

Common Ways Booster Clubs Lose Nonprofit Status

Nonprofit status can be crucial to the success of [booster clubs](#). There are many ways booster clubs lose nonprofit status. That is why you must be careful when operating your booster club. One bad move can mean getting in trouble with the IRS and losing your nonprofit status. That means, staying compliant with the rules of the IRS can be the difference between success and failure of your Booster Club. If you would lose nonprofit status, then it could have an adverse effect on your organization.

Booster club management becomes quite important and goes beyond raising funds and successfully managing the organization.

How Organizations Lose Nonprofit Status

One of the biggest ways booster clubs lose nonprofit status is by mismanaging money that has been donated or fundraised. Once something is given or donated to the booster club, it becomes the property of that club. There are strict rules governing this by the IRS. These rules prevent any one person in a nonprofit organization from benefiting more than other members. When money is donated, it must benefit every member of the club equally. There can be no preferential treatment for the person who donated.

An example of one of the ways booster clubs lose nonprofit status is a member fundraising for his/her child specifically. This would break the rule the IRS has in place where donations aren't supposed to benefit one specific individual. When you fundraise, it has to benefit all members of the club you are boosting. It does not matter if they aren't related to you or they did not fundraise as well as other people. It can be difficult for some people to understand. However, the IRS has clear rules on this, and it's important to follow if you plan on maintaining your nonprofit status.

There have been many examples of ways booster clubs lose nonprofit status. One prominent example is of a [gymnastics booster club](#). It is important that this never happens in your booster club. When you have a fundraiser, the proceeds must go towards the organization, and everyone must benefit equally. If for example, a parent has a child in the booster club, then they cannot favor their own child.

Be Careful When Collecting Membership Fees

Another thing that cannot happen in regards to one person benefitting more than the other is membership fees. There have been organizations who used this in the past to offset fundraising deficits. Whenever there were fundraisers, there would be certain people who did not do well at raising funds. The organization would ask these people to offset the costs by paying a membership fee. This usually led to nonprofit status being revoked.

Booster Club Management Mistakes That Can Lead to Losing Nonprofit Status

The management mistake that most clubs make is having the booster club not adhere to the strict nonprofit rules that forth by the IRS. For example, the IRS determines (in the case of donations or fundraising), the funds collected are helping a member in a way that should not happen. It does not matter if one person contributes more. This is one of the ways booster clubs lose nonprofit status.

One Big mistake that booster club management makes is called “[inurement](#).” What is inurement? It simply means that your organization cannot be for the private benefit of any member. That could mean a lot of things and the IRS has made it clear. Generating revenue is one of the most important things you can do for your organization, but this becomes one of the ways booster clubs lose nonprofit status.

Don't Blur the Lines Between For Profit and Non Profit

There is another major mistake that can be made. If the IRS deems that a booster club is operating for profit, then this will lead to the loss of nonprofit status. There was a court case relating to this fact named [Capital Gymnastics Booster Club v. Commissioner](#). The major point of this case was the action of the booster club in relation to its members. Essentially this booster club could not prove that they were operating for a charitable purpose. Because of the way they structured benefits to members, it meant that some members benefitted more than others. This, of course, is a big no no in the eyes of the IRS.

Don't ever make the mistake that many other organizations have made. The IRS is quite strict and could strip of you your nonprofit status. The most common way for organizations losing nonprofit status is through the previously mentioned inurement.

What You Should Be Doing for Your Booster Club

The main thing you should be doing is keeping things in the organization. If something is given to the organization, then it belongs to the organization only. The most common cases of booster clubs losing status have been because of large management mistakes from club administrators. This is one of the ways booster clubs lose nonprofit status. Usually, it starts with clever ideas for incentivizing people to raise more money. Unfortunately, everyone has to benefit equally no matter what they raise.

While this may go against the sensibilities of many people, it's important that these guidelines are followed. It's common for those who provide most of the revenue to want the biggest benefit. Some people even get resentful of those who aren't fundraising and still benefit. This is the unfortunate reality of the nonprofit world and having nonprofit status means that this is something that has to be accepted by the organization.

Organizations should be making it easy and fun for everyone to fundraise. This way even the busiest parents could have a role to play. Build this thought into the culture of the club and encourage everyone to follow this model.

It takes a lot of skill, smarts, and determination to make a booster club successful. There are many things that you must avoid when you are running a booster club. Falling foul of IRS rules that have to do with the booster club funds being considered to go toward the benefit of a private individual usually leads to loss of nonprofit status. Treat everyone the same no matter the contribution. It can be difficult to make things work, but as long as you don't make these mistakes, you should be fine.

Resources

<http://www.rsd.k12.pa.us/downloads/boosterclubguidelines2.pdf>

<https://www.501c3.org/what-is-a-501c3/>

<https://www.definitions.net/definition/booster+club>

<https://www.forbes.com/sites/peterjreilly/2015/02/25/irs-denies-501c3-exemption-to-booster-club-due-to-inurement/#78a01384ead4>

<https://www.marclane.com/news/2013/12/02/2013-lane-reports/fundraising-for-a-nonprofit-organization-can-t-turn-into-fundraising-for-your-own-benefit-news-from-the-tax-court/>