

LINCOLN PUBLIC SCHOOLS
RECOMMENDED PRACTICES
FOR OUTSIDE GROUPS OR ORGANIZATIONS
October, 2015

FOREWORD

The Lincoln Public Schools (“district”) Booster Club/Parent Teacher Association/Parent Teacher Organization and other such groups (“Outside Organization(s)”) Guidelines were prepared to assist these outside groups by providing organizational and financial guidance. It also aims to assist the Outside Organization in meeting district, state, and federal requirements. It includes suggestions for improving the Outside Organization related to day-to-day activities. Even though an Outside Organization works with the district, it is a separate and distinct legal entity from the district with its own organizational structure, governance, operations, assets, and liabilities. The district greatly appreciates the time, effort, and financial support that the Outside Organizations provide to district students.

Outside Organizations are generally established to promote school programs or complement student groups or activities. An Outside 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. Support may be as simple as providing refreshments for a particular event or it may be as complex as raising money for an out-of-state competition. The Outside Organization works through the principal to provide assistance for the planned activities of the student group. However, the Outside Organization does not have the authority to decide the activities or trips in which the student group will participate. The parents and the Outside Organization may provide suggestions about particular activities, but it is the principal or other appropriate administrator who is responsible for the final decision.

Money raised by the Outside Organization for district purposes should only be used to support the activities of the district. Outside Organizations should be non-profit groups and no part of the income for district purposes should be distributed to its members, directors, or officers. No money should be given in the form of cash and/or gifts to a district employee or to a student other than for a documented reimbursement.

TABLE OF CONTENTS

Formation of an Organization	4
Federal and State Reporting	4
Operations	5
Fundraising	6
Fundraising Events	7
Gift Reporting	7
Purchasing	8
Distribution of Information	8
Facility Modification	9
Sales Tax	9
Use of Mascots/School Name	9
Title IX	10

FORMATION OF A BOOSTER ORGANIZATION/PARENT TEACHER ASSOCIATION/PARENT TEACHER ORGANIZATION (OUTSIDE ORGANIZATION)

Parents and volunteers who make up the Outside Organization may be personally liable for the actions of the Outside Organization. To minimize this risk, the Outside Organization may want to consider becoming incorporated as a non-profit corporation. By becoming incorporated, the Outside Organization will become formalized by adopting Articles of Incorporation and Bylaws which provide standard operating procedures. In addition, it helps shield the individuals governing and operating the non-profit organization from liabilities incurred by the organization, unless the individuals are negligent in their duties. A non-profit corporation is characterized by the fact that no part of the income is distributable to members, directors, or officers. Not all non-profit corporations are entitled to exemption from state or federal taxes. If the Outside Organization is interested in becoming a non-profit corporation, they should contact a tax professional or attorney.

Draft Bylaws: An Outside Organization's bylaws provide the rules for how your organization operates, including how often meetings are held, how voting is conducted, naming of a board of directors and the election of officers, to include, at a minimum, a president, vice-president, secretary, and treasurer. The duties of each officer should be spelled out in the bylaws.

The bylaws should describe how the funds raised by the Outside Organization are to be used, how they are to be accounted for, and how they are to be disbursed.

FEDERAL AND STATE REPORTING

Regardless of the type of business entity selected, Outside Organization officers are solely responsible for ensuring that their Outside Organization is in compliance with all federal and state regulations. Therefore, the district, including any district employee, is not responsible for an Outside Organization not being in good standing with all federal agencies.

Obtain an Employer Identification Number (EIN): IRS rules, and banks, require that organizations have their own tax identification number, called an employer identification number or EIN. An EIN is similar to how a social security number identifies an individual to the IRS. Outside Organizations should obtain their own EIN. Outside Organizations should not use the district's or any school's EIN. EINs may be obtained online at www.irs.gov. Outside Organizations are not automatically considered tax-exempt by acquiring an EIN. Outside Organizations must first apply for an EIN to be recognized as a unique entity and then apply for tax-exempt status.

Obtain Recognition of Tax-Exemption: Formation of a non-profit corporation or obtaining an EIN does not necessarily entitle the Outside Organization to exemption from federal taxes. Outside Organizations must apply for tax-exempt status. In order to be exempt from federal taxes, the Outside Organization must first complete IRS Package 1023 – Application for

Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code. General instructions on the rules and procedures can be found in IRS Publication 557 – Tax-Exempt Status for Your Organization.

The IRS requires any individual or organization which brings in \$5,000 or more in income each year to file the appropriate tax return. Any Outside Organization which raises \$5,000 or more should obtain 501(c)(3) tax-exempt status to enable the Outside Organization to file the appropriate IRS Form 990 tax return and be exempt from paying federal income tax on income received. Without tax exemption, Outside Organizations may be required to file a corporate tax return and pay tax on income earned. Tax exemption also allows Outside Organizations to receive tax deductible donations and apply for grants. Donations made to the Outside Organizations are generally not tax deductible unless the organization is a 501(c)(3).

To find out if an organization already has 501(c)(3) status:

IRS: Phone 1-877-829-5500 (direct line for tax-exempt organizations)
Provide organization name and Tax ID #

Website: [http://www.irs.gov/Charities-&-Non-Profits/Exempt – Organizations-Select-Check](http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check)

Check organization files for a Determination Letter from the IRS.

OPERATIONS

Irrespective of the type of business entity being used, the following guidelines are important:

- Taking care of the Outside Organization's money is serious business. Appropriate financial policies protect the organization, donors, the treasurer, and others handling funds.
- A bank account should be established in the legal name of the organization using the Outside Organization's own EIN. Bank accounts shall not be established using the district's or any school's EIN.
- The district or school name cannot be used when setting up an account. Instead, an Outside Organization could use the school mascot as the name with the district's permission or use the school's name as part of a larger name such as Arnold PTA.
- Two signatures are suggested for all checks written. It is recommended that district employees not be an authorized signee of the Outside Organization's checks.
- Bank statements should be reviewed by the treasurer and one other officer who is not a signer on the bank account.
- No district employee should be an officer of the Organization.

- District staff shall not spend any time while at their district job working on Outside Organization activities.
- District staff should not be involved in recommending names of needy families. Staff shall not release student information covered by FERPA (i.e., free or reduced lunch participation).
- Parents and students understand that all assets of the Outside Organization, including all funds raised, must be used for the public, tax-exempt purpose of the organization. The Outside Organization, in accordance with its bylaws, budgeting and voting rules, must determine how all funds raised are used.
- Money given to a school cannot be earmarked for any particular expense. Outside Organizations may make recommendations, but cash or other valuable consideration must be given to the school to use at its discretion. The Outside Organization should meet with the school principal or designee to discuss the needs of the school.
- Outside Organizations cannot give anything to students, sponsors, or coaches including awards without approval of the school principal or his/her designee.
- No individual should personally benefit from the activities conducted by the Outside Organization.

FUNDRAISING

Irrespective of the type of business entity being used, fundraising is an important role and function of the Outside Organization.

- All fundraising projects for LPS purposes should be first approved by the school principal or designee. Fundraising requests submitted to the principal should state the type of activity, duration, and intended purpose of the fundraising.
- **No** funds raised by the Outside Organization will be kept for safekeeping on school grounds.
- The District's federal identification number should not be used by Outside Organizations when receiving donations.
- Fund raising activities must be run by Outside Organization volunteers. District staff may participate, but only during non-work hours.
- All money raised must be deposited in the Outside Organization's account, not a district account.

- School facilities may be used for fundraising events at no cost per LPS Regulation 1355.1 unless entry fees are required to participate in the event. Prior approval of the principal or designated administrator should be received and a facility-use request must be completed.
- Flyers and advertisements for fundraising activities conducted by Outside Organizations must state that the activity is being sponsored by the Outside Organization and not the district or a school.
- The district's website MAY NOT be used to advertise and/or solicit funds for the Outside Organization.

FUNDRAISING EVENTS

- Archibus (on the LPS website) should be used to make all LPS room reservations.
- The district's Facilities and Maintenance Department needs to be notified when events are to occur. They will need the following information: what school is involved; whether the activity is inside or outside; the location on the property; outside organizations will be required to provide for any additional electrical requirements by renting a generator; liability insurance for outside organizations; who will be setting up the equipment; and what safety measures the vendor is taking. Deb Ryan at Facilities and Maintenance is the point of contact. She may be reached at 402-436-1072 ext 82036 or dryan@lps.org.
- Custodial help can be arranged when necessary for the event and will be billed to the organization. The school cafeteria can be reserved and Nutrition Services staff is available if use of the cafeteria equipment is needed.

GIFT REPORTING

Gifts valued at \$50 or more should be submitted for acceptance by the Board of Education, per Policy 3410 and Regulation 3410.1. Gifts are to be reported by the school on the Gift Reporting Form (BA0001). Business Affairs Bulletin #14 contains additional information regarding the reporting process.

Donations made to the Outside Organizations are generally not tax deductible unless the organization is a 501(c)(3).

PURCHASING

The school is responsible for all equipment purchases for their school. In addition, the school is responsible for the purchase of all athletic equipment associated with the specific athletic activity. This procedure ensures that the products purchased meet all district specifications and standards. The school may also obtain the best pricing from authorized vendors through the district's catalog purchasing system. The Outside Organization should donate funds to the school, accompanied with a letter detailing the purpose of the gift. The school is eligible to purchase all equipment and goods tax exempt.

Outside Organizations are not allowed to sign contracts on behalf of the district. If the Outside Organization is holding a fundraiser at a district location and is contracting with vendors for services such as "bounce houses" or other goods or services, it is highly recommended the Outside Organization work with the district's purchasing department to secure these services. Currently, More Than Games is an approved bounce house vendor and the district will sign the agreed upon contract. If a contract is negotiated without the help of the district, the Outside Organization needs to provide the district with liability insurance listing the district as an insured party.

Outside Organizations should not purchase technology devices for a school unless the purchase has been approved through the district's Computing Services Department. The district is not able to service all types of technology devices.

Outside Organizations are able to use any food vendors, not just vendors approved by the district, but they must follow LPS guidelines. They must have insurance, licensing, etc. Outside organizations are welcome to send the vendor's contract to the district's Purchasing Department for review. Matt Bellamy, Director of Purchasing, is the contact person. He may be reached at (402) 436-1753 or mbellam@lps.org.

DISTRIBUTION OF INFORMATION

All materials to be distributed to students by an Outside Organization through district communication channels (i.e., school folders) must get prior approval from the principal and then the district's communications department. Any athletic booster club promotional event for elementary or middle school students must get prior approval from the school's athletic director, district athletic department, and then the district's communications department. Once approved by all levels, the materials may be distributed to the appropriate, designated elementary and middle schools.

FACILITY MODIFICATION

No facility modification shall be completed without prior approval of the school principal or his/her designee and the Director of Facilities & Maintenance. A formal plan must be presented to the district before any modification would be approved.

SALES AND USE TAX

Outside Organizations are **not** exempt from sales or use tax. Per the Nebraska Department of Revenue, they **cannot** use the district or a school's certificate of exemption to make tax-free purchases. Such organizations must pay tax on purchases for their own use and on purchases of property to be donated to their school. Purchases made for purposes of resale may be made tax-free by completing a Form 13, Section A (found on the Nebraska Department of Revenue website), as a retailer. In the area designated for entering the Sales Tax Permit Number, the organization should write "Parent-Booster Club," "Parent-Teacher Association," or "Student Organization," as applicable.

Outside Organizations are required to collect tax on all taxable sales except:

- Admissions to an event or activity in a public school during the regular school day or at an approved school function;
- Meals and food products, including soft drinks and candy, served during the regular school day or at an approved school function not open to the general public; and
- Sales approved by the school, if the proceeds are used to support school activities or the school itself.

For additional information, please contact Taxpayer Assistance at 1-402-471-5729 or visit their website, www.revenue.ne.gov.

USE OF MASCOTS/SCHOOL NAME

In order for the Outside Organization to use the school mascot and/or the school name, the project must be approved by the principal or his/her designee and the project must be in alignment with the school's mission.

TITLE IX

Title IX is a federal law enacted in 1972 which protects individuals in education programs or activities from discrimination based on sex. It states that “No person in the United States shall on the basis of sex, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any educational program or activity receiving federal financial assistance.”

Title IX, which is promulgated by the U.S. Department of Education, applies to all aspects of education and related programs, not just athletics. It requires that equal opportunities be provided for members of both sexes. It does not require that each team receive exactly the same services and supplies, but rather that the male and female programs, collectively, receive comparable levels of service, facilities, supplies, etc.

Since Outside Organization funding and activities are included in the analysis of the District’s compliance with Title IX, Outside Organizations should have an awareness of the law and the District’s requirement for compliance.

OTHER RESOURCES

IRS website: www.irs.gov Information For Charities and Non-Profits

Nebraska Taxation of Non-Profit Organizations – can be found at:
<http://www.revenue.ne.gov/info/7-215.pdf>

Nebraska Resale or Exempt Sale Certificate (Form 13) can be found at:
http://www.revenue.ne.gov/tax/current/f_13.pdf