

RECEIPTS

- 1.) Is it permissible for fundraising companies to track individual student sales for the purposes of awarding prizes for sales goals?

Yes.

- 2.) Can the school accept promotional items from companies for give-aways, i.e. t-shirts to be thrown into the stands at basketball games?

Yes.

- 3.) What funds must be deposited into the school activity fund?

All funds derived from fundraising activities and fees sponsored under the auspices of the school *by student clubs or student organizations* must be deposited in the school activity fund bank account. The school activity fund is reported on the district financial statements as a fiduciary fund because the expenditure of student activity funds is directed by student groups, not the local board of education. In addition, student activity fund expenditures are not included in the per pupil expenditure calculation for the school district.

Examples of receipts that must be deposited in the school activity funds include: fees collected and expended by student groups (band, FFA, photography club); fundraising activities for student groups.

Examples of receipts that may be deposited at the district level include: fees that are not expended by student groups (locker fees, textbook fees); fundraising activities for general purposes instead of student group activities; advertising revenue. If these funds are deposited at the school level, they are student activity funds and can be expended only for the *direct* benefit of students at the school.

Examples of receipts that must be deposited at the district level include: day care fees; adult education fees; grants; tuition fees; donations unless the local board has adopted a policy allowing donations to be accounted for at the school level.

- 4.) What is a “fee” that must be adopted by the local board of education?

702 KAR 3:220 provides the guidelines for the waiver of school fees. Section 4 of that regulation states that the mandatory waiver of fees shall apply to all charges, direct or indirect, which would otherwise be *required for participation* in school-sponsored courses, activities, programs, events, or services including: charges for field trips if any portion falls within the school day; uniforms or equipment related to sports, music or fine arts; locker fees; lab fees; general activities fees. The inclusion of these specific items in the regulation implies that these are fees which must be adopted by the local board.

- 5.) Can school activity funds be used to “donate” a fee on behalf of a student who does not qualify for a fee waiver pursuant to 702 KAR 3:220?

Funds raised by a student group must benefit all members of the student group equally. Likewise, funds donated to a student group must benefit all students equally. A donation made to a particular student may

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be made directly to that parent. Otherwise, IRS regulations regarding income are circumvented and the parent receives those funds tax-free and the donor inappropriately considers that contribution tax-deductible. School activity funds shall not be directed to a specific student whether or not they meet the waiver requirements. Student fees meeting the waiver requirements shall be funded by district funds, funds donated to the district for that purpose, or SBDM monies. The fee assessed for the activity shall not be increased to account for the fee waivers.

6.) When must the Donation Acknowledgement Form used?

The Redbook does not require the use of the Donation Acknowledgement Form however the IRS requires donations of at least \$250 to be acknowledged in writing. The acknowledgment must say whether the organization provided any goods or services in exchange for the gift and, if so, must provide a description and a good faith estimate of the value of those goods or services. See the IRS website for more information at <http://www.irs.gov/taxtopics/tc506.html>.

7.) Can district funds be collected at the school level and then “swept” periodically to be moved to the district bank account from which the expenditures will be made? (Example: day care fees collected at the school and swept monthly to the district)

The Redbook states that no grant monies, day care fees, adult education fees, or tuition fees shall be deposited in the school activity fund. The intent is to record these revenues and expenditures at the district level.

It is permissible to collect these revenues at the school level and deposit them **temporarily** in the school activity fund account. These deposits must be recorded using a unique account code so the funds are not commingled with any other revenue source. Funds must be swept to the district account at least monthly. Record the disbursement to sweep the account as a reduction to revenue (instead of an expenditure) to avoid overstating revenues and expenditures at the school level. The disbursement to sweep the account must equal the total of revenues collected for the period. Absolutely no expenditures shall be made from these collections at the school level.

8.) Can funds be raised to support activities at the school which do not involve students? (Example: fundraiser to pay for teachers to travel to a foreign country to install water purification systems; no students are on the trip.)

No. If the activity does not involve students then the activity provides a direct benefit to the adult sponsors and not the students/student group and would therefore be prohibited by the Redbook.

EXPENDITURES

1.) Can student activity funds be used to pay for a substitute teacher to replace the teacher/sponsor while participating in a student group activity?

School activity funds cannot be expended for “operational expenses”. The National Center for Education Statistics (NCES) defines “operating” as: “Operating transactions are incurred in the course of the operating activities of the institution.” Based on that definition, salary costs that would be considered as

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operating costs *incurred in the course of the operating activities of the school district* would include salaries of employees for regular duties and substitute costs incurred in the normal course of business (due to sick and personal days of regular employees).

The question specifically relates to the payment of substitute costs when the regular employee is a coach/sponsor of a student group and is engaged due to the activities of that student group. In that situation, The Redbook permits, but does not require, the use of school activity funds to pay the cost of the substitute. Similarly, school activity funds *may* be used to reimburse the district for the cost of transportation for student group activities which includes the cost of the bus driver's salary.

School activity funds shall not be used to pay the cost of substitutes for covering a regular employee out on sick or personal leave or for attending professional or staff development.

In addition, the Redbook is clear that any payments made for personal services rendered by district employees must be made through district payroll.

2.) Can school activity funds be used to pay salaries?

Yes and no. Base pay, contracted salary, and pay for district-created positions, including stipends, **shall not** be paid from student activity funds. These costs are “operational expenses” and include: stipends for sponsors of student activities, SBDM secretary, and coaching supplements.

School activity funds **may** be used to pay for other types of personal services costs including: additional custodial costs for clean-up after a basketball game, ticket takers, clock keeper at sporting events, guest conductors, and judges.

In addition, the Redbook requires payments made for personal services rendered by district employees be made from the district through payroll.

3.) Can concession workers be paid out of the activity account?

If concession workers are paid, the payment for the work could be paid by school check from the activity account holding the fundraiser but only if the worker is determined to be an independent contractor, which is unlikely. Workers determined to be employees must be paid through payroll at the district level and the activity account could reimburse the district for those expenditures.

Workers shall not be paid with cash from the concession revenues. Likewise, ticket takers shall not be paid with cash from gate receipts.

4.) Can gate receipts be used for structural improvements? (Example: a fenced area for a group's equipment.)

No, school activity funds cannot be expended for maintenance or renovation.

5.) Can student activity funds be used to purchase textbooks?

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Student activity funds may be used to purchase textbooks only if the funds are raised for that purpose **and they are to be used for a student group.** A fundraiser approval form (F-SA-2A) must be completed for each fundraiser which includes the “purpose” of the activity. Funds raised must be spent in accordance with this purpose. **Textbooks for general use or materials required to implement the curriculum are operational expenses and must be purchased with district funds.**

6.) Can student activity funds be used to purchase “coach’s cards”?

The Redbook prohibits the payment of an individual’s organization dues or fees that do not provide a direct benefit to the student group. Also prohibited is the payment of extra compensation or bonuses to district employees whether in the form of cash or gifts. Finally, the Redbook prohibits any purchase that benefits the adult sponsors or district personnel and not the student group.

Coach’s cards which provide personal benefits to the adult sponsor or district employee such as liability insurance coverage, disability insurance, free admission to events, or eligibility for awards are prohibited from purchase with student activity funds unless they also provide a direct benefit to students. If the card provides both personal benefits to adults and direct benefit to students, school activity funds may be used for the portion of the card cost allocable to direct student benefit. Coach’s cards shall not be considered for purchase for any non-coaching or retired staff.

The purchase of coach’s cards may be taxable to the recipient and required to be reported on the employee’s W-2.

7.) Can student activity funds be used to pay for uniforms for coaches or sponsors of student groups?

School activity funds may be used to pay for a uniform for the coach/sponsor of a student group only if the uniform is unique to that student activity, required to be the coach/sponsor, and is not suitable for wear for any other purpose. Examples: baseball uniform, cleats.

Any other “uniform” must be required by board policy and school activity funds shall not be used to make the purchase. This type of “uniform” would be an operational expense. Examples include: shirt with or without the school/group logo, jackets with or without logos, caps, footwear.

Clothing purchased for employees (with a value of at least \$25) which is suitable for everyday use is a taxable benefit to the employee and must be reported on their W-2. In order to be exempt from tax, the clothing must be required to be worn as a condition of employment **and** not suitable for everyday wear.

8.) Can student activity funds be used to pay for any professional development or training?

Expenditures for professional development, as defined in the Redbook, are specifically prohibited. However, training which is required to be a coach or sponsor of a student group is an allowable purchase with student activity funds. For example, CPR training required for coaches would be an allowable purchase.

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9.) Can gift cards be purchased from the Family Resource Center?

If school activity funds are being used, gift card purchases are prohibited.

10.) Can the district funds be used to purchase gift cards?

The Redbook only applies to school activity funds – not funds in the district bank account. Gift cards can very easily be used for a purpose, and by a different individual, other than what was intended. The purchase of gift cards with district funds is strongly discouraged.

11.) How can gift cards be given out to students at Project Graduation?

The donor can purchase and give out the gift cards. Once funds are donated into the school's bank account, they become school activity funds and cannot be used to purchase gift cards or prepaid credit cards.

12.) Can student activity funds be used to purchase memberships for students/families to local area attractions, i.e. zoo, aquarium, Kings Island?

Yes, if the membership application is submitted by the school in the student/families name.

13.) Can school activity funds be used to assist disadvantaged students' families with living expenses as part of the goals of the Family Resource Center?

Yes, if the funds are raised specifically for that purpose. A fundraiser approval form (F-SA-2A) must be completed for each fundraiser which includes the "purpose" of the activity.

14.) If a business donates a sum of money to the school with the stipulation that the funds be split equally among graduates in the form of cash, is this allowed?

No. Once the donation is deposited into the school account it becomes school activity funds and cannot be used to distribute cash or purchase gift cards despite the donor's request. Likewise, the school could not purchase alcohol with funds donated specifically for that purpose. Donations made with restrictions contradicting the Redbook shall not be accepted by the school.

15.) Can funds in the faculty account be used to make purchases that are prohibited with school activity funds?

No. The faculty account is part of the school activity fund account and as such, must follow the Redbook. Faculty funds shall not be used for any purpose prohibited by the Redbook including operational expenses (printer ink, for example), attendance incentives that are not instructional in nature, or the purchase of gift cards. The Redbook does specifically allow gifts, services, or donations to district employees and external support/booster organizations only with staff generated funds.

16.) Can a charitable contribution or donation be made with school activity funds in the form of cash or a gift card to an individual?

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The Redbook allows charitable contributions and donations to be made with school activity funds only if the funds were collected specifically for that purpose. A “charitable contribution” is a contribution made by an individual or an organization to a nonprofit organization, charity or private foundation. The Redbook prohibits the disbursement of school activity funds in the form of cash, prepaid credit cards, or gift cards. Therefore, charitable contributions made in accordance with the Redbook shall not be in the form of cash, prepaid credit cards, or gift cards.

When funds are raised specifically for the purpose of making a charitable contribution or donation, the public expects the funds they contribute to be tax-deductible. Contributions made to a nonprofit organization, charity or private foundation will be tax-deductible to the donors. Donations made to other individuals or organizations are not tax-deductible to the donors.

17.) Can the purchase order for a game official be prepared after the event if the name of the individual is not known in advance?

No. The purpose of a purchase order is to ensure the purchase if allowable, properly approved, and adequate funds are available to make the purchase. The individual name is not essential to meet the objectives of the purchase order requirement. Therefore, if the individual game official’s name is not known in advance, complete the purchase order in advance of the event with “to be determined” as the name of the vendor.

18.) Can school activity funds be used to purchase ticket stock?

School activity funds may be used to purchase ticket stock or pre-printed tickets which are to be used solely for that group’s activities. Ticket stock used generally at the school shall not be purchased with school activity funds.

19.) Can school activity funds be used to pay for mowing or striping athletic fields?

School activity funds may be used to pay for striping athletic fields since the striping is specific to the student activity and would not otherwise be a necessary expenditure of the school. School activity funds shall **not** be used to pay for regular care and upkeep of any school property. Mowing, seeding, and fertilizing are operational expenditures of the school.

20.) Can school activity funds be used to reimburse the district for costs incurred in transporting students to a student group activity?

The Redbook specifically allows the travel expenses and meals consumed by the student members during an official school trip therefore reimbursement of transportation costs incurred would be allowable. Many districts use a per mile rate to determine the cost of the trip. The rate charged to student groups for transportation should include only the cost of fuel. The proportionate share of the driver’s salary/benefits for the time spent on the student group’s activity may also be charged to the student group. No maintenance costs of the buses should be included in the rate. Maintaining a bus is an operating cost of the school district.

EXTERNAL SUPPORT/BOOSTER ORGANIZATIONS

- 1.) **Can an external/support booster organization (booster) hold a fundraising camp and pay individuals directly out of their external account? What if the individuals are employees of the school district?**

External boosters must be responsible to make their own determination about who they employ and worker status determinations **for camps and other activities sponsored by the booster group**. They are responsible for proper withholding and tax reporting. In some cases the camps are led by an individual employed by the district such as a coach, for example. Keep in mind that all expenditures for athletics made by boosters must be reported to the principal by July 15 annually for the purposes of Title IX reporting. Local boards may prohibit external boosters from employing district employees for the camps or limit employment of district employees to conditions outlined by agreement, similar to a non-compete agreement for Superintendents. In addition, external boosters need to ensure their activities are in accordance with the stated tax-exempt purpose.

Any camps or other activities sponsored by the school are subject to all district policies, statutes, and regulations. Any personnel hired to perform work for school-sponsored activities must be paid through district payroll or an independent contractor determination must be made at the district level.

- 2.) **Can an external/support booster organization (booster) use fundraising proceeds to pay for training for a coach employed by a school district?**

Yes, if the funds were raised specifically for that purpose and the fundraising activity was properly approved. Boosters cannot, however, pay a stipend directly to the coach to attend a training – that would have to be paid through district payroll.

- 3.) **Can external/support booster organizations (boosters) provide services to the school and receive payment from school activity funds for those services? For example, can boosters run the clock at a ball game and be paid by the school for that service?**

The school must determine whether the individual providing the service is acting in an employee or independent contractor capacity. The booster membership status of the individual is irrelevant. If the individual is deemed to be an employee, the payment must be made through payroll at the district level. If the individual is deemed to be an independent contractor, the payment may be made by school check only after an IRS Form W-9 is on file for that individual. The individual, who is a member of the booster group, may donate their wages to the booster group. The wages shall not be paid directly to the booster group. Doing so would circumvent tax law.

- 4.) **Can external /support booster organizations purchase gift cards?**

Yes. **External** boosters can make their own determination. If the booster group deposits their funds in the school bank account, they cannot buy gift cards and must follow all requirements of the Redbook.

- 5.) **Does “event insurance” covering specific activities of the external /support booster organization satisfy the requirement for separate general liability insurance coverage?**

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No. The Redbook requires external support/booster organizations to obtain separate general liability coverage “appropriate to operate their organization” prior to commencing any fundraising activities. The intent is for the booster groups to have continuous liability coverage for their activities involving the school facilities, school name, students, etc. throughout the year. Their usual activities should be taken into consideration by the insurance company when obtaining a quote for coverage.

6.) Can the school district provide the general liability coverage required for external /support booster organizations?

No. The Redbook requires external support/booster organizations to obtain *separate* general liability coverage therefore extending the district’s coverage to include the booster groups would not meet the requirement. Districts shall not expend funds to purchase separate general liability insurance coverage for external support/booster organizations because public education funds cannot be spent for the operations of separate legal entities.

7.) Can external /support booster organizations collect fees from students?

No. The Redbook states that all student fees and charges shall be adopted by the board and the fee shall remain in place until modified or removed by board resolution. Any fees adopted by the board must be deposited in the district or school bank account and used for the purpose set forth in the motion.

8.) Can district employees handle funds in concession stands and other fundraisers as a member in an external /support booster organization?

Yes. District employees are permitted to be regular members of an external support/booster organization and participate in booster activities in that capacity. The Redbook prohibits district employees from performing **business** functions for external support/booster organizations such as ordering and receiving goods, receipting funds, depositing funds, and paying vendors. **The intention of the prohibition is to ensure district employees do not have access to the external support/booster organization’s funds. District employees shall not collect any funds on behalf of an external support/booster organization in which a receipting situation exists and district employees shall not create any source documents belonging to the boosters.** Therefore, district employees may participate in handling cash in a concession stand but shall not be the individual preparing the deposit of those funds or taking the funds to the bank. **District employees shall not collect entry fees or any monies that would be documented on a receipt or a multiple receipt form.**

9.) Can external /support booster organizations create and fund additional coaching positions at the school?

No. All positions must be created by the local board of education, including the salary or stipend amount associated with each position. External support/booster organizations may make donations to the district for the purpose of paying board-established salaries or stipends which must be paid through district payroll. **Likewise, booster groups cannot pay “volunteer” coaches. The local board would have to take**

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action to set a payment amount for that work and then the booster group could donate funds to the district to offset the cost.

10.) Can external /support booster organizations give gifts to district employees?

Yes. External support/booster organizations are not subject to all the provisions in the Redbook and may make purchases that are unallowable with school activity funds. Purchases made by boosters must be in accordance with the tax-exempt purpose of the organization, however. **Some gifts made by the external support/booster organization may be viewed by the IRS as compensation to the recipient. If so, that gift shall not be made to the district employee because the Redbook prohibits external support/booster organizations from enhancing a district employee's salary. Therefore gifts to district employees are permissible unless it would be considered a taxable transaction by the IRS.**

11.) Are external /support booster organizations required to obtain federal tax-exempt status?

No. External support/booster organizations are not required to obtain federal tax-exempt status by receiving a 501(c)3 designation. However, if the booster group does not obtain this distinction, the entity is subject to federal tax which is required to be reported to the IRS via the annual tax return process depending upon the structure of the entity. Donations made to booster groups are tax deductible to the donor only if the booster group has obtained federal tax-exempt status.

Likewise, booster groups are not required to obtain state tax-exempt status, either but without obtaining the status all purchases made by the entity are subject to state sales tax. The school's state tax-exempt status shall not be used for any external /support booster organization purchases.

12.) Can spouses of local board members or district employees be officers of external support/booster organizations?

The Redbook does not limit the involvement of spouses of local board members and district employees with external support/booster organizations.

13.) If a booster group decides to deposit funds in the school activity account, can a booster member be the sponsor of the student group?

No. Coaches /sponsors of student groups within the school activity fund shall be an employee of the district. When booster groups deposit funds in the school activity account they no longer retain control over the expenditure of the funds. The coach/sponsor designated by the school or district and the student group may take into consideration the wishes of the former officers of the booster group.

14.) What is the minimum amount required for liability insurance coverage and when must it be effective?

The Redbook requires external support/booster organizations to obtain separate general liability coverage "appropriate to operate their organization" prior to commencing any fundraising activities. No minimum amount of coverage is required. The booster group's usual activities and amount of average annual

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receipts, among other factors, should be taken into consideration by the insurance company when obtaining a quote for coverage. Proof of liability coverage must be provided to the school prior to any fundraising activities regardless of the physical location of the activity.

15.) Are Alumni Groups considered external support/booster organizations?

No. Alumni Groups do not support school activities because the members of the Alumni Group who receive the benefits of the group's activities are no longer students of the school.

16.) Can external support/booster organizations pay referees directly if they are working at a booster-sponsored event?

Yes. If the event is sponsored by the booster group the booster group can hire and pay game officials directly. Booster groups shall not pay game officials directly for work performed in conjunction with any school-sponsored event.

17.) Are PTAs subject to the reporting requirements of KRS 367.657 and specifically the requirement to file tax returns with the Attorney General's office?

No. PTAs are not subject to the tax reporting requirement detailed in KRS 367.657 due to the exemption specified in KRS 367.660. PTAs are not required to submit the annual IRS Form 990 to the Attorney General's office.

18.) The Redbook states that district employees cannot sign booster checks. Are substitutes considered to be district employees?

Yes. Substitutes are district employees as well as any other person who receives a W-2 from the district.

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