



Booster club minimum standards checklist.

Put your organization to the test.

Structure

- Become recognized by the IRS as a 501(c)(3) organization.
- Use your own EIN.
- File an IRS 990-series tax return every year.
- Incorporate as a nonprofit corporation.

Financial procedures

- Prepare and approve an annual budget.
- Employ sound financial controls, including:
 - two (2) people count cash on-site where collected,
 - two (2) people sign checks,
 - two (2) people reconcile the bank account monthly, and
 - conduct an annual end-of-year financial review.

Fundraising procedures

- File and renew your state charity registration as required by your state.
- Prohibit cooperative fundraising.

Insurance

- Obtain appropriate insurance.
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Get help with the required state and federal registrations for school booster clubs.



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Structure

Become recognized by the IRS as a 501(c)(3) organization.

School fundraising groups generally qualify for 501(c)(3) tax-exempt public charity status. Federal 501(c)(3) status is required to allow donations to be tax-deductible to donors. In addition, most corporate and other grant programs (grocery and other script programs, Kohl's, Target, Disney and other school grant programs) require groups to have 501(c)(3) status to be eligible. Most states also require proof of federal 501(c)(3) status as a gateway to obtaining exemption from state sales tax.

Use your own EIN.

School fundraising organizations should have their own EIN (federal tax-identification number). You should not use the school's EIN.

File an IRS 990-series tax return every year.

All nonprofit, tax-exempt organization must file the appropriate IRS tax-return. Organizations with gross receipts of \$50,000 or less may file the online 990N e-postcard. If your gross receipts are between \$50,000-200,000 you may file the 990EZ. Larger organizations must file the full 990. Failure to file the appropriate 990-series return on time for three consecutive years will result in automatic revocation of your organization's federal 501(c)(3) tax-exempt status.

Incorporate as a nonprofit corporation.

Incorporation provides a recognized legal structure and protection from personal liability for officers and volunteers for claims relating to the organization's activities. *We recommend obtaining insurance as well, whether or not your organization is incorporated.

Fundraising procedures

File and renew your state charity registration as required by your state.

Most states require nonprofit organizations to register with the state's charity bureau, commonly housed with the Office of the State Attorney General, prior to fundraising. State laws vary with some states providing an automatic exemption for school fundraising groups; other states require organizations to apply for any exemptions available in the state; and still other states have a threshold amount of donations raised prior to charity registration requirement going into effect. It's important to know and follow your state fundraising registration requirements prior to engaging in fundraising activities.

Prohibit cooperative fundraising.

School fundraising organizations set up as 501(c)(3) public charities may not undertake fundraising programs or activities in which only the students participating in the fundraising activity are credited with the funds they raise to offset the students' costs of participating in the activity. This type of fundraising is often called "cooperative fundraising" in which students have "individual fundraising accounts". Undertaking cooperative fundraising activities may result in loss of your organization's 501(c)(3) tax-exempt status.

Insurance

Obtain appropriate insurance.

If your organization is incorporated, the "corporate veil" should require that most legal claims be brought against the corporation and not against your officers and volunteers. That said, when children and youth under 18 are involved, the possibility of liability increases. And, because school fundraising groups are separate legal entities from the schools that they support, the school's insurance usually does not cover the activities of the support organizations. As a result, it is a good idea to make sure your organization has appropriate insurance coverage. There are four (4) main types of insurance for school support organizations – general liability, directors' and officers' liability, property damage, and bonding. General liability covers medical and other claims due to injuries that happen at an organization's event. Directors' and officers' liability insurance typically covers all your volunteers (not just the officers) for claims relating to performing their volunteer duties on behalf of your organization. Property damage insurance covers loss or damage of property your organization owns, including by way of example, loss or damage of fundraising products sold once in the organization's possession, but prior to being distributed to the purchasers. Bonding provides coverage for loss of funds by the people handling your money.

Financial procedures

Prepare and approve an annual budget.

School fundraising groups should develop an annual budget that shows the activities/events/fundraising programs that they will conduct and the amount of income expected from each. The budget also should show how the funds are expected to be spent by program type and amount. The budget should be approved by the voting members of the organization, and amended whenever plans change.

Employ sound financial controls, including:

- two (2) people count cash on-site where collected,
- two (2) people sign checks,
- two (2) people reconcile the bank account monthly, and conduct an annual end-of-year financial review.

Requiring two people to sign checks is a key safeguard to protect the assets of the organization. The requirement should be imprinted on your checks to put your members, the bank and the public on notice of your requirement. Never pre-sign checks. Doing so negates the benefit of requiring the two signatures

Unfortunately, theft is a problem in school fundraising groups and other types of small organizations and businesses. Requiring two unrelated people to count cash, onsite, where it is collected is a key safeguard to prevent theft. The cash counters should complete and both sign a tally sheet with the cash count and immediately deposit the funds in the bank. The cash tally sheet should be kept in the organization's records and must match the bank's record of the deposit.

Bank accounts should be reconciled within thirty (30) days of the bank statement becoming available. If an individual, such as your treasurer, has signature authority and handles the reconciliation, another officer without signature authority should at a minimum have read-only access to the bank account and review the bank statements and reconciliation each month.

It is important that an annual financial review ("audit") be completed each year, and every time your key officers change. The review may be conducted by a committee of two or more volunteers who do not have signature authority on the bank account(s) and are not routinely involved with the organizations finances. Some booster clubs have a school business officer or someone else at the school review their finances each year. Other organizations, particularly larger booster clubs, ask an outside accountant or accounting firm to handle the annual review.