

# 2014

## Obion County Schools



### **SCHOOL SUPPORT ORGANIZATION GUIDELINES**

This manual is designed to assist school support organization officers and members by providing organizational and financial guidance. Only approved organizations, operating under these school support organization guidelines and Obion County School District policies and procedures, shall be allowed to use the school District's or school's name, mascot or logos, property or facilities for the raising of money, materials, property or securities in support of its programs. Specific questions regarding school support organization activity should be addressed to the campus principal and/or Director of Schools.

# **SCHOOL SUPPORT ORGANIZATION GUIDELINES**

## **TABLE OF CONTENTS**

State and Federal Reporting.....	1
Organization.....	3
Financial Information.....	9
Fundraising .....	17
Sales Tax.....	19
Donations to the District.....	21
Title IX.....	22
District Services .....	23
References.....	25
Appendix A: Suggested Review Program .....	26
Appendix B: Memo & Submission of Financial Information .....	28
Appendix C: Financial Information .....	29
Appendix D: Officer Information .....	32
Appendix E: Fundraiser Request Form.....	33
Appendix F: Example Bylaws .....	34
Appendix G: Example Financial Policies.....	40

## STATE AND FEDERAL REPORTING

### **APPLICATION FOR FEDERAL TAX EXEMPT STATUS**

Formation of a non-profit corporation does not necessarily entitle the organization to exemption from federal taxes. In order to be exempt from federal taxes, the school support organization must apply for this status on Form 1023 – *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. General instructions on the rules and procedures can be found in IRS Publication 557 – *Tax-Exempt Status for Your Organization*. These documents are available on the Internal Revenue Service website (refer to the References section for the website address).

The application must be accompanied by Form 8718, *User Fee for Exempt Organization Determination Letter Request*, which provides a user fee to be paid to the Internal Revenue Service.

Upon acceptance of the organization's exempt status by the Internal Revenue Service, a determination letter will be received as evidence of approval. The letter should be kept in a safe, permanent place as it will be used time and again to prove the organization's exempt status. In addition, a copy of the letter should be shared with the school's principal and the District's director of schools/designee.

Although not required, filing for and receiving §501(c)(3) exemption from the IRS and following all applicable guidelines provides a school support organization federal tax-exempt status and allows the organization to benefit from the advantages of such status. Each individual organization is urged to consult with the IRS and/or a tax professional for questions concerning federal tax requirements and/or exemptions.

Each organization must also file for an employer identification number on Form SS-4, *Application for Employer Identification Number*. School support organizations are prohibited by law from maintaining a bank account bearing the EIN of a school or of other school-related governmental entities.

### **APPLICATION FOR STATE TAX EXEMPT STATUS**

The school support organization must apply for an exemption from sales and use tax from the Tennessee Department of Revenue. In order to be exempted from the state sales and use tax, a school support organization must separately apply with the Tennessee Department of Revenue and be accepted by the IRS as a §501(c)(3) corporation. Further information may be obtained from the Department of Revenue's website. Under no circumstances shall a school support organization use the District's exemption from the State's sales and use tax.

### **ANNUAL FILING REQUIREMENTS**

Every school support organization exempt from federal income tax under section 501(a) is required to determine the necessity of filing an annual Form 990, *Return of Organization Exempt from Income Tax*. Changes made to IRS regulations effective January 1, 2008, affect not-for-profit organizations and their requirements for financial reporting. Consult with your tax professional or the IRS for additional assistance.

Even though school support organizations are recognized as tax exempt, the organization may be liable for tax on the portion of income deemed to be unrelated business income (“UBI”). UBI is income from a trade or business activity, regularly carried on that is not substantially related to the charitable, educational, or other purposes that are the basis for the organization’s exemption. An organization that has \$1,000 or more gross income from UBI must file Form 990-T, *Exempt Organization Business Income Tax Return*. This form is filed in addition to Form 990, 990-EZ, or 990-N and is required regardless of the level of the income received.

Additionally, school support organizations registered in Tennessee must file an Annual Report with the Division of Business Services. The Annual Report is due on or before the first day of the fourth month following the close of the organization’s fiscal year. The reports are customized with current information of record relating to the specific organization. Annual Report forms are not available as blank forms, and school support organizations must file the Annual Report using the preprinted forms generated by the Division of Business Services. It is extremely important to have your agent of record up-to-date with the Division of Business Services. Failure to file the required Annual Report will result in the school support organization being administratively dissolved by the Secretary of State.

## **ORGANIZATION**

Each school support organization must develop and maintain bylaws that are jointly reviewed on an annual basis by the campus principal and the school support organization officers. Copies of the organization's bylaws must be submitted to the District's Administration office.

The bylaws should contain the detail of the rules of membership. This document must address the organization's fiscal year, organizational structure and the method used to elect officers. Only active members in good standing shall be permitted to hold office or vote on any matter of business of the organization.

The bylaws should specify that there is a two one-year consecutive term maximum that members may serve in roles as the President or Treasurer. In addition, the bylaws should address the restriction that only one member of a family may serve as an officer at the same time, unless parents are serving as co-chairs in the same office which limits the family's vote to one.

Employees of the District shall not serve in a financial capacity of a school support organization. Financial capacity includes holding positions of treasurer, fund-raising chairperson, or serving as a check signer.

At a minimum, the school support organization shall elect the following officers on an annual basis.

### **PRESIDENT**

Typically, the president of a school support organization is an individual who has previously been active in the organization. The major duties include, but are not limited to, the following:

- Preside at all meetings of the organization;
- Regularly meet with the designated campus representative regarding school support organization activities (regularly is defined as monthly at a minimum);
- Resolve problems in the membership;
- Regularly meet with the treasurer of the organization to review the organization's financial position;
- If the organization is not using the school's address as its business address for receiving mail, select an officer as the designee to receive bank statements through the mail at his/her home address. This individual shall not be a signer on the account. Upon receipt, the designee should review the activity on the bank statement and canceled checks for reasonableness. This provides an independent review by an individual not associated with disbursement activity.
- Appoint a review committee to perform an annual review of the organization's records or request a review if the need should arise during the year; and
- Perform any other specific duties as outlined in the bylaws of the organization.

### **VICE-PRESIDENT**

The vice-president acts as the president's representative in his/her absence. He/she must remain familiar with the organization's activities. The major duties include, but are not limited to, the following:

- Preside at meetings in the absence or inability of the president to serve;
- Perform administrative functions delegated by the president; and
- Perform other specific duties as outlined in the bylaws of the organization.

Note: Larger school support organizations may find it necessary to elect several vice presidents with responsibility over different areas. Such positions shall be clearly defined in the bylaws of the organization.

### **SECRETARY**

The secretary is responsible for keeping accurate records of the proceedings of the organization and reporting to the membership. The secretary must ensure the accuracy of the minutes of the meetings and have a thorough knowledge of parliamentary procedure and the organization's bylaws. The major duties include, but are not limited to, the following:

- Report on any recommendations made by a subcommittee of the school support organization if such a subcommittee is defined by the bylaws and/or appointed by the President;
- Maintain the records of the minutes, approved bylaws and any standing committee rules, current membership and committee listing;
- Record all business transacted at each meeting of the organization as well as meetings of any subcommittee meetings in a prescribed format;
- Maintain records of attendance of each member;
- Conduct and report on all correspondence on behalf of the organization; and
- Perform other specific duties as outlined in the bylaws of the organization.

### **TREASURER**

The treasurer is the authorized custodian of the funds of the association. The treasurer receives and disburses all monies indicated in the budget and prescribed in the bylaws or as authorized by action of the organization. All persons authorized to handle funds of the association should be covered by a fidelity bond in an amount based upon the organization's annual income and determined by the board of directors. The major duties include, but are not limited to, the following:

- Serve as chairperson of the Budget and Finance Committee if prescribed within the bylaws of the organization;
- Issue a receipt for all monies received and deposit said amounts as frequently as possible (daily if receipts on hand exceed \$ 250.00);
- Present a current financial report including bank statements, bank reconciliations, and financial statements to the board of directors within thirty days of the previous

month end (copies should be available for review by the general membership within a reasonable timeframe, if requested);

- File current financial reports at the end of each semester (December and June) with the campus principal and the Director of Schools' office;
- Maintain an accurate and detailed account of all monies received and disbursed;
- Reconcile all bank statements as received and resolve any discrepancies with the bank immediately;
- File sales tax reports as required by the Department of Revenue (monthly, quarterly, or annually);
- File annual IRS form 990, 990-N or 990-EZ in a timely manner;
- Submit records to review committee appointed by the President upon request or at the end of the year; and
- Perform other specific duties as outlined in the bylaws of the organization.

Note: Due to the increasing requirements placed on charitable organizations by the Internal Revenue Service, it is strongly recommended that the Treasurer have an accounting background.

#### **AD HOC COMMITTEES**

Special committees are created for a specific purpose and voted upon by the membership. The committee is automatically dissolved as soon as that purpose is accomplished and the committee report is made. Ad Hoc committees should complete their assignments within the current school year. If the objectives are not met at the end of the school year, officers will be required to reappoint members of the committee for the following year until the purpose of the committee has been achieved. Individuals who have a conflict of interest shall not be allowed to serve as members of the committee. For example, senior parents would not be included on a scholarship committee since their child is a potential recipient of the monies.

#### **REVIEW COMMITTEE**

At the end of the fiscal year, a review of the organization's financial records should be conducted. The review should be performed by individuals who are independent from day-to-day financial activities. Ideally, this review should be performed by a group of three or more individuals; however, if the membership size does not allow, the review may be performed by fewer individuals, but no less than two. The primary objectives of the review are to

- Verify the accuracy of the Treasurer's financial reports;
- Ensure that the club's cash balances are accurate;
- Determine that established procedures for handling school support organization funds have been followed;
- Ensure that expenditures occurred in a manner consistent with the organization's bylaws;
- Ensure that all revenues have been appropriately received and recorded; and
- All members of the review committee shall sign a statement indicating their agreement with the findings detailed in the report.

The review committee shall make a report to the general membership upon completion of the review. Any discrepancies noted shall be brought to the attention of the president of the organization and a resolution reached prior to presentation. All officers of the organization shall

make records available as requested by the review committee. Suggested review procedures are included in Appendix A of this document. Copies of final review reports should be submitted to the campus principal and Director of Schools/designee by July 31 of each year for the prior fiscal year in conjunction with the financial information requirements.

### **ELECTION OF OFFICERS**

The election of officers of the organization will occur annually within the timelines and manner prescribed by the school support organization bylaws. Typically the election of officers should occur by May of each year so that the newly elected officers may be in place for the start of the next school year. The transfer of records and review of the accounts should be completed no later than August 1st of each year.

Officers may be elected in a variety of methods (simple majority, secret ballot) in accordance with the organization's bylaws. The election of officers may be from a slate of officers presented by the nominating committee in the spring of each school year. Recommendations may also be taken from the floor at the time of the vote in accordance with *Roberts Rules of Order*. At no time should officers be appointed without the input and approval of the membership nor should an individual be appointed who is not present at the election meeting. Refer to the beginning of the Organization section for specifics on maximum terms and limited family members in officer roles.

### **STANDARDS FOR MEETING**

Notice of all meetings of the school support organization should be published at the campus seventy-two hours prior to the meeting date. The notice should clearly indicate the date and time of the meeting and the items to be discussed. All school support organization meetings should take place on school premises. In order to provide an optimum level of communication and teamwork, school support organization meetings should be held in the presence of the campus principal/designee. Business determined at meetings without adequate campus representation shall be considered null and void. Should a school support organization feel that it is necessary to meet without a campus administrator/designee, a District administrator should be contacted for an acceptable replacement.

### **RULES FOR DISSOLUTION**

To dissolve a school support organization, a resolution shall be adopted by the organization (or the board of directors if the organization is inactive) stating that the question of such a dissolution be submitted to a vote at a special meeting of the members having voting rights. At least 30 days prior to the meeting, written or printed notice shall be given to each member entitled to vote stating that the purpose of such meeting is to consider the advisability of dissolving the organization. The organization must determine the distribution and usage of organization monies and other assets before dissolution, which should be contained within the organization's Charter. In order to comply with Internal Revenue Service guidelines, care should be taken to ensure that excess funds are distributed within the framework of the organization's original purpose – *i.e.*, band booster funds would remain with the band program at that particular campus. Any other distribution of funds could void the organization's tax exempt status and force it into a fully taxable situation.



## **RECORD KEEPING**

The secretary and treasurer of the organization shall turn records over to the incoming officers within 30 days of election. Records should be kept for a period of 5 years for review purposes.

## **TOOLS FOR SUCCESS**

The following guidelines apply to all school support organizations. If a question should arise which cannot be resolved at the campus level, the Director of Schools/designee should be contacted for clarification.

## **ORGANIZATIONS SHOULD**

- Hold all meetings publicly and announce in advance, according to the organization's bylaws.
- Be voluntary and provide unified support for the student success at the schools.
- Encourage involvement by all parents of students participating in the support activity.
- Use school facilities only with prior approval of the principal/designee.
- Obtain approval of the principal and Director of Schools/designee for all fundraising activities.
- Have a campus administrator/designee present at all school support organization meetings.
- Submit a copy of current bylaws and operating procedures to the campus principal and Director of Schools' office.
- Submit the name, address, email address, and phone number of all current officers, on forms specified by the Comptroller's Office, and the authorized signers of bank account transactions to the Director of Schools' office.
- Provide adequate insurance coverage for the organization.
- Pay all taxes and other debts incurred by the organization.
- Comply with Obion County Board policies, and State and Federal tax laws.
- Obtain Federal tax exempt status.
- Obtain an Employer Identification Number.
- Follow the same standards of conduct as District employees when chaperoning, sponsoring, or attending student activities.

## **ORGANIZATIONS SHOULD NOT**

- Have authority in directing or influencing District employees in the administration of duties.
- Be involved in decision or policy making activities for a student group.
- Give a sponsor or coach a gift of cash from any source in recognition of, or appreciation for coaching, directing, or sponsoring student activities that has not been properly approved by the Obion County Board of Education.
- Give a member any gift without the approval of the organization membership.
- Employ or pay any member for services rendered with the organization funds.
- Use the District's tax exempt certificate or employer identification number.

## **TOP 10 WAYS TO PROTECT YOUR ORGANIZATION AGAINST EMBEZZLEMENT**

1. Money should never be kept at a treasurer's home.
2. Two people should always count the money, and both should sign the receipt verifying the amount.
3. Two signatures should be required on all checks.
4. Have a member 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.
5. Never sign a blank check or a check made out to "cash."
6. The treasurer should arrange to deposit the money in the bank as soon after the conclusion of the project as possible.
7. Money should be deposited into the organization's bank account daily, even if a project is ongoing.
8. All bills must be paid by check, never cash.
9. Conduct an annual review of the books.
10. Make sure that you have a Bond policy and make sure to follow the requirements to guarantee coverage.

## **FINANCIAL INFORMATION**

### **GENERAL**

Beginning with the 2014-15 school year, school support organization presidents, treasurers, and teacher sponsors will be required to attend a training session provided by the District with regard to cash controls, financial controls, financial reporting, and other topics.

The organization's bylaws should stipulate the creation and approval, by its membership, of an annual budget. This is typically done in late spring or early fall for the upcoming school year. The budget should be submitted to the campus principal or Director of Schools to review for reasonableness. Changes to the budget during the year should be approved by the membership.

All organization business addressed during meetings should be approved and reflected in the meeting minutes to provide documentation of the membership's directives.

There are a wide variety of computerized accounting packages available to assist the organization in accurately accounting for financial transactions.

### **LIABILITY INSURANCE**

School support organizations should seriously consider the purchase of liability insurance to protect the organization and its members. Coverages to be considered should include general liability, officer's liability, business personal property (if organization owned property exists), and fidelity (otherwise known as bond) coverage. The cost of the insurance varies depending on the amount of coverage, but is generally reasonable. Insurance underwriters for school support organizations, in many cases, require an annual review to be performed by a Review Committee; therefore, the organization must have a procedure in place to have bank statements and reconciliations reviewed by a member without check signature authority.

### **FINANCIAL REPORTING TO DISTRICT**

Tennessee state law requires the District to obtain and review financial information of school support organizations. To this end, school support organizations are required to submit to the Director of Schools/designee mid-year and end-of-year financial statements (including balance sheet and income statement). Financial Statements should be submitted by January 31 (for the Period Ended December 31) and July 31 (for the Period Ended June 30) each year. Included in Exhibit B is additional information related to requested financials. A copy of the final review report should be submitted at the end of the year as well.

### **INTERNAL CONTROLS**

In order to protect the organizations, its members, and its financial well-being, standard internal controls must be in place. The following is a summary of basic internal controls necessary to prevent the loss of funds through carelessness, mistakes, or misappropriation.

### **Controls over Bank Accounts**

- School support organizations are required to establish a checking account at a bank. Accounts should be established with at least three individuals on the signature card. Checks must require the signature and authorization of two club officers.
- Another individual should review the bank statement and its contents for reasonableness and compliance with Treasurer reports, the budget, and the ongoing business of the organization.
- Bank statements should be reconciled within 30 days of the date of the statement to ensure that possible inaccurate transactions are identified and communicated to the financial institution for correction. After 30 days, the financial institution is no longer liable for errors.
- A second officer, not involved in the financial aspects, should review and sign off on the completed bank reconciliation. This review should include specific attention to outstanding or reconciling items.

### **Controls over Cash and Receipts**

- All cash collections received by the organization for fees, dues, fundraising, etc. must be deposited upon receipt. Deposits shall be made daily if the total receipts on hand exceed \$75. If daily receipts are less than \$75, deposits shall be made within one week even if the receipts for all days combined are less than \$75. All money must be deposited prior to holidays and weekends.
- Funds must be supported by some type of record documenting the source and amount of funds (tabulation of monies collected form, cash receipt form, ticket sales record, etc.). Documentation shall be readily available for review purposes.
- **Cash should be adequately safeguarded at all times.**
- **At no time should school support organization funds collected be maintained at a member's home. Every effort should be made to balance funds collected the day of the event, prepare appropriate deposit documentation, and submit to a bank or a bank night drop for deposit and safekeeping. Money from concession sales should be handled in the same manner.**

### **Controls over Disbursements**

- Prior to beginning a fundraising campaign, the school support organization must complete a fundraiser request form and submit to the campus principal and Director of Schools/designee for approval. This provides the District with knowledge of the activities and helps to avoid the duplication of similar fundraising campaigns during the same period.

- Checks should not be generated without proper documentation (i.e. invoice, original receipts, etc.). Documentation should also include the signature of the President or Vice President.
- Checks should require the signature of a second officer.
- Blank checks should not be issued. Actual receipts should be requested and a reimbursement be processed.

### **Budgetary & Oversight Controls**

- Members should establish and approve a budget at the beginning of the school year. Actual receipts and disbursements should periodically be compared to the budget.
- At each meeting, the Treasurer should provide a written financial report which should include the bank account balance and the receipt & disbursement activity since the last meeting. The financial report should also include a comparison of budgeted versus actual receipts and expenditures.
- At the completion of fundraisers, a financial recap should be prepared to determine the profitability of the fundraiser.
- At the end of the fiscal year, a review of the organization's financial records should be conducted. The review committee shall make a report to the general membership upon completion of the review. A copy of the signature page detailing the results of the review should be forwarded to the Director of Schools' office. For additional information, refer to section titled "Review Committee" previously in this document.

### **Cash Receipt Controls**

Bank deposits should be prepared as follows to ensure the integrity of financial reporting:

- 1) Separate all currency and coins by denomination and carefully count and record it in the appropriate section of the bank deposit form.
- 2) A calculator tape may be run for any checks included in the deposit rather than indicating the checks individually on the deposit slip form. A copy of the tape should be retained with your copy of the deposit records.
- 3) Total the deposit slip.
- 4) Tally the pre-numbered cash receipts and make certain that this total matches the deposit total.
- 5) Attach the cash receipt verification with a copy of the deposit slip and file in date order.

- 6) For large deposits, have another individual independently count the currency only (not the coins or checks) and verify that the currency has been correctly recorded on the deposit slip.
- 7) Both individuals should initial next to the currency amount on the deposit slip.
- 8) Seal the deposit in a deposit bag in the presence of the second individual. This is called dual control and places the organization in a better position to challenge any claim that the bank may make that the currency received was incorrect.

### **Petty Cash Controls**

Although discouraged, each school support organization may maintain a small petty cash account. Strict controls must be maintained by keeping petty cash in a locked box accessible by only the treasurer and one other officer. Control of the petty cash account by a District employee is not allowed. The petty cash funds should be used for emergency purchases only. All other purchases should be made with a school support organization check.

Upon disbursement through the petty cash account, a receipt for the purchase should be retained. At any given time, the amount of petty cash remaining and the aggregate total of receipts on hand should equal the amount of the established petty cash account.

### **Bank Reconciliation**

Upon receipt of the monthly bank statement, the balance indicated on the statement shall be reconciled to the bank account balance in the general ledger as of the last day of the month. The reconciliation should be completed within 30 days of the date of the bank statement.

Items needed for reconciliation:

- Bank reconciliation form
- Prior month's bank reconciliation
- Bank statement
- Check Register and/or Cash Disbursements Journal
- Cash Receipts Journal
- General Ledger

To complete the bank side of the reconciliation form, perform the following steps:

- Indicate the ending balance per the bank statement.
- Check off outstanding checks from prior month's bank reconciliation using the bank statement.
- Determine the outstanding checks by comparing the Check Register to the bank statement, including any remaining checks from the previous month.

- Determine the deposits in transit by comparing the Cash Receipts Journal to the bank statement.
- Identify any items that need to be corrected by the bank, such as check printing, returned check charges and material encoding errors. These items should be grouped together under Other Adjustments.
- Total all items and enter the amount on the Adjusted Bank Balance line.

To complete the General Ledger side of the reconciliation form, perform the following:

- Indicate cash account ending balance from the general ledger.
- Compare the bank statement to the Check Register and list any cleared checks that were not posted.
- Indicate any outstanding returned checks.
- Indicate the interest earned per the bank statement. This amount should be immediately posted.
- Identify any items that need to be corrected on the General Ledger (such as immaterial encoding errors) under Other Adjustments.
- Total all items and enter the amount on the Adjusted Cash Balance line.

Compare the adjusted bank balance to the adjusted cash balance to make sure that they are in agreement. If they are not, the reconciliation is NOT complete. Examine the prior month's reconciliation to ascertain that all items have been posted and/or corrected.

If at all possible, a computerized reconciliation program should be used in conjunction with the organization's financial package.

In addition to the reconciliation, the cancelled checks or imaged copies of checks should be reviewed to ensure that the payee is consistent with that identified in the check register and endorsements on the check are reasonable.

### **Disbursement of Funds Controls**

At the outset of the school year, a budget of anticipated expenditures should be developed. Prior to a disbursement, the request to expend funds should be compared to the budgeted expenditures. Disbursements outside the scope of the budget or line items that exceed the approved budget should require a vote by the general membership. Direct payments to District employees are not permitted uses of school support organization funds (without Board of Education approval), nor is the purchase of alcoholic beverages.

School support organizations may sponsor banquets to celebrate parent and student achievements for the year; however, all events sponsored on school campuses must be preapproved by the campus principal prior to establishing any related reservations for the proposed event.

When establishing fees and setting fundraisers, school support organizations should be cognizant of the effects on large families and families of low socio-economic status. Reasonable efforts should be made to ensure that all individuals are able to participate in activities.

School support organizations may not contribute funds in an effort to increase the personnel allocations and/or stipends of a particular program without the express approval of the Board of Education.

A disbursement voucher should be completed for all expenditures regardless of the amount. The appropriate supporting documentation (invoices, receipts) should then be attached to the disbursement form and filed in check number order. At no time should a check be issued without the appropriate supporting documentation.

### **1099 REQUIREMENTS**

Internal Revenue Service guidelines require that all payments for services in excess of \$600 made to an individual by a school support organization be reported on a form 1099 on an annual basis. The organization should secure an IRS Form W-9 from the provider at the time of service to ensure that the organization has an accurate record of the tax payer identification number. The organization must then issue a form 1099 to all qualifying vendors performed in the calendar year by January 31st. The following guidelines can be used to determine if reporting is required:

- **Risk of profit or loss** – Independent contractors realize a profit or sustain a loss based on their success in performing the work or service.
- **Continuing relationship** – The relationship between an independent contractor and employer ends when the job is done.
- **Compliance with instructions** – Independent contractors cannot be told when or where to do the job.
- **Training** – Independent contractors do not go through any type of instructional training period with a more experienced employee to learn how to do the job. Independent contractors specialize in the field in which they have been employed and do not require training.
- **Personal Service required** – The right of an independent contractor to substitute another's services without the employer's knowledge shows that one particular individual's personal services are not being required by the employer.



- **Integration into the business** – The success or continuation of the business is not dependent on the independent contractor’s performance of the service.
- **Control over the hiring, supervising, and paying of assistants** – Independent contractors maintain control of their assistants. The employer contacts the independent contractor if there is a problem, and the employer pays the independent contractor for the work done. The independent contractor then pays the assistants directly.
- **Set hours of work** – An independent contractor sets working hours.
- **A full-time work requirement** – An independent contractor has the availability to work for more than one client.
- **Working for more than one firm** – An independent contractor has an established business in which he/she works for more than one firm.
- **Worker’s availability to the general public** – An independent contractor makes services available to the public on a regular and consistent basis.
- **Working on the employer’s premises** – An independent contractor works off-premises unless the nature of the service to be performed requires attendance at the employer’s work site.
- **Required work order or sequence** – An independent contractor does not need to be told in what order or how to do a job as he/she is considered an expert in the field.
- **Required reports** – An independent contractor is not required to submit oral or written reports.
- **Payment by the hour, week, or month** – An independent contractor is paid in a lump sum fee basis when the job is done. An invoice must be generated to substantiate the payment.
- **Payment of business or travel expense** – An independent contractor is responsible for his/her own business or travel expense. If paid by an employer, the employer must include the expense amount in the independent contractor’s 1099 (unless you can verify an accountable plan).
- **Furnishing of tools and materials** – An independent contractor has the necessary tools and materials to do the job.
- **Investment in facilities** – If the independent contractor maintains an office on the employer’s premises, he/she must pay a rent or lease payment for the office space as well as the overhead.

- **Employer's discharge rights** – An independent contractor cannot be terminated as long as he/she is fulfilling the contract.
- **Worker's termination rights** – An independent contractor may be held financially responsible for any loss the employer may suffer due to an incomplete, inaccurate, or unsatisfactorily completed contract.

**The Internal Revenue Service website should be accessed for appropriate 1099 reporting requirements and forms.**

## **FUNDRAISING**

Prior to the start of any fundraising event, all school support organizations shall complete a fundraising request and receive the approval of the campus principal/designee and the Director of Schools/designee. This request details the proposed fundraising activity, anticipated dates of the fundraiser, and the proposed uses of profit generated. Door-to-door solicitations are prohibited for all students in grades kindergarten (K) through six (6). The practice of entering into solicitation contracts with a solicitation firm is discouraged. School support organizations are created by parents to provide support for school programs. As such, fundraising efforts should be planned and carried out by the parents and members.

In order to obtain the best pricing available, organizations are encouraged to obtain three written quotes prior to making large purchases.

### **INDIVIDUAL ACCOUNTS**

On occasion, school support organizations will attempt to maintain “individual” student accounts based on a parent’s participation in fundraising events. The credit is based on a proportionate share of what they “earned” during the fundraiser.

This practice jeopardizes an organization’s tax-exempt status with the Internal Revenue Service as tax-exempt organizations must benefit a group as a whole instead of benefiting individual members of a group. To this end and to be consistent, school support organizations may not maintain individual accounts that are earmarked for a particular individual.

### **FUNDRAISING PARTICIPATION AND QUOTAS**

School support organizations cannot require a member to participate in fundraising activities. Coupled with this, members cannot be required to sell or raise a certain amount. Both of these practices may jeopardize an organization’s tax-exempt status with the IRS. However, school support organizations may develop specific criteria that must be met in order for a benefit to be given to a member.

### **GAMES OF CHANCE**

School support organizations are not permitted to hold games of chance, except as permitted by the Tennessee Constitution and State statutes. The Tennessee Charitable Gaming Implementation Law establishes a framework for a IRC §501(c)(3) organization to operate an annual game of chance. All organizations must be approved by two-thirds vote of the General Assembly. **Authorized** types of games include raffles, reverse raffles, cakewalks, and cakewheels. **Unauthorized** games include bingo, pulltabs, punchboards, video lottery games, instant and on-line lottery games of a type operated by the Tennessee Education Lottery Corporation, keno and games of chance associated with casinos including, but not limited to, slot machines, roulette wheels, and the like.

The basic requirements of the law are

- Each organization may conduct one event during an event period (July 1 – June 30).
- The organization must have documentation from the Internal Revenue Service recognizing it as exempt from federal income taxation pursuant to IRC §501(c)(3).
- A §501(c)(3) organization must be active and in continuous existence in Tennessee for at least five (5) years or meet all statutory requirements.
- An event is restricted to a location within a county where the organization has a physical presence or in a county contiguous to one in which it has a physical presence.
- Only two organizations may operate an event each month at the same location.

For more information see [https://www.tn.gov/sos/charity/gaming/gaming\\_faq.htm](https://www.tn.gov/sos/charity/gaming/gaming_faq.htm).

### **TOP TEN THINGS TO REMEMBER WHEN FUNDRAISING**

1. Have a specific goal for each fundraiser, regularly remind yourself and your volunteers of that goal, and promote it to the community.
2. Assign an organized person to serve as fundraising chairman.
3. If you are using a fundraising company, know the company or check out references and have a written contract.
4. Select a program with a good service package that fits your needs.
5. Make sure the product you're selling represents a good value at a fair price.
6. Look for fundraising activities that have educational value and promote community involvement.
7. Delegate and involve as many volunteers as possible.
8. Keep it short. People lose interest in long projects.
9. Don't overdo it. Remember, students are in school to learn, and parents can only afford so much. Also, remember that students must never be placed in a position of risk.
10. Have fun. It's got to be fun!

## **SALES TAX**

School support organizations who have applied for exemption are exempt from sales tax when making purchases. However, when making sales, sales tax must be collected.

### **TAXABLE STATUS OF PURCHASES**

- A school support organization must provide the vendor with a valid signed exemption certificate when claiming state sales tax exempt status. Exemption certificates do not require tax identification numbers to be valid nor is the vendor required by law to honor the exemption.
- The District's exemption status may not be utilized by school support or alumni organizations to secure exemption from sales and use taxes. School support and alumni organizations must apply for their own exemption.
- Items which become the personal property of the student (cheerleader uniforms, band t-shirts, etc.), even though connected with a school or organization, are not exempt from tax.
- Individual members of the athletic team, band, etc., may not claim exemption from the sales tax on the meals they purchase while on a school authorized trip.

### **COLLECTION AND REMITTANCE OF SALES TAXES**

The school support organization shall collect sales tax on all taxable sales.

When imposing sales tax, the organization has the option of

- Adding the tax to the item's selling price – thus, if the selling price of an item were \$2.00 and the tax rate were 9.75%, the school would collect \$2.20 ( $\$2.00 \times 1.0975$ ) from the buyer for each item sold.
- Absorbing the tax in the item's selling price – thus if the item sold for \$2.00 including tax, the school would retain \$1.82 and remit \$0.18 for sales tax. If this method is used, divide the total sales by 1.0975 (assuming a tax rate of 9.75%) to find the taxable sales. To determine the sales tax amount, subtract the taxable sales from the gross sales.
- In Tennessee, school support organizations that hold more than the two exempt sales per calendar year must pay sales tax to the supplier of any tangible personal property or services purchased for resale. If tax is not paid to the supplier (such as an out-of-state supplier not registered to collect the tax), it must be paid by the organization, based upon the purchase price of all tangible personal property or services purchased for resale.

### **TAXABLE STATUS OF SALES**

School support organizations need not collect sales tax on the following:

- Admission tickets and
- School support organization memberships.

Therefore, state and local sales taxes shall be imposed and collected on all sales for the following:

- Items sold by the school store (i.e. pencils, erasers, paper, etc.);
- Any type of organization materials;
- Any other item sold as personal property (i.e. school pictures, uniforms, sweaters, etc.);
- All sales of items such as handicrafts, T-shirts, candles, cups, books, and school supplies sold by a school support organization during a fundraising drive; and
- All other personal property except for those items specifically excluded above.

**Sales tax should be filed in accordance with the Tennessee Department of Revenue guidelines. Further information can be found on the Department's website included in the References section of this document.**

## **DONATIONS TO THE DISTRICT**

School District staff shall not accept or solicit any gift, favor, service, or other benefit that could reasonably be construed to influence the employee's discharge of assigned duties and responsibilities. Students are also discouraged from accepting gifts of value.

Donations to the District shall become the sole property of the District and not of the organization. Donations should be earmarked for a specific purpose as indicated by the donating organization.

Gifts to the District must meet the following criteria:

- Shall not place restrictions on the school program;
- Shall not require the exclusive endorsement of a particular business product;
- Shall not conflict with policies or actions of the Board of Education or public law;
- Shall not require extensive unforecasted District resources or maintenance;
- Shall meet established curriculum guidelines.

A gift is a payment of money or transfer of property without receipt of adequate consideration and with donative intent.

## **TITLE IX**

Title IX is a federal law enacted in 1972 which protects individuals in education programs or activities from discrimination based on sex. It states that “No person in the United States shall on the basis of sex, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any educational program or activity receiving federal financial assistance.”

Title IX, which is promulgated by the U.S. Department of Education, applies to all aspects of education and related programs, not just athletics. It requires that equal opportunities be provided for members of both sexes. It does not require that each team receive exactly the same services and supplies, but rather that the male and female programs, collectively, receive comparable levels of service, facilities, supplies, etc.

Since school support organization funding and activities are included in the analysis of the District’s compliance with Title IX, organizations should have an awareness of the law and the District’s requirement for compliance.



## DISTRICT SERVICES

### **EMPLOYER IDENTIFICATION NUMBER**

The Obion County Board of Education Employer Identification Number may not be used for any purpose by organizations outside the District, including school support organizations.

### **SAFEKEEPING**

School support organizations may not store funds on campus for safekeeping.

### **MISCELLANEOUS**

**The following guidelines apply to all school support organizations. If a question should arise which cannot be resolved at the campus level, the appropriate central office administrator should be contacted for clarification.**

- Failure to follow policies and procedures of the District may result in refusal by the campus principal to allow related activities on the campus and may result in not being recognized as a school support organization by the Board.
- All meetings shall be public and announced in advance in accordance with the bylaws.
- The campus administrator or designee must be present at all school support organization meetings.
- Any action taken at the meeting will be subject to review of the sponsor or principal.
- The regular school program and extra- and co-curricular activities of the school and programs and District affiliated organizations will take precedence over school support organization activities.
- Parents and organization members are expected to follow the same standards of conduct as District employees when chaperoning, sponsoring, or attending student activities, including rules in the campus handbook.
- Each individual student's or group of students' participation will be determined by the sponsor and the principal and not by the organization or any member(s). Participation is considered to be a privilege and not a right and will be based on a proven record of good conduct and dependability. Lack of such demonstrated behavior on the part of anyone will be grounds for disapproval for participation and travel.
- There will be no student activities, parties, meetings, travel, or other gathering in the name of the school support organization unless prior permission has been received from the sponsor and the principal or the sponsor is present. All activities will be under the auspices of the school and the District.

- School employee and student planning and preparation for activities supported by the organization will occur outside the school day or as approved by the principal.
- Participation in any activity or travel associated with school support organization activities is a privilege and not a right for all involved. All student and employee travel will be under the auspices of the school, and all participants will be approved by the sponsor and principal.
- No cash will be given to any school employee to use at his or her discretion.
- The purchase or consumption of alcoholic beverages while on school property or in the presence of students is specifically prohibited.
- Organizations shall not, directly or indirectly, support political activities by providing campaign donations or placing advertisements in support of a particular candidate as doing so could jeopardize the tax-exempt status of the organization. If a candidate running for office is invited to join a meeting, all candidates running for the office must be extended an invitation to the event.
- School support organizations may not contribute funds in an effort to increase the personnel allocations and/or stipends of a particular program or campus without the express written approval of the Board of Education.
- Upon dissolution of a school support organization, a private termination letter ruling should be requested from the Internal Revenue Service.

## **REFERENCES**

### **WEB SITES/RELATED INFORMATION**

Obion County Board of Education .....	<a href="http://www.ocboe.com/">http://www.ocboe.com/</a>
Internal Revenue Service .....	<a href="http://www.irs.gov">www.irs.gov</a>
State Comptroller .....	<a href="http://www.comptroller.tn.gov/">http://www.comptroller.tn.gov/</a>
State Comptroller Phone Number .....	(615) 532-4460
Fraud Waste and Abuse Hotline .....	(800) 232-5454
Secretary of State .....	<a href="http://www.tn.gov/sos/">http://www.tn.gov/sos/</a>
Secretary of State Phone Number .....	(615) 741-2286
Tennessee Department of Revenue .....	<a href="http://www.tn.gov/revenue">http://www.tn.gov/revenue</a>
Tennessee Department of Revenue Phone Number.....	(615) 253-0600

### **OBION COUNTY BOARD OF EDUCATION POLICY**

Cooperative Agreements.....	2.4001
Gifts and Bequests .....	2.401
School Support Organizations .....	2.404
Student Activity Funds Management.....	2.900

## **APPENDIX A**

### **SCHOOL SUPPORT ORGANIZATIONS**

#### **Suggested Review Program**

##### **Review Procedures:**

##### **Bank Reconciliations**

1. Trace ending balances on the reconciliations to bank statements, outstanding check lists, and other reconciling items.
2. Verify that bank reconciliations were completed within 30 days of bank statement ending date.
3. Ensure that any outstanding or reconciling items on the reconciliations were cleared the following month.
4. Verify that the balance in the bank account (at beginning of school year), plus total deposits per check register, minus total disbursements per check register, balances to ending bank account balance (at end of school year).

##### **Bank Statements**

5. Determine whether a procedure is in place for an organization member, other than those that have check signing ability, to receive bank statements by mail and review for reasonableness.
6. Determine whether any cash corrections were identified on bank statements. Ensure that reasonable explanations are available.
7. Compare the number of cleared checks included in the bank statement with the number that is noted on the bank statement to ensure agreement.
8. Ensure that cleared checks contain signatures of individuals authorized to sign checks. Ideally, bank accounts should be established to require two signatures.

##### **Receipts**

9. From the check register or other accounting records, schedule each deposit (use of spreadsheets is helpful). If volume is significant, consider selecting only a representative sample.
10. Trace deposits to collection documentation and prepared cash receipts for agreement.
11. Trace deposits to bank statements to ensure agreement.
12. Ensure that receipts are presented for deposit in a timely manner by reviewing the dates of prepared cash receipts with the date of deposit on the bank statement.

##### **Disbursements**

13. From the check register or other accounting records, schedule each check, withdrawal, or other debit (use of spreadsheets is helpful). If volume is significant, consider selecting only a representative sample.
14. Trace checks to supporting documentation such as invoices, receipts, approved expenses related to fundraisers, or other reasonable explanations.

15. Review the canceled check to ensure agreement of payee name, endorsement, and check amount.
16. Trace disbursements to budget approved by the membership or meeting minutes.
17. For bank withdrawals for the purpose of establishing a change fund for an event, confirm that the change fund was later re-deposited.

### **Fundraisers**

18. Evaluate each fundraiser individually by calculating the value of items available for sale or number of tickets sold and comparing to deposits and remaining inventory, if any, to ensure agreement.
19. Determine whether fundraiser applications were prepared and submitted to the campus principal for each fundraiser.

### **Miscellaneous**

20. Inventory remaining check stock to confirm that all checks are present and sequential. Ensure that the check number for the last check issued and first check available in check stock are sequential.
21. Confirm that check stock is retained in a secure place when not in use.
22. Determine whether any checks were voided during the course of the year. Ensure that any voided checks are retained in the records, but have been sufficiently modified to eliminate the possibility of clearing the bank (i.e. signature portion has been cut out of the check and VOID has been written across the check).
23. Ensure that sales tax reports were prepared and filed in a timely manner.
24. If IRS 990 form was filed, review for reasonableness.
25. Ensure Annual Report has been filed in a timely manner with the Secretary of State.

## APPENDIX B

### MEMORANDUM

**TO:** School Support Organization Presidents and Treasurers

**FROM:** David W. Huss, Director of Schools

**DATE:** January 1, 2014

**SUBJECT:** Submission of Financial Information

As you are aware, Tennessee law requires school support organizations to submit certain information annually to the Director of Schools/designee. The Obion County Board has adopted this School Support Organization manual, which requires organizations to submit financial information to the District's Central Office both at the end of the first semester as well as the end of the school year. The Board requires the District to obtain and review financial performance information of school support organizations to determine whether these organizations are safeguarding and properly managing school support organization funds.

In order to meet this critical requirement, it becomes increasingly important that school support organizations, such as yourself, submit the required financial information in a timely manner.

Attached is a confirmation statement which should be submitted along with your financial information. In addition, I have also attached an example page of requested information. This includes balances for current assets and liabilities, as well as a breakdown of revenues and expenditures. If you already have an automated program or other documentation method in place, this format would be acceptable, provided that the financial elements requested are provided.

**Please also share a copy of the review completed by your finance review committee at the end of the year.**

All financial information should be presented as of December 31 and June 30. Please submit this information, along with the confirmation statement, to the District's Central Office by July 31.

Should you have any questions, please contact me at [dhuss@k12tn.net](mailto:dhuss@k12tn.net).

# APPENDIX C

## Obion County School Support Organizations Confirmation of Financial Information For the Period Ended \_\_\_\_\_, 20

\_\_\_\_\_  
Organization Name

\_\_\_\_\_  
School Represented

I hereby certify that the information attached is true and correct to the best of my knowledge. Furthermore, I understand that although school support organizations are considered a separate entity, the District is requesting this financial information in order to comply with State law and School Board Policy.

President:

Treasurer:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Financial information should be presented  
As of December 31 or June 30**

**Balance Sheet Information**

\$ \_\_\_\_\_  
Current Assets

\$ \_\_\_\_\_  
Current Liabilities

**Income Statement Information (also called Profit/Loss Statement)**

**Summary of Revenues:**

Fundraising Activities (net profit – from table below)	\$ _____
Membership Dues	_____
Donations	_____
Other Income (itemize – attach additional pages as necessary):	
_____	_____
_____	_____
_____	_____

**Total Revenue** \$ \_\_\_\_\_

**Summary of Expenditures:**

Expenditures Directly Supporting Student Activities (itemize):	
Uniform Expense	\$ _____
Trip Expenses	_____
Food Expenses	_____
_____	_____
Office Supplies	_____
Insurance	_____
Donations to the School	_____
Banquet Expenditures	_____
Other (itemize)	_____
_____	_____
_____	_____

**Total Expenditures** \$ \_\_\_\_\_



**Financial information should be presented  
As of December 31 or June 30 (cont.)**

**Analysis of Fundraising Activities (attach additional pages if necessary):**

Name of Fundraiser	Gross Sales	Product Cost	Net Profit*
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
 Totals	 \$ _____	 \$ _____	 \$ _____

\* Total goes to line 1 of the Income Statement

This financial information is provided as an example only. It is provided to give you an idea about the expectations of the level of detail necessary in reporting.

**Definitions Legend:**

- Current Assets – cash, short-term investments, or other assets easily convertible to cash
- Current Liabilities – amounts owed to other organizations, individuals, or vendors
- Revenues – incoming funds from sales of products/services, donations, and/or income from other sources
- Expenditures – outgoing funds to pay for fundraising products, events, donations to school, and/or other expenses

## APPENDIX D

### OBION COUNTY SCHOOLS SCHOOL SUPPORT ORGANIZATION OFFICER INFORMATION

Please submit your officer information to Central Office immediately following your organization's election. Information should be submitted even if officers are the same as last year. Any changes that occur during the year prior to the next election should be reported utilizing this form. A copy of this form should also be maintained by the President of the organization.

School year: \_\_\_\_\_

Campus/Organization supported: \_\_\_\_\_

Name of organization: \_\_\_\_\_

**Goals and Objectives of Organization** (*Fill out if this is your first filing or if you have a change*)

- No change from previous year.
- First filing or change. Please explain.

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#### Status

- Nonprofit
- Foundation
- Chartered member of nonprofit organization or foundation

President's Name: \_\_\_\_\_

Phone number(s) \_\_\_\_\_ Email Address: \_\_\_\_\_

Vice President's Name: \_\_\_\_\_

Phone number(s) \_\_\_\_\_ Email Address: \_\_\_\_\_

Treasurer's Name: \_\_\_\_\_

Phone number(s) \_\_\_\_\_ Email Address: \_\_\_\_\_

Secretary's Name: \_\_\_\_\_

Phone number(s) \_\_\_\_\_ Email Address: \_\_\_\_\_

# APPENDIX E

## SCHOOL SUPPORT ORGANIZATIONS PROPOSED FUNDRAISING ACTIVITIES

IN COMPLIANCE WITH SCHOOL BOARD POLICY #2.404 AND TCA §49-2-601 ET SEQ., OUR SCHOOL SUPPORT ORGANIZATION SUBMITS THIS PROPOSED FUNDRAISING ACTIVITY FOR THE DIRECTOR'S APPROVAL. WE REALIZE THAT THE DIRECTOR SHALL CONSIDER, AT A MINIMUM, THE FOLLOWING WHEN APPROVING OR DENYING A REQUEST BY A SCHOOL SUPPORT ORGANIZATION TO ENGAGE IN A FUNDRAISING ACTIVITY:

- 1) WHETHER THE FUNDRAISING ACTIVITY, AS SCHEDULED, CONFLICTS WITH THE FUNDRAISING ACTIVITY OF THE SCHOOL DISTRICT OR AN INDIVIDUAL SCHOOL WITHIN THE DISTRICT; AND
- 2) WHETHER THE FUNDRAISING ACTIVITY IS CONSISTENT WITH THE GOALS AND MISSION OF THE SCHOOL AND/OR THE SCHOOL DISTRICT.

THE UNDERSIGNED SUBMITS THAT THIS FUNDRAISING ACTIVITY IS CONSISTENT WITH THE GOALS AND MISSION OF THE SCHOOL AND/OR THE SCHOOL DISTRICT, AS WELL AS THE ORGANIZATION'S MISSION, GOALS, AND OBJECTIVES.

ORGANIZATION: \_\_\_\_\_

DATE OF PROPOSED FUNDRAISING ACTIVITY: \_\_\_\_\_

PROPOSED FUNDRAISING ACTIVITY: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PROPOSED USES OF FUNDS RAISED: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

ANY OTHER COMMENTS/CONSIDERATIONS RELATED TO THIS FUNDRAISER: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

REQUESTED BY \_\_\_\_\_ DATE \_\_\_\_\_  
SIGNATURE/TITLE

REVIEWED BY \_\_\_\_\_ DATE \_\_\_\_\_  
SCHOOL PRINCIPAL/DESIGNEE

APPROVED BY \_\_\_\_\_ DATE \_\_\_\_\_  
DIRECTOR OF SCHOOLS/DESIGNEE

## APPENDIX F

### EXAMPLE BYLAWS

[ALL SECTIONS OF THESE BYLAWS DO NOT HAVE TO BE ADOPTED BY THE ORGANIZATION]

[NAME OF SCHOOL SUPPORT ORGANIZATION]

#### Article I Name and Purpose

**Section 1.01. Name.** The name of this organization shall be [NAME].

**Section 1.02. Purpose.** The organization is organized and operated for the charitable and educational purposes of \_\_\_\_\_ [*i.e.*, supporting the Volunteer Elementary School].

#### Article II Membership

**Section 2.01. Qualification.** All parents, guardians, or other persons with a child enrolled and attending [school] and members of the licensed teaching staff shall be considered voting members of the organization. The Principal and Assistant Principal(s) shall be non-voting, advisory members of the organization.

**Section 2.02. Right and responsibilities.** The members shall have the right and responsibility to attend meetings and events sponsored by the organization, serve on committees, and be nominated and elected to office. Voting members shall have the right to vote for the officers, review and approve the annual budget, and approve amendments to these bylaws.

**Section 2.03. Quorum.** The members present at any membership meeting of the organization, provided at least ten (10) members are present, shall constitute a quorum for the transaction of business. In the absence of a quorum, the membership may not take action. In that event, any matter brought before the membership at a meeting at which a quorum is not present shall be discussed and decided by the Executive Board.

**Section 2.04. Meetings.** There shall be at least one general annual meeting of the membership in [MONTH] at which the officers are elected. Such additional business or special meetings may be held alone or in conjunction with an event sponsored by the organization as is determined by the Executive Board or at the request of twenty (20) or more members in writing to the Executive Board.

#### Article III Executive Board

**Section 3.01. Membership.** The Executive Board shall consist of the elected officers of the organization.

**Section 3.02. Authority.** The affairs, activities, and operation of the organization shall be managed by the Executive Board. The Executive Board shall transact necessary business during the intervals between the meetings of the membership and such other business as may be referred to it by the membership or these bylaws. It may create standing and special committees, approve the plans and work of standing and special committees, prepare and submit a budget to the membership for approval, and, in general, conduct the business and activates of the organization.

**Section 3.03. Meetings.** The Executive Board shall meet monthly to prepare for general membership meetings and to conduct the affairs of the organization.

**Section 3.04. Quorum.** A quorum of the Executive Board for the conduct of business shall consist of at least three (3) officers in attendance.

**Section 3.05. Action Without a Meeting.** Any action required or permitted to be taken at a meeting of the Board of Directors (including amendment of these bylaws) or of any committee may be taken without a meeting if all the members of the Board or committee consent in writing to taking the action without a meeting and to approving the specific action. Such consents shall have the same force and effect as a unanimous vote of the Board or of the committee as the case may be.

**Section 3.06. Participation in Meeting by Conference Telephone.** Members of the Board may participate in a meeting through use of conference telephone or similar communication equipment, so long as members participating in such meeting can hear one another.

**Section 3.07. Reimbursement.** Executive Board members shall serve without compensation with the exception that expenses incurred in the furtherance of the organization's business are allowed to be reimbursed with documentation in accordance with the organization's financial policies and prior approval.

#### **Article IV Officers and Their Elections**

**Section 4.01. Officers.** The officers of this organization shall include one President, one or more Vice Presidents, a Secretary, and a Treasurer and such additional officer(s) as may be elected or appointed by the Executive Board from time to time.

**Section 4.02. Election.** A nominating committee composed of the current President and at least one additional officer shall begin seeking nominees in [MONTH] of the year in which the candidates will be elected and develop a slate of candidates. The candidates shall be announced to the membership as soon as possible. Additional nominees may be solicited from the floor on the day of the election. Only those who have consented to serve shall be eligible for nomination, either by the committee or from the floor.

Officers shall be elected at the [MONTH] meeting of the organization by the members present. Officers shall assume their official duties on the last day of the current school year following their election.

**Section 4.04. Term.** Officers shall serve a one-year term. Officers may be elected for up to two consecutive terms in the same office.

**Section 4.05. Vacancies.** A vacancy occurring in any office shall be filled for the unexpired term by a person elected by a majority vote of the remaining members of the Executive Board.

## **Article V Duties of Officers**

**Section 5.01. President.** The President shall be the principal executive officer of the organization and, subject to the control of the Executive Board, shall, in general, supervise and control all of the activities of the organization. The President shall be a member of the Executive Board and, when present, shall preside at all meetings of the Executive Board and all meetings of the membership. The President shall vote only in the case of a tie in a vote of the Executive Board or the membership. The President shall select and appoint the chairpersons of all Standing and Special Committees and shall be an ex-officio member of all committees of the organization.

**Section 5.02. Vice-President(s).** The Vice-President shall be a member of the Executive Board and, in the absence of the President, shall perform the duties of the President. The Vice-President shall perform such other duties as are assigned by the President or the Executive Board.

**Section 5.03. Secretary.** The Secretary shall be a member of the Executive Board. The Secretary shall keep the minutes of the proceedings of the membership and the Executive Board, shall see that all notices are duly given in accordance with these bylaws, shall be responsible for the publishing of Bear Tracks, shall manage and keep an accurate tally of the volunteer records and, in general, perform all duties incident to the office of Secretary and such other duties as may be assigned by the President or the Executive Board.

**Section 5.04. Treasurer.** The Treasurer shall be a member of the Executive Board. The Treasurer shall have charge of and be responsible for all funds of the organization in accordance with the organization's financial policies. The Treasurer shall receive and give receipts for monies due and payable to the organization from all sources and shall deposit such funds in such banks or other organizations as are selected by the Executive Board. The Treasurer shall make disbursements as authorized by budget as approved, or amended, by the membership. The Treasurer shall present a written financial report, prepared in accordance with the organization's financial policies, at each General Membership Meeting of the membership and at other times as requested by the Executive Board.

## **Article VI Finances**

**Section 6.01. Budget.** The Executive Board shall present to the membership at the first regular meeting of the membership after the officers have been elected, or as soon thereafter as practicable, a budget of anticipated revenue and expenses for the year. This budget shall be used to guide the activities of the organization during the year, including serving as approval for anticipated

expenditures. Any substantial deviation from the budget must be approved in advance by the membership.

**Section 6.02. Obligations.** The Executive Board may authorize any officer or officers to enter into contracts or agreements for the purchase of materials or services on behalf of the organization.

**Section 6.03. Loans.** No loans shall be made by the organization to its officers or members.

**Section 6.04. Checks.** All checks, drafts, or other orders for the payment of money on behalf of the organization shall be signed by the Treasurer and by one other person as authorized in writing by the Executive Board. All checks must have the signature of at least two officers, such as the Treasurer and the President. Checks shall bear notice of this requirement above the signature line as follows, “*Two signatures required for all checks.*”

**Section 6.05. Banking.** The Treasurer shall deposit all funds of the organization to the credit of the organization in such banks, trust companies or other depositories as the Executive Board may select and shall make such disbursements as authorized by the Executive Board in accordance with the budget adopted by the membership. All deposits and/or disbursements shall be made as soon as practicable upon receipt of the funds and/or orders of payment.

**Section 6.06. Financial controls.** The organization shall adopt appropriate financial controls to ensure the integrity of its funds. Specifically, without limitation, the organization shall maintain separation of financial controls so that, minimally

- (a) all expenses must be approved by the membership by way of approval of an annual budget, or amendments thereto, or be approved by separate resolution of the Executive Board;
- (b) checks must be endorsed by at least two officers authorized by resolution of the Board of Directors, and checks of the corporation shall include above the signature line a notice to this requirement;
- (c) an officer or other person without check signing authority designated by the Board shall review all bank statements; and
- (d) a committee of at least two (2) persons without check signing authority shall annually review all corporate finances or hire and supervise an outside accountant or auditing firm to conduct a review of corporate financial records.

**Section 6.07. Financial Report.** The Treasurer shall present a financial report at each membership meeting of the organization and shall prepare a final report at the close of the year in accordance with the organization’s financial policies. The Executive Board shall have the report and the accounts examined annually. If the organization grosses less than \$100,000 per year, the financial practices and accounts may be reviewed by an internal review committee. The internal review committee shall consist of two or more board or voting members of the organization who are not involved in the routine handling of the organization’s finances, including not having signature authority on bank accounts or approval authority over disbursements. If the organization grosses between \$100,000-\$200,000 in receipts, an external professional, such as a certified public accountant (CPA), shall be hired by the review committee to perform a financial review or

compilation. A full audit shall be conducted by an external CPA when annual gross receipts equal or exceed \$200,000.

**Section 6.08. Fiscal Year.** The fiscal year of the organization shall be from July 1 to June 30 but may be changed by resolution of the Executive Board.

**Section 6.09. Record retention.** All records of the organization shall be maintained and destroyed in accordance with law and standard record retention guidelines.

## **ARTICLE VII CONFLICTS OF INTEREST**

**Section 7.01. Existence of Conflict, Disclosure.** Directors, officers, employees and contractors of Corporation should refrain from any actions or activities that impair, or appear to impair, their objectivity in the performance of their duties on behalf of the Corporation. A conflict of interest may exist when the direct, personal, financial or other interest(s) of any director, officer, staff member or contractor competes or appears to compete with the interests of the Corporation. If any such conflict of interest arises the interested person shall call it to the attention of the Board of Directors for resolution. If the conflict relates to a matter requiring board action, such person shall not vote on the matter. When there is a doubt as to whether any conflict of interest exists, the matter shall be resolved by a vote of the Board of Directors, excluding the person who is the subject of the possible conflict.

**Section 7.02. Nonparticipation in Vote.** The person having a conflict shall not participate in the final deliberation or decision regarding the matter under consideration and shall retire from the room in which the Board is meeting. However, the person may be permitted to provide the Board with any and all relevant information.

**Section 7.03. Minutes of Meeting.** The minutes of the meeting of the Board shall reflect that the conflict was disclosed and the interested person was not present during the final discussion or vote and did not vote on the matter.

**Section 7.04. Annual Review.** A copy of this conflict of interest statement shall be furnished to each director or officer, employee and/or contractor who is presently serving the corporation, or who hereafter becomes associated with the corporation. This policy shall be reviewed annually for information and guidance of directors and officers, staff members and contractors; and new officers and directors, staff members and contractors shall be advised of the policy upon undertaking the duties of their offices.

## **ARTICLE VIII INDEMNIFICATION**

Every member of the Board of Directors, officer or employee of the Corporation may be indemnified by the corporation against all expenses and liabilities, including counsel fees, reasonably incurred or imposed upon such members of the Board, officer or employee in connection with any threatened, pending, or completed action, suit or proceeding to which she/he



may become involved by reason of her/his being or having been a member of the Board, officer, or employee of the corporation, or any settlement thereof, unless adjudged therein to be liable for negligence or misconduct in the performance of her/his duties. Provided, however, that in the event of a settlement the indemnification herein shall apply only when the Board approves such settlement and reimbursement as being in the best interest of the corporation. The foregoing right of indemnification shall be in addition and not exclusive of all other rights which such member of the Board, officer or employee is entitled.

## **ARTICLE IX AMENDMENTS**

These bylaws may be amended at any regular or special meeting of the membership by a majority vote of the members present, provided that at least thirty (30) days notice of the proposed amendments has been made to the membership, or alternatively the membership waives the required notice.

## APPENDIX G

### SAMPLE FINANCIAL POLICIES FOR SCHOOL SUPPORT ORGANIZATIONS

[ALL SECTIONS OF THESE BYLAWS DO NOT HAVE TO BE ADOPTED BY THE ORGANIZATION]

[NAME OF SCHOOL SUPPORT ORGANIZATION]

**Annual budget.** An annual budget that shows expected sources of income and line items showing the amount expected from each source and expected expenses and line items showing the amount of each expected expense, shall be developed by the Executive Committee shortly after their election and presented to the membership for review and approval. The annual budget may be amended from time to time by the membership as needed.

**Purchase policy.** All purchases on behalf of the organization must be pre-approved, either by detailed line item in the annual budget or vote of the board or membership. The officer(s) authorized to sign contracts on behalf of the organization shall be designated in the bylaws or by vote of the board of directors or membership.

#### **Bank account(s).**

1. **Bank accounts.** All bank accounts of the organization shall be opened in an FDIC insured institution, approved by the Board of Directors, in the legal name of the organization using the organization's own EIN (employer identification number). Bank accounts shall not use the school's EIN.
2. **Investments.** All investments and investment accounts shall be approved by the Board of Directors. Investment accounts shall generally be limited to Certificates of Deposit in FDIC insured institutions.
3. **Bill payment.** All bills of the organization shall be paid by check from the organization's bank account. Online or e-checks are permissible; however, all procedures for paper checks must be followed, regardless of the banks procedures (i.e., prior approval of processing the online payment should be obtained by way, for example, of email approval by the required number of signatories before processing the payment).
  - a. All checks shall be numbered and shall be held in the custody of an officer authorized by the Board, such as the Treasurer.
  - b. All payments by check shall correlate to an invoice or receipt, on which the check number and date paid shall be written. If a receipt or invoice is not available, an officer shall write and sign a description of what was purchased.
  - c. Pre-signing blank checks is prohibited.
  - d. Two signatures are required on all checks. The requirement for two signatures should be printed on the checks above the signature line as follows, "Two signatures required all checks."
  - e. All expenses must be pre-authorized by
    - i. approval in the annual budget,
    - ii. subsequent amendment to the budget, or
    - iii. vote of the Executive Board if authorized by the bylaws.

- f. Bank statements shall be reviewed by treasurer **and** one or more other officers without signature authority to ensure separation of financial controls.
4. **Bank cards.** If debit/credit cards are established in the name of the organization, a policy approved by the Board of Directors shall be established that includes a list of the authorized users, daily/monthly/annual spending limits and limits use to charges for the organization. No personal charging on the card by the authorized users shall be allowed.

### **Cash.**

1. All cash must be kept in a secure location, such as in a lock box. A cash box ledger shall be kept and monthly cash box reports, including starting balance, expenditures, additions, and ending balance, shall be provided to the board.
2. The Board of Directors shall establish a maximum amount of cash that may be kept on hand, such as \$250.
3. A receipt shall be provided whenever cash is turned over or collected.
  - a. Receipts shall be numbered and kept in a bound book, with one copy provided to the person turning in the cash and one copy kept in the receipt book as a record. Alternatively, a receipt ledger on which the date, amount, and signature of both the giver and recipient of the funds may be used.
  - b. Cash should always be counted by two individuals, on the day the funds are collected, and at the site (i.e. school) where the funds are collected. A cash tally sheet showing the date and amount collected and signed by the counters should be maintained. If the treasurer is not one of the counters, the treasurer should recount the funds and counter-sign the tally sheet.
  - c. Cash should be deposited immediately into the organization's bank account. A copy of the deposit slip shall be immediately forwarded and kept by the treasurer. The deposit slip should be cross-referenced against the cash tally sheet and saved for the bank reconciliation.

### **Financial Reports.**

The treasurer should provide a financial report to the officers, and members as appropriate, at least monthly that includes

1. Statement of receipts and disbursements (also known as a Statement of Activities);
2. Balance sheet (includes cash on hand, other assets, liabilities and equities);
3. A copy of the bank statement, bank reconciliation, monthly cash reports and imaged checks;
4. A copy of the cash tally sheets; and
5. Any outstanding receipts/expenses/purchase orders/contractual obligations.

The monthly treasurer's reports shall be compiled and kept in the organization's records for four (4) years. The year-end treasurer's report shall be kept permanently. Bank statements, canceled checks, check registers, invoices, receipts, cash tally sheets, investment statements, and related documents should be kept for seven (7) years.

**Financial review/audit.**

An annual financial review of the organization's records should be completed at the end of the year and prior to turning records over to new officers. The financial review is intended to ensure that all financial procedures are being followed and that no financial irregularities exist. The financial review may be completed by an internal review committee if the organization has gross receipts of less than \$100,000 per year. Organizations with gross receipts of more than \$100,000 per year should hire an outside financial professional, such as a certified professional accountant, to complete the financial review. Organizations with gross receipts of \$250,000 or more should have a full annual audit conducted by an external CPA or accounting firm.

**Review Committee.**

A Review Committee should be established that is made up of at least two officers or board members, at least one of whom has enough financial background or experience to understand the organization's financial statements and records. The review committee members should not include anyone with bank signature authority or who has been routinely involved in handling the organization's finances. The purpose of the review committee is to provide a fresh set of eyes to ensure that the organization is following all appropriate financial policies and practices and make sure that there are no financial irregularities.