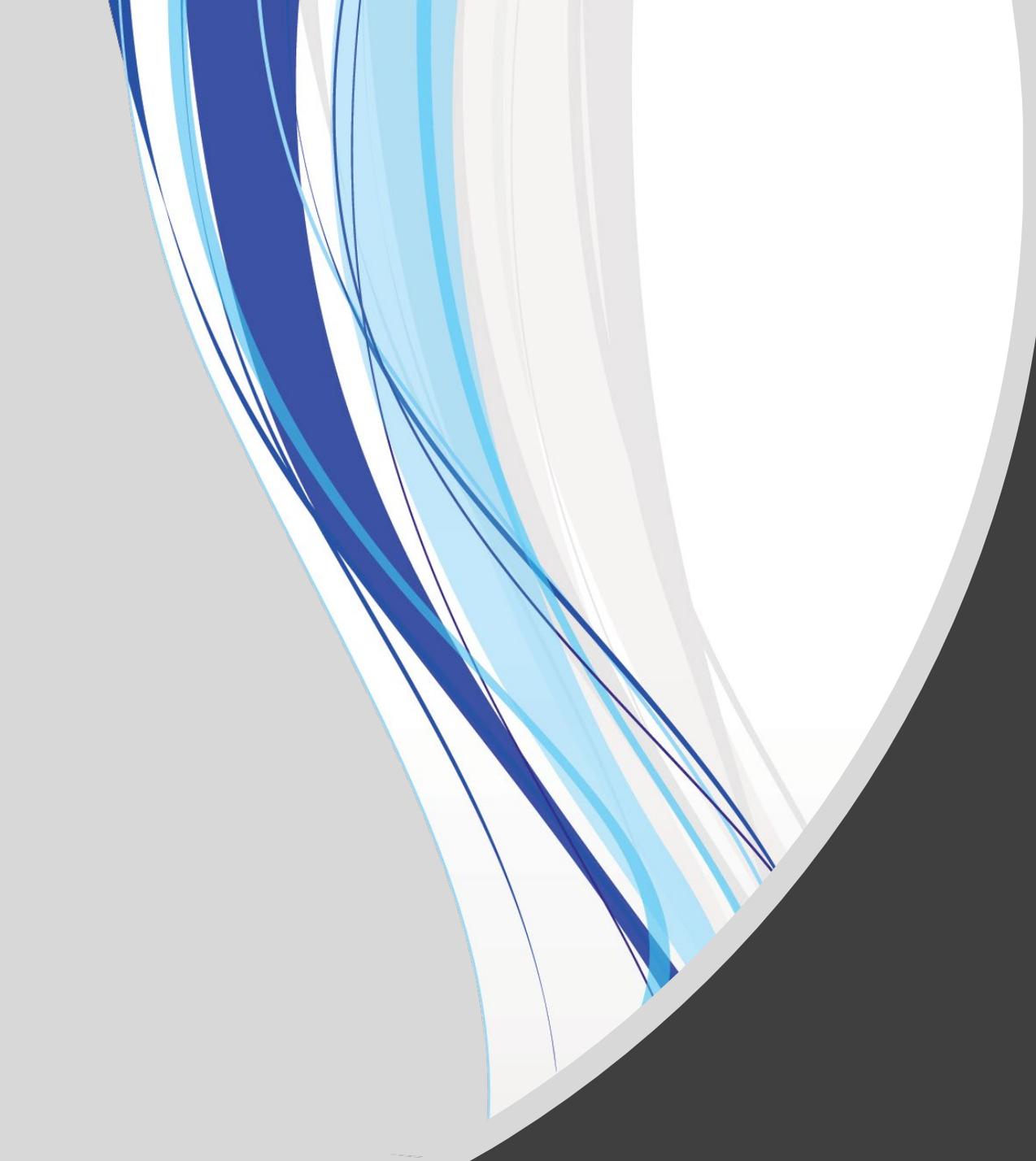


CSB

CHANDLER SCHOOL BOOSTERS

WELCOME



CSB

CHANDLER SCHOOL BOOSTERS

ACCOUNTING
BUDGETING
FUNDRAISING

February 25, 2019

Topics for Today

- Accounting Basics
- General Tax Reporting Requirements
- Sponsorship versus Advertising Revenue
- Form 1099-Misc Requirements
- Budgeting
- Pro-rata Fees
- Accounting Procedures/Best Practices
- District Compliance-Stipends
- IRS Compliance
 - Donation Receipts
 - Record Retention

Topics for Today

- Fundraising
- District Compliance
 - Fundraising
 - Carnival Rides/Inflatables
 - Raffles and Bingo

Accounting Basics

- Why do we need to know Accounting?
 - Reporting Requirements
 - Transparency

Accounting Basics

- What is Cash Basis Accounting?
 - Recording transactions as they happen
 - No liabilities (generally)

- Isn't it just a checkbook?
 - Yes...
 - ...and No

Accounting Basics

Assets = What you have

Liabilities = What you owe

Revenues = Funds received

Expenses = Funds paid out

Assets

- Bank Accounts
 - Checking
 - Savings
- Fixed Assets
 - Long-term (will be used for more than 1 year)
 - Not common for our groups
- Receivables
 - Someone owes you money
 - Not common for our groups

Liabilities

- Loans or invoices to be paid
 - Not generally recorded until paid
- Not common for our groups

Revenue

- Funds received
 - Donations and Sponsorships***
 - Fundraising Events
 - Product Sales
 - Advertising***
 - Interest Revenue
 - Miscellaneous-i.e., collect \$ from parents for a season-end banquet

ADVERTISING vs SPONSORSHIP DONATIONS:
Special definition for IRS reporting of
Advertising revenue...more on this later

Expenses

- Funds paid out
 - Fundraising event expenses
 - Product sales expenses
 - Program expenses
 - Bank fees, equipment rentals, office supplies, postage/copying, other Admin Exp (including CSB pro-rata fees)
 - Advertising expenses (associated with Advertising revenue) ***

ADVERTISING vs SPONSORSHIP EXPENSES: Special definition for IRS reporting of Advertising revenue...more on this later

General Tax Reporting Requirements

Tax Reporting

- The fiscal year for the CSB and all of its member PTO and booster groups is July 1-June 30.
- In August, you will be provided templates on which to report financial information for the prior fiscal year
- Also required: bank statements, a profit and loss statement, list of fundraiser events and product sales, list of donors who contributed \$250 or more, list of payments to vendors and individuals for rentals, contracted services and prizes/awards
- PTO and booster groups will not owe income taxes, unless they receive revenue from advertising

General Tax Reporting Requirements

- CSB handles preparation/submission of all required tax returns & Form 1099's
- Tax Reporting
 - Form 990
 - Form 990-T
 - AZ Form 99
 - AZ Form 99-T
 - Form 1099-Misc

General Tax Reporting Requirements

- Review tax template
- Balance Sheet
 - Assets and Liabilities
- Profit and Loss
 - Revenues and Expenses
- Fundraiser Listing-Events and Product Sales
- Donations \$250 or more

General Tax Reporting Requirements

- Tax Reporting Definitions

- Donations and Sponsorships-Donors get nothing in return (except a banner or program mention/"ad" for sponsorships)
- Fundraising-Donors purchase something
 - Events
 - Product Sales
- Program-Directly related to program support
- Administration-Related to administration of PTO/Booster
- Advertising-Special IRS definition (taxable income)

Sponsorship vs Advertising Revenue

Sponsorship versus Advertising Revenue

- **Advertising** is a payment from an outsider in which the outsider receives **something of benefit** in return
- An advertisement:
 - Promotes or encourages the use of the trade, business, service, facility, or product of the payor
“Visit today and check out their fine selection of tires”
 - Contains qualitative or comparative language
“Offering the finest [or largest] selection of tires in town”

Sponsorship vs Advertising Revenue

Sponsorship versus Advertising Revenue

- An advertisement also:
 - Offers an endorsement
“Recommended for all your auto needs”
 - Provides price information or indications of savings or value
“Home of the ‘Buy 3 Get 1 Free’ Special”
“Show your ticket stub for a 10% discount”
- In most cases, **advertising revenue will be treated as unrelated business income subject to taxation**, unless the activity is not regularly carried on or if it is directly related to the accomplishment of the exempt purpose (for example, a student newspaper where selling ads is part of the training).
- The PTO or booster group will be responsible for payment of any tax liability associated with their own advertising revenue.

Sponsorship vs Advertising Revenue

Sponsorship versus Advertising Revenue

- A **sponsorship** is a payment from an outsider in which the outsider receives **nothing of benefit** in return
- The sponsorship acknowledgement may include:
 - Recognition as a sponsor, including “Exclusive” sponsor
 - Name, address, phone number
 - Website
 - Logo
 - General description of product or services
“Retailer of bathroom fixtures”
 - Visual depictions of products or services
 - Taglines
“The Ultimate Driving Machine”
 - Display or distribution of products

Sponsorship vs Advertising Revenue

Sponsorship versus Advertising Revenue

- A **sponsorship payment is usually treated as contribution revenue and is not taxable**
- Charitable organizations should provide a written acknowledgement to sponsors who give over \$250
- The acknowledgment should specify the value of any benefits that were provided to the donor in connection with the payment, including event tickets, goods, services, and advertising. Benefits other than advertising may be disregarded if the value is less than 2% of the sponsorship payment.

Form 1099-Misc Requirements

1099's and tax reporting

- The CSB sends Form 1099-Misc on behalf of all member PTO and boosters groups
- In August, you will be provided with a template designed to collect information regarding all unincorporated vendors or individuals/sole proprietors you paid for rentals or services (including parts and materials) or to whom you paid a prize or award during January 1-June 30

Form 1099-Misc Requirements

1099's and tax reporting

- You must provide this information regardless of the amount you paid to the vendor or individual, since expenditures by **all** PTO's and booster groups are aggregated to determine which vendors or recipients exceed the IRS reporting threshold and should receive a 1099-Misc
- Examples of rentals are bounce houses, lights, etc.
- Examples of services are cleaning, clerical, face painters, etc. (remember that you may not pay District employees directly, however, for services; they must be paid through the District)

Form 1099-Misc Requirements

1099's and tax reporting

- **When making payments to all vendors or prize/award recipients, you should first obtain a completed W-9 form from the vendor or recipient**
- **W-9's should be retained** for use in determining which vendors should be reported to the Chandler School Boosters, Inc. for Form 1099-Misc purposes (usually just payments to individuals/sole proprietors)
- W-9's provide tax id numbers, name and address

Budgets

- Why do we have to have a budget?
 - Bylaw requirements
 - Expenditure approvals

How to Create a Budget

- Start with expenses
 - Regular recurring items
 - Special expenditures
- Budget for income to cover expenses
 - Donations (including sponsorships)
 - Fundraising events
 - Expected revenue
 - Calculate cost for expense
 - Product sales
 - Expected revenue
 - Calculate cost for expense
- Cash balance carryforward

Example-Budgeting for Product Sales

Cookie Dough Sales:

Sold for \$11 each

Your cost \$7 each

Anticipated sales of 100 boxes of cookie dough

Sales \$1,100	(100 x \$11)	Revenue item
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Cost \$ 700	(100 x \$7)	Expense item
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Remember.....

- Approved Budget = Approved Expenditures
- Budgets are a guide
- **READ YOUR BYLAWS**

Pro-Rata Fees

- The CSB is organized such that member groups share on a pro-rata basis in the cost to operate the corporation.
- The pro-rata share is calculated based upon each group's annual revenues as a percentage of the total revenues of all PTO and booster groups as a whole.
- That percentage is multiplied by the annual budgeted expenses of the Chandler School Boosters, Inc. to determine each group's pro-rata share of the expenses.
- Pro-rata fees are billed in the spring

Pro-Rata Fees

- The pro-rata share amounts are assessed in the spring and must be paid by June 30; include in your budget

Example:

PTO revenue	\$50,000
CSB revenue	\$4,600,000
CSB budget	\$85,000
PTO pro-rata share %	$\$50,000 / \$4,600,000 = 1.1\%$
PTO fee	$1.1\% \times 85,000 = \$935$

Accounting Procedures/Best Practices

Bank Accounts

- Bank accounts should be set up using the EIN (Employer Identification Number) for the Chandler School Boosters
- Checks require **two** signatures
- District employees may **not** be authorized as signers on any bank accounts, per District guidelines
- Bank accounts **must** be reconciled monthly by the treasurer and reconciliations reviewed by a non-signer

Accounting Procedures/Best Practices

Bank Accounts

- Reconciliations and accompanying bank statements should be presented at board meetings for review and approval
- Bank statements should be mailed to the school address, not an individual's home, and if your group subscribes only to online statements, at least **two** signers must have online access to the bank account.

Accounting Procedures/Best Practices

Treasurer's Report

- For each board and general meeting, the Treasurer should prepare a detailed written report which includes the bank account balance and itemized revenue and expenditure activity which occurred since the last meeting
- Approval of the reports should be noted in board and general meeting minutes
- The financial reports should be maintained with the minutes for a minimum of three years

Accounting Procedures/Best Practices

Money Handling-Receiving and Depositing

- **Never leave people alone with money**--That means at least two people sell tickets, at least **two people count the money** at the end of an event, etc.
- Keep backup paperwork to document the source and amount of funds
- Deposit all monies in a timely fashion
- Keep a copy of the bank deposit slip and bank receipt to attach to backup paperwork
- Record all deposits in the accounting records
- Deposit slips and accompanying backup documents should be reconciled monthly to the accounting records and bank account

Accounting Procedures/Best Practices

Money Handling-Disbursement

- Develop a revenue and expenditure budget at the beginning of each school year
- Prior to a disbursement, ensure request is within the budget
- Disbursements outside the scope of the budget or line items that exceed the approved budget or bylaw authorization require a vote by the general membership
- Payments for goods or services provided by the employee are not allowed, but you may donate to the site to cover the cost of wages and benefits

Accounting Procedures/Best Practices

Money Handling-Disbursement

- Reimbursements to employees for goods or services the employee has paid for are allowed as long as the purchase has been approved at a regular meeting and falls within the purpose of the PTO or booster group.
- A check or reimbursement request form should be completed for **all** expenditures of any amount amount, and supporting invoices or receipts should be attached
- All check payments should be recorded in the accounting records
- Expenditures and backup documents should be reconciled monthly to the accounting records and bank account

Accounting Procedures/Best Practices

Money Handling-Safeguarding Money

- Money should always be counted immediately upon receipt or after an event by two individuals and taken directly to the bank or secured temporarily in a locked safe/drawer/cabinet
- Money should NEVER be taken home with an individual or stored in a Tupperware container, unlocked drawer, unlocked filing cabinet, vehicle, or other unsecured place.

Accounting Procedures/Best Practices

Money Handling-Safeguarding Money

- Do not store the records of the money received (i.e., receipts, copies of checks) in the same place as the money
 - If records and money are stored together and a theft occurs, the record of the money may be taken along with the money and determination and recovery of losses would be more difficult.
- Unused checks should be kept in a secure location at all times.

Accounting Procedures/Best Practices

Money Handling-Debit Card/Online Payments

- Use of debit cards/online payments is **highly** discouraged
- If the Booster Club/PTO chooses to use debit cards and online payment services, strong controls must be implemented
- Limit the number of cardholders/users
- Establish spending limits and expenditure purposes (such as budgeted or pre-approved purchases only)
- Require receipts submitted by the cardholder/user for every transaction
- Attached receipts to a debit card expenditure form.
- Record all debit card expenditures in the accounting records
- Debit card expenditures and accompanying backup documents should be reconciled monthly to the accounting records and bank account

District Compliance-Stipends

Stipend Payments

- Direct payments to District employees for goods or services provided by employees are not allowed
- Employees must be paid through the District so that proper payroll deductions are withheld
- If desired, PTO or booster groups may coordinate with the site administrative assistant regarding reimbursement procedures for wages and benefits

IRS Compliance-Receipts

Receipts for Donations

- Donors must obtain written acknowledgement for any single contribution of \$250 or more before the donor can claim a charitable contribution on his/her federal tax return
- Booster and PTO groups **must** provide a written receipts to a donor who makes a payment greater than \$75 partly as a contribution and partly for goods and services provided by the organization

IRS Compliance-Receipts

Receipts for Donations

- Written communication should include:
 - Name of the charity and tax id number (Chandler School Boosters and the specific PTO or booster group)
 - Date of contribution
 - Amount of cash contribution
 - Description (but not value) of non-cash contribution
 - Statement that no good/services were provided by the organization in return for the contribution, if that was the case
 - Example

Thank you for your cash contribution of \$300 that [organization's name] received on December 21, 2018. No goods or services were provided in exchange for your contribution.

IRS Compliance-Receipts

Receipts for Donations

- Description and good faith estimate of value of goods/services, if any, that an organization provided in return for the contribution
- Statement that amount of contribution which is deductible for federal tax purposes is limited to the excess of the contribution over the value of goods/services provided by the organization

➤ Example

Thank you for your cash contribution of \$150 to the [organization's name] on 10/24/2018. In exchange for your contribution, we gave you a cookbook worth an estimated fair market value of \$25. Therefore, for federal income tax purposes, your contribution deduction is limited to \$125. Thank you again.

IRS Compliance-Receipts

Receipts for Donations

- Not necessary to include donor's social security number or tax identification number on the acknowledgment
- Separate acknowledgment may be provided for each single donation of \$250 or more, or one annual summary may be used for several single contributions of \$250 or more
- Letters, postcards, computer-generated forms are OK
- Acknowledgments may be emailed to the donor

IRS Compliance-Receipts

Receipts for Donations

- Typically send no later than January 31 of year following donation
- Penalties
 - No penalty for failure to acknowledge a single contribution of \$250 or more; but without the written acknowledgment, donors cannot claim the tax deduction; provide acknowledgments as a gesture of assistance and courtesy

IRS Compliance-Receipts

Receipts for Donations

- For donations of \$75 or more made partly as a contribution and partly for goods/services, failure to provide written disclosure is \$10 per contribution; max \$5000 per fundraising event or mailing
- Exceptions-value of goods/services provided does not have to be disclosed for a “token exception” for insubstantial goods/services
 - If payment occurs in context of fund-raising and fair market value does not exceed lesser of 2% of payment or \$106 or
 - Payment is at least \$53 and items provided are logo items valued at \$10.60 or less (calendars, mugs, posters, etc.)

IRS Compliance-Record Retention

Record Retention

- Keep books and records detailing all activities, both financial and non-financial
- Financial records should be retained for 3 years, including but not limited to:
 - Detailed documentation regarding contributions, grants, sponsorships, other sources of revenue
 - Detailed documentation regarding expenditures, including receipts and expenditure approvals

IRS Compliance-Record Retention

Record Retention

- Financial records should be retained for 3 years, including but not limited to:
 - Bank statements
 - Financial reports presented at board and general member meetings
 - Ledgers maintained in accounting software or Excel
- Retain minutes of board, general member and committee meetings a minimum of 3 years (permanently is best practice)

Fundraising

Raising money is hard work, no matter what economy you face. The good news is that in any situation, you have a worthy cause to promote, and that's more than half the battle. If you're careful to respect your sellers and buyers throughout the fundraising process, you're bound to be successful!

Fundraising

Over Fundraising

- Too many fundraisers creates the following:
 - Donor fatigue
 - Cranky volunteers
 - Long hours with dwindling results
- Focus on a few key fundraisers to minimize efforts and maximize the return on your events

Fundraising

- Mix it up!
 - Plan small events along with your larger ones
 - Small fundraisers bring in a dollar or two from each student
 - Free Dress Day (Jeans)
 - Hat Day
 - Students and staff enjoy a break from the normal routine
 - Parents are willing to give small amounts for kids excited about going to school

Fundraising

- Evaluate and Improve
 - Survey after the fundraiser
 - Go beyond the question “Did it make a lot of money?”
 - When people see you listening and adapting because of their input, they are going to lend greater future support

Fundraising

- Ideas for Improvement and What to Think About
 - How many volunteer hours did it require?
 - Did the people who bought the products buy them because they wanted to, or because they would have felt guilty otherwise
 - Did sellers find the product or event an easy sell?
 - At the end of the year, look at all of the data and decide which fundraisers really scored high marks in every area

District Compliance-Fundraising

Fundraiser and event/activity approval

- All PTO and booster activities and events, including fundraisers, require the school administration's approval (the Principal or designee)
- Use of the campus for activities must be pre-approved and coordinated through the school administration
- This helps ensure Trust liability insurance coverage

District Compliance-Fundraising

Fundraiser and event/activity approval

- Fund-Raising Authorization and Approval Form required
 - Must be approved by the site Principal (or designee)
 - When involving students, also approved by an Assistant Superintendent
 - Must be submitted a **minimum of 14 days before** proposed start date for the fundraiser

District Compliance-Fundraising

Fundraiser and event/activity approval

- Fundraisers coordinated by a PTO or booster group may involve:
 - Parents/boosters only—requires form signed by President and site Principal
 - Parents/boosters and student body (but not a specific Student Activity club)— requires form signed by President and approved by both the Principal and an Assistant Superintendent
 - Parents/boosters and specific Student Activity club— requires form signed by the club sponsor and organization President and approved by both the Principal and an Assistant Superintendent

District Compliance-Fundraising

Fundraiser and event/activity approval

- Submit form with any contracts, written agreements and club meeting minutes attached
 - Keep a copy for your records
- Fundraising efforts involving students should not begin until the fundraiser has been officially approved by the Principal and an Assistant Superintendent

District Compliance-Fundraising

Fundraiser and event/activity approval

- When PTO or booster groups and Student Activity clubs are involved in joint fund-raising, net proceeds must be allocated proportionately per the Attorney General
 - Based on effort devoted by each, as determined by the principal
- The Fund-raising Authorization and Approval Form may be found on the CSB website

<https://www.chandlerschoolboosters.org>

District Compliance-Inflatables/Carnivals

Inflatables and Carnival Rides

- Rental of inflatables is subject to very specific guidelines in order for the District insurance to provide liability coverage
- **Administration at either the district office or the school must review and sign any inflatable ride or carnival ride contract**
- A representative of the PTO or booster group **SHOULD NOT** sign contracts in which the district may be responsible for liability.

District Compliance-Inflatables/Carnivals

Inflatables and Carnival Rides

- Certificate of Liability Insurance from the vendor is required
- Adhere to all District guidelines concerning operating procedures, erecting, inspecting and dismantling the ride, supervising ride use
- The Principal or designee must complete the Inflatable Ride Safety Checklist

District Compliance-Inflatables/Carnivals

Inflatables and Carnival Rides

- Some carnival rides are NOT allowed:
 - Ferris wheel, ballistic swing, bungee trampoline, energy storm carnival, toxic vertical rush, ANY ziplines, ANY rock climbing walls, ANY laser tags
- Some carnival rides have additional insurance and safety requirements
- Refer to the CSB website for further guidance on contract processes, safety checklist, and carnival rides

District Compliance-Raffles & Bingo

Raffles and Bingo

- These are “games of chance” with legal restrictions
- Adults must organize and administer either type of event
- Students may not be involved in the sale or purchase of tickets
- For raffles, it is suggested that a small token (pencil, candy bar, etc.) be provided with the purchase of each ticket
- For bingo, it is not permissible to charge or accept donations for cards
- Financial prizes are not recommended

Assistance and Questions

General organizational questions--Membership renewal and bylaws, general tax information submission (questions regarding the tax template or Form 1099 template), etc.

- CSB Administrative Assistant, Erin Northrup
csb_adm@outlook.com

Marketing, fundraising or technology questions

- Director of Marketing and Communications, Lyle Bonfigt
lyle@chandlerschoolboosters.org

Training, accounting or other questions

- CSB Director, Lisa Knox
knox.lisa@cusd80.com or 480-812-7676

Sources and IRS Resources

- Chandler School District policies and procedures
- Chandler School Boosters website
<https://www.chandlerschoolboosters.org> “New Officer Orientation” and other guidance
- PTO Today website <https://www.ptotoday.com/>
- IRS websites
 - <https://www.irs.gov/>
 - Publication 557-Tax-Exempt Status for Your Organization
 - Publication 1771-Charitable Contributions-Substantiation and Disclosure Requirements
 - Publication 4221-PC-Compliance Guide for 501(c)(3) Public Charities
 - <https://www.stayexempt.irs.gov/>