**Starting a School Support Organization (SSO)**

**(Booster Club, PTO, PTA)**

**Consider:**  Is there a true need for you to start a school support organization? Are there enough people interested in volunteering to serve or should you simply consider volunteering your time to help a coach or school administrator with internal school/team fundraisers. Who will your serve? What is your mission?

**Talk with school administrators:** school administrators/coaches are particularly useful. They can share ideas that may be off your radar. They can also share with you certain things you can and cannot do as a school support organization. (i.e. You must fundraise for the team/students as a whole….not for individuals.) There are both state laws and school district policies and procedures that a school support organization must follow. See the following CMCSS web link for training and more information on school support organizations law, policies and procedures: <https://www.cmcss.net/business-affairs/sso-training/>

**Recruit volunteers:** parents, alumni, and other community members. You need volunteers to help raise funds and keep the club going. If there are not enough people interested in volunteering to serve, perhaps you may want to reconsider. Interested individuals can always request to volunteer to help the coach/school leader with internal school fundraisers.

**Pass the hat:** Even before you start fundraising, you will probably need a bit of money for start-up costs or your first fundraiser may require some upfront money.

**Create a mission statement:** Why do you think that there needs to be a booster club? The mission should be the ruler that will measure everything the club does. Like a nation’s constitution, the mission and charter will outlast your involvement in the club. You can certainly amend either later, but only through explicit and intentional change. If you plan to become a tax-exempt non-profit with the IRS, make sure your mission and charter conform to [**IRS rules**](http://www.irs.gov/Charities-%26-Non-Profits/Frequently-Asked-Questions-about-Tax-Exempt-Organizations) before your final drafts are adopted.

**Becoming a School Support Organization:** You are advised to consult an attorney or certified public accountant to complete the paperwork necessary to obtain nonprofit status. The following suggestions should not be considered a substitute for legal advice or a complete summary of the laws and procedures governing Tennessee nonprofit organizations. To become a school support organization in Tennessee, a group must complete the following:

1. **Recruit an initial board of directors**. These people will be part of the initial planning team.
2. **Select a name**. This will become your organizations legal name. Make sure the chosen name is approved by the state before using it on other legal documents.
3. **File a copy of your charter with the TN Secretary of State.** The law requires that an SSO file a copy of its charter with the Secretary of State. This can be completed online by following the instructions on the following state web link to register as a Nonprofit Corporation: <https://tnbear.tn.gov/Ecommerce/RegistrationType.aspx> (Note: The State waives its standard One Hundred Dollar filing fee for school support organization.) **Make sure to select a fiscal year close month that will work well with your organization and report filing.** For example, a PTO/PTA and most groups would probably want to choose June as the fiscal year close month to correspond with the school’s fiscal year. (A basketball booster club would probably never want to choose December as the fiscal year close since their season begins prior to December and does not end until March. While a SSO can choose any month as their closing period with the state, we recommend using June to correspond to how you have to report to the district.) **Be careful in completing the online charter application. December will automatically be selected as your organization’s fiscal year close if you do not override. This is the same for other boxes as well, so make sure to carefully read and choose. A school support organization that raises money (vs just charging dues) would be considered a public benefit corporation and since a school support organization has officers and members who vote, it will have members. Again, make sure to check the appropriate boxes and not just accept the automatic selections. You may wish to check Organization vs Individual as the registered agent and use your Organization’s name and the school address since officers change frequently and important information may not reach the club if the registered agent is listed as an individual with their home address.**
4. **Prepare the organization’s internal governance or bylaws**. Hold an initial meeting to establish and approve the bylaws of the organization. If the organization intends on filing as a 501 (c)(3) with the IRS, see what the IRS requires to be included in bylaws so they don’t have to be redone or you get delays in getting approved because your bylaws are not in accordance with IRS rules. Note: The club should only have one set of bylaws to follow in carrying out the mission of the organization. Drafting bylaws should be taken seriously. Bylaws are to be the organization’s operating guide in how business is conducted such as election of officers, voting rights and what determines a quorum, financial policies, how to make amendments, etc. Think about issues that may arise (such as a non-parent wanting to be an officer) and how the organization would want to handle the issue – i.e. – Can only a parent or legal guardian be an officer or can any relative or interested person be an officer. Bylaw examples can be found on the CMCSS SSO Online Training web link referenced previously on page 1.

The organization’s bylaws should probably specify who is eligible to be considered for an officer position and the positions that are required or optional to avoid any confusion when issues arise. Also, it’s recommended you include your accounting policy within your bylaws or at least a reference to the club’s accounting policy that has to be followed and where it can be located.

1. **Elect officers.** The state of TN requires a minimum of a president and a secretary who cannot be the same person. Of course, a treasurer is also required and CMCSS will not permit the president and treasurer to be the same person. CMCSS will also not permit a husband and wife or family member living in the same household to both serve as officers of the same SSO. See CMCSS SSO policies and procedures for other persons who can or cannot serve as officers of a SSO. (<https://www.cmcss.net/business-affairs/sso-training/>)
2. **Obtain an Employer Identification Number (EIN)** Obtain an EIN from the IRS. The bank must have this in order to open an account for the organization. School support organizations are not allowed to use a school’s EIN. According to IRS regulations, if the officers open the account under their social security numbers, they must personally claim any interest earned on their personal income tax return. CMCSS requires the use of an EIN in association with a School Support Organizations bank account. You can obtain an EIN by going to the following hyperlink: <https://www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers> Select “Apply for an EIN Online”. There is a wizard that will ask you questions and lead you thru the process. At the end, you can select to print your EIN right then or have it mailed to you. Or you may choose to print from SS-4 (application for Employer Identification Number) and mail or fax the form to the IRS. **Keep** a copy of this form with the SSO permanent records.
3. **Get a business bank account.**  You will need your EIN as well as copies of your mission statement and other incorporating documents, such as bylaws. Make sure the bank you choose can provide you with front and back images of all checks and copies of your itemized deposit slips either within the monthly bank statement or available for you to print online upon demand.
4. **Do you want to be a 501 (c)(3)**, 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. Without an approved 501(c)(3) status, donations to the SSO cannot be reported as tax deductible with the IRS, and the SSO will not be regarded as exempt from paying sales tax. (There is a filing fee.) Each individual organization is urged to consult with the IRS and/or a tax professional for questions concerning federal tax requirements and/or exemptions. See the following IRS web link for additional information: <https://www.irs.gov/charities-non-profits/frequently-asked-questions-about-tax-exempt-organizations> (Note: ALL nonprofit groups **are required** to file tax returns. The IRS has a rule that any organization, regardless of income, MUST file the appropriate tax return. Organizations recognized as tax-exempt file the appropriate form of IRS 990 (990-N, 990-EZ, 990-Full). If an organization does not have tax-exempt status, it may be required to file a corporate tax return and pay tax on net income. If a school support organization does not file a tax return, it risks future IRS penalties and interest for failure to do so.
5. **Create a system of financial accountability:** There are many ways to do this, including multiple check signers, third party audits, and you can even get your members bonded. Not only does embezzlement actually happen to clubs, but fear of embezzlement can create distrust among members. By creating good systems for financial accountability, you can relax and focus on fundraising. A school support organization is required to abide by the “School Support Organization Financial Accountability Act (SSOFAA) and the “Model Financial Policy”.

**SSOFAA:**

[**https://comptroller.tn.gov/content/dam/cot/la/documents/guidance/general-guidance/localeducationsupportgroupspc0326.pdf**](https://comptroller.tn.gov/content/dam/cot/la/documents/guidance/general-guidance/localeducationsupportgroupspc0326.pdf)

**Model Financial Policy:**

[**https://www.comptroller.tn.gov/content/dam/cot/la/documents/manuals/SSO%20MANUAL-2020%20UPDATE%20-%20redesign-Final.pdf**](https://www.comptroller.tn.gov/content/dam/cot/la/documents/manuals/SSO%20MANUAL-2020%20UPDATE%20-%20redesign-Final.pdf)

(The State Comptroller’s Office has issued the above mentioned Procedures Manual – Model Financial Policy for School Support Organizations (SSOs) that all SSOs must follow. See above hyperlink.)

The Comptroller’s Office requires a SSO to have a written accounting policy.

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.

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.

Some things to consider in writing SSO accounting policy:

* All collection and disbursement records, bank statements, imaged checks, receipts/invoices for disbursements, along with copies of the monthly treasurer’s report, payroll reports, other financial and informational reports, and reports filed with state and federal agencies, shall be organized and maintained by the treasurer or bookkeeper by fiscal year. These records must be maintained for at least four years.
* Bills should never be paid in cash. Official prenumbered checks should require two signatures. (Requirement Reminder: Pre-signing blank checks shall never be allowed.)
* Each disbursement by check should have an invoice or receipt to document the authenticity of the disbursement. Checks should not be signed unless the check is accompanied by supporting documentation. When a prenumbered check is used, the treasurer or bookkeeper should write the check number and date paid on the invoice or receipt.
* The bank reconciliation should be performed by someone who does not have signature authority over the checking account.
* Blank check stock should be protected in a locked environment and access should be limited to the treasurer or bookkeeper and one other person who is authorized to sign checks when the treasurer or bookkeeper is not available. The number of persons authorized to sign checks should be kept to a minimum.
* DEBIT AND CREDIT CARDS: (Requirement Reminder: Use of debit and credit cards must be authorized by the officers/board of directors annually. Debit and credit cards must not be utilized unless adequate accounting policies and internal controls can be designed and implemented. SSO officers and board members must be aware that authorizing the use of debit and credit cards increases the risk that fraud may occur.) The following recommended accounting policies and internal controls over debit and credit cards should be considered:
	+ a. The number of cards issued, and the number of authorized users should be limited to the smallest number possible. If one card is used by multiple individuals, a check-out and check-in log should be maintained by the treasurer, bookkeeper, or someone else who is not authorized to use the card.
	+ b. Individual transaction limits and daily transaction limits should be established for each card.
	+ c. Allowable and prohibited types of expenditures should be established. For example, personal purchases made by means of an SSO debit or credit card should be strictly prohibited regardless of whether the purchaser has the intent to repay the SSO. Cash advances should also be prohibited. Using a credit card that is issued in the name of the SSO is a “Best Practice.” Purchases made on a member’s personal debit or credit card or by any other personal payment method should be discouraged and the number of transactions incurred by this method must be strictly limited. If purchases are made on a member’s personal debit or credit card, or by any other personal payment method, the purchase should not be reimbursed without adequate documentation for the purchase. Purchases for which supporting invoices or receipts cannot be obtained shall not be made.
	+ d. Invoices or receipts should be turned in to the treasurer or bookkeeper for all disbursements as soon as possible after the purchase is made. The person who made the purchase should sign the invoice/receipt to document who made the purchase and who received the goods or services.
	+ e. Original invoices and receipts should be reconciled to bank account debits and credit card statements. (Requirement Reminder: Vendor monthly “statements” such as a credit card end of month billing statement must not be used as a substitute for original invoices and receipts.)
	+ f. When possible, debit and credit card purchases should be approved by an officer or a designee of the officers of the SSO in advance of the purchase, such as by using purchase orders or requisitions.
	+ g. A listing of all debit and credit card transactions and the bank or credit card statement should be presented to and approved by the officers and/or board of directors of the SSO at least monthly. This listing should be supported by the original vendor invoices or receipts which should also be provided for inspection.
	+ h. PIN numbers should be protected as confidential information. Passwords to online bank or credit card accounts should also be protected as confidential information. Access to PIN numbers and passwords should only be permitted to the few individuals that are allowed to use the cards. Exception - the treasurer or bookkeeper may have necessary access codes to view the account, to determine what purchases have been made, and to reconcile the accounts, but the treasurer or bookkeeper should not be authorized to use the cards. PIN numbers and passwords should be changed regularly and especially so after someone who had access leaves the SSO.
	+ i. Credit card statement balances should be paid monthly by someone who did not make the purchases and does not have signature authority for the card(s).
* PAYPAL AND SIMILAR ACCOUNTS: (Requirement Reminder: Use of PayPal or similar accounts must be authorized by the officers/board of directors annually. PayPal or similar accounts must not be utilized unless adequate accounting policies and internal controls can be designed and implemented. A payment method such as PayPal, shall only be used if the account is established in the name of the SSO. SSO officers and/or board of directors must be aware that authorizing the use of PayPal or similar accounts increases the risk that fraud may occur.) When implementing the required accounting and internal control policies and procedures listed above, the following recommended accounting policies and internal controls over PayPal or similar accounts should be considered:
	+ a. PayPal accounts should be authorized by the officers and/or board of directors of the SSO at a regular meeting. (Requirement Reminder: Personal PayPal accounts or the use of personal debit or credit cards within such an account, must not be used.)
	+ b. Only one PayPal or similar account should be established.
	+ c. Only one individual should be authorized to make purchases through the PayPal or similar account. The treasurer or bookkeeper may have necessary access codes to view the account and to determine what purchases have been made, but the treasurer or bookkeeper should not be authorized to make purchases through the account.
	+ d. When possible, PayPal or similar account purchases should be approved by the officers and/or board of directors of the SSO in advance of the purchase, such as by using purchase orders or requisitions.
	+ e. A listing of transactions related to the PayPal or similar account should be presented to and approved by the officers and/or board of directors of the SSO at a regular meeting. This listing should be supported by the original vendor invoices or receipts which should also be provided for inspection.
	+ f. If the system will not allow for an electronic invoice or receipt to be printed for the purchase transactions, PayPal or similar accounts should not be used.
* OTHER DISBURSEMENT METHODS: Use of transaction methods such as ACH, bank transfers, wire transfers, automatic withdrawals, etc. is acceptable practice. 15 (Requirement Reminder: Use of transaction methods such as ACH, bank transfers, wire transfers, automatic withdrawals, etc. must be authorized by the officers/board of directors annually. Use of these transaction methods must only be utilized if adequate accounting policies and internal controls can be designed and implemented. SSO officers and board members must be aware that authorizing these types of transactions increases the risk that fraud may occur. )
	+ When implementing the required accounting and internal control policies and procedures listed above, the following recommended accounting policies and internal controls should be considered:
	+ a. Transactions should be approved in advance by the officers and/or board of directors of the SSO. The treasurer or bookkeeper should not be authorized to execute these types of transactions without prior approval of the officers and/or board of directors.
	+ b. Automatic withdrawals should be reauthorized by the officers and/or board of directors at least annually.
	+ c. The officers and/or board of directors should authorize only one person within the organization to execute the approved transactions.