

Sumner County School Support Organizations

School Support Organization (SSO) Start Up Instructions and General Information



Additional information and resources for School Support Organizations may be found on the SCS website on the School Support Organization page under the Parents & Student tab:
sumnerschools.org

(Revised 2018)

How to Become a School Support Organization in the State of Tennessee

The State of Tennessee passed a law (effective July 1, 2007) **requiring all School Support Organizations (SSO) to incorporate in the State of Tennessee and become legal organizations.** School Support Organization Financial Accountability Act (T.C.A. 49-2-6, Public Chapter 326) - Legislative Intent, 49-2-602.

“The general assembly recognizes the importance of school support organizations in providing financial support to help carry out academic, arts, athletic, and social programs to further educational opportunities for the children of this state. The general assembly also recognizes concerns that parents and other persons who support these organizations have in ensuring that money raised by these organizations is safeguarded by them and used to further the activities for which the money is raised. It is, therefore, the intent of the general assembly to ensure the continued support of academic, arts, athletic and social programs, which help to educate the children of this state, while also ensuring fiscal accountability of school support organizations.”

SSO Start Up Instructions – Step 1 (required)

When a group of parents & volunteers wish to organize and operate as a School Support Organization (SSO) - PTO, Booster Club, Foundation, etc., they must first receive permission from the principal at the school where the SSO will be active, it is recommended that school administrator review a draft of the items listed in step 2 before granting approval. Once permission has been granted from the principal the parents may begin the steps to become an official School Support Organization (SSO). Final approval for the SSO to operate will be granted from the Director of schools, or designee, when copies of the required paperwork are submitted to the SCS Internal Audit Department.

Step 2 – Establish basic SSO guidelines & information (Required)

Select a name, establish the basic purpose, goals and objectives of the organization, and begin working on the organization structure and the by-laws for the SSO.

Step 3 – File Charter w/ State of TN for a non-profit organization (Required)

You may choose at this point to consult with an attorney or certified public accountant to complete the following paperwork and receive guidance on what annual paperwork is required by the State and Federal Governments. These instructions are in no way to be construed as legal advice.

File a charter for a non-profit corporation with the Secretary of State. You may obtain a blank copy of a charter form from the Secretary of State’s website. Go to <https://sos.tn.gov>, select Business Services, then Business Entity Filings, and Non-Profit Corporations. Form ss-4418 (Charter-Domestic (Nonprofit) can be found under the tab FORMS: FORMED IN TENNESSEE or by entering the form # in the bright green search bar at the top of the screen that says, “Enter Search Terms”. The attachment contains the instructions and the form.

There is a \$100 filing fee, but the fee may be waived by filling out and submitting the Statement of Exemption from Nonprofit Charter Filing Fee form (form ss-4520). Forms ss-4418 and ss-4520 must be submitted together.

Step 3 – File the Charter (continued)

If you wish to file form ss-4520 to request exemption from the \$100 filing fee enter the form # in the bright green search bar at the top of the screen that says, “Enter Search Terms”. The attachment contains the instructions and the form. Print and complete the form in its entirety –

- On form ss-4418 question 12, the organization must be able to check all three boxes, according to the definitions provided at bottom of form ss-4520. For this filing fee exemption only the State considers the SSO to be part of the “Educational Intuition” if the SSO has permission from the school principal to operate in conjunction with the school.

Recommendations:

- Information and an explanation about each question is included in the instructions (pages 1-3) make sure to read through them.
- Use the school address so it won’t have to be updated every few years as the SSO volunteers change, there is a charge for changing information.
- Use the same fiscal year end as the school system – June 30.
- The SSO should be a public benefit corporation and have members.
- The State of Tennessee does not require a copy of the organization by-laws to be filed with the charter. However, you can choose to file them with the charter. Just remember, if you file them and later amend them, you will need to file an amended copy and the State will charge a separate filing fee to file the amended copy.
- **Keep a copy of these forms with the SSO permanent records.**

Step 4 – Obtain an Employer Identification Number (EIN) – (Required)

Obtain an EIN from the IRS. The bank must have this to open an account for the organization. School support organizations are not allowed to use a school’s EIN. According to IRS regulations, if an officer opens a bank account under his social security number, he must personally claim any interest earned on his personal income tax return. Sumner County Schools requires the use of an EIN in association with a School Support Organizations bank account, the use of an individual’s social security number is not allowed.

You can obtain an EIN by going to www.irs.gov. Type EIN in the search bar at the top right of the main screen and click on the magnifying glass beside the box. Select “Apply for an Employer Identification Number (EIN) Online”. There is a wizard that will ask you questions and lead you thru the process. At the end, you can select to print your EIN right then or have it mailed to you. Or you may choose to print from SS-4 (application for Employer Identification Number) and mail or fax the form to the IRS. **Keep a copy of this form with the SSO permanent records.**

Step 5 – Set up a Bank Account (Required)

SSO funds may not be deposited into the school account or individual's personal bank account. The SSO may not use the EIN of the Sumner County Board of Education. The bank account must have at least 2 authorized signatories. A school employee may not be a signatory on the SSO account or have a SSO debit card, etc.

- It is recommended that the SSO use a PO Box or c/o the school address instead of an SSO volunteers address for the banking records.

Step 6– Decide What Type of Filing is best for your SSO (Required)

During the initial start-up of an SSO the State *only requires* an SSO to file a charter for a non-profit corporation. This is the 2-page form mentioned in step 3 above.

In addition to filing a charter with the State of Tennessee to form a School Support Organization, the SSO may also choose to apply to be recognized as a tax-exempt organization (qualify for exemption from federal income tax, qualify for exemption from TN sales tax on certain purchases, and provide a tax deduction to individuals and business who make donations to the SSO) the organization must apply to the IRS for recognition of exemption under section 501c3 of the IRS code using form 1023. Filing for Tax exempt status is usually done within 27 months of inception or when the SSO has gross annual receipts of \$5,000 or more.

Federal IRS guidelines apply when an organization becomes a non-profit, information is available at www.irs.gov/charities-non-profits.

Non-profit Vs. Tax-Exempt: It's common to hear the terms "nonprofit" and "tax exempt" used interchangeably, and many organizations are both non-profit and tax-exempt. But there's an important distinction.

- Non-profit refers to a business incorporation status under state law and is a designation related to how the organization uses the money it generates - for benefit of the public, for a designated purpose, etc. Non-profit status is granted by the State.
 - Tax-exempt status refers to federal income tax exemption under the Internal Revenue Code section 501 and Publication 557. Tax-exempt status is granted by the Internal Revenue Service.
- **Organizations (other than private foundations) with annual gross receipts of \$5,000 or more are required to file form 1023 with the IRS for recognition of exemption under IRS code section 501(c)3. If they do not pursue tax-exempt status, then they are required to file the U.S. Corporation Income Tax Return form 1120 with the IRS.**
 - **All Sumner County School Support Organizations should pursue tax-exempt status if they have annual gross receipt of \$5,000 or more.**
 - **A set of approved by-laws, an EIN and an approved State Charter are required before filing Form 1023.**

More information is available at www.irs.gov.

Step 6 – (continued)

Many non-profits qualify for federal income tax exemption under Section 501(c) which means, if approved, they are exempt from paying federal corporate income tax on income generated from activities related to the purpose for which the entity was organized. It also means that donations made to the organization are tax deductible for the donor. An organization that has tax-exempt status from the IRS may also apply to the state of Tennessee for exemption from Sales and Use tax on items purchased and used by the organization.

One of the determining factors for organizations is their size, determined by gross annual receipts. Organizations with gross annual receipts under \$5,000 can receive some of the benefits of a 501c (3) organization without applying to the IRS for the tax-exempt designation. SSO with gross annual receipts over \$5,000 should apply for 501c (3) status and annually file Form 990 with the IRS.

- Most tax-exempt organizations are required to file an annual return. The annual form an organization must file generally depends on its financial activity; annual receipts and assets. Gross receipts normally < \$50,000 file Form 990-N (e-postcard) or may choose full Form 990 Gross receipts < \$200,000, and total assets < \$500,000 file Form 990-EZ or Form 990 Gross receipts ≥ \$200,000, or total assets ≥ \$500,000 file Form 990 Private Foundation - regardless of financial status file Form 990-PF
- Organizations that do not have tax-exempt status (and have gross receipts over \$5,000) are required to fill form 1120 (U.S. Corporate Income Tax Return) with the IRS.

Form (1023 & 1023-EZ) along with the instructions and fees are available at www.irs.gov

Step 7– Filing Paperwork with the Sumner County Registrar of Deeds (Required)

Upon receiving the approval document from the Secretary of State that the Charter has been approved, you will need to make a copy of this document. Make sure you keep a copy with the SSO permanent records. The original, along with the current filing fee (around \$10) must be taken to the Sumner County Registrar of Deed's office on Belvedere Drive in the Sumner County Government office building.

If the SSO is only filing a Charter to become a legal School Support Organization and has chosen **NOT** to file for tax exempt status 501 (c)(3) with the IRS at this time, **GO TO STEP 10** - CONGRATULATIONS, YOU ARE ALMOST DONE!

Continue to Step 8 if the SSO would like to file with the IRS for recognition of 501(c)(3) tax exempt status at this time.

Step 8 – Filing for Tax Exempt Status – 501 (c)(3) (optional - go to step 9 if not filing w/IRS at this time) – please note that this filing is required for organizations with annual gross revenue of \$5,000 or more.

You may choose at this point to consult with an attorney or certified public accountant to complete the following paperwork and receive guidance on what annual paperwork is required by the State and Federal Governments. These instructions are in no way to be construed as legal advice.

Organizations will use either Form 1023 or Form 1023-EZ to apply for recognition of exemption under section 501c (3). Complete the 1023-EZ Eligibility Worksheet to determine which version of Form 1023 will need to be required. Please note that organizations wanting an official determination of tax-exempt status (to be able to accept tax deductible donations), even if gross annual receipts of the organization are under \$5,000, must submit Form 1023 (or 1023-EZ) to the IRS and be granted a determination of tax-exempt status.

The 1023-EZ Eligibility Worksheet, the Form 1023 and instructions are available at www.irs.gov

Go to www.irs.gov and click on “Forms and Publications”. In the search box enter the form you are looking for and it will take you to a listing of the forms and instructions.

- **The 1023-EZ Eligibility Worksheet can be found in the 1023-EZ instructions packet.**
- **The Form 1023-EZ must be filed electronically only on Pay.gov.**
- **A set of approved by-laws, an EIN and an approved State Charter are required before filing Form 1023.**

Form 1023 is too complicated to detail here. However, the form is self-explanatory. You can use separate sheets of paper to explain fundraising plans and budgets if you need to. Just write in the space – “See Attached”. **Be complete and thorough in your description of fundraising activities and planned expenditures made from the fundraising money. The more information, the less time it will take the IRS to process your Form 1023.**

Helpful Suggestions

Many SSO will qualify to complete the form 1023-EZ instead of the full form 1023

Read each question carefully. The questions that ask about employees will usually be a NO for you, since our school organizations do not have paid employees – only volunteers.

Use the school address as the business location, that way the address will not need to be changed every year as volunteers change.

Work with a School Organization that has a 501 (c)(3) designation on filling out the paperwork if you have questions about what to fill in on some of the questions.

For the budgets use actual figures for the current year and then for the next years just increase the numbers by a reasonable percentage (maybe 5- 10%).

On the balance sheet, most school support organizations will only have cash.

Once you have been approved, review the annual filing necessary for 501(c)(3) organizations. This information can be found at www.irs.gov.

Keep a copy of all paperwork submitted to the IRS and all correspondence received from the IRS with the SSO permanent records.

Step 9– Sales Tax Exemption (optional if 501(c)3 status has been granted)

Once you have received your 501(c)(3) approval from the IRS the SSO may apply to the Tennessee Dept. of Revenue to become exempt from sales tax on certain purchases. The Application for Exempt Organizations or Institutions, form RV-1306901, may be found at www.tn.gov/revenue (Taxes, Sales & Use Tax, Forms, under Exemptions select Application for Sales and Use Tax Entities or State and Federally Chartered Credit Unions). Or you may contact the TN Dept. of Revenue by phone or email with questions.

Please remember your organization will only be exempt from sales tax for items that are used by your organization. **Any items purchased for re-sale must have sales tax paid to the vendor at the time you make the purchase OR use tax remitted to the State of TN if sales tax was not paid at the time of purchase.** The use tax is equal to the sales tax rate in your area. You can find the form and instructions at the Dept. of Revenue website under the Consumer Use Tax tab.

- The SSO and its members may not use the school EIN#, tax exempt status, special contract pricing or vendor accounts that belong to Sumner County Schools or Sumner County Government to make purchases, even if the items are being purchased for use by students or staff members of the school. SSOs are encouraged to donate the funds to the school with instructions indicating what the funds are designated for and let the school make the purchase to be able to take advantage of tax exempt status and contracted pricing with vendors.

Step 10– Filing paperwork with the Sumner County Board of Education (Required)

The SSO Board Members/Officers should familiarize themselves with the SSO guidelines and requirements and then submit copies of all the required paperwork to the SCBE, Internal Audit Department.

- Verification of the organizations EIN#
- Verification of the approved Charter from the State of Tennessee
- Verification of 501(c)3 status approved from the IRS (if applicable)
- Copy of the Organizations By-Laws (Required by the State of TN)
The by-laws will clearly identify the organization as a SSO separate from the school and from school student organizations and will provide details of the structure of the organization including:
 - Officers and their duties
 - Election of officers and term limits
 - Purpose and goals of the organization

Step 10 continued – (Required)

- Standards for meetings
- Dues structure, if any
- Rules for dissolution
- Copy of the Organizations written policy specifying reasonable procedures for accounting, controlling, and safeguarding any money, materials, property or other things of value collected or disbursed by the SSO
- Signed SSO Agreement – requires principal’s signature (page 7) and signatures of SSO President and Treasurer to be notarized (page 8).
- Completed SSO Information form

It is the responsible of the School Support Organization to complete all applicable forms and reports required annually by:

- 1) The Sumner County Board of Education** (see page 11 for details);
- 2) The State of Tennessee** (including but not limited to, an Annual Report);
- 3) The Internal Revenue Service** (including but not limited to, Form 990)

It is the responsibility of the School Support Organization to follow all laws and guidelines applicable to School Support Organizations, Non-Profit Organizations, and 501c (3) organizations, if applicable. The Sumner County Board of Education reserves the right to disband any organization found operating in violation of applicable laws, policies, and guidelines.

Information and resource materials for SSO are also available on the Sumner County Schools Website School Support Organization page located under the Parents & Students tab.

- SSO Manual (Comptroller of the Treasury – State of TN)
- SCS Board Policy – School Support Organizations
- Fundraiser/Cooperative Agreement Form
- Annual Forms to be submitted to Sumner County Board of Education
- S.S.O.F.A.A. – School Support Organization Financial Accountability Act
- Frequently Asked Questions and other useful information
- FAQ after Sales Tax
- Non-Profit guidelines from the State of Tennessee

An annual training/information meeting (usually held in late July or early August) is provided for SSO volunteers and school staff members who work with school support organizations. The date and location of the meetings will be posted on the SSO page and provided to the schools.

In addition, there are many resources are available online to get basic, general information. Examples are: PTO Today, Parent Booster USA, Charity Lawyer (newsletters), Natl. Booster Club Training Council are a few examples. Remember some laws and policies are specific to the State and School District where the SSO is located, so not everything you read online will be applicable in Sumner County Tennessee.

Miscellaneous Information

You may choose to consult with the appropriate government agency, an attorney, or certified public accountant to receive guidance on what annual paperwork is required by the State and Federal Governments. These instructions are in no way to be construed as legal advice.

Liability Insurance Coverage:

The District strongly encourages organizations to obtain liability insurance to protect the organization and its members. Organizations should have various safeguards set up to protect the officers, membership, and funds that are raised. The District cannot provide insurance coverage for organizations.

- A General Liability Policy protects not only the organization but protects the individual member.
- The Bond or Commercial Crime Policy is set up to protect money, scrip, and securities in the event they are embezzled, stolen, or fraudulently altered.
 - An Accident Medical Policy provides additional coverage for out-of-pocket medical expenses to help deter lawsuits and to provide coverage where the General Liability Policy does not. This policy does not replace a liability policy but is a complement.
 - The Officer's Liability Policy is set up to protect the way the organization is managed and the decisions that are made by board members. These decisions include what type of fundraiser to have, where to hold the event or any other managerial decisions.
 - A Property Policy provides protection for the personal property of the organization from such perils as theft or fire. One thing that most organizations don't realize is that the Property Policy can also protect fundraising merchandise.

Fundraising Participation:

According to the IRS, tax exempt organizations may not require participation in fundraisers. Benefits given by an organization cannot be distributed based on participation in a fundraiser or based on revenues individually generated in a fundraiser. Therefore, a person cannot be denied the opportunity to receive a benefit due to lack of participation in a fundraiser or because a specified amount of revenue was not raised.

Tax exempt organizations, according to the IRS, must benefit a group as a whole instead of benefiting individual members of a group. Therefore, individual accounts that credit individuals for their fundraising efforts may not be used. All members of the organization must be treated equally and receive the same opportunity to benefit from the fundraising activities.

All organization fundraising efforts must be within federal, state and District guidelines and must be for the purpose of supporting the school program or group activity for which the organization was formed.

Suspected Fraud/Irregularities:

Suspected violation of guidelines, fraud, or misappropriation of funds must be reported to the SSO, the principal or designee, and District administration or designee.

School Support Organizations Should NOT:

- Have authority in directing or influencing District employees in the administration of duties.
- Be involved in decision or policy making involving activities for a school group, team, or club.
- Give a sponsor or coach a gift of cash. Gifts should be of nominal value. SSO should spend their funds on supporting students and programs/activities.
- Pay a SCBOE employee directly for anything other than a reimbursement. Payment for work performed for any SCS program or activity must be pre-approved and paid thru the SCS Payroll Department.
- Give anything (including awards) to students without prior approval from the school administration. (Faculty coach/sponsors wish-lists should receive prior approval from school administration before submission to a school support organization.)
- Use the District's tax identification number as the organization's identification number. Make purchases in the name of the school or using school vendor accounts or contracts.

School Support Organization SHOULD:

- Hold all meetings publicly and publish notice in advance of meeting, according to the organization's bylaws.
- Encourage involvement by all parents of students at the school or participating in the team/club activity.
- Use school facilities, plan activities or events for the school only with prior approval of the principal or designee.
- Obtain approval for all fundraising activities (cooperative/fundraising form).
- Complete all annual required paperwork (Federal, State, and District) in a timely manner.
- Provide adequate insurance coverage for the SSO and follow operational guidelines to protect funds and other assets.
- Comply with Board policies when donating money or gifts to the District, or purchasing items for the District.
- Comply with Board policies, Federal and State laws regarding SSO and their activities, practices, and operations.

Ways to Protect Your Organization Against Theft/Fraud:

- Money should never be kept at a member's home, or left unattended.
- Two people should always count the money, and both should sign the receipt verifying the amount.
- Two signatures should be required on all checks. Invoices and expenses should be verified before being paid.
- Have a member (or committee) who does not have check signing authority review the bank statement monthly before giving it to the treasurer. This person is looking for red flags including: checks showing up in non-sequential order, checks made out to cash, cash withdrawals, checks written out to non-approved vendors, checks written for non-approved expenses, and checks written out to individuals.
- Never sign a blank check or a check made out to "cash." Do not allow cash withdrawals.
- Money should be deposited into the organization's bank account daily, even if a project is ongoing. A description of what the funds are for should be included with each collection/deposit.
- All bills must be paid by check, never cash.
- Conduct an annual audit of the books.
- Make sure that you have a Bond Policy and make sure to follow the requirements to guarantee coverage.

SSO Reports Required to be filed with the Sumner County Board of Education Annually

The following reports are required by every SSO to be filed with the Internal Audit Department of the Sumner County Board of Education on an annual basis. The reports should be completed as soon after the June 30 school year end as possible and submitted no later than August 15th of each year.

Copies of all requested information should be submitted either by U.S. Postal Service, SCS school courier mail system, or personally delivered to:

**Internal Audit Department
Sumner County Board of Education
695 East Main Street
Gallatin, TN 37066**

- **School Support Organization Verification Form & Checklist** – this form can be found in the SSO Agreement (read carefully – it requires copies of annual paperwork to be submitted w/ the checklist)
- **Support Organization Annual Information Form** – this information should be for the current school year beginning in August.
- **Support Organization Annual Financial Report** – this report should be for the school year that just ended in June.
- **Sumner County Board of Education SSO Agreement** – this agreement should be reviewed, signed and submitted annually or when there are new SSO officers.