

THE SCHOOL DISTRICT OF GREENVILLE COUNTY

# SUPPORT GROUP TRAINING



# WHY ARE WE DOING THIS?

- The District appreciates the assistance that support groups provide to students
- Consistency of general practices and financial reporting will help ensure efficiency, effectiveness and compliance with the new District guidelines for the groups
- Periodic meetings such as this also encourage good communication and networking among District staff and groups that can hopefully help us all learn from one another and encourage best practices

# WHY ARE WE DOING THIS?

- Studies have shown that:
  - Less than 40% of support groups have tax-exempt status but think they can accept tax-deductible contributions
  - Less than 40% of support groups have written policies and procedures
  - Less than 50% file the annual state reports and 990 tax returns on a timely basis
- In our experience
  - Numerous support groups have lost their ability to operate in SC or their tax-exempt status due to not filing reports
  - The risk of fraud is high due to poor financial controls (primarily lack of segregation of duties) and officers not understanding what and how things can go wrong
- Unclear and poor financial record keeping can lead to many issues and potential problems

# AGENDA

- General information
  - District administrative rules
  - Greene Finney (“GF”) recommended financial policies and controls
  - Fundraising
  - Reporting
  - Learning from the past
  - Q&A
- 
- **NOTE:** This presentation is not intended to provide professional legal advice. We recommend you seek legal assistance in establishing and operating your nonprofit as considered necessary.

**BUT FIRST...**

**A QUIZ!**

# GENERAL INFORMATION

- Support Group basics
  - IRS
  - SC Secretary of State
  - Risk Management

# GENERAL INFORMATION

- Support groups (separate legal entity)
  - Articles of Incorporation
    - Must include IRS required language for pursuing tax exempt status ([IRS Website](#))
  - By-laws (review annually)
  - Employer Identification Number (“EIN”) from IRS ([IRS Website](#))
    - Need EIN to open bank account
  - Must register with the SC Secretary of State—some of you may be exempt from this requirement ([SC Secretary of State Website](#))



# GENERAL INFORMATION

- Support groups
  - Develop files (paper or electronic) with all pertinent information in writing so the transition to new officers is easier
  - Establish policies, procedures and practices
    - Understand District policy and procedure requirements in addition to your own by-laws
    - Consider the establishment of committees as needed; especially consider for finance/audit
  - Accounting for the financial activity
    - Encourage using software-QuickBooks most common



# GENERAL INFORMATION

- **IRS**
  - **Separate legal charitable entities must**
    - **Apply for Employer Identification Numbers (“EIN”)**
      - **Can get easily over the phone or on IRS website**
      - **Having an EIN does not mean you are tax exempt!**
    - **Apply for tax-exempt status (see Publication 557 and Form 1023 at [IRS Website](#)) to enable donations to be tax-exempt for donors**
      - **Note that the IRS has now created a Form 1023-EZ form for smaller entities applying for tax-exempt status**
      - **There is an eligibility worksheet/questionnaire at the end of the instructions for Form 1023-EZ to determine if your entity qualifies**
      - **You should receive two letters from the IRS**

# GENERAL INFORMATION

- **IRS**
  - **Separate legal charitable entities must**
    - **File annual 990 tax return with the IRS**
      - **There is form 990-N for smallest organizations (must be filed electronically)**
        - **Gross annual receipts normally \$50,000 or less**
      - **There is form 990-EZ for smaller organizations**
        - **Less than \$200,000 in annual gross receipts**
        - **Less than \$500,000 in assets**
      - **Due 4 ½ months after fiscal year end**
    - **Keep copies of all of these documents for organization records**

# GENERAL INFORMATION

- SC Secretary of State (SOS)
  - Separate legal charitable entities must
    - Register with the South Carolina Secretary of State ([South Carolina Secretary of State Website](#))
      - Registration statement for charitable organizations
      - Note there is an application for exemption from registration; you may or may not be considered exempt.
    - File annual financial reports with the South Carolina Secretary of State ([South Carolina Secretary of State Website](#))
      - The IRS 990 form has been acceptable in the past as the annual financial report, but you need to check to make sure that is still correct
    - Annual registration statements and annual financial reports must be filed within 4 ½ months after fiscal year end and can be completed online.

# GENERAL INFORMATION



- Risk Management
  - As an officer, you and the support group can be sued anytime for anything and it becomes your responsibility to defend yourself, even to prove to a judge that you should not be a defendant.
  - Good Samaritan law
  - Volunteer Protection Act

# GENERAL INFORMATION

- Risk Management
  - The bottom line is you and your support group need to discuss the following:
    - What risks does your organization face?
    - What risks are low enough for you to accept?
    - What risks can you manage on your own through policies that pass legal muster, etc?
    - What risks do you need outside help with?



# GENERAL INFORMATION

- Risk Management

- For those risks you determine you need outside help with, insurance can be a good option:
  - General liability
  - Event
  - Bonding
  - Directors and officers
- NOTE: know whether the organization falls under the District/School insurance policies under certain circumstances

# DISTRICT ADMINISTRATIVE RULES

- Discuss how these rules were developed
- As a starting point your support group must:
  - Appoint/elect officers
  - Operate on a Fiscal Year schedule
  - Have a separate Employer Identification Number with the IRS (and not use the school's or the District's)
  - Have Articles of Incorporation
  - Have By-laws, to include clause that says if the organization shuts down for any reason, the remaining funds go to the appropriate school
  - Open a bank account in name of organization authorized by the School Support Group Board
  - Register with the SC Secretary of State
  - Obtain tax-exempt status with the IRS (booster clubs)
  - Maintain paper and/or electronic files of all records

# DISTRICT ADMINISTRATIVE RULES

- As a starting point your support group must:
- Establish and maintain the following internal controls with the goal of accountability and transparency:
  - The financial policies and procedures should be in writing and readily accessible and available
  - Annual adopted budget which is submitted to membership and is readily accessible and available
  - Annual financial audits or reviews or at the very least an internal review by people that are not officers; whoever does the audit or review should sign and date
  - Ensure adequate segregation of duties among officers (see later slides)
  - Two signatures on all checks (should consider 3 or 4 authorized signatures on bank account)



# DISTRICT ADMINISTRATIVE RULES

- As a starting point your support group must:
- Establish and maintain the following internal controls with the goal of accountability and transparency (continued)
  - Deposits made timely and no monies maintained at anyone's home or car
  - Maintain blank checks in safe and secure location
  - Strict rules about original receipts for reimbursements
  - Regular inventory counts and reconciliations by at least two people
  - Restricted, designated or earmarked funds need to be accounted for in a separate ledger account
  - School Support Group financial transactions versus school transactions should be segregated and accounted for separately
  - If credit cards are used, then credit card policies and procedures must be in writing

# DISTRICT ADMINISTRATIVE RULES

- Annual compliance requirements to operate as a school support group with a school:
  - Submit 990 tax return to the IRS
  - Proper filings with the SC Secretary of State
  - Requirements of any state or national umbrella organization
  - Filings to School Principal or his/her designee for information purposes only:
    - 990 tax return
    - Annual Financial Report, which includes the year-end bank statement and bank reconciliation
    - Written verification that the school support group is in good standing with the umbrella organization, if applicable
    - Written verification that school support group is in good standing with the SC Secretary of State
- Note: if the above information is not provided, in a timely manner, the organization may not be approved to operate with the school and district

# DISTRICT ADMINISTRATIVE RULES

- District recommendations for basic internal controls with a goal of accountability and transparency
  - Have two people present, if possible, for receipting of monies at events, receipts are counted (and reconciled to tickets if a ticketed event) and documented with both people's signatures and dates
  - Issue receipts for donations
  - Bank account reconciled and reviewed by a knowledgeable second person within 30 days after month end (preparer and reviewer should sign and date the reconciliation)
  - Monthly or quarterly financial reports to board officers that is also readily accessible and available upon request
  - Utilize a financial software package
  - Bonding insurance for officers and others who are involved in receipts and disbursements, and otherwise handle monies

# DISTRICT ADMINISTRATIVE RULES

- District recommendations for basic internal controls with a goal of accountability and transparency
  - Consider liability insurance
  - Consider Directors and Officers insurance
  - Make sure officers understand private inurement
  - Make sure officers understand restrictions on what resources can be used for
  - Consider using Roberts Rules for board meetings
  - Establish a finance committee that includes persons with financial knowledge
  - School support group officers and school principals and/or assistant principals attend District's annual school support group training

# OTHER CONSIDERATIONS



- Big picture
  - Put in writing
  - Remember, it is all about RISK
  - General principle: always include two people whenever cash or an obligation is involved-primarily cash receipts and cash disbursements

# OTHER CONSIDERATIONS

- Someone independent should look at finances regularly
  - Volunteer CPA or person with financial experience
  - Finance or audit committee
- Do not write checks to “cash”. No check should ever be written without a receipt, invoice or some support document.
- No checks should be written to school employees for services rendered or work completed
- Timely bank reconciliations and review (not by the two people who can sign the checks)

# OTHER CONSIDERATIONS

- Set up one cash point with at least two people for special events
- Create a trail for all transactions (if someone does not want to keep good records, a loud alarm should be going off in your mind!)
- Use pre-numbered receipts
- Reconcile tickets or receipts with cash immediately after the event and have at least two people sign and date the reconciliation (and then give to the treasurer) and complete the deposit slip.
- Deposit immediately at bank (use night drop if after bank is closed)
- We recommend bonding insurance

# OTHER CONSIDERATIONS

- Segregation of duties are critical
  - The majority of fraud occurs at support groups because one officer (usually the President or Treasurer) is given too much responsibility with little or no oversight
  - Basic segregation of duties for financial controls include:
    - One person should not collect cash or checks by themselves (especially cash)
    - The same person should not make deposits and reconcile the bank account(s)
    - The same person should not prepare/sign checks and reconcile the bank account(s) (or a second person should do a detailed review)
    - Same person should not be able to add new vendors to QuickBooks and prepare and sign checks on their own

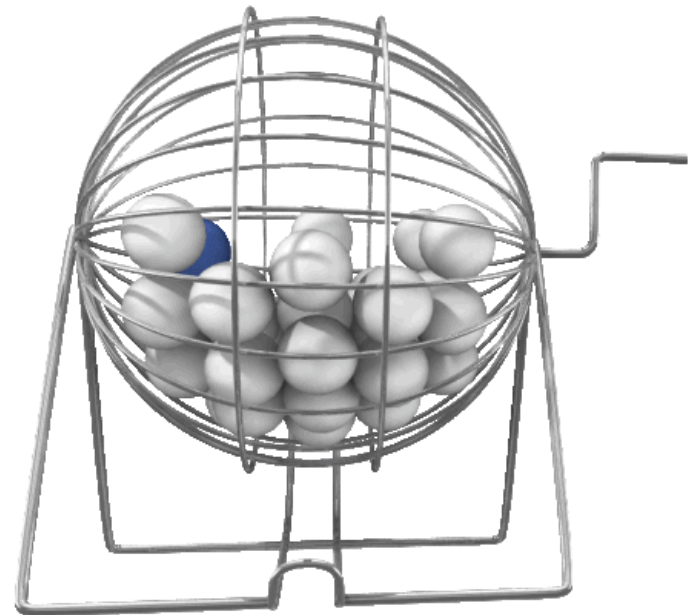


# OTHER CONSIDERATIONS

- Monitoring is very important
  - The financial statements should be detailed enough to include the balances for every general ledger account (not summarized)
  - Each officer should closely review the financial statements and look for unusual or unexpected balances
    - Miscellaneous revenues and expense should not be used or used very minimally
    - Are the receipts and disbursements about what you would have expected
    - Are there any unusual expense account descriptions or account balances that don't make sense to you?
  - If the organization has multiple accounts bank transfers should not be authorized by just one person and the bank should be notified of your policy

# FUNDRAISING-RAFFLES

- New law passed in November, 2014
- [South Carolina Secretary of State Website \(Raffles\)](#)
- District also has policies regarding fundraising included in the support organization manual



# LEARNING FROM THE PAST

- Importance of accurate and complete financial records
- Lost tax-exempt status (not filing 990 to IRS)
- Lost ability to operate in SC (not filing registration and financial reports with SOS)
- Lost monies-lack of segregation of duties/properly reviewing bank reconciliations and financial reports have caused:
  - Checks written for personal expenses
  - Cash transferred to personal accounts
  - Cash used for unintended purposes
  - Make sure bad checks are really bad checks
  - Fraud at special events
  - Miscellaneous expense account

# SUMMARY

- Take the time now to make sure your organization either has the documents to be in compliance with district, state and feds, or work on gathering/preparing them
- Get organized with a:
  - Good team
  - Good policies, procedures and practices
  - Good financial bookkeeping and reporting
  - Good communication with the School, District and other organizations
- The District is here to help, so don't hesitate to ask questions or ask for help