

BEST PRACTICES FOR SCHOOL-CONNECTED ORGANIZATIONS (SCOs)

This document outlines key best practices and statutory requirements for School-Connected Organizations (SCOs), such as booster clubs, Parent Teacher Clubs (PTCs), Parent Teacher Organizations (PTOs), and other auxiliary organizations, drawing primarily from California guidance for Associated Student Body (ASB) management and SCO oversight.

SCOs are separate legal entities, independent of the school district, and must maintain separation in governance and financial operations.

I. Organizational Status and Formation

SCOs must ensure proper legal formation and alignment with district requirements to operate on school premises.

- **Legal Separation:** SCOs are nonprofit, school-connected organizations, not legal components of the school district.
- **Purpose:** The primary role of an SCO is to enrich students' participation in extracurricular school activities. They provide financial support and assistance to help achieve common goals.
- **District Authorization:** Any organization wishing to raise money to benefit a public school or its students must obtain the **prior written approval** of the district's governing board or its designee (Education Code Section 51521).
- **Fiduciary Duty:** SCO officers and executive board members are legally obligated to be prudent and reasonable in conducting themselves to preserve organization funds and legally protect the organization.
- **Governance Documents:** SCOs should determine the name and purpose of the organization. They must prepare and adopt a formal constitution and bylaws. Minimally, bylaws should include the official name and purpose, defined positions and duties of officers, term limits, methods of amendment, and procedures for termination or dissolution.
- **Filing Requirements:**
 - File **Articles of Incorporation** with the State of California, usually as a Nonprofit Public Benefit organization.

- Obtain an **Employer Identification Number (EIN)** from the IRS (using Form SS-4). The district's EIN cannot be used.
- Apply for **federal tax exemption** (501(c)(3)) and **state tax exemption** (FTB Form 3500/3500A). This status is often necessary for conducting certain legal fundraising activities, such as raffles.
- Register with the California Attorney General's **Registry of Charitable Trusts**.
- **Naming:** An SCO's name may not imply any form of responsibility or endorsement by the district, school site, or ASB. It is recommended, if using the school or mascot name, to include "Booster," "PTC," or "PTO" in the name.

II. Financial Management and Internal Controls

SCOs must adhere to stringent financial standards to ensure transparency and prevent fraud.

- **Bank Accounts:** SCOs must have their own bank account in the name of the organization, kept entirely separate from district or ASB funds.
- **Commingling of Funds:** SCO funds must **never** be commingled with ASB funds, school funds (public monies), or district bank accounts.
- **Reporting:** The treasurer should prepare monthly financial statements presented to the organization, along with the most current bank statement and reconciliation.
- **Budgets:** A budget should be developed annually, reviewed frequently, and revised as needed to project expected revenues and expenses.
- **Cash Receipts:** Use pre-numbered receipt books or tickets, tally sheets, or cash registers as appropriate cash controls for all events. Cash receipts must be properly counted by at least two people, one of whom must be an officer or chairman, with a signed cash verification form documenting the amount.
- **Deposits:** Bank deposits should be made intact and promptly (preferably within two to three school days).
- **Cash Security:** Money should be secured in an approved, locked safe when not in use. Cash should never be left at school over the weekend or holidays if avoidable.
- **Cash Disbursements (Expenditures):**

- All purchases should be approved in advance by the SCO board and the approval noted in the board meeting minutes.
- Checks must require a minimum of two authorized signatures (who should be adults and not school employees working at that site).
- A backup (e.g., invoice copy) must be reviewed at the same time the check is signed.
- **Bank Reconciliation:** Reconciliation should be performed monthly within two weeks of receipt of the bank statements by someone other than the individual(s) responsible for depositing funds and writing checks.
- **Audits and Reviews:** Annual internal reviews or external audits of financial records should be conducted by individuals independent of the day-to-day financial activities. The organization must grant the district the right to audit financial records upon request.
- **Record Retention:** Records (receipt books, invoices, bank statements, tax returns, minutes) should generally be kept for at least seven years, and permanent records (e.g., Articles of Incorporation, IRS Determination Letter) should be kept permanently.

III. Fundraising and Activity Guidelines

All SCO activities must comply with legal restrictions related to public education and nonprofit status.

- **Solicitation Approval:** Fundraising activities must be authorized by the school site principal/designee.
- **Coordination:** Proposed fundraising activities should be submitted to the school site principal or designee at the beginning of the year to prevent conflicts with other school activities, including ASB. Since ASB is a school-sponsored activity for students, ASB fundraisers will always have priority over SCO fundraising.
- **Student Participation:** Students may volunteer for or assist SCO fundraisers, but only when it does not interfere with their school obligations. Solicitation of pupils on campus is limited by Education Code 51520, restricting activity during school hours and one hour before/after.
- **Non-Discrimination (Pay-to-Play):** SCOs may **never** require membership fees, contributions, or fundraising participation from parents or students for the student

to participate in school activities. SCOs may not unlawfully discriminate against any community member or staff wishing to participate.

- **Benefit Restrictions:** Profits must be used for the SCO's tax-exempt purpose. Funds/profits cannot be returned to members or their families.
- **Sales Tax:** SCOs are generally **not** sales tax exempt and must maintain a Seller's Permit and comply with reporting requirements (consult BOE Publication 18 for specifics).
- **Raffles and Gambling:** Raffles, bingo, and other games of chance are strictly regulated (Penal Code §320.5 and §326.5). To conduct a legal raffle, the SCO must typically have 501(c)(3) status, register with the Attorney General, and ensure at least **90% of the gross receipts** benefit charitable purposes (making 50/50 raffles illegal). Minors are prohibited from participating in bingo games.
- **Food Sales:** SCOs must comply with state and federal laws regarding competitive food sales. Sales of food items that do not comply with nutritional standards can typically only take place on school premises at least **30 minutes after the end of the school day**.
- **Sponsorship/Endorsement:** The organization must not endorse or promote a commercial entity or its products/services. Acknowledgments of sponsors should be factual and not include language implying endorsement or qualitative judgment.

IV. Interaction with School District Personnel and Property

SCOs must maintain strict boundaries when interacting with district staff and making purchases for the school.

- **District Staff as Volunteers/Members:** District employees may volunteer for or participate in the SCO in their personal capacity during non-working hours.
- **Conflict of Interest:** Any district employee, coach, or teacher who has a student related to them who may benefit from the SCO's operations **may not serve as an officer** in that SCO at that school site.
- **Check Signing:** District employees cannot be authorized signers or treasurers on SCO bank accounts or sign SCO checks.
- **Payments to Employees:** SCOs **may not make direct payments** to any district employee (including cash, checks, or gift cards) for services performed. If an SCO wishes to compensate a district employee for extra services (e.g., coaching a

summer camp), the funds must be deposited with the district and processed through the district payroll system to ensure compliance with tax and benefit laws.

- **Consultants:** Independent contractors (e.g., DJ, photographer) must fill out IRS Form W-9 prior to starting work. If paid \$600 or more in a year, the SCO must report the income annually on IRS Form 1099. **This amount is increasing to \$2,000 in tax year 2026.**
- **Use of Facilities:** Use of school facilities is regulated by the California Civic Center Act (Education Code 38130-38139). SCOs must obtain a use of facilities permit and submit a current certificate of liability insurance naming the district as additionally insured.
- **Prohibited Items on Campus:** No alcohol or tobacco products are allowed at any SCO event on district property.

V. Donations and Purchases for Schools

When SCOs purchase items or provide funds intended for the school, specific procedures must be followed to maintain proper accountability.

- **Donations Required:** Purchases of district supplies, equipment, transportation for field trips, and services should come to the district in the form of a donation. All purchases made by an SCO shall be donated to the school.
- **District Ownership:** Once funds or equipment are donated and formally accepted by the district, they become the property of the district and cannot be returned to the SCO.
- **Stipulating Purpose:** The SCO should state the specific purpose for which funds or equipment are being donated (restricted donation) on all applicable literature.
- **Purchasing Procedures:** Major capital improvements, technology equipment, or purchases over a certain financial threshold (e.g., \$15,000) may need to be processed through the district's Fiscal, Facilities, and/or Technology departments to ensure compliance with statutory laws, architectural requirements (DSA), and technology integration.
- **Reimbursements:** If an SCO wishes to donate funds to cover staff expenses (e.g., classroom supplies), the SCO can make one donation to the district, specifying the purpose, and the district business services staff will track and reimburse the staff through the regular district accounts payable process.