

# Lexington County School District One Support Organizations Training

Presented by

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# Agenda

- General Information
- Setting Up Support Organization
- Financial Policies and Controls
- Fundraising
- Annual Considerations/Reporting

# General Information

- Why are we here?

Review Support Organizations and Fundraising Guide, prepared by District with the assistance of parents, students and staff

- [https://www.lexington1.net/cms/lib/SC50000473/Centricity/Domain/1543/Support Organization Guide.pdf](https://www.lexington1.net/cms/lib/SC50000473/Centricity/Domain/1543/Support%20Organization%20Guide.pdf)

- Share compliance requirements affecting South Carolina nonprofit organizations and resources available to help

Ask questions regarding your role and requirements

# Setting Up Support Organizations

- Have a plan
  - Organization's exempt purpose
  - Name original Board of Directors
- Bylaws are required by District policy
  - Provide a current copy to school principal
  - Re-file with principal each time bylaws are amended

# Setting Up Support Organizations

- Regulatory Requirements

IRS – Employer Identification Number (EIN) Form SS-4 (no fee)

SC Secretary of State – Articles of Incorporation (\$25 fee)

SC Secretary of State – Initial Charitable Registration

- Plan to raise more than \$20,000 or receive contributions from 10 or more people (\$50 fee)
- If above does not apply, may apply for exemption (no fee)

# Setting Up Support Organizations

- Regulatory Requirements

  - IRS – Nonprofit Status

    - 29 different “501c” types
    - 501(c)(3) = 72% nonprofits are public charities, 7% private foundations
      - Eligible to receive tax-deductible contributions
    - 501(c)(4) = civic league/social welfare organizations
    - 501(c)(6) = chamber of commerce/trade associations

# Setting Up Support Organizations

- Regulatory Requirements

  - IRS – Nonprofit Status

  - IRS Form 1023 series application

  - Form 1023 (\$600 fee)

    - Attach bylaws, Articles of Incorporation

    - Can take 3-24 months to process

  - Form 1023-EZ (\$275 fee)

    - Complete 8 page eligibility worksheet

    - Register for account on Pay.gov and complete form online

# Financial Policies and Controls

- School Board's Policies:

  - JJE and JJE-R – Student Fundraising Activities

  - LEC and LEC-R – Support Organizations

- Individuals who must have background checks:

  - Officers

  - Volunteers handling money

  - Individual/vendor who will work alone with students

# Financial Policies and Controls

- Funds Management

School administrator must be present at all support organization meetings, which are to be held on school property

For Booster Clubs, director from the school must be present also

Transfers from school pupil activity accounts to support organizations are not permitted

# Financial Policies and Controls

- Funds Management

Support organizations must comply with all sales and accommodations taxes

- Exemption may be available – SCDOR Form ST-387 (file through SCDOR website: <https://mydorway.dor.sc.gov/>)

Organization should communicate with their bank to determine if any other accounts exist using organization's Federal ID #

No District employee is allowed to be a signer on any support organization bank account or be given a debit/credit card

# Financial Policies and Controls

- Funds Management

Pre-numbered receipts are to be used and accounted for and provided to the Treasurer as support for deposits

At least two people should count money at events and a deposit slip must be made out immediately afterwards and deposited or dropped into the overnight deposit box

- Do not keep cash overnight at school or in homes of members

Deposit/cash sheet must be filled out with at least two signatures on the sheet

# Financial Policies and Controls

- Funds Management

If canteen/other sales involved, account for change in inventory and cash.

If anyone removes cash from drawer, there should be a signed document showing:

- Amount of cash removed
- Receipt for additional purchases made for the canteen
- Any amounts returned
- Must be witnessed by another party when the cash is removed and when returned

# Financial Policies and Controls

- Funds Management

All payments must be approved by the president with a check number, date paid and signature of approval for payment documented on the invoice/store receipt

Invoices should be filed alphabetically and retained for six years

Support organizations must be careful in making payments to individuals – reimbursements should have receipts

# Financial Policies and Controls

- Funds Management

Support organizations should never make a payment directly to a district employee for services performed for the organization

- The organization can provide funds to the school instead, including the employer's share of FICA (7.65%) and retirement (24.06%)
- Support staff may need to be paid at time and a half for extra hours

For payments to individuals other than District employees:

- Employee (W-2) vs. contractor (1099)

# Financial Policies and Controls

- Funds Management

Monthly bank reconciliations are to be prepared timely by someone other than check signer/approver (typically the organization's Treasurer will prepare)

Retain bank reconciliations for a period of six years

Treasurer should make a financial statement available to the organization on a regular basis

Consider purchasing a surety bond insurance policy to cover those responsible for the organization's money (typically president and treasurer)

# Fundraising

- Final approval of all support organization fundraising rests with the school's principal
- Activities should have a purpose and use for funds raised as well as broad acceptance by organization's membership
- The purpose for fundraising is not to make money for a salesperson or company but for the organization
- Fundraiser profits should typically be 50 percent of sales or more

# Fundraising

- Fundraisers where the money is collected first, orders are taken and the products are delivered later tend to work best
  - Bad checks and lost products are less of a problem
- Let purchasers know the value of the product sold
  - Contributions in excess of value of product received is eligible for a tax-deduction

# Fundraising

- Door-to-door sales by students are not condoned by Lexington County School District One
- Solicitations include ads for booster programs, discounts for products sold by businesses and cash donations
  - Cash donations should be receipted when received
  - Generally best to only accept a check made payable to organization

# Fundraising

- Businesses commonly receive solicitations from nonprofit organizations, including local schools and support organizations.
- The best fundraisers provide a wanted service, needed product, or entertainment.
- At no time may students be required to participate in fundraising activities in order to enroll in, be graded on, or pass a course.

# Annual Considerations/Reporting

- Governance
- Volunteer Service
- Fundraising
- Management

# Annual Considerations/Reporting

- Annual Reporting:

IRS Form 990 series

- Information return is due by 15<sup>th</sup> day of 5<sup>th</sup> month after fiscal year end
- Six month extensions are available for Form 990 and Form 990-EZ
- Made available for free to general public (one source is [Guidestar.org](http://Guidestar.org))
- 990 forms not timely filed are subject to penalties of \$20 per day, up to \$10,000
- If the appropriate Form 990 series forms are not submitted to the IRS for three consecutive years, the organization's tax-exempt status will be automatically revoked

# Annual Considerations/Reporting

- Annual Reporting:

IRS Form 990 series

- Form 990 (gross receipts  $\geq$  \$200,000 and total assets  $\geq$  \$500,000)
  - 12 page form (plus required schedules)
- Form 990-EZ (gross receipts  $<$  \$200,000 and total assets  $<$  \$500,000)
  - 4 page form (plus required schedules)
- Form 990-N (gross receipts normally  $\leq$  \$50,000)
  - “e-postcard” electronically filed return, 8 items, must be timely filed

# Annual Considerations/Reporting

- Annual Reporting:

- IRS 990-T “Exempt Organization Business Income Tax Return”

- Publication 598 has examples of unrelated business income

- SC SOS Registration Statement for a Charitable Organization (or exemption)

- SC SOS Annual Financial Report for Charitable Organizations

- Form 990 or 990-EZ is also accepted in lieu of this form
  - Both registration statement and financial report due same day as 990