# MNPS SCHOOL SUPPORT ORGANIZATION GUIDANCE MANUAL

This manual is designed to assist all school support organization officers and members by providing organizational and financial guidance. Only approved organizations, operating under the school support organization law and have come into agreement with Metro Nashville Public School district, shall be allowed to use the school district 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 can be directed to the district's school support organization email address, MNPSSupportOrganizations@mnps.org or school specific questions can be addressed to the Executive Principal of the related school and/or Director of Schools or their designee. If your SSO decides to become a PTA, please contact the Tennessee PTA State office in Nashville for proper guidance and assistance. A huge benefit of becoming a PTA is that the State PTA association will file your tax-exempt status at no cost and file the organization's state forms with the Department of Revenue at no cost. Their contact information is as follows: Tennessee PTA, 1905 Acklen Avenue, Nashville, (615) 383-9740 or ptastateoffice@tnpta.org.

## ***EMPLOYER IDENTIFICATION NUMBER (EIN#)***

School Support Organizations must file for an employer identification number on Form SS-4, Application for Employer Identification Number. This is not the same as the state tax exempt number. School support organizations are prohibited by law from maintaining a bank account bearing the EIN of a school, school district, or of other school-related governmental entities. Please refer to the reference section for IRS contact information. MNPS and its representatives will not advise organizations with IRS advice.

## **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. Under no circumstances shall a school support organization use the District's exemption from the State's sales and use tax. Further information may be obtained from the Department of Revenue's website, MNPS and its representatives will not advise organizations with The Department of Revenue advice.

## ***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 (www.irs.gov).

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 or his/her designee when you register with the school district.

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. MNPS and its representatives will not advise organizations with IRS or tax advice. Each individual organization is urged to consult with the IRS directly and/or a tax professional for questions concerning federal tax requirements and/or exemptions.

## ***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. MNPS and its representatives are not tax professionals and will not advise school support organizations on taxes. Please consult with your tax professional or the IRS for additional assistance and advice.

Additionally, school support organizations registered in Tennessee must file an Annual Report with the Division of Business Services of the Tennessee Secretary of State's office. 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. For more information, please contact the Tennessee Secretary of State Division of Business Services at (615) 741-2286.

## ***ORGANIZATION – BYLAWS AND OFFICERS***

Each school support organization must develop and maintain bylaws that are jointly reviewed on an annual basis by the executive principal of the related school and the school support organization officers. Copies of the organization's bylaws must be submitted to the MNPS Audit department during

the annual registration process. The bylaws should contain the detail of the rules of membership and that a majority of the voting members of any school support organization will not be composed of school representatives. 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 the 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; officers must be a parent or legal guardian of a student enrolled at the respective school in MNPS; If your SSO is a cluster school support organization, the elected officers must be a parent or legal guardian of an enrolled student of that cluster; a school district employee can be an elected officer for the organization with the exception of Treasurer only if they are a parent or legal guardian of a student at the associated school and no school district employee can be a signatory on checks for the organization; a school administrator will not act as an officer for the school support group affiliated with the school under their supervision; and the elected officers must not be related to any MNPS employee associated with the SSO. The elected officers must not be related to the bookkeeper of the associated school.

All officers of the organization will be required to sign an agreement form provided by MNPS acknowledging that the organization will indemnify and hold harmless the school district and the Director of Schools, and all other agents of the local education agency from any responsibility or liability in regards to the actions of individuals within the organization or the organization. The officers will also acknowledge that the organization will not represent or imply that its activities, contracts, purchases, or financial commitments are made on behalf of, or binding upon, any school or the school district; Officers should be bonded and are responsible for any fees charged by the insurance company.

**Per the State of TN, at a minimum, the school support organization shall elect the following officers on an annual basis & must have at least a President and Secretary that are not the same individuals. Officers have a fiduciary duty and must act in good faith and in the best interests of the organization. MNPS requires its school support organizations to have a Treasurer as well. Non-profit officers can be held personally liable for harm to the non-profit caused by breaching the fiduciary duties of good faith, loyalty, and care.**

**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 Principal or principal designee 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. Upon receipt, the designee should review the activity on the bank statement and

canceled checks for reasonableness. • 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.

**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, and financial information given by the Treasurer and/or President; • 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 possible); • 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 executive principal; • Maintain an accurate and detailed account of all monies received and disbursed; • Reconcile all bank statements monthly 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.

## ***ADDITIONAL OFFICERS AND COMMITTEES***

### 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.

### 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.

### FINANCIAL 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 organization'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. (You can use the form in the back of the TN Comptroller's SSO Model Financial Policy manual.) 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 the

presentation. All officers of the organization shall make records available as requested by the review committee. Copies of final review reports should be submitted to the executive principal. Attach a copy of the review report with the organization's detailed receipts & disbursement report when submitting at the close of the fiscal year in conjunction with the requirements for the district's annual registration to the Director of Schools or director's designee.

## ELECTION OF OFFICERS / TRANSITION OF OFFICERS & SSO RECORDS

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. This ensures that the old and new officers have time to meet and transition so that the newly elected officers may be in place for the start of the next school year and annual paperwork can be submitted by the school district's deadline. The transfer of records and review of the accounts is very critical and should be completed no later than June of each year as the deadline to register with the school district is in August. 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 ***Organization – Bylaws and Officers section*** for specifics on maximum terms and limited family members in officer roles. If elections are not held until the beginning of the school year, the prior year organization's officers will need to ensure that the transition is handled in an effortless manner. Keeping the executive principal abreast of the transition of officers is highly recommended.

## *STANDARDS FOR MEETING*

Notice of all meetings of the school support organization should be published on the school's campus at least 72 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 executive principal or principal designee. Business determined at meetings without adequate school representation shall be considered null and void. Should a school support organization feel that it is necessary to meet without a school administrator or administrator designee, a District administrator should be contacted for an acceptable replacement.

## ***RECORD KEEPING***

The secretary and treasurer of the organization shall turn records over to the incoming officers within 30 days of election. School Support Organization records should be kept for a period of 4 years for review purposes. For specific guidelines on record keeping refer to the tools for success below in this document and also to the TN Comptroller's Model Financial Policy manual that can be found on the Comptroller's website.

## ***DISSOLUTION OF THE ORGANIZATION***

It is essential that officers and board members continue to fulfill their fiduciary obligations throughout the entire dissolution process. 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 executive principal or Director of Schools or director's designee also has the authority to dissolve a school support organization for failure to abide by the bylaws or policies and procedures of the organization or when it is deemed that it is in the best interest of the school to maintain the funds at the school level. The organization is responsible and must determine the distribution and usage of organization monies and other assets before dissolution, which should be contained within the organization's by-laws. 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 school. Any other distribution of funds could void the organization's tax-exempt status and force it into a fully taxable situation. A check must be issued to the party listed in the by-laws for any excess funds after all expenses have been paid and placed in the appropriate account for the purpose the funds were raised. Your non-profit will also need to file dissolution documents with the Tennessee Secretary of State. Articles of Dissolution and Articles of Termination must be filed with the Division of Business Services. For more information and forms, please visit sos.tn.gov/business-services. A copy of the dissolution papers should be submitted to the MNPS Audit department once filed with the Secretary of State.

The Tennessee Secretary of State also has the authority to administratively dissolve organizations that do not fulfill their obligation in renewing with their office annually.

Note: If your organization is a Parent Teacher Association (PTA, PTSA), please contact the Tennessee PTA State office in Nashville for proper guidance and assistance for dissolving. Their contact information is as follows: Tennessee PTA, 1905 Acklen Avenue, Nashville, (615) 383-9740 or ptastateoffice@tnpta.org.

## ANNUAL REGISTRATION WITH MNPS & GENERAL FINANCIAL INFORMATION

Annually, school support organizations will submit registration documents by the district's designated deadline. Registration compliance documents must be submitted through the MNPS approved school support organization registration compliance software, Givebacks for review and approval.

## LIABILITY INSURANCE

School support organizations should seriously consider the purchase of liability insurance to protect the organization and its members. Coverage's 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. MNPS and its representatives will not advise on particular insurance agencies. *Note: Metro Government does require liability insurance for the use of Metro Government buildings including schools. MNPS School support organizations that will be using the school building for hosting any events or activities must have liability insurance coverage.*

## FINANCIAL REPORTING TO DISTRICT

Tennessee state law requires the school 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 a detailed receipts and disbursement report during registration. This submission should be done after the fiscal year end of June 30th with SSO registration information. You can find an example of a detailed receipts and disbursement report in the document box in the folder labeled "Sample forms for SSOs" on the MNPS School Support Organization webpage.

## ORGANIZATION BUDGETS

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 after elections for the upcoming school year. The budget should be submitted to the executive principal to review for reasonableness and to ensure that it aligns with the school's improvement plan (SIP) and the goals & objectives of the SSO. 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 or computer programs available to assist organizations in accurately accounting for financial transactions.

You can also find an example of a planned to actual budget on the MNPS webpage for school support organizations in the document box on the MNPS School Support Organization Webpage.

## FUNDRAISING GUIDELINES

Once your budget has been created and the organization has aligned it with the school improvement plan to identify the school needs, you are now ready to fundraise to support those needs. Tennessee law distinguishes between "SSO sponsored events" (PTA, PTO, Booster, Alumni events) vs "school sponsored events", and the funds raised through these events are considered different. It is recommended that your organization speak with the executive principal to ensure that the SSO and the school are not duplicating fundraisers during the same period that could possibly hinder the fundraising efforts of each group. SSO funds include all money, materials, property or securities raised by a school support organization or any organization that represents itself to support academic, arts, athletic, and social programs to further educational opportunities for the children of this state. However, school sponsored events generate school funds, better known as student activity funds and other internal school funds.

When an SSO sponsors a fundraiser, the PTA/PTO or booster club is responsible for handling all facility use requirements, completing the SSO fundraiser authorization requests, , collecting and accounting for the money. These procedures apply even if the fundraiser is held during the school day with students. MNPS employees cannot collect money for a school support organization fundraiser. The school becomes accountable when money is initially received by employees, officials, or volunteers acting in their official capacity. So, if students must bring money to school for an SSO fundraiser, the SSO must communicate to parents to send the funds in a sealed envelope labeled with the SSO's name on it. The employees may then collect the envelopes and turn over to the SSO representative without opening any of the envelopes. The sponsoring group always assumes responsibility for the fundraiser so an SSO representative must come to collect the envelopes or have a drop box located at the school to safeguard SSO funds.

For detailed procedures for SSO fundraising, please refer to the MNPS SSO Fundraiser Request Procedures.

METRO NASHVILLE PUBLIC SCHOOLS

**TOOLS FOR SUCCESS**

Below is a recap of some helpful reminders & tools to assist your school support organization in being successful with MNPS. If a question should arise which cannot be resolved at the school level, the Director of Schools or director's 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 student achievement & success. • Encourage engagement and involvement of all parents of students participating in the support activity. • Use school facilities only with prior approval of the principal/designee following the district guidelines for facility use. • Obtain approval of the principal and Director of Schools/designee for all fundraising activities following the district guidelines for fundraising. • Follow the minimum requirements of the TN Comptroller's Model Financial Policy manual and have your organization's financial policy in writing and on file at all times. •Have a school administrator/designee present at all school support organization meetings. • Submit a copy of current bylaws and operating procedures to the school principal and Director of Schools'/designee office. • Submit the required information such as name, address, email address, and phone number of all current officers, on forms specified by the Comptroller's Office or school district, and the authorized signers of bank account transactions to the Director of Schools'/designee office. • Ensure adequate insurance coverage for the organization. • Pay all taxes and other debts incurred by the organization. • Comply with Metro Nashville Public Schools board policies, State and Federal laws and tax laws. • Obtain your own Federal tax-exempt status from the Department of Revenue • Obtain your own Employer Identification Number from the IRS • 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 or having fiduciary responsibilities • 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 Metro Nashville Public Schools (All employee payments must be processed through payroll.) • Give a member any gift without the approval of the organization membership. • Employ or pay any member for services rendered with the organization funds. • Make any purchases with organization funds without following the financial procedures of the organization & the TN Comptroller's Model Financial Policy manual • Use the District's tax-exempt certificate or employer identification number.

METRO NASHVILLE PUBLIC SCHOOLS

**10 FINANCIAL RECOMMENDATIONS TO PROTECT YOUR ORGANIZATION**

**AGAINST FRAUD, WASTE, AND ABUSE**

1. Money should never be kept at any officer or member's home.

2. Two people should always count the money, and both should sign the receipt verifying the amount.

3. There should be at least three authorized signers on the bank account. Two signatures should be required on all checks. An approval process to make payment or to purchase with the organization's funds should be in place. Invoices or receipts should also be reviewed at this time before payment is made.

4. Have at least two members who does not have check signing authority review the bank statement monthly before giving it to the treasurer. These individuals should be 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. Anything questionable, ask to see the documentation to coincide with the transaction.

5. Never sign a blank check or a check made out to "cash."

6. All bills must be paid by check, never cash.

7. If the organization is using a debit card to make purchases written guidelines should be in place regarding the usage and how the card is safeguarded. Cash withdrawals, cash advances or personal purchases should be prohibited with the debit card regardless if the intent is to reimburse the organization. A daily dollar limit should be set by the membership in order to make a purchase with the debit card. A log should be kept of authorized users. The debit card should stay locked up in a secure place and not in the possession of any officer or member. MNPS and PTA discourages the use of debit cards.

8. The treasurer should arrange to deposit the money in the organization's bank account daily even if an event is ongoing and at the conclusion of the event as soon as possible. (No more than 1-2 business days or make a night deposit.)

9. Conduct an annual review of the books frequently. (Per semester is a recommended time.)

10. Make sure that you have a Bond policy and make sure to follow the requirements to guarantee coverage.

METRO NASHVILLE PUBLIC SCHOOLS

**INTERNAL CONTROLS**

In order to protect your organization, 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 fraud, waste, and abuse of SSO 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 organization officers. • Another individual (besides the President and Treasurer) who does not have check signing responsibilities 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. • 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.

Controls over Disbursements

• A check request procedure should be put in place; documentation should also include the signature of the President or Vice President and one other officer. A check request should be completed for all expenditures regardless of the amount. Checks should not be generated without proper documentation (i.e. invoice, original receipts, etc.). The appropriate supporting documentation (invoices, receipts) should then be attached to the disbursement form and filed in check number order• Checks should require the signature of two officers that are signatories on the account. • Blank checks should not be issued. • If a reimbursement is required, actual receipts should be requested, and a reimbursement processed based on the organization's financial procedures if reimbursements are allowed. • Cash withdrawals and cash transactions are prohibited.

Budgetary & Oversight Controls

• Actual receipts and disbursements should periodically be compared to the budget that was prepared at the beginning of the year. • 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 and reported to members. • 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' or designee's office during the annual registration process. 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. When the validated deposit ticket is received from the bank after the deposit is made, it is recommended that an individual documents on the deposit slip where those funds were generated from.

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 check register 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 Statement • Check Register & Deposit slips/receipt register to complete the bank reconciliation, perform the following steps: • Verify all cleared checks by comparing check register to bank statement • Identify any items that need to be corrected by the bank such as returned check charges and encoding errors. • Verify all deposits by comparing deposit slips/receipt register to bank statement • List all outstanding checks to determine a total • List all outstanding deposits not posted to determine deposits in transit or if a deposit is missing • Indicate the ending balance per the bank statement • Examine the prior month's reconciliation to ascertain that all items have been posted and/or corrected. If 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 MNPS employees are prohibited. District employees must be paid through the district's payroll processing system. 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. In addition, a request for facility use must be approved by the MNPS facility use office. 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. 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 taxpayer identification number. The organization must then issue a form 1099 to all qualifying vendors performed in the calendar year by January 31st. Please refer to www.irs.gov for more guidance. MNPS or its representatives do not provide tax advice.

FUNDRAISING

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. • 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 or receive individual credit for fundraising. Both practices may jeopardize an organization's tax-exempt status with the IRS and violate IRS regulations and state law. • 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 an 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 cake wheels. Unauthorized

games include bingo, pull-tabs, punchboards, video lottery games, instant and online 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 www.tn.gov/sos/charity/gaming/gaming_faq.htm.

SALES TAX

School support organizations who have applied for exemption are exempt from sales tax when making purchases. •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. Vendors are not required by law to honor the exemption. • Again, the school district's exemption status may not be utilized by school support organizations, boosters, or alumni organizations to secure exemption from sales and use taxes. School support, boosters, and alumni organizations must apply for their own exemption. • COLLECTION AND REMITTANCE OF SALES TAXES The school support organization shall collect sales tax on all taxable sales. When imposing sales tax, the organization should pay sales tax on the cost of the items not the selling price. Sales tax must be paid on all fundraisers. (Exceptions apply to §501(c)(3) organizations) 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 to the Tennessee Department of Revenue, based upon the purchase price of all tangible personal property or services purchased for resale. Sales tax should be filed in accordance with the Tennessee Department of Revenue guidelines. Further information can be found at www.tn.gov/revenue.html.

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. 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 shall not conflict with policies or actions of the Board of Education or public law; shall meet established curriculum guidelines. A gift is a payment of money, item of monetary value, or transfer of property without receipt of adequate consideration and with donative intent.

Gift Cards and Cash

To comply with IRS regulations regarding de minimis fringe benefits, gift cards or gift certificates cannot be purchased for school employees with school funds. Gift cards are taxable income and therefore should be processed through the payroll processing system. School support organizations such as PTO, PTA, booster clubs, or other outside organizations cannot donate funds or purchase gift cards for the school to bypass these regulations. However, School support organizations or outside organizations may purchase gift cards from their funds and give directly to school employees if the outside party determines who gets the gift cards. Gift cards are allowable for student incentives of $25 or less and must be a merchant gift card. Cash should never be given to an MNPS employee to use at his or her discretion or as a payment of service.

MISCELLANEOUS

The following guidelines apply to all school support organizations. If a question should arise which cannot be resolved at the school 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 school principal to allow related activities on the campus and may result in not being recognized as a school support organization by the Board. • The regular school program and extra-curricular activities of the school and programs and District affiliated organizations will take precedence over school support organization activities. • 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 approval of the Board of Education. • Upon dissolution of a school support organization, the Internal Revenue Service should be notified that the organization has been dissolved and no longer requires the tax-exempt number.

METRO NASHVILLE PUBLIC SCHOOLS

**IMPORTANT WEBSITES AND TELEPHONE NUMBERS**

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| Metro Nashville Public Schools | www.mnps.org |
| Internal Revenue Service | www.irs.gov |
| TN Secretary of State | Click here |
| TN Secretary of State Business Services Number | (615) 741-2286 |
| TN State Comptroller | www.comptroller.tn.gov |
| TN State Comptroller Fraud Waste and Abuse Hotline | (800) 232-5454 |
| TN Department of Revenue | www.tn.gov/revenue |
| TN Department of Revenue Phone Number | (615) 253-0600 |
| TN PTA | www.tnpta.org |
| TN PTA Telephone Number | (615) 383-9740 |