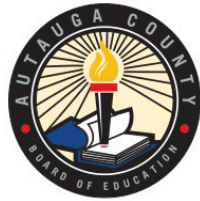


# **Autauga County Schools**



## **Parent Support Organizations Guidelines and Procedures**

# **TABLE OF CONTENTS**

## **GENERAL INFORMATION\_\_\_\_\_**

### **I. ORGANIZATION**

- FORMATION OF ORGANIZATION
- BYLAWS
- OFFICERS AND DIRECTORS
- MEETINGS/RECORD KEEPING/RULES FOR DISSOLUTION
- INSURANCE

### **II. ADMINISTRATIVE GUIDELINES**

- RELATIONSHIP WITH SCHOOL BOARD
- LAWS
- TRAINING
- CONTRACTS/LOANS
- FUNDRAISING GUIDELINES
- SELF-WORK PROJECTS

### **III. REPORTING REQUIREMENTS -APPLICABLE TO ORGANIZATIONS OUTSIDE THE SCHOOL’S BOOKS**

- OBTAINING EMPLOYER IDENTIFICATION NUMBER (EIN)
- 501(C) INFORMATION
- FIDELITY BOND
- ANNUAL AUDIT
- ANNUAL FILING REQUIREMENTS

#### **IV. FINANCIAL PROCEDURES**

- GENERAL
- INTERNAL CONTROL PROCEDURES
- BANK ACCOUNTS
- CASH RECEIPTS
- DISBURSEMENTS
- FUNDRAISERS
- BUDGETARY AND OVERSIGHT CONTROL

#### **V. ACTIVITIES ON SCHOOL CAMPUS**

- GENERAL GUIDELINES

APPENDIX A - SDE GUIDELINES

APPENDIX B - REQUEST TO OPERATE ORGANIZATION

APPENDIX C - OFFICER INFORMATION FORM

APPENDIX D - BANK ACCOUNT INFORMATION

APPENDIX E - FUNDRAISER RECONCILIATION FORM

APPENDIX F - CONTACT LIST

APPENDIX G - ATTORNEY GENERAL'S OPINION 89-00168

APPENDIX H - YEARLY SUBMISSION CHECK OFF LIST

APPENDIX I - SAMPLE AUDIT PROGRAM

APPENDIX J – AUDIT CERTIFICATION LETTER

## **FOREWORD**

This manual is designed to assist Parent Support Organization's officers and members by providing organizational and financial guidance. Only approved organizations, operating under these guidelines and Autauga County School District policies and procedures, shall be allowed to use the school name and/or facilities in support of its programs. Specific questions regarding parent/ booster activity should be addressed to the campus Principal. The Autauga County School Superintendent of Schools or his/her designee has approval authority over Booster Clubs.

For the purpose of this policy, a parent organization/booster club is defined as any group:

- 1) That is organized by parents or district patrons
- 2) That engages in activities that generate money, goods, support or services
- 3) That gives or uses money, goods and/or services to support any student school activities

## GENERAL INFORMATION

Parent Support Organizations are school related organizations established to promote school programs or complement student groups or activities. A Parent Support Organization's purpose may be to support a student group or program at a particular school or various student groups or programs at various schools. Students enrich their education and expand their horizons when they participate in school activities and programs. Therefore, the district greatly appreciates the time, effort, and financial support that the Parent Support Organizations provide to our students.

Specific guidance for *School Related Organizations* was issued by the Alabama State Department of Education in a memorandum dated November 8, 2007. ([Appendix A](#)) Parent Support Organizations and School Districts are required to follow the guidelines specified in the memorandum.

**Public funds**- Funds received from public (tax) sources or used for public purposes are public funds subject to the control of the school principal.

**Public funds** - restricted to the same legal requirements as Board funds: Examples:

1. General – may consist of vending machine commissions, proceeds from school fundraisers (school pictures, coupon books, etc.), student parking, appropriations from the Board, interest income, and other miscellaneous revenues. Its primary purpose is to pay for the general operations of the school and is totally controlled by the Principal.
2. Library – accounts for late charges on returned library books, funds collected for lost library books, and expenditures incurred for purchasing library books.
3. Athletic – may consist of income from gate receipts, parking at athletic events, advertising commissions, game program sales, and donations from athletic booster clubs. Separate accounts may be established for individual sports, if desired. Expenditures include athletic uniforms, equipment, and supplies; membership dues to athletic organizations; registration fees for coaching clinics; travel and transportation; game officials, and, expenditures related to athletic events, including expenses for practicing and preparing for athletic competitions and exhibitions.
4. Concession and Student Vending – may consist of concessions operated by the school at athletic events and vending machines or concessions for students operated at the school during the school day.
5. Fees – school imposed course fees for certain non-required academic courses, field trips, workbooks, and supplemental instructional materials. These funds are used to cover the costs associated with the course or purpose for which the funds are collected.
6. Locker Fees – funds collected from students that are used to cover the costs associated with maintaining the student lockers.
7. Faculty Vending – consists of funds collected and used for items sold in faculty lounge areas that, although not assessable to students or the public, are totally controlled by the Principal.

**Non-Public funds** - restricted for expenditures subject to the intent and authorization of the organization's sponsors and officers and not used for general operations of the school. The principal does not direct the use of these funds but does have the authority to prohibit inappropriate expenditures.

Examples:

1. Clubs and Classes – Student organizations may have self-imposed fees but not academic course fees. The participants often impose their own fees for participation in these clubs and classes. These student organizations often conduct fund raising events. Clubs and classes include FBLA, Senior Class, Student Government, Spanish Club, Cheerleaders, Band, Show Choir, Beta Club, National Honor Society, Key Club, etc. Student organizations are self-governed by officers elected by the participants.
2. Other School Related Organizations – Parent or parent/teacher organizations can have the organization's funds in the school accounts. These organizations are governed by officers elected by its members. PTO, PTA, Band Boosters, and various athletic booster support groups are considered school related organizations. *(See Section 7 - Guidelines for School Related Organizations).*

**NOTE: Non-public funds can become subject to the same expenditure restrictions as public funds if the accounting records do not maintain a separate account for each of the non-public funds.**

## **STUDENT ORGANIZATIONS**

Student clubs and classes are usually recognized as school activities. The student officers and faculty sponsor operate the organization while the school principal acts in a fiduciary capacity over the organization's funds. The school's accounting records contain a separate activity account in the school books to record the financial operations of each student organization. Income from the student organization is recorded by receipts and deposited in the school bank account. The school principal approves the purchase orders, signs the checks, and maintains the supporting documents for the expenditures. Some organizations consisting of students from the school may not be school activities. Some students belong to social organizations that operate off-campus. Community recreation leagues may consist solely of the school's students and operate under other entities that are not under the control of the school. Although the activities of these organizations may benefit the school's students, these organizations have a separate employer identification number (EIN), a separate mailing address, and maintain their own records and accounts.

## **ATHLETICS**

School athletics are extra-curricular activities that must be under the control of the school principal. Coaches and other school employees cannot maintain a separate bank account that supports, or benefits from, a school extra-curricular activity. Funds received to support an athletic activity at a school from sponsors, vendors, or other sources must be included in the school's financial records under the fiduciary control of the school principal. Funds from gate receipts and other sources may be recorded in one or more separate accounts for a particular sport in the school's financial records. However, a separate account for each sport is not required. When athletic events are held on locations other than school property, the school principal's control over the financial operations of the event, including ticket sales, concessions, and parking fees, will be determined by agreement with the entity in control of the event location.

## PARENT ORGANIZATIONS

Parent and parent/teacher organizations provide a vital role in the education of students. In Alabama public schools, the PTA and the PTO are the most common parent organizations. Both organizations have a national organization that serves the individual school organizations. Each of the national organizations publishes guidance for the financial operations of the individual school organizations. These organizations must have a separate employer identification number (EIN) and a separate mailing address, **must be a P.O. Box**, in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if:

- a) *Both parties mutually assent to the fiduciary control of the principal, or,*
- b) *A school employee leads fund-raising or maintains the accounting records for the organization.*

## BOOSTER ORGANIZATIONS

All school sponsored extra-curricular activities must be under the control of the school. However, booster organizations are often formed to support the operations of these activities in a variety of ways. While providing additional financial support for a particular extra-curricular activity, the volunteers in the booster organizations also enhance community support that often extends to benefit all of the students at a school. Because some of the activities of a booster organization may be intertwined with the extra-curricular activity it supports, some of the organization's activities may be under the fiduciary control of the school principal while other functions of the same booster organization are not school activities. The determination that a particular booster organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the organization's operations at a school. **These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school.**

However, these organizations will become school activities if:

- a) *Both parties mutually assent to the fiduciary control of the principal,*
- b) *A school employee leads fund-raising or maintains the accounting records for the organization.*

### **Specific activities of a booster organization may come under the control of a school principal if:**

- a) *The organization collects admission to the school function,*
- b) *The organization operates a concession operation on school property at the school function,*
- c) *The organization collects parking fees for the school function,*
- d) *The organization operates a training camp that includes students of the activity it supports,*  
*or,*
- e) *The organization operates an exhibition or competition that includes students of the activity it supports.*



Even though a Parent Support Organization works very closely with the District, it is a separate entity from the District. However, the formation of the organization must be approved by an appropriate District Principal and Central Office designee. (**Appendix B**). In addition, a Parent Organization/Booster Club must adhere to various District policies and guidelines, and all federal and state regulatory guidelines. Education is a state function executed through local boards of education. The Superintendent, Board, and Chief School Finance Officer (CSFO) have statutory roles in handling funds. The authority and responsibility related to finance is delegated to local school administrators and others through board policies, directives, procedure manuals and day to day interaction.

The established **lines of authority** for local boards of education are:

- **BOARD OF EDUCATION-** The board of education should adopt policies to govern the establishment and operation of all activity funds. The district's auditors should review these policies for sound accounting and reporting principles.
- **SUPERINTENDENT-** The superintendent should be directly responsible to the board of education for administering all board policies.
- **CHIEF FINANCIAL OFFICER-** The chief financial officer should have overall responsibility for accounting for and reporting all funds, including district and student activity funds, to the board. The chief financial officer is also responsible for implementing and enforcing appropriate internal control procedures.
- **PRINCIPAL-** The principal at each school site should be designated the activity fund supervisor for that school building. The activity fund supervisor has overall responsibility for the operation of all activity funds, including collecting and depositing activity fund monies; approving disbursements of student activity fund monies; and adequately supervising all bookkeeping responsibilities. The activity fund supervisor should be a signatory to all disbursements, including checks drawn on the activity fund.
- **SPONSORS-** The sponsor of each student organization is responsible for supervising all activities of the organization, including approving student activity fund transactions. Sponsors should be employees of the district and under the direct control of the activity fund supervisor.
- **PARENT SUPPORT ORGANIZATION OFFICERS-** The officers of each support organization are responsible for the activities of the organization. They should insure that they follow their organization's bylaws as well as district policies, laws and regulations related to the operation of their organization.

# I. ORGANIZATION

## FORMATION OF ORGANIZATION

The Board of Education should approve the formation of all booster and parent support organizations. The organization should complete and submit **the Request to Operate School Club, Booster, and School Organization Form** to the appropriate school district administrator (**Appendix B**).

### **UPON APPROVAL, THE ORGANIZATION MUST PREPARE AND SUBMIT THE FOLLOWING TO THE LOCAL SCHOOL AND THE CENTRAL OFFICE:**

- Organization's Bylaws and Operating Procedures
- Officer Information Form (**Appendix C**)
- **Mailing Address for Organization which must be a P.O. Box**
- Employer Identification Number (EIN), if applicable
- Bank Account Information (**Appendix D**)
- Application for Federal Tax Exempt Status 501(c) (3) or (6), if applicable
- Proposed budget
- Articles of Incorporation filed with Alabama Secretary of State (Recommended)

**NOTE-** These requirements are for those organizations who maintain their records and accounts outside the control of the school district. Some of the information above may not be applicable to those organizations whose financial records and accounts are maintained by the school district. The parent support organization's funds maintained on the school books require the school principal to exercise the same legal responsibility for the funds as he does for all other activity funds including the collection and receipting of the organization funds. (Section 16-24B-4) The school district will determine on an individual basis whether the financial operations of a parent organization can be maintained outside the control of the local school.

## ROLE OF THE ORGANIZATION

Parent support organizations shall organize and function in a way that is consistent with the District's philosophy, objectives, and adopted Board policies, in accordance with affiliated governing bodies and regulations as applicable.

## ORGANIZATIONAL BYLAWS

An organization of parents or community leaders affiliated with a school should develop a constitution and/or bylaws for the organization. Those documents must be in writing, and be filed in the principal's office. The school principal must authorize the use of the school's name prior to approving any of the group's activities. The bylaws must address the organization's fiscal year, structure, and the method to be used to elect officers. The rules of membership shall be clearly stated in the bylaws. It is recommended the organization's bylaws contain the following information.

## **RECOMMENDED BYLAWS:**

- A. The name of the organization.
- B. The objective of the organization including the statement, "This organization will abide by all school board administrative policies and procedures."**
- C. Eligibility for membership and membership enrollment procedures.
- D. Officer selection, election procedures, and duties of each officer.
- E. Bonding documents for signatures from licensed insurance company
- F. The principal or designee who will serve as an ex-officio officer of the organization.
- G. Specific fiscal auditing and accounting procedures established by each organization.
- H. In the event that the organization dissolves or is dissolved by the principal, language indicating how the group will handle remaining funds must be included.
- I. How to amend the bylaws.

Various national parent support organizations supply sample bylaws as a guide for organizations.  
(See contact list [Appendix G](#))

## **OFFICERS AND DIRECTORS**

Only active members in good standing should be permitted to hold office or vote upon any matter of business of the organization. Employees of the school should not serve as an officer of any parent support organization. Additionally, a school employee nor any immediate family member shall not be a member of the audit committee. At a minimum, the organization shall elect the following officers on an annual basis, the Officer Information Form shall be completed and submitted to the Central Office ([Appendix C](#)).

### **PRESIDENT**

Typically, the president of an organization is the parent/guardian who has been active in the organization.

The major duties include, but are not limited to, the following:

- Preside at all meetings of the organization;
- Regularly meet with the designated campus representative regarding the organization's activities;
- Resolve problems in the membership;
- Regularly meet with the treasurer of the organization to review the organization's financial position;
- Schedule annual audit of records or request an audit if the need should arise during the year;
- Perform any other specific duties as outlined in the bylaws of the organization.

## **VICE PRESIDENT**

The vice-president acts as the president's representative in his/her absence. They must remain familiar with the organization. The major duties include, but are not limited to, the following:

- Preside at meetings in the absence or inability of the president to serve;
- Perform administrative functions delegated by the president;
- Perform other specific duties as outlined in the bylaws of the organization.

## **SECRETARY**

The secretary is responsible for keeping accurate records of the proceedings of the organization and reporting to the membership. The secretary must ensure the accuracy of the minutes of the meetings, and have a thorough knowledge of parliamentary law and the organization's bylaws.

The major duties include, but are not limited to, the following:

- Report on any recommendations made by the executive board of the organization if such a governing board is defined by the bylaws;
- Maintain the records of the minutes, approved bylaws and any standing committee rules, current membership and committee listing;
- Record all business transacted at each meeting of the organization as well as meetings of any executive board in a prescribed format;
- Maintain records of attendance of each member;
- Conduct and report on all correspondence on behalf of the organization;
- Other specific duties as outlined in the bylaws of the organization.

## **TREASURER**

**(Note- Duties of treasurer will depend on whether the financial records are outside the local school books or are included)**

The treasurer is the authorized custodian of the funds of the organization. The treasurer receives and disburses all monies indicated in the budget and prescribed in the local bylaws or as authorized by action of the organization. All club officers and persons authorized to handle funds of the association must be covered by a fidelity bond in an amount based upon the organization's annual income and determined by the executive board. Individuals authorized to sign on the organization's bank account cannot be related by blood or marriage or reside in the same household.

The major duties include, but are not limited to, the following:

- Serve as chairperson of the Budget and Finance Committee if prescribed within the bylaws of the organization;
- Issue a receipt for all monies received and deposit said amounts on a weekly basis (daily if receipts on hand exceed \$250.00);
- Present a current financial report to the executive committee and general membership

- within thirty days of the previous month end;
- Submit financial reports to school on a quarterly basis;
- Maintain an accurate and detailed account of all monies received and disbursed;
- Reconcile all bank statements monthly as received and resolve any discrepancies with the bank immediately;
- File annual IRS form 990 in a timely manner and any other required reports;
- Submit records to audit committee appointed by the organization upon request or at the end of the year;
- Submit required documentation to Central Office as requested by State Examiners.
- Other specific duties as outlined in the bylaws of the organization.

#### **NOTE:**

Due to the increasing requirements placed on charitable organizations by the Internal Revenue Service, it is strongly recommended that the treasurer have an accounting background.

### **ELECTION OF OFFICERS**

The election of officers of the organization will occur annually within the timelines and manner prescribed by the organization's bylaws. Annual election of officers should take place so that the newly elected officers may be in place for the start of the next school year. The transfer of records and audit of the accounts should be completed no later than thirty days after election of officers. **The school principal or athletic director and central office designee must be notified of officer changes within 3 business days of meeting.**

## **MEETINGS/RECORD KEEPING/RULES FOR DISSOLUTION**

### **STANDARDS FOR MEETING**

Business will be conducted in open meetings, with adequate notification of all meetings to all members, and summary of proceedings kept. Notice of all general meetings of the booster club/parent organization should be published at the campus prior to the meeting date. In order to provide an optimum level of communication and teamwork, meetings should preferably be held in the presence of the campus principal or his/her designated school sponsor. **If a representative of the school is not present, notification in writing of any official action should be submitted to the school representative the next business day.**

### **RECORD KEEPING**

**The secretary and treasurer of the organization shall turn records over to the incoming officers within 30 days of election.** Records should be kept for a period of three (3) years for audit purposes. The club/organization should make arrangements with the local school or private company for storage of organizations records. It is recommended that a copy of all records be kept in electronic format and stored away from the original records.

## **RULES FOR DISSOLUTION**

To dissolve a booster club/parent organization, a resolution should be adopted by the booster club/parent organization (or the executive board if the organization is inactive) stating that the question of such a dissolution be submitted to a vote at a special meeting of the members having voting rights. At least 30 days prior to the meeting, written or printed notice shall be given to each member entitled to vote stating that the purpose of such meeting is to consider the advisability of dissolving the club/organization. The booster club/parent organization must determine the distribution and usage of treasury monies and other assets in accordance with its bylaws before dissolution. In order to comply with Internal Revenue Service guidelines, care should be taken to ensure that excess funds are distributed within the framework of the club's/organization's original purpose – i.e. band booster funds would remain with the musical program at that particular campus. Any other distribution of funds could void the club's/organization's tax exempt status and force it into a fully taxable situation. **In the event of dissolution, all remaining funds will be donated to the local school to support the specific activity or program supported by the organization.**

## **LIABILITY INSURANCE**

Booster clubs/Parent organizations may consider the purchase of liability insurance to protect the organization and its members. Coverage to be considered should include general liability, officer's liability, business personal property (if the organization owns property), and fidelity. (See page 16 regarding Fidelity Bond Insurance)

## II. ADMINISTRATIVE GUIDELINES

### RELATIONSHIP WITH SCHOOL SYSTEM

- Parent Support Organizations must adhere to various district policies and guidelines as well as federal and state laws and regulatory guidelines. Only approved organizations, operating under the School District policies and procedures shall be allowed to use the school name and/or facilities in support of its programs. 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.
- 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.
- If superintendent/board considers it necessary, he or she may exercise the right to revoke the booster club's authorization to conduct activities in the district or require the organization to come under the school's financial controls for a probationary period.
- **Parent Support Organization cannot access or maintain student records.**
- **Parent Support Organizations are to support the school activity and not to direct or lead the activity.**

Specific questions regarding booster/parent activity should be addressed to the campus Principal or designee.

### LAWS

Booster and Parent Support Organizations must adhere to all federal, state, and local laws and well as state and local administrative policies and procedures. It is the responsibility of the officers to ensure the organization is in compliance with such laws and policies. There are several regulatory agencies that govern these organizations and their operations to include:

- Alabama State Department of Education
- Alabama Ethics Commission- Guidelines for Public Officials and Employees
- Alabama Building Commission
- Alabama Attorney General's Office
- Local Board of Education
- Internal Revenue Service- IRS Publication 557 Tax Exempt Organizations

### TRAINING

All officers of the organization should go through an annual orientation with the superintendent/chief school finance officer or their designee on the District's policies and procedures related to the operations of support organizations

## CONTRACTS/LOANS

Boards of Education in Alabama can only incur debt through the issuance of its warrant(s); in most instances under Alabama law, the issuance is subject to the prior approval of the State Superintendent and the warrant(s) must be issued in the form and executed and delivered in accordance with the applicable provisions of the Alabama Code. **The local school principal does not have the authority to sign contracts or notes incurring debt of the school or the district.** There is no authorization for Parent Support Organizations to borrow money in the schools or local board's name or obligate future revenues of the organization. Any loan obtained by the organization would be a personal loan by individuals signing the note.

Parent Support Organizations do not have the authority to enter into any type of contract on behalf of the board of education or the authority to enter into any type contract related to use of board property or equipment.

## FUNDRAISING GUIDELINES

All community and school support organization fund-raising efforts shall fall within federal, state, and District guidelines and shall be for the purpose of supporting the school program or group activity for which the organization was formed. All parent support organizations shall use the ACBOE fundraising eform to obtain the approval of the campus principal for all fundraising events prior to the start of the event. (<https://al.harrisschool.solutions/Autauga/P/WyEGVLAS7TzdXKSzxAga>)

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.

Tax-exempt organizations may not require people to participate in fund-raisers. Individuals may utilize fundraisers as a means to pay for participation, uniforms, and any other individual cost for the activity. Fundraisers for group activities cannot exclude those students that did not participate.

*At the completion of the fundraiser a Fundraiser Reconciliation Form (Appendix E) must be completed and filed to report the result of the activity.*



## GAMES OF CHANCE

Games of chance are generally disallowed in Autauga County. Organizations should exercise extreme caution related to raffles and other games of chance as fundraisers. Any fundraising activities involving games of chance (i.e. raffles, bingo, split the pot, draw downs) should be referred to the Board's attorney for review. Please refer to Attorney General's Opinion 89-00168 **before** planning any fundraising activity such as this. (Appendix G)

## SELF –WORK PROJECTS

Any structure built on board property must follow federal, state and local laws regarding building construction, building codes, and inspections. The Alabama Building Commission is authorized as the state agency for buildings and construction on school campuses. Organizations planning to assist with building projects on the district's campuses must follow the following guidelines:

- Any building, building/land improvement on a school district campus shall be approved by the Autauga County Board of Education **before** any work begins
- The New Project Coordinator for the ACBOE should be in charge of the project
- Project must comply with Building Commission requirements
  - Full professional design team required
  - Plan review and approval required
  - Architect required to perform inspections
  - Building Commission will conduct required inspections including Final Inspection
  - Compliance with *Public Works Law* or *Competitive Bid Law* will be applicable in most situations

All projects should follow the same process regardless of funding.

**Note- Consideration should also be given to the annual operating cost associated with any new structures (utilities, insurance, annual maintenance etc.)**

### **III. REPORTING REQUIREMENTS- APPLICABLE TO ORGANIZATIONS THAT MAINTAIN THEIR FINANCIAL OPERATIONS OUTSIDE THE CONTROL OF THE SCHOOL/SCHOOL DISTRICT**

#### **EMPLOYER IDENTIFICATION NUMBER (EIN)**

Every organization whose financial operations are outside the control of the school must obtain an EIN, even if it will not have employees. The EIN is a unique number that identifies the organization to the Internal Revenue Service (IRS). Since booster clubs/parent organizations are separate entities from the District, booster clubs/parent organizations cannot use the District's EIN. An organization is not automatically considered tax-exempt by acquiring an EIN. All organizations must first apply for an EIN to be recognized as a unique entity and then apply for tax-exempt status. Likewise, the mere fact that an entity is organized as a non-profit organization does not indicate that it is exempt from federal tax. Booster clubs/parent organizations may obtain an EIN by following instructions for Form SS-4 - *Application for Employer Identification Number* found on the IRS website.

#### **501(C) INFORMATION**

Formation of a non-profit corporation does not necessarily entitle the organization to exemption from federal taxes. Organizations should apply for tax-exempt status. In order to be exempt from federal taxes, the booster club/parent organization must apply for this status on Form 1023 – *Application for Recognition of Exemption under Section 501(c) 3*. General instructions on the rules and procedures can be found in IRS Publication 557 – *Tax-Exempt Status for Your Organization*. These documents are available on the Internal Revenue Service website at (<http://www.irs.gov/pub/irs-pdf/p557.pdf>).

#### **FIDELITY BOND**

The organization must provide proof of a fidelity bond (dishonestly bond) for the organization's officers and any person handling the organizations funds on an annual basis. The bond should also cover any other individual who is an authorized signer on the bank account. The amount of the fidelity bond should be a minimum of the annual gross revenues of the organization. Proof provided must be original communication from insurer that shows policy coverage dates, amount of coverage and names of persons covered.

## ANNUAL AUDIT

At the end of the fiscal year, an audit of the organization's financial records should be conducted. **The school board has the authority to determine who will conduct the audit.** The audit can be performed by an external auditor or the audit can be performed by individuals who are independent from day-to-day financial activities. Ideally, this audit should be performed by a group of three individuals; however, if the membership size does not allow, the audit may be performed by two individuals. (Appendices I and J)

The primary objectives of the audit are to:

- Verify the accuracy of the Treasurer's financial reports;
- Ensure that the club's cash balances are accurate;
- Determine that established procedures for handling funds have been followed;
- Ensure that expenditures occurred in a manner consistent with the organization's bylaws; and
- Ensure that all revenues have been appropriately received and recorded and deposited in a timely manner.

All members of the audit committee shall sign a statement indicating their agreement with the findings detailed in the report. The audit committee shall make a report to the general membership upon completion of the audit. Any discrepancies noted shall be brought to the attention of the president of the organization and school designee and any solutions prior to presentation. All officers of the organization shall make records available as requested by the committee. Sample audit procedures are included in **Appendix I** of this document however the format of the final report will be determined by the audit committee. Copies of the Audit Certification Letter (**Appendix J**) must be submitted to the Principal by November 15<sup>th</sup> of each year.

All records of the organization shall be made available to the district upon request and the district has the authority to conduct internal audits if deemed necessary.

## FILING REQUIREMENTS

Each organization should be familiar with all federal, state and local annual filing requirements. Every organization whose financial operations are outside the control of the school/school district must provide the following information:

### • FINANCIAL RECORDS

The organization shall make its financial records available to the school's auditors and authorized school employees upon request. The organization shall provide required financial items for the period October 1st through September 30th by November 15th for items that are required yearly. Quarterly items are required by the 15th of the following month. **See the Yearly Submission Checklist Form.** (**Appendix H**)

- **IRS FORM 1099 REQUIREMENTS**

Internal Revenue Service guidelines require that all payments for services in excess of \$600.00 made to an individual by a booster club/parent organization be reported on a form 1099 on an annual basis. The booster club/parent organization must secure an IRS form W-9 from the provider at the time of service to ensure that the organization has an accurate record of the tax payer identification number. The organization must then issue a Form 1099 to all qualifying vendors performed in the calendar year by January 31st. Information can be found on the IRS web site at: <http://www.irs.gov/pub/irs-pdf/i1099msc>.

***NOTE: All ACBOE employees shall be paid through the district's payroll department and not issued a 1099. No one should ever be paid in cash.***

- **ANNUAL 990 INFORMATION RETURN**

In general, exempt organizations are required to file annual returns, although there are exceptions. If an organization does not file a required return or files late, the IRS may assess penalties. In addition, if an organization does not file as required for three consecutive years, it automatically loses its tax-exempt status. Each organization should be familiar with requirements for filing the annual Form 990 information return with the IRS. Information can be obtained at: <http://www.irs.gov/pub/irs-pdf/i990.pdf>

- **SALES TAX EXEMPTION**

Parent support organizations are generally not exempt from sales tax. **Organizations are not allowed to use the District's sales tax permit number.** Information on sales tax exemptions can be found at the Alabama Department of Revenue website at: <http://www.ador.alabama.gov/>

## IV. FINANCIAL PROCEDURES

### GENERAL

The organization should have established financial and audit procedures defined in its bylaws. Support organizations are expected to follow the same financial procedures prescribed for the operations of the local school activities. Because of the variety and volume of organizations financial operations each organization should adopt procedures to insure compliance with state and federal laws as well as local board policies.

- **Employees of the school should not serve in a financial capacity of a booster or parent organization.** Financial capacity includes holding positions of president, treasurer, fund- raising chairperson, or serving as a check signer. Bank statements should be reconciled within 30 days of the date of the statement to ensure that possible inaccurate transactions are identified and communicated to the financial institution for correction.
- Each organization should adopt an accounting package or computerized accounting method which will meet the needs of the organization for several years. There are a wide variety of computerized accounting packages available to assist the organization in accurately accounting for financial transactions.
- At a minimum, the organization's membership must be provided with a financial statement and bank reconciliation at each meeting. The financial statement should provide a comparison of budgeted versus actual expenditures and receipts. Cash receipts and disbursement reports must be available for review when needed or during the annual audit.
- **Financial documents requested by the school principal or activity sponsor must be provided within 10 days of said request.**

### INTERNAL CONTROL PROCEDURES

In order to protect the organization, its members, and its financial well-being, standard internal controls must be in place. The following is a summary of basic internal controls necessary to prevent the loss of funds through carelessness, mistakes, or misappropriation.

- **CONTROLS OVER BANK ACCOUNTS**

Parent Support Organizations are required to establish a checking account with the organization's EIN number at a bank or credit union. **Neither a person's social security number nor the District's EIN number can be used to set up a bank account.** Accounts should be established with at least three individuals on the signature card. Checks require the signature or authorization of two club officers. Each check must be supported by all supporting receipts and or documentation which will be part of the monthly reconciliation and annual review of financial records.

A designated booster club/parent organization member without signature authority should review the bank statement and its contents for reasonableness and compliance with treasurer reports, the budget, and the ongoing business of the organization. Special attention should be made to outstanding or reconciling items. This member should sign off on the completed bank reconciliation and be appointed by the booster club/parent organization president. Bank statements should be reconciled within 30 days of the date of the statement to ensure that possible inaccurate transactions are identified and communicated to the financial institution for correction. The financial institution is not liable for errors not reported within a specified number of days identified in your banking agreement.

- **CONTROLS OVER CASH AND RECEIPTS**

All cash collections received by the booster club/parent organization for program costs, dues, fundraising, etc. must be deposited upon receipt and intact. Deposits shall be made daily if the total receipts on hand exceed \$250.00. If daily receipts are less than \$ 250.00, deposits shall be made within one week even if the receipts for all days combined are less than \$250.00. All money must be deposited prior to holidays and weekends regardless of the amount. **The use of night deposit boxes is highly recommended.** Deposits must be supported by some type of record documenting the source and amount of funds (tabulation of monies collected form, cash receipt form, ticket sales record, etc.). Documentation shall be readily available for audit purposes. Cash must be adequately safeguarded at all times. Every effort must be made to balance funds collected the day of the event, prepare appropriate deposit documentation and submit to a bank night drop for deposit and safekeeping. Money from concession sales should be handled in the same manner. **No personal checks should be cashed out of receipts.**

- **CONTROLS OVER DISBURSEMENTS**

- Only authorized officers should have the authority to submit requisitions for purchases or request for payment. All purchases should be included in the organizations approved budget and voted on and recorded in the organization minutes.
- Checks should not be generated without proper documentation (i.e. invoice, original receipts, etc.)
- Documentation should also include the signature of the President, Vice President or a designated representative.
- Checks require the signature of a second officer or designated representative.
- Bank checks or **checks made payable to cash** should not be issued. Actual receipts should be required and a reimbursement be processed.
- A check should not be signed until filled out in its entirety
- All expenses should be paid by check or debit card and **never** paid with cash.
- All debit card receipts must have two signatures.
- Goods and services should not be paid for in advance.
- If startup/change cash is needed, checks should be made payable to an individual and redeposited into the bank account **separately** from any other funds.

- All purchases of equipment should have prior approval by the district.
- Uniforms, spirit packs, player fees, etc must go through the sport's local school activity.

- **FUNDRAISERS**

Prior to beginning a fundraising campaign, the parent support organization must complete a fundraiser application using the ACBOE eforms and submit for approval by the campus principal or board designee. Funds raised by the parent support organization are to provide the funds to purchase items to assist the program they support. This ensures the activity is within the district's policy and provides the school with knowledge of the activities on the campus and helps to avoid the duplication of similar fundraising campaigns during the same period. At the completion of the fundraiser a reconciliation form should be completed along with a financial recap to determine the profitability of the fundraiser (Appendix E). The form should calculate the value of items available for sale or number of tickets sold, and compare to deposits and remaining inventory, if any, to ensure agreement. All members must be made aware that no individual should personally benefit from the activities conducted by the organization. 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.

- **BUDGETARY & OVERSIGHT CONTROLS**

Members should establish and approve a budget at the beginning of the school year. The budget should be filed with the local school Principal once adopted by the organization. Actual receipts and disbursements should periodically be compared to the budget. The Treasurer must provide a monthly written financial report to the Board and/or general membership in agreement with the bylaws which should include the bank account balance and the receipt & disbursement activity since the last meeting. The financial report should also include a comparison of budgeted versus actual receipts and expenditures. At the end of the fiscal year, an audit of the booster club's/parent organization's financial records should be conducted. A copy of the signature page detailing the results of the audit must be forwarded to the district's CSFO by November 15<sup>th</sup>. For additional information, refer to the section titled Audit Committee previously in this document.

## **V. ACTIVITIES ON SCHOOL CAMPUS**

### **GENERAL GUIDELINES**

- Any activity on a district campus requires approval by the board or it's designee
- A Facilities Use Form must be completed and approved a minimum of 14 days prior to the event or one can be completed to cover the entire school year.
- Proper accounting records should be maintained and all activities should be processed through the local school books.
- Any payment to school employees must be processed through the district's payroll department
- Reconciliation of activity should be completed at conclusion of event
- Liability insurance is required for third parties

**Note: Any activities/programs conducted by parent organizations off campus should be approved prior to activity.**



## APPENDIX A

# SDE Guidelines for School Related Organizations



Alabama  
State Board  
of Education

Governor Bob Riley  
President

Randy McKinney  
District I  
President Pro Tem

Betty Peters  
District II

Stephanie W. Bell  
District III

Dr. Ethel H. Hall  
District IV  
Vice President  
Emerita

Ella B. Bell  
District V

David F. Byers, Jr.  
District VI  
Vice President

Sandra Ray  
District VII

Dr. Mary Jane Caylor  
District VIII

Joseph B. Morton  
Secretary and  
Executive Officer

STATE OF ALABAMA  
DEPARTMENT OF EDUCATION



Joseph B. Morton  
State Superintendent  
of Education

November 8, 2007

### MEMORANDUM

**TO:** City and County Superintendents  
*Joseph B. Morton*

**FROM:** Joseph B. Morton  
State Superintendent of Education

**RE:** *Guidelines for Financial Operations of School-Related Organizations*

For many years schools and school boards have received conflicting guidance about the accounting requirements for school-related organizations. Several agencies have provided partial and often conflicting rulings regarding the required procedures for the operation of school, student, parent, athletic, and other organizations that provide financial support for school activities and functions.

Two years ago we began the process of preparing guidance for financial operations at the local school level. We have circulated draft guidelines through workshops provided by the Council for Leaders in Alabama Schools (CLAS), the Alabama Association of School Office Personnel, and the Alabama Association of School Business Officials. Workshop participants were receptive and appreciative of our efforts to address areas of specific concern to school officials, parents, auditors, and school personnel.

Enclosed please find a document entitled *Guidelines for Financial Operations of School-Related Organizations*. Although not specifically endorsed by the Alabama Council of SACS/CASI and the Alabama PTA, officials at both of these organizations have reviewed this document and have accepted the need to issue these guidelines.

Because school boards may be required to amend or adopt local school board policies, the procedures necessary to implement these guidelines should begin as soon as possible, with a goal of full compliance by July 1, 2008.

If you have questions or concerns about the enclosed guidelines, please contact Dennis Heard at telephone number (334) 242-9747 or by e-mail at [dheard@alsde.edu](mailto:dheard@alsde.edu).

JBW:WCP:DWLH  
Enclosure  
FY08-3007

## Guidelines for School-Related Organizations

The majority of public K-12 schools in Alabama operate under the accreditation standards of the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS/CASI). The *Accreditation Standards 2005* published by SACS/CASI includes in **Standard 2 Governance and Leadership 2.4** the following requirement: **In fulfillment of this standard, the leadership of the school... Controls all activities, including extra-curricular, that are sponsored by the school.** This publication also provides in **Standard 6 Financial Resources 6.15** the following requirement: **In fulfillment of this standard, the school...Controls all funds raised in the name of the school....** Interpretations of these standards, primarily **Standard 6.15**, have created conflicting guidance from various sources relating to the accounting requirements for school-related organizations.

In addition to the requirements of SACS/CASI, the Alabama Department of Education must also consider other factors in providing these Guidelines for School-Related Organizations, including:

- *State laws giving the authority to establish financial and administrative requirements for local schools to the:*
  - *State Superintendent of Education.*
  - *State Board of Education.*
  - *Local Boards of Education.*
  - *Department of Examiners of Public Accounts.*
- *Governmental Accounting Standards Board (GASE).*
  - *Generally Accepted Accounting Principles.*
  - *GASE Statement No. 14 - The Fiscal Reporting Entity.*
  - *GASE Statement No. 39 - Determining Whether Certain Organizations Are Component Units.*
- *Federal legislation.*
  - *Internal Revenue Service.*
  - *Congressionally Chartered Organizations.*

The determination that a particular club or organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the club or organization's operations at a school. The fact that an organization would not exist without the school it supports has no bearing on determining that the organization is a school activity. However, the purpose of these Guidelines for School-Related Organizations is to assist these organizations, school officials, school bookkeepers, auditors, and other agencies in determining the proper accounting for school-related organizations.

### **Student Organizations**

Student clubs and classes are usually recognized as school activities. The student officers and faculty sponsor operate the organization while the school principal acts in a fiduciary capacity over the organization's funds. The school's accounting records contain a separate account to record the financial operations of each student organization. Income from the student organization is recorded by receipts and deposited in the school bank account. The school principal approves the purchase orders, signs the checks, and maintains the supporting documents for the expenditures.

Some organizations consisting of students from the school may not be school activities. Some students belong to social organizations that operate off-campus. Community recreation leagues may consist solely of the school's students and operate under other entities that are not under the control of the school. Although the activities of these organizations may benefit the school's students, these organizations have a separate employer identification number (EIN), a separate mailing address, and maintain their own records and accounts.

### **Athletics**

School athletics are extra-curricular activities that must be under the control of the school principal. Coaches and other school employees cannot maintain a separate bank account that supports, or benefits from, a school extra-curricular activity. Funds received to support an athletic activity at a school from sponsors, vendors, or other sources must be included in the school's financial records under the fiduciary control of the school principal. Funds from gate receipts and other sources may be recorded in one or more separate accounts for a particular sport in the school's financial records. However, a separate account for each sport is not required. When athletic events are held on locations other than school property, the school principal's control over the financial operations of the event, including ticket sales, concessions, and parking fees, will be determined by agreement with the entity in control of the event location.

### **Parent Organizations**

Parent and parent/teacher organizations provide a vital role in the education of students. In Alabama public schools, the PTA and the PTO are the most common parent organizations. Both organizations have a national organization that serves the individual school organizations. Each of the national organizations publishes guidance for the financial operations of the individual school organizations. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if:

- a) *Both parties mutually assent to the fiduciary control of the principal, or,*
- b) *A school employee leads fund-raising or maintains the accounting records for the organization.*

### **Booster Organizations**

All school sponsored extra-curricular activities must be under the control of the school. However, booster organizations are often formed to support the operations of these activities in a variety of ways. While providing additional financial support for a particular extra-curricular activity, the volunteers in the booster organizations also enhance community support that often extends to benefit all of the students at a school. Because some of the activities of a booster organization may be intertwined with the extra-curricular activity it supports, some of the organization's activities may be under the fiduciary control of the school principal while other functions of the same booster organization are not school activities. The determination that a particular booster organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the organization's operations at a school. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if:

- a) *Both parties mutually assent to the fiduciary control of the principal,*
- b) *A school employee, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization, or,*
- c) *A school employee leads fund-raising or maintains the accounting records for the organization.*

Specific activities of a booster organization may come under the control of a school principal if:

- a) *The organization collects admission to the school function,*
- b) *The organization operates a concession operation on school property at the school function,*
- c) *The organization collects parking fees for the school function,*
- d) *The organization operates a training camp that includes students of the activity it supports, or,*
- e) *The organization operates an exhibition or competition that includes students of the activity it supports.*

### **Specific Requirements**

Parent organizations and booster organizations that maintain financial operations outside the control of the school could create a negative image for the school by failing to maintain proper accounting controls. Accountability for the funds these organizations control includes an agreement that:

- a) *The organization has obtained an employer identification number from the IRS.*
- b) *The organization provides a report of the annual audit of the organization to the school.*
- c) *The organization makes its financial records available to the school's auditors and authorized school employees upon request.*
- d) *The organization provides required financial reports.*
- e) *The organization provides proof of a fidelity bond for the treasurer.*
- j) *The organization will not provide any payment or benefit to a school employee (or family member of a school employee) in violation of the State Ethics Law.*

**Autauga County Schools****REQUEST TO OPERATE BOOSTER OR SCHOOL ORGANIZATION**

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To: \_\_\_\_\_  
(Principal Name)Location: \_\_\_\_\_  
(School Name)

Name of Organization: \_\_\_\_\_

Purpose of Organization: \_\_\_\_\_

Student Group to be supported: \_\_\_\_\_

Faculty Sponsor for Organization: \_\_\_\_\_

Current Number of Parent Supporters: \_\_\_\_\_

I agree with the following statements:

- I have spoken with the faculty members who will serve as the sponsor of the support organization and have received their permission to submit this registration form.
- I have read the Booster Clubs and School Support Organizations Guidelines thoroughly and agree to abide by the rules and guidelines it contains.
- I understand that noncompliance with any District policy or guidelines may result in the disbanding of the support organization by the Principal or Chief Financial Officer.

Submitted by:

\_\_\_\_\_  
Representative                      Date\_\_\_\_\_  
Sponsor                              Date\_\_\_\_\_  
Representative Address                                      Phone Number**For Local School Use Only****Approved by:** \_\_\_\_\_ **Date:** \_\_\_\_\_**Disapproved by:** \_\_\_\_\_ **Date:** \_\_\_\_\_*Return the original form to the representative of the support organization.**Send copy of this form to: (1) The Sponsor, (2) The Principal, and (3) The CSFO.*

**Autauga County Schools****NOTIFICATION OF OFFICERS**

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Submit officer information to your supporting campus/department immediately following your organization's election. Information should be submitted even if officers have not changed from the previous year. Any changes that occur during the year prior to the next election should be reported utilizing this form. A copy of this form should also be maintained by the organization. A copy of the organizations fidelity bond should be submitted with this form.

School Year: \_\_\_\_\_ Local School Supported: \_\_\_\_\_

Name of Organization: \_\_\_\_\_

EIN# \_\_\_\_\_

**PRESIDENT**

\_\_\_\_\_  
First and Last Name

\_\_\_\_\_  
Street Address or PO Box, City, State and Zip Code

\_\_\_\_\_  
Primary Phone Number

\_\_\_\_\_  
Email Address

**VICE PRESIDENT**

\_\_\_\_\_  
First and Last Name

\_\_\_\_\_  
Street Address or PO Box, City, State and Zip Code

\_\_\_\_\_  
Primary Phone Number

\_\_\_\_\_  
Email Address

**TREASURER**

\_\_\_\_\_  
First and Last Name

\_\_\_\_\_  
Street Address or PO Box, City, State and Zip Code

\_\_\_\_\_  
Primary Phone Number

\_\_\_\_\_  
Email Address

**SECRETARY**

\_\_\_\_\_  
First and Last Name

\_\_\_\_\_  
Street Address or PO Box, City, State and Zip Code

\_\_\_\_\_  
Primary Phone Number

\_\_\_\_\_  
Email Address

**APPENDIX D**

**Autauga County Schools**  
**BOOSTER BANK ACCOUNT INFORMATION**

---

Bank accounts used by the \_\_\_\_\_ organization include:

Name of Bank	Account Number
_____	_____
_____	_____
_____	_____

The identification number used for the bank account is: \_\_\_\_\_

Organization's Identification Number (EIN) should be used. Do not use an individual's social security number, and **do not use the District's EIN.**

The current authorized signers include the following organization officers:

Name of Person/Officer	Position Held
_____	_____
_____	_____
_____	_____

**IMPORTANT**

- ☐ The Sponsor cannot be an authorized signer on any organization's bank account.
- ☐ No employee of the district may be an authorized signer on the organization's bank account

**Submitted by:**

_____	_____/_____/_____ Date
Representative	

## APPENDIX E

### Autauga County Schools BOOSTER CLUB AND PARENT ORGANIZATION FUNDRAISER RECONCILIATION FORM

This form should be completed 5 days after completion of the fundraising activity. This form along with a copy of the approved fundraiser form should be submitted to the local school.

Name of Organization: \_\_\_\_\_

Local School/Organization Supported: \_\_\_\_\_

Event Coordinator: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Fundraiser dates: \_\_\_\_\_ to \_\_\_\_\_

Type of event, activity, product sale or service: \_\_\_\_\_

Remaining products will be: \_\_\_\_\_

Profit Reporting				
REVENUES		X		\$ -
	Quantity Sold		Price Per Item	Revenues
				\$ -
	Quantity Sold		Price Per Item	Revenues
				\$ -
	Quantity Sold		Price Per Item	Revenues
EXPENSES				\$ -
	Quantity Purchased		Cost Per Item**	Expenditures
				\$ -
	Quantity Purchased		Cost Per Item**	Expenditures
				\$ -
	Quantity Purchased		Cost Per Item**	Expenditures
Quantity Difference			<b>GROSS PROFIT</b>	\$ -
**Attach Itemized Receipt				
<i>I certify this report includes all funds derived from this fundraising project.</i>				
Certified by:		Date:		
Reviewed by:		Date:		



## APPENDIX F

### CONTACT LIST

In addition to the local school principal, other helpful contacts/links are provided below:

<b><u>Alabama Department of Education</u></b>	<b><u><a href="http://www.alsde.edu">http://www.alsde.edu</a></u></b>
<b><u>Alabama Building Commission</u></b>	<b><u><a href="http://www.bc.alabama.gov/">http://www.bc.alabama.gov/</a></u></b>
<b><u>Alabama Ethics Commission</u></b>	<b><u><a href="mailto:info@ethics.alabama.go">info@ethics.alabama.go</a></u></b>
<b><u>Alabama Attorney General's Office</u></b>	<b><u><a href="http://www.ago.state.al.us/">http://www.ago.state.al.us/</a></u></b>
<b><u>Internal Revenue Service</u></b>	<b><u><a href="http://www.irs.gov">www.irs.gov</a></u></b>
<b><u>National PTA</u></b>	<b><u><a href="http://www.pta.org/">http://www.pta.org/</a></u></b>
<b><u>Alabama PTA</u></b>	<b><u><a href="http://www.alabamapta.org/">http://www.alabamapta.org/</a></u></b>
<b><u>National PTO</u></b>	<b><u><a href="http://www.pto.org/">http://www.pto.org/</a></u></b>
<b><u>Parent Boosters USA</u></b>	<b><u><a href="http://parentbooster.org/">http://parentbooster.org/</a></u></b>
<b><u>Tax-Exempt Organizations</u></b>	<b><u><a href="http://www.irs.gov">www.irs.gov</a></u> (select Charities &amp; Non-Profits)</b>
<b><u>Tax Forms and Publications</u></b>	<b><u><a href="http://www.irs.gov">www.irs.gov</a></u> (select Forms &amp; Publications)</b>

## APPENDIX G

**OFFICE OF THE  
ATTORNEY GENERAL**

DON SIBELMAN  
ATTORNEY GENERAL  
MONTGOMERY, ALABAMA 36130  
(205) 261-7400



STATE OF ALABAMA

FEB 10 1989

89-00168

Honorable Donald B. Sweeney, Jr.  
Rives & Peterson  
1700 Financial Center  
505 North Twentieth Street  
Birmingham, AL 35203-2607

Education, Boards of - Schools -  
Lotteries - Gambling

Under Article IV, Section 65 of Constitution of Alabama of 1901, school board is prohibited from selling tickets to raffle in which prize is awarded by chance.

School board may sell tickets for chance to participate in game of skill, with winner of game awarded substantial prize, so long as outcome of game does not depend in material degree upon element of chance.

Question of whether the outcome of such game depends in material degree upon element of chance must be decided on case-by-case basis.

Dear Mr. Sweeney:

This opinion is issued in response to your request for an opinion from the Attorney General.

### QUESTIONS

1. Are raffle contests in which donated prizes are raffled off to persons who have purchased raffle tickets permissible in Alabama?

Honorable Donald B. Sweeney, Jr.  
Page 2

2. Are games of skill permissible where potential participants purchase a ticket which, if their name is drawn, entitles them to participate in the game, with the winner of the competition being given a substantial prize? An example of this would be a basketball shooting contest wherein the participants purchase a ticket making them eligible to participate in the contest. If their name is drawn and they win the contest, the winner is awarded a substantial prize.

#### FACTS AND ANALYSIS

In the opinion request you state the following:

As attorney for the Mountain Brook Board of Education, I have been requested by the superintendent and board to ask whether raffle contests by local schools are in violation of Alabama law.

For years, local schools throughout the state have asked merchants to donate prizes which are then raffled off at special fund-raising events. This has been and continues to be a fairly common practice. The money raised by selling tickets for the raffle contest are used to supplement local school funds for school projects. In fact, many schools are significantly dependent on the money raised by these raffle contests to supplement available school funds.

Please advise whether the public schools may have raffle contests to raise money for school projects.

Article IV, Section 65 of the Constitution of Alabama of 1901 prohibits conducting lotteries in the State of Alabama, and specifically provides:

"The Legislature shall have no power to authorize lotteries or gift enterprises for

Honorable Donald B. Sweeney, Jr.  
Page 3

any purpose and shall pass laws to prohibit the sale in this State of lottery or gift enterprise tickets or tickets in any scheme in the nature of a lottery; and all acts or parts of acts heretofore passed by the Legislature of this State, authorizing a lottery or lotteries, and all acts amendatory thereof, or supplemental thereto, are hereby voided."

In the opinion to Honorable Gwin Wells, Mayor, under date of December 6, 1984, this office stated that the Alabama Supreme Court has held time and again that Section 65 of the Alabama Constitution prohibits the Alabama Legislature from allowing any person to engage in the business of conducting a lottery.

In the Opinion of the Justices, 397 So.2d 546 (Ala.1981), the court defined the elements of a lottery as: (1) a prize, (2) awarded by chance, and (3) for a consideration.

Because you state in the opinion request that the raffle contest consists of a donated prize which is awarded by chance for a consideration, i.e., the purchase of a ticket, it is the opinion of this office that such a practice by a school board constitutes a violation of the prohibition against engaging in the business of conducting a lottery.

Moreover, Code of Alabama 1975, § 13A-12-22 provides:

"(a) A person commits the crime of promoting gambling if he knowingly advances or profits from unlawful gambling activity otherwise than as a player.

"(b) Promoting gambling is a Class A misdemeanor."

In light of this statute, a person involved in the carrying out of the lottery, other than as a player, could be charged with promoting gambling in contravention of § 13A-12-22.

With regard to your second question, in the opinion to Honorable Doug Valeska, District Attorney, under date of September 20, 1988, this office noted that the term "gambling" is defined in Code of Alabama 1975, § 13A-12-20(4) as "... risk[ing] something of value upon the outcome of a contest of chance ...." A "contest of chance" is defined in § 13A-12-20(3) as:

Honorable Donald B. Sweeney, Jr.  
Page 4

"Any contest, game, gaming scheme or gaming device in which the outcome depends in a material degree upon an element of chance, notwithstanding that skill of the contestants may also be a factor therein."  
(Emphasis added)

In the example you give, i.e., the basketball shooting contest, it is our opinion that the outcome of the contest depends primarily on the element of the participant's skill, rather than chance, and thus, this type of contest would not fall within the statutory definition of a "game of chance."

We must point out, however, that each case must necessarily stand on its own facts, and it is not the function of the opinions division of this office to state whether or not criminal statutes of the state have been violated. Rather, this would be a question to be determined by a jury and/or judge in a court of competent jurisdiction.

#### CONCLUSION

Under Article IV, Section 65 of the Constitution of Alabama of 1901, a school board is prohibited from selling tickets to a raffle in which a prize is awarded by chance.

A school board may sell tickets for the chance to participate in a game of skill, with the winner of the game awarded a substantial prize, so long as the outcome of the game does not depend in a material degree upon an element of chance.

The question of whether the outcome of such a game depends in a material degree upon an element of chance must be decided on a case-by-case basis.

I hope this sufficiently answers your questions. If our office can be of further assistance, please do not hesitate to contact us.

Sincerely,

DON SIEGELMAN  
Attorney General  
By:

  
JEAN WILLIAMS BROWN  
Assistant Attorney General

DS/JWB/jho  
02170

## APPENDIX H

# Autauga County Schools Outside Organization Yearly Submission Check Off List

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Local School Supported: \_\_\_\_\_

Name of Organization: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

**Items 1-6 must be provided yearly. Items 7-10 must be provided quarterly**-Reporting year runs from October 1st - September 30th. Reporting quarters are October-December, January-March, April-June, & July-September. Items are due by the 15th of the following month.

1. \_\_\_\_\_ **Proof of Tax ID Number (EIN)**-Notice from IRS-Must be provided once a year.
2. \_\_\_\_\_ **Copy of the Internal Revenue Service Tax Exempt letter if applicable**-Must be provided once a year.
3. \_\_\_\_\_ **Proof of Fidelity Bond**-A current policy must be submitted once a year. The amount of the fidelity bond should be equal to the average amount of revenues received by the organization.
4. \_\_\_\_\_ **Proof of Audited Financials**-Required once a year. The audit does not necessarily have to be conducted by a CPA Firm, however it is strongly advised that the person performing the audit have an accounting background. These individuals must sign a statement certifying they have reviewed the financials, receipts, fundraising activities for accuracy; any discrepancies should be noted.
5. \_\_\_\_\_ **Copy of By Laws that have been adopted**-Must be provided each year.
6. \_\_\_\_\_ **Receipt of Post Office Box payment**- Must be provided each year.
7. \_\_\_\_\_ **Financial Report**-October 1st through September 30th of the reporting year- The financial report is basically a summary of revenues less expenditures and is required to be sent quarterly. This calculation shows the organization's profit margin to determine if the organization is profitable.
8. \_\_\_\_\_ **Bank Statement**- a copy of all bank statements for the reporting period should be submitted with the financial statements quarterly. All bank statements should be signed by two officers.
9. \_\_\_\_\_ **Club Officers**-a list of officers along with contact information once a year or each time new officers are elected. Phone number, address and email address for each officer.
10. \_\_\_\_\_ **Minutes from Meetings**-Minutes from each meeting during the reporting year signed and approved by officers.  
Reporting year is October 1st through September 30th. Reporting quarters are October-December, January-March, April-June, & July-September. Quarterly items are due by the 15th of the following month.

## **APPENDIX I**

### **PARENT SUPPORT ORGANIZATION SAMPLE AUDIT PROGRAM**

#### ***Audit Procedures:***

##### **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.

##### **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).

##### **RECEIPTS**

- From the receipt book/log or other accounting records select a representative sample to test (Use of spreadsheets is helpful)
- Trace deposits to collection documentation/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 cash receipts with the date of deposit on the bank statement.

##### **DISBURSEMENTS**

- From the check register or other accounting records, select a representative sample of checks, withdrawals, or other debits (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 any other documentation.
- Review the canceled check to ensure agreement of payee name, endorsement, and check amount. Review for checks made out to cash or officer of organization
- 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.
- Confirm no school district employees have been paid through the organization
- 1099 is issued for all individuals and applicable businesses

## **FUNDRAISERS**

- Evaluate each fundraiser individually by calculating the value of items available for sale or number of tickets sold, and compare 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.
- Review Fundraiser Reconciliation Form for accuracy

## **MISCELLANEOUS**

- Inventory 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 and 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.
- Ensure that an IRS Form 990 was filed and review for reasonableness.

## **Essential Internal Control Procedures for Support Organizations**

- Money should never be kept at a treasurer's home.
- Two people should always count the money, and both should sign the receipt verifying the amount.
- Two signatures should be required on all checks.
- Have a member who does not have check signing authority review the bank statement monthly before giving it to the treasurer. This person is looking for red flags including: checks showing up in non-sequential order, checks made out to cash, cash withdrawals, checks written out to non-approved vendors, checks written for non-approved expenses, and checks written out to individuals.
- Never sign a blank check or a check made out to "cash."
- Money should be deposited into the organization's bank account daily or according to the districts procedures even if a project is ongoing.
- All bills must be paid by check, never cash.
- Conduct an annual audit of the books.



APPENDIX J

**PARENT SUPPORT ORGANIZATION AUDIT  
CERTIFICATION**

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Date: \_\_\_\_\_

Name of Support Organization: \_\_\_\_\_

I, \_\_\_\_\_ certify that I have reviewed the financial statements and related financial activity to include bank statements, receipts, deposit tickets, concession reports and fundraiser logs for the time period of **October 1st through September 30th** for fiscal year \_\_\_\_\_. The financial reports, related financial activity and all supporting documentation are (check one):

\_\_\_\_\_ Correct and adequate with no discrepancies

\_\_\_\_\_ Correct and adequate with discrepancies as noted below

\_\_\_\_\_ Incorrect and/or incomplete

Discrepancies (use additional sheets of paper if necessary):

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

\_\_\_\_\_  
Reviewer Signature and Phone Number

\_\_\_\_\_  
Reviewer Print Name