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School Support Organization Financial Accountability Act (SSOFAA)

SSO Procedures Manual - TN Comptroller of the Treasury

School Support Organizations (SSO) are a valued resource and are much appreciated supporters of our students and schools. Volunteers with our School Support Organizations work hand in hand with our schools and are required to follow certain guidelines and policies as defined in the *Tennessee Code Annotated 49-2-603* (School Support Organization Financial Accountability Act - S.S.O.F.A.A.) and Sumner County Board of Education *Board Policy 2,404*, titled: *School Support Organizations*.

School Support Organizations must be approved by the Principal of the school they are affiliated with and the Director of Schools or his designee. Each SSO must provide documentation annually that shows their financial activities, the volunteers in charge of the SSO, that the SSO is a registered non-profit in good standing and, if applicable, has been federally recognized and retains active status as a 501(c)(3) organization.

It is recommended that the SSO contact a CPA or attorney for guidance in organization formation and required annual State and Federal filings. At a minimum, the SSO should contact the State of Tennessee and the IRS for guidance on what annual paperwork is required.

Available on this page are the SSO required forms, the SSO operating manual (published by the TN Comptroller's Office), frequently asked questions and other general information regarding the operations and activities of a School Support Organization.

All annual SSO paperwork is due after the fiscal year end of June 30th and no later than August 1st each year. Please send all paperwork to:

Sumner County Board of Education
Attn: Internal Audit Dept.
695 E. Main Street
Gallatin, TN 37066



School Support Organization Required Annual Paperwork

All School Support Organizations (SSO) are required to complete and submit paperwork annually:

1) File annual report w/ the TN Secretary of State Division of Business Services

2) File annual form(s) w/ the IRS (there are a few exceptions)

3) Submit annual paperwork to the Sumner County Board of Education -
Deadline is August 1st each year.

- Annual Information Form,
- Annual Financial Report,
- SSO Annual Agreement (w/ completed verification form & checklist)
- SSO Concessions or Parking agreement (if applicable)

The Sumner County Board of Education SSO annual paperwork and SSO information and training material can be found on the School Support Organization page of the Sumner County Schools website, under the Parents & Students tab.

www.sumnerschools.org



Tennessee
Secretary of State
Tre Hargett

Business Services Online

As of July 24, 2024 we have processed all corporate filings received in our office through July 22, 2024 and all annual reports received in our office through July 23, 2024.

[Form or Register a new Business](#)

File documents to form or register a new business with the Tennessee Secretary of State.

[Find and Update a Business Record](#)

Search for a business by business name or Secretary of State control number in order to file annual reports and other amendments or to view the business detail.

[Request a Certificate of Existence](#)

Request, pay for, receive, and/or verify a Certificate of Existence online.

[File an Annual Report](#)

File or prepare an Annual Report for a business entity registered in the State of Tennessee.

[Search Business Name Availability](#)

Search the business services database to determine if a business name is available.

[Download the Business Entity Database](#)

Download the Tennessee Business Services business entity database.



Secretary of State Tre Hargett

Tre Hargett was elected by the Tennessee General Assembly to serve as Tennessee's 37th secretary of state in 2009 and re-elected in 2013, 2017, and 2021. Secretary Hargett is the chief executive officer of the Department of State with oversight of more than 300 employees. He also serves on 16 boards and commissions, on two of which he is the presiding member. The services and oversight found in the Secretary of State's office reach every department and agency in state government.



About the Office

The Tennessee Secretary of State has oversight of the Department of State. The Secretary of State is one of three Constitutional Officers elected by the General Assembly, in joint session. The Secretary of State is elected to a four-year term. The constitution mandates that it is the secretary's duty to keep a register of the official acts and proceedings of the governor, and, when required, to "lay same, all papers, minutes and vouchers relative thereto, before the General Assembly."

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09513292



Tennessee Corporation Annual Report Form

File online at: <https://TNBear.TN.gov/>

Due on/Before: 10/01/2023

Reporting Year: 2023

AR Filing #: 09513292
FILED: Jul 9, 2023 3:38PM**Annual Report Filing Fee Due:**

\$20 if no changes are made in block 3 to the registered agent/office, or

\$40 if any changes are made in block 3 to the registered agent/office

This Annual Report has been successfully paid for and filed. Please keep this report for your records.

Payment-Credit Card - State Payment Center - CC #: [REDACTED]

SOS Control Number: [REDACTED]

Nonprofit Corporation - Domestic

Date Formed: 09/25/2014

Formation Locale: TENNESSEE

(1) Name and Mailing Address:

[REDACTED]

(2) Principal Office Address:

[REDACTED]

(3) Registered Agent (RA) and Registered Office (RO) Address:

[REDACTED]

Agent Chosen: [REDACTED]
Agent County: SUMNER COUNTY**(4) Name and business address (with zip code) of the President, Secretary and other principal officers.**

Title	Name	Business Address	City, State, Zip
Vice President	[REDACTED]	[REDACTED]	[REDACTED]
Secretary	[REDACTED]	[REDACTED]	[REDACTED]
Treasurer	[REDACTED]	[REDACTED]	[REDACTED]
President	[REDACTED]	[REDACTED]	[REDACTED]

(5) Board of Directors names and business addresses (with zip code) None, or listed below.

Name	Business Address	City, State, Zip
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

(6) This section applies to non-profit corporations ONLY.

A. Our records reflect that your non-profit corporation is a public benefit or a mutual benefit corporation as indicated.

If blank or incorrect, please check appropriately: ☒ Public ☐ MutualB. If a Tennessee religious corporation, please check here if blank: ☐ Religious

(7) Signature: Electronic

(8) Date: 07/09/2023

(9) Type/Print Name: [REDACTED]

(10) Title: President

423-2324 07/09/2023 3:38 PM Received by Tennessee Secretary of State Tre Hargett



Charities and nonprofits

Clean energy tax credit benefits available

Government and tax-exempt entities can now benefit from clean energy tax credits with new options enabled by the Inflation Reduction Act of 2022. Find out about elective pay and transferability of clean energy tax credits.

Publication 5884, Inflation Reduction Act (IRA) and CHIPS Act of 2022 (CHIPS) Pre-Filing Registration Tool - User Guide and Instructions [PDF](#)

The IRA and CHIPS Act Pre-filing Registration Tool overview (video) [↗](#)

Tax-Exempt Organization Search (TEOS)

Use the TEOS tool to find information on an organization's status and filings

[Search organizations](#)

Annual filing & forms

990-series forms, requirements and tips to help you complete your annual reporting and filing

[Find filing forms](#)

Employer Identification Number (EIN)

Get an EIN to apply for tax-exempt status and file returns. Be sure you are a legally formed organization before applying for an EIN

[Apply](#)

Tax exemption

[Apply for tax-exempt status](#)

[How to apply for IRS recognition of tax-exempt status](#)

[Lifecycle of an EO](#)

[Information about five stages in an exempt organization's lifecycle](#)

[Reinstate tax-exempt status](#)

[What to do if your tax-exempt status is revoked](#)

Charitable contributions

[Charitable contributions](#)

[Learn about tax-deductible charitable contributions](#)

[Noncash charitable contributions](#)

[Learn about making charitable contributions of property](#)

Exempt organization types



Exemption Requirements - 501(c)(3) Organizations

To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an **action organization**, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Organizations described in section 501(c)(3) are commonly referred to as **charitable organizations**. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170.

The organization must not be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization managers agreeing to the transaction.

Section 501(c)(3) organizations are restricted in how much political and legislative (*lobbying*) activities they may conduct. For a detailed discussion, see Political and Lobbying Activities. For more information about lobbying activities by charities, see the article Lobbying Issues [PDF](#); for more information about political activities of charities, see the FY-2002 CPE topic Election Year Issues [PDF](#).

Interactive Training

Learn more about the benefits, limitations and expectations of tax-exempt organizations by attending 10 courses at the online Small to Mid-Size Tax Exempt Organization Workshop.

Additional Information

- Application Process Step-by-Step: Questions and answers that will help an organization determine if it is eligible to apply for recognition of exemption from federal income taxation under IRC section 501(a) and, if so, how to proceed.
- Private foundations - requirements for exemption
- Tax-Exempt Status: Online training available at the IRS microsite StayExempt.irs.gov.



Charities & Non-Profits Topics

- [A-Z Index](#)
- [Search for Charities](#)
- [Education Sessions](#)
- [Charity and Nonprofit Audits](#)
- [Free e-Newsletter](#)
- [Future Webinars and Recorded Events](#)
- [Life Cycle](#)
- [Taxpayer Bill of Rights](#)
- [Requesting Educational Services](#)
- [Tax Exempt and Government Entities](#)
- [Tax Exempt and Governmental Entities Issue Snapshots](#)
- [Charities & Non-Profits Home](#)

Which forms do exempt organizations file?

Most tax-exempt organizations are required to file an annual return. Which form an organization must file generally depends on its financial activity, as indicated in the chart below.

Status	Form to File	Instructions
Gross receipts normally \leq \$50,000 Note: Organizations <u>eligible</u> to file the <u>e-Postcard</u> may choose to file a <u>full return</u>	<u>990-N</u>	n/a
Gross receipts $<$ \$200,000, and Total assets $<$ \$500,000	<u>990-EZ</u> or <u>990</u>	<u>Instructions</u>
Gross receipts \geq \$200,000, or Total assets \geq \$500,000	<u>990</u>	<u>Instructions</u>
Private foundation - regardless of financial status	<u>990-PF</u>	<u>Instructions</u>

Additional forms, schedules, and instructions are available:

- [Current tax year](#)
- [Prior tax years](#)

Page Last Reviewed or Updated: 09-Dec-2016



Organizations Not Required to File Form 1023

The following types of organizations are not required to file Form 1023 for recognition of exemption under Internal Revenue Code section 501(c)(3):

- Churches, including synagogues, temples and mosques.
- Integrated auxiliaries of churches and conventions or associations of churches.
- Any organization (other than a private foundation) that has gross receipts in each taxable year of normally not more than \$5,000.

Contributors' contributions to these types of organizations are tax deductible. Although there is no requirement to do so, many churches and small organizations seek IRS recognition because recognition assures contributors that contributions are deductible.

Additional information

- [Publication 1828, Tax Guide for Churches and Religious Organizations](#)
- [Public charity - tax exemption application](#)

Page Last Reviewed or Updated: 13-Oct-2016

Department of the Treasury
Internal Revenue Service

for Tax-Exempt Organization not Required to File Form 990 or 990-EZ

2022

Open to Public Inspection

A For the 2022 Calendar year, or tax year beginning 2022-07-01 and ending 2023-06-30

B Check if available

☐ Terminated for Business

Gross receipts are normally \$50,000 or less

C Name of Organization:

PARENT TEACHER ORGANIZATION

D Employee Identification

Number [REDACTED]

E Website:

F Name of Principal Officer:

Privacy Act and Paperwork Reduction Act Notice: We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws.

The organization is not required to provide information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as the contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 990-N is covered in the section 6104.

The time needed to complete and file this form and related schedules will vary depending on the individual circumstances. The estimated average times is 15 minutes.

Note: This image is provided for your records only. Do Not mail this page to the IRS. The IRS will not accept this filing via paper. You must file your Form 990-N (e-Postcard) electronically.

Confirmation

[Home](#) | [Security Profile](#) | [Logout](#)

Your Form 990-N(e-Postcard) has been submitted to the IRS

- Organization Name: [REDACTED] PARENT TEACHER ORGANIZATION
- EIN: [REDACTED]
- Tax Year: 2022
- Tax Year Start Date: 07-01-2022
- Tax Year End Date: 06-30-2023
- Submission ID: [REDACTED]
- Filing Status Date: [REDACTED]
- Filing Status: Pending

Note: Print a copy of this filing for your records. Once you leave this page, you will not be able to do so.

MANAGE FORM 990-N SUBMISSIONS

990

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter social security numbers on this form as it may be made public.

Go to www.irs.gov/Form990 for instructions and the latest information.2021
Open to Public
InspectionDepartment of the Treasury
Internal Revenue Service

For the 2021 calendar year, or tax year beginning 07/01/21, and ending 06/30/22

Check if applicable:

☐ Address change

☐ Name change

☐ Initial return

☐ Final return/terminated

☐ Amended return

☐ Application pending

C Name of organization: [REDACTED] ELEMENTARY SCHOOL PTO

D Employer identification number: [REDACTED]

E Telephone number: [REDACTED]

G Gross receipts \$ 208,286

H(a) Is this a group return for subsidiaries? ☐ Yes ☒ No

H(b) Are all subsidiaries included? ☐ Yes ☐ No

If "No," attach a list. See instructions.

Tax-exempt status: ☒ 501(c)(3) ☐ 501(c) () (insert no.) ☐ 4947(a)(1) or ☐ 527

Website: N/A

H(c) Group exemption number

Form of organization: ☐ Corporation ☐ Trust ☐ Association ☒ Other PTO

L Year of formation: M State of legal domicile: TN

Part I Summary

1 Briefly describe the organization's mission or most significant activities:
TO RAISE FUNDS FOR [REDACTED] SCHOOL.

2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a) 3 19

4 Number of independent voting members of the governing body (Part VI, line 1b) 4 19

5 Total number of individuals employed in calendar year 2021 (Part V, line 2a) 5 0

6 Total number of volunteers (estimate if necessary) 6 0

7a Total unrelated business revenue from Part VIII, column (C), line 12 7a 0

7b Net unrelated business taxable income from Form 990-T, Part I, line 11 7b 0

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	35,341	58,545
9 Program service revenue (Part VIII, line 2g)		0
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	75	69
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11)	85,477	68,216
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	120,893	126,830
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		0
14 Benefits paid to or for members (Part IX, column (A), line 4)		0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		0
16a Professional fundraising fees (Part IX, column (A), line 11e)		0
16b Total fundraising expenses (Part IX, column (A), line 25)	0	
17 Other expenses (Part IX, column (A), lines 11d, 12-24e)	113,015	144,792
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	113,015	144,792
19 Revenue less expenses. Subtract line 18 from line 12	7,878	-17,962
20 Total assets (Part X, line 16)	149,192	131,230
21 Total liabilities (Part X, line 26)	0	0
22 Net assets or fund balances. Subtract line 21 from line 20	149,192	131,230

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: [REDACTED] Date: [REDACTED]

Type or print name and title: PRESIDENT

Print/Type preparer's name: [REDACTED] Preparer's signature: [REDACTED] Date: [REDACTED] Check ☒ if PTIN

Firm's name: [REDACTED]

Firm's address: [REDACTED]

If the IRS discusses this return with the preparer shown above, see instructions.

☒ Yes ☐ No

Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2021)

Model Financial Policy for School Support Organizations (SSO)

Requirements - Overarching

Overarching Requirements - Accounting and Internal Controls:

1. SSOs are subject to audit by the Tennessee Comptroller of the Treasury at the discretion of the Comptroller. SSOs must maintain all records in a form that will allow auditors to follow the detail of each transaction. SSOs shall provide, upon request, access to all books, records, and bank account information to the Comptroller, to school and school system officials, and to members of the organization.
2. The SSO must immediately contact the Comptroller of the Treasury, Division of Investigations at (615)-401-7907 if fraud is suspected. The SSO or individual members can also call the fraud hotline at (800)-232-5454 or file a Fraud Reporting Form by visiting <https://apps.cot.tn.gov/ANTS/Submission/Submit>.
3. An SSO's sales and use tax exemption does not exempt them from taxes due on items purchased for resale. To avoid liabilities for sales tax due to the state, and any related penalties, the organization must comply with state sales tax statutes (Section 67-6-102, *Tennessee Code Annotated* [TCA]) by remitting sales tax to the vendor or use tax to the Tennessee Department of Revenue for applicable purchases of products intended for resale.
4. Accounting and internal control policies and procedures must be designed and implemented to ensure compliance with laws and regulations, including the *School Support Organization Financial Accountability Act* and the *Model Financial Policy for School Support Organizations*; to ensure that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and to permit the preparation of accurate and reliable financial records and reports.
5. All SSO funds must be used in support of the SSO's goals and objectives as related to supporting a school district, school, school club, or school academic, arts, athletic, or social activity.
6. Accounting and internal control policies and procedures **must** be documented and approved by the officers and/or board of directors at a regular meeting. The policies and procedures shall be distributed to all active members of the SSO. Subsequent changes to policies and procedures must also be approved by the officers and/or board of directors. In addition, to assist in the transition for incoming treasurers/bookkeepers, a checklist of monthly and annual duties, both for collection and disbursement transactions, shall be prepared.

7. The officers and/or board of directors shall designate an SSO officer as custodian of records. This officer must maintain the financial and other entity records in an organized manner and protect them from damage. The records shall be turned over to the subsequently elected and designated officer. If records are maintained in electronic files, these files must be backed up at least every week, and the backup files must be secured in an off-site location in such a manner as to protect the files from damage or theft.
8. The officers and/or board of directors shall assume responsibility for the operation of the SSO. This responsibility **cannot** be delegated. They must review all receipt and disbursement transactions and supporting documentation at least monthly. They must examine bank statements to verify appropriate transactions and bank reconciliations for accuracy each month. (Refer to Required Reporting in the Table of Contents.) The officers and/or board of directors must ensure compliance with the *School Support Organization Financial Accountability Act*, the *Model Financial Policy for School Support Organizations*, Internal Revenue Service regulations, Tennessee nonprofit laws, and other applicable federal or state laws and regulations. The officers and/or board of directors shall ensure that all active members of the organization, particularly those whose responsibilities include collecting or disbursing SSO funds, are familiar with the *Model Financial Policy for School Support Organizations* prepared by the Tennessee Comptroller of the Treasury pursuant to state statute.
9. Likewise, the officers and/or board of directors are responsible for the ethical operation of the entity. This responsibility **cannot** be delegated. They must stress ethical behavior, honesty, and integrity by setting a “tone-at-the-top” that demonstrates these qualities, and by ensuring that all active members are made aware of and are also expected to demonstrate these qualities in all organization operations.
10. The officers and/or board of directors of any SSO must comply with applicable policies of the local education agency (i.e. local Board of Education) pursuant to state statutes. The local Board of Education may adopt policies that are **more restrictive** than those specifically enumerated in state statute or in the *Model Financial Policy for School Support Organizations*. The Board of Education must **not** adopt policies that are **less restrictive** than the *Model Financial Policy*. If the Board of Education implements policies that are more restrictive than those presented in the *Model Financial Policy*, the more restrictive policies of the Board of Education shall be applied. Representatives of the Board of Education are authorized to make the determination of whether their policies are more restrictive than the *Model Financial Policy*. However, this determination is subject to review by representatives of the Comptroller of the Treasury.

Some examples of policies that might need to be addressed by the Board of Education to comply with the above requirements depending on the circumstances are as follows: a) Director of School's designee, if any; b) reporting for SSOs that have a calendar year-end rather than a June 30 year-end; c) dates reports must be submitted by; d) form of the annual report if different from the reports included in the *Model Financial Policy*; e) the frequency of meetings for the SSO; f) composition of the SSO Board; g) the Board of Education's response to late reports or inadequate reports; h) the Board of Education's response if fraud is discovered within the SSO; etc.

11. It is the responsibility of each SSO to become informed about changes to the *Model Financial Policy for School Support Organizations* on an annual basis.
 12. The *Model Financial Policy for School Support Organizations* assumes that a board of directors has been appointed for each SSO. In situations where a board of directors has not been formally appointed, the officers of the SSO shall act as the board of directors for purposes of implementing the requirements of the *Model Financial Policy for School Support Organizations* only. This statement of responsibility under the *Model Financial Policy for School Support Organizations* is not intended to address any legal issues related to the appointment or non-appointment of a board of directors.
-

State Has Issued Our SSO an Administrative Dissolution Letter What Do We Do Now?

What is *Administrative Revocation*?

Administrative revocation occurs when a corporation's charter is administratively dissolved by the Division of Business Services for any of the following reasons:

1. Failure to file annual report with the Division of Business Services within two months after it is due.
2. The corporation is without a registered agent or registered office for two or more months.
3. The name of a corporation fails to comply with the name provisions of TCA §48-14-101
4. The corporation fails to notify the Division of Business Services within two months that its registered agent or registered office has been changed, that its registered agent has resigned, or that its registered office has been discontinued.
5. The corporation's period of duration stated in its charter expires; or
6. The corporation submits to the Division of Business Services a check, bank draft, money order or other such instrument, for payment of any fee and it is dishonored upon presentation for payment.

The State's Division of Business Services administratively dissolves the corporation by issuing a Certificate of Dissolution. The certificate shows the reason(s) for dissolution and its effective date. An administratively dissolved corporation continues its corporate existence but may not carry on any business except that which is necessary to liquidate its business, close operations, and notify claimants. The administrative dissolution of a corporation does not terminate the authority of its registered agent.

Once administratively dissolved by the state, the SSO can (1) choose to apply for reinstatement if SSO meets the criteria, (cost - \$100 as of January 2021). This is done by filing the SSO's late annual state report located online at the same website used to file the annual state report. The SSO must also file a reinstatement request (follow instructions provided by state) if they have chosen to request reinstatement as an active non-profit entity, or, (2) the SSO begins the process to cease business in TN. If the SSO chooses to cease business in TN, there are several steps that the SSO should follow:

1. Per the attorney general's office, to terminate the school support organization (SSO), the SSO must first complete the packet of information and send in all requested documents to the TN Attorney General's Office either by mail or email.
2. Once the attorney general receives the SSO's packet of information, their office has 45 days to review it. If accepted, they will notify the SSO that they have been approved to continue filing the proper forms with the state to cease business.

Once approved by the attorney general, the form to file with the state to cease business is located on the TN Secretary of State's website under "find and update a business record." <https://tnbear.tn.gov/Ecommerce/FilingSearch.aspx>

Once you click on the above hyperlink, enter the SSO's state control number (located on your annual report), click search, and then click on the SSO's control number that is listed. (Make sure to verify that it is your SSO's name.) In the "Available Entity Actions" box, click "More" and then click "Cease Business in Tennessee" and then follow the instructions provided online by the TN Secretary of State.

3. The state can answer any questions you might have, but neither they nor SCBOE can tell you how to complete the forms. You may need to consult an attorney or CPA who has this knowledge if you encounter issues.
4. If the SSO is a 501c3 organization, the SSO should also notify the IRS that they have ceased business once termination is complete.

Please take Note: None of the above provided information is intended to be legal advice, but simply a reference aide for SSOs.

The SSO must not make salary supplement payments of any kind unless the Board of Education has approved fund raising for that purpose. The Board of Education and the SSO need to be fully aware of the possibility of legal liabilities arising from interactions with students related to school activities and events.

In addition, the Board of Education and the SSO need to be fully aware of the possibility of legal liabilities arising from any and all discriminatory practices.

27. Can an SSO recruit student athletes?

No. This is not a proper function for an SSO. Recruiting, whether directly or indirectly appears to be in violation of TSSAA rules even if a school board or school official authorized fund raising for this purpose.

28. May an SSO charge and collect fees for school-sponsored activities?

No. SSOs must not charge fees to students to participate in school-sponsored activities or events. *Tennessee Code Annotated* 49-2-603(6)(f) defines fees charged to students for school sponsored academic, art, athletic or social events as student activity funds. As such, they must be accounted for by the school and deposited in the school bank account. Likewise, state law makes no provisions for SSOs to charge fees to students or their parents for participation in school-sponsored activities or events.

29. May an SSO require donations or participation in fundraisers as a fundraising method for students to participate in school sponsored activities?

No. Required or “suggested minimum” financial participation of students or their parents, whether through donations or required fundraising, will be interpreted as charging fees, and, as noted in 25 above, SSOs must not charge fees to students to participate in school sponsored activities or events. Likewise, state law makes no provision for SSOs to charge fees to students or their parents for participation in a school-sponsored activities or events.

check or personal debit/credit card is not exempt, even if the purchaser is an employee or contractor of the exempt entity and will be reimbursed by the entity. Sellers should not accept the nonprofit exemption certificate when payment is made using funds not belonging to the nonprofit entity.

An Entity Must Continue to Qualify for the Exemption in Order to Use the Exemption Certificate

Qualifications for an exemption are subject to review and verification upon audit. Misuse of an exemption certificate can result in not only a tax assessment, but also potential revocation of the exemption certificate and the entity's sales tax license.

A Nonprofit Making Sales during Two or Fewer Temporary Sales Periods May Use Its Exemption Certificate to Buy Merchandise for Resale without Tax

If the entity only sells merchandise or services during two or fewer temporary selling periods per year, with each period lasting 30 days or less, then it is not required to register to collect sales tax on its sales. However, if more than two temporary selling periods take place during a year, or if a sales period extends beyond 30 consecutive days, then all sales for the year are subject to sales tax. The nonprofit entity may use its Certificate of Exemption to make

tax-exempt purchases of merchandise that it will sell during two or fewer temporary sales periods.

K-12 Schools and School Support Groups Pay Tax on Purchases and Do Not Collect Tax on Sales

Schools (kindergarten through 12th grade) and school support groups must pay sales or use tax on all purchases of property and services that are intended for resale, except for food for school meals, textbooks and workbooks. They are not allowed to make tax-exempt purchases for resale by using a resale certificate or a Certificate of Exemption. However, the schools and school support groups are not required to register to collect the sales tax on any of their sales.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 67-6-322; Tenn. Code Ann. § 67-6-409; Tenn. Code Ann. § 67-6-102; Tenn. Code Ann. § 67-6-229; TENN. COMP. R. & REGS. 1320-5-1-.09; TENN. COMP. R. & REGS. 1320-5-1-.51

Disclaimer: The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department of your tax professional for further guidance.



We Know Booster Clubs

SMOOTH TRANSITIONS

Organizing Your Booster Club Records

It is important that your organization's permanent records and financial documents be handed over to the new incoming officers. Now is the time to gather up these documents and prepare for a face-to-face meeting to help your successors get started on the right foot.

Your booster club's permanent records should include:

- Articles of incorporation (if your group is incorporated as a nonprofit in your state)
- Bylaws (including documentation of prior amendments)
- PBUSA membership certificate verifying your 501(c)(3) tax-exempt status and/or IRS EIN letter (Form CP575)
- State income tax exemption documents (if any)
- State sales tax exemption documents (if any)
- State fundraising registration documents (if any)
- Year-end financial report and statement

Financial records should include:

- IRS 990-series return (990N, 990EZ or full 990) – three (3) most recent returns must be publicly available upon request
- Treasurer's reports (periodic) – hold for 7 years; then destroy
- Financial documents – hold for 7 years; then destroy
 - bank statements
 - cancelled checks
 - check registers
 - invoices
 - receipts
 - cash tally sheets
 - investment statements

Other helpful documents to pass on:

- Calendar / Timeline
- Budget / Spreadsheets / Statements
- Publicity (fliers, posters, emails, etc.)
- Vendors used (w/ helpful info such as "recommended" or "do not use")
- Feedback / Suggestions for improvement
- Ideas for next year

Transitions are easy when you're a member of PBUSA.
Your key documents and financial records can be stored in the cloud in your online dashboard.

📞 407-347-0063

✉ info@parentbooster.org

🌐 parentbooster.org

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Guide to Conducting an Internal Financial Review

School support organizations (booster clubs) should conduct a financial review of the organization's financial practices each year. This review is intended to ensure that appropriate financial policies are in place, and that each organization is following these policies.

Step #1: Gather financial documents including:

- ☐ Copies of all written financial policies
- ☐ Copies of treasurer's reports for the year (or other period) to be reviewed
- ☐ List of all bank and investment accounts, including names of persons authorized to sign on each account
- ☐ Copies of all bank and other financial statements for the period to be reviewed
- ☐ Copies of all bank and investment account reconciliations for the period to be reviewed
- ☐ Cash tally sheets or Cash receipts journal
- ☐ Invoices, receipts and other documents
- ☐ Documentation of any restrictions on the use of any particular funds or donor gifts
- ☐ IRS letter documents including most recent Form 990, IRS letter recognizing tax-exempt status, and IRS letter assigning an EIN (employer identification number) to the organization.

Step #2: Review financial documents and processes.

- Check the organization's EIN (employer identification number) as assigned by the IRS against the EIN used on the organization's bank and other financial accounts. Make sure the school's EIN is not being used.
- Check names of persons authorized to (a) approve transactions and (b) sign checks, against:
 - o persons authorized to conduct these activities in the organization's minutes; and,
 - o bank records indicating who is authorized as a signatory.
- Check to ensure that the same person(s) who sign checks are not the same/or only persons reviewing monthly bank statements.
- Check all bank reconciliations to determine that the beginning balance of one month is the same as the ending balance of the previous month. Also note whether the balance listed on financial statements is the same as the balance listed on the treasurer's reports presented to the organization.
- Pick one month and perform a bank reconciliation using the original records. If you find a discrepancy between your reconciliation and the reconciliation provided by the person who

performed the original reconciliation, research the discrepancy to find the error or explanation for the discrepancy.

- Count all cash in petty cash accounts to ensure that the count agrees with the books.
- Check to see if the organization carries fidelity bond coverage on people handling the organization's funds; if insurance is not held, propose that the organization consider obtaining bonding coverage.

Step #3: Review income and receipts.

- Determine if the deposits listed on the financial reports provided to the organization match deposits listed on bank statements.
- Check to see if cash tally sheets match the amount of cash reported as received from an event on financial reports, and also match the deposit indicated on bank statements.

Step #4: Review disbursements.

Test to be sure that payments made were properly authorized – by a line item in the approved budget, an approved amendment to the budget, or an appropriate vote authorizing the expenditure.

Test purchase orders to be sure that they were properly approved and match the actual disbursement or invoice.

Review records to ensure that there is an invoice, receipt or other appropriate written documentation for each disbursement, and that the amounts match.

Step #5: Review Tax/information returns.

Review financial records to ensure that appropriate federal (IRS Form 990) and state income tax/information returns have been timely filed.

Step #6: Review financial control systems.

- Check to evaluate whether financial duties have been appropriately separated. Although it can be difficult for small organizations to separate financial duties, certain separations are essential for appropriate financial controls. These separations protect both the organization, and the individuals handling the finances. Specifically:
 - Individuals with signature authority should NEVER approve the transactions/disbursements for which they sign. All expenditures should be approved in an annual budget, as originally approved or amended, or by a vote of the board or membership as appropriate. All disbursements should be documented by an invoice, receipt or other appropriate written documentation.
 - The individual(s) with signature authority may reconcile bank statements. However, at least one additional officer or director should review monthly bank statements, or bank statements may be included with the treasurer's report to the board/membership.

- Finances should be reviewed annually by an audit committee that consists of two or more individuals who do not routinely handle the organization's finances, such as by being a signatory on the accounts.
- Cash should always be counted by at least 2 persons at/near the time received, and then recounted by the treasurer or other individual prior to deposit.

Step #7: Review reporting systems to ensure adequate information is provided for the organization and its officers/directors to make reasonable decisions.

- Are reports from the treasurer timely and complete?
- Are financial policies, including separation of financial controls, being followed?
- Are all records being gathered (invoices, receipts, cash records, checks and disbursement records, bank records, treasurer's reports) so that they can be reviewed as needed, and only discarded in accordance with the organization's record retention guidelines?

Step #8: Write a report.

The financial review/audit report should document at a minimum:

- Steps taken in the financial review
- Current fund(s) balance and balance sheet
- Comments, if any, on any concerns or discrepancies found and the audit committee's recommendations to correct these concerns or discrepancies.

What's the Difference Between Nonprofit and Tax-Exempt Status?

by Jeffrey S. Tenenbaum, Esq.

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August 18, 2021

The terminology used to describe nonprofit, tax-exempt organizations often generates much confusion. Consequently, it is useful to clarify two key terms. Nonprofit entities are generally organized and operated as both nonprofit *and* tax-exempt entities. "Nonprofit" status refers to incorporation status under state corporate law; "tax-exempt" status refers to federal income tax exemption under the Internal Revenue Code ("IRC").

Note that the key distinction between nonprofit and for-profit corporations is that while for-profits have owners/shareholders, nonprofits do not.

One who doesn't know otherwise might reasonably conclude that as nonprofit, tax-exempt entities, such organizations may not earn profits (realize more income than expenditures) and that they need not pay any taxes. Neither conclusion is correct.

Nonprofits are permitted to generate greater income than expenses and still retain their nonprofit corporate status. However, nonprofit corporations are barred from distributing their net earnings to individuals who control the organizations. Similarly, they are barred from accumulating equity appreciation for private benefit. Nonprofit organizations have chosen to undertake programs and activities to benefit the public – or, for example, in the case of trade and professional associations, an industry or profession – rather than private individuals. Their earnings must therefore be dedicated to furthering the purposes for which they were organized. Nonprofit organizations have no owners and pay no dividends; all earnings are reinvested in the entity in furtherance of its nonprofit mission and purposes.

Nonprofits in the United States are governed by the nonprofit corporation statute in their state of incorporation (or the District of Columbia) – not the state in which their office(s) is/are located. The nonprofit corporation laws are enforced by state Attorneys General.

Most nonprofits are also tax-exempt entities, but they need not be. Taxable nonprofit corporations do exist, usually because they would not – or choose not to – qualify for recognition of federal tax-exempt status. These entities are few and far between. Most nonprofit organizations qualify for federal income tax exemption under one of approximately 30 subsections of Section 501(c) of the Internal Revenue Code.

The vast majority of all nonprofits in the United States (including charities and foundations as well as educational, healthcare, religious, and arts and cultural institutions) are tax-exempt under IRC Section 501(c)(3). Other common categories of federal tax-exempt status are Sections 501(c)(4) social welfare organizations, 501(c)(5) labor and agricultural organizations, 501(c)(6) trade and professional associations and chambers of commerce, and 527 political organizations. In addition, it is common for an entity exempt from tax under one category of the IRC to have a controlled affiliate under a different category of federal tax exemption, such as 501(c)(6) associations with 501(c)(3) related foundations and 501(c)(3) charities with 501(c)(4) advocacy affiliates, and even to own (in whole or in part) taxable subsidiaries.

But what does tax exemption mean? Does it mean that an organization is exempt from all taxes? No. Tax-exempt status means that an organization is exempt from paying federal corporate income tax on income generated from activities that are substantially related to the purposes for which the entity was organized (*i.e.*, to the purposes for which the organization was recognized by the Internal Revenue Service (“IRS”) as tax-exempt). The organization must, however, pay federal corporate income tax (currently at a flat 21% tax rate) on income from regularly carried on business activities which are unrelated to its tax-exempt purposes, called unrelated business income (“UBI”). The most common form of UBI is advertising income. Tax-exempt entities are limited in how much UBI they can earn without putting their tax-exempt status in jeopardy.

Organizations that meet the requirements for federal tax exemption can generally rely on that status to exempt their income from state corporate income tax in the state in which their principal office is located.

For more information, contact the author at jtenenbaum@TenenbaumLegal.com.

thank you =
= volunteers!