

FUND-RAISING BY AFFILIATED ORGANIZATIONS

Policy Code: 8600

The Buncombe County Board of Education (“Board”) is committed to obtaining broad community financial support to supplement its funding coming directly from the State of North Carolina and the federal government and therefore recognizes the valuable contribution that local organizations can make through their fund-raising efforts. To assure a mutually-beneficial relationship with affiliated organizations, this policy seeks to clarify the respective roles that the Board and affiliated organizations play with respect to fund-raising activities.

A. BUNCOMBE COUNTY SCHOOLS FOUNDATION

The board actively supported the establishment of the Buncombe County Schools Foundation (“Foundation”) in 1984 as a non-profit organization incorporated in the State of North Carolina under Chapter 55-A of the General Statutes of the State of North Carolina. The Internal Revenue Service (“IRS”) also issued a determination letter in August 1987 granting the Foundation an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Foundation is the only district-wide organization having the authority to accept tax-deductible donations for the betterment of the Buncombe County Schools (“BCS”). The Foundation’s mission is to assist BCS in its educational functions and promoting scholarship, supplementing resources available to BCS employees and students, promoting the development of character, integrity, leadership, and scholarship for BCS students. Principals are hereby authorized to accept Foundation donations directly into their individual school accounts pursuant to G. S. § 115C-448.

A substantial portion of the Foundation's assets is restricted by donors as to its use and disposition, including interest earnings on these assets. The Foundation’s board members are not appointed by the Board, and the Foundation’s resources and activities are not reported in the Board’s Comprehensive Annual Financial Report because the Board does not have the ability to exercise control over the Foundation’s daily operations, approve budgets or provide funding. The Board does not hold title to any Foundation assets nor have the right to any of its surpluses.

The Foundation’s bylaws establish the same fiscal year for the Foundation as for the Board and also require the Foundation to have an annual audit which results in an annual report that contains, at a minimum, the following information:

1. The Foundation’s Assets and Liabilities, including trust funds, at the end of the fiscal year;
2. The principal changes in assets and liabilities, including trust funds during the fiscal year;
3. The Foundation’s revenue or receipts, both undesignated and designated; and
4. The Foundation’s expenses or disbursements for both general and designated purposes during the fiscal year.

Although it is not required by its bylaws, the Foundation traditionally presents its annual report to the Board at the Board’s May meeting.

B. OTHER AFFILIATED ORGANIZATIONS

The individual schools may also have PTA or PTO, boosters' clubs, and/or other affiliated organizations that use the name of the individual school in their fund raising efforts.

At a minimum, if proceeds from fund-raising activities are not deposited into the individual school's single authorized depository account, the affiliated organization depositing proceeds elsewhere must have a federal employer identification number (EIN) issued in the name of their organization and must use that EIN on any and all bank accounts to which all the proceeds from fund-raising activities are deposited. Under no circumstances is it permissible for an affiliated organization to use the EIN assigned to BCS for a bank account separate from the individual school's single authorized depository account.

Each individual school principal shall report to the Superintendent any affiliated organization that is using the name of the school in fund-raising activities which fails either: 1). to deposit its proceeds into the school's single authorized depository account; or 2). to provide evidence that the affiliated organization has been issued an appropriate EIN to engage in fund-raising activities and that the EIN is being used on its own bank account.

Under no circumstances shall either the school's principal or the treasurer be signatories on any bank account belonging to an affiliated organization.

The officers of any affiliated organizations having a separate EIN should seek the services of a tax-professional or attorney in order to avoid potential personal tax liability through inadvertent violation of the Internal Revenue Code. At certain levels of fund-raising, an official determination by the IRS that the affiliated organization qualifies for Section 501(c)(3) status is required to exempt the affiliated organizations from paying taxes on the income derived from its fund-raising activities. Furthermore, at certain levels of fund-raising, annual reports are required to be filed with the IRS, and there are significant fines for failure to file them when required. If the affiliated organization's own assets are insufficient to pay taxes and/or fines owed from non-compliance with the Internal Revenue Code, the officers of the organization can be held personally liable for the amounts assessed.

As an alternative to an affiliated organization having a separate EIN and bank account, the individual school's own bookkeeping system can segregate monies from fund-raising activities undertaken on behalf of a particular club, class, or sport, and the Foundation can also accept fund-raising proceeds that are generated for a specific purpose and/or for a specific school. Fund-raising proceeds conveyed to the Foundation also have the advantage of availability of a tax-deduction for participants. Should the affiliated organization desire to advertise the availability of a tax-deduction for donations, the officers of the organization must discuss the proposed fund-raising with the Foundation in advance to make sure that the proposal qualifies participants for a tax-deduction.

Each individual school principal is also charged with identifying to the superintendent, for possible legal referral, cases in which funds have been solicited by any organization in the name of the school but from which proceeds have not benefited the school.

Principals are discouraged from entering into agreements with professional fund-raising companies who rely on telephone or mail solicitation because those companies may return only a small percentage of the total proceeds to the school.

If an affiliated organization decides to deposit monies into an individual school's single authorized account, the money becomes subject to all the laws, rules, and regulations regarding public funds and, as such, cannot be conveyed to a third party except as consideration for goods and/or services being received. Each individual school principal is therefore also charged with assuring that no monies deposited into a school account are subsequently paid out to an affiliated organization, either as reimbursements or as gifts. All disbursements related to expenses associated with fund-raising activities from a school account must be made payable to the ultimate payee, not paid out as a reimbursements to an affiliated organization for direct fund-raising expenses.

Nothing in the paragraph above shall be construed to prevent students, as a club or class service project, from soliciting donations to a recognized 501(c)(3) organization, such as the Komon Foundation, the March of Dimes or Special Olympics. Specific service project proceeds may be paid over to those organizations.

No amounts can be paid to BCS employees for any type of personal services rendered for school-related functions, including fund-raising activities themselves, other than through the BCS payroll process, whether the source of funding for the payment is an internal school account or a separate bank account maintained by the affiliated organization.

At the beginning of each academic year, and as during the academic year as needed, the Principal shall distribute a copy of this Policy to all known affiliated organizations with respect to that school.

Legal References: G. S. § 115C-448.

Cross References: Depositories (Policy 8320); Use of Employer Identification Number (EIN) (Policy 8400); Individual School Accounts (Policy 8410);

Adopted: June 6, 2013