

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Booster Clubs & Parent Organizations Workshop

Vista USD

March 24 and 26, 2026

Presented By:

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CPA, CFE, CRFAC, DABFA

FCMAT Intervention Specialist

Agenda

- Welcome & Introductions
- Overview of Booster Responsibilities
- Financial Best Practices
- Fundraising & Compliance
- Legal & Tax Considerations
- Budgeting & Record Keeping
- Questions & Answers
- Closing Remarks

School-Connected Organizations

- Booster clubs and parent organizations are formed by parents, community members, and staff to support school activities (e.g., music groups, athletics, debate).
- School Foundations are typically formed by the school district to support school activities.
- They must have a separate Employer Identification Number (EIN).
- Their primary role is to enrich students' participation in extracurricular school activities.
- These groups are often called “school-connected organizations.”

District Relationship

School-connected organizations:

- Are legally separate from the district.
- Are not under the control of the district's superintendent, governing board, site administrators, staff or students.
- Must remain separate from Associated Student Body (ASB) organizations.
- Cannot administer or supervise ASB organizations.
- Must not commingle funds with ASB or district accounts.
- Cannot store funds in ASB accounts or school safes.

District Has Responsibility for School-Connected Organizations

If school-connected organizations operate independently of the district and are not controlled by district officials or students, why should the district be concerned with their operations?

Education Code Defines District Responsibility

Education Code Section 51521 states:

No person shall solicit any other person to contribute to any fund or to purchase any item of personal property, upon the representation that the money received is to be used wholly or in part for the benefit of any public school or the student body of any public school, **unless such person obtains the prior written approval of either the governing board of the school district in which such solicitation is to be made or the governing board of the school district having jurisdiction over the school or student body represented to be benefited by such solicitation, or the designee of either of such boards.**

District Policy

- Education Code 51521 requires school-connected organizations to obtain prior written approval from the district's governing board or designee before beginning operations.
- The district governing board should adopt board policies and administrative regulations and require school-connected organizations to follow them.

District Policy (cont.)

FCMAT recommends that districts adopt a board policy with the following language:

The Board recognizes that school-connected organizations are separate legal entities, independent of the district. However, to help the Board fulfill its legal and **fiduciary responsibility** in managing district operations and in accordance with Education Code 51521, any group wishing to operate a school-connected organization that will conduct fundraising activities to benefit a school or its students shall submit a written application to the site administration. The site administration shall review and either approve or deny the application.

[Emphasis added by FCMAT.]

District Policy (cont.)

FCMAT recommends that districts adopt a board policy with the following language:

Any fundraising activities initiated by an approved school-connected organization shall be submitted to school administration for approval before the activity takes place. In addition, the Superintendent or their designee shall establish appropriate procedures, guidelines and internal controls for the operation of school-connected organizations and their relationship with the district.

- Fiduciary responsibility, also known as fiduciary duty, is the legal obligation to act solely in another party's best interests. This duty includes the duty to act with care, competence, and diligence. Fiduciary duty is the highest duty of care recognized by the US legal system.

Operating Within the District

- School-connected organizations must obtain district authorization through an application process.
- The superintendent or designee may revoke authorization if deemed necessary.
- To operate in the district, each school-connected organization must:
 - Provide evidence of California state and federal 501(c)(3) tax-exempt status (a determination letter from the Internal Revenue Service (IRS) or, if pending, Form 1023).
 - Provide documentation that the organization has its own EIN (Form SS-4).
 - Submit a signed School-Connected Organization Manual Acknowledgement form.

Operating Within the District (cont.)

- Submit a signed Hold Harmless Agreement from the district.
- Provide a copy of the organization's constitution or bylaws.
- Submit complete, up-to-date financial statements (Balance Sheet and Income Statement) to the school site principal or designee twice per year.
- Ensure that its officers attend the district's Annual School-Connected Organization Workshop.
- Not represent or imply that the district, school site, or ASB is responsible for or sponsors its fundraising events unless explicitly authorized by the district, school principal or principal's designee.

Operating Within the District (cont.)

- Maintain its own tax-exempt status, accounting, financial records, and income tax reporting for both federal and state governments.
- Use its own EIN and never use the district's EIN.
- Keep finances separate and never use the ASB or district accounts as a pass-through account.
- Obtain and maintain a seller's permit if selling merchandise or goods, because booster clubs and parent organizations are not exempt from sales tax.
 - For more information, visit the California Department of Tax and Fee Administration: <http://www.cdtfa.ca.gov>.

Operating Within the District (cont.)

- Annually submit a certificate of liability insurance from its insurance provider to the principal or their designee.
- Carry liability insurance in an amount that equals or exceeds the district's minimum coverage requirements.
- Annually submit a member roster and officer contact list to the principal or their designee, including names, addresses, phone numbers and email addresses.
- Maintain its own bank account in the organization's name, separate from the district and/or ASB.
- Annually submit a bank account statement and list of authorized signers to the principal or their designee.

Operating Within the District (cont.)

- Ensure that no individual personally benefits from its activities.
- Upon termination, distribute any remaining funds and assets to another nonprofit organization as outlined in the school-connected organization's constitution (e.g., the booster club's or parent organization's school site, the ASB or the district).
- Submit a proposed budget and a list of proposed fundraising activities to the school site principal or their designee at the beginning of each school year to confirm there are no conflicts with other school activities, including ASB.

Operating Within the District (cont.)

- School-connected organizations' use of school district facilities is regulated by California Education Code 38130-38139 (Civic Center Act).
- All school-connected organization fundraising activities at any district school site, including those by booster clubs and parent organizations, must receive prior approval per the district's facility use policy.
- Students may volunteer or help school-connected organizations if it does not interfere with their other school site obligations.
- School-connected organizations must not discriminate against students based on a family's membership, contributions, fundraising efforts, or time spent on booster club or parent organization activities.

Operating Within the District (cont.)

- When a school-connected organization donates or raises funds for a school site, ASB, or the district, it should clearly state the specific purpose in all related literature.
- Once accepted by the district, donated funds become district property and cannot be returned to the school-connected organization.
- School-connected organizations planning to host bingo or raffle fundraising events must comply with California Penal Code 326.5 and 320.50 and all applicable county and city ordinances.
- Operating bingo games, raffles, or other games of chance fundraisers without legal authorization is considered gambling under California law and may result in criminal charges by the district attorney.

Operating Within the District (cont.)

Do not forget — a good cause does not make an unallowable action permissible or an illegal activity acceptable.

Games & Gambling

California Penal Code 330 provides that:

Every person who deals, plays, or carries on, opens, or causes to be opened, or who conducts, either as owner or employee, whether for hire or not, any game of faro, monte, roulette, lansquenet, rouge et noire, rondo, tan, fan-tan, seven-and-a-half, twenty-one, hokey-pokey, or any banking or percentage game played with cards, dice, or any device, for money, checks, credit, or other representative value, and every person who plays or bets at or against any of those prohibited games, **is guilty of a misdemeanor, and shall be punishable by a fine not less than one hundred dollars (\$100) nor more than one thousand dollars (\$1,000), or by imprisonment in the county jail not exceeding six months, or by both the fine and imprisonment.**

[Emphasis added by FCMAT.]

Games & Gambling (cont.)

- Nonprofits may register with the Attorney General under the fundraiser registration program to conduct charitable gaming activities at <https://oag.ca.gov/gambling/charitable>.
- The Office of the Attorney General [website](#) states:
 - The State of California's Business and Professions Code Sections 19985-19987 allow for eligible nonprofit organizations to hold “charity poker night” fundraisers. Qualified nonprofit organizations and suppliers of equipment and/or services for such fundraising events must submit an Annual Registration Form to the Bureau of Gambling Control for prior approval.

Raffles

- The Office of the Attorney General provides information on raffles on its website: <https://oag.ca.gov/charities/raffles>
- The Office of the Attorney General offers an 18-minute, 26 second webinar on raffles, available at: <https://www.youtube.com/watch?v=ZHhZE4-547s>.
- According to the Office of the Attorney General webinar:
Any scheme involving a prize where payment or purchase of something will increase the chance of winning the prize is considered a raffle even if there is a free entry option available.
- Examples of raffles include giveaways, sweepstakes, add-ons, random drawings, and opportunity drawings.

APPLICATION FOR REGISTRATION
NONPROFIT RAFFLE PROGRAM
(California Penal Code section 320.5)



MAIL TO:
Office of the Attorney General
Registry of Charitable Trusts
P.O. Box 903447
Sacramento, CA 94203-4470

STREET ADDRESS:
1300 I Street
Sacramento, CA 95814
(916) 210-6400

WEBSITE ADDRESS:
www.oag.ca.gov/charities

The registration period is January 1 to December 31.

A CHECK IN THE AMOUNT OF \$30 MADE PAYABLE TO
DEPARTMENT OF JUSTICE MUST ACCOMPANY THIS
REGISTRATION FORM

(For Registry Use Only)

Proof of California Franchise Tax Board exempt status must be attached to this registration application. This application will otherwise be deemed deficient and returned to the organization.

(For Registry Use Only)

Name of Organization:

Address of Organization:

City or Town, State and ZIP Code:

E-mail Address:

Telephone Number:

Fax Number:

Raffle Registration Number:

Provide at least one of the following:

State Charity Registration Number:

Federal Employer Identification Number (FEIN):

SOS Corporation Number: C

FTB Organization Number:

Please list the date your organization first qualified to conduct business in the State of California:

Specify the organization's tax - exempt status pursuant to California Revenue and Taxation Code section:

Raffle Registration CT-NRP-1

- Organizations must file the Application for Registration Nonprofit Raffle Program form (**last revised in August 2022**) annually if they intend to conduct a raffle.
- The application is available at https://oag.ca.gov/system/files/media/ct_nrp_1.pdf.
- The application requires a \$30 fee.
- The form must be submitted 60 days prior to first raffle.

APPLICATION FOR REGISTRATION
NONPROFIT RAFFLE PROGRAM
(California Penal Code section 320.5)



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(For Registry Use Only)

Raffle Registration Number: _____

Name of Organization:

Provide at least one of the following:

Address of Organization:

State Charity Registration Number: _____

City or Town, State and ZIP Code:

Federal Employer Identification Number (FEIN): _____

E-mail Address:

SOS Corporation Number: C _____

Telephone Number:

FTB Organization Number: _____

Fax Number:

Please list the date your organization first qualified to conduct business in the State of California: _____

Specify the organization's tax - exempt status pursuant to California Revenue and Taxation Code section: _____

Raffle Registration CT-NRP-1 (cont.)

- The raffle calendar/registration period is January 1 to December 31.
- Only nonprofit or charitable organizations are eligible to register.
- Nonprofits must be qualified to conduct business for at least one year before holding a raffle.
- Organizations must provide a Franchise Tax Board (FTB) entity status letter confirming their tax-exempt status.

Instructions for Application for Registration
Nonprofit Raffle Program (CT-NRP-1)

CT-NRP-1 INSTRUCTIONS



Before conducting raffle activities, including selling tickets, organizations must first register for the raffle and also obtain a written confirmation of raffle registration from the Attorney General's Registry of Charitable Trusts (Registry). Raffles cannot be operated, nor may tickets be sold, traded or redeemed over the internet. At least 90 percent of gross receipts (total amount before deduction of expenses) from the raffle tickets sales must be used for the charitable or beneficial purposes of the organization conducting the raffle or for the benefit of another eligible organization. Review Penal Code section 320.5 to ensure your organization complies with all statutory requirements. The Penal Code and Frequently Asked Questions (FAQs) for raffles is available on the Attorney General's website at www.oag.ca.gov/charities.

To apply for a Raffle Registration use the Registry's form (CT-NRP-1) and complete all fields. Incomplete applications will not be processed.

1. Name: The name of the raffle applicant must match exactly the name of the organization as it appears on the organization's Secretary of State (SOS) or Franchise Tax Board (FTB) documents. If your organization is in a parent/child relationship with another organization, the parent organization must register for raffle activities.

2. Identification Numbers: Provide at least one of the organization's nonprofit identification numbers:

- State Charity Registration Number (CT # from the Registry of Charitable Trusts);
- Federal Employer Identification Number (nine-digit number received from the IRS);
- Corporation number (number from the SOS) or Exempt organization number (the number you received from the FTB). An organization will either have a corporation number or an organization number (not both).

3. One-Year Requirement: The applicant must be qualified to conduct business in California for at least one year before applying for a raffle registration. (Penal Code, § 320.5.) "Qualified to conduct business in California" means: (1)

4. Tax-Exempt Status: Check the box of the appropriate tax-exempt status. This number may be found on the FTB tax-exemption determination or status letter. A copy of the organization's Section 23701 tax exempt status determination letter can be obtained from the FTB at www.ftb.ca.gov or by telephone at (916) 845-4171.

5. Date of Raffle: Provide a proposed raffle date (month/day/year). The registration year is from January 1 to December 31. After December 31, a new registration is required. If you plan to sell raffle tickets during one year, but conduct the drawing the next year, you must register for both years.

6. Signature: The CT-NRP-1 Form must be signed by an authorized officer or director of the organization (e.g., president or chief executive officer, treasurer or chief financial officer).

Submit the CT-NRP-1 Form, a copy of your FTB determination letter or entity status letter, and a check made payable to "Department of Justice" in the amount of \$30, at least 60 days prior to raffle activity. Applications are processed in the order received and no expedited services are available.

Mail to: Office of the Attorney General
Registry of Charitable Trusts
P.O. Box 903447
Sacramento, CA 94203-4470

Contact the Registry of Charitable Trusts if you have questions at raffles@doj.ca.gov.

Raffle Registration CT-NRP-1 (cont.)

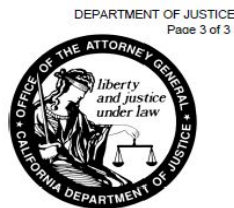
- The application must be submitted at least 60 days before the raffle.
- Raffle tickets cannot be sold until the organization receives a confirmation letter from the Registry of Charitable Trusts.
- Ninety percent of gross receipts (the total amount before deducting expenses) from raffle ticket sales must be used for the charitable or beneficial purposes of the organization conducting the raffle or for the benefit of another eligible organization.

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Sacramento, CA 94203-4470
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WEBSITE ADDRESS:
www.oag.ca.gov/charities

Instructions for Application for Registration Nonprofit Raffle Program (CT-NRP-1)

CT-NRP-1 INSTRUCTIONS



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To apply for a Raffle Registration use the Registry's form (CT-NRP-1) and complete all fields. Incomplete applications will not be processed.

1. Name: The name of the raffle applicant must match exactly the name of the organization as it appears on the organization's Secretary of State (SOS) or Franchise Tax Board (FTB) documents. If your organization is in a parent/child relationship with another organization, the parent organization must register for raffle activities.

2. Identification Numbers: Provide at least one of the organization's nonprofit identification numbers:

- State Charity Registration Number (CT # from the Registry of Charitable Trusts);
- Federal Employer Identification Number (nine-digit number received from the IRS);
- Corporation number (number from the SOS) or Exempt organization number (the number you received from the FTB). An organization will either have a corporation number or an organization number (not both).

3. One-Year Requirement: The applicant must be qualified to conduct business in California for at least one year before applying for a raffle registration. (Penal Code, § 320.5.) "Qualified to conduct business in California" means: (1)

4. Tax-Exempt Status: Check the box of the appropriate tax-exempt status. This number may be found on the FTB tax-exemption determination or status letter. A copy of the organization's Section 23701 tax exempt status determination letter can be obtained from the FTB at www.ftb.ca.gov or by telephone at (916) 845-4171.

5. Date of Raffle: Provide a proposed raffle date (month/day/year). The registration year is from January 1 to December 31. After December 31, a new registration is required. If you plan to sell raffle tickets during one year, but conduct the drawing the next year, you must register for both years.

6. Signature: The CT-NRP-1 Form must be signed by an authorized officer or director of the organization (e.g., president or chief executive officer, treasurer or chief financial officer).

Submit the CT-NRP-1 Form, a copy of your FTB determination letter or entity status letter, and a check made payable to "Department of Justice" in the amount of \$30, at least 60 days prior to raffle activity. Applications are processed in the order received and no expedited services are available.

Mail to: Office of the Attorney General
Registry of Charitable Trusts
P.O. Box 903447
Sacramento, CA 94203-4470

Contact the Registry of Charitable Trusts if you have questions at raffles@doj.ca.gov.

Raffle Registration CT-NRP-1 (cont.)

- Detached tickets must have unique identifying numbers.
- Only adult members of the charity are allowed to supervise the drawing.
- Tickets must not be sold, traded or redeemed over the internet.
- Raffle funds must not be used for any purpose outside of California.
- Additional rules are found in Penal Code 320.5 and the Attorney General's Guide for Charities.

NONPROFIT RAFFLE REPORT



MAIL TO: Office of the Attorney General Registry of Charitable Trusts P.O. Box 903447 Sacramento, CA 94203-4470 STREET ADDRESS: 1300 I Street Sacramento, CA 95814 (916) 210-6400 WEBSITE ADDRESS: www.oag.ca.gov/charities		A report must be completed for each year in which a raffle was conducted (January 1 through December 31). The report is due on or before February 1. (California Penal Code section 320.5)	
(For Registry Use Only)			
PART A: General Organization Reporting Information			
Name of Organization:		Provide at least one of the following:	
		State Charity Registration Number:	
Address of Organization:		Raffle Registration Number:	
City or Town, State and ZIP Code:		Federal Employee Identification Number (FEIN):	
E-mail Address:		SOS Corporation Number or FTB Organization Number:	
Telephone Number:			
Fax Number:			
Part B: Raffle Information			
1. Raffle year ending December 31, (Year)			
2. Aggregate gross receipts from the operation of raffle(s): \$			
3. Aggregate direct costs incurred by the organization from the operation of raffle(s): \$			
At least 90% of the gross receipts received from ticket sales must be used for the beneficial or charitable purpose of the eligible organization or for the benefit of another eligible organization. Did direct costs exceed 10% of gross receipts and did your organization use funds from sources other than from ticket sales to offset costs? ☐ Yes ☐ No			
4.			

Raffle Reporting CT-NRP-2

- Organizations must file a Nonprofit Raffle Report form (**last revised in August 2022**) for each year they conduct a raffle.
- The form is available at https://oag.ca.gov/system/files/media/ct_nrp_2.pdf.
- The report consists of two-pages and includes three parts: A, B, and C.
- Organizations must report **aggregate** totals for all raffles conducted during the year; they are not required to report each raffle separately (Penal Code 320.5).

STATE OF CALIFORNIA
CT-NRP-2
(Rev. 08/2022)

DEPARTMENT OF JUSTICE
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NONPROFIT RAFFLE REPORT

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PART A: General Organization Reporting Information

Name of Organization:	Provide at least one of the following: State Charity Registration Number: Raffle Registration Number: Federal Employee Identification Number (FEIN): SOS Corporation Number or FTB Organization Number:
Address of Organization:	
City or Town, State and ZIP Code:	
E-mail Address:	
Telephone Number:	
Fax Number:	

Part B: Raffle Information

1. Raffle year ending December 31, (Year)
2. Aggregate gross receipts from the operation of raffle(s): \$
3. Aggregate direct costs incurred by the organization from the operation of raffle(s): \$
4. At least 90% of the gross receipts received from ticket sales must be used for the beneficial or charitable purpose of the eligible organization or for the benefit of another eligible organization. Did direct costs exceed 10% of gross receipts and did your organization use funds from sources other than from ticket sales to offset costs? ☐ Yes ☐ No

Raffle Reporting

CT-NRP-2 (cont.)

- The report is due by February 1 each year.
- For profit businesses and individuals are not allowed to conduct raffles – **only eligible charities may do so.**

Opportunity Drawing

An opportunity drawing, also known as a “free raffle,” is exempt from Penal Code 320.5 and registration as a raffle if all the following conditions are met:

1. The tickets are distributed generally and indiscriminately to participants.
2. The tickets are offered under the same terms and conditions as those for which a donation is given.
3. No participant is required to make a payment for a chance to win.

See Attorney Generals Guide for Charities frequently asked questions and Penal Code 320.5.

50/50 Sports Raffles or Casino Nights

- 50/50 sports raffles and casino nights are regulated by the Bureau of Gambling Control.
- 50/50 raffles are those in which the prize winner receives 50% of the ticket-sale revenue, while the remaining 50% is retained by the organization conducting the raffle. **These raffles are illegal except under specific circumstances.**
- Only **Major League Sports organizations** that meet extensive regulatory requirements are permitted to host 50/50 raffles.
- There is an annual registration fee of \$14,400 for eligible organizations.
- For more information, visit the California Bureau of Gambling Control Sports Raffle webpage at <https://oag.ca.gov/gambling/sportsraffle>. You can also review the Office of the Attorney General's frequently asked questions at <https://oag.ca.gov/charities/raffles> for additional details.

Silent Auction

According to the Office of the Attorney General's frequently asked questions (<https://oag.ca.gov/charities/raffles>):

A silent auction is not considered a raffle so a charity is not required to register with the Registry of Charitable Trusts and Fundraisers before conducting silent auction activities. A silent auction is not a game of chance. Unlike a raffle where multiple participants pay for a chance to win a prize based on a random draw, a silent auction is a sale of an item to the highest bidder. ...

Bingo

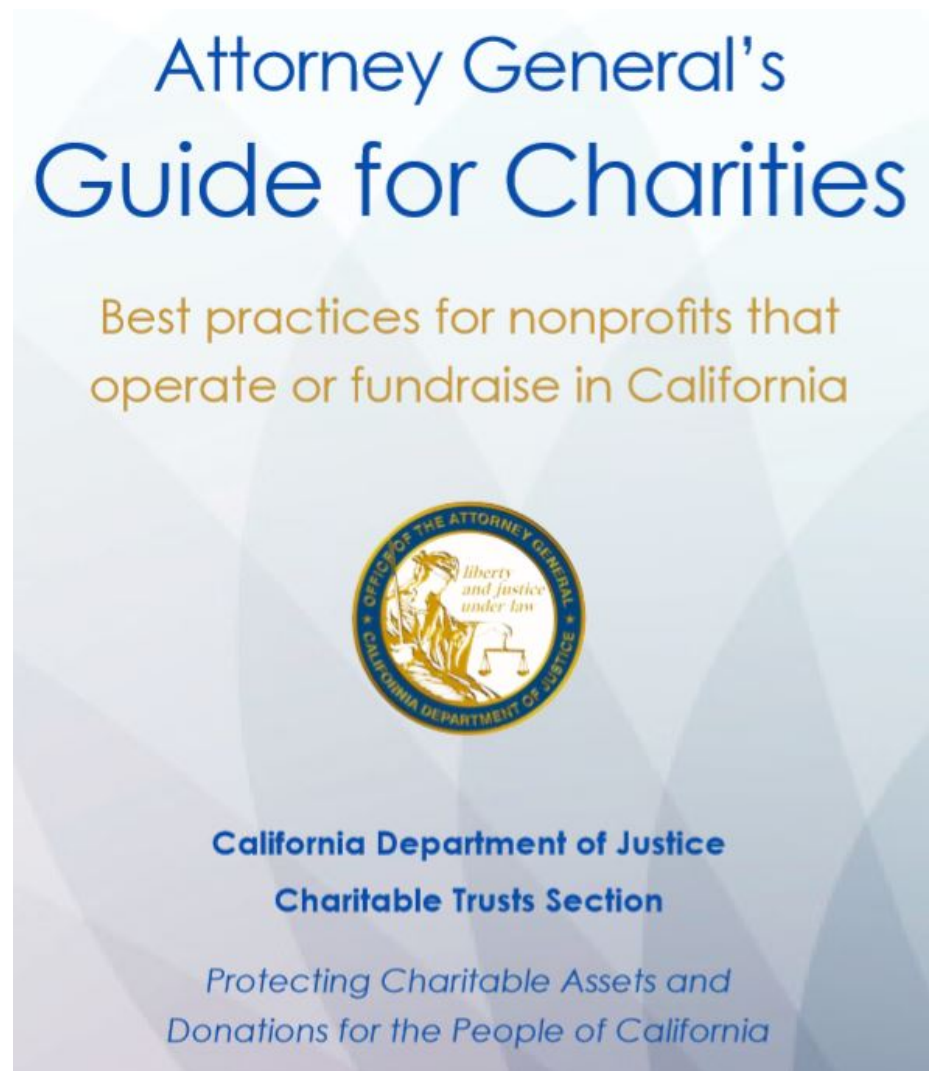
- California law and local city and county ordinances classify violations of bingo regulations as a **criminal misdemeanor**. It is illegal to pay or receive a profit, wage, or salary from any bingo game.
- City ordinances, rules, and forms vary, so it is essential to review your local bingo ordinance for specific requirements.
- Only California tax-exempt nonprofit organizations may operate bingo games. Proof of tax-exempt status is required, such as a tax-exempt determination notice or letter from the FTB.
- A valid bingo license must be obtained before conducting any games. This requires completing a licensing application and receiving approval from the city, and if applicable, the county.

Bingo (cont.)

- Minors are prohibited from participating in any bingo game.
- The total value of prizes awarded per game cannot exceed \$250, whether in cash or goods.

Forming a Nonprofit – Booster Club or Parent Organization

- The *Attorney General's Guide for Charities* is a great resource for school-connected organizations seeking guidance on regulations and best practices.
- You can access the guide at https://oag.ca.gov/sites/all/files/agweb/pdfs/charities/publications/guide_for_charities.pdf



Checklist: Forming a Booster Club or Parent Organization – The Basics

Step One

- Determine the name of the booster club or parent organization.
- Obtain approval from the district site principal or their designee.
- Elect officers for the booster club or parent organization.

Step Two

- Prepare a constitution and bylaws.

Step Three

- Prepare and file the Articles of Incorporation.
- File a Statement of Information (Form SI-100) with the California Secretary of State. For more details, visit <https://bizfileonline.sos.ca.gov/>

Checklist: Forming a Booster Club or Parent Organization – The Basics (cont.)

- Apply for an **EIN** from the IRS at <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>.
- Apply for federal tax exemption with the IRS by submitting **Form 1023** (available at <https://www.irs.gov/pub/irs-pdf/f1023.pdf>).
- Apply for California state tax exemption with the California FTB by completing **Form 3500 or 3500A** (available at <https://www.ftb.ca.gov/forms/misc/3500.pdf>).
- Remember – school-connected organizations (nonprofits) must obtain both federal and state tax exemptions to conduct certain fundraisers, such as raffles.

Checklist: Forming a Booster Club or Parent Organization – The Basics (cont.)

- File the Initial Registration Form (Form CT-1) with the California Attorney General's Registry of Charitable Trusts (available at <https://oag.ca.gov/system/files/media/ct1-form.pdf>).
- For additional details, visit <https://oag.ca.gov/charities>.

Naming Your Booster Club, Parent Organization or Foundation

- The name of a school-connected organization must not imply any form of responsibility of the district, school site, or ASB.
- It is recommended to **avoid** using the school name or mascot in the school-connected organization's name. However, if included, the word "Booster," "Parent Organization" or Foundation should be added to distinguish it from the school name.
- The school-connected organization must not use the school or district address on its letterhead or any correspondence.
- The school-connected organization should create a unique logo or mascot that is separate and distinct from the school's or district's official logos.

Membership in School-Connected Organizations

- Membership in school-connected organizations is limited to parents, community members, and school staff. Students may not be members but are allowed to volunteer.
- Membership fees **cannot be** required for membership in the school-connected organization.
- **Students or their parents must never be required to pay fees for the student to participate in school activities.**
- A school-connected organization cannot unlawfully discriminate against parents, community members, or staff who wish to participate in the organization's activities.

Electing Officers – Tips & Pointers, Best Practices

- All officers of the school-connected organization should be elected annually.
- All officers must provide complete contact information to the school principal or their designee.
- The school principal or their designee must be notified in writing of any changes to the organization's officers.

Electing Officers – Tips & Pointers, Best Practices (cont.)

- All members of a school-connected organization's executive board are legally obligated to act prudently and reasonably to preserve the school-connected organization's funds and ensure legal protection.
- Executive board members must actively participate in managing the school-connected organization. This includes attending meetings, evaluating financial reports, and reading meeting minutes.
- No member, management, executive, governing board member, or committee member should receive compensation for participating in the school-connected organization.

Electing Officers – Tips & Pointers, Best Practices (cont.)

- District employees may not serve on the executive board of any school-connected organization at the site where they work.
- This restriction includes holding any board or officer positions, such as:
 - Treasurer.
 - Bookkeeper.
 - Fundraising chairperson.
 - Check signer.
 - Person designated to collect any fees, donations, checks, or cash.

Governance – Audit Committees

- Annual **internal reviews** or independent external audits of the school-connected organization's financial records must be conducted.
- The annual review should be performed by at least two individuals who are independent of the organization's day-to-day financial activities. If two independent individuals are not available, the treasurer may conduct the review with one other independent individual.
- All review reports should be signed by those conducting the review and the organization's president.
- An annual external audit conducted by a certified public accountant is highly recommended.

Governance – Audit Committees (cont.)

- All financial discrepancies discovered during a review or audit must be reported to the school-connected organization president.
- A plan for resolving all review or audit exceptions and financial discrepancies must be proposed to the organization's governing board immediately.
- The school-connected organization must make all financial records available upon request by the audit committee, any organization board member, or the school site principal or their designee.

Payments to District Employees

- School-connected organizations **may not make direct payments** to any district employee for services performed.
 - This includes payments in any form, such as gift cards.
- If a school-connected organization wishes to compensate a district employee (e.g., a coach for services provided at a summer camp), the school-connected organization must consult with the school site principal or their designee to ensure payments are processed through the district's payroll.

Internal Controls

- School-connected organizations need strong internal controls, just like ASBs, school districts, and other well-managed businesses.
- Because these organizations often experience high turnover in management and business staff, consistently maintaining good business practices and internal controls can be challenging.
- Factors such as frequent leadership changes, handling large amounts of cash, and other vulnerabilities make school-connected organizations are prime targets for financial fraud.

What are Internal Controls?

- Internal controls are the policies and procedures designed to provide the governing board and management with reasonable assurance that the district, including school-connected organizations, achieves its objectives and goals. These controls include:
 - Segregation of duties.
 - Limiting access to assets.
 - Management review and approval.
 - Reconciliations.
 - Maintaining established policies, procedures and standards of conduct.
 - Ensuring an appropriate management tone (“tone at the top”).
 - Ensuring efficient and effective accounting, business practices and policies and procedures.

Internal Controls Resource

- To help in establishing and maintaining proper internal controls, accounting policies and procedures, and other best practices, the Fiscal Crisis and Management Assistance Team (FCMAT) strongly recommends downloading a free PDF copy of the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* at www.FCMAT.org.
- The FCMAT manual includes valuable checklists, forms, policies and procedures, along with other practical and adaptable resources to support the successful operation of your school-connected organization.

Examples of Internal Controls

Examples of school-connected organization internal controls include:

- Requiring a purchase order/requisition be completed prior to purchase.
- Prohibiting the payment of expenses out of cash receipts.
 - Deposit the cash and then write a check.
- Requiring the checkbook and extra check stock be stored in a safe, secure place.
- Requiring checks that are incorrect or not issued be voided.
- Prohibiting the signing of checks in advance.
 - Have at least one backup signer (but more are allowed).
- Requiring that checks be used in the proper sequence.

Examples of Internal Controls (cont.)

- Prohibiting making checks out to “cash.”
- Requiring that all checks have two signatures.
- Requiring that services or goods are received and authorized before payment is made.
 - Maintain original documents and receipts exist and obtain proper authorization.
- Ensuring that the school-connected organization prepares and maintains a record of each meeting and any actions taken.
- Requiring that bank reconciliations be completed within two weeks of receiving bank statements, with proper review and approval afterward.

Examples of Internal Controls, cont.

- Requiring the use of tally sheets or prenumbered receipt books or tickets at all events.
- Ensuring that financial statements are submitted on time and complete.
- Maintaining an effective filing system and strong records management practices.
- Verifying that all cash collection forms contain the proper signatures.
- Requiring dual cash counts: always count funds with a witness and countersign the proper deposit forms.
- **Requiring the use of tamper-evident sealed plastic bank bags at all levels of custody.**
- Requiring that all checks be endorsed with “For Deposit Only...”

Examples of Internal Controls (cont.)

- Ensuring that cash is never left unattended.
 - If the office manager or staff member who normally receives cash is not available, assign another individual to receive the deposit and sign for the received funds. The cash should be double-counted by the assigned employee and the individual delivering it.
- Requiring that deposits be made timely (at least every 2-3 days).
 - Make the bank deposit **the same day**, if possible.
 - Never leave undeposited money at a school over weekends or holidays.
- Ensuring that overages and shortages are reported.
- Requiring the use of cash boxes at events.

Examples of Internal Controls (cont.)

- Prohibiting payments to district employees in the form of cash, checks, or gift cards. Doing so can lead to serious IRS payroll tax issues for the organization, the employee, and the district, regardless of whether a 1099 is issued.
- Requiring that budgets be developed for each activity.
- Ensuring proper cash handling and maintaining a secure physical chain of custody for all cash receipts.
- Prohibiting the commingling of receipts from separate events.
- Requiring the immediate delivery of all event proceeds to the bookkeeper.
- Completing and maintaining cash receipts and deposit documentation for fundraising events, concession sales, and other activities.

Examples of Internal Controls (cont.)

- School-connected organization funds **must** be safely stored:
 - The safest place for money is in the bank
 - The second safest place is in a secure **safe**.
- **Funds should never be taken home, put in a desk drawer, or stored in a locked file cabinet.**
- If you cannot deposit the money in the bank that day, **place the money in a secure safe with a witness present!**

What's a Consultant?

- A consultant is not an employee of the school-connected organization.
- They are independent from the organization and may provide services such as:
 - Disk jockey.
 - Photographer.
- The individual cannot be paid as an employee in any other capacity within the organization:
 - If the proposed consultant is already a school-connected organization employee, they cannot be paid as a consultant for the same or additional work.

What's a Consultant? (cont.)

- The school-connected organization must preapprove the expense before any work takes place.
- Payment is made directly by the school-connected organization using a vendor check.
- The individual must complete a W-9 form before beginning work.
- All income received is reported on IRS Form 1099 annually.

Alcohol is Prohibited!

- **Alcohol is strictly prohibited at any school-connected organization event held on district property.**
- California Business and Professions Code 25608(a) states:
Every person who possesses, consumes, sells, gives, or delivers to any other person, any alcoholic beverage in or on any public schoolhouse or any of the grounds of the schoolhouse, is guilty of a misdemeanor.
- This prohibition applies to the possession and consumption of alcohol, as well as alcohol-related prizes, gift baskets and auction items.

Tobacco is Prohibited!

- **Tobacco is strictly prohibited at any school-connected organization event held on district property.**
- According to California Health and Safety Code 104420, California Labor Code 6404.5, and United States Code 6083, the use of any tobacco products is banned at all times in district-owned or leased buildings, district property, and district vehicles.
 - This prohibition applies to all employees, students, and visitors at any school-sponsored instructional program, activity, or athletic event, **regardless of whether it is held on or off district property.**

Questions?

Thank you for attending!