

Parent Organizations

A Quick Reference Guide to Establishing Non-Profits

A complete set of guidelines for Parent Organizations (PTOs/Booster Clubs) is available on the Spring ISD website and a copy is maintained at each campus. This reference guide is intended to provide a summary of the primary points of emphasis.

DISTRICT REQUIREMENTS OF PARENT ORGANIZATIONS

- Obtain a unique Employer Identification Number (EIN). parent organizations are not permitted to use the District's EIN or its Texas Sales Tax Permit Number
- Obtain Federal Tax-Exempt status as a public 501(c)(3) charitable organization by applying for and obtaining a Letter of Determination from the IRS that states the organization is exempt
- If the PTO is new, apply for and receive tax-exempt status from the IRS within one year from the date the organization is formed
- If the PTO loses its public 501(c)(3) tax exempt status or if it expires, take the necessary steps to regain tax-exempt status within one year from the date of notification from the IRS of the loss of exemption or within one year from the expiration date

STEPS TO OBTAIN TAX-EXEMPT STATUS AS A NON-PROFIT ORGANIZATION

If the parent organization has not obtained tax-exempt status as a non-profit organization, it may follow the steps below to obtain it:

- Obtain information on tax-exempt status from IRS Form 1023 checklist
- Create Articles of Incorporation
- Prepare Form 202 – Certificate of Formation – Nonprofit Corporation and file with the Office of the Secretary of State
- Obtain approval by majority vote at membership meeting
- File for an IRS Employer Identification Number (EIN)
- Prepare Bylaws and approve by majority vote at membership meeting (held after incorporation is complete)
- Prepare IRS Form 1023 – Application for Recognition of Exemption

- File IRS Form 8718 – User Fee for Exempt Organization Determination Letter Request
- Mail the following forms to the IRS:
 - Form 8718 and check for filing fee (\$400 if gross proceeds for last 4 years or anticipated proceeds for first 4 years average less than \$10,000; \$850 if averaging over \$10,000)
 - Form 1023, Application for Recognition of Exemption
 - Copy of Certificate of Incorporation from Secretary of State
 - Articles of Incorporation
 - Copy of signed Bylaws

STEPS TO OBTAIN EXEMPT STATUS FROM STATE SALES AND USE TAXES

After receiving a Determination Letter from the IRS indicating your organization qualifies as a public 501(c)(3) charitable organization, request exempt status from State sales and use taxes and franchise taxes as follows:

- Complete form AP-205 – Texas Application for Exemption – Charitable Organizations located in the Texas State comptroller's website
- Print completed form and mail it along with a copy of the Articles of Incorporation and IRS Determination letter to the Exempt Organization Section of the Comptroller of Public Accounts

APPLY FOR SALES & USE TAX PERMIT

After your organization receives a letter from the State Comptroller approving an exemption from State sales and use taxes, apply for a State Sales & Use Tax Permit if your organization will be selling taxable items on days other than your two (2) one-day tax-free days

- Complete form AP-201 – Application for Sales and Use Tax Permit located in the Texas State comptroller's website
- If your organization currently has a permit number (prior to becoming a public 501(c)(3) charitable organization) indicate the number of the form so that the old account can be closed when the new permit is issued.
- Print completed form and mail it to the Comptroller of Public Accounts

OPENING A BANK ACCOUNT

Once an EIN has been received, use it to open a bank account. Each parent organization must have a separate bank account at a facility in proximity to the school.

A member's social security number should not be used as the organization's EIN for banking and/or other purposes.

IRS FILING REQUIREMENTS

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

- Form 990 if gross receipts normally exceed \$200,000
- Form 990EZ if gross receipts normally exceed \$50,000
- Form 990-N (e-postcard) if gross receipts are less than \$50,000

These forms are due on the 15th day of the fifth month after the end of the fiscal year of the parent organization. The IRS imposes financial penalties if you fail to complete these forms.

Keep a copy of the completed IRS Forms in the parent organization permanent files and forward a copy to both the principal and the Family and Community Engagement

FREQUENTLY USED LINKS/FORMS

- State of Texas Form 201 – Certificate of Formation For Profit Corporation
http://www.sos.state.tx.us/corp/forms/201_boc.pdf
- State of Texas Form 202 – Certificate of Formation Non Profit Corporation
http://www.sos.state.tx.us/corp/forms/202_boc.pdf
- State of Texas Form 205 – Certificate of Formation Limited Liability Corporation
http://www.sos.state.tx.us/corp/forms/205_boc.pdf
- State of Texas Form 807 – Payment Form
<https://webservices.sos.state.tx.us/forms/payment.pdf>
- IRS Form SS-4 – Application for Employer Identification Number
<http://www.irs.gov/pub/irs-pdf/fss4.pdf>
- IRS Form 990 – Return of Organization Exempt From Income Tax
<http://www.irs.gov/pub/irs-pdf/f990.pdf>
- IRS Form 990 EZ – Short Form: Return of Organization Exempt From Income Tax
<http://www.irs.gov/pub/irs-pdf/f990ez.pdf>
- IRS Form 1023 – Application for Recognition of Exemption
<http://www.irs.gov/pub/irs-pdf/f1023.pdf>
- IRS Form 2848 – Power of Attorney and Declaration of Representative
<http://www.irs.gov/pub/irs-pdf/f2848.pdf>
- IRS Form 5768 – Election to Make Expenditures to Influence Legislation
<http://www.irs.gov/pub/irs-pdf/f5768.pdf>
- IRS Form 8718 – User Fee for Exempt Organization Determination Letter Request
<http://www.irs.gov/pub/irs-pdf/f8718.pdf>
- IRS Form 8821 – Tax Information Authorization
<http://www.irs.gov/pub/irs-pdf/f8821.pdf>

BEST PRACTICES FOR PARENT ORGANIZATIONS

- Follow all laws and applicable Spring ISD guidelines, including those pertaining to fundraising activities
- Provide the Principal and Family and Community Engagement department with a list of the PTO/Booster Club officers at the beginning of each school year and as officers change.
- Update the authorized signers on your bank accounts as officers change.
- Ensure that your PTO is in good standing as a valid non-profit organizations on a yearly basis
- All monies received in the name of the PTO/booster club must be receipted, deposited into the PTO/booster club checking account and accounted for through the financial records.
- It is imperative that all monies collected are properly safeguarded
- Request a W-9 from all vendors before issuing them a check for work performed on behalf of the PTO/booster club
- Give receipts to individuals
- Deposit funds daily
- Check account balance before making any purchases
- Develop a pre-approval process for all expenditures
- Ensure your bylaws require two signatures on checks
- Ensure at least two persons are present when collecting and/or counting cash
- Perform Monthly Reconciliations
 - Create a spreadsheet to track all financial transactions; the bookkeeping procedures shall include receipts, deposits, issuance of checks and purchasing
 - Review Bank Statement – Share the bank statement with the officers and principal. The President should review the bank statements on a monthly basis.
 - Always balance your spreadsheet to the bank statement; you must always be able to reconcile the finances at the close of each month.
- Audit
 - Perform a financial audit and/or annual accounting each year
 - Retain all financial records, including receipt books for a minimum of 5 years.

FUNDRAISERS

A Fundraising Project Request form must be submitted to the Principal (or designee) prior to planning fundraisers for the current school year.

The form must be approved by the campus principal at least two weeks before the scheduled.

HELPFUL CONTACTS

Spring Independent School District

Director, Parent Engagement (281) 891-6019
Financial Services Division (281) 891-6068
(281) 891-6072

Obtain a Nonprofit Corporation Name

Secretary of State (512) 463-5582
Corporations Section
Statutory Filings Division
Office of the Secretary of State
P.O. Box 13697
Austin, TX 78711-3697

Obtain an Employer Identification Number

Internal Revenue Service (800) 829-4933
Fax (859) 669-5760

Application for Recognition of Exemption

Internal Revenue Service (877) 529-5500
P.O. Box 192
Covington, KY 41012-0192

Exemption from state sales and use taxes

Texas State Comptroller (800) 252-5555
Comptroller of Public Accounts
Exempt Organizations Section
P.O. Box 13528
Austin, TX 78711-3528

State Sales & Use Tax Permit

Texas State Comptroller (800) 252-5555
Comptroller of Public Accounts
111 E. 17th Street
Austin, TX 78774-0100

Form 990/990EZ Filing

Internal Revenue Service (877) 829-5500
Ogden, UT 84201-0027

Spring ISD

Quick Reference Guide for Parent Organizations

Parent Organizations are a formal organization of parents, teachers and school staff of an elementary, middle, or high school that facilitates parental participation and whose activities include fund raising on behalf of the school or its students.

