



**Katy Independent School District
Financial Management Handbook
For
Parent Organizations**

Table of Contents

<u>Description</u>	<u>Page Number</u>
General Information	2
Resources	4
Operating Procedures	6
Federal Tax Information	8
Sales Tax Rules and Reporting	10
UIL Guidelines for Booster Clubs	21
Suggested Audit Program	25

Financial Management Handbook

General Information

Katy ISD Support Organizations

This Financial Management Handbook for parent organizations is a consolidation of guidelines and previously issued documents designed to provide parent organizations, principals and sponsors with financial procedures that are mandated by state law, the Internal Revenue Service (IRS), Board policy, administrative directives and/or good business practices.

RELATIONS WITH PARENT ORGANIZATIONS

In accordance with Katy Independent School District Board Policy [GE \(LEGAL\)](#) the Board shall cooperate in the establishment of ongoing operations of at least one parent-teacher organization at each school in the District to promote parental involvement in school activities. *Education Code 26.001(e)*

In addition, [GE \(LOCAL\)](#) Policy states that district-affiliated school-support or booster organizations shall organize and function in a way that is consistent with the District's philosophy and objectives, within adopted Board policies, in accordance with applicable UIL guidelines and financial and audit regulations.

[See also [CFD \(LOCAL\)](#)]

District-affiliated school-support or booster Organizations may use District facilities with prior approval of the appropriate administrator. Other parent groups may use district facilities in accordance with policy [GKD \(LEGAL\)](#).

Before parent groups or other groups working with the school purchase equipment for the schools, including computer hardware and software, they shall notify the principal of their plans. In consultation with the Superintendent or designee, the principal shall determine the type or brand of equipment to buy to ensure compatibility with current District equipment.

Katy Independent School District (KISD) encourages the participation and involvement of parents in the education of their children. Parent support organizations may be formed to promote the school program or to compliment a particular student group or activity. Students learning opportunities are expanded when they participate in school activities and programs. The district greatly appreciates the time and support that these organizations provide our students.

A booster club is formed to enrich the school's participation in extracurricular activities and normally involves an individual student group (band, football, after prom, etc.).

A PTA is formed to promote the general welfare of the entire student body at a particular school.

The principal must approve the formation of all parent organizations. He/She is responsible for all money raising activities carried on in his/her school or sponsored in any manner by or on behalf of his/her school. Parent/teacher committees or faculty/student committees should work in full cooperation with the principal under his/her supervision in planning special programs and activities or in conducting any activity which involves the raising of money.

The sponsor of a student group serves as the liaison between the Booster Club and the District, under the supervision of the Principal. The sponsor is responsible for determining the various activities and trips in which the student group will participate with the approval of the Principal.

Parent organizations operate autonomously of the school district as separate parent organizations even though they generally exist solely to support school activities.

The responsibility for accounting, safeguarding, and disbursement of funds rests with the parent organization's officers. The principal may act in an advisory capacity only.

Sections of this handbook will provide general, not specific and/or all inclusive tax information as it relates to parent organizations. It is each parent organization's sole responsibility to seek competent professional tax assistance for its own tax reporting requirements.

Parent organizations should strive to remain in good standing with all federal and state agencies. This includes paying all taxes and other debts incurred by the organization.

A parent organization may not represent the District nor bind the District or any of its employees to a third party with which the organization may conduct business.

All meetings of parent organizations must be public meetings. Minutes of all parent organization meetings should be kept in writing in the permanent records of the organization.

Each parent organization shall operate under bylaws and shall submit a copy to the school principal and the KISD business office.

All parent organizations must obtain a unique tax identification number/Employer Identification Number (EIN). Parent organizations are not permitted to use the District's EIN or its Texas Sales Tax Permit Number.

Principals should inform sponsors so that they are aware of the guidelines that may pertain to their particular area.

Resources

Secretary of State - check corporate name, questions on articles of incorporation and submission of articles of incorporation.

Corporations Section
Statutory Filings Division
Office of the Secretary of State
P.O. Box 13697
Austin, TX 78711-3697

www.sos.state.tx.us

(512)463-5582 (phone)

Internal Revenue Service (I.R.S.) - obtain Employee Identification Number (EIN).

EIN Operation
Philadelphia, PA 19255

[http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Apply-for-an-Employer-Identification-Number-\(EIN\)-Online](http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online)

(800)829-4933 (phone)

(215)516-3990 (fax)

IRS - apply for recognition of exemption and related questions.
Internal Revenue Service

P.O. Box 192
Covington, KY 41012-0192

<http://www.irs.gov/publications/p557/ar01.html#d0e92>

(877)829-5500 (phone)

State Comptroller - request exempt status from sales and franchise taxes and related questions.

Tax Policy Division
Exempt Organizations Section
Texas State Comptroller's Office
P.O. Box 13528
Austin, TX 78711-3528

<http://www.window.state.tx.us/taxinfo/taxforms/ap-205.pdf>

(800)252-5555 (phone)

State Comptroller - apply for State Sales and Use Tax Permit and related questions.

Comptroller of Public Accounts

111 E. 17th Street

Austin, TX 78774-0100

<http://www.window.state.tx.us/taxinfo/taxforms/ap-201.pdf>

(800)252-5555 (phone)

IRS - assistance with Form 990/990EZ and general questions regarding exempt organizations.

<http://www.irs.gov/pub/irs-pdf/i990.pdf>

(877)829-5500 (phone)

e-Postcard (Form 990-N) - New Annual Electronic Filing Requirement for Small Tax-Exempt Organizations

[http://www.irs.gov/Charities-&-Non-Profits/Annual-Electronic-Filing-Requirement-for-Small-Exempt-Organizations-Form-990-N-\(e-Postcard\)](http://www.irs.gov/Charities-&-Non-Profits/Annual-Electronic-Filing-Requirement-for-Small-Exempt-Organizations-Form-990-N-(e-Postcard))

IRS - forms and publications (i.e. - Form 990/990EZ).

www.irs.gov/formspubs

(800)829-3676

State Comptroller - complete sales tax report online.

<http://www.window.state.tx.us/webfile/salestax.html>

University Interscholastic League (UIL) - booster club guidelines.

<http://www.uiltexas.org/policy/booster-club-guidelines>

Parent Teacher Association – Leadership Resources

http://www.pta.org/running_a_pta.asp

Texas PTA –

<http://www.txpta.org/>

Guidestar - View your organizations recent Forms 990, or find out more about its mission, programs, and finances.

<http://www.guidestar.org/>

OPERATING PROCEDURES

Record Keeping Practices

When forming a new Booster Club, submit a request to the campus principal for approval.

The proper collection, reporting, disbursement, and safeguarding of all money and other Booster Club assets rests solely with each Booster Club's officers, jointly and severally, not with the school district or with any of the District's employees. The principal may act in an advisory capacity only. No principal or teacher/coach should be a signatory on a private sponsored organization's bank account.

A Booster Club does not have the authority to commit or to represent in any way the Katy Independent School District or any of its campus locations. A Booster Club is responsible for any obligation incurred by the Booster Club whether the commitment is financial or otherwise. The school district is not liable or responsible for any contracts or expenditures made by a Booster Club. **We strongly encourage any Booster Club to obtain legal assistance before authorizing or signing any agreement or contract in the Booster Club's name.**

Minutes of all Booster Club meetings should be kept in writing in the permanent records of the club.

Booster Clubs should seek competent tax and legal advice on their own and at their own expense on an as-needed basis to assist and advise them on legal and tax matters.

District personnel will assist in whatever manner is feasible to facilitate Booster Club needs.

All Booster Clubs records should be maintained in a manner to facilitate the transfer of duties to new officers each year. Copies of financial records should be maintained for a period of five years in the permanent records of the organization. Many of these filings become public record upon the granting of exempt status and must be maintained for public inspection.

Booster Clubs should obtain a post office box or use a member's home or business address for all its correspondence, a post office box would provide the greatest amount of flexibility for the club. Schools are not equipped nor funded to receive, sort, safeguard, or distribute mail for all of the District's Booster Clubs. **Note: Booster Club information is subject to "open records" therefore, as a safety precaution, it is strongly recommended that a post office box is utilized.**

To open a bank account, the Booster Club *must* first obtain an Employer Identification Number from the IRS. See page 9 - Federal Tax Information for more information on obtaining an E.I.N.

Booster Clubs should not use the school's name on its checks or on its literature. The use of the school name might imply that the school or the District is responsible for any obligations entered into by the Club. A proper name on accounts and literature would be "High School X Choir Booster Club" as an example.

Commingling of Booster Club funds and school activity funds is prohibited. Each Booster Club must have its own separate bank account.

All funds received should be receipted and deposited within 24 hours of receipt.

It is suggested that at least two club officers sign each disbursement. School district employees may not be the signature on Booster Club bank accounts for their own campus or programs they are the sponsor for.

Capital equipment purchased with Booster Club funds become the property of the school district and must be used exclusively at the school.

School employees may not accept loans of funds from parents and student organizations.

Each organization must have an audit committee perform an annual audit. See Page 22 for Suggested Audit Program.

Payment from Booster Club funds may not be made to employees or to other individuals for any service rendered to a school district program unless the transaction is processed through the Katy ISD Business Office.

The employment of clinicians by the school district may not be a substitute position or an alternative for a sponsor. A clinician is defined as a professional who is not an employee of KISD whose services are contracted on an intermittent basis to give suggestions and/or help a performing group with routines/numbers that have been initially taught by KISD employees. The use of a clinician requires the approval of the campus principal and the appropriate ESC administrator(s).

FEDERAL TAX INFORMATION

It is each Booster Club's responsibility to seek competent professional tax advice for its own tax reporting and filing requirements. The information provided in this document is not intended to be specific or all-inclusive. Booster Club organizations should strive to remain in good standing with all federal and state regulatory agencies.

APPLICATION FOR FEDERAL TAX EXEMPT STATUS

Formation of a non-profit corporation does not necessarily entitle the organization to exemption from federal taxes. In order to be exempt from federal taxes, the booster club must apply for this status. Form 1023 <http://www.irs.gov/pub/irs-pdf/f1023.pdf>, must be completed for Recognition of Exemption Under Section 501(c)3. General instructions on the rules and procedures can be found in IRS Publication 557 <http://www.irs.gov/publications/p557/ar01.html#d0e92>.

Upon acceptance of the organization's exempt status by the Internal Revenue Service, a determination letter will be received as evidence of approval. The letter should be kept in a safe, permanent place as it will be used time and again to prove the organization's exempt status. In addition, a copy of the letter should be shared with the school's financial clerk.

To determine if your organization has received exempt status 501 (c)(3), go to the IRS website, http://apps.irs.gov/app/eos/mainSearch.do;jsessionid=cuXPdFW+tW+EYg-56YmS1A_?mainSearchChoice=pub78&dispatchMethod=selectSearch select the circle in front of "Are eligible to receive tax deductible contributions" ...you will be able to search for your particular booster club.

Organizations that have gross receipts greater than \$25,000 annually must also file Form 990 or 990 EZ (Return of Organization Exempt from Income Tax) annually. These forms due by the 15th day of the 5th month after the organization's reporting period (4 months after year end). Instructions for Form 990 and 990 EZ can be found on the IRS website at <http://www.irs.gov/pub/irs-pdf/i990.pdf>

Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice, Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*. This filing requirement applies to tax periods beginning after December 31, 2006. Organizations that do not file the notice will lose their tax-exempt status.

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, *Return of Organization Exempt From Income Tax*, or Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations will now be required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually. Exceptions to this requirement include organizations

that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ.

The PPA requires the IRS to revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990 or 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.

Booster Clubs that have gross receipts over \$5,000 that are not exempt (they have not filed Form 1023) are considered taxable entities by the IRS and must file Form 1120 US Corporation Tax Return.

If you are not using a post office box, it is extremely important to notify the IRS when you have a change of address for your Booster Club. You should use IRS form 8822 <http://www.irs.gov/pub/irs-pdf/f8822.pdf>

EMPLOYER IDENTIFICATION NUMBER

The IRS requires all organizations (entities) that conduct business to have their own Employer Identification Number. The EIN is obtained with the SS-4 Form <http://www.irs.gov/pub/irs-pdf/fss4.pdf> from the IRS. A member's social security number should not be used as the organization's Employer Identification Number for banking or other business purposes. Booster Clubs are not allowed to use the District's EIN.

To obtain an Employer Identification Number:

- Obtain and complete IRS Form SS-4 <http://www.irs.gov/pub/irs-pdf/fss4.pdf>
- Make a copy for the club's permanent records.
- When a number is assigned to the Booster Club by the IRS, ensure that the paperwork is maintained in a permanent file from year to year.
- The IRS will assign a number over the telephone to the Booster Club.
- The fiscal year end for the Booster Club will be August 31st.
- There is no application fee required when filing Form SS-4.
- This EIN will be the number used to establish a bank account for the Booster Club.

Again, you can apply for an EIN number online on the IRS website. Go to [http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Apply-for-an-Employer-Identification-Number-\(EIN\)-Online](http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online)

SALES TAX RULES & REPORTING

Generally, sales tax is due on the sale of tangible personal property and taxable services in Texas whether the seller is a for-profit business, sole proprietor or non-profit organization. The seller must obtain a sales tax permit and is responsible for collecting and remitting tax on all sales and services made by the seller unless the sales are otherwise tax exempt.

If a parent organization has obtained a Sales Tax Exemption from the State, it simply means the organization can purchase items for the organization's exclusive use or for resale. If the items purchased for the organization are sold, the organization is responsible for collecting sales tax; reporting the sale to the state, and remitting the sales tax amount to the State Comptroller's Office.

The information below assumes that the parent organization has obtained a tax-exempt status from the IRS as a 501(c) (3) charitable organization and an exception from the State for Texas sales use and taxes.

All purchases made for the exclusive use of a parent organization should be made tax-exempt.

A Texas Sales and Use Tax Exemption Certificate form should be issued to the vendor.

Sales and use tax exemption numbers do not exist. Exemption form requires no number to be valid. The Certificate authorizes the vendor to make the sale tax-exempt. Parent Organizations are not allowed to use Katy ISD's sales tax certificate.

The vendor should keep the certificate on file to show potential State Comptroller auditors if audited.

All items purchased to resell during a fund-raising event such as T-shirts, spirit items, etc. should be made as non-taxable purchases from the vendor.

A Texas Sales Tax Resale certificate showing the organization's Sales Tax Permit Number (11 digits) should be given to the vendor unless the vendor already has one on file.

It is not recommended to pay the vendor for sales taxes in an attempt to avoid collecting and remitting sales taxes to the State.

When making a sale you must determine if the sale is a taxable or non-taxable event. When an individual purchases a tangible item and it becomes their personal property that sale is taxable.

It is irrelevant if the school logo is on the item purchased or that the item will be used by a student in a school group or for a school function.

According to the State Comptroller's Office, sales of school supplies to students are taxable.

Reporting and Remitting Sales Taxes to the State

Sales taxes are due to the State and must be collected when a taxable item is sold to others.

Sales taxes are due regardless of whether a parent organization has obtained a tax-exempt status from the IRS and regardless of whether sales taxes were charged as part of the sales price when the items were sold.

There is a requirement to file at least one sales tax report per calendar year (January-December) with the State Comptroller's office. The State Comptroller will inform the parent organization after filing their first sales tax report if sales taxes must be remitted more frequently (based on taxable sales in one year).

The State Comptroller's office will generally mail the required reporting forms and information to the organization after it has obtained a Sales Tax Permit.

If an organization has a Sales Tax Permit, the State requires that a sales tax report be filed annually even if the organization did not sell anything taxable (zero sales/no tax due tax report).

The sales tax report can be completed online, if preferred, by going to the State Comptroller's website at <http://www.window.state.tx.us/taxinfo/sales/index.html>.

Annual sales tax reports are due January 20th each year. Quarterly and monthly sales tax reports are due on the 20th of the month immediately following the end of the quarter or month, respectively.

Listing of Tax Rates by Location

Following is a list of applicable tax rates for locations within the District:

High Schools

Tax Rate

Cinco Ranch High School
23440 Cinco Ranch Blvd.
Katy, Texas 77494-2881

0.0725

Katy High School
6331 Highway Boulevard
Katy, Texas 77494

0.0825

Taylor High School
20700 Kingsland Boulevard
Katy, Texas 77450

0.0825

Mayde Creek High School 0.0725
19202 Groschke Road
Houston, Texas 77084

Morton Ranch High School 0.0825
21000 Franz Road
Katy, Texas 77449

Seven Lakes High School 0.0625
9251 South Fry Road
Katy, Texas 77494

Tompkins High School 0.0625
4400 Falcon Landing Blvd
Katy, Texas 77494

Junior High Schools **Tax Rate**

Roger & Ellen Beck Junior High 0.0825
5300 South Fry Road
Katy, Texas 77450

Beckendorff Junior High 0.0725
8201 South Fry Road
Katy, Texas 77494

Cardiff Junior High 0.0825
3900 Dayflower Drive
Katy, Texas 77449

Cinco Ranch Junior High 0.0625
23420 Cinco Ranch Boulevard
Katy, Texas 77494-2881

Katy Junior High 0.0825
5350 Franz Road
Katy, Texas 77493

McDonald Junior High 0.0825
3635 Lakes of Bridgewater Drive
Katy, Texas 77449

Garland McMeans Junior High 0.0625
21000 Westheimer Parkway
Katy, Texas 77450

Mayde Creek Junior High 0.0725
2700 Greenhouse Road
Houston, Texas 77084

Memorial Parkway Junior High 0.0825
21203 Highland Knolls
Katy, Texas 77450

Morton Ranch Junior High 0.0825
2498 North Mason Road
Katy, Texas 77449-4079

Seven Lakes Junior High 0.0625
6026 Katy-Gaston Rd
Katy, Texas 77494

West Memorial Junior High 0.0825
22311 Provincial Boulevard
Katy, Texas 77450

Woodcreek Junior High 0.0825
1801 Woodcreek Bend Lane
Katy, Texas 77494

Elementary Schools **Tax Rate**

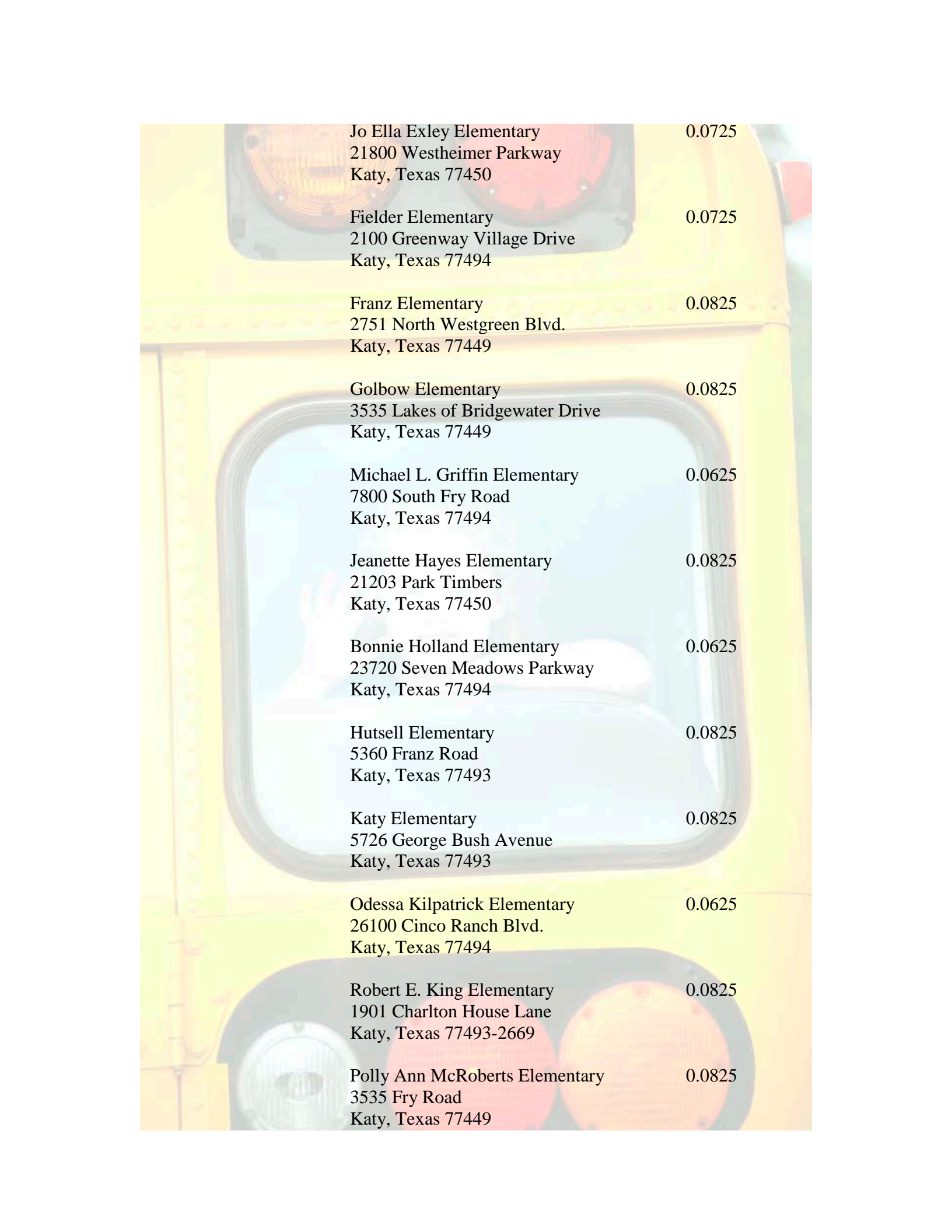
Roosevelt Alexander Elementary 0.0625
6161 South Fry Road
Katy, Texas 77494

Bear Creek Elementary 0.0825
4815 Hickory Downs Drive
Houston, Texas 77084

Cimarron Elementary 0.0825
1100 South Peek Road
Katy, Texas 77494

Sue Creech Elementary 0.0725
5905 South Mason Road
Katy, Texas 77450

Keiko Davidson Elementary 0.0625
26906 Pine Mill Ranch Drive
Katy, Texas 77494



Jo Ella Exley Elementary 0.0725
21800 Westheimer Parkway
Katy, Texas 77450

Fielder Elementary 0.0725
2100 Greenway Village Drive
Katy, Texas 77494

Franz Elementary 0.0825
2751 North Westgreen Blvd.
Katy, Texas 77449

Golbow Elementary 0.0825
3535 Lakes of Bridgewater Drive
Katy, Texas 77449

Michael L. Griffin Elementary 0.0625
7800 South Fry Road
Katy, Texas 77494

Jeanette Hayes Elementary 0.0825
21203 Park Timbers
Katy, Texas 77450

Bonnie Holland Elementary 0.0625
23720 Seven Meadows Parkway
Katy, Texas 77494

Hutsell Elementary 0.0825
5360 Franz Road
Katy, Texas 77493

Katy Elementary 0.0825
5726 George Bush Avenue
Katy, Texas 77493

Odessa Kilpatrick Elementary 0.0625
26100 Cinco Ranch Blvd.
Katy, Texas 77494

Robert E. King Elementary 0.0825
1901 Charlton House Lane
Katy, Texas 77493-2669

Polly Ann McRoberts Elementary 0.0825
3535 Fry Road
Katy, Texas 77449



Mayde Creek Elementary 0.0725
2698 Greenhouse Road
Houston, Texas 77084

Memorial Parkway Elementary 0.0825
21603 Park Tree Lane
Katy, Texas 77450

Morton Ranch Elementary 0.0825
2502 Mason Road
Katy, Texas 77449

Nottingham Country Elementary 0.0825
20500 Kingsland Boulevard
Katy, Texas 77450

Pattison Elementary 0.0825
19910 Stonelodge
Katy, Texas 77450

James Randolph Elementary 0.0825
5303 Flewellen Oaks Lane
Fulshear, Texas 77441

Jack and Sharon Rhoads Elementary 0.0825
19711 Clay Road
Katy, Texas 77449

Roberta Rylander Elementary 0.0725
24831 Westheimer Parkway
Katy, Texas 77494

Jean and Betty Schmalz Elementary 0.0725
18605 Green Land Way
Katy, Texas 77084-3887

Fred and Patti Shafer Elementary 0.0725
5150 Ranch Point Drive
Katy, Texas 77494

Stan Stanley Elementary 0.0625
26633 Cinco Terrace Drive
Katy, Texas 77494

Ursula Stephens Elementary 0.0825
2715 Fry Road
Katy, Texas 77449

Sundown Elementary 0.0825
20100 Saums Road
Katy, Texas 77449

West Memorial Elementary 0.0825
22605 Provincial Boulevard
Katy, Texas 77450

James Williams Elementary 0.0725
3900 South Peek
Katy, Texas 77450

Tom Wilson Elementary 0.0825
5200 Falcon Landing Blvd
Katy, Texas 77494

Diane Winborn Elementary 0.0825
22555 Prince George
Katy, Texas 77449

Wolfe Elementary 0.0825
502 Addicks-Howell Road
Houston, Texas 77079

Ray and Jamie Wolman Elementary 0.0825
28727 North Firethorne Rd
Katy, Texas 77494

Woodcreek Elementary 0.0825
1155 Woodcreek Bend Lane
Katy, Texas 77494

Other School Sites **Tax Rates**

Central Vocational Building (West) 0.0825
1734 Katyland Drive
Katy, Texas 77449

Opportunity Awareness Center 0.0825
1732 Katyland Drive
Katy, Texas 77493

Katy ISD Administration Building 0.0825
6301 South Stadium Lane
Katy, Texas 77492

Vocational - East 0.0725
20700 Kingsland Boulevard
Katy, Texas 77450

Vocational – South 0.0725
23440 Cinco Ranch Boulevard
Katy, Texas 77494-2881

When engaging in fundraising activities, an exempt organization needs to identify the seller of the taxable items in order to determine the responsibility for collecting any sales tax that is due.

In many instances, the exempt organization enters into contracts with private entities to sell taxable items. The exempt organization takes orders and collects the money on the sales. After the exempt organization retains its agreed commission, it forwards the sales proceeds to the actual seller of the goods. Under this type of agreement, the exempt organization is not the seller, but is merely acting as a sales agent or representative for the seller. The private entity is the seller and must collect and remit sales tax. This is often the case for items such as school pictures, books and gift wrap. In these situations the exempt organization cannot issue any certificate in lieu of paying tax because it is not the seller and the tax-free sale provisions discussed below do not apply. Sales tax is due from the purchaser (consumer), collected by the exempt organization (agent), forwarded to the retailer (seller) and reported by the retailer (seller) on the seller's sales tax return to the Comptroller. The exempt organization has no sales tax reporting requirement. Additionally, the tax is being paid by the consumer who is not a tax-exempt, non-profit organization.

Recent correspondence from both exempt organizations and retailers has raised questions about the "seller" versus "agent for the seller" for fundraising sales. The taxability in this area has not changed and was addressed in STAR documents:

<http://aixtcp.cpa.state.tx.us/opendocs/open00/0083e091.html>

<http://aixtcp.cpa.state.tx.us/opendocs/open15/98087141.html>

<http://aixtcp.cpa.state.tx.us/opendocs/open17/99086421.html>

<http://aixtcp.cpa.state.tx.us/opendocs/open27/2002049401.html>

<http://aixtcp.cpa.state.tx.us/opendocs/open31/2007049261.html>

Here are some guidelines to determine when the exempt organization is the seller and not merely acting as an agent for a seller:

- The exempt organization is the seller when it purchases sales inventory from a retailer for a certain price (first transaction) and then resells the taxable items at its own profit or loss for a price the exempt organization determines (second transaction). The exempt organization assumes all responsibility and risk. See STAR documents <http://aixtcp.cpa.state.tx.us/opendocs/open22/0755e02h.html> and <http://aixtcp.cpa.state.tx.us/opendocs/open22/0755c05h.html>.
- The exempt organization is the seller when it does not share or split the proceeds with the retailer/distributor or retain a "commission." See STAR document <http://aixtcp.cpa.state.tx.us/opendocs/open27/2002094531.html>.

Whether the customer pays the exempt organization or the retailer is not always an indicator of who is considered the seller of the items. For example, a check could be made payable to the exempt organization, but if the exempt organization is receiving a commission from a retailer; the exempt organization is not the seller.

When the exempt organization is the seller, the sale could qualify as an exempt sale under the one-day tax-free sale provision.

The primary location of the exempt organization (such as the PTA, school, church or other non-profit organization) determines the local tax rate to be used to collect sales tax from customers. The local taxing jurisdictions are entitled to revenue from those sales since the fundraising, non-profit entity is operating a place of business, as that term is defined in Tax Code Section 321.002, on behalf of the seller for the purpose of receiving and filling orders.

One-day Tax-free Sales

Again, schools and school groups that sell taxable items must obtain a sales tax permit and collect and remit tax on all sales of taxable items unless the sales are otherwise tax-exempt. Tax exemptions are specific and based on a variety of reasons, conditions, and circumstances. Tax is due on any sale not covered by an exemption. The entity making the taxable sale is a retailer/seller and responsible for collecting and remitting the tax.

Organizations that qualify for an exemption under Section 151.310(a)(1) or (2) [e.g., religious, educational, and charitable organizations and organizations exempt under IRS Section 501 (c)(3), (4), (8), (10), or (19)] and their bona fide chapters can hold two tax-free sales or auctions during a calendar year. A day is considered a consecutive 24-hour period. See Tax Code Section 151.310(c), subsection (h) of Rule 3.322 on sales by exempt organizations, and Tax Publication 96-122.

Qualifying educational organizations include Texas school districts, individual public schools, and private schools that have received sales tax exemption as educational organizations from the Comptroller's office. A group of students can qualify as a bona fide chapter of the school if it is organized for some activity other than just to have a tax-free sale day. A qualifying group is one that is recognized by the school and elects officers and holds meetings. Examples of bona fide chapters include such groups as a Drama Club,

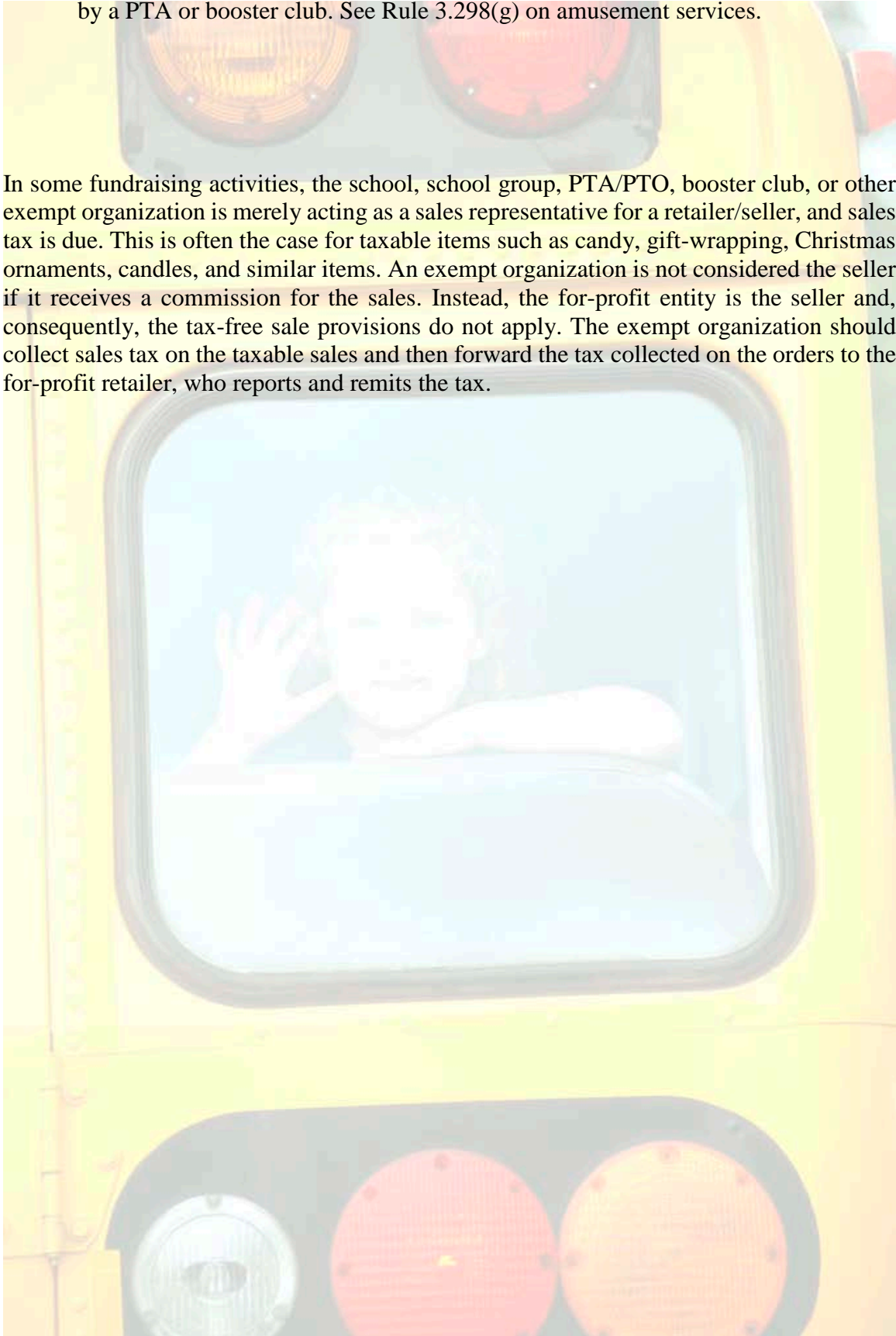
Spanish Club, FFA, and Student Council, but not a specific class of instruction, such as the first period Journalism class or fifth period Algebra.

Non-student nonprofit organizations, such as PTAs/PTOs and booster clubs, can qualify for certain exemptions on their own.

- A PTA that is affiliated with the state or national PTA organization, or an independent PTA or PTO that has qualified with the Comptroller's office as an educational or 501(c) (3) organization, can hold two one-day tax-free sales or auctions each calendar year. To qualify for the tax-free sales days, a booster club must first obtain exempt status from the IRS. A booster club that gets a Section 501(c)(3) federal exemption should complete <http://www.window.state.tx.us/taxinfo/taxforms/ap-204.pdf> and submit it with a copy of the IRS exemption letter to the Comptroller's office.
- After the Comptroller's office notifies the club of its exempt status, the club can hold two one-day, tax-free sales or auctions each calendar year.
 - The guidelines for applying for sales tax exemption http://www.window.state.tx.us/taxinfo/taxpubs/tx96_1045.htm are available online. For questions about applying for a sales tax exemption, call Tax Assistance Monday through Friday at 1-800-252-5555 during the hours of 7:30 AM to 5:30 PM Central Time or write them at exempt.orgs@cpa.state.tx.us.
 - For information on how to apply for federal exemptions, contact the IRS at 1-877-829-5500 or online at <http://www.irs.gov/>.
- Tax Code sections 151.314(d) (1) for PTAs and PTOs and (e) (1) for booster clubs provide an exemption for fundraising food sales for groups associated with schools. Sales tax is not due on the sale of food, including meals, candy, and soft drinks, by a PTA/PTO or by a group (e.g., booster club) associated with a public or private elementary or secondary school when the sale is part of a fund-raising drive sponsored by the organization and all net proceeds go to the organization for its exclusive use. If the qualifying group is the "seller" of the food as part of its own fundraising drive, food sales are not taxable. To claim the exemption, the organization can give an exemption certificate in lieu of paying the tax citing the appropriate statutory exemption for fund-raising food sales by PTA/PTO organizations or by school associated groups/booster clubs. If the organization holds a sales tax permit, it can choose instead to issue a properly completed resale certificate. The exemption does not apply if the qualifying group is not the seller, and the for-profit entity making the sales must collect sales tax even if it donates the proceeds to a qualifying exempt organization.

- Section 151.3101 of the Tax Code provides for an exemption for the sale of an amusement service, such as admission to a school carnival, provided exclusively by a PTA or booster club. See Rule 3.298(g) on amusement services.

In some fundraising activities, the school, school group, PTA/PTO, booster club, or other exempt organization is merely acting as a sales representative for a retailer/seller, and sales tax is due. This is often the case for taxable items such as candy, gift-wrapping, Christmas ornaments, candles, and similar items. An exempt organization is not considered the seller if it receives a commission for the sales. Instead, the for-profit entity is the seller and, consequently, the tax-free sale provisions do not apply. The exempt organization should collect sales tax on the taxable sales and then forward the tax collected on the orders to the for-profit retailer, who reports and remits the tax.





Booster Club Guidelines



Be they music, fine arts, academic or athletic, booster clubs should exist to enrich students' involvement in extracurricular activities without endangering their eligibility.

| GENERAL GUIDELINES |

The role of competition

Participation teaches that it is a privilege and an honor to represent one's school. Students learn to win without boasting and to lose without bitterness.



Self-motivation and intellectual curiosity are essential to the best academic participants. Artistic commitment and a desire to excel are traits found in music participants. Physical training and good health habits are essential to the best athletes. Interscholastic competition is a fine way to encourage youngsters to enrich their education and expand their horizons.

Leadership and citizenship experiences through school activities help prepare students for a useful and wholesome life.

Plus, competition is fun!

Role of the Superintendent

Member schools make UIL rules and determine policies regarding penalties to schools, school district personnel and student participants. The superintendent is solely responsible for the entire UIL program. All school activities, organizations (including the booster club), events and personnel are under the jurisdiction of the superintendent. Booster clubs must recognize this authority and work within a framework prescribed by the school administration.



Role of Booster Clubs

Neighborhood patrons form booster clubs to help enrich the school's participation in extracurricular activities. The fund-raising role of booster clubs is particularly crucial in today's economic climate.

Written Policies

Booster clubs should develop and annually review policies to cover:

- *how to obtain administrative approval before beginning projects;
- *how to plan and publicize meetings;
- *bookkeeping and fund administration including process to obtain superintendent's approval prior to raising or spending funds;
- *election of officers (suggestion: one president; one secretary; one treasurer; and three vice - presidents: one vice

president to oversee fall, winter and spring sports);

- *taking, distributing and filing minutes;

- *public communication;

- *proper interaction with fine arts directors and academic and athletic coaches through the lines of authority as established by the school board;

- *a sportsmanship code governing behavior of booster club members and fans at contests, treatment of officials, guests, judges, etc.; and

- *plans to support the school regardless of success in competition, keeping the educational goals of competition at the forefront of all policies.

Relationship with the school

The superintendent or a designee who does not coach or direct a UIL contest has approval authority over booster clubs and should be invited to all meetings. All meetings should be open to the public.

- *Booster clubs do not have authority to direct the duties of a school district employee. The scheduling of contests, rules for participation, methods of earning letters and all other criteria dealing with inter-school programs are under the jurisdiction of the local school administration.

- *Minutes should be taken at each meeting and kept on file at the school.

- *School administration should apprise booster clubs of all school activities.

- *Booster clubs should apprise school administrators of all club activities.

- *Periodic financial statements itemizing all receipts and expenditures should be made to the general club membership and kept on file at the school.

| CLUB FINANCES |

Fundraising | Spending | Stipends | Gifts to Coaches

Money given to a school cannot be earmarked for any particular expense. Booster clubs may make recommendations, but cash or other valuable consideration must be given to the school to use at its discretion.

- *Fund-raising projects are subject to state law. Nonprofit or tax-exempt status may be obtained from the Internal Revenue Service.

- *Community-wide sales campaigns should be coordinated through the school administration to minimize simultaneous sales campaigns.

- *Sales campaigns should be planned carefully to insure that the projects provide dollar value for items sold, and that most of the money raised stays at home. Otherwise donations are often more rewarding than letting the major part of the

money go to outside promoters.

- *Fund-raising activities should support the educational goals of the school and should not exploit students. Activities and projects should be investigated carefully before committing the school's support.

- *Individuals who actively coach or direct a UIL activity should serve in an advisory capacity to the booster club and should not have control or signature authority over booster club funds, including petty cash or miscellaneous discretionary funds. Coaches wish-lists should have received prior approval from school administration before submission to boosters.

- *Coaches and directors of UIL academics, athletics and fine arts may not accept more than \$500 in money, product or service from any source in recognition of or appreciation for coaching, directing or sponsoring UIL activities. The \$500 limit is cumulative for a calendar year and is not specific to any one particular gift.

- *The district may pay a stipend, fixed at the beginning of the year, as part of the annual employment contract. The amount of the stipend can't depend on the success of a team or individual. In other words, a coach can't receive more money if a team or individual qualifies to region or state.

- *Funds are to be used to support school activities. To provide such funding for non-school activities would violate UIL rules and the public trust through which funds are earned.



| ATHLETIC BOOSTERS |

Club restrictions

Booster clubs cannot give anything to students, including awards. Check with school administrators before giving anything to a student, school sponsor or coach. Schools must give prior approval for any banquet or get-together given for students. All fans, not just members of the booster club, should be aware of this rule. It affects the entire community.

- *Unlike music and academic booster clubs, athletic booster club funds shall not be used to support athletic camps, clinics, private instruction or any activity outside of the school.

- *Booster groups or individuals may donate money or merchandise to the school with prior approval of the administration. These kinds of donations are often made to cover the cost of commercial transportation and to cover costs for out-of-town meals. It would be a violation for booster groups or individuals to pay for such costs directly.

- *Individuals should be informed of the seriousness of violating the athletic amateur rule.

The penalty to a student-athlete is forfeiture of varsity

athletic eligibility in the sport for which the violation occurred for one calendar year from the date of the violation. Student athletes are prohibited from accepting valuable consideration for participation in school athletics - anything that is not given or offered to the entire student body on the same basis that it is given or offered to an athlete. Valuable consideration is defined as tangible or intangible property or service including anything that is usable, wearable, salable or consumable. Local school districts superintendents have the discretion to allow student athletes to accept, from their fellow students, small 'goodie bags' that contain candy, cookies or other items that have no intrinsic value and are not considered valuable consideration.

*Homemade "spirit signs" made from paper and normal supplies a student purchases for school use may be placed on the students' lockers or in their yards. Trinkets and food items cannot be attached. Yard signs made of commercial quality wood, plastic, etc. if not purchased or made by the individual player's parent, must be returned after the season.

*The school may provide meals for contests held away from the home school. If the school does not pay for meals, the individual parents need to purchase their own child's food. Parents may purchase anything they wish for their own child but may not provide food for their child's teammates unless approved by the school. The school may also provide supplies for games and practices and transportation for school field trips. Students should pay admission fees during school field trips.

*Parties for athletes are governed by the following State Executive Committee interpretation of Section 441 of the UIL Constitution & Contest Rules.

Official Interpretation of the UIL Athletic Amateur Rule, section 441 of the UIL Constitution and Contest Rules:

(a) VALUABLE CONSIDERATION SCHOOL TEAMS AND ATHLETES MAY ACCEPT:

1. Pre-Season. School athletic teams may be given pre-season meals, if approved by the school.
2. Post-Season. School athletic teams may be given post-season meals if approved by the school. Banquet favors or gifts are considered valuable consideration and are subject to the Awards and Amateur Rules if they are given to a student athlete at any time.
3. Other. If approved by the school, school athletic teams and athletes may be invited to and may attend functions where free admission is offered, or where refreshments and/or meals are served. Athletes or athletic teams may be recognized at these functions, but may not accept anything, other than food items, that is not given to all other students.

(b) ADDITIONAL VALUABLE CONSIDERATION THAT SCHOOL TEAMS AND ATHLETES MAY ACCEPT

Examples of additional items deemed allowable under this interpretation if approved by the school, include but are not limited to:

1. meals, snacks or snack foods during or after practices;
2. parties provided by parents or other students strictly for an athletic team

Local school district superintendents continue to have the discretion to allow student athletes to accept small "goodie bags" that contain candy, cookies or other items that have no intrinsic value and are not considered valuable consideration.

| ACADEMIC BOOSTERS |

The rules for athletics are different than the rules for academics and music. Athletes are restricted by the Athletic Amateur Rule, which states that athletes cannot accept money or valuable consideration for participating in a UIL sport or for allowing their names to be used in promoting a product, plan or service related to a UIL contest. Academics has no amateur rule. Journalism participants may work for a newspaper and be paid. Actors may work summer stock and be paid. Students may win calculators and software for participating in invitational math contests.



UIL academic students are restricted by the Awards Rule. So, as a general practice, booster clubs should not give gifts or awards to students for their participation in UIL contests that count toward district, region or state standing. School booster clubs may raise money to purchase letter jackets, provided the funds are given to the school without designation to buy jackets for particular students and the school determines criteria for awarding the jackets. Parents may purchase jackets for their own children provided the school designates the student as being qualified to receive the jacket.

Booster Clubs may raise money to provide an annual banquet for academic participants and coaches.

With prior administrative approval, you may also:

*Purchase equipment for programs such as computers or software for yearbook or computer science;

*Organize and chaperone trips and assist with expenses for travel to academic competitions or educational trips such as journalism conventions or speech tournaments. Booster club funds may be used to provide food and refreshments for students on these trips. A purely recreational trip to Six Flags

Over Texas would not meet the definition of an educational field trip and could be considered a violation of the Awards Rule;

*Run tournaments, organize fund-raising efforts, recruit corporate donors, raise money for scholarships and arrange for tutors and professional trainers to work with students;

*Fund academic workshop scholarships provided selection of the recipients is not based solely on their success in interscholastic competition. Selection could be based on grade point average or the student's selection of high school courses. All students meeting the conditions for scholarship assistance should be notified and eligible for financial assistance. Funds should be monitored to ensure that they are expended for camp or workshop purposes.

We wish we had more academic booster clubs, whether they cover UIL academic competition in general or specific programs such as theatre, speech/debate, journalism or math/science. A great need exists for parental involvement and support.

| MUSIC BOOSTERS |

In addition to the general procedures outlined, the following guidelines apply to Music Booster Club activities.

*Some music booster clubs assist with expenses for travel to various music-related activities such as UIL contests and performances at away athletic events. Such financial support violates no UIL rules provided that it is approved and coordinated by the local school district.

*Many music groups schedule educational field trips with the approval of the local school administration and under local school district policies. For such trips, specific educational components must be included such as performing for a music festival, an adjudicated contest or a concert tour. Marching performances such as the Macy's Thanksgiving Day Parade, the Rose Bowl Parade or other similar ceremonial appearances also qualify. However, educational components need not be limited to performances. Concert attendance, visiting university/conservatory music facilities and other music related, non-performing opportunities would also be appropriate if approved by the local school district.



*A recreational trip, on the other hand, would not meet the definition of an educational field trip as provided in Section 480 of the UIL Constitution and Contest Rules. Students receiving the benefits of a purely recreational trip would likely be in violation of the Awards Rule.

*Booster Clubs may also fund scholarships for private

lessons and summer music camps provided the selection of the recipients is not based on success in interscholastic competition. Funds for such activities should be carefully monitored to ensure that they are expended for educational rather than recreational activities.

*The awarding of patches, T-shirts or other items for achievement in interscholastic competition would be subject to the UIL Awards Rule. In order to protect all music students' eligibility, such awards should be approved and administered by the local school district in accordance with school district policies.

*Be mindful of the fact that there is no Music Amateur Rule. Therefore, limitations established in athletics intended to ensure compliance with the Athletic Amateur Rule do not apply to music programs and related activities.

What You Can Do!

Parents

- *Remember: The classroom comes first!
- *Help conduct fair and equitable competition: adhere to rules, uphold the law and respect authority.
- *Remember that officials are human. Respect their decisions.
- *Delegate authority to the school, then support its decisions.
- *Set standards by which you expect children to conduct themselves, and live by those standards yourself.
- *Be aware of capabilities and limitations of young people. Don't have unrealistic expectations.
- *Allow your children to live their own lives.
- *Be involved in areas in which your own child is not involved, thus contributing to school unity and spirit.
- *Show respect to the opponents of your children.
- *Praise. Don't criticize. Urge others to do the same.
- *Help your children and their friends develop integrity through the intensity of competitive activity.

Work with the administration

- *Positive and direct communication can prevent most problems. Keep the superintendent informed of all activities.
- *Make sure your local administration has a copy of all club publications.
- *Invite administrators to all booster club meetings.
- *Have an officer meet with the school administration regularly.
- *Have a chain of command for communication with the administration.
- *Clear all activities through your administration.

Coaches and Fine Arts directors

- *Be sure your booster club wish list has been approved by your supervisor before it goes to the booster club.
- *Work with your administration to determine what your club can provide.
- *Make your request to the club benefit as many students as possible.
- *Attend the booster club meetings and/or know what the club is doing.
- *Understand that your advisory role to the boosters is without vote.
- *Support other programs within your district.
- *Meet with parents regularly and make them aware of relevant rules.
- *Involve your staff with your booster club. Let the booster club know who your staff is and what duties they perform.

www.uiltexas.org

Suggested Audit Program

Bank Reconciliations

Trace ending balances on the reconciliations to bank statements, outstanding check lists, and other reconciling items.

Verify that bank reconciliations were completed within 30 days of bank statement ending date.

Ensure that any outstanding or reconciling items on the reconciliations were cleared the following month.

Verify that the balance in the bank account (at beginning of school year), plus total deposits per check register, minus total disbursements per check register, balances to ending bank account balance (at end of school year).

Bank Statements

Determine whether a procedure is in place for a club member, other than those that have check signing ability, to receive bank statements by mail and review for reasonableness.

Determine whether any cash corrections were identified on bank statements. Ensure that reasonable explanations are available.

Compare the number of cleared checks included in the bank statement with the number that is noted on the bank statement to ensure agreement.

Ensure that cleared checks contain signatures of individuals authorized to sign checks. Ideally, bank accounts should be established to require two signatures.

Receipts

From the check register or other accounting records, schedule each deposit (use of spreadsheets is helpful). If volume is significant, consider selecting only a representative sample.

Trace deposits to collection documentation and prepared cash receipts for agreement.

Trace deposits to bank statements to ensure agreement.

Ensure that receipts are presented for deposit in a timely manner by reviewing the dates of prepared cash receipts with the date of deposit on the bank statement.

Disbursements

From the check register or other accounting records, schedule each check, withdrawal, or other debit (use of spreadsheets is helpful). If volume is significant, consider selecting only a representative sample.

Trace checks to supporting documentation such as invoices, receipts, approved expenses related to fundraisers, or other reasonable explanations.

Review the canceled check to ensure agreement of payee name, endorsement, and check amount.

Trace disbursements to budget approved by the membership or meeting minutes.

For bank withdrawals for the purpose of establishing a change fund for an event, confirm that the change fund was later re-deposited.

Evaluate each fundraiser individually by calculating the value of items available for sale or number of tickets sold, and comparing to deposits and remaining inventory, if any, to ensure agreement.

Determine whether fundraiser applications were prepared and submitted to the campus principal for each fundraiser.

Miscellaneous

Inventory all remaining check stock to confirm that all checks are present and sequential. Ensure that the check number for the last check issued and first check available in check stock are sequential.

Confirm that check stock is retained in a secure place when not in use.

Determine whether any checks were voided during the course of the year. Ensure that any voided checks are retained in the records, but have been sufficiently modified to eliminate the possibility of clearing the bank (i.e. signature portion has been cut out of the check and VOID has been written across the check).

Ensure that sales tax reports were prepared and filed timely.

Verify that IRS 990 form was filed, review for reasonableness.