

Soddy Daisy High School Band Booster

Financial Management Policy

The purpose of this policy is to specify the SDHS Band Booster's procedures for accounting, controlling, and safeguarding any money, materials, property, or securities collected or disbursed by it. The policy is based on the *Model Policy for School Support Organizations*, provided by the Tennessee Comptroller of the Treasury, which guides School Support Organizations in their application of the *Tennessee Code Annotated, Title 49, Chapter 2*. This Code requires the Soddy Daisy High School Band Boosters (SDHS BB) to develop a Financial Management Policy that specifies "reasonable procedures for accounting, controlling and safeguarding any money, materials, property or securities collected or disbursed by it."

Section I. SDHS BB Fundraising Activities

- A. Prior to raising money, the SDHS BB shall submit to the director of schools a form that documents:
 - 1. the organization's non-profit status;
 - 2. the goals and objectives of the organization; and
 - 3. the telephone number, address, and position of the organization's officers.
- B. Thereafter, prior to the beginning of each school year, the SDHS BB shall submit a form to the director of schools that, verifies the SDHS BB continued status as a non-profit entity; explains the goals and objectives of the SDHS BB; and updates the contact information for current officers.
- C. Thereafter, before the end of each school year, the SDHS BB shall provide to the director of schools, a statement of total revenues and disbursements.
- D. SDHS BB must also obtain the approval of the director of schools prior to scheduling any fundraising activity.

Section II. Overarching Requirements - Accounting and Internal Controls

- A. A school representative may not act as treasurer for the SDHS BB and that a school representative may not be a signatory on the checks of the SDHS BB. (Accordingly, a school representative would also be prohibited from having a debit card, credit card, or any other type of disbursement account related to the SDHS BB account.) The law prohibits a majority of the voting members of the board of the SDHS BB from being comprised of school representatives (p. 3).
- B. SDHS BB are subject to audit by the Tennessee Comptroller of the Treasury at the discretion of the Comptroller. SDHS BB must maintain all records in a form that will allow auditors to follow the detail of each transaction. SDHS BB shall provide, upon request, access to all books, records, and bank account information to the Comptroller, to school and school system officials, and to members of the organization.
- C. The SDHS BB must immediately contact the Comptroller of the Treasury, Division of Investigations at (615)-401-7907 if fraud is suspected. The SDHS BB or individual members can also call the fraud hotline (800)-232-5454 or file a Fraud Reporting Form by visiting <https://apps.cot.tn.gov/ANTS/Submission/Submit>.

- D. The SDHS BB sales and use tax exemption does not exempt them from taxes due on items purchased for resale. To avoid liabilities for sales tax due to the state, and any related penalties, the organization must comply with state sales tax statutes (Section 67-6-102, Tennessee Code Annotated [TCA]) by remitting sales tax to the vendor or use tax to the Tennessee Department of Revenue for applicable purchases of products intended for resale.
- E. Accounting and internal control policies and procedures must be designed and implemented to ensure compliance with laws and regulations, including the School Support Organization Financial Accountability Act and the Model Financial Policy for School Support Organizations; to ensure that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and to permit the preparation of accurate and reliable financial records and reports.
- F. All SDHS BB funds must be used in support of the SDHS BB goals and objectives as related to supporting a school district, school, school club, or school academic, arts, athletic, or social activity.
- G. Accounting and internal control policies and procedures must be documented and approved by the officers and/or board of directors at a regular meeting. The policies and procedures shall be distributed to all active members of the SDHS BB. Subsequent changes to policies and procedures must also be approved by the officers and/or board of directors. In addition, to assist in the transition for incoming treasurers/bookkeepers, a checklist of monthly and annual duties, both for collection and disbursement transactions, shall be prepared.
- H. The officers and/or board of directors shall designate the SDHS BB officer as custodian of records. This officer must maintain the financial and other entity records in an organized manner and protect them from damage. The records shall be turned over to the subsequently elected and designated officer. If records are maintained in electronic files, these files must be backed up at least every week, and the backup files must be secured in an off-site location in such a manner as to protect the files from damage or theft.
- I. The officers and/or board of directors shall assume responsibility for the operation of the SDHS BB. This responsibility cannot be delegated. They must review all receipt and disbursement transactions and supporting documentation at least monthly. They must examine bank statements to verify appropriate transactions and bank reconciliations for accuracy each month. (Refer to Required Reporting in the Table of Contents.) The officers and/or board of directors must ensure compliance with the School Support Organization Financial Accountability Act, the Model Financial Policy for School Support Organizations, Internal Revenue Service regulations, Tennessee nonprofit laws, and other applicable federal or state laws and regulations. The officers and/or board of directors shall ensure that all active members of the organization, particularly those whose responsibilities include collecting or disbursing SDHS BB funds, are familiar with the Model Financial Policy for School Support Organizations prepared by the Tennessee Comptroller of the Treasury pursuant to state statute.
- J. Likewise, the officers and/or board of directors are responsible for the ethical operation of the entity. This responsibility cannot be delegated. They must stress ethical behavior, honesty, and integrity by setting a “tone-at-the-top” that demonstrates these qualities, and by ensuring that all active members are made aware of and are also expected to demonstrate these qualities in all organization operations.
- K. The officers and/or board of directors of any SDHS BB must comply with applicable policies of the local education agency (i.e., local Board of Education) pursuant to state statutes. The local Board of Education

may adopt policies that are more restrictive than those specifically enumerated in state statute or in the Model Financial Policy for School Support Organizations. The Board of Education must not adopt policies that are less restrictive than the Model Financial Policy. If the Board of Education implements policies that are more restrictive than those presented in the Model Financial Policy, the more restrictive policies of the Board of Education shall be applied. Representatives of the Board of Education are authorized to make the determination of whether their policies are more restrictive than the Model Financial Policy. However, this determination is subject to review by representatives of the Comptroller of the Treasury.

- L. It is the responsibility of each SDHS BB to become informed about changes to the *Model Financial Policy for School Support Organizations* on an annual basis.
- M. A board of directors must be appointed for each SDHS BB. In situations where a board of directors has not been formally appointed, the officers of the SDHS BB shall act as the board of directors for purposes of implementing the requirements of this policy only. This statement of responsibility under this policy is not intended to address any legal issues related to the appointment or non-appointment of a board of directors.

Section III. General Requirements - Accounting Policies and Internal Controls

- A. To comply with the state statutes, the SDHS BB must register (incorporate as a nonprofit) with the Secretary of State's office or be a chartered member of a nonprofit organization.
- B. The SDHS BB must annually: confirm its status as a nonprofit; describe its goals and objectives; and provide the address, telephone number and position of each officer of the SDHS BB to the director of schools or the director's designee. (Refer to Required Reports in the Table of Contents.)
- C. The SDHS BB must obtain approval of the director of schools or the director's designee before undertaking any fundraising activity. The SDHS BB shall maintain documentation to demonstrate the approval of the director of schools.
- D. The SDHS BB must comply with all policies and procedures of the Board of Education under which the organization operates. Furthermore, the SDHS BB shall operate within the applicable standards set by related state organizations (e.g., Tennessee Secondary School Athletic Association (TSSAA), Tennessee PTA, etc.)
- E. SDHS BB must not use the school's or school system's federal employer identification number (EIN) or sales tax exemption for any purpose.
- F. Disbursements and collections can be made by any legal method (e.g., issuance of an official prenumbered receipt, issuance of an official prenumbered check, debit card, credit card, PayPal type accounts, crowd-funding, personal applications (apps), wire transfers, ACH type transactions, etc.) over which adequate internal controls can be established. Unless adequate internal controls can be designed and implemented for a given disbursement or collection method, the method shall not be used. Use of debit cards, credit cards, PayPal type accounts, personal apps, wire transfers, ACH transactions, crowd-funding accounts, etc. must be authorized by the officers and/or board of directors on an annual basis.

- G. The officers and/or board of directors of the SDHS BB shall maintain the following: (a) Official minutes of all meetings, copies of its charter, bylaws, and accounting and internal control policies; (b) Amendments to its charter, bylaws, and accounting and internal control policies; and (c) Documentation of its recognition as a nonprofit organization. These records shall be considered permanent records as long as the SDHS BB exists and shall be maintained for at least four years after distribution of the SDHS BB. All other records shall be retained for at least four (4) years (refer to number 17 below). All changes in policies or procedures shall be approved and documented in the official minutes of the officer's or board of director's meetings. The officers and/or board of directors shall conduct regular business meetings.
- H. The identity of the authorized banking institution, authorized bank account(s), and authorized signatories shall be included in the minutes. New bank accounts must not be established without the approval of the officers and/or board of directors of the SDHS BB. The number of bank accounts utilized by the SDHS BB shall be kept to a minimum.
- I. The name on any bank account, loan, security, or other investment shall be that of the incorporated SDHS BB. SDHS Band Boosters are discouraged from entering into loans as part of their operating strategy.
- J. The titled owner to any property (vehicle, computer, land, etc.) shall be the incorporated SDHS BB. (Note: This is not intended to prevent SDHS BB from purchasing and donating property to the Board of Education that will then be titled by the Board of Education.)
- K. Materials, supplies, and fundraising resale inventory must be stored at a location and in a manner to prevent spoilage or theft. SDHS BB shall account for materials, supplies, and fundraising resale inventory items on a regular basis. For all types of mass fund raising such as car washes, concessions, parking, and candy sales, a profit analysis shall be performed at the conclusion of the event.
- L. Duties shall be segregated between officers and members of the SDHS BB. No one person within the SDHS BB shall be in control of a transaction from inception to recording. For example, one person shall not be solely responsible for receipting money, reconciling cash to receipts, depositing the cash, reconciling the bank statement, and recording receipts to the accounting records. Another example would be, one person shall not be solely responsible for authorizing a purchase, making the purchase, writing the check to pay for the purchase, signing the check, reconciling the bank statement, and recording the purchase to the accounting records.
- M. SDHS BB shall not advertise that donations to the SDHS BB are tax deductible unless the organization has achieved tax exempt status from the Internal Revenue Service (i.e., the SDHS BB is an IRS Section 501(c)(3) organization).
- N. Money shall be deposited in the bank daily, if possible, but in all cases, within three days of collection. Deposit slips must include an itemized listing of checks.
- O. The treasurer must provide a signed summary listing of collections and disbursements to organization officers and/or board of directors on a monthly basis. (Refer to Required Reports in the Table of Contents.) The summary report must be supported by detailed transaction records and agree with the bank statements.

- P. Bank accounts must be reconciled promptly at the end of each month. A copy of the bank statement and the front and back of imaged deposit slips and checks must be provided for inspection to each officer or board member on a monthly basis. Each officer/board member shall review the bank statement and imaged deposit slips and checks (or other types of bank transaction records provided, such as bank debits) presented in the bank statement as soon as possible after the bank statement is issued. The reviewers shall initial the documents.
- Q. All collection and disbursement records, bank statements, imaged checks, receipts/invoices for disbursements, along with copies of the monthly treasurer's report, payroll reports, other financial and informational reports, and reports filed with state and federal agencies, shall be organized and maintained by the treasurer by fiscal year. These records must be maintained for at least four years.
- R. The SDHS BB shall maintain documentation of any written conditions for any donations to the board of education or the school. Pursuant to state law, the school board or school must, in good faith, disburse the funds in accordance with those conditions.
- S. If the SDHS BB collects "school funds", whether voluntarily or inadvertently, the SDHS BB shall immediately remit those funds to school officials. This would include money collected and accounted for by coaches, band directors, or other school representatives, which by definition (i.e. state law), is school money.

Section IV. Disbursements

A. Official Prenumbered Checks

- 1. The SDHS BB shall use prenumbered checks for disbursements where possible.
- 2. Bills should never be paid in cash. Official prenumbered checks should require two signatures. (Requirement Reminder: Pre-signing blank checks shall never be allowed.)
- 3. Each disbursement by check should have an invoice or receipt to document the authenticity of the disbursement. Checks should not be signed unless the check is accompanied by supporting documentation. When a prenumbered check is used, the treasurer should write the check number and date paid on the invoice or receipt.
- 4. The bank reconciliation should be performed by someone who does not have signature authority over the checking account.
- 5. Blank check stock should be protected in a locked environment and access should be limited to the treasurer and one other person who is authorized to sign checks when the treasurer is not available. The number of persons authorized to sign checks should be kept to a minimum.

B. Debit and Credit Cards

- 1. The use of debit and credit cards must be authorized by the officers/board of directors annually.
- 2. The number of cards issued, and the number of authorized users should be limited to the smallest number possible. If one card is used by multiple individuals, a check-out and check-in log should be maintained by the treasurer, bookkeeper, or someone else who is not authorized to use the card.
- 3. Individual transaction limits and daily transaction limits should be established for each card.

4. Purchases for expenditures should be made via the SDHS BB debit card when at all possible. Purchases made by a member may be reimbursed if the purchase is pre-approved and if there is adequate documentation for the purchase. Purchases for which supporting invoices or receipts cannot be obtained shall not be made without written approval from the treasurer.
5. Invoices or receipts should be turned in to the treasurer for all disbursements as soon as possible after the purchase is made. The person who made the purchase should sign the invoice/receipt to document who made the purchase and who received the goods or services.
6. Original invoices and receipts should be reconciled to bank account debits and credit card statements. (Requirement Reminder: Vendor monthly "statements" such as a credit card end of month billing statement must not be used as a substitute for original invoices and receipts.)
7. When possible, debit and credit card purchases should be approved by an officer or a designee of the officers of the SDHS BB in advance of the purchase, such as by using purchase orders or requisitions.
8. A listing of all debit and credit card transactions and the bank or credit card statement should be presented to and approved by the officers and/or board of directors of the SDHS BB at least monthly. This listing should be supported by the original vendor invoices or receipts which should also be provided for inspection.
9. PIN numbers should be protected as confidential information. Passwords to online bank or credit card accounts should also be protected as confidential information. Access to PIN numbers and passwords should only be permitted to the few individuals that are allowed to use the cards. Exception - the treasurer may have necessary access codes to view the account, to determine what purchases have been made, and to reconcile the accounts, but the treasurer should not be authorized to use the cards. PIN numbers and passwords should be changed regularly and especially so after someone who had access leaves the SDHS BB.
10. Credit card statement balances should be paid monthly by someone who did not make the purchases and does not have signature authority for the card(s).

C. PayPal or Similar Accounts

1. The use of debit and credit cards must be authorized by the officers/board of directors annually.
2. PayPal accounts should be authorized by the officers and/or board of directors of the SDHS BB at a regular meeting. (Requirement Reminder: Personal PayPal accounts or the use of personal debit or credit cards within such an account, must not be used.)
3. Only one PayPal or similar account should be established.
4. Only one individual should be authorized to make purchases through the PayPal or similar account. The treasurer may have necessary access codes to view the account and to determine what purchases have been made, but the treasurer should not be authorized to make purchases through the account.
5. When possible, PayPal or similar account purchases should be approved by the officers and/or board of directors of the SDHS BB in **advance** of the purchase, such as by using purchase orders or requisitions.
6. A listing of transactions related to the PayPal or similar account should be presented to and approved by the officers and/or board of directors of the SDHS BB at a regular meeting. This listing should

be supported by the original vendor invoices or receipts which should also be provided for inspection.

7. If the system will not allow for an electronic invoice or receipt to be printed for the purchase transactions, PayPal or similar accounts should **not** be used.

D. Other Disbursement Methods

1. Other disbursement methods such as ACH, bank transfers, wire transfers, automatic withdrawals, etc. is acceptable practice. The SDHS BB must be aware that authorizing these types of transactions increases the risk that fraud may occur.
2. Transactions should be approved in advance by the officers and/or board of directors of the SDHS BB. The treasurer should not be authorized to execute these types of transactions without prior approval of the officers and/or board of directors.
3. Automatic withdrawals should be reauthorized by the officers and/or board of directors at least annually.
4. The officers and/or board of directors should authorize only one person within the organization to execute the approved transactions.

E. Receipting Money

1. The SDHS BB will use official prenumbered receipts for collections except as provided in items 2-7 below.
2. The receipts should be prenumbered and printed with duplicate carbons in a bound book. It is recommended that each receipt should have the following information:
 - a. Name of the SDHS BB should be preprinted.
 - b. Sequential number should be preprinted.
 - c. Space for the payor.
 - d. Space for the date.
 - e. Space for the amount.
 - f. Space to indicate whether the amount was received by check, cash, or other method of payment.
 - g. Space for the signature of the person who accepted the money and issued the receipt.
3. One copy of the receipt should be given to the payor, one copy should be attached to the related collection records, and at least one copy of the receipt should be maintained in the receipt book.
4. Blank receipt stock should be protected in a locked environment and access should be limited to the treasurer and one other person who is authorized to issue receipts when the treasurer is not available.
5. Official prenumbered receipts should be issued for all donations.
6. All money collected should be deposited intact (e.g., in the form and amount collected). Deposits should be made daily, if possible, but in all cases, must be made within 3 days of collection.

F. Mass Fund Raising Events

1. For some events or mass collections (e.g., concession, parking, candy sale, etc.), a record of the total collections for each day must be created.

2. At least two individuals should count the collections and prepare and sign the count sheet. Collections should be turned over to the treasurer immediately (when practicable). In all cases, the money shall be turned in to the treasurer and deposited in the bank within three days of the date of collection as noted under the General Requirements above. Members who collected the money are responsible for safekeeping the money until the money is turned over to the treasurer for deposit. When the collections are turned over, the treasurer, and the individual(s) presenting the collections should recount the collections. The treasurer should then immediately issue a receipt to the individual(s). The count sheet(s) should be initialed and filed by the treasurer. A copy of the receipt should be attached with the documentation filed. When practicable, the cash should be deposited in the bank by a separate individual (i.e. not the treasurer) who in turn, returns the bank deposit receipt to the treasurer.
3. Mass fund raising events are very susceptible to theft. Each event will be different and must be handled according to the situation. The following accounting policies and internal controls should be considered when designing specific fund raising events:
 - a. **Concessions:** Use of a cash register is considered a “Best Practice”. The number of people collecting money should be limited to only the necessary staff required to serve the public. SDHS BB should be aware that allowing “all” concession staff to accept money makes the fundraising event more susceptible to fraud.
 NOTE: When the SDHS BB obtains Board of Education and principal approval and operates a concession stand or parking at a school sponsored academic, arts, athletic, or social event, the SDHS BB must provide the school with all relevant collection records required by the *Tennessee Internal School Uniform Accounting Policy Manual*.
 - b. **Coke Sale:** Inventory should be reconciled with sales listings or receipts issued and monetary collections.
 - c. **Parking:** Only one or two persons should be assigned to collect money at each location. Another person should count the number of cars parked. The number of cars parked should be reconciled with collections. Unless some method of counting is used, parking fundraisers are very susceptible to fraud.

G. Crowd Funding Events

1. Use of crowd-funding accounts must be authorized by the executive board annually. The use of crowd-funding accounts such as GoFundMe and similar accounts is discouraged but not prohibited. Such accounts significantly increase the risk for fraud that may occur.
2. Crowd funding accounts must be authorized by the Board of Education. Crowd funding accounts shall not use the school district’s or school’s name, mascot, or logos, on the account solicitation without express permission from the Board of Education. The account must not be established using the school district’s or school’s EIN number. The crowd funding account must be in the name of the SDHS BB.)
3. The crowd-funding service should not be utilized unless the officers and/or board of directors have documented the validity of the services offered. (e.g. have other schools used the service with satisfactory results, what does the Better Business Bureau say about the Company, etc.).
4. Only one crowd funding account should exist at a time.
5. The crowd funding account should provide detailed accounting for donations and deposits.

6. The crowd funding account should provide some type of receipt for donors. Electronic or message type receipts are acceptable.
7. The crowd funding account should provide operating reports on at least a monthly basis. These reports should be presented to the officers and/or board of directors at a regular meeting.
8. The treasurer should reconcile receipts in the account to bank deposits per the monthly reports.
9. The account should specify whether donations are tax deductible. As noted above, SDHS BB should not advertise that donations to the organization are tax deductible unless the organization has achieved tax exempt status from the Internal Revenue Service.

H. Digital Applications (Apps)

1. Use of digital applications (apps) such as Venmo or Square must be authorized by the executive board annually. The SDHS BB must be aware that authorizing these types of transactions increases the risk that fraud may occur.
2. Personal apps typically utilize credit cards or debits from personal bank accounts to collect payments rather than collecting cash. However, use of personal apps for payments can have some of the same risks as collecting cash and similar controls should be considered, such as having two persons approve transactions.
3. When using personal apps, it is possible for money to be deposited into a personal bank account rather than the SDHS BB account. This could be avoided by using more than one person to approve the transaction.
4. When using personal apps, the SDHS BB is **more subject** to various types of hacking, malware attacks, viruses, etc. The organization should consider contacting a reputable vendor to perform a vulnerability analysis if collections from personal apps become significant to the SDHS BB. Once personal payment data is collected by the SDHS BB, the organization has a fiduciary responsibility to protect sensitive information that would identify, for example, a person's name with a person's bank account or credit card number.
5. The SDHS BB may want to consider purchasing insurance to protect against lawsuits involving the collection of personal financial data if collections from personal apps become significant to the SDHS BB.
6. Personal apps could be used at concession stands, car washes, fish fries, for magazine and candy sales, etc. The organization should be thoughtful about risks and internal controls for any fund-raising event that involves collections utilizing personal apps.

I. Credit and Debit Cards

1. Use of credit and debit cards must be authorized by the executive board annually. The SDHS BB must be aware that authorizing these types of transactions increases the risk that fraud may occur.
2. The treasurer should reconcile any reports generated from the credit/debit card processing centers to deposits in the bank account. The treasurer should be alert to unusual transactions.
3. Each card reader should be assigned to a specific individual whose responsibility it is to guard access to the equipment and accept payments.

4. The number of individuals who process payments via a card-reader should be kept to a minimum. Card processing equipment should be returned to the treasurer for safekeeping as soon as the fund-raising event is finished.

Section I. Other Policies

A. Nonprofit Status

1. The SDHS BB can function as a nonprofit entity. The SDHS BB must separately file with the Internal Revenue Service as a 501(c)(3) corporation. In addition, the SDHS BB must follow all necessary procedures established by the Tennessee Department of Revenue in order to be exempted from paying state sales and use taxes.
2. If the State of Tennessee approves the SDHS BB as a non-profit entity, the SDHS BB must show proof of its "continued existence as a nonprofit entity" at the beginning of each school year (i.e. on an annual basis). Annual registration documentation with the Secretary of State should be provided to the Board of Education to fulfill this requirement.
3. It is the responsibility of the SDHS BB to ensure that all filing requirements or any guidelines for incorporation required by the Secretary of State are met and continue to be met on an annual basis.