

# Chapter 21

## Chapter 21 – Booster Clubs, Foundations, Auxiliary Organizations and Other Parent-Teacher Associations

Booster clubs, foundations, auxiliary organizations and other parent-teacher organizations are formed to contribute money to a club, sports team or other organization. For simplicity this manual will use the term “booster clubs” to refer to any of these types of organizations.

Booster clubs are popular in American high schools, community colleges and universities, and are usually run in high schools by the parents of students in the organization being supported, and in colleges by supporters and fans of athletic programs. Fund-raisers are often held to raise money for supplies or equipment that the students may need or for trips that the students may need to take. The main principle of funding by a U.S. IRS 501(c)(3) nonprofit is that the booster club may not discriminate in making grants to youth or college students on the basis of their family’s membership in or funding to the club, or the family’s fund-raising or time put into club activities.

Booster clubs are organized with many purposes in mind. One of the largest and most well-known booster clubs is the National Parent Teacher Association (PTA). Other booster clubs are organized to help with special interests or for school activities such as football, or to assist in buying school supplies, or support other sports programs, the arts, and field trips. Booster clubs and other school-related organizations or groups (all of which will be referred to as booster clubs in this chapter) are separate organizations from a school district.

In general, booster clubs provide financial support and/or direct assistance in some form to help achieve the common goals of booster and school programs. Booster clubs have many purposes and are not limited to the following examples:

- Assisting others:
  - Assisting a site administrator, faculty advisor, sports coach, and other district staff in performing parts of activities.
  - Assisting students through scholarships.
  - Purchasing supplies for the school.
  - Assisting with funds for field trip travel.
- Specific activities connected to students, parents and adults:
  - Sports programs
  - Field trips
  - Performing arts
  - Language programs

The relationship between student organizations and booster clubs is often confusing. Student organizations are legally considered a part of the school entity. For this reason, they are included in the school entity’s annual audit and have the benefit of the district’s tax-exempt status under the internal revenue code.

Booster clubs may raise funds and donate those funds to the district or purchase items with their funds for donation or assistance to the district, but they are not legally considered a part of the district and are not included in the annual audit. Some organizations, such as the PTA, are established as nonprofit corporations with a separate tax-exempt status. However, many of booster organizations have not applied for or received nonprofit status and do not have their own tax identification number, so it should not be assumed that they are all official groups in the eyes of the Internal Revenue Service (IRS).

Booster club funds and district funds, including ASB funds, must *never* be commingled. Booster clubs and the school entity should remain separate, including in the following ways:

1. The booster club name, address or any other correspondence should never imply any form of responsibility on the part of the ASB or district.
2. The district's tax-exempt status and identification number are *not* for use by any non-school organizations or groups.
3. Booster clubs are responsible for their own tax status and accounting.

Because student organizations operate under the school entity's tax-exempt status, the funds deposited in bank accounts are not subject to state or federal taxes. For this reason, the funds raised by booster clubs, foundations, auxiliary organizations or parent groups should not be deposited into or commingled with the student organization's or the school entity's funds or bank accounts; rather, they should be deposited into the booster club's own bank account. Booster clubs may donate funds to the student organization(s); however, after they do so, only the student organizations can control how the funds will be used.

These nonstudent groups are also responsible for their own tax status and accounting; they may not use the district's tax-exempt status or open bank accounts using the district's tax identification number. It is best if school staff members do not act as officers of nonstudent or non-district-sponsored clubs to avoid the appearance of district sponsorship.

Organizations formed by teachers and/or other employees of a school entity also are not a part of the ASB or the district and may not use the district's tax identification number or deposit funds into the school's ASB account or district bank accounts.

### Auxiliary Organization versus Student Organization at Community Colleges

If a student group at a community college is formed differently than described in the Education Code sections and is instead an auxiliary organization, different rules and guidelines apply, beginning with Education Code section 72673. These auxiliary organizations could be compared to parent or booster groups at K-12 schools, except that community college auxiliary groups are usually made up of adult students, whereas booster and groups at K-12 schools are made up of adults who are usually the students' parents or relatives.

Although they are different from student organizations, community college auxiliary organizations must follow the rules and regulations established by the community college's governing board, as there is an official relationship with the college. Governing board approval is needed to use the college's name in the auxiliary organization's title.

Community college district governing boards may establish an auxiliary organization to provide support services and special programs for the general benefit of its college or colleges. This can be compared to a foundation being formed at a K-12 district to support district programs. An auxiliary organization is separate from the college, unlike a student organization, yet a connection exists because the directors, governors and/or trustees of the organization are appointed or nominated by the college governing board, a district official or a student body or faculty member.

An auxiliary organization can include the following types of groups:

- Any entity that operates a commercial service for the benefit of a community college or district on a campus or other property of the district.
- Any entity whose purpose is to promote or assist a community college or district, or to receive gifts, property and funds to be used for the benefit of the community college or district or any person or organization having an official relationship therewith.
- Any entity that is designated as an auxiliary organization by the district's governing board.

## Regulations Governing Booster Clubs

Because booster clubs are separate from the district, they are not under the control of, nor are they the responsibility of, the site administrator, superintendent or governing board. Their funds are not controlled by the district or students, nor should they be involved in the administering or supervising the activities of student organizations.

However, governing boards are able to approve guidelines for these groups to follow, and these organizations' fund-raising activities are supposed to be approved by the governing board. California Education Code section 51521 requires that all organizations that conduct fund-raising to benefit clubs, schools, students or the district at the K-12 level have prior approval from the school district's governing board or the board-assigned designee. The code states the following:

*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.*

To meet this statutory requirement, a school district or community college should adopt board policy and regulations requiring all booster clubs to do the following:

- Complete and file an application to form a booster club.
- Submit for approval annually a copy of the application and an updated plan of activities.
- Submit a copy of the organization's adopted constitution and bylaws with the application.
- Ensure that renewal applications include the following:
  - An annual financial statement for the year just ended; the statement is to include all expenditures and all income for all events and fund-raisers.
  - A budget for the upcoming year.
  - A budget plan for the related activities.

Other recommended rules and regulations are as follows:

- The district has the express right to review and/or audit booster clubs' financial statements to ensure the clubs' financial integrity.
- Authorization of a booster club is valid for up to one year; however, if the superintendent/chancellor considers it necessary, he or she may revoke a booster club's authorization to conduct activities in the district.
- Requests for subsequent authorizations should be presented to the superintendent/chancellor or designee annually.
- Booster clubs are not legal components of the school entity. Each booster club should have its own tax identification number (TIN); booster clubs are not allowed to use the school entity's tax identification number in any way.
- Booster clubs are responsible for their own tax status, accounting and financial records, and must make their own arrangements for an audit if one is needed. The booster club is not audited as part of the district's annual financial audit.

- District or school site officials may require booster clubs to be officially recognized as tax-exempt organizations under internal revenue code section 501(c)(3) and may require them to provide a copy of their determination letter or certificate of nonprofit status (exempt status is discussed further below).
- Booster club funds should never be commingled with ASB funds or any other district funds.
- The booster club must carry its own liability insurance in an amount equal to or exceeding a minimum determined by the school entity.
- California Education Code section 51520 (discussed below) applies in the case of booster clubs at K-12 districts that wish to have student help with activities.
- Booster clubs' ability to use school facilities at K-12 districts is regulated by California Education Code sections 38130-38139, known as the Civic Center Act.
- Booster clubs must prepare and adopt a constitution and bylaws.
- Booster club officers should be elected according to the structure and process defined in the bylaws.
- It is suggested that K-12 school district personnel not hold any official position in a booster club organization. For community colleges, Education Code section 72673 states that the directors, governors and/or trustees of the organization are appointed or nominated by the college governing board, a district official or a student body or faculty member.
- Fund-raising at any school site is directly under the control of school authorities, such as the site administrator, and must be approved by at least the site administrator prior to any activity. Approval may be granted based on completion of some type of application or form, sometimes referred to as a "Request for Approval of Fund-Raising Activity by a Non-District Organization" form.
- Districtwide projects or fund-raising, such as collection drives, must be submitted in writing and authorized in advance by the district's governing board at a regular board meeting.
- Any rules and regulations developed for the organization must conform to the law, the board of education's policies and regulations, and the school site's rules and procedures.
- All booster club members must be made aware that no individual should personally benefit from the activities the organization conducts. This concept should be made a part of the bylaws.
- Any profits from fund-raising activities that are not spent for a booster club's nonprofit exempt purpose cannot be returned directly to members or their families.
- In case the booster club dissolves or terminates, the booster club's constitution should provide for the distribution of any excess funds to another nonprofit organization, the ASB or the district.

All other booster club activities are outside the control of the district and its governing board.

Should a booster club decide to operate a bingo or raffle activity, California Penal Code Sections 326.5 and 320.5 regulate these events. These regulations are enforced by the licensing agency of each county.

## **Booster Clubs as Nonprofit Organizations With Their Own Tax Identification Number**

Booster clubs are not legal components of the school district and each club must have its own tax identification number (TIN). There are several ways to approach being tax exempt, having a TIN, or choosing whether or not to accept donations. The recommended approach is for all booster clubs to apply for nonprofit tax-exempt status through the Internal Revenue Service (IRS) and state of California. Preparing constitutions, by-laws, articles of incorporation, budgets and projections are already part of the process of obtaining school entity approval. Taking the next step and completing the federal and state forms is not much more difficult.

IRS Form SS-4, *Application for Employer Identification Number*, may be submitted over the telephone after it is filled out. Regardless of whether it intends to file for nonprofit status, a booster club that will receive \$5,000 or more in annual revenues or gross receipts is required to file IRS Form 1023, "Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code,"

Likewise, if the booster club wishes to specify contributions as tax-deductible, the most direct path to doing so is through Form 1023, which upon approval will result in the IRS issuing a determination letter that recognizes the booster club's 501(c)(3) nonprofit, tax-exempt status. Booster clubs cannot legally furnish donors with receipts for a charitable tax deductible donation unless they have obtained this type of official determination letter from the IRS.

California nonprofit, tax-exempt status is similar and requires the completion of Form 3500, *Exemption Application*.

Forms are available on the IRS and California Franchise Tax Board Web sites at [www.irs.gov](http://www.irs.gov) and <http://ftb.ca.gov>.

## Financial Guidelines

Booster clubs are responsible for ensuring that proper internal controls exist for all of their financial activities. In accordance with its bylaws, each booster club should elect a treasurer who is assigned responsibility for recording, documenting and organizing all financial activities.

As do ASBs that exercise the best practices contained in this guide, booster clubs should adhere to sound business practices and maintain an adequate system of controls. These include, but are not limited to, the following:

Financial statements and treasury (See Chapter 7)

- The treasurer or designated officer should prepare monthly financial statements that are presented to the organization along with a copy of the most current bank statement and reconciliation. Financial statements may include cash receipts, cash disbursements, checking account beginning and ending balances, balance sheets, income statements and other relevant items.
- A budget should be developed at the beginning of the year to project expected revenues and expenses, and should be revised as needed.
- An auditor who is independent of the treasurer should be appointed and should report directly to the booster club board. The auditor should review all of the financial records, journals, check registers, receipts, invoices, bank statements, and other financial information at least annually.

Cash receipts and bank reconciliation (See Chapters 7 & 13)

- Prenumbered receipt books and supporting backup documentation.
- Preparation of duplicate deposit, cash count and fund-raising forms.
- Bank deposits should be made intact and in a timely manner.
- Someone other than the individual(s) responsible for depositing funds and writing checks should perform bank reconciliations monthly.

Cash disbursements (See Chapter 18)

- Checks should require a minimum of two signatures.
- Preparation of duplicate forms such as purchase orders.

- All expenditures should be approved by the booster board and the approval noted in the board meeting minutes.

Fund-raising activities should be conducted for a specific goal and not simply to raise money for the organization. All fund-raising activities conducted on school premises must adhere to the guidelines established by the board of education, each school site's individual guidelines, and those noted in Chapter 8.

Only organizations that have scheduled fund-raising activities and have obtained prior written approval from the ASB council and school site administrator will be authorized to conduct such activities on district or school premises.

### Solicitations on School Premises

California Education Code 51520, Prohibited Solicitations on School Premises, states the following for K-12 school entities:

*During school hours, and within one hour before the time of opening and within one hour after the time of closing of school, pupils of the public school shall not be solicited on school premises by teachers or others to subscribe or contribute to the funds of, to become members of, or to work for, any organization not directly under the control of the school authorities, unless the organization is a nonpartisan, charitable organization organized for charitable purposes by an Act of Congress or under the laws of the state, the purpose of the solicitation is nonpartisan and charitable, and the solicitation has been approved by the county board of education or by the Governing Board of the school district in which the school is located. Nothing in this section shall be construed as prohibiting the solicitation of pupils of the public school on school premises by pupils of that school for any otherwise lawful purpose.*

California Education Code section 51521, also for K-12 school entities, discusses solicitations on behalf of a school.

Ultimately, the K-12 school district's superintendent and governing board have complete authority over whether any such activity occurs on school district property. Thus, obtaining written permission for any such activities is of primary importance. The following are general criteria for obtaining permission.

- The purposes of the fund-raising activity, which must be nonpartisan, nonpolitical, nonsectarian, and nondenominational.
- The manner in which the fund-raising activity will be conducted (for example, demands made on staff time and district materials must be minimal, and the activity must not encroach on instructional time).
- Identification of the sponsors, officers and individuals participating in the fund-raising activity.
- Disclosure of the identity and location of any parent organization with which the soliciting organization is affiliated or of which it is a subsidiary.

## School District Employees and School Site Interaction

School employees are not employees of the booster club, and the booster club should be aware of the following:

- While serving as district employees, they have no authority to work for the booster club during their district work schedule. A district employee acting in his or her official capacity and during work hours may interact with booster club officials when this is a required part of his or her duties as a district employee.
- If a district employee would like to be employed by the booster club, the employee must obtain prior approval from the district's personnel department.
- Some districts that permit a district employee to also be employed by a booster club may require that the employee be paid through the district, with the district being reimbursed in turn by the booster club. The district may also require that any employee chosen to work for a booster club be hired and cleared for work through the district's personnel office.
- A district employee who acts in their personal capacity and on their own personal time is free to establish a booster club or to participate in it. The employee must ensure that participation in the booster club does not present a conflict of interest with their duties as a school employee. The employee should also make it clear that their participation is in their personal capacity and not in their capacity as a district employee.

## Donations for Supplies, Equipment and Transportation

Booster clubs by nature are designed to assist the school and/or ASB, and such assistance may come in the form of donations of supplies, equipment and transportation.

### Supplies

When a booster club wishes to give the ASB or one of its clubs money for supplies, the district should purchase the supplies and the booster club should reimburse the district. The purchase should be carried out through the district's purchasing system by a district-designated individual who is authorized to spend the funds, with the site administrator's approval. The purchase should be charged to a school account code, and the purchase requisition should contain the following information in bold:

- Paid by:
- Booster club name
- Person responsible for booster club
- Billing address

The purchase should be charged to the school account code on the requisition at the time of payment, and the district office should bill the booster club for the cost of the supplies purchased.

### Donations for Equipment Purchases

When a booster club wishes to donate equipment to a school, the preferred method for the transaction is the same as noted above for donation of supplies. Also as above, with the approval of the site administrator, the district-designated individual authorized to spend the funds purchases the equipment through the district's purchasing system. The purchase should be charged to a school account code, and the purchase requisition should contain the following information in bold:

- Paid by:
- Booster club name
- Person responsible for booster club
- Billing address

The purchase should be charged to the school account code on the requisition at the time of payment, and the district office should bill the booster club for the cost of the equipment purchased.

If the booster club wishes to purchase equipment outright and donate it to a school, the process is different. The booster club should notify the site administrator and the purchasing department before the equipment is ordered. Then, at a regular board meeting, the district's governing board must accept the equipment as a donation to the district.

### Donations for Transportation/Field Trips

A booster club may donate funds to the ASB or the district for transporting students to events. A field trip request form must be completed in conjunction with the ASB and school site, then sent to the district's transportation department. The request form should contain the following information in bold:

- Paid by:
- Booster club name
- Person responsible for booster club
- Billing address

The transportation cost should be charged to the school account code on the requisition at the time of payment, and the district office should bill the booster club for the cost of the transportation.

### Paying Stipends, Salaries and Consultants

#### Paying Stipends and Salaries

A booster club may *not* pay *any* employee of the school district an additional stipend or salary without prior approval from the district's business and/or personnel office. If the booster club wishes to supplement the school with additional personnel please refer to the section titled "School District Employees and School Site Interaction" earlier in this chapter.

#### Paying Consultants

Consultants are sometimes hired in the ordinary course of business to assist with various projects as needed. Consultants are not employees; they should have their own insurance and should meet all of the qualifications to be considered a consultant. Booster clubs should be aware of the regulations that must be followed when communicating with the ASB on this topic. Chapter 17 discusses this topic at length.



Sample Booster Club Application

(School District Name)

**BOOSTER CLUB APPLICATION**

Booster Club/Organization Name: \_\_\_\_\_

Name of the School: \_\_\_\_\_

The parents of XYZ School District, hereby requests approval for the formation of the: \_\_\_\_\_ Booster Club.  
Name of Organization

Objectives / Purposes of the Booster Club are: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

We, the members of this booster club, have read the rules for forming and conducting this organization and agree to abide by them. We will submit a contact list, along with two copies of the proposed constitution and by-laws to the site administrator/designee, who will review the application for approval.

\_\_\_\_\_  
Signature of Organization Representative Date

Address / Phone No.: \_\_\_\_\_

Approved: \_\_\_\_\_  
Site Administrator's Signature Date

School Name: \_\_\_\_\_

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## Sample School District Notice

### (District Letterhead)

### MEMO

To: All Booster Clubs Supporting Sample School District Schools

From: Sam Smith, Superintendent of Schools

John Money, Fiscal Services

Subject: Booster Club Requirements

Thank you for applying to operate a Booster Club supporting Sample School District schools and for making a difference in the lives and education of our students.

We are providing you this memo in order to assist you in the process of applying as a booster club of the Sample School District. All booster clubs are considered separate organizations from the Sample School District. Before operating on any school site, the district requires the following items from each booster club:

Required Document	Comment
Booster club/support organization name	Define which school and sport or activity the group is supporting.
Booster club officers and contact information listing	List officers' titles, phone numbers, and e-mail addresses.
Employer/Tax Identification Number (TIN) of the booster club Note: The district's TIN is not available for use; the booster club must have its own TIN.	This is required to open a bank account and many other functions. If you used an individual's social security number, please indicate so. See Form SS-4 at <a href="http://www.irs.gov">www.irs.gov</a> .
Proof of tax-exempt status under Internal Revenue Code Section 501(c)(3) (if applicable) To apply for exempt status, you may review Form 1023 and the instructions for filing at <a href="http://www.irs.gov">www.irs.gov</a>	You will need this if your booster will normally have gross receipts of \$5,000 or more in a year OR if you wish to receive a determination letter that recognizes 501(c) (3) status and specifies that contributions to the organization are tax-deductible.
Meeting dates – calendar	For board meetings, committee meetings, etc.
A copy of the booster club current charter and bylaws	Provide most recent information.

Note: These required documents are subject to change at any time without notice.

To provide assistance, you may refer to the guidelines for booster clubs as outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by FCMAT and available at [www.fcmat.org](http://www.fcmat.org). The FCMAT desk reference includes guidelines regarding the organization of booster clubs, financial guidelines, solicitation regulations, site interaction, and many other procedures and functions.

If you have any questions regarding this memorandum, please contact your school site administrator.

Sincerely,

Sam Smith  
Superintendent of Schools

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