

Dexter Community Schools Local Civic Organization Information

The Board of Education, administration, and the staff at Dexter Community Schools appreciate the help and support we receive from our Local Civic Organizations. As independent organizations whose assets are used for the charitable purpose of supporting the Dexter Community Schools students and programs, your work is critical to the enhanced opportunities we would otherwise be unable to provide.

The State of Michigan, Act 382 of the Public Acts of 1972, as amended, defines a Local Civic Organization as an organization “that is organized not for pecuniary profit; that is not affiliated with a state or national organization; that is recognized by resolution adopted by the local governmental subdivision in which the organization conducts its principal activities; whose constitution, charter, articles of incorporation, or bylaws contain a provision for the perpetuation of the organization as a nonprofit organization; whose entire assets are used for charitable purposes; and whose constitution, charter, articles of incorporation, or bylaws contain a provision that all assets, real property, and personal property shall revert to the benefit of the local governmental subdivision that granted the resolution upon dissolution of the organization.”

Local Civic Organizations are self-governing entities or booster groups that are not under the direct supervision and control of the Dexter Community Schools Bylaws and Policies, Administrative Guidelines, or other established procedures. As independent organizations, Local Civic Organizations need to establish their own internal controls to protect their organization's reputations and to protect their officers, members, and volunteers. Their activities reflect upon the reputation of the school district. The following information was compiled to assist Local Civic Organizations with the sometimes-complicated task of managing funds and to help them provide adequate oversight, supervision, and control of funds raised by Local Civic Organizations. The information contained in this packet should not be interpreted as being mandated by the school district, nor should it be considered comprehensive, nor a substitute for obtaining professional assistance.

Local Civic Organizations are not agencies of the school district, unlike Internal Accounts, where operations are under the direct supervision and control of the Dexter Community Schools Bylaws and Policies, Administrative Guidelines, and other established procedures. Funds for Internal Accounts are held by the school district and are used to account for amounts held for student groups and other school related groups. The school district acts as the receiving and paying agent for these groups. The accounting procedures for agency funds (i.e. Internal Accounts) should be consistent with generally accepted governmental accounting principals, other school district funds, and demand accuracy and a reasonable degree of internal control. Agency funds are audited annually and the Michigan Department of Education requires a recap of receipts and disbursements of agency funds be reported each year on the Comprehensive Annual Financial Report.

If a booster group or parent organization does not operate in a way to be an Agency Fund or Internal Account, the organization should organize as a Local Civic Organization.

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Assembling a Local Civic Organization

- The organization develops bylaws or a constitution, including membership criteria. Most organizations form a Michigan nonprofit corporation by filing Articles of Incorporation with the Michigan Department of Labor & Economic Growth <http://www.michigan.gov/dleg>. For more information on Michigan Nonprofit Corporations see http://www.michigan.gov/documents/dleg/BCS_CD_269_281961_7.pdf. The filing fee is \$20 to the State of Michigan.
- The organization elects a governing Board of Directors. The board must consist of three or more individuals ([State of Michigan, Act 222 of the Public Acts of 2008](#)).
- The organization applies to the Internal Revenue Service to obtain an employer identification number (EIN). This can now be done online at: <http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>. At the beginning of the online EIN application process, you will be asked to check a box that best describes your legal structure. The legal structure for all Tax Exempt/Non Profit Organizations is found under the last option, “View Additional Types, Including Tax Exempt and Governmental Agencies.” Select “PTA/PTO or School Organization.” There is no filing fee.
- The organization applies to the Internal Revenue Service to obtain tax-exempt status. Checking the box on the EIN application does not provide tax-exempt status. The group must also file an [Internal Revenue Service Form 1023, Application for Recognition of Exemption Under Section 501\(c\)\(3\) of the Internal Revenue Code](#) with the IRS to get tax-exempt status. This form does have a pretty substantial “filing fee.” Effective 1/1/2010, the filing fee is \$400 for organizations whose gross receipts do not exceed \$10,000 annually over a 4-year period and \$850 for organizations whose gross receipts exceed \$10,000 annually over a 4-year period. Completion of the form is fairly complex, but in 2010 the IRS is releasing Cyber Assistant, a web-based software program designed to help organizations prepare a complete and accurate Form 1023 application.
- The Michigan Department of Treasury no longer has an application process for tax exemption from Michigan Sales and Use Tax for nonprofit organizations. Now, the organization is required to simply fill out the [Michigan Department of Treasury Form 3372](#) and retain with proof of tax-exempt status from the IRS.
- A tax-exempt status will enable contributions made by businesses or parents to the organization to be exempt from federal income taxes and purchases of goods to be exempt from state sales tax. (Note: Local Civic Organizations must obtain their own taxpayer ID number. Booster groups should never use the school district’s EIN number nor tax-exempt status to establish bank accounts, make purchases exempt from State of Michigan sales tax, or to apply for licensing.)

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- Set up a bank account at a local bank in the name of the Local Civic Organization. The treasurer and at least one other officer should be authorized to sign checks and make banking transactions. It is best if two people are required to sign all checks.
- Obtain directors and officers (D&O) insurance and general liability insurance policies.

* For organizations that have chosen to be financially independent of the school district, employee/volunteer dishonesty (intentional) or employee/volunteer negligence (unintentional) probably represents the most clear-cut absence of coverage. In terms of relatively frequency employee/volunteer dishonesty ranks high; so it would also be advisable that organizations of this type carry insurance with crime coverage or a faithful performance bond.

* Liability coverage under the school district policy is limited to volunteers while acting in the specific scope of their duties as approved by administration for the district. The school district suggests that each Local Civic Organization obtain its own coverage for maximum protection of the Organization, its officers, and its members in the event the group is sued for alleged wrongful action. In addition, if the Local Civic Organization uses outside facilities for events, the property owner may request that you provide proof of an insurance policy that may provide a source of coverage in the event that Local Civic Organization's use of the owner's property results in bodily injury and/or property damage.

Annual/Periodic Filings

- If annual gross receipts are more than \$25,000, [Internal Revenue Form 990, Return of Organization Exempt from Income Tax](#), must be filed with the IRS. No tax liability is incurred unless the organization engages in unrelated activities.
- By October 1, file a Michigan Annual Report with the [Michigan Department of Energy, Labor, & Economic Growth](#). The filing fee is \$20. This may now be done online at: http://www.michigan.gov/dleg/0,1607,7-154-35299_35413_40269--,00.html
- If contributions exceed \$8,000, an [Application for License to Solicit Donations](#) must be filed annually with the [Michigan Attorney General](#) office. No filing fee is involved.
- Items purchased exempt from Michigan sales taxes that are resold to the public are subject to sales tax to the end user. The organization must register to pay sales tax if it makes retail sales of goods in Michigan **even if the items they sell are not taxable**. 501(c)(3) nonprofit organizations must register for a sales tax license if it makes any sales at retail even if the items sold are not taxable. If gross sales during the year are less than \$5,000, the organization does not need to collect or pay sales tax. However, sales tax is collected, it must be remitted even if the aggregate sales for the year are less than \$5,000. For example, if the organization expects gross sales to be \$6,500 and collects sales tax, but actual gross sales were only \$4,000, the sales tax collected must be remitted to Treasury. If the organization does not collect sales tax on the sales, but sales are \$5,000 or more, the organization is liable for the tax on those sales. Sales tax must be collected on the "retail" price the end user actual pays and not the "discounted" price the

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organization pays. If a specific sales event is being handled by an outside fundraising company, often the fundraising company will take care of the sales tax issue if you ask them to by including the sales tax in the price of items sold and the fundraising company does the sales tax remittance. Groups should be very clear of whose responsibility the sales tax remittance belongs to if they use an outside fundraising company. Annual or other periodic sales tax reports must be filed with the State of Michigan.

Interaction with School District

- An administrator from the school district should be appointed as an advisor to the organization. The administrator should have detailed information and input about what is going and where the money is going to be spent.
- After setting up the Local Civic Organization, provide the Chief Financial Officer of the school district with the IRS documentation of EIN and tax-exempt status of the Local Civic Organization. Also provide the Chief Financial Officer of the school district with the contact information of the officers and bank account.
- Provide the Chief Financial Officer of the school district with a copy of your insurance certificate. The school district insurance policy will only cover booster groups for specific occurrences. The school district suggests that each Local Civic Organization obtain its own coverage for maximum protection of the Organization, its officers, and its members.
- Submit an annual financial report to the Chief Financial Officer of the school district. The following format is adequate:

Name of Group		
Treasurer name and contact information		
Federal EIN number		
Beginning cash balance @ 7/1	\$	
Receipts		\$
Dues	\$	
Contributions	\$	
Fundraisers	\$	
Other	\$	
Total Receipts		\$
Expenses		\$
Donation to school district	\$	
Office expenses	\$	
Dues & fees	\$	
Fundraisers	\$	
Sales tax	\$	
Other	\$	
Total Expenses		\$
Ending cash balance @ 6/30		\$

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- Submit a copy of any annual reports filed to the Chief Financial Officer of the school district (i.e. IRS Form 990, Michigan annual Report, Michigan sales tax report).
- Submit a copy of the 6/30 reconciled bank statement to the Chief Financial Officer of the school district.

Cash Handling

- Each Local Civic Organization should elect a treasurer who will keep financial records for the organization. The treasurer's records should show the amount of money earned from each fundraiser, a record of each deposit made, and each check issued by the treasurer.
- Two people (adults) should count cash from fundraisers immediately after an event. Don't put you or your members in a position where their integrity may be questioned. Have two people perform this task. It is preferred that school personnel not be involved in handling Local Civic Organization funds. Use a reconciliation form that ties the cash count to the deposit ticket for the event. All people who counted the cash should sign and date the reconciliation form.
- Petty cash funds are discouraged. However, if the Local Civic Organization governing board is of the opinion that a petty cash fund is necessary, the amount kept in petty cash should not exceed \$25.00. If a petty cash fund is maintained, a journal should be kept by the treasurer showing the source of money kept in petty cash along with all disbursements, no matter how small. Receipts should be kept of all vouchers of disbursements from petty cash.
- Deposit slips should identify each check separately. This makes the task of tracking back payments easier.
- Funds from different fundraisers should not be commingled on one deposit slip. Use a separate deposit slip for each fundraiser or source of revenue. This will assist you in determining the profitability of a specific fundraiser. Personal monies should not be commingled with organization monies.
- No checks should be issued without sufficient documentation (e.g., receipts). Receipts, contracts for goods or services, etc., should be maintained by the Local Civic Organization treasurer and available for audit.
- Cash receipts should not be used to pay for goods or services. All money collected should be deposited. Check requests or receipts should be used for payment by bank check.
- Whenever a treasurer's term of office concludes, a committee of the Local Civic Organization should conduct an audit of the records.

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- Deposits should be made daily when receipts exceed \$500. Collections of amounts under \$500 should be deposited at least weekly. Don't let funds sit idle. Invest them and keep them safe.
- Your governing board or responsible budget committee should approve payments before any payments are authorized or contracts for services are awarded.
- The Local Civic Organization treasurer should issue financial reports quarterly to the Local Civic Organization membership. At a minimum, these reports should identify fundraisers conducted, revenues received from each fundraiser, expenditures made relating to each fundraiser, and how profits were used or plan to be used.
- The Local Civic Organization governing body should develop an annual budget. The budget should reflect established goals and should be developed collectively. After year-end, an annual report should be presented to the membership detailing the Local Civic Organization activities. It is also advisable in cooperation with the school district to include an appropriate school district administrator in the annual review.
- The treasurer should maintain a set of records (i.e., chart of accounts) that clearly report all accounting activity for each separate fundraising activity. This enables revenues from "x" program to be matched against expenditures for "x" program.
- To avoid possible duplication, purchases for such items as equipment purchased for the benefit of the school district should be coordinated with the appropriate school district administrator.
- No individual should realize personal gain from funds raised by the Local Civic Organizations that were raised with the specific purpose of benefited students and programs at Dexter Community Schools. If personal gain is realized, the Local Civic Organization jeopardizes its not-for-profit status as well as its reputation and reputation of its leaders.

School District Contact Information

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