). If the volume is significant, consider selecting only a representative sample.
- Trace deposits to collection documentation and prepared cash receipts for agreement
- Trace deposits to bank statements to ensure agreement.
- Ensure that receipts are presented for deposit in a timely manner by reviewing the dates of prepared cash receipts with the date of deposit on the bank statement.

Disbursements

- From the check register or other accounting records, schedule each check, withdrawal, or another debit (use of spreadsheets is helpful). If the volume is significant, consider selecting only a representative sample.

- Trace checks to supporting documentation such as invoices, receipts, approved expenses related to fundraisers, or other reasonable explanations.
- Review the canceled check to ensure agreement on the payee's name, endorsement, and check amount.
- Trace disbursements to the budget approved by the membership or meeting minutes.
- For bank withdrawals for the purpose of establishing a change fund for an event, confirm that the change fund was later re-deposited.

Fundraisers

- Evaluate each fundraiser individually by calculating the value of items available for sale or the number of tickets sold and comparing it to deposits and remaining inventory, if any, to ensure agreement.
- Determine whether fundraiser applications were prepared and submitted to the campus Principal for each fundraiser.

Miscellaneous

- Inventory remaining check stock to confirm that all checks are present and sequential. Ensure that the check number for the last check issued and the first check available in check stock are sequential.
- Confirm that the check stock is retained in a secure place when not in use.
- Determine whether any checks were voided during the course of the year. Ensure that any voided checks are retained in the records but have been sufficiently modified to eliminate the possibility of clearing the bank (i.e., the signature portion has been cut out of the check, and VOID has been written across the check).
- Ensure that sales tax reports are prepared and filed timely.
- If the IRS 990 form was filed, review it for reasonableness.

Exhibit D: Administrative Regulation

Hutto ISD

(Regulation)

Human Resources

EMPLOYMENT REQUIREMENTS AND RESTRICTIONS
CONFLICT OF INTEREST

GIFTS

District employees are public servants and are prohibited from asking for, accepting, or agreeing to accept any benefits from another person based on an agreement that a vote, decision, opinion, recommendation, or exercise of discretion will be influenced by the benefit. See Board Policy DBD.

A bribe is an offer of a benefit to a public servant on the understanding that the public servant's actions will be influenced. Offering or giving a bribe to a public servant is a crime, even if an item of value does not exchange hands.

If a district employee is offered a bribe or is given a gift and the employee believes it may be an attempt at bribery, the gift should be reported to the employee's supervisor for assistance.

GIFTS RELATED TO UIL DUTIES

Coaches and directors of University Scholastic League (UIL) academics, athletics, and fine arts may not accept more than $500 in money, product, or service from any source in recognition of our appreciation for coaching, directing, or sponsoring UIL activities. The $500 limit is cumulative for a calendar year and is not specific to any one particular gift.

NO SOLICITATION OF GIFTS

Except with the approval of the Superintendent, a campus may not solicit gifts for any staff member through a campus newsletter, e-mail, or other school communication.

STAFF-TO-STAFF GIFTS

District funds shall not be used to make personal gifts to staff members, except that gifts of minimal value offered in appreciation (such as a retirement plaque or small commemorative item) shall be allowed.

INSTRUCTIONAL MATERIALS/SUPPLIES/ TRAINING

An illegal gift does not include staff development, in-service or teacher training, or instructional materials that convey information to the student or otherwise contribute to the learning process. See Board Policy DBD(LEGAL).

REIMBURSEMENT

An employee may receive reimbursement from a booster club or parent organization for up to $500 of expenditures for instructional materials and/or supplies documented by receipts that have been purchased during a school year.

TRAINING

With the Superintendent's approval, a booster club or parent organization may sponsor and pay for staff development, employee in-service training, and/or teacher training.

Exhibit E: Federal Fundraising Guidelines

Department of the Treasury
Internal Revenue Service

www.irs.gov

Notice **1340**
(March 2005)

Tax-Exempt Organizations and Raffle Prizes -
Reporting Requirements and Federal Income Tax Withholding

Tax-Exempt and Government Entities Division

This notice discusses federal tax reporting and income tax withholding requirements that apply to raffles conducted by organizations exempt under section 501 of the Internal Revenue Code. A tax-exempt organization that sponsors raffles may be required to secure information about the winner(s) and file reports on the prizes with the Internal Revenue Service. The organization may also be required to withhold and remit federal income taxes on prizes.

Reporting Raffle Prizes

"Raffle" Defined: In general, a raffle is considered a form of lottery. As such, a raffle generally refers to a method for the distribution of prizes among persons who have paid for a chance to win such prizes, usually determined by the numbers, or symbols, on tickets drawn.

Generally, an exempt organization must report raffle prizes if (a) the amount paid reduced, at the exempt organization's option, by the wager (the amount a person paid for the chance to win a prize), is $600 or more; and (b) the payout is at least 300 times the amount of the wager. The organization uses Form W-2G for this report.

> **Example 1**: Wendy purchased a $1 ticket for a raffle conducted by **X**, an exempt organization. On October 31, 2004, the drawing was held and Wendy won $900. **X** must file Form W-2G with the IRS and give a copy of Form W-2G to Wendy.

A person receiving gambling winnings must furnish the exempt organization a statement on Form 5754 made under penalties of perjury stating his or her identity and the identity of any others entitled to the winnings (and their shares of the winnings.) When the person receiving winnings is not the actual winner, or is a member of a group of two or more winners on a single ticket, the recipient must furnish the exempt organization information listed on Form 5754, *Statement by Person(s) Receiving Gambling Winnings*, and the organization must file Forms W-2G based on that information. The organization must keep Form 5754 for four years and make it available for IRS inspection. (See the specific instructions for Form 5754 for more information.)

The exempt organization must file Forms W-2G with the IRS by the last day of February of the year after the year of the raffle. Use Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*, to transmit Forms W-2G to the IRS. The organization must also issue Forms W-2G to prize recipients by January 31 of the year after the year of the raffle.

Withholding Tax on Raffle Prizes

Regular Gambling Withholding: An organization that pays raffle prizes must withhold 25% from the winnings and report this amount to the IRS on Form W-2G. This *regular gambling withholding* applies to winnings of more than $5,000. If the organization fails to withhold correctly, it is liable for the tax.

> **Example 2**: Lou purchased a $1 ticket for a raffle conducted by **X**, an exempt organization. On October 31, 2004, the drawing was held and Lou won $6,000. Because the proceeds from the wager are greater than $5,000 ($6,000 prize minus $1 ticket cost), **X** must withhold $1,499.75 ($5,999 x 25%) from Lou's winnings. If **X** fails to withhold $1,499.75 before distributing the prize, **X** is liable for the withholding tax.

Catalog Number 39810E

Backup Withholding: An organization is required to withhold 28 percent of the total proceeds if (1) the prize is otherwise subject to reporting (i.e., the amount of the prize, less the amount wagered, is $600 or more and 300 times the amount of the wager), *and* (2) the winner fails to furnish a correct taxpayer identification number (social security number, individual taxpayer identification number, or employer identification number). This is called *backup withholding*.

Noncash Prizes: For noncash prizes, the winner must pay the organization 25% of the fair market value of the prize minus the amount of the wager.

> **Example 3**: Jason purchased a $1 ticket for a raffle conducted by **X**, an exempt organization. On October 31, 2004, the drawing was held and Jason won a car worth $10,000 (fair market value). Because the prize exceeds $5,000 and the fair market value of the car is $10,000, the tax on the fair market value of the prize is $2,499.75 [($10,000 minus $1 ticket cost) x 25%)]. Jason must pay $2,499.75 to **X** to remit to the IRS on his (Jason's) behalf. **X** would indicate the fair market value of the prize ($10,000) in box 1 and the amount of the withholding tax paid ($2,499.75) in box 2 on Form W-2G.

Organization Pays Withholding Tax: If the organization, as part of the prize, pays the taxes required to be withheld, it must pay tax not only on the fair market value of the prize less the wager, but also on the taxes it pays on behalf of the winner. This results in a grossed up prize requiring the use of an algebraic formula. Under this formula, the organization must pay withholding tax of 33.33% of the prize's fair market value. The organization reports the *grossed up* amount of the prize (fair market value of prize plus amount of taxes paid on behalf of winner) in box 1 of Form W-2G, and the withholding tax in box 2 of Form W-2G.

> **Example 4**: If in Example 3, **X** pays the withholding tax on Jason's behalf, the withholding tax is $3,332.67 [($10,000 fair market value of prize minus $1 ticket cost) x 33.33%]. **X** must report $13,333 as the gross winnings in box 1 of Form W-2G, and $3,334.67 withholding tax in box 2.

Reporting and Paying Tax to the IRS

The organization must use Form 945, *Annual Return of Withheld Federal Income Tax*, to report and send withheld amounts to the IRS. This is NOT the same form used to report Federal income tax withheld and FICA with respect to employees. Form 945 is an annual return, and is due January 31 of the year after the year in which the taxes were withheld (for example, for taxes withheld in 2004, the return would be due January 31, 2005). Separate tax deposits are required for payroll and non-payroll withholding. Be sure to mark the **Form 945** checkbox on Form 8109, the Federal tax deposit coupon.

The organization must list the EIN (employer identification number) of the organization conducting the raffle on Forms W-2G, 1096, and 945. If you have not secured an EIN, you may apply for one on Form SS-4, *Application for Employer Identification Number*, available from the IRS. You may also apply for an EIN on-line at www.irs.gov , under the topic Employer ID Numbers on the *Businesses* Contents page.

For more information, see IRS Publication 3079, *Gaming Publication for Tax-Exempt Organizations*, or call EO Customer Account Services at 1-877-829-5500 (toll-free). IRS forms and publications can be ordered by calling toll-free 1-800-TAX-FORM (1-800-829-3676) or from the IRS Web site (www.irs.gov).