The Internal Auditors and individuals associated with the Pasadena Independent School District are not an authority on tax-related or accounting situations concerning Parent Organizations, Booster Clubs and Exempt Organization. Parent Organization, Booster Clubs, and Exempt Organizations should obtain competent independent counsel concerning tax and accounting-related circumstances.
Taking Care of Business Overview

Booster Clubs have many responsibilities to the federal government, the state, the District, and to the students they support. Part of this responsibility is to keep accurate and updated records so that the organization may complete the necessary filing requirements with the state and the IRS. In addition, these records will help you prepare your annual Financial Report and Review Committee Report due to the Principal and the Internal Auditor by September 30th, of each year.

With this in mind, this section has been prepared to assist you in establishing a general recordkeeping system and a general system of internal controls, and to guide you in preparing the Financial Report and related Review Committee Report. Establishing a good record-keeping system is an essential step in creating a successful organization.

Most of the reporting requirements of a Booster Club are dependent on the financial records kept; therefore, the office of Booster Club Treasurer is an extremely important and vital position that should not be taken lightly. Even though the Treasurer may assign certain duties to another person (i.e., Fundraiser Chairperson – Catalog Sales), the Treasurer is ultimately responsible for assuring that all financial records are maintained accurately for the Booster Club.

Booster Club officers also have day-to-day responsibilities to the club, as well as the students they support. Some of these responsibilities include:

- Setting up a bank account properly,
- Accounting properly for fund-raiser income and expenses,
- Analyzing the outcome of each fund-raiser to determine its financial success/failure,
- Establishing and maintaining money handling procedures, and
- Becoming knowledgeable of District policies concerning using District buildings and distributing flyers.

In addition, Booster Clubs should submit certain information to the Internal Auditor and to the Principal as soon as the information changes. This information is included on the following Booster Club Information Sheet.
Parent Organization/Booster Club Information Sheet

Send an updated copy of this form to the Internal Auditor and to your School Principal or Administrator as new officers are elected or as information changes.

1. Official Booster Club Name: ________________________________________________

2. School Name: ____________________________________________________________

3. Sponsor’s Name: __________________________________________________________

4. Employer Identification Number (EIN): ______________________________________

5. Official Mailing Address:
   PO Box / Street Address: ____________________________________________________
   City, State, Zip: ____________________________________________________________

6. Date of Change: _______/_______/_______

7. Current Booster Club Officers for the ____________ School Year:

<table>
<thead>
<tr>
<th>Office Held:</th>
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<tbody>
<tr>
<td>Printed Name:</td>
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<tr>
<td>Mailing Address:</td>
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<tr>
<td>Phone Numbers:</td>
<td>Home:</td>
<td>Work:</td>
<td>Cell:</td>
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<tr>
<td>E-mail Address:</td>
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</tbody>
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</tr>
</thead>
<tbody>
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<td>Printed Name:</td>
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<tr>
<td>Mailing Address:</td>
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</tr>
<tr>
<td>Phone Numbers:</td>
<td>Home:</td>
<td>Work:</td>
<td>Cell:</td>
</tr>
<tr>
<td>E-mail Address:</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

By law, information on this page is public information and must be released to the public at such requests.
Parent Organization/Booster Club Tax-Exempt Status

For the __________ School Year

Federal Tax-exempt Status:

☐ Determination Letter from IRS granting 501(c)(3) status is already on file with the Internal Audit Department.

☐ Received Determination Letter from IRS granting 501(c)(3) status.  
(Send a copy of the Determination Letter to the Internal Auditor with this form.)

☐ Received Acknowledgement of Your Request from IRS stating approval in progress.  
(Send a copy of the Acknowledgement of Your Request to the Internal Auditor with this form.)

☐ Mailed completed Form 1023 & payment to IRS on ____/____/____, but have not received any documentation from them yet.

☐ Currently completing Form 1023 and will mail to IRS by ____/____/____.

Contact person for further information on status is:

Printed Name: __________________________________________

Phone Number _________________________________________

☐ Have not started the federal tax-exempt process.

Submitted by:

________________________________________________________  ______________________________
Printed Name                        Officer Title

________________________________________________________  __________/_______/______________
Signature                        Date

Thank you for your responses!!
Financial Report Information & Formats

Each year Booster Clubs are required to submit a written report of actual revenues and expenditures (Financial Report) for that school year to the School Principal and to the District’s Internal Auditor by September 30th, of the following year.

The Treasurer of the Booster Club should prepare the Financial Report and should ensure that the Financial Report includes:

- Name of school, name of Booster Club, and the time period covered in the report.
- Actual revenues and expenditures for the applicable school year. The current year report should start at the point in time where the prior year report ended. For example, if the 2009-10 report ended on June 30, 2010, then the 2010-11 report will begin as of July 1, 2010. Since clubs may start their new year at various times, the time period used for reporting actual revenues and expenditures may vary from club to club; however, the individual Booster Clubs should try to be consistent in the time period they use from year to year.
- Name, title, and signature of person who prepared the report.
- Date the report was prepared.

The Booster Club may want the time period used for reporting purposes to coincide with the election of new officers. If new officers normally come into office May 1, of each year, the time period for the Financial Report may be from May 1, to April 30, of the following year.

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

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

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

Type 1 report format is the simplest to prepare

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

*The retained earnings amount should agree to the total equity amount from the prior year.*
XYZ High School Spirit Booster Club
CASH BASIS FINANCIAL REPORT
From July 1, 2010 through June 30, 2011

Beginning Cash Balance as of July 1, 2010 $ 5,235.46

INCOME
Concession Stand Sales $ 3,569.50
Fall Dance $ 2,875.00
Membership Dues (225 members) $ 5,625.00
Program Ad Sales $ 9,502.25
Uniform Income (212 new uniforms ordered) $ 9,540.00
Total Income $ 31,111.75

EXPENSES
Competition Trip Expense $ 8,320.03
Concession Stand Supplies $ 1,355.77
Fall Dance Expense $ 2,589.10
Miscellaneous Supplies $ 650.77
Postage $ 236.29
Program Ad Expenses $ 1,242.88
School Donation (Sound System) $ 4,328.00
Uniform Expense $ 9,540.00
Total Expenses $ 28,262.84

Net Income (Loss) for Current Year $ 2,848.91

Ending Cash Balance as of June 30, 2011 $ 8,084.37

Cash Basis Financial Report prepared by:

____________________________________  ________________/________/_____________
Printed Name            Title

____________________________________  __________/________/_____________
Signature             Date
XYZ High School Spirit Booster Club  
BALANCE SHEET  
As of June 30, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BankOne Checking Account</td>
<td>$2,154.25</td>
</tr>
<tr>
<td>BankOne Savings Account</td>
<td>$5,112.77</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$3,458.00</td>
</tr>
<tr>
<td>Prepaid Storage Rent</td>
<td>$300.00</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$11,025.02</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES &amp; EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$3,524.75</td>
</tr>
<tr>
<td>Deferred Membership Income</td>
<td>$500.00</td>
</tr>
<tr>
<td>Scholarship Payable</td>
<td>$1,000.00</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$5,024.75</strong></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$1,135.12</td>
</tr>
<tr>
<td>Net Income (Loss) From Current Year</td>
<td>$4,865.15</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>$6,000.27</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; EQUITY</strong></td>
<td><strong>$11,025.02</strong></td>
</tr>
</tbody>
</table>

Balance Sheet and Income Statement prepared by:

<table>
<thead>
<tr>
<th>Printed Name</th>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Signature</th>
<th>Date</th>
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</tr>
</tbody>
</table>
XYZ High School Spirit Booster Club  
INCOME STATEMENT  
For the Period of July 1, 2010 through June 30, 2011  

<table>
<thead>
<tr>
<th>INCOME</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalog Sales</td>
<td>$9,129.18</td>
</tr>
<tr>
<td>Donations</td>
<td>$2,300.00</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$ 38.00</td>
</tr>
<tr>
<td>Membership Dues (100 members)</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>Uniform Income (22 new uniforms ordered)</td>
<td>$ 770.00</td>
</tr>
</tbody>
</table>

Total Income: $14,237.18

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banquet</td>
<td>$1,388.13</td>
</tr>
<tr>
<td>Catalog Sale Expense</td>
<td>$3,752.68</td>
</tr>
<tr>
<td>Postage</td>
<td>$ 32.66</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$2,500.00</td>
</tr>
<tr>
<td>Storage Rental</td>
<td>$ 600.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>$ 328.56</td>
</tr>
<tr>
<td>Uniform Expense</td>
<td>$ 770.00</td>
</tr>
</tbody>
</table>

Total Expenses: $9,372.03

**Net Income (Loss) For Current Year**: $4,865.15
Each Booster Club is required to have an organizational committee conduct an annual review of the organization's Financial Report and the related financial activity for the school year. The review committee may be two types: internal or external. An internal review committee includes officers (not the President or Treasurer) and club members; however, the committee should have at least half non-officer members review the information. A CPA or other legal counsel may perform an external review at the Club’s expense. The organizational review committee, whether internal or external, must prepare a written Review Committee Report that communicates the results of the review to the organization.

**IMPORTANT**
- The Treasurer(s) [and Assistant Treasurer(s), if applicable] **should not** be on the Review Committee. **Since they are reviewees, they cannot also be the reviewers.** However, they may meet with the committee or external reviewer to explain their records or answer questions.
- The audit committee should not be made up of the same people every year.
- The Sponsor, Sponsor’s spouse, or Officer’s spouse can not be the designated “non-officer” member of the Review Committee. They may be part of the Review Committee; however, they would not be considered non-officers for the purpose of the review.

The audit committee should include **at least** the following number of members, based on the membership in the Booster Club organization:

- Less than 50: Two Members
- 50-99: Three Members
- 100-199: Four Members
- 200-299: Five Members
- 300+: Six Members

An internal Review Committee should use the examples of Review Committee Reports included on the next few pages. However, an external party should show the results of the review in their own report format with their signature and date included. Although the examples included show space for four (4) members, the Club may have more or fewer committee members. However, the same information must be documented for **each committee member (as opposed to the group as a whole)**, regardless of the size of the committee.

The Booster Club Review Committee Report examples include:

- **Option A** - **Review was performed with no exceptions noted;** therefore, the Financial Report appears proper and correct.
- **Option B** - **Review was performed with immaterial exception(s) being noted.** The Financial Report was either corrected or exceptions did not have a material effect. Except for these minor exceptions, the Financial Report appears proper and correct.
- **Option C** - **Review was performed with material exception(s) being noted.** Because of the material exception(s), the Financial Report is not proper and correct.
In some instances, due to material exception(s), 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 exception(s).

**Suggested Review Committee Guidelines**

The following suggested guidelines are designed to assist the Booster Club Review Committee in conducting a thorough review of the Booster Club's Financial Report and the financial activity for the applicable school year.

- Have the Treasurer prepare the written report of revenues and expenditures (Financial Report) for your Booster Club. The report should include information for the **full applicable year**.
- The review must cover the period beginning with the reconciled cash balance from the previous written Financial Report and ending with the reconciled cash balance from the last day of the time period reported by the Booster Club. If the Club is using a retained earnings account, then the beginning retained earnings should equal the prior year’s ending retained earnings balance plus/(minus) net income/(loss).
- Review the reconciled bank statements and canceled checks to determine that:
  1. Disbursements have been properly documented with an invoice or receipt,
  2. Disbursements have been properly approved,
  3. Checks have been properly signed,
  4. Checks have been deposited or cashed by the payee indicated and that no information on the face of the check has been altered, and
  5. Checks have been accounted for in the proper sequence (no missing checks).
- Check addition and subtraction on cash receipts and deposits.
- Compare cash receipts and deposits to the bank statement.
- Verify that receipts and disbursements were recorded to the correct account category.
- Review the Treasurer's monthly reports and check them for accuracy. Review the beginning and ending balances on reports to verify that correct ending balances were carried forward as beginning balances on subsequent reports.
- Determine that only applicable Booster Club officers are authorized signers on the bank account(s). Former officers should not remain on the account(s) as authorized signers. **Employees of the District, including, but not limited to, administrators, administrators’ secretaries, and bookkeepers, shall not have control or signature authority over booster club or parent organization funds at the school at which he or she works, including petty cash or miscellaneous discretionary funds. All individuals must have a child in the organization to have control or signature authority over booster club or parent organization funds, including petty cash or miscellaneous discretionary funds.**

Determine that the coaches and directors of UIL academics, athletics, and fine arts were not given more than $300 in money, product(s), or service(s) in recognition for coaching, directing, or sponsoring UIL activities during a calendar year.

- Obtain proof that all applicable sales tax reports were submitted to the Texas State Comptroller’s Office and that the related taxes were paid.
- Determine which two fund-raisers were chosen to be the “one-day, tax-free” sales/auctions, if applicable. **Only Booster Clubs that have received a limited exemption from the Texas State Comptroller’s Office are allowed two (2) “one-day, tax-free” sales/auctions per calendar year.**
Review the tax-exempt status of the Booster Club to determine that the Club has received and maintained its federal tax-exempt status as a public 501(c)(3) charitable organization or other tax-exempt status deemed by the IRS.

Determine that either
1. Form 990 or 990-EZ has been filed properly with the IRS for the prior school year if the Club is a tax-exempt charitable organization with at least $25,000 in gross revenues, or
2. Form 1120 has been filed properly with the IRS for the prior school year if the Club is not tax-exempt.

Determine that a tax-exempt Booster Club has not used individual accounts, which credit funds raised to individual students or parents.

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

Example: High-Kick Drill Team Booster Club hires a consultant during the Spring of the 2009-10 school year for a $300 fee. The consultant is hired again in the Fall of 2010-11 for a $300 fee. The Booster Club should issue a 1099-MISC form to this person since the total paid within the 2010 calendar year is $600.

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

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

If exceptions are noted during the review, consult with the organization's Treasurer and President (if necessary) to resolve the exception(s). The Treasurer is responsible for making any corrections to the records, checkbook, and Financial Report.

If material exceptions have been noted, prepare recommendations to prevent the future occurrence of these exceptions.

The organization's Treasurer and President are responsible for acting upon the recommendations made by the Booster Club Review Committee.

Retain the original written Booster Club Financial Report and the original Booster Club Review Committee Report on file with the Treasurer of the Booster Club.

Submit one copy of your Booster Club Financial Report along with the Review Committee Report to the School Principal and another copy of these items to the District's Internal Audit Department.
The Review Committee members named below have reviewed the attached Financial Report and related financial activity for the time period of July 1, 2010 through June 30, 2011, in detail. These members agree that the Financial Report and the related financial activity are proper and correct to the best of their knowledge. **No exceptions were noted during the review.**

<table>
<thead>
<tr>
<th>Printed Name</th>
<th>Officer Title/Member</th>
<th>Signature</th>
<th>Date</th>
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*Note: If a reviewer is a non-officer, their title (second column) should be “Member”.*
XYZ High School Spirit Booster Club  
REVIEW COMMITTEE REPORT  
FOR THE TIME PERIOD  
July 1, 2010 through June 30, 2011

The Review Committee members named below have reviewed the attached Financial Report and the related financial activity for the time period of July 1, 2010 through June 30, 2011, in detail. These members agree that the Financial Report and the related financial activity are proper and correct, except for the following exceptions:

- Check #12586 cleared the bank for $25.20 instead of $2.52.
- Check #12688 did not have 2 authorized signatures as required by the Booster Club by-laws. The check only contained 1 authorized signature.
- The Program Ad Expense account contains six expenses that did not have the related invoices as documentation for the expense. The undocumented expenses totaled $42.87.

<table>
<thead>
<tr>
<th>Printed Name</th>
<th>Officer Title/Member</th>
<th>Signature</th>
<th>Date</th>
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</tbody>
</table>

Note: If a reviewer is a non-officer, their title (second column) should be “Member”.

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XYZ High School Spirit Booster Club  
REVIEW COMMITTEE REPORT  
FOR THE TIME PERIOD  
July 1, 2010 through June 30, 2011

The Review Committee members named below have reviewed the attached Financial Report and related financial activity for the time period of July 1, 2010 through June 30, 2011, in detail. These members agree that the Financial Report and the related financial activity are not proper and correct, due to the following material exceptions:

- No documentation of cost existed for the 100 new uniforms purchased.
- Checking and savings accounts were not reconciled during the year.
- Only one (1) authorized signature appeared on all checks written instead of the two (2) required authorized signatures as indicated in the Booster Club by-laws.
- No documentation exists showing sales for the Christmas Cards sold to determine whether the amount recorded in the Financial Report is correct.

To prevent the above exceptions from occurring in the future, the following steps should be taken:

- Documentation of all expenses, such as an invoice, should be received prior to payment of expense. Documentation should be kept with the other Booster Club records.
- All bank accounts should be reconciled on a monthly basis.
- All checks issued should be signed by at least two authorized officers.
- For all fund-raisers, a record should be kept of the sales and the money deposited.

______________________________________________________________________________
Printed Name                   Officer Title/Member                  Signature                  Date
______________________________________________________________________________
Printed Name                   Officer Title/Member                  Signature                  Date
______________________________________________________________________________
Printed Name                   Officer Title/Member                  Signature                  Date
______________________________________________________________________________
Printed Name                   Officer Title/Member                  Signature                  Date

Note: If a reviewer is a non-officer, their title (second column) should be “Member”.

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Day-to-Day Responsibilities

So far, we’ve covered various aspects of the major decisions that Booster Clubs have to make regarding incorporation, tax-exemption, financial reporting, and other District requirements. Therefore, this section is dedicated to the many day-to-day issues that face a Booster Club such as fund-raising, money-handling, and internal controls. These topics are covered alphabetically as follows:

1) Accounting Procedures
2) Bank Accounts
3) Building Use
4) Contributions
   a) Received
   b) Quid Pro Quo Contributions Received
   c) Given
5) Financial Aid Guidelines
6) Flyers
7) Fund-raising
   a) Board Policy
   b) IRS Regulations
   c) Analysis of Fund-Raiser
8) Mailing Address
9) Membership Dues
10) Money-Handling Procedures
    a) Receiving Money
    b) Recording and Depositing Money
    c) Disbursing Money
    d) Safeguarding Money
11) Raffles
12) Record Retention
13) Student Fines and Fees List
14) Volunteer Hours

**Accounting Procedures**

- Booster Clubs should include written instructions on the recording of accounting transactions in their by-laws, such as accounting method (cash vs. accrual), number of authorized signers on the bank account(s) and number of authorized signatures required for each check.

- All transactions should be recorded in the Booster Club’s financial records.

- The Booster Club books and bank accounts should be reconciled monthly.

- Booster Clubs may provide support to their student group in two manners:
  a) Booster Club members raise funds for a student group. Funds are deposited into the Club’s bank account. The Club writes a check to the school where the student group is located. The school deposits the funds into the student group’s activity fund. The funds
then belong to the members of the student group, to be spent at their discretion (under the supervision of the Sponsor). All accounting and safeguarding of the funds is the responsibility of the school, once the school has received the funds. *The IRS prefers that 501(c)(3) organizations use this method*, since it provides the “cleanest” procedure to track how the Booster Club spends its revenues. Using this method, the Booster Club’s Financial Report would show a clear path of revenues generated and expended exclusively for its purpose, to support a student group. In addition, this method reduces the amount of paperwork and responsibility for the Booster Club related to the accounting for the revenues and expenses of the student group.

b) Booster Club members raise funds for a student group. Funds are deposited into the Club’s bank account. The Club writes checks to the individual vendors for the expenses related to the student group through their bank account. In addition, they collect amounts due from the students for each event/competition/trip in which the student group participates. In addition, the Club tracks who has paid and who still owes money for each event and ensures that all balances are paid in full before the event occurs. All accounting and safeguarding of the funds is the responsibility of the Booster Club.

**Bank Accounts**

- Booster Clubs should set up a bank account with the Booster Club’s EIN number only. A person’s social security number or the District’s EIN number should not be used to set up a bank account.

  See the Federal Regulatory Information section for further information.

- According to Board Policy GE (Local), Employees of the District, including, but not limited to, administrators, administrators’ secretaries, and bookkeepers, shall not have control or signature authority over booster club or parent organization funds at the school at which he or she works, including petty cash or miscellaneous discretionary funds.

  All individuals must have a child in the organization to have control or signature authority over booster club or parent organization funds, including petty cash or miscellaneous discretionary funds.

- The District recommends that at least two authorized signatures be required for each check written to assist in establishing good internal controls over check disbursements. If a Booster Club requires two signatures for check disbursements, the bank account(s) should have at least three authorized signers to allow at least one back-up signer if one of the regular signers is not available.

- Bank account(s) should be reconciled monthly.
Contributions/Donations

a) Received

Booster Clubs may receive monetary or non-monetary contributions from individuals or businesses. In addition, those Booster Clubs that have received a Determination Letter from the IRS granting 501(c)(3) tax exemption are allowed to receive tax-deductible contributions in accordance with IRS Regulation 170. To allow the individuals or businesses to deduct these contributions on their tax returns, the Booster Club must send them a copy of the Club’s Determination Letter indicating that the Booster Club is a 501(c)(3) organization.

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

For contributions received, the Booster Club may want to send a thank you note along with a copy of the Determination Letter. The thank you note may indicate what was contributed or donated. If the gift is monetary, you may indicate the dollar amount. If the gift is not monetary, the estimated value should not be included in the thank you note. It is the responsibility of the individual or business that provided the gift to determine the value that they would report on their tax return.

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

b) Quid Pro Quo Contributions Received

According to the IRS, a charitable organization, such as a Booster Club that is a 501(c)(3) organization, must provide a written disclosure statement to donors who make a payment, described as a “quid pro quo contribution,” in excess of $75. A quid pro quo contribution is a payment made partly as a contribution and partly for goods or services provided to the donor by the charitable organization. An example of a quid pro quo contribution is where the donor gives a Booster Club $100 in consideration for a concert ticket valued at $40. In this example, $60 would be deductible. Because the donor’s payment (quid pro quo contribution) exceeds $75, the disclosure statement must be furnished, even though the deductible amount does not exceed $75.

Separate payments of $75 or less made at different times of the year for separate fund-raising events should not be aggregated for the purposes of the $75 threshold.
The required written disclosure statement must:

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

The charitable organization (Booster Club) must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when the associated contribution is actually received. A penalty is imposed on charitable organizations that do not meet the disclosure requirements. For failure to make the required disclosure in connection with a quid pro quo contribution of more than $75, there is a penalty of $10 per contribution, not to exceed $5,000 per fund-raising event or mailing.

c) Given

When the Booster Club contributes directly to the student group, the Club should receive a Tax-exempt Status/Donation Acknowledgment Form from either the school or the District. A District employee should complete the form and give the original copy to the Booster Club for their records.

Example: Yippee Booster Club is funding a portion of a student group’s trip for a competition. The trip costs $50,000, and the Booster Club has agreed to pay $35,000 of the expense. Therefore, the students must pay the remaining $15,000. The $35,000 that the Booster Club donated is considered a contribution to that particular District student group and should be documented on the Tax-exempt Status/Donation Acknowledgment Form.

The school may request that a Booster Club provide a list of contributions made to the student group or school. The Tax-exempt Status/Donation Acknowledgment Form may reference this list; thus, eliminating the need to have a form completed for each contribution. The schools are required to report contributions received at least at the end of each semester; therefore, your school may request the list of contributions from Booster Clubs twice a year.

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

The District tracks contributions received from individuals and entities such as Booster Clubs. This information may assist the District in receiving a more favorable bond rating and in receiving grants. Public support of the District is very important in these areas.
Financial Aid Guidelines

Tax-exempt organizations must benefit a group as a whole instead of benefiting individual members of a group. Since Booster Clubs usually assist student groups, all members of the student group sponsored are to be treated equally and receive the same opportunity to benefit from the Booster Club’s assistance. Therefore, one student cannot receive a greater benefit than another unless the criteria for financial need discussed below is met.

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

Flyers

District criteria states that 501(c)(3) tax-exempt organizations must submit flyers to the Associate Superintendent for Communications and Community Relations for approval.

Note: “501(c)(3) Number” is the same number as the Employer Identification Number (EIN).

Fund-raising

Before any fund-raising activity occurs, Booster Clubs should decide whether a fund-raiser is a Booster Club fund-raiser (money is deposited directly into the Booster Club’s bank account) or whether it is a school fund-raiser (money is deposited directly into the District’s student activity fund account for that student group). If the activity is a Booster Club fundraiser, the Booster Club is responsible for handling any and all money from the fund-raiser. Likewise, if the activity is a school fund-raiser, the school is responsible for all money collected and deposited from the fund-raiser.

a.) Board Policy

- Board Policy GE (Local) discusses fund-raising regulations.
- Booster Clubs should carefully consider limiting the number of major fundraising activities involving students. All such activities require both the approval of the Sponsor and School Principal.
- Booster Club should submit the following information to the designated faculty sponsor at least 30 days prior to the event:
  1. Purpose of the fund-raiser,
  2. Type of fund-raising activity (i.e., candy sale, carnival),
  3. Date(s), time(s) and place(s) of the activity,
  4. Name of the sponsoring organization,
  5. Name and phone number of the organization’s representative,
  6. Name and phone number of the person(s) in charge of the fund-raiser, and
  7. Name and phone number of the person(s) who will be handling the money for the fund-raiser.
b) IRS Regulations

- The IRS prohibits tax-exempt organizations from requiring people to participate in fund-raisers. Likewise, Booster Clubs may not require an amount be “donated” in lieu of participating in the fund-raiser. People may choose whether or not to participate in a fund-raiser and may choose whether or not to donate to the Booster Club. Furthermore, if a person decides not to participate, that person cannot be excluded from having the opportunity to benefit from the fund-raiser and cannot be penalized for choosing not to participate in the fund-raiser.

- Furthermore, benefits given by a tax-exempt organization cannot be based on participation in a fund-raiser or based on revenues raised individually. Therefore, regardless if a person participates in a fund-raiser and regardless of the amount of revenue raised, that person cannot be denied the opportunity to receive an equal benefit.

**Example:**

High Spirit Booster Club is having a car wash fund-raiser to help reduce the cost of a trip to Florida for a competition. The cost of the trip is $20,000 for 20 people. Therefore, each person’s cost for the trip before the fund-raiser is $1,000.

Of the 20 people participating in the trip, only 10 people participate in the fund-raiser and raise a total of $600.

The $600 must be split equally among the 20 people going on the trip, even though only 10 people participated in the fundraiser. Therefore, each person receives a benefit of $30 ($600 / 20). Now, each person’s cost for the trip is $970 ($1,000 - $30).

- The IRS prohibits the use of individual accounts by Booster Clubs. Booster Clubs must benefit the group as a whole, not its individual members.

  *(See example above.)*

"Individual accounts" are those accounts used by a Booster Club to credit an individual with revenues raised. The 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.

c) Analysis of Fund-raiser

- Booster Clubs should use the Fund-raising Activity Report (available on website) to determine the anticipated amount to be raised by a fund-raiser and then to determine if the fund-raiser was a success or failure. This type of analysis will help a Booster Club decide whether or not to repeat a particular fund-raiser.

  For your convenience, the Fund-Raising Permission Request for Parent Organizations has been included in section Forms Available to Use.
**Mailing Address**

If the mailing address for the Booster Club changes, immediately notify the District, the Texas Secretary of State, the Texas State Comptroller’s Office, and the IRS. To avoid frequent mailing address changes, the IRS and the Texas State Comptroller’s Office recommend that each Booster Club obtain its own post office box (PO Box) or private mailing box (PMB) to be used for official Booster Club mail. This address and box keys can be given easily to the new officers at the beginning of the year.

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

Second, Booster Clubs receive several important documents from these agencies throughout the year, and if the address changes frequently, some of these documents could be lost or misplaced. If the related school’s address is used as the Booster Club’s official address, the Booster Club should be aware that it may not receive mail in a timely manner when the school is closed (i.e., summer vacation and some holidays). The IRS mails forms and other correspondence to Booster Clubs periodically. If these forms are not completed and returned to the IRS within a specific time period, a Booster Club could lose their tax-exempt status, thereby also losing their limited tax-exemption with the State of Texas and possibly face fines and penalties.

The District does not recommend using a home address since officer’s change frequently.

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**Membership Dues**

Booster Clubs may charge dues to their members (the parents); however, parents do not have to be members of the Booster Club for their child(ren) to participate in the student group that receives benefits from Booster Club activities. **Membership dues are separate from the expenses incurred by sponsoring a student group (i.e., trip expense, costume expense).** Membership dues are associated with the parents being part of the Booster Club and are in no way associated with the expenses related to that parent’s child.

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**Money-Handling Procedures**

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

a) Receiving Money

- The person receiving the money **while in the presence of the person turning in the money** should count all money received.
- The person receiving the money should give a receipt to the person delivering the money (both parties should retain their copy of the receipt).
- Any checks received should be restrictively endorsed immediately.
- Post-dated checks **should not be accepted** from any source.
Receipts should indicate whether cash, check, money order, or cashier’s check was received; date of the receipt; and signature of person receiving the money.

Copies or a list of checks, money orders, and cashier’s checks received should be made to assist in recovery of money if these items are lost, stolen, or returned due to insufficient funds.

**IMPORTANT**

If a money order or cashier’s check is received, the receipt should indicate the total check amount; brand name of the money order or the issuing bank’s name of the cashier’s check; and the complete check or money order number.

If a copy of the money order or cashier’s check is made, the inclusion of this additional information on the receipt is not necessary.

**b) Recording and Depositing Money**

- Prior to depositing money, at least two people should count the money.
- All money should be delivered to the Booster Club Treasurer to deposit funds daily.
- Receipts should be reconcile with all money turned in and deposited.
- Money received should only be deposited in the Booster Club’s account(s).
- Deposit slips should be retained and reconcile monthly to the account.

**c) Disbursing Money**

- Require **two** signatures on each check.
- Do **NOT** sign blank checks.

**d) Safeguarding Money**

Have people that handle money bonded. This protects against embezzlement, but not theft.

- Do not keep any money in an unlocked drawer, unlocked filing cabinet, vehicle, or other unsecured place.
- Do not store the records of the money received (i.e., receipts, copies of checks) in the same place as the money. If records and money are stored together and a theft occurs, the record of the money may be taken along with the money. Subsequently, determination and recovery of losses would be more difficult.
- Money received and not yet deposited should not be used for purchases, check cashing, loans, advances, reimbursements, or for any other purpose.
- All unused checks should be kept safe and secure at all times.
- "Blank" checks should never be issued and checks should never be pre-signed.
- The sequence of check numbers should be accounted for when reconciling the bank statement to the Booster Club’s books.

- **Issuing checks payable to "Cash" or to the "Sponsor" should be avoided.** The IRS may examine these transactions in more detail than other transactions. If a check must be payable to "Cash" or to the "Sponsor," keep detailed documentation of the expense or use of the funds.
“We have become aware of a proliferation of illegal raffle activity in Texas. It is important for Texans to be familiar with the law before conducting or participating in a raffle. Examples of unlawful raffles include any raffle that is:

- conducted by an individual
- conducted by a for-profit business
- conducted by a charity that has no members or otherwise does not qualify

Texas law allows only certain charitable and non-profit membership organizations to conduct raffles to support their charitable causes. Only the following entities which meet certain qualifications are permitted to hold raffles:

- religious societies
- volunteer emergency medical service providers
- volunteer fire departments
- qualified non-profit organizations

In order to conduct a raffle legally, a non-profit organization must have, among other criteria, members who elect a governing body and an exemption from federal taxes under Section 501(c) of the Internal Revenue Code. A qualified non-profit must also have been in existence for three years. The law permits only two raffles per year, requires several disclosures printed on tickets, and limits the value of prizes purchased by the organization to $50,000.

It is also against the law to hold a raffle in which cash, or anything readily convertible to cash, is offered as a prize, or which is promoted statewide or through paid advertising, including television, radio or newspapers.

An unlawful raffle could be considered illegal gambling, which may carry criminal penalties. A county attorney, district attorney or the attorney general may also shut down an illegal raffle.

The Office of the Attorney General is prohibited by law from providing legal advice to individuals. If you contemplate conducting a raffle for fundraising purposes, you should read the Charitable Raffle Enabling Act (which went into effect January 1, 1990) carefully and consult a private attorney with any questions. You should also avoid participating in an illegal raffle. For more information, you can visit our Web site and read our online consumer protection brochure on charitable raffles.”

Greg Abbott
Texas Attorney General
What does the law permit?
The Charitable Raffle Enabling Act, effective January 1, 1990, permits "qualified organizations" to hold up to two raffles per calendar year, with certain specified restrictions.

What is a "qualified organization"?
In general, a qualified organization is:

a) An association organized primarily for religious purposes that has been in existence in Texas for at least 10 years;
b) A volunteer emergency medical service that does not pay its members other than nominal compensation;
c) A volunteer fire department that operates firefighting equipment and does not pay its members other than nominal compensation; or
d) A nonprofit organization that has existed for at least three preceding years, during which it has had a governing body duly elected by its members and is exempt from federal income tax under Section 501(c), Internal Revenue Code; does not distribute any of its income to its members, officers or governing body; does not devote a substantial part of its activities to attempting to influence legislation; and does not participate in any political campaign.

The language of the law is very technical. If you are considering holding a raffle to benefit an organization, you should check the statute to be sure you qualify.

What prizes may be offered?
An organization may offer any prize except money. If the raffle organizers offer a prize which they have purchased or have given other consideration for, the value of the prize may not exceed $50,000. There is no value limit on prizes donated to the organization.

Texas lottery tickets may be purchased and offered as prizes, even though the tickets' payoff may exceed $50,000. The organization must have each raffle prize in its possession or must post a bond for the full amount of the value of the prize with the county clerk of the county where the raffle will be held.

Is an organization required to register with the State before conducting a raffle?
No.

What are the restrictions on how the raffle may be conducted?

- A qualified organization may hold only two raffles per [calendar] year and only one raffle at a time.
- Raffle tickets may not be advertised state wide or through paid advertisements. Each raffle ticket must state the name or address of the organization holding the raffle, the name of an officer of the organization, the price of the ticket, and a general description of each prize to be awarded that has a value of over $10.
- A prize may not be money.
- Only members of the organization, or student organizations recognized by institutions of higher education selling on behalf of the institution, may sell tickets.
- No one may be compensated directly or indirectly for organizing or conducting a raffle, or for selling raffle tickets. The organization may not permit a non-member or other unauthorized person to sell or offer to sell raffle tickets.
How may the proceeds from ticket sales be used?
Proceeds from ticket sales must be used only for the charitable purposes of the Organization.

Are there any penalties for conducting or participating in an unauthorized raffle?
Yes. Only raffles held according to the terms of the Raffle Enabling Act are authorized raffles. An unauthorized raffle is considered gambling under the Texas Penal Code. Conducting such a raffle is a Class A misdemeanor. Participating in an unauthorized raffle is a Class C misdemeanor.

What law enforcement authorities may stop an unauthorized raffle?
A county attorney, district attorney or the attorney general may bring an action in state court to stop a violation or potential violation of the Charitable Raffle Enabling Act.

Where can I get more information on the requirements for holding a raffle?
The law is Article 179f; Texas Revised Civil Statutes Annotated. If you have specific questions about the law, you should consult your attorney.

Consumer Information:
For more information, call the Attorney General's Consumer Protection Hotline at 1-800-621-0508, or contact your nearest Attorney General regional office.

<table>
<thead>
<tr>
<th>Location</th>
<th>Phone Number</th>
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<tbody>
<tr>
<td>Austin</td>
<td>512-463-2070</td>
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<tr>
<td>Dallas</td>
<td>214-969-5310</td>
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<tr>
<td>El Paso</td>
<td>915-542-4800</td>
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<tr>
<td>Houston</td>
<td>713-223-5886</td>
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<tr>
<td>Lubbock</td>
<td>806-747-5238</td>
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<tr>
<td>McAllen</td>
<td>956-682-4547</td>
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<tr>
<td>San Antonio</td>
<td>210-225-4191</td>
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</table>

All consumer complaints must be made in writing. Please call or write for a complaint form. Write to:

Office of the Attorney General
Consumer Protection Division/010
P.O. Box 12548
Austin, Texas 78711–2548

Complaint forms and additional information can also be found in the consumer affairs section of our website, at www.oag.state.tx.us.
Record Retention

Booster Clubs should establish a record file that is passed to the new officers each year. Some items need to be kept indefinitely while other items only need to be kept for a certain length of time.

The record file should contain at least the following items on a permanent basis:

**Permanent Records**

**Internal Records:**
- Booster Club Registration & Approval Form
- Articles of Incorporation/Articles of Association
- By-laws/Charter/Constitution
- Minutes from meetings

**State Records:**
- Sales Tax Permit Application
- Sales Tax Permit
- Certificate of Incorporation from State of Texas (if applicable)
- State Sales Tax Exemption Notification
- State Franchise Tax Exemption Notification (if incorporated)

**Federal Records:**
- Copy of IRS Form SS-4, Application for Employer Identification Number
- Copy of IRS Form 1023, Application for Recognition of Exemption, with all attachments
- Copy of IRS Form 8718, User Fee for Exempt Organization
- Determination Letter Request, and copy of check sent to IRS with this form
- Acknowledgement of Your Request
- Determination Letter
- Copy of IRS Form 8734, Support Schedule for Advance Ruling Period, and the IRS’s notice granting a permanent exempt status to the organization, if applicable

For non-permanent records, the Texas State Comptroller’s Office and the IRS have different retention periods as discussed below. In addition, certain circumstances, such as fraud, would allow the retention period to be extended beyond the normal requirement. According to the Texas State Comptroller’s Office, this office has four (4) years from the date the tax becomes due and payable in which to assess the liability. This statute of limitations may be extended beyond the four (4) years, if an agreement is made in writing between the Texas State Comptroller’s Office and the Booster Club. In cases of fraud, or if the sales tax returns have not been filed, the statute of limitations does not apply and the Texas State Comptroller’s office may assess and collect taxes, penalties, and interest at anytime. The statute of limitations does not apply when information contained in the sales tax report contains a gross error and the amount of tax due and payable after the error is corrected is 25% or more than the amount initially reported. In addition, other exceptions to the statute of limitations may apply.

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

**IMPORTANT**
If your Booster Club has not received a tax-exempt status as a public 501(c)(3) organization or if your Booster Club has received only a temporary approval of tax-exempt status as a public 501(c)(3) organization for sixty (60) months (Advanced Ruling Period), all records should be kept until the Advanced Ruling Period has ended, the IRS form 8734 (Support Schedule for Advance Ruling Period) has been prepared, and the IRS has granted a permanent public tax-exempt status to the organization.

In considering the requirements of the Texas State Comptroller’s Office and the IRS, the record file should contain at least the following items for a minimum of the current year and the four (4) previous years:

**Non-permanent Records**

**Internal Records**
- Financial Reports and Review Committee Reports
- All financial backup including checkbook and banks records
- Information related to donations received by a Booster Club from individuals or businesses
- Financial Aid Guidelines

**State Records**
- Sales Tax Forms Filed (Quarterly or Annually)
- Copy of correspondence with the Texas Secretary of State and the Texas State Comptroller

**Federal Records**
- Copy of IRS Forms 990 or 990-EZ filed
- Copy of correspondence with the IRS

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

**IMPORTANT**
According to IRS disclosure requirements, if someone requests to view any of your tax applications, forms filed, or returns, you must provide complete copies of the material.

You may charge a nominal fee for copying, not to exceed the current governmental rate of $1.00 for the first page and $.15 for each additional page plus postage.
**Student Fines and Fees List**

Booster Clubs may have students or parents who do not submit money for fund-raisers or expenses, resulting in amounts owed to the Booster Club. Since these amounts relate to Booster Club activities, they cannot be placed on the school’s Student Fines and Fees List. If a Booster Club wishes to pursue recovery of these amounts, they must do so independently from the District and school.

**Example:** High Spirit Booster Club held a catalog fund-raiser and $400 is still owed to the Booster Club by Trusty Smith, the father of Jane Smith, one of students in the group they support. Trusty received the merchandise, but never paid for it.

The Booster Club may pursue trying to recover the money or merchandise from Trusty. **However, they may not contact the school to include the $400 on the school’s Student Fines and Fees List as an amount owed by Jane Smith to the school.**

**Volunteer Hours**

The District values the diversity of volunteer activity in the community, whether it is at home, in the community, or in the classroom. Accounting for such volunteer hours is essential since it impacts issues such as funding, program continuation, and communication. For example, many grants and federally funded programs require an accurate reflection of volunteer hours, and the State of Texas requires public school districts to facilitate parental involvement in their children’s education.