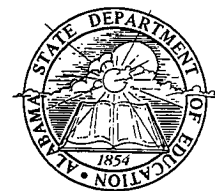




STATE OF ALABAMA  
DEPARTMENT OF EDUCATION



Joseph B. Morton  
State Superintendent  
of Education

Alabama  
State Board  
of Education

November 8, 2007

**MEMORANDUM**

Governor Bob Riley  
President

**TO:** City and County Superintendents

*Joseph B. Morton*

Randy McKinney  
District I  
President Pro Tem

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

Betty Peters  
District II

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

Stephanie W. Bell  
District III

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.

Dr. Ethel H. Hall  
District IV  
Vice President  
Emerita

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.

Ella B. Bell  
District V

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.

David F. Byers, Jr.  
District VI  
Vice President

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.

Sandra Ray  
District VII

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).

Dr. Mary Jane Caylor  
District VIII

Joseph B. Morton  
Secretary and  
Executive Officer

JBM:WCP:DWH  
Enclosure  
**FY08-3007**

**GUIDELINES FOR  
FINANCIAL  
OPERATIONS OF  
SCHOOL-RELATED  
ORGANIZATIONS**

**Alabama State Department of Education  
P. O. Box 302101  
Montgomery, AL 36130**

## Guidelines for Financial Operations of 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 State Department of Education must also consider other factors in providing these Guidelines for Financial Operations of 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 (GASB):
  - Generally Accepted Accounting Principles
  - GASB Statement No. 14 – The Fiscal Reporting Entity
  - GASB 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 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 extracurricular 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 extracurricular 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 at 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 extracurricular 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 extracurricular 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 extracurricular 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.

**OR**

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.

**OR**

B. The organization operates a concession operation on school property at the school function.

**OR**

C. The organization collects parking fees for the school function.

**OR**

- 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.
- F. 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.