

LEXINGTON RICHLAND 5 SCHOOL DISTRICT

# BOOSTER CLUB / PTA / PTO TRAINING



Fall 2016

# AGENDA

- General information
  - Financial policies and controls
  - Fundraising
  - Reporting
  - Learning from the past
  - District policies and procedures
  - Q&A
- 
- **NOTE:** This presentation is not intended to provide professional legal advice. We recommend you see legal assistance in establishing and operating your nonprofit as considered necessary.



# WHY ARE WE DOING THIS?

- The District appreciates the support booster clubs/PTAs/PTOs provide to students
- Consistency and implementation of best practices in administration, accounting, internal controls and financial reporting will help ensure good management of funds and compliance with regulations
- Periodic meetings such as this also encourage good communication and networking among District staff and groups that can hopefully help us all learn from one another and encourage best practices



# WHY ARE WE DOING THIS?

- **Studies have shown that:**
  - **Less than 40% of booster clubs/PTAs/PTOs have tax-exempt status but think they can accept tax-deductible contributions**
  - **Less than 40% of booster clubs/PTAs/PTOs have written policies and procedures**
  - **Less than 50% file the annual state reports and 990 tax returns**
- **In our experience**
  - **Numerous booster clubs/PTAs/PTOs have lost their ability to operate in SC or their tax-exempt status due to not filing reports**
  - **The risk of fraud is high due to poor financial controls (primarily lack of segregation of duties) and officers not understanding what and how things can go wrong**
- **Unclear and poor financial record keeping can lead to many issues and potential problems**



# GENERAL INFORMATION

- **Booster Club/PTA/PTO (separate legal entity)**
  - **Articles of Incorporation**
    - Must include IRS required language for pursuing tax exempt status  
([www.irs.gov/publications/p557/ch03.html](http://www.irs.gov/publications/p557/ch03.html))
  - **By-laws (review annually)**
  - **Employer Identification Number (“EIN”) from IRS**  
([www.irs.gov](http://www.irs.gov))
    - Need EIN to open bank account
  - **Must register with the SC Secretary of State**  
([www.scsos.com](http://www.scsos.com))



# GENERAL INFORMATION

- **Booster Club/PTA/PTO**
  - Develop manual (paper or electronic) with all pertinent information in writing so the transition to new officers is easier
  - Establish policies, procedures and practices
    - Understand District policy and procedure requirements in addition to your own by-laws
    - Highly recommend establishing finance/audit committee
  - Accounting for the financial activity
    - Strongly encourage using software-QuickBooks most common
  - Develop an annual budget and report regularly on actual versus budget results (more later on this)
  - Keep all important documents backed up and readily available, especially for change over of officers



# GENERAL INFORMATION

- **IRS**
  - Discussed incorporation and gaining tax-exempt status in separate presentation
  - Separate legal tax-exempt charitable entities must file annual 990 tax return with the IRS 4 and  $\frac{1}{2}$  months after your fiscal year end
  - It is very important to keep copies of all of these documents for organization records



# GENERAL INFORMATION

- SC Secretary of State
  - Separate legal charitable entities must
    - Register with the South Carolina Secretary of State ([www.scsos.com](http://www.scsos.com)) and file annual statements
    - File annual financial reports with the South Carolina Secretary of State ([www.scsos.com](http://www.scsos.com))
      - The IRS 990 form can be used as the annual financial report per the website
      - Annual registration statements and annual financial reports must be filed within 4 ½ months after fiscal year end and can be completed online.
  - Ensure you periodically visit the SCSOS website as requirements and regulations can change



# GENERAL INFORMATION



- Risk Management
  - It is important to note that officers of booster clubs, PTAs and PTOs can be sued along with the club.
  - Good Samaritan law and Volunteer Protection Act will not generally help much.



# GENERAL INFORMATION

- Risk Management
  - The bottom line is you and your booster club/pta/pto cannot rely on these laws to protect you from the risks your organization has.
    - What risks does your organization face?
    - What risks are low enough for you to accept?
    - What risks can you manage on your own through policies that pass legal muster, etc?
    - What risks do you need outside help with?



# GENERAL INFORMATION

- Risk Management
  - For those risks you determine you need outside help with, insurance is an option:
    - General liability
    - Event
    - Bonding
    - Directors and officers
  - NOTE: know whether the organization falls under the District/School insurance policies



# GENERAL INFORMATION-POLICIES

- These policies are important in addition to the Articles of Incorporation and By-laws (you can include some in your by-laws or have separate policies):
  - Risk Management/Insurance requirements
  - Conflict of interest statement
    - District employees cannot serve as Treasurer or other financial capacity that includes signature authority
  - Financial (see later slides)
  - Regular meetings-we recommend at least monthly
  - Staffing-we strongly recommend at least one officer have a financial background; finance/audit committee should have people with financial background
  - Internet has a lot of resources...



# FINANCIAL POLICIES AND CONTROLS



- Big picture
  - Should be in writing
  - Remember, it is all about RISK (think EVIL!)
  - General principle: always include two people whenever cash or checks are involved- primarily cash receipts and cash disbursements, and when checks are being disbursed or received.



# FINANCIAL POLICIES AND CONTROLS

- Someone independent should look at finances regularly
  - Finance/audit committee can help but should not completely replace what officers should do
- Require two signatures on all checks
- Strict rules about original receipts for reimbursement of expenses (no original receipt no reimbursement)
- Do not write checks to “cash”
- Timely bank reconciliations and review (not by the two people who can sign the checks-at least one other person should be involved who knows what to look for)
- Monthly financial reports must go to the organization board and finance/audit committee, including the bank statement and reconciliation
- Annual financial reports to School/District
- Inventory controls/counts should always include at least two people



# FINANCIAL POLICIES AND CONTROLS

- Set up cash points with at least two people at each point for special events
- Create a paper (paperless even better!) trail
- Reconcile tickets (if used) with cash immediately after the event and have at least two people sign and date the reconciliation (and then give to the treasurer)
- Deposit same day (next morning at the latest if it is an evening event, but make sure securely locked up if not until next morning)
- Consider bonding insurance
- Don't ever
  - take IOUs
  - mingle personal or school cash with organization cash
  - provide a loan to the organization



# FINANCIAL POLICIES AND CONTROLS

- Segregation of duties are critical
  - The majority of fraud occurs at booster clubs/PTAs/PTOs because one officer (usually the President or Treasurer) is given too much responsibility with little or no oversight
  - Basic segregation of duties for financial controls include:
    - One person should not collect cash or checks by themselves (especially cash)
    - The same person should not make deposits and reconcile the bank account(s)
    - The same person should not prepare/sign checks and reconcile the bank account(s) or there should be a second person to do a detailed review
    - Same person should not be able to add new vendors to financial software and prepare and sign checks on their own



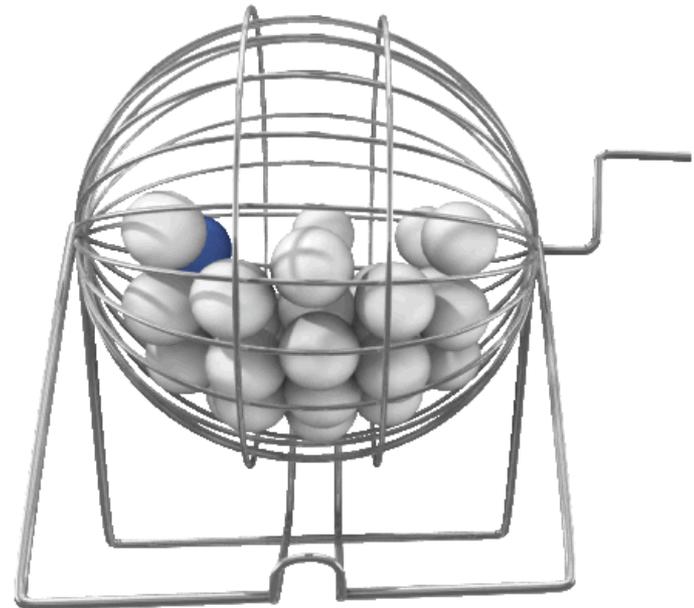
# FINANCIAL POLICIES AND CONTROLS

- **Monitoring is very important**
  - The financial statements should be detailed enough to include the balances for every general ledger account (not summarized)
  - Each officer (and finance/audit committee member) should closely review the financial statements and look for unusual or unexpected balances
    - Miscellaneous revenues and expense should not be used or used very minimally
    - Are the receipts and disbursements about what you would have expected
    - Are there any unusual expense account descriptions or account balances that don't make sense to you?
  - If the organization has multiple bank accounts bank transfers should not be authorized by just one person



# FUNDRAISING-RAFFLES

- New law passed in November, 2014
- See handout of frequent questions and answers



# REPORTING

- 990 annual tax return to IRS
- Annual registration and annual financial report to SC Secretary of State
- Regular (we recommend monthly) financial reporting to officers and finance/audit committee
- At least annual financial reporting to the membership
- Annual financial reporting to the principal and District CFO
  - Due by 9/30
  - Signed and dated by finance/audit committee
  - Include balance sheet and revenue/expenditure statement
- Insurance companies may require some annual reporting



# LEARNING FROM THE PAST

- Importance of accurate and complete financial records
- Lost tax-exempt status (not filing 990 to IRS)
- Lost ability to operate in SC (not filing registration and financial reports with SOS)
- Lost monies-lack of segregation of duties/properly reviewing bank reconciliations and financial reports have caused:
  - Checks written for personal expenses
  - Cash transferred to personal accounts
  - Cash used for unintended purposes
  - Make sure bad checks are really bad checks
  - Fraud at special events
  - Miscellaneous expense account



# SUMMARY

- Take the time now to make sure your organization either has the documents to be in compliance with district, state and feds, or work on preparing them
- Get organized with a:
  - Good team
  - Good policies, procedures and practices
  - Good financial bookkeeping and reporting
  - Good communication with the District and school administration
- The District is here to help, so don't hesitate to ask questions or ask for help

